

6 April 2017

PRESS RELEASE

The Malta Fiscal Advisory Council publishes its Second Annual Report

The Malta Fiscal Advisory Council (MFAC) has just released its Second Annual Report, which was presented to the Minister for Finance on 30 March 2017 and tabled in Parliament on 5 April 2017 in line with the requirements of the Fiscal Responsibility Act, 2014 (Cap 534).

In his statement, the Chairman of the MFAC noted that in its second year of operations the institution strengthened its organisational structure, established a regular publications timetable and gradually expanded its visibility. The Chairman also highlighted that “sound fiscal policy is critically dependent on taking the right and timely decisions with regard to fiscal sustainability which is supportive of economic stabilisation and growth”. In this respect, the MFAC “welcomes the Government’s sustained commitment to reduce the headline fiscal deficit and the public debt, expressed as a ratio of nominal GDP, in line with the medium term objective of achieving a balanced fiscal position by 2019”. The Chairman also remarked that “convergence towards the stipulated 60% debt-to-GDP threshold can be achieved earlier than originally anticipated, as long as the existing fiscal plans remain unchanged”.

The MFAC feels that it is important that the strategic focus would be broadened beyond the traditional headline fiscal targets to direct more attention towards the numerical fiscal rules specified in the Fiscal Responsibility Act and in the Stability and Growth Pact, particularly the required improvement in the fiscal balance in structural terms (that is after adjusting for cyclical and one-off factors) and the expenditure benchmark established by the European Commission.

Apart from presenting information about the role and activities of the MFAC, the Annual Report provides an overall coverage of the recommendations made by the Council in the various reports published to date. A chapter is dedicated to the review of the progress achieved with respect to the recommendations made in 2015, which dealt with the conduct of fiscal policy, the introduction of new legislation, the budgetary process and fiscal transparency. The Council is of the view that progress has been noted across many of these recommendations, a number of which, the MFAC considers as fully or largely addressed, namely those dealing with ensuring full consistency between the macro and fiscal forecasts; the extension of the average maturity of public debt; the use of revenue windfalls primarily to build fiscal buffers; the cautious utilisation of IIP funds; and considering a buffer over the minimum structural effort required.

A separate chapter reviews the thirteen new recommendations made by the MFAC in 2016, providing both an explanation and the rationale for each recommendation. Seven of these recommendations dealt with the budgetary process, another four focused on transparency and the other two were related to the conduct of fiscal policy.

The Annual Report includes three special features chapters, with the aim of increasing awareness and understanding about public finance issues among stakeholders. This year's edition presents a comparison of Malta's public finances with those in the euro area, identifying similarities and differences, and possible explanations in the case of divergences.

Another special feature focuses on fiscal risks, with special emphasis on public debt sustainability and contingent liabilities. The Council notes that, according to the Debt Sustainability Analysis carried out by the European Commission, it appears that there are no risks to Malta's fiscal sustainability position in the short term while in the medium term the level of fiscal risks is also considered to be low. On the other hand, there could be medium risks to fiscal sustainability in the long term due to challenges associated to age-related costs particularly pensions, health care and long term care. Moreover, the level of Government guarantees in relation to GDP is quite high compared to the EU average, which could also pose potential risks to fiscal sustainability in the longer term. It is therefore important to maintain such risks within pre-defined prudential limits.

The third special feature reviews the methodology used by the European Commission to assess compliance with the expenditure benchmark, which is included in the Stability and Growth Pact. Its relevance to the conduct of fiscal policy in Malta is expected to increase. Indeed, in December 2016 an agreement has been reached at the European level, whereby stronger focus on an expenditure-based indicator is envisaged for the setting and assessing of Member States' fiscal policies and outcomes by the European Commission.

The Annual Report, including the audited financial statements, is available on the MFAC's website www.mfac.org.mt.

6 ta' April 2017

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippubblika it-Tieni Rapport Annwali tieghu

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) hareġ it-Tieni Rapport Annwali tieghu. Dan ġie pprezentat lill-Ministru għall-Finanzi fit-30 ta' Marzu 2017 u ġie mressaq fil-Parlament fil-5 ta' April 2017, b'konformità mal-Att tal-2014 dwar ir-Responsabbiltà Fiskali.

Fl-istqarrija tieghu, iċ-Ċermen tal-MFAC innota li fit-tieni sena mit-twaqqif tiegħu, il-Kunsill saħħaħ l-istruttura organizzattiva, nieda l-iskeda tal-publikazzjonijiet annwali u gradwalment wessa' l-vizibilità tiegħu. Iċ-Ċermen enfasizza wkoll li "politikà fiskali soda hija msejsa fuq it-tehid ta' deċizjonijiet tajba u f'waqthom li jissalvagwardjaw is-sostenibbiltà fiskali li b'hekk tghin sabiex ikun hemm tkabbir stabbli fl-ekonomija". F'dan ir-rigward, l-MFAC "jilqa' l-impenn kontinwu tal-Gvern sabiex id-defiċit fiskali u d-dejn pubbliku jitnaqqas, meta dawn ikunu meqjusa bħala proporzjon tal-PGD, sabiex jintlaħaq l-Objettiv ta' Terminu Medju li jkun hemm pożizzjoni fiskali ta' bilanċ sal-2019". Iċ-Ċermen irrimarka wkoll li "l-konverġenza lejn il-limitu tas-60% dejn, bħala proporzjon tal-PGD, jista' jintlaħaq iktar qabel milli oriġinarjament mistenni, sakemm il-pjanijiet fiskali kurrenti ma jinbidlux".

L-MFAC iħoss li huwa mportanti li l-istrategija tal-Gvern titwessa lil hinn mill-miri tad-defiċit fiskali sabiex tingħata iktar attenzjoni lejn ir-regoli fiskali hekk kif speċifikati fl-Att dwar ir-Responsabbiltà Fiskali u l-Patt ta' Tkabbir u Stabbiltà, li jharsu lejn it-titjeb meħtieġ fil-bilanċ fiskali f'termini strutturali (jiġifieri wara li jiġu aġġustati fatturi relatati maċ-ċiklu u ta' darba) u l-parametru referenzjarju tat-tkabbir fin-nefqa, kif stabbilit mill-Kummissjoni Ewropea.

Ir-Rapport Annwali, minn barra li jipprezenta informazzjoni fuq ir-rwol u l-attivitajiet tal-MFAC, ikopri wkoll gabra ta' rakkomandazzjonijiet li għamel il-Kunsill fir-rapporti varji li ġew ippublikati sa issa. Kapitlu minnhom iħares lejn il-progress li twettaq dwar ir-rakkomandazzjonijiet li saru fl-2015, li dawn ta' l-aħħar kienu jittrattaw il-kondotta tal-politikà fiskali, l-introduzzjoni ta' liġi ġdida, il-proċess baġitarju u t-trasparenza fiskali. Il-Kunsill huwa tal-fehma li sar progress f'ħafna minn dawn ir-rakkomandazzjonijiet, peress li numru minnhom twettqu kompletament jew kważi b'mod shiħ, u dawn jinkludu: li jkun hemm konsistenza shiħa bejn it-tbassir makroekonomiku u dak fiskali; l-estenzjoni tal-maturità medja tad-dejn; l-użu primarju ta' dħul iktar milli mistenni sabiex jinholqu riservi fiskali; l-użu kawt tal-fondi ġġenerati mill-Programm tal-Investitur Individwali; u li possibilment ikun hemm titjib fil-bilanċ strutturali iktar milli stabbilit.

Kapitlu iehor iħares lejn tlettax-il rakkomandazzjoni ġdida li saret minn l-MFAC fl-2016, bi spjega u raġuni għal kull rakkomandazzjoni. Sebgha minn dawn ir-rakkomandazzjonijiet kienu dwar il-proċess baġitarju, erbgħa oħra jolqtu t-trasparenza fiskali u t-tnejn l-oħra dwar il-kondotta tal-politikà fiskali.

Ir-Rapport Annwali jinkludi tlett kapitli b'temi speċjali, bil-għan li jiżdied l-għarfien ġenerali dwar oqsma ta' finanzi pubbliċi. L-edizzjoni ta' din is-sena tippreżenta paragun bejn il-finanzi pubbliċi ta' Malta u dawk taż-żona ewro, biex b'hekk jiġu identifikati xejriet simili u differenzi, u kif ukoll ingħataw spjegazzjonijiet possibli għal dawn id-differenzi.

Kapitlu iehor jiffoka fuq ir-riskji fiskali, l-iktar b'enfazi fuq is-sostenibbiltà tad-dejn pubbliku u l-obbligazzjonijiet kontingenti. It-tbassir fiskali jippreżenta dak li l-iktar huwa mistenni. Il-Kunsill jinnota li, skont l-Analiżi tas-Sostenibbiltà tad-Dejn mhejji mill-Kummissjoni Ewropea, jidher li ma hemmx riskji għas-sostenibbiltà fiskali ta' Malta fit-terminu qasir, filwaqt li fit-terminu medju r-riskji fiskali huma wkoll baxxi. Mill-banda l-oħra, r-riskju għas-sostenibbiltà fiskali iktar fit-tul huwa kkunsidrat bħala medju, minhabba inġuq iktar fuq penzjonijiet, is-saħħa u l-kura tal-anzjani. Barra minn hekk, il-livell tal-garanziji tal-Gvern bħala proporzjon tal-PGD huwa kemmxejn oġġli meta kkumparat mal-medja tal-Unjoni Ewropea, u potenzjalment dan jista' jpoġġi xi riskji għas-sostenibbiltà fiskali fil-futur. Għaldaqstant, huwa mportanti li dawn ir-riskji jinżammu f'limiti prudenti definiti minn qabel.

It-tielet kapitlu jħares lejn il-metodoloġija li l-Kummissjoni Ewropea tuża sabiex tevalwa l-konformità mal-parametru referenzjarju tan-nefqa, li huwa parti mill-Patt ta' Tkabbir u Stabbiltà. Ir-relevanza ta' dan il-parametru għall-kondotta tal-politikà fiskali f'Malta mistennija tiżdied. Dan għaliex f'Diċembru tal-2016 intlaħaq ftehim fuq livell Ewropew, li tingħata iktar importanza lill-indikatur li jirrifletti l-inġuq, fl-ippjanar u l-evalwazzjoni tal-politikà fiskali u tar-rizultati miġjuba mill-iStati Membri, minn naħa tal-Kummissjoni Ewropea.

Ir-Rapport Annwali, li jinkludi wkoll id-dikjarazzjonijiet finanzjarji, jinsab fuq is-sit elettroniku tal-MFAC: www.mfac.org.mt.