

MALTA

UNITARY COUNTRY

BASIC SOCIO-ECONOMIC INDICATORS

INCOME GROUP: HIGH INCOME

LOCAL CURRENCY: EURO (EUR)

POPULATION AND GEOGRAPHY

Area: 320 km²**Population:** 0.460 million inhabitants (2017), an increase of 0.6% per year (2010-2015)**Density:** 1 438 inhabitants / km²**Urban population:** 94.5% of national population**Urban population growth:** 2.2% (2017 vs 2016)**Capital city:** Valletta (46.2% of national population)

ECONOMIC DATA

GDP: 19.1 billion (current PPP international dollars), i.e. 41 479 dollars per inhabitant (2017)**Real GDP growth:** 6.4% (2017 vs 2016)**Unemployment rate:** 4.0% (2017)**Foreign direct investment, net inflows (FDI):** 3 462 (BoP, current USD millions, 2017)**Gross Fixed Capital Formation (GFCF):** 23.2% of GDP (2016)**HDI:** 0.878 (very high), rank 29

MAIN FEATURES OF THE MULTI-LEVEL GOVERNANCE FRAMEWORK

Malta is a parliamentary republic. The unicameral House of Representatives (*Kamra tad-Deputati*) is composed of 65 members, elected by a system of proportional representation for a five-year term. The head of state is the President, elected by the members of the parliament, also for a five-year term. The president appoints the head of Government, the Prime Minister. The Maltese Constitution dates back to 1964, and it was amended in 2001 in order to incorporate the system of local government through article 115A.

Malta is a unitary country with a single tier of local government. The local government subsector was first established in Malta in 1993 through the Local Councils Act. A new chapter, entirely dedicated to local governments, was later added to the 2001 Maltese Constitution, namely Chapter XA. However, there is no explicit recognition of local self-government in either text. The Local Councils Act is the main piece of legislation regarding the establishment, operation and organisation of subnational governments. It established local councils as statutory local government authorities having a distinct legal personality, provided an exhaustive list of their functions and the powers of the central government to carry out supervision and control over them. The Local Councils Act is supported by 11 "schedules", which provide further details on SNG functioning (e.g., municipal associations, financial regulations, local council procedures, etc.).

Each local government is administered by a local council (*Kunsilli Lokali*), with councillors elected by the residents of the municipality for a five-year term. It is led by a mayor (*sindku*) for the same duration. The mayor is the political representative of the local council. The mayor is elected after receiving the highest number of votes within the political party that gained the overall majority during the local election. The executive, administrative and financial head of the council is the executive secretary who is designated by the local council for three years.

The Local Councils Act was substantially revised in 1999, in 2005 and more recently in 2009 (Act No. XVI), as part of the broader 2009 Local Government Reform. This reform has several components, including the creation of five regional committees, namely (four on the island of Malta and one on the island of Gozo). They are composed of representatives from the local councils located in each region, and chaired by a Chairman elected by the Councillors of the relevant municipality. According to a 2010 government directive, the regional committees are considered a new level of government that supersedes local government (although it is not recognised as a self-government according to international standards). Their responsibilities, which are limited, are devolved or delegated to them by the central government or by the local councils of the region.

At the end of 2018, Parliament published a white paper to discuss the next local government reform. It proposes to dissolve the administrative committees, among other recommendations. Regarding regions, it proposes to strengthen the responsibilities of regional committees (in particular in waste management) and to increase resources to carry out their functions. Regional councils would also assist local councils in the management of EU funds. Overall, the forthcoming reform will also address issues of citizen participation, local human resources and local councillor responsibilities. However, the initial drafts of the reform do not address the issue of subnational finance.

There is no formal consultation on behalf of the central government with the Association of Local Councils and the local councils. However, the government recently set up a Local Government Good Governance Working Group (LGGG) with a view to serving as a consultative forum and making recommendations to strengthen good governance practices at local level. It comprises representatives from the Association of Local Councils, the Association of Maltese Local Council executive secretaries, the Office of the Auditor General and the Department of Local Government Monitoring and Support.

TERRITORIAL ORGANISATION

2018	MUNICIPAL LEVEL	INTERMEDIATE LEVEL	REGIONAL OR STATE LEVEL	TOTAL NUMBER OF SNGS
	68 local councils (<i>Kunsilli Lokali</i>)			
	Average municipal size: 6 500 inhabitants			
	68			68

OVERALL DESCRIPTION. Malta is the smallest EU Member State both in terms of surface area and population, although it is the most densely populated. Malta is an archipelago of seven islands but only the three largest are inhabited: Malta, Gozo and Comino. Almost the entire population lives in urban areas.

Malta has a one-tier local government system, made of 68 local councils. There are 54 local councils in Malta and 14 in Gozo. Local councils are quite diverse. In terms of demographic size, they range from around 300 inhabitants to 22 300 in Birkirkara while an average size of around 6 500 inhabitants and a median size of around 4 100 inhabitants. Approximately 19% of local councils have fewer than 2 000 inhabitants and only five cities have more than 15 000 inhabitants (Sliema, Citta' Pinto, San Pawl Il-Baħar, Mosta and Birkirkara). The capital city, the city of Valletta, is the political, economic and cultural centre of the country; yet, it is not the most populated as a local council (5 750 inhabitants) although its functional urban area, which includes Northern Harbour and Southern Harbour, is much larger (213 000 inhabitants). La Valetta does not have special constitutional or legal status compared to other local councils.

The 2009 reform introduced further division of local councils into “communities” (*hamlets*) run by an administrative committee directly elected for five years also by the residents of each community. Subsequently, 16 subordinate administrative committees were set up in the larger hamlets. Moreover, at the upper regional level, five regional committees were set up in 2009, namely the Gozo Region, the Northern Region, the Central Region, the South Eastern Region and the Southern Region.

SUBNATIONAL GOVERNMENT RESPONSIBILITIES

The responsibilities of the Local Councils have been gradually extended since 1993; however, they remain relatively limited. According to Part IV of the Local Councils Act, local councils have a definite list of functions. Decentralised services encompass mainly the delivery of basic services, culture and recreation and management of public spaces, as well as the administration of property, enforcement of regulations in several sectors and the provision of e-government services.

The 2016 Development Planning Act empowered local councils by introducing local territorial plans and ensuring local councils participate in talks related to the implementation of “major projects” within their jurisdictions.

Art. 33(3) of the Local Councils Act stipulates that the central government may also gradually devolve any functions to local councils if it considers it feasible, starting with a small number of local councils as a test group. With the approval of the central government, Local Councils may enter into public-private partnerships or work with non-governmental organisations.

In June 2009, a “Code of Good Practice for Local Government” was issued with respect to local governance, primarily aimed at assisting councillors to provide the best service and promoting transparency and inclusivity.

MAIN RESPONSIBILITY SECTORS AND SUB-SECTORS

MUNICIPAL LEVEL	
1. General public services	Internal administration; Commerce licenses and permits (delegated); Support to citizens with regards to their rights (transport, communications, taxation)
2. Public order and safety	Local courts
3. Economic affairs/transport	Promotion of entrepreneurship (delegated); Maintenance of road infrastructure and road signs
4. Environmental protection	Waste management; Maintenance of public gardens/parks; Protection of the natural environment (delegated)
5. Housing and community amenities	Maintenance and cleaning of public areas; Urban planning and development; Public property and bus shelters (delegated); Restoration, design or alteration of the facade of buildings
6. Health	Health and rehabilitation centres; Health district offices
7. Recreation, culture & religion	Maintenance of children’s playgrounds, sport, culture or other leisure centres; Local public libraries (delegated); Safeguard of local identity (delegated); Assistance to local artists, musicians and athletes (delegated); Organisation of cultural and sport activities (delegated)
8. Education	Establishment and maintenance of childcare centres, kindergartens (shared with the central level); Maintenance of educational services or buildings (shared with the central level); Promotion of lifelong learning
9. Social protection	Day-care and night-care centres for senior citizens (shared); Promotion of social policy initiatives (delegated)

SUBNATIONAL GOVERNMENT FINANCE

Scope of fiscal data: local councils, regional committees, and Association of Local Councils.	SNA 2008	Availability of fiscal data: High	Quality/reliability of fiscal data : High
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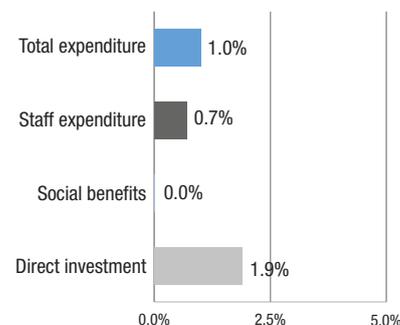
GENERAL INTRODUCTION. The Local Councils Act and the 2001 Constitutional amendment provide the framework for SNG finance. Local councils have very low revenue-generating powers. Local Councils in Malta are currently unable to levy or collect local taxes and charges. Their own revenues are generated entirely from tariffs and fees. Therefore, they are heavily dependent on government grants, which limits their capacity to manage effectively their expenditure (over which they have little decision making-power). Several legislative amendments related to financial and procurement regulations are currently being discussed. However, the first drafts of the next local government reform (2018 White Paper) do not address the issue of local council financing.

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SUBNATIONAL GOVERNMENT EXPENDITURE BY ECONOMIC CLASSIFICATION

2016	DOLLARS PPP / INH.	% GDP	% SNG EXPENDITURE	% GENERAL GOVERNMENT EXPENDITURE (SAME EXPENDITURE CATEGORY)
Total expenditure	145 333	0.4%	100%	
Incl. current expenditure	126 261	0.3%	86.9%	
Staff expenditure	29 753	0.1%	20.5%	1.0%
Intermediate consumption	96 126	0.2%	66.1%	0.7%
Social expenditure	0	0.0%	0.0%	0.0%
Subsidies and current transfers	0	0.0%	0.0%	0.0%
Financial charges	381	0.0%	0.3%	0.0%
Others	0	0.0%	0.0%	0.0%
Incl. capital expenditure	19 073	0.0%	13.1%	
Capital transfers	382	0.0%	0.3%	1.9%
Direct investment (or GFCF)	18 691	0.0%	12.9%	

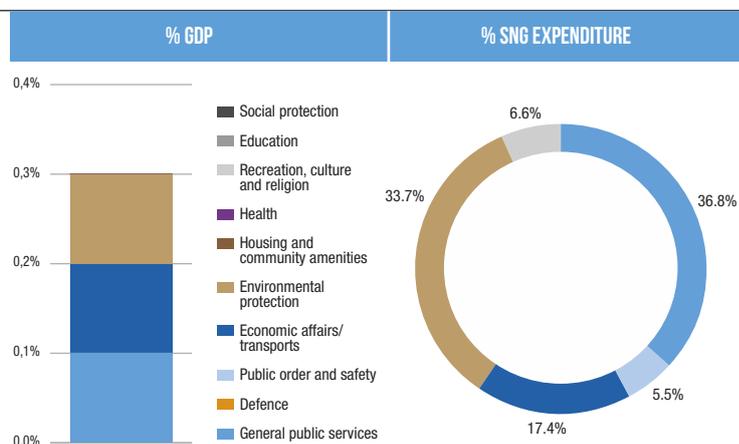


EXPENDITURE. SNG spending ratios in Malta are the lowest among EU countries and well below the average (15.5% and 33.4% in 2016). Local councils have very few spending responsibilities, which is reflected in a low level of subnational staff expenditure as both a share of public expenditure and SNG expenditure (compared to EU average of respectively 50.9% and 32.9%). This is also the result of legislation that ties the maximum number of local council employees to the size of its population. The bulk of SNG spending is dedicated to intermediate consumption. Most expenditures are regulated and approved by the central government and the House of Representatives, through allocation provisions in the annual budget. Spending power is thus very restricted.

DIRECT INVESTMENT. SNG investment remains very limited as a share of public investment and GDP, well below the EU28 average (1.4% of GDP and 51.6% of public investment). However, investment represented around 13% of SNG expenditure in 2016, slightly above the EU average (8.7% in 2016). Most SNG investments are dedicated to the maintenance of roads and transport infrastructure (79.2%), and the rest is spent on general public services. Some local councils are engaged in research and development on policies related to sustainable development and environmental issues.

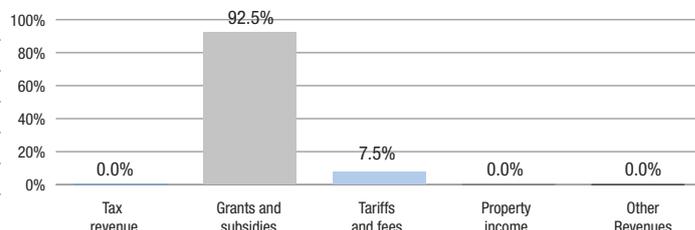
SUBNATIONAL GOVERNMENT EXPENDITURE BY FUNCTIONAL CLASSIFICATION – COFOG

The responsibilities of local councils are narrow in Malta, focusing on just a few areas. The main category of SNG spending is general public services. Administrative tasks represented almost 37% of their expenditure to be compared to 16.5% in the EU28 in 2016. It is followed by environmental protection (primarily: waste management, landscaping and maintenance of parks and gardens) and economic affairs and transport (maintenance and upkeep of existing establishments, roads and facilities). In general, expenditure for each function is pre-determined and factored into the grant allocated to the local council. Therefore, they have no room for manoeuvre for the use of funds. On the other hand, local governments have no power or responsibility regarding housing and community amenities, health, education and social protection, whereas these are major subnational spending areas in other EU countries.



SUBNATIONAL GOVERNMENT REVENUE BY CATEGORY

2016	DOLLARS PPP / INH.	% GDP	% GENERAL GOVERNMENT REVENUE (SAME REVENUE CATEGORY)	% SNG REVENUE
Total revenue	161 736	0.4%	1.1%	
Tax revenue	0	0.0%	0.0%	0.0%
Grants and subsidies	149 529	0.4%		92.5%
Tariffs and fees	12 207	0.0%		7.5%
Property income	0	0.0%		0.0%
Other revenues	0	0.0%		0.0%



OVERALL DESCRIPTION. As for expenditure, the share of SNG revenue in public revenue and GDP in Malta is the lowest among EU countries. In addition, local councils have very limited fiscal autonomy. Almost all SNG funding comes from central government transfers. Grants and subsidies accounted for 92.5% of SNG revenue, to be compared to 44.1% in the EU28. Local councils are not able to levy or collect local taxes and charges, according to the Local Councils Act.

TAX REVENUE. The Local Councils Act does not make reference to tax collection. As a result, Local Councils have no tax revenue (neither own-source nor shared).

GRANTS AND SUBSIDIES. Local Council revenue mainly comes from the allocation of the annual grant to each local council by the Minister of Finance under the Appropriation Act. It is dedicated to the functions of local councils, which covers landscaping and maintenance of parks and gardens, road maintenance, and waste management. These central government transfers to local councils are organised under Article 55 of the Local Councils Act. The amount appropriated is based on a complex formula specified in the Eighth Schedule of the Local Councils Act. It is based on each council's characteristics (e.g., the number of properties within the council, the number of councillors, the length of roads, park areas, etc.) and on estimations of current costs for the delivery of the 16 statutory functions. The 2009 local council reform resulted in an increase in the number of earmarked grants, which reached EUR 37 million in 2016. In 2015, a new fund was introduced to finance local cultural projects, and another fund was announced in the Annual Budget 2015 that would aim to assist local councils to implement capital projects. The initial contribution to the fund would correspond to the budget allocated to the 2017 local elections.

OTHER REVENUES. Local councils are allowed to increase own revenues by charging fees for the services they provide and from specific municipal activities. Fees and licences can be implemented by local councils (e.g., advertisement on street furniture, the administration of the Council property, use of council facilities, etc.). Nevertheless, revenue from tariffs and fees as a share of subnational revenue remains below the EU average (7.5% vs 11.6% in 2016). Local councils do not have property income.

■ SUBNATIONAL GOVERNMENT FISCAL RULES AND DEBT

2016	DOLLARS PPP/INH.	% GDP	% GENERAL GOVERNMENT DEBT	% SNG DEBT
Total outstanding debt	95 745	0.2%	0.3%	100%
Financial debt*	13 351	0.0%	0.1%	13.9%

* Currency and deposits, loans and bonds

FISCAL RULES. Through its Minister of Finance and Minister of Local Government, the central government is granted, by the Constitution and other relevant texts, extensive rights and powers to be involved in the conduct of local affairs. Local councils have to submit annual budgets to the central government for indirect supervision and approval. The Monitoring Unit (MU) of the Department for Local Government monitors the financial commitments of local councils, ensuring that they adhere to the financial regulations and procedures outlined in the Local Councils Act of 1993. An additional monitoring function is carried out, as required by law, by the local government auditors, who are appointed by the auditor general. The National Audit Office, a fully autonomous entity, is in charge of the annual auditing of all local councils

DEBT. According to the Local Councils Act, local councils cannot borrow (or lend) funds, without the express written consent of the central government. When authorised, funding is supposed to be done by the allocation of supplementary funds by central government, and not by borrowing. The tight subnational borrowing and lending rules explain the low level of the overall local debt, particularly in comparison to the EU28 average (14.3% of GDP and 14.4% of public debt). It is made up of other accounts payable (86%) and financial debt ("Maastricht debt") for the remaining part. Financial debt is negligible (0.05% of public debt).



Lead responsible: OECD
Last update: 02/2019

www.sng-wofi.org

Socio-economic indicators: Eurostat // World Bank // UNDP // UN Desa // ILO // Malta National Statistics Office

Fiscal data: Eurostat // OECD (2018) Key Data on Local and Regional Governments in the European Union // OECD (2018) Subnational governments in OECD countries: key data (brochure and database).

Other sources of information: Parliamentary Secretariat for local government and communities (2018) White paper on Local Government Reform // OECD (2018) Key Data on Local and Regional Governments in the European Union // European Commission (2017) Country Report Malta // Council of Europe (2017) Local democracy in the Republic of Malta, Congress of Local and Regional Authorities // CLGF (2017) The local government system in Malta // European Committee of Regions (2016) Division of Powers // CEMR (2016) Local and Regional Governments in Europe Structures and Competences // Calleja Ragonesi I., Mifsud I. (2015) Local Government in Malta, Assembly of European Regions Study on Local Government, University of Malta.