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# REGULAR REPORT

ON

MALTA'S

PROGRESS TOWARDS ACCESSION

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# REGULAR REPORT

ON

Malta's

PROGRESS TOWARDS ACCESSION

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## **Introduction**

### *Preface*

In October 1999, following the February 1999 update of the Commission's opinion on Malta's application for membership, the Commission issued its first Regular Report on Malta's progress towards accession with a view to the Helsinki European Council. In its 2001 Enlargement Strategy Paper, which accompanied the 2001 Regular Reports, the Commission indicated that, given the pace of negotiations and the progress made so far, the Commission should be able to make recommendations on those candidate countries ready for accession on the basis of its 2002 Regular Reports. At its meeting in Seville in June 2002, the European Council concluded that "in order to enable the European Council to be held in the coming autumn to decide which will be the candidate countries with which negotiations can be concluded at the end of 2002, [...] the Commission will have to draft appropriate recommendations in the light of the Regular Reports." The Commission has prepared this series of Regular Reports with a view to the Brussels European Council in October 2002.

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The structure followed for this Regular Report is largely the same as that used for the 2000 and 2001 Regular Reports. In line with previous Regular Reports, the present Report:

- describes the relations between Malta and the Union, in particular in the framework of the Association Agreement;
- analyses the situation in respect of the political criteria set by the 1993 Copenhagen European Council (democracy, the rule of law, human rights, protection of minorities);
- assesses Malta's situation and prospects in respect of the economic criteria defined by the Copenhagen European Council (a functioning market economy and the capacity to cope with competitive pressures and market forces within the Union);
- addresses the question of Malta's capacity to assume the obligations of membership, that is, the *acquis* as expressed in the Treaties, the secondary legislation and the policies of the Union. In this part, special attention is paid to nuclear safety standards, which were emphasised by the Cologne and Helsinki European Councils. This part includes not only the alignment of legislation, but also the development of the judicial and administrative capacity necessary to implement and enforce the *acquis*. The European Council stressed the importance of this latter aspect at its meeting in Madrid in 1995 and on a number of subsequent occasions, most recently at Seville in June 2002. At Madrid, the European Council stressed that the candidate countries must adjust their administrative structures so as to create the conditions for the harmonious integration of these States. The Seville European Council also stressed how important it was that candidate countries should continue to make progress with the implementation and effective application of the *acquis*, and added that candidate countries must take all necessary measures to bring their administrative and judicial capacity up to the required level.

This Report takes into consideration progress since the 2001 Regular Report. It covers the period up to 15 September 2002. In some particular cases, however, measures taken after that date are mentioned. It looks at whether planned reforms referred to in the 2001 Regular Report have been carried out, and examines new initiatives. In addition, this Report provides a global assessment of the overall situation for each of the aspects under consideration, setting out for each of them the main steps still to be taken by Malta in preparing for accession.

Furthermore, in view of the fact that the 2002 Regular Reports will provide the basis on which the Commission will formulate its recommendations as to which countries are ready to conclude negotiations, this Report includes an evaluation of Malta's track record since the 1999 Opinion. For the economic criteria the track record covers the period since 1997 and the report also provides a dynamic, forward-looking evaluation of Malta's economic performance.

For each of the negotiating chapters, this report provides a summary evaluation of the extent to which commitments made in the negotiations have been implemented, as well as an overview of transitional arrangements that have been granted. The commitments made by each country reflect the result of the accession negotiations, and, in accordance with the principle of differentiation underlying the negotiation process, may differ between countries. Where negotiating countries have committed themselves to completing specific measures by the time of accession, the Commission assesses the relevant preparatory processes. For chapters on which the accession negotiations continue, and final commitments remain to be defined, an indicative assessment is given of the state of implementation of the commitments that have been made to date. The Report contains a separate section examining the extent to which Malta has addressed the Accession Partnership priorities. This section also assesses the progress Malta has made in implementing the measures set out in the Action Plan for strengthening administrative and judicial capacity that the Commission developed with each negotiating country in the spring of 2002.

As has been the case in previous Reports, "progress" has been measured on the basis of decisions actually taken, legislation actually adopted, international conventions actually ratified (with due attention being given to implementation), and measures actually implemented. As a matter of principle, legislation or measures which are in various stages of either preparation or Parliamentary approval have not been taken into account. This approach ensures equal treatment for all the candidate countries and permits an objective assessment of each country in terms of their concrete progress in preparing for accession.

The Report draws on numerous sources of information. The candidate countries have been invited to provide information on progress made in preparations for membership since the publication of the last Regular Report. The information each of the candidate countries has provided within the framework of the Association Agreement and the negotiations, the National Programmes for the Adoption of the *Acquis* where they are available, as well as the process of developing the Action Plans, and various peer reviews that have taken place to assess candidate countries' administrative capacity in a number of areas, have served as additional sources. Council deliberations and European Parliament reports and resolutions have been taken into account in the preparations. The Commission has also drawn on assessments made by various international organisations, and in particular the contributions of the Council of Europe, the OSCE and the international financial institutions, as well as those of non-governmental organisations.

## *Relations between the European Union and Malta*

### *Recent developments under the Association Agreement, including bilateral trade*

The Association Agreement provides the legal base for the relations between the EC and Malta.

The sixth meeting of the Association Committee was held in Valetta in July 2001 and its next meeting is scheduled for 28 November 2002 in Brussels. The main items on the agenda are the monitoring of Maltese commitments on the Accession Partnership and the National Programme for the Adoption of the *Acquis* as well as trade-related issues (mutual concessions on trade in agricultural produce and processed agricultural products).

Since the Commission's last Regular Report, the Joint Parliamentary Committee comprising representatives of the Maltese and European Parliaments met in November 2001 in Brussels and in April 2002 in Malta. A study visit to Malta by members of the Economic and Social Committee took place in March 2001. It was followed by the publication of a report in July 2001 giving the "Opinion of the Economic and Social Committee on Malta on the road to accession". The President of the Committee of the Regions visited Malta in January 2002.

The EC remains Malta's principal trading partner, accounting for around 41.7% (€1.2 billion) of Malta's exports and 63.4% (€ 2.4 billion) of its imports in 2001, as compared to 33.5% and 59.9%, respectively, in 2000. This change in trade patterns is largely due to fluctuations in the activity of the country's main electronics manufacturer, which accounts for approximately 60% of the total manufacturing exports, and trades extensively with Asia and the United States semi-finished industrial supplies and exports mainly electronic equipment.

In February 2002, the Council adopted a mandate authorising the Commission to enter into negotiations with Malta with a view to improving reciprocal agricultural trade concessions. Proposals were presented to Malta along the lines of the approach adopted with the countries of Central and Eastern Europe in the "double profit" negotiations.

Malta has continued to implement a plan to dismantle by 2003 all levies on products imported from the EC, except for agricultural produce. An agreement between the EC and Malta on mutual concessions with regard to trade in fish and fishery products was signed in December 2001 and entered into force in January 2002. It has been adopted as an additional protocol to the Association Agreement.

In March 2002, in response to protectionist measures taken by the US, which greatly restricted access to their market and created the risk of considerable trade diversion, the EU initiated provisional safeguard measures, with erga omnes effect, on imports of certain steel products. The measures were partly confirmed in September 2002.

## *Accession Partnership*

A revised Accession Partnership was adopted in January 2002. Its implementation is reviewed in Part D of this Report.

### *Action Plan for reinforcing administrative and judicial capacity*

As announced in the Commission's 2001 Enlargement Strategy, in spring 2002 the Commission and Malta jointly developed an Action Plan to strengthen Malta's administrative and judicial capacity, on which a common understanding was reached in March 2002. The revised Accession Partnership adopted in January has served as the point of departure for this exercise.

The purpose of this Action Plan is to identify jointly the next steps required for Malta to achieve an adequate level of administrative and judicial capacity by the time of accession, and ensure that all necessary measures in this regard are taken, providing Malta with targeted assistance in areas that are essential for the functioning of an enlarged Union. As such, the Action Plan is a key tool for meeting the common objective of the EU and Malta, i.e. to ensure that Malta's preparations for accession take place as effectively as possible within the planned time frame.

The implementation of the Action Plan is reviewed in Part D of this Report.

### *National Programme for the Adoption of the Acquis*

Malta submitted an updated version of the National Programme for the Adoption of the *Acquis* (NPAA) to the Commission in December 2001.

## *Community Assistance*

In response of a request made by the Council in March 1999, the Commission proposed a pre-accession regulation for Malta in October of the same year. The Council approved the regulation on the implementation of operations within the framework of the pre-accession strategy for Malta in March 2000.

It provided for pre-accession aid to Malta totally €38 million for the 2000-2004 period, to be used mainly for institutional capacity building and participation in Community programmes. The regulation also provided for Malta's participation in MEDA regional programmes. In addition, Malta is eligible for the EIB pre-accession facility and for the € 6.425 billion EIB facility for Mediterranean countries.

In 2002, the total pre-accession aid allotted to Malta was € 9.5 million. The programme focused on the following priorities: Establishing Institutional Capacity in the Environment Sector (€0.7 million); Veterinary Control - Animal / Public Health (€0.6 million); Capacity building at the Plant Health Department (€0.9 million); Setting up the Viticulture Unit (€0.5 million); Strengthening Fisheries and Monitoring Control (€0.4 million); Reinforcement of setting up the Medicines Authority (€0.9 million); Technical Assistance and Administrative Co-operation (€1.6 million); Trans-European Networks feasibility studies (€1 million); Malta's participation in EC education programmes (€1.2 million)

Malta participates in and benefits from multi-country and horizontal programmes, such as TAIEX. It is also a participant in the Community education programmes, SOCRATES, LEONARDO and YOUTH, in the Multi-annual Programme for Enterprises and Entrepreneurship and in the Research Framework Programme. It takes part in MEDA regional programmes such as EUMEDIS (Information Society) and SMAP (Environment). Finally, following the ratification and entry into force of the agreement, Malta affiliated to the European Environment Agency in January 2002.

To streamline Community legal procedures and thereby facilitate Malta's future participation in Community programmes, an agreement has been concluded between the European Community and Malta which lays down the general principles governing such participation.

The pre-accession aid granted in 2000 and 2001 is having an impact on administrative capacity, notably in the fields of customs and tax on the one hand, and occupational health & safety on the other. Projects in other sectors, including asylum and border management, regional policy and the new and global approach in the area of standardisation, are comprehensive and address all shortcomings gaps and needs in their respective areas.

The 2000 Phare Review, whose conclusions also apply to Malta's pre-accession programmes, confirmed the accession-driven approach and emphasised the importance of helping countries to prepare for the Structural Funds. The Review envisages full decentralisation of the management of the pre-accession funds from 2002 if the strict pre-conditions set down in Co-ordination Regulation No 1266/99 are met. Secondly, the pre-accession funds can be programmed on a multi-annual basis in future programming strategies are in place. Thirdly, the trends which have already emerged will continue with an increased

for delegations and increasing the number of procedures and defining measurable benchmarks of pre-accession projects in institution building, investment in compliance with the *acquis* and economic and social cohesion.

## Twining

One of the main challenges still facing the candidate countries is the need to strengthen their administrative and judicial capacity to implement and enforce the *acquis*. As of 1998, the European Commission began to mobilise significant human and financial resources to help them with this process, using the mechanism of twinning administrations and agencies. In 2001, the Commission strengthened this emphasis on institution building further, through the launch of the Action Plans for strengthening administrative and judicial capacity.

The twinning process makes the vast body of Member States' expertise available to the candidate countries through the long-term secondment of civil servants and accompanying short-term expert missions and training.

A total of 503 twinning projects were funded by the Community between 1998 and 2001. Between 1998 and 2000, these projects primarily targeted the main priority sectors identified in the Accession Partnership: agriculture, the environment, public finance, justice and home affairs and preparation for the management of Structural Funds. Since 2000, other important sectors of the *acquis* have also been addressed through twinning, such as social policy, the fight against drugs, transport, and telecommunications regulation. Twinning now covers all sectors pursuant to the *acquis*.

Thanks to the strong support of the EU Member States, 103 twinning partnerships were funded by Phare 1998, involving all the candidate countries and almost all the Member States. These first-generation projects have already come to an end. Under Phare 1999 a further 123 projects are currently being implemented and the programming exercise for Phare 2000 included a further 146 twinning projects. The 2001 programming exercise includes 131 twinning projects embracing all the Phare beneficiary countries, as well as Cyprus and Malta. Under the 2002 programming exercise, 119 twinning projects have already been planned and approved for implementation. A substantial number of additional twinning projects are planned, and these should be approved and implementation launched before the end of 2002. They include twinning projects identified in the Action Plans for strengthening administrative and judicial capacity in the negotiating countries. It is estimated that around 300 twinning projects are operational throughout the candidate countries at any one time. Furthermore, the candidate countries are being offered a further way of drawing on Member States' expertise through "Twinning light", a mechanism to address carefully-circumscribed projects of limited scope which emerge during the negotiation process as requiring adaptation.

In Malta, four twinning projects have started under the 2000 and 2001 programmes, covering the following domains: agriculture (Integrated Administrative and Control System), Occupational Health and Safety; asylum and border management and regional policy. Five other twinning projects are due to start in the coming months, covering the environment, veterinary inspection, phytosanitary legislation, viticulture and the setting up of a medicines authority.

## Negotiations

Since the opening of the accession negotiations, substantial discussions on the individual chapters of the *acquis* have been launched, and negotiations on all chapters (apart from Chapter 31 – Other) have been opened.

By the end of September 2002, the following 25 chapters have been provisionally closed: Industrial Policy, SMEs, Science & Research, Education & Training, Culture & Audio-visual policy, Common Foreign & Security Policy, External Relations, Telecommunications, Company Law, Economic & Monetary Union, Consumers and Health Protection, Financial control, Energy, Free movement of Goods, Freedom to provide services, Free movement of persons, Transport, Environment Free Movement of Capital, Statistics, Social Policy and Employment, Justice and Home Affairs, Institutions, Fisheries, Regional Policy.

## Criteria for membership

### Political criteria

#### Introduction

The political criteria for accession to be met by the candidate countries, as laid down by the Copenhagen European Council in June 1993, stipulate that these countries must have achieved "stability of institutions guaranteeing democracy, the rule of law, human rights and respect for and protection of minorities."

In its 1999 Update of its Opinion on Malta's application for membership, the Commission concluded:

*"Malta's institutions function normally and there are no problems regarding human rights and the protection of minorities. Furthermore, there are no apparent weaknesses in the judicial system. However efforts are required to improve the efficiency and effectiveness of the civil service."*

In its 2001 Regular Report, the Commission found that:

*"Malta continues to fulfil the Copenhagen political criteria. Further efforts have been made to prepare the administration for operation within the EU, and the authorities' record on democratic and human rights remains generally good."*

*"There has been further progress as regards the functioning of the justice system with the reduction of the backlog of judiciary cases and preliminary steps have been taken to implement the Refugees Act."*

The section below provides an assessment of developments in Malta, seen from the perspective of the Copenhagen political criteria, including the overall functioning of the country's executive and its judicial system. Such developments are in many ways closely linked to developments regarding Malta's ability to implement the *acquis*, in particular in the domain of justice and home affairs. Specific information on the development of Malta's ability to implement the *n* the field of justice and home affairs can be found in the relevant section (Chapter 24 – Co-operation in the field of justice and home affairs) of part B.3.1. of this Report.

### Recent developments

Like last year, EU accession has remained high on the political agenda of the government, while the opposition continues to express its dissent.

The Government has continued to seek to involve all interested parties and representative organisations in the decision-making process relating to the accession negotiations. This has been done both at the technical level and, more formally, in the context of the Malta-EU Steering and Action Committee.

### Democracy and the rule of law

Malta has achieved stability of institutions guaranteeing democracy and the rule of law. This was the conclusion of the Commission's 1999 Update and the subsequent Regular Reports, and has been confirmed by developments over the past year. This section focuses on the most significant developments since the last Regular Report.

#### The parliament

The Parliament continues to function in full respect of democratic principles.

It has maintained a high workload because of the process of approximating Maltese legislation to the *acquis*. Ongoing discussions on the accession process continue to be held in the Foreign Affairs Committee of the House of Representatives, with the active involvement of both main parties.

#### The executive

During the past year, Malta has continued to take measures to improve the effectiveness and transparency of its public administration.

An Office of Review has been set up in every ministry so as to strengthen the capacity of ministries to initiate and implement the Public Service Change Programme. As part of the Government's strategic objectives, this programme covers EU-related initiatives, projects to improve service delivery, and ministry-specific initiatives. Each Office of Review is headed by a Director who reports to the Permanent Secretary of its ministry. In addition, all Offices have appointed an EU Co-ord and a Customer Care Co-ordinator. These are senior positions dealing primarily with EU-related projects and initiatives to improve the quality of service respectively.

The government, through the Ministry of Justice and Local Councils, has taken steps to implement its e-government strategy, notably through the launch of a government's service delivery portal. A number of services are already available online, including trade licence applications, applications for job vacancies advertised by the Employment and Training Corporation, a comprehensive database of Maltese laws, regulations and court judgements and the display of information on planning applications through a geographic interface. A Customer Care System has been launched. This is an automated system enabling local councils to receive and reply to requests and complaints from the public concerning Government services. An Internet interface will be added to the system in the future.

Eight new Quality Service Charters have been introduced, bringing to 38 the total number launched since 2000 when the Quality Service Charter Initiative was launched. The Charters constitute a written commitment by the government departments and other organisations involved to provide their customers with a quality service and to inform the public of available services and how to gain access to them. They also set out the standards of service that are to be expected by customers.

In January 2002 the government initiated measures to reform the recruitment of civil servants, with the aim of giving more responsibility to heads of department under certain conditions and under the supervision of the Public Service Commission.

An innovative type of public-private partnership has been adopted with the aim of avoiding redundancies in some categories of the Public Service workforce, by assigning staff to work under the direction of private firms engaged on government projects. The scheme is mainly used for works and services contracts awarded to private firms. The first call for expressions of interest from the private sector under this scheme was issued in October 2001.

The Performance Management Programme (PMP), a results-oriented employee appraisal system that applies to staff below senior management level, has been further developed. The Management and Personnel Office within the Office of the Prime Minister has undertaken compliance and quality audits on the use of the PMP in several ministries and departments. Training in PMP methodology has also been held for middle managers, particularly those newly appointed to this level.

The Ministry of Finance has launched an efficiency review initiative, with a view to improving the performance of government departments through benchmarking with comparable organisations in the private sector. In January 2002 the initiative was rolled out across Government and each ministry was requested to propose a benchmarking exercise for one of its departments.

The main duties of the *Ombudsman*, whose post was established in 1995, are to protect the rights of individuals in their dealings with the, to recommend appropriate redress where this is found to be justified, and to promote good governance and high administrative standards. The Ombudsman's main task is to deal with complaints received from citizens, but he also has the right to investigate matters on his own initiative without receiving a formal complaint. He is appointed by a two-thirds majority in Parliament, which guarantees independence. The number of new cases investigated by the Ombudsman in the past year has continued to be high at 698. At the same time the total number of cases closed in 2001 stood at 609. The number of cases still under examination has thus risen to 168. Although the Ombudsman can only make recommendations, the great majority of these have been taken up so far. Overall, the office of the Ombudsman continues to perform its duties well.

The latest round of local elections was held in March 2002 to elect 22 local councils. Turnout rose to 72% from 69% for the same constituencies three years earlier, reflecting the electorate's growing interest in the local councils.

### *The judicial system*

The Judicial system in Malta comprises Inferior Courts, Civil and Criminal Courts of Appeal, and a Constitutional Court. There is a legal aid scheme offered to citizens lacking the means to afford legal defence.

There has been further progress in reforming the judicial system.

The intended shift from the Civil and Magistrates' Court to the Small Claims Tribunal has materialised. Although the Tribunal's remit has been extended, particularly in the financial field, its pending caseload and throughput figures have been maintained at the previous level.

The first statistical report on lawsuits, "The Courts of Justice 2001", was published by the Ministry of Justice in April 2002. It provides data on the various courts and an analysis of pending cases. The strategy adopted to tackle the backlog of pending civil court cases, the main planks of which are an increase in court fees and, as referred to above, a wider remit for the Small Claims Tribunal, continues to be successful. The figures show a drop in the number of pending civil cases from around 16 004 cases in December 2000 to 13 627 cases in December 2001, a 15% drop compared to the figure for the previous year.

However, the encouraging trend noted in previous Regular Reports, which showed a decreasing backlog of criminal cases, has not continued. The backlog of criminal legal actions in courts of all levels has risen from 7 793 in December 2000 to a total of 8 282 in December 2001.

As already stated in past reports, the principle of the separation of powers is fully applied in Malta. Members of the judiciary are wholly independent of the executive.

However, the procedure for challenging judges and magistrates provided for by Article 738 of the Code of Organisation and Civil Procedure must be examined to check whether it complies with the principle of an impartial tribunal enshrined in the European Convention on Human Rights.

Furthermore, in the context of preparations for accession to the EU, Malta would benefit from an efficient system of training in EC legislation for members of the relevant legal professions.

Overall, there has been progress in the administrative reform of the law courts and an improvement in the functioning of the Maltese judicial system. The continuing fall in the backlog of pending civil cases is encouraging. Efforts must however be pursued to ensure long-term improvements, in particular as regards the management and executive structure of the courts, so as to guarantee efficient and expedient court procedures. Due attention should also be given to tackling the backlog of criminal cases and to training the judiciary in EC legislation.

### *Anti-corruption measures*

There have been positive developments in this area over the past year, with the adoption of legislation strengthening fight against corruption and of a Regulation setting up an independent Public Contracts Appeals Board. However, no improvement has been noted in the effectiveness of the Permanent Commission against Corruption.

*Corruption* is an offence under the Maltese Criminal Code. Following amendments to the Criminal Code in May 2002, the distinction between the public and the private sectors, as regards corruption, was removed. Where a government employee or a body established by law is found guilty of corruption, the government or the corporate body would be liable for damages caused.

In a recent development, two judges, including the chief justice, tendered their resignation from the judiciary after being charged with accepting bribes. They are being tried.

The Public Service Management Code issued by the Management and Personnel Office at the Office of the Prime Minister contains a code of conduct for public servants. This aims to create a culture of integrity and excellence by providing and updating guidelines on ethics and conduct for public servants.

Sections 55 and 56 of the Maltese Constitution contain provisions to avoid possible conflicts of interest for Members of the House of Representatives who are party to a government contract. A Code of Ethics of Members of the House of Representatives has been in place since 1995. It establishes standards of correct behaviour which Members are expected to observe.

Malta has taken steps to improve the openness and transparency of its procurement legislation by adopting, in April 2002, a Regulation providing for the setting up of an independent Public Contracts Appeals Board. This will put an end to the current situation, where the Department responsible for public procurement also hears complaints about the fairness or transparency of particular procurement processes. However, further alignment with the EC public procurement *acquis* is still needed and would improve the overall transparency of public procurement in Malta.

There is no specific anti-corruption programme in Malta. As indicated in earlier Reports, the Permanent Commission against Corruption was created in 1995 to investigate alleged or suspected corrupt practices in the public sector, i.e. acts constituting an offence under the Criminal Code. Although the staff of the Permanent Commission has been increased by one part-time clerk, there have been no significant changes since last year in its functioning and effectiveness, and the actual impact of its work remains low. The number of cases initiated by the Commission has further decreased from 66 in 1994 to 13 in 2000, and 12 in 2001. The number of cases closed has remained relatively high at 36 in 2001 (39 in 2000), and consequently the backlog has fallen. As mentioned in last year's Regular Report, the Commission's reports are confidential and are handed over to the Minister of Justice, who decides whether to make them public and whether or not to bring a legal action against the person(s) mentioned, which reduces their impact. The Government needs to take appropriate measures to ensure the effectiveness of the Commission in its fight against corruption.

Malta has ratified the Council of Europe's Convention on Laundering, Search, Seizure and Confiscation of Proceeds from Crime, and signed but not ratified the Council of Europe's Criminal Law Convention on Corruption. It has not yet signed the Council of Europe's Civil Law Convention on Corruption, which opened for signature in 1999.

Having been a member of the Council of Europe's Group of States against Corruption (GRECO) since May 2001, Malta received a group of experts from GRECO on an evaluation mission in March 2002; the evaluation report has not yet been adopted.

### *Human rights and the protection of minorities*

Malta continues to respect human rights and freedoms. This was the conclusion of the Commission's 1999 Update and the subsequent Regular Reports, and has been confirmed over the past year. The following section focuses on the most significant developments since the last Regular Report.

Malta has ratified most of the major human rights instruments, including the European Social Charter. Positive developments over the past year have been the ratification of Protocols 4 and 13 to the European Convention on Human Rights. Malta has also withdrawn its reservations with regard to the Geneva Convention on Refugees. However, it has not yet signed the revised European Social Charter. It has not agreed to be bound by the Additional Protocol providing for a system of collective complaints. Neither has it signed Protocol 7 to the European Convention on Human Rights.

Malta has amended its Criminal Code and introduced the crime of incitement to racial hatred and racist behaviour as well as new rights for victims of racist behaviour. This is a positive development. Malta still needs to ensure full transposition and implementation of the *acquis* on anti-discrimination based on Article 13 of the EC Treaty (see Chapter 13 - Social policy and employment).

### *Civil and political rights*

There has been further progress during the past year as regards the rights of refugees and the legislation regarding trafficking in human beings.

An amendment to the Criminal Code to make provision for the offence of *trafficking in human beings* was adopted in April 2002.

In December 2001, Malta withdrew the geographical limitation on *refugees*, introduced when it signed the United Nations Convention on the Status of Refugees in 1971. Despite the limitation, Malta had always in fact provided shelter to refugees irrespective of origin.



A new Immigration Reception Centre was inaugurated in February 2002. It can accommodate both temporary immigrants and those awaiting the outcome of applications for refugee status. The new premises are part of the Government's strategy to protect the country from illegal immigrants, while affording them the best possible treatment while in Malta. The number of *asylum* applications received by the Refugees Commission in the past year has increased to 235 from 113 in the previous year. The number of recognised refugees in Malta stands at 153.

The *freedom of expression* is enshrined in the Maltese Constitution and continues to be well respected. The same applies to the *freedom of association and assembly*.

All persons in Malta continue to enjoy *freedom of conscience* and *freedom of religion*, both being enshrined in the Maltese Constitution.

Basic civil and political rights continue to be respected in Malta. Arrangements for refugees are being improved, although administrative capacity needs to be further enhanced in that area. The conclusion of the previous Regular Reports, that there are no significant problems regarding the observance of fundamental human rights and freedoms, remains valid.

### *Economic, social and cultural rights*

Developments over the past year in this area have been rather limited.

Malta still has to bring its legislation fully into line with the *acquis* in the field of *equal opportunities* (see Chapter 13 – *Social Policy and Employment*). It has pursued its efforts to improve the situation in the field of equal opportunities, with the publication of a White Paper on Gender Equality in March 2002. However, no legislative progress has been made in the past year. The situation is satisfactory with respect to access to education. Women's parliamentary entation in Malta has been rather low in the past and stands at 9% of the seats in the current Parliament. At the last local elections in March 2002, 17% of councillors elected in all constituencies were women. There is one woman in the Maltese government, out of 14 Ministers. Women's employment rate remains much lower than men's. The Government is pursuing its efforts to promote gender mainstreaming within the public sector in order to ensure that the gender equality perspective is incorporated in all policies and at all levels in the public administration. Sustained efforts continue to be needed to improve gender equality, in particular as regards employment and politics.

Malta has signed the Optional Protocol to the Convention on the *Rights of the Child* related to the Involvement of Children in Armed Conflict. As highlighted by the United Nations Committee on the Rights of the Child, due attention needs to be given to ensuring that all of the Convention's provisions are enforced.

As regards *persons with a disability*, there have been some developments since the last Regular Report. Following the adoption of the Equal Opportunities Act last year and the establishment of the National Commission for Persons with Disability as a separate legal entity, the Commission has started to address complaints of discrimination. To ensure that the Act's provisions are properly enforced, these activities need to be further developed, as does the Commission's capacity.

*Trade unions* are powerful and well organised in Malta and workers' right to take collective action is well established. However, Malta still does not comply with some of the provisions of the European Charter of Social Rights, as indicated in the assessment made last year by the European Committee on Social Rights. The two main issues are the possibility for one party in a dispute to request the Minister to refer the dispute to compulsory arbitration and the social rig nationals of other contracting parties not regularly working (but lawfully present) in Malta.

Although there continues to be room for improvement as regards gender equality (in the areas of employment and politics) and with respect to social dialogue, the overall situation with regard to economic, social and cultural rights is satisfactory.

### *Minority rights and the protection of minorities*

As in previous years, no significant problems have been reported with respect to the status and situation of immigrants in Malta, who represent approximately 1% of the population.

A positive development was the amendment of the Criminal Code to criminalise racist behaviour, as reported above.

Malta is a party to the Council of Europe's Framework Convention for the Protection of Minorities. In November 2000, the Advisory Committee on the Convention expressed concern over some alleged cases of discrimination. In November 2001, the Council of Europe's Committee of Ministers concluded that the ratification of the Framework Convention by Malta was to be welcomed, and that there remained potential for the application of some of its provisions. This was confirmed by a report on published by the European Commission on Racism and Intolerance in July 2002, which concluded that "despite a widely-held perception in Malta that problems of racism and discrimination are not a major issue, incidents of discrimination... suggest that further steps need to be taken. Malta is encouraged to duly address the matter. The adoption of comprehensive anti-discrimination legislation would be an important step forward.

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### General evaluation

The Commission has repeatedly concluded that Malta fulfils the political criteria. This was the conclusion of previous Regular Reports, and has been confirmed over the past year. Malta continues to fulfil the Copenhagen political criteria.

Malta has taken further measures to improve the quality of the civil service as well as of the judicial system.

Malta continues to respect human rights and freedoms. It has made further progress by improving its legal framework in the area of asylum, the fight against racism and the fight against trafficking in human beings.

## Economic criteria

### Introduction

In the 1999 update of its Opinion on Malta's application for EU membership, the Commission concluded:

"Malta will need to build up a track record in the establishment of a stable and sound macroeconomic environment and implementation of reform and liberalisation. Given the small size of its economy, Malta should be able to address these issues in an appropriate way and hence become successfully integrated with the European economy".

In its 2001 Regular Report, the Commission found that:

"Malta is a functioning market economy. It should be able to cope with competitive pressure and market forces within the Union."

In examining economic developments in Malta since the first Regular Report, the Commission's approach was guided by the conclusions of the European Council in Copenhagen in June 1993, which stated that membership of the Union requires:

- the existence of a functioning market economy;
- the capacity to cope with competitive pressure and market forces within the Union.

In the analysis below, the Commission has followed the methodology applied in the previous annual Regular Reports. The analysis in this year's Regular Report takes stock of developments since 1997.

### Summary of economic developments since 1997

Malta's macroeconomic performance has improved since 1997, although economic activity slowed down markedly in 2001, largely as a result of the downturn in international demand. Real GDP growth averaged 3.4% in the period 1997-2001, but fell by 0.8% in 2001. The deceleration was largely caused by the international economic downturn. Electronics and tourism, Malta's two sectors, were particularly badly hit by the crisis in the information and communication technology (ICT) sector and the consequences of the 11 September attacks. The average current account deficit since 1997 has been high at 7.1% of GDP, but it oscillated between 3.4% in 1999 and 14.8% in 2000. The large swing was due to several one-off factors in 2000 that were absent in 2001, when the deficit fell to 4.8% of GDP, better reflecting the underlying trend of the current account deficit since 1997. Annual average inflation remained relatively moderate at 3.6%, to an extent reflecting the strength of the peg and moderate wage increases. Nevertheless, price controls kept inflation artificially low during some periods. The average general government deficit was very high at 8.8% of GDP, although it has been on a declining trend from its 10.8% peak in 1998. The decreasing trend was interrupted in 2001, when the deficit remained stable at 7% of GDP. Reforms to decrease public expenditure are necessary to guarantee fiscal sustainability in the medium term, but they are progressing slowly: in particular, an agreement on pension reform has not yet been reached. Job creation has been increasing since 1997, mainly driven by several dynamic private sub-sectors, and has helped to keep unemployment relatively low, despite ongoing enterprise restructuring.

Main Economic Trends								
Malta		1997	1998	1999	2000	2001	Average	2002 latest
Real GDP growth rate	per cent	4.9	3.4	4.1	5.5	-0.8	3.4	1.4 Q1









## Conclusion

In the 1999 update of its Opinion, the Commission concluded that the Malta's industry, consisting mainly of SMEs, is vulnerable the competitive pressure to be implemented. It also added that the adoption of the SME-related aspects was unlikely to pose any serious problems to Malta.

Since the 1999 update of the Opinion, Malta has made steady progress by demanding the better on industrial products and developing co-ordinating programmes. Malta's policy towards SMEs is gradually in line with the principles and objectives of EC/Enterprise policy.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

In order to complete preparations for membership, Malta's efforts need to focus on increasing the capacity of IPSE to help entrepreneurs and develop SMEs, and on further simplifying the business regulatory and administrative environment.

## Progress since last Regular Report

There has been some progress in this area since the last Regular Report.

Malta has launched the National Research & Development Authority (NRA) and the promotion of science and research will be a priority objective. A further initiative in business innovation on research and development. Research activities in innovation should be favoured. The current efforts to foster the participation of the business community in the Research Framework Programme and to develop joint public-private sector Research & Development ventures should be sustained.

Malta has been praised for developing joint public-private sector Research & Development ventures. The MCTI has set up an Innovation Policy Centre and has also submitted to cross-functional MCTI projects.

As part of the ongoing business training process, a number of leading sector courses focusing on the thematic and horizontal programmes of the Fifth Framework Programme has been organized by MCTI in the past year.

During the drafting process in connection with the Fifth Framework Programme and its participation in the programme has been stepped up. Malta has expressed interest in being associated with the Sixth Framework Programme (2002-2006). In July 2002 the European Union Programme Unit (EUPU) within the Ministry of Education had an Executive Session responsible for the RTD Framework Programme.

## Overall assessment

The framework for cooperation in the fields of science and technology (including National Centres Points) well established as well as Malta's administrative capacity to implement the aspect in this area.

The development of the research sector, in close collaboration with the European Commission, is based on the promotion of science and research will be a priority objective. A further initiative in business innovation on research and development. Research activities in innovation should be favoured. The current efforts to foster the participation of the business community in the Research Framework Programme and to develop joint public-private sector Research & Development ventures should be sustained.

Malta has taken important steps to develop an overall framework strategy for the development of research as a result of the current National Research and Development Authority and Foreign Education. However the old study has to be finished.

## Conclusion

In the 1999 update of its Opinion, the Commission noted the substantial effort undertaken by the MCTI to foster Malta's integration into the framework programme through a network of local coordinators.

Since the 1999 update of the Opinion, Malta has continued its progress by ensuring full participation in the Fifth Framework Programme, strengthening the structures needed for this participation and fostering public-private partnerships in research as well as the interest of the stakeholders in the research programmes.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

In order to complete preparations for membership, Malta's efforts should now focus on finalising its national research strategy, finalising its efforts to ensure public-private sector participation and fostering the participation of both authorities and the business community in the relevant Committee's Framework Programme.

## Progress since last Regular Report

Some progress has been made in this area over the past year.

During the reference period, Malta has stepped up its participation in the second generation of the Leonardo da Vinci, Socrates and Youth Community programmes (or active 43 – Relation between the European Union and Malta).

Malta adopted in September 2002 Regulations on the Education Act, aiming to align its legislation with the Directive concerning education of children of migrant workers.

There has been little progress regarding the reform of the education act, including system. An ongoing vocational training National Council of Education has been appointed and a Commission has been set up to draw up the National Policy on Lifelong Learning.

## Overall assessment

Malta's initial legal alignment required in this area must still be completed, particularly in the Community Education and Youth. Progresses is satisfactory, and the existing national agencies are operational.

The compliance with the spirit of the recently adopted regulations concerning the education of children of migrant workers remains to be reviewed, and the clarification needs to be assured.

The reforms aimed towards young age are not as generally raising educational standards levels and applying the united and coordinated vocational training system as the requirements of the labour market, taking into consideration policy developments at EU level. The trend towards higher education levels is illustrated by an increasing number of university students (7 000 in 2002, compared with less than 7 000 in 1997). As regards vocational training, Malta has undertaken the core evaluation of the Malta College of Arts, Science and Technology (MC-AST), the development of a national qualification framework, together with the closing out of Trade Schools. However, a comprehensive review regarding the Government's key policy objective in this field does not seem yet and it will not only to assess the impact of the MCTI on the overall Vocational Training system and on the achievement of training for the labour market. The integration of the different components of the same area training system is a challenging perspective a market in order to ensure, particularly, flexible responses to the needs of employers and the labour market. The participation of social partners in the Co-ordinating Council of institutions such as the MCTI, the Malta Professional and Vocational Qualifications Awards Council, and its supporting agencies remains to be coordinated in a positive development. But the role of social partners in taking into account vocational training needs to be further strengthened.

## Conclusion

In the 1999 update of its Opinion, the Commission concluded that Malta still had to incorporate in its legislation the Directive concerning education of children of migrant workers and that special attention should be given to facilitating access to vocational training measures. It added that the social partners' involvement in the policy formulation of vocational training should be encouraged and a sound that Malta encouraged participating in the City education programme.

Since the 1999 update of the Opinion, Malta has made important progress, especially as regards vocational training and its participation in relevant Community programmes. The administrative capacity in the field of education and training is broadly in place.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements in this area. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

In order to complete preparations for membership, Malta's efforts need now focus on ensuring implementation of the legislation concerning education of children of migrant workers, as well as on developing and implementing a strategy for vocational training with a stronger role for the social partners.

## Progress since last Regular Report

Since last year's Regular Report, Malta has made some progress, mainly regarding the regulatory framework.

Concerning the liberalisation of the telecommunications markets, there are no new developments in report.

As regards the regulatory framework, a formal decision of the Malta Communications Authority (MCA) on the designation of dominant market operators was published in June 2002. Since November 2001, all operators have had to provide free communication access to emergency services. The implementation of the new numbering plan adopted last year was finished in April 2002.

The MCA also published consultation papers on cross-border accounting systems and accounting separation in February 2002, on universal access obligations and funding in March 2002, and on the introduction of price controls in June 2002. In May 2002, the MCA requested that the public network operators Maltesem and the mobile network operators Vodafone Malta prepare Reference Interconnection Offers and that Maltesem submit its account for limited line tariffs.

An e-Government programme was adopted in 2002, which aims at providing the majority of e-Change basic public services on a full-time basis by the end of 2002, in line with the e-Change 4 Action Plan 2002.

As regards postal services, no legislative progress has been reported. The Maltese authorities have partially privatised MaltaPost (see also Chapter 15 – Industrial Policy).

A decision was made to give the Malta Communications Authority (MCA), which regulates telecommunications, data protection, e-commerce, and similar areas in the field of telecommunications, responsibility for regulating the postal sector and radio-systems. In April 2002, the human resources of the MCA were further increased with a technical, project and research staff, bringing the total to 14 legal, economic and engineering experts and 2 support staff.

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## Overall assessment

Malta's policy in this area has progressed well towards the liberalisation of the markets. However, progress in completing the regulatory framework has been slow in the past year because regulations on limited-line, rights of way, data protection in distance communication, carrier selection and access to the local loop still need to be adopted. In addition, several parts of the existing regulation must be reviewed to align them with the spirit.>

The sector's infrastructure has continued to develop well. The fixed network is now 100% digitalised with a penetration rate of 35% of fixed telephone. Since the introduction of a second GSM mobile network, a mobile penetration rate of 55% was achieved in December 2001. The Internet penetration rate within the population is 25% and the penetration of households connected to cable TV is the highest of the candidate countries at 72%.

As for the institutional aspects, the MCA has continued to demonstrate a professional profile by initiating consultation papers in a cooperative effort to prepare the sector for full competition in 2003. A Task Force has been created to look into the possibility for implementation of the new open access interconnection arrangements in Malta on the basis of the new subject.

As regards services, the bill amending the Post Office Act to restructure the agency for further liberalisation of the sector needs to be adopted.

Malta will need to transpose the updated telecommunications acquis before accession and to complete the implementation procedure as soon as possible afterwards.

## Conclusion

In the 1999 update of its Opinion, the Commission noted that the telecommunications law of 1997 was not in line with the acquis since Malta has entered a monopoly for most services. It added that Malta needed to adopt a regulatory framework conforming to the acquis and that a tariff rebalancing scheme on the basis of cost-orientation was required.

Since the 1999 update of the Opinion, progress has been made in aligning the acquis, liberalising the markets for mobile telephony, radio paging, Internet services and cable TV, as well as creating a qualified regulatory authority. Although several parts of the regulation are not in line with the acquis in this area, the administrative capacity is broadly adequate.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

In order to complete preparations for membership, Malta's efforts need to focus on the full opening of the market by January 2003 and on completing the regulatory framework, taking into account the new acquis.

## Progress since the last Regular Report

There has been some development in this area since last year's Regular Report but there is no particular progress to report.

As regards the audio-visual aspects, the Malta Broadcasting Authority published in October 2001 the list of major events to which viewers access should be ensured, in line with the powers conferred by the Broadcasting (Broadcasting and European Cooperation) Regulations of 2000.

In the field of culture, the Cultural Heritage Act that aims at strengthening effective in the cultural heritage sector was enacted by Parliament in April 2002. The Parliament also enacted in April 2002 an Act, which provides for the setting up of the Malta Council for Culture and the Arts that will supervise and co-ordinate the activities of a national culture policy.

Malta has taken steps to participate in the Culture 2000 programme as 2003.

## Overall assessment

Malta is highly aligned with the audio-visual acquis. Elements of its legislation relating to the broadcasting of European works will come into force on accession, thus taking into account Malta's institutional obligations.

Administrative capacity in the audio-visual field seems adequate and the Broadcasting Authority seems well supplied to fulfil its duties. Malta is a party to the Council of Europe Convention on Transfrontier Television and its amending Protocol.

As regards culture, a National Culture Policy Document has been placed as a White Paper since last year, but the National Culture Policy still needs to be adopted and Malta needs to strengthen its executive and operational capacity in the cultural heritage sector.

## Conclusion

In the 1999 update of its Opinion, the Commission concluded that Malta's broadcasting legislation was broadly in line with the acquis in the audio-visual sector, but that Malta needed to comply with the legislation related to the promotion of European and independent works.

Since the 1999 update of the Opinion, Malta has made significant progress. Malta has brought in line with the acquis the necessary structure and administrative capacity to enforce it.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

To complete preparations for membership, the sector of Malta's legislation relating to the broadcasting of European works will come into force on accession, in view of its institutional obligations.

## Progress since the last Regular Report

Since the last Regular Report, significant progress has been made regarding the implementation of structural policies.

Concerning territorial organisation, in June 2002 Malta reached an agreement with the Maltese National Authorities (MNA) concerning the NUTS classification for the Maltese islands. The country has been designated as one region at NUTS Level 1 and 2 and two regions at NUTS Level 3 consisting of Malta (M2002) and Gozo and Comino (M2002).

There have been no particular developments since the last Regular Report regarding the Regulatory Framework.

As regards to institutional structures, the Regional Policy Monitoring Unit within the Office of the Prime Minister has been designated as the managing authority with the overall responsibility for the preparation and management of the Structural Funds and the Cohesion Fund. Also, the Institutional Relations Directorate of the Ministry of Finance has been designated as the former paying authority for all the Funds. Malta has appointed a number of intermediate bodies for the Individual Structural Funds as well as for the Cohesion Fund. In the previous months, all these management structures have been strengthened with significant numbers of staff and have benefited from general and specific training. Since April 2002, technical assistance and training is being provided by the Regional Policy Directorate to identify gaps and assess the Government on managing other aspects of institution building with particular focus on programming, inter-institutional-coordination, reporting and evaluation.

With regard to the partnership principles, Malta has continued to demonstrate a professional profile by initiating consultation papers in a cooperative effort to prepare the sector for full competition in 2003. A Task Force has been created to look into the possibility for implementation of the new open access interconnection arrangements in Malta on the basis of the new subject.

In order to ensure that the partnership principle is applied, several working groups have been set up and working as follows in April 2002. Both sets are looking into the National Development Plan and have set out the 2002.

With regard to monitoring and evaluation, the Inter-Ministerial Committee has been set up and held two meetings in November 2001 and March 2002. It is the instrument for achieving inter-ministerial co-ordination and will act as the Main Monitoring Committee. The Regional Policy Directorate in co-operation with the Staff Development Organisation has organised extensive training for all ministers concerned with regional policy on evaluation of socio-economic programmes.

No significant developments can be reported with respect to financial management and control or statistics.

## Overall assessment

Malta has already responded to various issues corresponding to the NUTS classification.

With regard to programming, following the provisions of the National Development Plan for 2000-2006, Malta's decision to opt for a Single Programming Document is an important step forward. However, Malta needs to proceed to programming capacity. To that end, there will need to be a real evaluation of a broad partnership throughout the whole process. Further progress must also be made with the institutional arrangements for the Structural Funds and the Cohesion Policy.

As regards personnel, the staff consists of the Malta Council for Economic and Social Development, composed of representatives of civil society organisations, and responsible for liaising with the partners at regional policy level, needs to be made operational.

Although work on ensuring compliance with the MCA requirements for monitoring and evaluation is going on, more efforts are required to prepare the structure and administrative capacity for this area evaluation of the draft Single Programming Document, the definition of the monitoring instruments and the collection of relevant statistics. To ensure efficient implementation of the Structural Funds programme, it is crucial that an effective monitoring system should be up and running well in advance.

Malta will also advance in the field of financial management and control. It is finalising the specific procedures for financial control, auditing, verification of requests and correction of discrepancies specifically applicable to the Structural and Cohesion Funds. The existing legislative framework needs to be completed and amended, in particular with regard to the prevention of and the fight against fraud affecting the Communities' financial interests (see chapter 27 – ad Camp). The necessary internal controls, checks and procedures of the agencies that will be responsible for the management of the Structural Funds and Cohesion Fund are in place. Accounting officers within the Financial Control Unit of the other Ministers' institutionally remain to be provided. The Internal Audit and Investigation Directorate (IAID) within the Communications Office of the Prime Minister has the means and authority to independently review, examine and report on the use of Structural and Cohesion Funds. The Institutional Relations Directorate (IRD) within the Ministry of Finance, whose Director is the National Authorisation Officer for accession finance, will act as the paying authority. Once a business opportunity, however, it will be able to adapt to functioning in its former tasks. All of these structures have been completed and their staff trained well in advance.

Malta has a system of three-year rolling budget plans. The multi-annual budgeting procedure provided by the financial management and trading acts are being used to provide sufficient flexibility to transfer allocations between funds and programs.

As for statistics, except for the GDP per capita in terms of PPP, the key indicators are available at national level. Malta still needs to improve the system of the collection and providing of relevant statistical information for the purposes of ex-ante evaluation. Regional statistics will have to be prepared for analysis, evaluation and monitoring of the programmes, in particular for Gozo.

## Conclusion

In the 1999 update of its Opinion, the Commission concluded that Malta's broadcasting legislation was broadly in line with the acquis in the audio-visual sector, but that Malta needed to comply with the legislation related to the promotion of European and independent works.

Since the 1999 update of the Opinion, Malta has made significant progress. Malta has brought in line with the acquis the necessary structure and administrative capacity to enforce it.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

To complete preparations for membership, the sector of Malta's legislation relating to the broadcasting of European works will come into force on accession, in view of its institutional obligations.

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With regard to the partnership principles, Malta has continued to demonstrate a professional profile by initiating consultation papers in a cooperative effort to prepare the sector for full competition in 2003. A Task Force has been created to look into the possibility for implementation of the new open access interconnection arrangements in Malta on the basis of the new subject.

In order to ensure that the partnership principle is applied, several working groups have been set up and working as follows in April 2002. Both sets are looking into the National Development Plan and have set out the 2002.

With regard to monitoring and evaluation, the Inter-Ministerial Committee has been set up and held two meetings in November 2001 and March 2002. It is the instrument for achieving inter-ministerial co-ordination and will act as the Main Monitoring Committee. The Regional Policy Directorate in co-operation with the Staff Development Organisation has organised extensive training for all ministers concerned with regional policy on evaluation of socio-economic programmes.

No significant developments can be reported with respect to financial management and control or statistics.

## Overall assessment

Malta has already responded to various issues corresponding to the NUTS classification.

With regard to programming, following the provisions of the National Development Plan for 2000-2006, Malta's decision to opt for a Single Programming Document is an important step forward. However, Malta needs to proceed to programming capacity. To that end, there will need to be a real evaluation of a broad partnership throughout the whole process. Further progress must also be made with the institutional arrangements for the Structural Funds and the Cohesion Policy.

As regards personnel, the staff consists of the Malta Council for Economic and Social Development, composed of representatives of civil society organisations, and responsible for liaising with the partners at regional policy level, needs to be made operational.

Although work on ensuring compliance with the MCA requirements for monitoring and evaluation is going on, more efforts are required to prepare the structure and administrative capacity for this area evaluation of the draft Single Programming Document, the definition of the monitoring instruments and the collection of relevant statistics. To ensure efficient implementation of the Structural Funds programme, it is crucial that an effective monitoring system should be up and running well in advance.

Malta will also advance in the field of financial management and control. It is finalising the specific procedures for financial control, auditing, verification of requests and correction of discrepancies specifically applicable to the Structural and Cohesion Funds. The existing legislative framework needs to be completed and amended, in particular with regard to the prevention of and the fight against fraud affecting the Communities' financial interests (see chapter 27 – ad Camp). The necessary internal controls, checks and procedures of the agencies that will be responsible for the management of the Structural Funds and Cohesion Fund are in place. Accounting officers within the Financial Control Unit of the other Ministers' institutionally remain to be provided. The Internal Audit and Investigation Directorate (IAID) within the Communications Office of the Prime Minister has the means and authority to independently review, examine and report on the use of Structural and Cohesion Funds. The Institutional Relations Directorate (IRD) within the Ministry of Finance, whose Director is the National Authorisation Officer for accession finance, will act as the paying authority. Once a business opportunity, however, it will be able to adapt to functioning in its former tasks. All of these structures have been completed and their staff trained well in advance.

Malta has a system of three-year rolling budget plans. The multi-annual budgeting procedure provided by the financial management and trading acts are being used to provide sufficient flexibility to transfer allocations between funds and programs.

As for statistics, except for the GDP per capita in terms of PPP, the key indicators are available at national level. Malta still needs to improve the system of the collection and providing of relevant statistical information for the purposes of ex-ante evaluation. Regional statistics will have to be prepared for analysis, evaluation and monitoring of the programmes, in particular for Gozo.

## Conclusion

In the 1999 update of its Opinion, the Commission concluded that Malta, given its size, did not request a regional policy in the defined sense, nor did it dispose of precise statistics to assess the eligibility for the Structural Fund.

Since the 1999 update of the Opinion, Malta has made important progress, in particular since 2001, in developing an institutional structure, supporting co-ordination of the fields of statistics, and moved forward rapidly with developing the necessary administrative capacity. The overall legislative framework and institutional set-up is broadly adequate, although the administrative capacity of the different bodies involved in the management of the structural and cohesion funds needs to be further strengthened.

Negotiations on the chapter have been periodically closed. Malta has not requested any transitional arrangements. Malta is generally meeting the commitments it has made in the accession negotiations in the field.

In order to complete preparations for membership, Malta's efforts should now focus on finalising the Single Programming Document, clearly defining the field implementation structure and strengthening them, filling the project paper line with eligible projects, and strengthening the broad-based framework.

## Progress since the last Regular Report

Since the last Regular Report, Malta has made good legislative progress in this area, but it has only started to consider and strengthen its administrative capacity to enforce it.

With regard to the management of the environment both overall, a National Committee for Sustainable Development, chaired by the Prime Minister, was established in February 2002. Its first meeting was held in April 2002.

In the field of horizontal legislation, a new Regulation on freedom of access to information on environment and natural environment to the Development Planning Act were adopted during the reference period in the form of enhancing public access to information.

As regards air quality, legislation was adopted in June 2002 in response to the obligations to reduce the limits values for benzene and carbon monoxide in ambient air, reduction in sulphur content of liquid fuels and information on fuel economy and CO2 emissions of new cars. The government has adopted and started to implement a plan to reduce fully by increasing the legislation on quality of petrol and diesel fuels. An air quality monitoring programme is in place implemented in 11 localities but a study has been completed during the reporting period to prepare the upgrading of the monitoring network.

In the area of water management, there has been substantial legislative progress and some progress in regard to implementation. In December 2001, regulations on water and hazardous waste framework and on wastewater water disposal Regulations took effect. Both sets of laws were also adopted in June 2002. Legislation on sewage sludge came into force in the second quarter of 2002. Steps have been taken to address the important problems in this sector, with the start of the implementation of the Water Management Strategy signed last year. The strategy has three main areas of concern: water management, water quality and hazardous waste, the protection and rehabilitation of the three existing bodies. Following a study for the management of floodwaters and municipal and hazardous waste, the contracting process is progressing. As for the closure and remediation of the existing landfills, support and link assessment are being completed prior to the launch of the tendering process last year. Malta started to prepare an inventory of wastewater collection PCB.

In the field of water quality, legislation was issued during the reference period to improve the aspect on urban wastewater treatment. Provisions of 2001, water works from sites pollution, quality of fresh water for the fish, quality of surface water and groundwater. Malta took steps to implement a sewage master plan pending for the necessary wastewater treatment plants.

As regards nature protection, progress was made with the adoption in December 2001 of a regulation on types of soil, and in June 2002 on registration on capture and fishing methods aimed at completing the transposition of the habitats Directive.

As regards industrial pollution control and risk management, legislation was adopted in June 2002 on Extended Producer Responsibility and Control and on limitation of certain pollutants from large combustion plants. The government has taken a decision to reduce the existing gas burning LPG storage plant.

In the field of genetically modified organisms and chemicals, progress was made with the adoption of regulations on control of genetically modified organisms. The Food Safety, Chemicals and Consumer Protection authorities within the Malta Standards Authority will be the competent authority responsible for chemicals. A Chemical Control Board was established in January 2002 to co-ordinate, in particular activities between various law ministries.

With regard to noise, there has been further progress with the adoption in March 2002 of regulations under the Trade Practices Act, on noise of motor-vehicles and household appliances.

As regards nuclear safety and radiation protection, progress was made with the setting in December 2001 of a regulation on supervision and control of disposers of radioactive waste.

As regards the administrative capacity in the field of the environment, Malta has passed this year a separate legislative act of environmental administration structures. The first step has been the setting-up in March 2002 of the new company authority for the environment (provided for in the new Environment Protection Act adopted in 2001), the Malta Environment and Planning Authority (MEPA). This authority is the result of the merger of the environmental protection department from the former Ministry of Environment and Resources and the Planning Authority. The Authority has been established under the Ministry of Home Affairs, but has the direct responsibility of Environment and Resources was assumed by the Ministry for Resources and Infrastructure, while the former Ministry for Home Affairs has become the Ministry for Environment and Infrastructure.

The Ministry of Resources and Infrastructure will ensure appropriate responsibilities for environmental matters, namely related to permitting and management of environmental infrastructure in the sectors of water, waste and industrial pollution. These functions are carried out by the Maltese Resources Authority (MRA), the regular operating through the transfer of the MRA (see also chapter 14 – Energy). A new water agency, responsible for implementation and management of the new necessary water management function, mentioned above, has also been established under the authority of the Ministry of Resources and Infrastructure.

During the reporting period, Malta established plans to enhance its administrative capacity in this area, but it has only started to consider and strengthen its administrative capacity to enforce it.

MEPA and MRA have promising legislations and efficient staff on the spot. However, it does not seem to implement the provisions of various directives including the BOD Directive. An ongoing monitoring, the current corrective practices remain a simple procedure where the inspector has the authority to make recommendations. While there are planning information procedures, no companies exist yet on the environment side. The Environment Protection Act focuses the possibility of using in court judgments of environmental legislation, with an Environment Fund acting as plaintiff for the recovery of civil damage and the suspension thereof in proceedings. However the system is not yet operational.

Important investments have been programmed in the waste sector, in particular in sewage landfill, as well as for the implementation of a sewage master plan including the building of three wastewater treatment plants.

## Overall assessment

Malta has achieved considerable alignment with the environmental acquis, it will need to adopt several strengthening legislative acts to complete transposition in the field of air quality (road-traffic machinery), waste (packaging and end-of-life vehicles), water quality (drinking water, bathing water and waste framework directive), noise (buildings), industrial pollution (major accident hazards), chemicals (biocides, animal protection), nuclear safety and radiation protection (basic safety standards), waste (landfills), information to the public in case of radiological emergency, medical residues and foodstuffs.

Malta's progress must be assessed in the light of the commitments of the central body under legislation, as identification of issues and implementation and strengthening of areas of necessary nature still need to be established. Efforts for implementation of legislation on quality of petrol and diesel fuels need to continue. Despite progress in the implementation of the waste strategy, the adoption of a strategy for reduction of biodegradable waste going to landfill is urgent in order to complete the existing plans and overcome the necessary issues and investments to deal with the waste generated in Malta in the medium term. Besides, important efforts are needed to fully the currently high chloride provided for construction of the necessary new landfills and other disposal installation (implementation of existing non-compliant plants, upgrading of the composite plants) and establishment of adequate selective collection systems and increase of recycling and recovery capacity. Implementation efforts need also to be strengthened with regard to horizontal legislation (environmental impact assessment), water quality (discharge of dangerous substances), noise (habitats), industrial pollution (storage and transfer of hazardous waste), and chemical (biocides and substances).

The principal of integration requires continuous attention both at national and local levels. Malta needs to continue integrating environmental protection activities into the decision-making and implementation of all other sectoral policies as to promote sustainable development.

Since the progress achieved in the past year, Malta's administrative capacity to implement the EC environmental acquis needs rapidly to be strengthened and still requires extra attention. Steps adopted during the reporting period to enhance the administrative capacity in January 2002 need to be advanced.

The setting up of the Malta Environment and Planning Authority (MEPA), the merging of the Environmental Protection Department responsibilities, since it simplifies the overall institutional structure and allows better use of the existing resources. Similarly, the creation of the Malta Resources Authority (MRA) and of the Waste Management Service Agency together with the launch of implementation of the waste management strategy are positive step forward.

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**Chapter 18 - Regional policy and co-ordination of structural instruments**

Malta has started to define its National Energy Strategy for 2020, in particular when it comes to the field of *clean and green transition for coastal areas*. It has continued to complete the relevant administrative and legislative processes, especially regarding regulatory health and safety for the labour population. It has been established an independent general fund for employees in the case of employer's bankruptcy. It has made progress in applying anti-discrimination legislation and developing a strategy for its implementation. The measures of the Action Plan related to the strengthening of the administrative and judicial structures are on track as regards occupational health and safety for the sector. Malta has made little progress in the implementation and implementation of E.U. legislation in the field of public health, and in adopting the national strategy for surveillance and control of communicable diseases, and in the monitoring and information to meet the E.U. requirements. The implementation of the corresponding measures of the Action Plan is on track. The Accession Partnership priorities have been met to a limited extent. Implementation of the measures under the Action Plan is partly delayed (especially regarding labour inspection and public health infrastructure).

**Chapter 19 - Information and Information Technology**

Malta has adopted framework legislation on data protection, but still needs to issue regulations to transpose legislation on data protection in its administrative area. The Accession Partnership priorities have been met to a limited extent.

**Chapter 21 - Regional policy and co-ordination of structural instruments**

Malta has established a central/regional authority for the effective implementation of the Structural Funds programme (priority in need of particularly urgent action). It has made progress in the preparation of a common development plan (Single Programming Document) as required by the Structural Funds Regulations. It has continued its activities at the structural necessary for the preparation and management of the Structural and Cohesion Funds and to establish structures for monitoring, approval and evaluation. It has taken measures to ensure greater institutional co-ordination and progress in programming. The implementation of the corresponding measures of the Action Plan is on track. Malta has taken measures to comply with the specific financial management and control systems for economic growth under the Structural Funds. The implementation of the corresponding measures of the Action Plan, e.g. the funding of a new Public Finance Management, will ensure budgetary stability to develop the technical preparation of projects eligible under the Structural and Cohesion Funds assistance (priority point). It has implemented 410 computing measures (for: -Aristo Park, the funding of publicly funded projects and the development and support of start-ups). The Accession Partnership priorities have been met to a large extent. Implementation of the measures under the Action Plan is on track.

**Chapter 22 - Consumer and health protection**

Malta has developed regulations in the implementation of the acquis, in particular as regards industrial environmental legislation, waste management, industrial pollution control and nature protection. However further alignment is still needed, in particular as regards nature protection (birds). Malta has developed implementation plans for the environmental acquis, based on estimates of costs of alignment and realistic sources of public and private financing. Malta has taken measures to ensure that the alignment process is carried out in a structured manner, year-by-year, and started implementation in regards waste framework directives, packaging and packaging waste, landfill of waste, urban waste treatment, the phasing out of halon, petrol and industrial fuel management. However considerable efforts are needed, in particular as regards the administration, monitoring and enforcement of the environmental legislation. The implementation of the corresponding measures of the Action Plan, e.g. the setting up of a new competent authority and the transposition of additional provisions of the acquis, but much effort is needed to ensure that all measures. Although Malta has taken steps to continue ongoing compliance agreement with the EU, the implementation of the corresponding measures of the Action Plan is on track.

**Chapter 23 - Consumer and health protection**

Malta has continued to align to legislative and regulatory measures and alignment activities. The implementation of the corresponding measures of the Action Plan, e.g. the strengthening of the Market Surveillance Directorate and the development of its activities, is on track. The Accession Partnership priorities have been met to a large extent. Implementation of the measures under the Action Plan is on track.

**Chapter 24 - Co-operation in the area of justice and home affairs**

Malta has adopted legislation to ensure alignment of data protection provisions (priority in need of particularly urgent action). The implementation of the corresponding measures of the Action Plan, e.g. the appointment of a data protection commissioner, is on track. Malta has taken measures to ensure that the implementation of the acquis in the area of a private agreement with European air traffic. It has taken steps towards joining Cyprus borderless accession. Malta has continued the preparation for future participation in the Schengen Information System by developing certain national databases and registers. The implementation of the corresponding measures of the Action Plan is on track. Malta has continued efforts to ensure the correct implementation of the acquis in the area of a private agreement with European air traffic. It has taken steps towards joining Cyprus borderless accession. Malta has continued the preparation for future participation in the Schengen Information System by developing certain national databases and registers. The implementation of the corresponding measures of the Action Plan is on track. Malta has continued efforts to ensure the correct implementation of the acquis in the area of a private agreement with European air traffic. It has taken steps towards joining Cyprus borderless accession. Malta has continued the preparation for future participation in the Schengen Information System by developing certain national databases and registers. The implementation of the corresponding measures of the Action Plan is on track.

**Chapter 25 - Custom union**

Malta has adopted a new Customs Code which simplifies alignment of customs legislation with the E.U. Customs Code. However the provisions on free zone representation will not be implemented until the date of accession. Therefore the Maltese implementing provisions remain to be fully aligned on those of the Community. The new code provides for the use of simplified procedures. It includes the separation of the custom administration in particular the preparation for the operation of all custom procedures will ensure impact the system of self inspection and the administration of tariff duties and ruling. Malta has continued efforts to ensure that the implementation of the corresponding measures of the Action Plan is on track. Malta has continued efforts to ensure the correct implementation of the acquis in the area of a private agreement with European air traffic. It has taken steps towards joining Cyprus borderless accession. Malta has continued the preparation for future participation in the Schengen Information System by developing certain national databases and registers. The implementation of the corresponding measures of the Action Plan is on track.

**Chapter 26 - External Relations**

Malta has taken measures to ensure the effective implementation of the acquis in the area of a private agreement with European air traffic. It has taken steps towards joining Cyprus borderless accession. Malta has continued the preparation for future participation in the Schengen Information System by developing certain national databases and registers. The implementation of the corresponding measures of the Action Plan is on track.

**Chapter 28 - Financial control**

Malta has continued to align to legislative and regulatory measures and alignment activities. The implementation of the corresponding measures of the Action Plan, e.g. the strengthening of the Internal Audit and Investigation Directorate and taking steps to aligning start-up obligations (OEI) through the country. The same service has been designated as a contact point for SME's. Malta has continued efforts to ensure that the implementation of the corresponding measures of the Action Plan is on track. The Accession Partnership priorities have been met to a large extent. Implementation of the measures under the Action Plan is on track.

**Annexes**

<b>Adherence to following conventions and protocols</b>	<b>BG</b>	<b>CY</b>	<b>CZ</b>	<b>EE</b>	<b>HU</b>	<b>LV</b>	<b>LT</b>	<b>MT</b>	<b>PL</b>	<b>RO</b>	<b>SK</b>	<b>SI</b>	<b>TK</b>
<b>ECHR (European Convention on Human Rights)</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>Protocol 1 (right of property)</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>Protocol 4 (freedom movement et al)</b>	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>Protocol 6 (death penalty)</b>	X	X	X	X	X	X	X	O	O	X	X	X	O
<b>Protocol 7 (ne bis in idem)</b>	X	X	X	X	X	X	X	O	O	X	X	X	O
<b>European Convention for the Prevention of Torture</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>European Social Charter</b>	O	X	X	O	X	X	O	X	O	X	O	O	X
<b>Revised European Social Charter</b>	X	X	O	X	O	O	X	O	O	X	O	X	O
<b>Framework Convention for National Minorities</b>	X	X	X	X	X	O	X	X	X	X	X	X	O
<b>ICCPR (International Covenant on Civil and Political Rights)</b>	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>Optional Protocol to the ICCPR (right of individual communication)</b>	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>Second Optional Protocol to ICCPR (death penalty)</b>	X	X	O	O	X	O	X	X	O	X	X	X	O
<b>ICESCR (International Covenant on Economic, Social and Cultural Rights)</b>	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>CAT (Convention against Torture)</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>CERD (Convention on the Elimination of All Forms of Racial Discrimination)</b>	X	X	X	X	X	X	X	X	X	X	X	X	O
<b>CEDAW (Convention on the Elimination of All Forms of Discrimination against Women)</b>	X	X	X	X	X	X	X	X	X	X	X	X	X
<b>Optional Protocol to the CEDAW</b>	O	X	X	O	X	O	O	O	O	O	X	O	O
<b>CRC (Convention on the Rights of the Child)</b>	X	X	X	X	X	X	X	X	X	X	X	X	X

X - Convention ratified  
 O - Convention NOT ratified  
 BG-Bulgaria; CY-Cyprus; CZ-Czech Republic; EE-Estonia; HU-Hungary; LV-Latvia; LT-Lithuania; MT-Malta; PL-Poland; RO-Romania; SK-Slovak Republic; SI-Slovenia; TK-Turkey

	1997	1998	1999	2000	2001						
<b>Basic Data</b>	<b>in 1000</b>					<b>Financial indicators</b>	<b>in % of Gross Domestic Product</b>				
Total Population (Maltese & Foreigners)	384.2	386.4	388.7	391.4	394.5	Gross foreign debt of the whole economy (f)	66.9	71.9	109.8	179.2	156.8
	<b>in km<sup>2</sup></b>						<b>as % of exports</b>				
Total area	315.6	315.6	315.6	315.6	315.6	Gross foreign debt of the whole economy (f)	80.4	84.0	123.6	177.9	182.3
<b>National accounts</b>	<b>Mio Malta Lira</b>					<b>Monetary aggregates</b>	<b>1000 Mio ECU/euro</b>				
Gross domestic product at current prices	1,288	1,362	1,456	1,562	1,627	- M1	1.1	1.2	1.4	1.5	1.6
	<b>1000 Mio ECU/euro</b>					- M2	4.2	4.4	5.2	5.5	6.2
Gross domestic product at current prices	2.9	3.1	3.4	3.9	4.0	- M3	4.7	5.0	5.9	6.2	6.9
	<b>ECU/euro</b>					Total credit	3.5	3.8	4.5	5.0	5.8
Gross domestic product per capita a) at current prices	7.700	8.100	8.800	9.900	10.300	Average short-term interest rates	<b>% per annum</b>				
	<b>% change over the previous year</b>					- Day-to-day money rate	5.2	5.5	5.0	4.7	4.7
Gross domestic product at constant prices (nat. currency)	4.9	3.4	4.1	5.5	-0.8	- Lending rate	:	:	:	7.4	7.0
Employment growth	-0.1	-0.1	0.7	1.2	1.1	- Deposit rate	:	5.4	5.5	5.3	5.2
Labour productivity growth	5.0	3.5	3.3	4.3	-1.9	<b>ECU/EUR exchange rates</b>	<b>(1ECU/euro=.Malta Lira)</b>				
	<b>in Purchasing Power Standards</b>					- Average of period	0.437	0.435	0.426	0.404	0.403
Gross domestic product per capita a) at current prices	10,600	11,100	11,700	:	:	- End of period	0.433	0.442	0.415	0.408	0.399
	<b>% of Gross Value Added</b>						<b>1995=100</b>				
Structure of production	<b>% of Gross Value Added</b>					- Effective exchange rate index	103.4	105.1	105.3	106.7	107.9
- Agriculture	2.9	2.7	2.5	2.3	2.4	Reserve assets	<b>Mio ECU/euro</b>				
- Industry (excluding construction)	24.3	25.0	24.9	26.5	24.5	- Reserve assets (including gold) (g)	1,251	1,449	1,783	1,581	1,904
- Construction	3.0	2.8	2.4	2.5	2.8	- Reserve assets (excluding gold) (g)	1,248	1,448	1,782	1,580	1,902
- Services	69.7	69.6	70.2	68.7	70.4		<b>Mio ECU/euro</b>				

Structure of expenditure	as % of Gross Domestic Product				
- Final consumption expenditure	82.9	81.9	81.6	82.6	84.1
- household and NPISH	62.4	62.1	62.8	63.9	63.9
- general government	20.5	19.8	18.7	18.6	20.2
- Gross fixed capital formation	25.3	24.5	23.4	26.2	23.2
- Stock variation b)	0.2	-0.8	0.6	2.1	-2.7
- Exports of goods and services	85.1	87.7	90.7	102.7	87.8
- Imports of goods and services	93.5	93.2	96.3	113.6	92.3
<b>Inflation rate</b>	<b>% change over the previous year</b>				
Consumer price index c)	6.4	3.7	2.3	3.0	2.5p
<b>Balance of payments</b>	<b>Mio ECU/euro</b>				
-Current account	-175	-194	-116	-576	-191i
-Trade balance	-579	-528	-537	-673	:
Exports of goods	1,467	1,629	1,891	2,689	:
Imports of goods	2,047	2,156	2,428	3,363	:
-Net services	348	340	351	252	:
-Net income	8	-58	30	-171	:
-Net current transfers	49	51	40	16	:
-of which: government transfers	4	2	-8	1	:
- FDI (net) inflows	71	238	770	707	350i
<b>Public finance</b>	<b>in % of Gross Domestic Product</b>				
General government deficit/surplus	-10.7	-10.8	-8.3	-7.0	-7.0p
General government debt	51.5	64.9	59.9	60.7	65.7p

Trade balance	-814	-742	-810	-1039	-857
Exports	1,442	1,634	1,856	2,653	2,186
Imports	2,256	2,376	2,666	3,692	3,043
	<b>corresponding period of the previous year = 100</b>				
Terms of trade	98.2	99.1	99.8	102.8	92.8
	<b>as % of total</b>				
Exports with EU-15	54.3	52.8	48.7	33.3	41.3
Imports with EU-15	71.4	69.3	65.4	60.0	63.6
<b>Demography</b>	<b>per 1000 of population</b>				
Natural growth rate	4.0	3.2	2.8	3.0	2.4
Net migration rate (including corrections)	8.4	6.5	8.0	8.5	8.5
	<b>per 1000 live-births</b>				
Infant mortality rate	6.4	5.3	7.2	6.1	4.4
Life expectancy:	<b>at birth</b>				
Males	74.9	74.4	75.1	74.3	74.7
Females	80.1	80.1	79.3	80.2	80.0
<b>Labour market (Labour Force Survey) d)</b>	<b>% of population</b>				
Economic activity rate (15 - 64)	55.4	55.1	55.0	58.0	58.0
Employment rate (15-64), total	52.6	52.1	52.0	54.2	54.2
Employment rate (15-64), male	76.1	74.8	74.0	75.1	76.4
Employment rate (15-64), female	28.8	29.1	29.7	33.1	31.6
Average employment by NACE branches	<b>in % of total</b>				
- Agriculture and forestry	1.7	1.6	1.6	1.7	2.2
- Industry (excluding construction)	26.9	26.8	26.1	26.1	21.1
- Construction	4.5	4.3	4.1	6.9	7.7
- Services	66.9	67.3	68.2	65.2	66.0
	<b>% of labour force</b>				
Unemployment rate, total	5.6	5.6	5.8	6.5	6.5
Unemployment rate, males	6.3	6.6	6.8	7.0	6.0
Unemployment rate, females	3.3	3.0	3.1	5.4	7.8
Unemployment rate of persons <25 years	7.1	7.2	7.5	11.2	15.4
	<b>as % of all unemployed</b>				
Long-term unemployment share	40.6	42.5	46.7	62.3	43.8

	in km per 1000 Km2				
<b>Infrastructure</b>					
Railway network	-	-	-	-	-
	<b>km</b>				
Length of motorways	-	-	-	-	-
<b>Industry and agriculture</b>	<b>previous year = 100</b>				
Industrial production volume indices g)	98.5	110.5	107.0	116.2	93.2
Gross agricultural production volume indices h)	110.2	102.5	98.3	98.6	96.4
<b>Standard of living</b>	<b>per 1000 inhabitants</b>				
Number of cars e)	439.0	450.0	466.0	481.0	492.0
Main telephone lines	483.1	497.0	509.3	528.4	534.7
Number of subscriptions to cellular mobile services	39.3	49.0	62.6	289.8	605.0
Number of Internet subscriptions	33.5	58.8	63.9	87.9	137.0
p = provisional figures					

a) Figures have been calculated using the population figures from National Accounts, which may differ from those used in demographic statistics.
b) These figures include changes in inventories, acquisitions less disposals of valuables and the statistical discrepancy between the GDP and its expenditure components.
c) Index not yet harmonised
d) Administrative records for 1997-1999. Largely EU-harmonised LFS since 2000.
e) Registered cars.
f) Less liabilities due to International Banking Institutions
g) 1999-2001 estimated since the index compiled according to ISIC was discontinued
h) Source: Economic Accounts for Agriculture (Manual on EAA/FAF Rev 1.1)
i) Source: Website of the Statistical Office

## Methodological Notes

<b>Inflation rate</b>
Price Index: The Maltese Retail Price Index is a Laspeyres Index with base 1995=100. The index weights were derived from a year-long household budget survey held in 1994. The index "basket" is composed of some 730 items for which direct and monthly price observations are carried out by Central Office of Statistics (COS) field officers. The index is also used for the measurement of real inflation rates.
<b>Finance</b>
Public finance: The government deficit and debt statistics of the Candidate Countries are presented, in the sense that they do not yet fully comply with EU methodological requirements. Broadly speaking, the general government deficit (surplus) refers to the national accounts concept of consolidated general government net borrowing (not lending of ESA95). General government deficit is defined as consolidated gross debt at end-year nominal value. The series is available from 1997, the 1996 data are an approximation derived from the IMF's GIS methodology.
Gross foreign debt is of the whole economy, covering both short- and long-term, but excluding equity investment and money market instruments. The source for stock of outstanding debt is OECD, while the source of GDP is Eurostat. For the ratio of gross foreign debt to exports, the national accounts definition of exports of goods and services is used (source Eurostat). The data for 2000 are Eurostat estimates, based on joint OECD/IMF BIS/World Bank series. The Maltese series adjust to Eurostat. Malta has important international banking activities. Following contacts with the authorities, it was decided to exclude external liabilities of the banking sector held in the form of loans, currency and deposits.
Monetary aggregates are end-year stock data, as reported to Eurostat. Generally, M1 means notes and coins in circulation plus bank sight deposits. M2 means M1 plus savings deposits plus other short-term claims on banks. M3 means M2 plus certain placements in a loan liquid or longer-term form. Net all countries produce an M3 series. Total credit means loans by resident monetary financial institutions (MFIs) to non-MFI residents.
Interest rates: Annual average rates based on monthly rates reported to Eurostat. In the case of Malta, lending rates refer to bank lending to enterprises (E1) (interest), deposit rates refer to bank deposits with an original maturity of up to one year. Day-to-day money rates are overnight interbank rates.
Exchange rates: ECU exchange rates are those that were officially notified to until 1 January 1999, when the ECU was replaced by the euro. Euro exchange rates are reference rates of the European Central Bank. The effective exchange rate index (realtime), as reported to Eurostat, is weighted by major trading partners.
Reserve assets are end-year stock data, as reported to Eurostat. They are defined as the sum of current bank holdings of gold, foreign exchange, SDRs, reserve position in the IMF, and other claims on non-residents. Gold is valued at end-year market price.
<b>External trade</b>
Imports and exports (current prices): Trade data is based mainly on the general system although we use also the special system. We exclude transport trade (direct-to-export), customs free zones, licences, know-how patents and services. FOB means that all costs incurred in transport are charged to the seller and CIF means that the purchaser pays the additional costs. The value of imports is in CIF and exports in FOB. Regarding classification, the H. S. coding system is used together with the National Tariff that is 10-digit code.
Terms of trade: Calculated as Unit Value Index of Exports divided by Unit Value Index of Imports.
Imports and exports with EU-15: Data disclosed by the Republic of Malta.
<b>Labour force</b>
Labour activity rate (ILO methodology): Percentage of labour force in the total population aged 15-64. This rate is derived from LFS (Labour Force Survey) observing the following ILO definitions and recommendations:
Labour force: employed and unemployed persons in the sense of the ILO definitions stated below.
The employed: all persons aged 15-64, who during the reference period worked at least one hour for wages or salary or other remuneration as employees, entrepreneurs, members of cooperatives or contributing family workers. Members of armed forces and women on child-care leave are included.
The unemployed: all persons aged 15+, who concurrently must first all three conditions of the ILO definition for being classified as the unemployed:
have no work,
are actively seeking a job and
are ready to take up a job within a fortnight.
Unemployment rate by ILO methodology: Percentage of the unemployed in labour force. This rate is derived from LFS (Labour Force Survey) observing the following ILO definitions and recommendations (see ILO definitions above).
Average employment by NACE branches: This indicator is derived observing the ILO definitions and recommendations.
Genderly (Occupied persons: persons in general employment, both employed and self-employed, during a period. These have to be registered as such at the Employment and Training Corporation (ETC) which is the official agency dealing with labour data. By law all genderly employed have to be registered with ETC. No labour force survey is carried out so that the employment data is not related to any reference period.
<b>Infrastructure</b>
Railway network: All railways in a given area. This does not include stretches of road or water over- or tunnel stock should be converted over such stretches, e.g. by wagon-carrying trailers or ferries. Lines solely used for tourist purposes during the season are excluded as are railway-connected sidings to serve mines, forests or other industrial or agricultural undertakings and which are not open to public traffic. The data concerns the construction length of railways.
Length of motorway: Road, specially designed and built for motor traffic, which does not serve properties bordering on it, and which:
(a) is provided, except at special points or temporarily, with separate carriageways for the two directions of traffic, separated from each other, either by a dividing strip not intended for traffic, or exceptionally by other means;
(b) does not cross at level with any road, railway or tramway track, or footpath;
(c) is specially sign-posted as a motorway and is reserved for specific categories of road motor vehicles.
Entry and exit lanes of motorways are included irrespective of the location of the signposts. Urban motorways are also included.
<b>Industry and agriculture</b>
Industrial production volume indices: Industrial production covers mining and quarrying, manufacturing and electricity, gas, steam and water supply (according to the NACE Rev 1 Classification Sections C, D, and E).
Gross agricultural production volume indices: Gross agricultural production volume indices are calculated in constant prices of 1999. The quarter indices are calculated on the basis of the previous quarter.
<b>Standard of living</b>
Number of cars: Passenger car: road motor vehicle, other than a motor cycle, intended for the carriage of passengers and designed to seat no more than nine persons (including the driver).
The term "passenger car" therefore covers minivans (read no points to be driven), taxis and hired passenger cars, provided that they have less than ten seats. This category may also include pick-ups.
<b>Sources</b>
Trade data, infrastructure, industry and agriculture, external trade, inflation rate, labour market, demography: National sources.
National accounts, Finance: Eurostat.