

## TAQSIMA A: Traduzzjoni

(70 Marka)

Aqleb f'Malti idjomatiku

### THE TRANSFORMATION OF DIPLOMACY

Nowadays, the role of the state has changed in response to the rapidly changing international environment and the involvement of new actors. The result, of course, is that diplomacy has changed with it. Multilateral processes connected to security, economic, social, technological and other changes influence the essence of modern diplomacy. One of the authors who has been able to elegantly express the subject of change is Richard Langhorne. According to him, "the current sense of flux in diplomacy which is evident both on the ground and in studies of the subject is primarily due to the conjunction of major growth in the diplomacy of states at a time when the role of states is changing and this change is leaving space for the emergence of new and untrained users of diplomacy, users who sometimes do not acknowledge that either need or in practice actually employ diplomacy at all". Thus, it is true that contemporary diplomacy has become a transnational process of social relationship realized by an enlarged diplomatic community.

Diplomacy is facing new challenges, including an expanded foreign policy agenda, changing social demands, and the rapid growth of domestic agencies operating abroad. One feature of the 21st century that is changing the character of diplomacy is the use of advanced information technologies in modern communication.

Moreover, the 21st century agenda requires experts in various fields: energy issues, environment, finance, economics, human rights, health issues, information and communication technology, organized crime, security issues and terrorism.

The transformation of diplomacy happens at high-speed. If we take three basic features of diplomacy as the starting point (representation, negotiations and exchange of information) we see major changes. Twenty years ago, the essence of diplomacy was described with the following components: state-centric environment; dominant formats of mutual cooperation between countries; ministry of foreign affairs as the exclusive institution for foreign policy implementation. However, we now see the following changes: ministry of foreign affairs has delegated some functions to other actors; the role of nongovernmental actors has increased; multilateral cooperation formats become more important; the structure and functions of diplomatic institutions are redefined; the balance between generalists and specialists is redefined; the influence of information on agendas of foreign affairs is growing; global information environment is defining the work of foreign office; the ways of communication are diversified; innovative information technologies are introduced; fast exchange of information minimizes the importance of previously planned policy, fast decisions are emphasized and experts' role in negotiations becomes more important.

## TAQSIMA B: Taqsira

(70 Marka)

Qassar dan li ġej kemm jista' jkun fi kliem f'bejn 150 u 180 kelma.

Tista' l-Identita' Maltija tkun waħda kosmopolitana?

... Kif nistgħu nikkonċepixxu identita' Maltija li tinkorpora dan il-kosmopolitaniżmu? Tista' "cittadina tad-dinja" tkun ukoll Maltija, fis-sens li jkollha identita' marbuta ma' lokalita' u l-istorja tagħha? Nistgħu nkunu kosmopolitani mingħajr ma nitilfu l-identita' tagħna bhala Maltin?

Hawnhekk nixtieq nagħmel parentesi. Jien xettiku hafna dwar din l-idea li "nitilfu l-identita'", bħal ma nitilfu l-flus mill-but jew il-piż meta nagħmlu dieta. Wara kollox, jekk nirraġunaw b'dan il-mod l-identita' tista' biss tintilef għax kull bidla ovvjament tidher bħal xi haġa ġdida li tiehu post it-tradizzjonali. Fil-fehma tiegħi l-identita' mhix *ammont* imma tip ta' emozzjoni u twemmin li kapaċi jinkorpora aspetti godda tal-ghajxien.

Jien naħseb li t-twegiba tinsab f'tipi ta' kosmopolotaniżmi li naraw madwarna llum. Jien stess hdimt ma' grupp ta' nies fl-Indja, f'Londra, u f'Malta, li għalkemm huma kosmopolitani fis-sens li kapaċi jithalltu ma' kulhadd u jgħixu kullimkien, għandhom sens qawwi li huma Indjani – sens ta' storja u kultura. Qieghed ngħid illi llum il-kosmopolitaniżmu qed jinftehem iktar bhala komunikazzjoni u mobilita' milli bħal distakk minn kull irbit partikulari. Wara kollox, għaliex cittadina tad-dinja m'għandhiex tkun ukoll membru ta' tribu', jew villaġġ, jew nazzjon? Ina nafu li l-bnedmin kapaċi jkollhom aktar minn identita' waħda – wara kollox aħna Ewropej imma aħna wkoll Mediterranji; aħna Maltin imma wkoll Beltin, Mostin, Slimizi; aħna tal-Kottonera imma aħna wkoll Sengleani jew Bormliżi.

Dan għandu jkun ovvju imma filfatt mhux, għax kif għedt qabel, l-identita' Maltija hafna drabi jtkellmu fuqha bħallikieku hija xi biċċa porċellana fina li inqas ma jmissuha idejn, inqas hemm ċans li tinkiser. (Parentesi zghira: sa ftit ilu anke l-lingwa Maltija kienu jarawha b'dan il-mod – għadni niftakar sew il-kanonku li kien jgħallimna l-Malti l-Kulleġġ li, bl-intenzjonijiet tajba kollha, kien jaqtgħalna hames marki għal kull kelma li nużaw li mhix ġejja mill-Għarbi). Il-kunċett predominanti tal-identita' Maltija huwa wiehed insulari. Sintendi, wiehed m'hemm x għalfejn ikun jgħix fuq gżira biex ikollu kunċett ta' identita' insulari. Dan jiffaċċa f'rahal fl-Awstrija, ngħidu aħna, fis-sens li n-nies tar-raħal jidhrilhom li biex jippreservaw l-identita' tagħhom hemm bżonn iħalluha kif jimmaginaw li dejjem kienet, mhux mittiefsa.

Din it-tip ta' identita' qajla niltaqgħu magħha fi bliet kbar bħal Londra jew New York, pero'. Dan għaliex l-identita' ta' belt hi hafna drabi kozmopolitana, imsejja fuq il-kunċett ta' differenza u inkorporazzjoni, magħmula mill-kuntatt bejn popli u gruppi differenti – mhux miftuma minnu bħal fil-każ ta' identita' insulari. Perezempju f'Bombay, in-nies ingenerali jemmu li dak li jagħmilhom partikolari, li jagħtihom identita', hu propju l-fatt li thalltu, li huma miftuħin għad-dinja. Paradossalment, il-kozmopolitaniżmu jsir parti minn identita' lokali.

M'għandniex għalfejn niskantaw b'dan – wara kollox waħda mill-karatteristiċi ewlenin tal-ibliet hija li huma l-punt tat-tluq għal *networks* shaħ ta' komunikazzjoni, f'dak li hu kummerċ perezempju, jew fis-settur finanzjarju. Fil-ktieb *Le Citta' Invisibili* ta' Italo Calvino jolqtuna hafna l-listi twal ta' prodotti ġejjin minn kull parti tad-dinja li jsibu ruħhom fil-bliet, mitiċi u mhumiex, tal-awtur. Hu anke għalhekk li l-identita' urbana hija bbazata fuq l-iskambju iktar milli fuq l-eskluzjoni.

Hu f'dan is-sens li jien jidhirli li għandna nibdew naħsbu fuq forom differenti tal-identita' Maltija. Sintendi din hija opinjoni personali – m'għandi l-ebda ambizzjoni li nkun xi tip ta' arkitett tal-identita'. Biss naħseb li għandna nibdew inharsu lejn dawk l-aspetti tal-istorja tagħna li *huma wkoll* jagħmluna Maltin, u li għandhom bhala tema t-tahlit, il-ftuħ, il-bidla. Qed nirreferi għall-kolonjaliżmu, perezempju, jew il-fatt li l-bliet tal-Kottonera minn dejjem kienu għaġna ta' nies minn provenjenzi differenti (biżżejjed wiehed iħares lejn il-kunjomijiet). Dan ma jfissirx li nsiru inqas Maltin għax nithalltu, imma li aħna Maltin propju għax imħalltin, għax kosmopolitani. L-ghazla l-oħra hi li nitwekkew għal dejjem bl-ghasel pur, bl-ghonnella, bil-ġbejniet, u b'Zepp u Grezz.

Mark-Anthony Falzon ... Xi riflessjonijiet fuq l-Identita' ... f'kull belt hemm kantuniera (Inizjamed)

**TAQSIMA Ċ: Stqarrija għall-iStampa**

(60 Marka)

*Ikdeb stqarrija għall-istampa ta' mhux aktar minn 300 kelma msejsa fuq it-test t'hawn taht:*



**International  
Monetary Fund**

**Malta: Concluding Statement of the 2014 Article IV Mission**

December 15, 2014

A Concluding Statement describes the preliminary findings of IMF staff at the end of an official staff visit (or 'mission'), in most cases to a member country. Missions are undertaken as part of regular (usually annual) consultations under Article IV of the IMF's Articles of Agreement, in the context of a request to use IMF resources (borrow from the IMF), as part of discussions of staff monitored programs, or as part of other staff monitoring of economic developments.

The authorities have consented to the publication of this statement. The views expressed in this statement are those of the IMF staff and do not necessarily represent the views of the IMF's Executive Board. Based on the preliminary findings of this mission, staff will prepare a report that, subject to management approval, will be presented to the IMF Executive Board for discussion and decision.

*Given Malta's strong economic outlook, now is an opportune time for broad based reforms to raise growth in a sustainable manner and reduce vulnerabilities. Policy priorities are: i) reducing public debt in a sustainable manner; ii) containing fiscal pressures by reforms on pension, healthcare, and public corporations; iii) developing a strategy for NPL resolution; and iv) advancing reforms on labor markets and the judicial system and reducing the cost of capital to maintain competitiveness.*

**1. Malta continues to weather the global crisis well.** Real GDP growth has been one of the highest in the euro area since the crisis and remains solid into 2014. The external position has stayed strong, and unemployment is close to historical lows and among the lowest in the euro area. These developments reflect a relatively diversified economy and a stable banking sector.

**2. The economic outlook is strong.** The mission projects continued good real GDP growth in 2015-16, driven by domestic demand. The main drivers are ongoing investment projects and strong private consumption, the latter underpinned by rising wages and employment. Inflation is projected to remain subdued, reflecting the reduction in energy tariffs, lower global oil prices, and persistently low euro area inflation.

**3. Risks are broadly balanced. In the short-term,** a prolonged stagnation and very low inflation in the euro area would reduce external demand and make fiscal adjustment more challenging. While risks related to the delays in restructuring of various state owned enterprises remain, there are potential positive spillovers to private investment and consumption from large infrastructure projects. **In the longer term, Malta's competitiveness could be eroded because of regulatory and tax reforms at the European level, and if Malta falls behind in implementing structural reforms while many euro area countries continue to reduce their unit labor costs.**

**4. Now is an opportune time to push forward with policies to raise growth in a sustainable manner and reduce vulnerabilities.** Despite a robust outlook, Malta faces important challenges: public debt is still high; non-performing loans are elevated; despite abundant liquidity, the cost of capital is relatively high; and maintaining competitiveness is increasingly challenging. The policy agenda, therefore, should focus on three areas: 1) progressing towards fiscal

Eżami għall-postijiet ta' Second Secretary

Fis-Servizz Diplomatiku

Tal-Gvern ta' Malta

**KARTA TAL-MALTI**

9 ta' Jannar 2015

Fin allokati: Tliet Sigħat

**AQRA B'ATTENZJONI DAN IT-TAGHRIF GĦALL-KANDIDATI**

**QABEL**

**TIBDA TWIEĠEB IL-MISTOQSIJET**

***Wieġeb it-tliet taqsimiet u, għalkemm it-test tat-tielet taqsima huwa bl-Ingliż, inti mistenni/ja li tfassal l-istqarrija għall-istampa bil-Malti.***

***Żomm quddiem għajnejk li dan huwa eżami tal-Malti u għalhekk ħiliet fil-kitba tal-Ilsien Malti ser jingħataw għadd ta' marki.***

sustainability; 2) maintaining financial stability; and 3) strengthening competitiveness and reducing the cost of capital.

#### *Progressing towards fiscal sustainability*

**5. The budgetary targets for 2014-2017 are welcome but meeting them is subject to risks.** The fiscal deficit declined to 2.7 percent of GDP in 2013, and with the output gap closed, there is a window of opportunity to reduce public debt. Fiscal consolidation has continued in 2014, despite rapidly growing current expenditures, financed by stronger-than-expected revenues. The consolidation measures proposed by the government for 2015 are mostly on the revenue side, and the underlying growth projections rely on favorable external assumptions. To ensure that the proposed fiscal targets are met, additional expenditure measures should be considered. These measures should be designed to contain the fast growth in current spending— including through prudent wage agreements and further restraint on public sector employment— while preserving incentives for labor participation and education, and capital spending. If revenues turn out to be higher than projected, they should be used for debt reduction. In this context, following the initial steps taken, a full implementation of the comprehensive spending review would help prioritize and contain spending, while increasing efficiency.

**6. Broad-based reforms—on pension, healthcare, and public corporations— are critical to contain fiscal pressures going forward.** In addition to introducing a private third-pillar pension scheme, further measures—such as accelerating the planned increase in the retirement age and linking pensionable income to a longer period of working years— are needed to curb the projected increase in public pension outlays. Accelerating the implementation of planned health care measures—such as increasing the administrative efficiency and strengthening primary care— will help contain spending growth. Authorities should continue to push forward with restructuring of state-owned corporations. Enemalta's restructuring, once completed, will bolster public finances and help lower energy costs. To ensure a sustainable financial position, tariff reductions should be fully backed by cost containment. More generally, it is important to disclose, analyze, and manage risks to public finances from the state owned enterprises in a consolidated manner.

**7. The government's efforts to strengthen fiscal governance are welcome.** The recently enacted Fiscal Responsibility Act (FRA), in line with EU requirements, establishes fiscal rules, an independent fiscal council, a medium-term budgetary framework, a fiscal risk statement, and a contingency reserve. The mission encourages the full implementation of the FRA for the next budget period. Ongoing initiatives to integrate the revenue administration agencies will help improve the budgetary process.

#### *Maintaining financial stability*

**8. Overall, the financial sector remains stable.** Malta continues to host a relatively large financial sector without exposing itself to excessive risk. Solvency and liquidity of banks remain comfortably above regulatory requirements. Recent deleveraging of some international banks had minimal impact on the economy. The results of the ECB's comprehensive assessment confirmed the ability of the largest banks to withstand shocks without capital shortfalls. **The amendments to the regulations (BR09) enacted in 2013 introduced additional provisioning requirements for nonperforming loans (NPLs). The amended CBM Act assigned the formulation and implementation of macro-prudential policy as an explicit objective of the CBM. Moreover, the Joint Financial Stability Board has enhanced inter-agency cooperation on financial stability. In this context, design of the macro-prudential framework is ongoing. The transfer of supervisory responsibilities of the largest banks from the MFSA to the SSM has been smooth. To get a fuller assessment of the financial sector's condition, the mission encourages the authorities to undertake a Financial Sector Assessment Program.**

**9. Remaining financial sector vulnerabilities stem from the high level of NPLs and exposures to the property market. The NPL ratios of the largest banks were revised upwards under the AQR. At the same time, exposure of the core domestic banks to the property market remains**

**substantial, leaving the banking sector vulnerable to developments in the real estate sector, particularly in the case of direct exposure to construction sector.**

**10. Efforts are needed to further boost the resilience of Maltese banks and ensure robust supervisory and contingency arrangements.**

- The swift implementation of the action plans resulting from the ECB's comprehensive assessment is essential. The ongoing work applying the same standards across the rest of the banking sector is welcome.
- Enhanced focus of the MFSA on smaller banks is appropriate, given forthcoming changes in ownership.
- The MFSA should maintain sufficient resources as needed by the intensity of the regulatory and supervisory work.
- The contingency framework should be strengthened in line with the reforms at the EU level. This includes boosting the resources of the deposit compensation scheme while lowering the share of banks' special contribution (ex-post payment commitments). Also, legal amendments are needed to implement the EU Bank Recovery and Resolution Directive, establishing a resolution fund and introducing a bail-in requirement.
- In light of the large financial sector and the rapid growth in the online gaming industry, the MFSA and the FIAU should continue to aim for high standards in the AML framework.

#### *Strengthening competitiveness and reducing the cost of capital*

**11. Maintaining Malta's competitiveness will require sustained productivity growth. The measures proposed by the National Reform Program are steps in the right direction. The priorities include improving labor participation and productivity, and reforming the judicial system to improve the business environment. Malta's dynamic economy should be supported by affordable lending to viable small firms.**

**12. Policy actions are needed to reduce the cost of capital.**

- There is a need for a strategy for NPL resolution, as high NPLs are contributing to high lending interest rates, particularly in certain sectors. Such a strategy could include accelerating NPL write-offs, encouraging greater use of the insolvency regime, faster enforcement of creditor rights, and developing options for out-of-court workouts.
- Implementation of the planned credit registry should help reduce financing costs and, in the medium-term, help facilitate other forms of market financing, such as securitization. This would complement the initiatives to jump start markets for risk capital.
- While the reliance on domestic funding across sectors (government, banks, and corporates) has helped shield Malta from the global financial crisis, at present there is scope to increase cross-border financing while maintaining financial stability. This would help lower funding costs across the economy.
- A development bank—which is being considered by the authorities—could help stimulate nascent markets. However, it should not be in direct competition with commercial banks. should have a clear and periodically re-evaluated mandate, be effectively supervised, and have strong governance.

**13. Building on the ongoing reform momentum, labor markets and the judicial system should be further strengthened.** Efforts to increase female labor force participation and vocational training are important to sustain competitiveness and increase potential growth. A closer alignment of wages and productivity would support these efforts. Malta has started to reform its judicial system to reduce the length of court procedures, including by introducing mediation. Improving judicial efficiency further would promote growth, jobs, and credit.

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