Malta's Local Governance: Systemic Malaise, Centralization and Capacity Challenges

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Abstract: This study investigates governance failures in Maltese Local Councils between 2019 and 2024, arguing that recurrent maladministration reflects structural weaknesses inherent in Malta's model of weak devolution rather than isolated administrative lapses. A longitudinal analysis of National Audit Office (NAO) reports reveals persistent financial opacity, procurement irregularities, and escalating fiscal instability. Although some indicators show improvement, core failures remain entrenched. High rates of qualified audit opinions, recurring delays in financial reporting, and episodic disclaimers indicate systemic deficiencies in accounting practices and internal controls. Procurement breaches, including routine reliance on direct orders and inadequate documentation, are interpreted through Agency Theory as rational adaptations to fiscal uncertainty, administrative effort aversion, and rent-seeking opportunities within a weak control environment. Rising structural deficits and negative working capital further demonstrate that Councils operate within a restrictive fiscal architecture that denies them meaningful revenue-raising powers, rendering financial strain structurally predictable. The paper advances three theoretical propositions, namely the Fiscal Uncertainty Hypothesis, the Executive Hollow-Out Hypothesis, and the Proximity Hypothesis, to explain how weak devolution shapes observable patterns of failure. These propositions link audit outcomes to predictable structural incentives, showing that maladministration is not random but patterned. The study then evaluates the University of Malta's degree programmes as a capacity building mechanism, mapping curriculum learning outcomes against NAO-identified competence gaps. While programmes provide moderate to strong technical coverage, their impact is constrained by a governance environment that incentivises opacity, expediency, and clientelism. The paper concludes that human capital development is necessary but insufficient. Without structural reform granting Local Councils genuine fiscal and executive autonomy, educational interventions risk becoming compensatory rather than transformative. Future research should assess whether specialised training produces measurable improvements in audit outcomes and administrative behaviour, combining quantitative performance tracking with qualitative analysis of how graduates navigate Malta's micro-state political culture.

Keywords: Malta, Deconcentration, Financial opacity, Micro-state governance, Agency theory, Capacity building

1. Introduction

The Maltese Local Council system, established in 1993, was heralded as a democratic milestone, introducing multi-level governance and subsidiarity into a highly centralised micro-state (Baldacchino 2014; Cini 2001). Yet a longitudinal review of National Audit Office (NAO) reports reveals a widening gap between statutory obligations and operational reality. Recurring irregularities, from late financial submissions to procurement abuse, indicate entrenched governance failure rather than episodic administrative lapses.

These failures must be understood as outcomes of Malta's structural environment of weak devolution. In this context, devolution does not signify genuine decentralisation, where political authority and fiscal autonomy shift to the periphery, but administrative deconcentration which is a weaker form of decentralisation (Çiner 2023; Divay 2012). Under this model, Local Councils function primarily as delivery agents of the central state, lacking tax raising powers, executive sovereignty, and meaningful discretion over policy or resources (Rondinelli 1981). Responsibility is devolved, but power remains centralised, producing a governance deficit that systematically constrains council performance.

While literature on Maltese local governance offers valuable critiques of centralisation, it lacks longitudinal empirical data, theoretical models explaining recurring compliance failures, and evaluations of capacity-building responses. This study bridges these gaps by: (a) establishing a six-year longitudinal baseline (2019–2024) of audit outcomes across all 68 Local Councils; (b) applying Agency Theory to conceptualise maladministration as a rational adaptation to weak devolution; and (c) evaluating tertiary curricula against empirical competence deficits.

Guided by this rationale, the paper addresses three core research questions:

- Which governance failures appear most persistently in NAO audits between 2019 and 2024?
- To what extent can these failures be interpreted as rational adaptations to weak devolution rather than isolated incompetence?
- What forms of capacity building could plausibly mitigate these failures, and under what structural conditions would such interventions produce systemic improvement?

The paper addresses these questions by establishing an empirical baseline through NAO data, developing theoretical propositions to explain the structural drivers of failure, and evaluating the University of Malta (UM)'s pedagogical interventions as a potential remedial mechanism.

2. Methodology

This study analyses the divergence between statutory obligations and operational practice in Maltese local governance through a longitudinal qualitative review of NAO reports. Official NAO reports were selected over primary empirical methods (such as surveys or interviews) to mitigate response bias and social desirability effects, which are particularly acute in micro-state governance where non-compliance is politically sensitive. A longitudinal design was deliberately adopted to distinguish entrenched structural failure modes from transient operational anomalies, ensuring that theoretical propositions are grounded in pattern-based administrative evidence rather than episodic lapses. The core dataset consists of the *Report by the Auditor General on the Workings of Local Government* for the years 2020–2025 (covering financial years 2019–2024); selected as the authoritative record of local government performance.

The analysis proceeded in two stages. First, a thematic review identified recurring patterns of maladministration across the reporting period. The unit of analysis was the discrete audit observation, defined as each instance of non-compliance or administrative weakness flagged by the Auditor General. Observations were coded into three categories, namely (i) financial opacity, (ii) procurement irregularities, and (iii) structural insolvency.

Where findings spanned multiple dimensions, coding followed the primary procedural breach. Percentage counts were then generated by aggregating coded observations across all 68 Local Councils, enabling longitudinal tracking of failure modes. Regional Councils were excluded. Second, purposeful sampling was used to select illustrative Local Councils based on the severity and recurrence of audit findings. Birgu and Ħamrun were chosen to exemplify financial opacity, while St. Paul's Bay and Qala operationalized Agency Cost dynamics through violations involving direct orders and asset misuse. This approach grounds theoretical discussion in verifiable administrative evidence rather than abstract critique

3. Trends' Analysis

The trajectory of local governance documented in the selected reports shows a shift from administrative lethargy to financial instability. Audit compliance is assessed through the timeliness of financial statement submissions, the type of audit opinion issued, and councils' responses to auditors' management letters. Financial sustainability conditions are assessed through indicators such as structural deficits and negative working capital. Expressing the data as percentages of the total number of local councils enables consistent comparison across years and facilitates the identification of systemic trends rather than isolated cases

Table 1 presents a longitudinal overview of key audit outcomes and financial risk indicators reported by the NAO in relation to Malta's 68 local councils over the period 2019 to 2024. The indicators capture both audit process compliance and financial sustainability conditions, allowing for an assessment of governance quality and fiscal resilience at the local government level.

Table 1: Local government issues resulting from NAO audits

Issue	2019	2020	2021	2022	2023	2024
Delayed or no submission of financial statements	24%	26%	22%	12%	16%	13%
Qualified audit opinion	59%	59%	47%	46%	41%	47%
Disclaimer	3%	3%	0%	0%	0%	1%
No response to management letter	15%	15%	13%	6%	1%	0%
Structural deficit	37%	35%	16%	46%	60%	53%
Negative working capital	16%	15%	4%	12%	24%	26%

3.1 Financial Opacity

Delayed or non-submission of financial statements

Delayed or missing financial statements show gradual improvement across the review period but remain a persistent sign of administrative fragility. In 2019 and 2020, 24% and 26% of councils failed to submit on time, indicating entrenched compliance problems rather than isolated disruption. Pandemic-related interruptions and industrial action by the Chamber of Executive Secretaries (NAO 2021) contributed, yet the scale of non-submission highlights weak institutional resilience. Delays fall to 22% in 2021, followed by a more stable range of 12%–16% between 2022 and 2024.

Although the downward trend suggests stronger routines and oversight, the continued presence of late submissions among a minority of Councils points to structural weaknesses in financial management. These patterns align with Strategic Information Asymmetry: withholding or delaying financial data widens the monitoring gap between councils and central authorities, reducing scrutiny and enabling inefficiency or mismanagement (Fox 2007).

Serial non-compliant councils such as Birgu and Ħamrun illustrate this dynamic. In these cases, non-submission has become sustained opacity. The 2024 Disclaimer of Opinion for Birgu, due to missing opening balances, unrecorded grants, and fragmented records, marks a breakdown in auditability. This reflects not simply administrative failure but an Agent obstructing the Principal's oversight within a weakly devolved governance system (Smoke 2015).

Audit opinions and disclaimers

An audit opinion is the auditor's formal conclusion on whether financial statements present a true and fair view under the applicable reporting framework (IAASB 2020). In the public sector, it is a primary instrument for signalling accountability and reporting quality. Qualified opinions remain embedded, affecting 41%–59% of Councils annually. Incidence peaks at 59% in 2019 and 2020, declines to 47% in 2021, stabilises at 46% in 2022, reaches 41% in 2023, and rises again to 47% in 2024. A qualified opinion denotes material misstatements or scope limitations that are significant but not pervasive (IAASB 2020). Their sustained prevalence indicates systemic deficiencies in accounting practices, internal controls, and regulatory compliance rather than episodic reporting lapses. In analytical terms, this persistence reflects institutionalised weaknesses in local government financial management.

More severe is the Disclaimer. A disclaimer is issued when auditors cannot obtain sufficient evidence to form an opinion, typically due to gaps in records, documentation, or audit scope (IAASB 2020). It represents a collapse in auditability. Disclaimers are infrequent but consequential: 3% of Councils receive them in 2019 and 2020, none between 2021 and 2023, and 1% in 2024. Even at low incidence, disclaimers carry disproportionate weight because they undermine transparency, obstruct external oversight, and raise concerns regarding stewardship of public funds (INTOSAI 2019).

3.2 Response to Management Letters

The proportion of Councils failing to respond to management letters shows the most consistent and sustained improvement across all indicators. Non-response rates stand at 15% in both 2019 and 2020, fall to 13% in 2021, decline further to 6% in 2022, drop sharply to 1% in 2023, and reach 0% in 2024. This steady downward trajectory reflects a marked strengthening of administrative follow-through and engagement with the audit process.

Given that management letters formally communicate identified weaknesses and recommended corrective actions, improved responsiveness indicates strengthened procedural accountability and increased engagement with the audit process (INTOSAI 2019). However, responsiveness alone does not guarantee that corrective measures are effectively implemented. For this reason, the trend must be interpreted alongside financial outcome indicators, such as structural deficits and working-capital positions, which reveal whether improved engagement is translating into substantive improvements in financial management.

4. Procurement Irregularities as Agency Costs

The widespread bypassing of public tendering regulations in favour of direct orders is better interpreted as a rational expression of Agency Costs rather than a procedural lapse. Agency Theory holds that Agents (Councillors) diverge from the Principal's interest (fiscal efficiency) when incentives favour effort-aversion or rent-seeking and when sanctions for non-compliance are weak (Jensen and Meckling 1976). This divergence first appears as Effort Aversion, whereby Agents avoid the administrative burden of competitive tendering and rely

instead on the expediency of direct orders (Tirole 1986). The St. Paul's Bay Local Council provides a clear empirical instance: audit findings show direct orders becoming routine rather than exceptional, frequently breaching statutory thresholds for recurring services (NAO 2023). Here, administrative convenience is prioritised over the Principal's interest in competitive procurement and value for money.

Agency Costs also escalate into Rent-Seeking Behaviour, where Agents derive personal utility from public assets. Such behaviour depends on maintaining information asymmetry that shields the Agent from monitoring (Rose Ackerman 1999). The Qala Local Council exemplifies this dynamic: the purchase of an uninsured commercial vehicle and allegations of its personal use by the mayor (NAO 2025) were facilitated by the absence of logbooks; a deliberate omission that obscures asset utilisation. By withholding basic records, the Agent protects rent-seeking activity from oversight, illustrating how procurement irregularities can constitute calculated, rational choices within a weak control environment (Lambsdorff 2007).

5. Structural Deficit and Fiscal Challenges

Fiscal pressures on Maltese local councils stem not only from operational shortcomings but from structural constraints embedded within the governance model. Scholarship consistently characterises Maltese local government as a form of *trivial devolution*, where councils operate within a dual system that leaves central authorities dominant (Frendo 2010). This arrangement produces administrative dependence and limited fiscal autonomy, restricting councils' ability to generate sustainable revenue (Vella 2018). The Council of Europe similarly identifies inadequate funding and restricted revenue-raising powers as core barriers to effective local self-government (CLRACE 2024). Within such a framework, financial strain becomes structurally predictable rather than episodic.

Structural deficits, where recurrent expenditure exceeds sustainable revenue, illustrate this entrenched vulnerability. They affect 37% of Councils in 2019 and 35% in 2020, falling sharply to 16% in 2021, likely reflecting temporary fiscal support or short-term expenditure controls. From 2022 onward, however, deficits rise steeply: 46% in 2022, 60% in 2023, and 53% in 2024. This volatility indicates that earlier improvements were not anchored in durable institutional or fiscal reforms. Instead, the pattern reflects a persistent misalignment between statutory expenditure obligations and constrained revenue bases.

Negative working capital, a complementary indicator of short-term liquidity stress, follows the same trajectory. After standing at 16% in 2019 and 15% in 2020, it drops to 4% in 2021, then rises to 12% in 2022, 24% in 2023, and 26% in 2024. The concurrent deterioration in both structural deficits and liquidity positions underscores compounding fiscal pressures and raises concerns about Councils' ability to meet immediate obligations without central intervention.

Taken together, these trends demonstrate that Maltese local councils' financial difficulties are not isolated failures, but manifestations of a micro-state governance model characterised by limited fiscal autonomy, narrow revenue bases, and centralised control. Chronic vulnerability is structurally produced rather than administratively incidental.

5.1 The Myth of Local Government: Administration vs. Governance

A recurring theme in the literature is the distinction between Local Government and Local Administration. Contrary to Baldacchino (2014: 1), who argues that EU membership 'created a profligacy of decision-making tiers and multiplied tensions between different levels of governance', Pirotta (2001) maintains that the 1993 Maltese model was never intended to establish autonomous political authority. Instead of local self-government, the reform produced administrative deconcentration: a mechanism allowing Central Government to offload responsibilities (e.g. street maintenance, refuse collection, cultural activities) while retaining fiscal control and policy direction. Subsequent analyses reinforce this view, noting that central authorities justify the retention of strategic power through appeals to economies of scale and efficiency (Barber 2018).

This administrative fragility is strengthened by logistical arguments from the centre, which claims that procurement by 68 councils is inefficient. This narrative has legitimised a decade of recentralization (2015-2025), stripping councils of road maintenance (Infrastructure Malta), enforcement (LESA), and waste collection through regional governance introduced in 2000.

The erosion of executive competencies is mirrored by a restrictive financial architecture that contradicts the European Charter of Local Self-Government, ratified by Malta in 1993. Article 9 mandates that local authorities "shall be entitled… to adequate financial resources of their own" (Council of Europe 1985). Unlike other EU

states, Maltese Councils possess almost no fiscal autonomy, relying entirely on annual allocations that function as instruments of political control (Węglarz 2022). By denying Councils the ability to raise taxes or retain revenue, the state reduces them to dependent agents rather than autonomous polities. The reliance on direct orders cited by the NAO is a rational response to this uncertainty; Councils overspend late-allocated funds, prioritizing political survival over accounting standards.

5.2 Comparative Context: The Micro-state Governance Paradox

The structural fragility of Maltese local government aligns with comparative findings on small state governance. When viewed alongside similar jurisdictions, particularly Cyprus and small island states in the Caribbean, weak devolution reflects a broader Micro-State Governance Paradox. Within the EU, Cyprus provides the closest analogue. A 2021 European Commission assessment clusters Malta and Cyprus (with Ireland) as member states with the lowest levels of local self rule (Frendo 2010). In both island jurisdictions, municipalities function as administrative extensions of the centre, exercising minimal authority over policy or revenue. This contrasts with Luxembourg, which, despite comparable population size, maintains a tradition of communal autonomy and constitutionally protected local governance (Kettunen and Kall 2020). The comparison shows that although smallness creates logistical constraints, Malta's solid centralisation reflects a deliberate policy choice rather than an inevitable outcome of scale.

Against this backdrop, NAO-identified irregularities, particularly the abuse of direct orders, are better understood as symptoms of micro-state governance dynamics rather than isolated misconduct. Small jurisdictions naturally feature limited supplier pools and dense social networks, making conflicts of interest structurally embedded rather than exceptional. Malta's structural deficit mirrors a wider small state challenge: sustaining institutional buffers in contexts where social intimacy routinely erodes formal procedure.

6. Theoretical Propositions

To move this analysis from compelling narrative to auditable argument, it is necessary to distil the structural critique into explicit theoretical propositions. If the weak devolution hypothesis is correct, the audit failures documented by the NAO should not be random but should follow specific patterns predicted by the structural constraints.

6.1 Proposition 1: The Fiscal Uncertainty Hypothesis

The complete dependence on central allocation incentivizes short-term "spend-it-or-lose-it" behaviour, leading to procurement bypasses. The observable implication is that spikes in procurement irregularities will cluster around the financial year-end or immediately following the release of ad-hoc central grants (Hou and Moynihan 2008). This is corroborated by the St. Paul's Bay case, where direct orders were used systematically to expedite service delivery within tight fiscal windows, bypassing the slower tender process required by the central regulator.

6.2 Proposition 2: The Executive Hollow-out Hypothesis

The stripping of executive powers such as roads, enforcement, and waste collection to central or regional agencies continue to trivialise the role of Local Councils, producing administrative apathy and the collapse of record keeping disciplines. A clear correlation emerges between the centralisation of functions, exemplified by the establishment of Infrastructure Malta in 2018, and the deterioration of minor administrative outputs such as Fixed Asset Registers. As Peters (2018) argues, this cause-and-effect relation reflects mission shrinking, where the removal of substantive responsibilities erodes organisational motivation. The Birgu case, in which missing basic records resulted in a Disclaimer of Opinion, illustrates how an entity that sees itself as functionally irrelevant can lose the incentive to maintain even minimal administrative discipline.

6.3 Proposition 3: The Proximity Hypothesis

The micro-state's hyper-proximity between regulator and constituent raises the social cost of enforcement, leading to rent-seeking (Veenendaal 2015). The observable implication is that record-keeping gaps will occur specifically surrounding politically sensitive assets that offer personal utility (vehicles, community hall bookings) rather than neutral assets (streetlights, IT equipment). The Qala case regarding the unlogged use of a commercial vehicle supports this proposition; the administrative silence effectively shielded the personal use of a public asset from audit scrutiny.

7. The Human Capital Paradox: Educational Interventions vs. Structural Constraints

Malta's structural weaknesses in local government do not reduce the importance of human capital; weak devolution intensifies the effects of limited administrative competence. When inadequately trained officials operate within a system predisposed toward opacity, procedural shortcuts, and blurred authority, individual capacity constraints become structurally consequential. Reform must address not only institutional design but also the capabilities of the workforce embedded within these constraints. A pedagogical analysis follows naturally: if systemic weaknesses shape Council behaviour, the educational pipeline must be assessed for its ability to equip graduates to navigate and counteract the recurrent failure modes identified in NAO reports.

The UM is the primary intervention point for strengthening this capacity. Yet educational impact is conditioned by the governance environment. Capacity building can improve technical competence, but it cannot overcome structural incentives that make maladministration a rational organisational response. This tension makes it necessary to evaluate how well current degree programmes prepare graduates to operate within, rather than simply endure, Malta's weakly devolved political system. Determining whether UM programmes meet the sector's concrete capacity needs requires a shift from descriptive overview to a Pedagogical Mapping Analysis. This section distils four Competence Evaluation Criteria from NAO-identified failure modes and maps programme learning outcomes against them to identify alignment, partial coverage, and gaps.

7.1 Framework for Competence Evaluation and Curriculum Mapping

The analysis of NAO reports establishes four critical deficits that any capacity-building initiative must address, namely (i) accounting competence, (ii) procurement competence, (iii) internal control design, and (iv) ethics and standards compliance. The current academic framework at the UM attempts to address identified competence gaps, though its efficacy is arguably limited by the institutional environment in which graduates must operate. Table 2 illustrates the alignment between the identified failure modes and the specific learning outcomes of the relevant degree programmes.

Table 2: Alignment of NAO competence gaps with UM programmes

Criterion	NAO failure modes	Programme learning outcomes	Alignment
Accounting Competence	• Missing/incomplete asset registers • Unreconciled balances • Disclaimers • Late/non-submission of financial statements	**BA (Hons) Public Sector Accounting**: • Financial Reporting • Public Audit Assurance • Government Accounting Systems • Accrual-based reporting/IPSAS principles	**Moderate–Strong:** Robust technical content, but *structural disincentives* hinder application.
Procurement Competence	• Unapproved direct orders • Tender bypasses • Weak documentation • Breaches of statutory thresholds	**BA (Hons) Public Management:** • Procurement and Contracting • Project Management • Quality Management • EU Funding	**Moderate:** Solid theory, limited focus on *compliance culture* and *documentation discipline*.
Internal Control Design	• Poor segregation of duties • Missing approvals • Weak risk management • No response to management letters	**BA (Hons) Public Management:** • Strategic Management • Organisational Behaviour • Governance • Administrative Law	**Weak–Moderate:** Conceptual coverage but *lacks practical training* for small-unit control design.
Ethics and Standards Compliance	• Rent-seeking • Misuse of assets • Information asymmetry • Clientelism	**BA (Hons) Politics & Governance:** • Ethics • Good Governance • Policy Analysis • Political Behaviour/Institutions	**Moderate-Strong:** Solid normative base, but *daily clientelist pressures* are difficult to withstand.

The mapping demonstrates that while the UM provides partial coverage of the technical competencies required by Local Councils, the alignment is uneven. The strongest match lies in accounting competences and ethical standards of conduct, where specialised modules directly address NAO-identified weaknesses. Procurement and internal control competencies show only moderate alignment, reflecting a curriculum that emphasises managerial theory over compliance practice. Overall, the mapping reinforces the paper's central argument: capacity building can mitigate, but not resolve, the structural incentives that produce recurrent audit failures.

7.2 Addressing Financial Opacity: The BA (Hons) Public Sector Accounting

To address Criterion 1 (Accounting Competence), the *BA (Hons) Public Sector Accounting* curriculum emphasizes the regulatory environment of the state to bridge the gap between cash-based budgeting and international standards (UM 2025a). The programme includes specialized modules on Financial Reporting in the Public Sector and Public Audit Assurance. By focusing on accrual-based accounting, the course directly tackles the issue of unsubstantiated payables cited by the NAO. While the curriculum introduces accrual-based accounting to mitigate reporting failures, the 'spend-it-or-lose-it' fiscal environment creates a disincentive for the rigorous application of these standards. Moreover, even a degree in Public Sector Accounting cannot fix a "Disclaimer of Opinion" if the mayor refuses to sign off on a logbook.

7.3 Addressing Procurement and Control: The BA (Hons) Public Management

To address Criteria 2 and 3 (Procurement Competence and Internal Control), the *BA (Hons) Public Management* utilizes a New Public Management framework to professionalize the executive function (UM 2025b). The curriculum prioritizes Project Management and Quality Management as core competencies. This focus addresses the structural fiscal constraints by training students to manage External Funds (such as EU grants or Norwegian funding). The programme offers a pathway to financial agency that bypasses the restrictive central allocation system. Furthermore, strategic management modules aim to equip administrators with the capacity to design robust internal control systems, countering the administrative apathy described in the theoretical propositions.

7.4 Addressing Agency Costs: The BA (Hons) Politics and Governance

To address Criterion 4 (Ethics and Standards Compliance), the *BA (Hons) Politics and Governance* targets the normative culture of the public sector (UM 2025c). Responding to the clientelistic proximity inherent in the local political landscape, the curriculum integrates modules on Public Ethics, Good Governance, and the Rule of Law. The learning outcomes focus on instilling a democratic imperative that transcends the moral hazard of rent-seeking behaviour. By educating future policy advisors on the Standards in Public Life Act, the programme attempts to raise the social cost of non-compliance, fostering a political class that views transparency as a fundamental obligation to the electorate. Yet, learning public ethics may be ineffective if the clientelistic proximity of a micro-state exerts more pressure than a textbook ever could.

8. Conclusion

This study examined three core questions: the governance failures identified in NAO audits of Maltese Local Councils between 2019 and 2024; the extent to which these failures constitute rational adaptations to weak devolution rather than isolated administrative lapses; and the forms of capacity building capable of mitigating them. The analysis shows recurrent maladministration in financial opacity, procurement irregularities, and structural insolvency; patterns shaped by Malta's model of administrative deconcentration, where Councils carry statutory responsibilities without corresponding fiscal or executive autonomy.

The theoretical propositions developed here clarify these dynamics. The Fiscal Uncertainty Hypothesis links procurement bypasses to funding cycles; the Executive Hollow-Out Hypothesis associates declining administrative discipline with the erosion of Council functions; and the Proximity Hypothesis situates rent seeking and record keeping failures within micro-state political culture. Together, these propositions demonstrate that NAO-identified failures are structurally produced and therefore predictable.

Capacity building is necessary but insufficient. Strengthening accounting competence, procurement literacy, internal control design, and ethical standards can reduce vulnerabilities, and the UM plays a central role in this professionalisation. Yet graduates enter a governance architecture marked by restricted fiscal autonomy, blurred authority, and intense political pressures. Without structural reform granting Councils meaningful financial, executive, and institutional authority, capacity building risks becoming compensatory rather than transformative. Sustainable improvement requires simultaneous investment in human capital and the redesign of Malta's political and legal framework of local governance.

8.1 Future Research Agenda

To build upon these findings, future scholarship should pursue a threefold research agenda. First, longitudinal mixed-methods studies should evaluate the pedagogical dividend by comparing audit outcomes across Councils led by specialized public administration graduates versus generalist administrators. Second, qualitative agency testing is needed to examine whether professional training empowers Executive Secretaries to resist irregular direct orders and clientelistic pressures in micro-states. Finally, comparative research should examine whether fiscal decentralisation in other European micro-states counteracts proximity dynamics, clarifying if capacity building can substitute for structural reform.

Ultimately, improvements in professional capacity must be accompanied by legislative reform. Higher professional standards for officials require parallel increases in fiscal, executive, and administrative autonomy for Local Councils. Without both reforms, the benefits of capacity building will remain constrained.

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