

A Resounding Success

The resounding success of the Prime Minister's mission in getting what is due to Malta in the new European Union Budget has enabled government to plan ahead for full utilization of EU funds in accomplishing much needed projects in those areas where development is sorely needed. The 805 million-euro gross receipts over the 2007-2013 period will be a manifest and concrete result of Malta's membership in the Union.

It will be recalled that in the referendum campaign the Opposition had predicted – falsely as it turned out – that Malta would receive only 1.5 million Maltese liri per annum. The frustration at this unfulfilled Labour prophecy is evident in the recent Leader of the opposition's criticism of the amount obtained by Malta at the recent EU summit. Labour apologists who only two years ago were spreading the _____ that joining the EU would only add Lm1.5 million p.a to the State Coffers are now whining that we should have got 1 **billion euros** over seven years!!

This criticism is even more hollow when one considers that with the “special partnership” which Labour had promised to enter into had it been elected to government, not even a small fraction of the 805 million euros acquired would have been made available to Malta!

Besides certain flexibility rules have been introduced hitherto unavailable. One particular rule of flexibility which had been sponsored by the British EU Presidency, and which has seen the light of the day, has been the raising of the EU Co-financing percentage of local EU-funded projects from 75% to 85%. Besides, out of the remaining 15% which has to be co-finance by the Maltese government, any financing arising from public-private partnerships will be allowed under the 15% heading. So will the VAT component of the entire project. The following example immediately illustrates the benefits of this new rule of feasibility. If a project is worth Lm100, 000; and VAT amounts to Lm18,000, out of a total cost of Lm118,000, the European Union would be funding 85% or Lm100,300; the remaining Lm17,700 – to be forked out by the Maltese Government would in reality be **totally** recuperated by the local fiscal authorities.

In spite of cuts in the budgetary allocation to Central and Eastern European countries, the segment apportioned to Malta has remained untouched both in the original and final version of the British Presidency proposal. In this respect it is pertinent to point out that Malta's position on the **original** proposal which was circulated, was one of guarded optimism; government welcomed it as a basis for a negotiated settlement and was proved right. It knew fully well that even though the original proposal was palatable to countries like Malta and Slovenia which were not adversely affected by the original version, it could only be acceptable if

made palatable to the other member states. The additional concessions clinched the deal which was possible owing to the bold efforts of Prime Minister Blair and his determination to conclude a budget deal by the end of the British Presidency. His efforts at compromise will be eventually rewarded since the economies of the older industrialized member states will be strengthened with the economic development to be financed by the increased assistance to the new EU member states.

Whatever the reaction at home, Mr. Blair's stand shall be vindicated when the history of these times will be recorded. At a perilous juncture for Europe, nationalistic sentiments were put aside. Such concessions will eventually be also made by others to guarantee a fairer and more equitable distribution of EU funds.