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PRESS RELEASE

The Malta Fiscal Advisory Council publishes its Third Annual Report

The Malta Fiscal Advisory Council (MFAC) has just released its third Annual Report, which was presented to the Minister for Finance on 29 March 2018, and tabled in Parliament on 10 April 2018, in line with the requirements of the Fiscal Responsibility Act, 2014 (Cap 534).

In his statement, the Chairman noted that during its third year of operations there was increasing attention paid by the local authorities to the views of the Fiscal Council, and due consideration was also given to the Council's perspectives by the international institutions. The Chairman also welcomed the fact that, to date, the macroeconomic and fiscal projections presented by the Government have always been considered as within the endorsable range of the MFAC. He highlighted that "plausible macroeconomic and fiscal projections are of paramount importance to ensure that policy making is tailored to the prevailing economic conditions". At the same time, he voiced the Council's opinion that "although over the past years the amount of public information on the conduct of Malta's fiscal policy has expanded significantly, it seems that such information might not have filtered sufficiently across stakeholders. In this context, the MFAC believes there is scope for increasing the engagement with Parliament".

The MFAC considers as very positive that the country has achieved its Medium-Term Budgetary Objective of structural balance well ahead of the original target set for 2019, and has also lowered the debt-to-GDP ratio significantly below the 60% threshold. Looking ahead, it is important that such positive fiscal developments are not unwound, due to unsustainable expenditures. In this respect, the Council invites the Government to remain vigilant, to ensure that the planned fiscal surpluses and further declines in the debt ratio, envisaged for the period 2018 to 2020, are indeed achieved. A consistent fiscal consolidation strategy and healthy public finances are key to a sustained strengthening of the country's economic fundamentals. The Council therefore joins other international institutions in advocating for the gradual build-up of fiscal buffers, to be better geared to adequately face future ageing related costs, as well as to withstand other possible fiscal shocks which may impact from time to time.

Apart from presenting information about the role and activities of the MFAC in 2017, the Annual Report provides an overall coverage of the recommendations made by the Council during the year. A dedicated chapter also reproduces the official feedback received from the Ministry for Finance in relation to the various recommendations made by the Fiscal Council, since its establishment in 2015. The publication of the Ministry's official reaction to the Council's recommendations is another milestone in Malta's fiscal governance, and augurs well for greater fiscal transparency and accountability. Such feedback from the Ministry allows for a fruitful inter-organisational dialogue and follows the spirit of the Comply-or-Explain principle, which is being strongly advocated by the Network of European Union Independent Fiscal Institutions, of which the MFAC is an active member.

The Annual Report includes two thematic chapters. One is dedicated to the recently enacted Government Borrowing and Management of Public Debt Act. This Act consolidated and rationalised different pieces of legislation related to Government borrowing. The Council notes with satisfaction that this Act contributes to a stronger governance system. In particular, it provides a more effective framework governing the issuance of Government guarantees, envisaged in this Act, thereby facilitating better controls on the Government's outstanding contingent liabilities. The Council also considers positively the upgrading of the institutional status of the Debt Management function by providing a legal basis to both the Debt Management Directorate and the Public Debt Management Advisory Committee. The MFAC puts forward a number of recommendations regarding certain aspects of the legislation that may need some additional clarification or which could possibly benefit from some slight legislative fine-tuning in due course, when this Act comes up for review.

Another thematic chapter focuses on the pension system in Malta. It provides an overview of the salient features of the system, and compares it to those in place across the European Union. The Council acknowledges that the State pension under the first pillar cannot remain the sole source of retirement income particularly for future generations. It will need to be supplemented by additional mechanisms in order to diversify the sources of retirement income. In the Council's view, it will be important to encourage further take-up of the funded pensions pillars (occupational and personal pensions) to complement the mandatory pay-as-you-go first pillar. The appropriate design of the multi-pillar system is crucial to ensure that these three pillars are mutually reinforcing in such a manner to ensure the long-term sustainability of the system and to provide the necessary safety net to guarantee poverty prevention of the dependent population bracket.

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

11 ta' April 2018

STQARRIJA GHALL-ISTAMPA

Il-Kunsill Fiskali Konsultattiv Malti jippublika t-Tielet Rapport Annwali tiegħu

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) ħareġ it-tielet Rapport Annwali tiegħu. Dan ġie ppreżentat lill-Ministru għall-Finanzi fid-29 ta' Marzu 2018, u ġie mressaq fil-Parlament fl-10 ta' April 2018, b'konformità mal-Att tal-2014 dwar ir-Responsabbilità Fiskali (Kap 534).

Fl-istqarrija tiegħu, iċ-Čermen tal-MFAC innota li fit-tielet sena mit-twaqqif tiegħu, żdiedet l-attenzjoni minn naħa tal-awtoritajiet lokali għall-fekk, filwaqt li l-perspettivi tal-Kunsill ingħataw importanza wkoll minn istituzzjonijiet internazzjonali. Iċ-Čermen laqa' wkoll il-fatt li, sal-lum, it-tbassir makroekonomiku u fiskali pprezentati mill-Gvern dejjem kienu kkunsidrati bħala plawżibbli mill-MFAC. Huwa enfasizza li “tbassir makroekonomiku u fiskali plawżibbli huwa importanti sabiex jiżgura li t-tfassil tal-politika fiskali tkun adattata għall-kundizzjonijiet ekonomiċi”. Fl-istess hin, huwa esprima l-opinjoni tal-Kunsill li “għalkemm f'dawn l-aħħar snin l-ammont ta' informazzjoni pubblika dwar l-andament tal-politika fiskali ta' Malta kibret b'mod sinifikanti, jidher li din l-informazzjoni setgħet ma waslitx biżżejjed għand dawk kollha konċernati.” F'dan il-kuntest, l-MFAC iqis li tajjeb li jsiru iktar diskussionijiet mal-Membri tal-Parlament.

L-MFAC jikkunsidra bħala mportanti ħafna l-fatt li l-pajjiż laħaq l-Objettiv ta' Terminu Medju ta' bilanç strutturali ħafna iktar qabel l-2019 li kienet il-mira originali, kif ukoll tnaqqas il-proporzjon tad-dejn mal-Prodott Gross Domestiku sew taħt il-limitu tas-60%. Huwa importanti li dawn l-iżviluppi fiskali pozittivi, li wasslu għal bilanç favorevoli, ma jinbidlux minħabba nfiq li ma jkunx sostennibbli. F'dan ir-rigward, il-Kunsill jistieden lill-Gvern biex jibqa' vigilant, sabiex jiżgura li s-'surpluses' fiskali li huma ppjanati, u iktar tnaqqis fil-proporzjon tad-dejn, hekk kif mistenni għall-perjodu 2018 sal-2020, jintlaħqu kif ippjanat. Strategija konsistenti ta' konsolidazzjoni fiskali, u finanzi pubbliċi b'saħħithom huma essenzjali għat-tishħiħ tal-ekonomija tal-pajjiż. Il-Kunsill għalhekk jingħaqad ma' istituzzjonijiet internazzjonali oħra biex jipproponi li jsir tkabbir gradwali fir-riservi fiskali, sabiex tibda tiġi indirizzata b'mod adegwaw l-isfida tal-ispejjeż futuri relatati maž-żieda fl-ġewwa, kif ukoll minħabba l-possibbiltà ta' xi impatti negattivi oħra fuq il-qagħda fiskali, li jistgħu jseħħu minn zmien għal-żmien.

Minbarra li jipprovdi informazzjoni fuq l-irwol u l-attivitajiet tal-MFAC fl-2017, ir-Rapport Annwali jagħti rendikont tar-rakkmandazzjonijiet li għamel il-Kunsill matul is-sena. Kapitlu ieħor jinkludi r-risposti uffiċjali mingħand il-Ministeru għall-Finanzi fir-rigward tad-diversi rakkmandazzjonijiet magħħmula mill-Kunsill Fiskali, sa mit-twaqqif tiegħu fl-2015. Il-publikazzjoni ta' dawn ir-risposti uffiċjali tal-Ministeru għar-rakkmandazzjonijiet tal-Kunsill huwa pass ieħor importanti fil-mixja lejn governanza fiskali aħjar għal Malta, u jawgura tajjeb għal iktar trasparenza u responsabbiltà fiskali. Dan ir-rispons minn naħha tal-Ministeru jippermetti djalgu aktar produttiv bejn l-istituzzjonijiet, u jsegwi l-ispirtu tal-principju 'Comply-or-Explain', li huwa rrakkmandat ħafna min-Netwerk tal-Istituzzjonijiet Fiskali Indipendenti tal-Unjoni Ewropea, li tiegħu l-MFAC huwa membru attiv.

Ir-Rapport Annwali jinkludi żewġ kapitli tematiċi. Wieħed jittratta l-Att Dwar Self tal-Gvern u l-Amministrazzjoni tad-Dejn Pubbliku. Dan l-Att ġabar u kkonsolida diversi partijiet minn liġijiet relatati mas-self tal-Gvern. Il-Kunsill jinnota b'sodisfazzjoni li dan l-Att ikkontribwixxa għal sistema ta' governanza aktar b'saħħitha. B'mod partikolari, l-Att jipprovdi qafas iktar effettiv li jirregola l-ħruġ ta' garanziji tal-Gvern, u b'hekk jiffacilita kontrolli aħjar fuq ir-responsabbiltajiet kontingenti tal-Gvern. Il-Kunsill jikkunsidra wkoll b'mod pozittiv it-tishieħ istituzzjonali tal-funzjonijiet tal-Amministrazzjoni tad-Dejn Pubbliku billi tigi pprovduta bażi legali kemm għad-Direttorat għall-Amministrazzjoni tad-Dejn Pubbliku kif ukoll għall-Kumitat Konsultativ għall-Amministrazzjoni tad-Dejn Pubbliku. L-MFAC għamel numru ta' rakkmandazzjonijiet dwar certi aspetti tal-leġiżlazzjoni li jistgħu jeħtiegu xi kjarifiki addizzjonali jew fejn jista' jkun hemm bżonn ta' xi tibdil, meta dan l-Att jasal għal reviżjoni.

Kapitlu tematiku ieħor iħares lejn is-sistema tal-pensjonijiet f' Malta. Dan jipprovdi ħarsa ġenerali lejn il-karatteristiċi ewlenin tas-sistema, u jqabbilhom ma' dawk fis-seħħ fl-Unjoni Ewropea. Il-Kunsill jirrikonoxxi li l-pensjoni tal-Istat, dik ta' l-ewwel pilastri ma tistax tibqa' l-uniku sors tad-dħul wara l-irtirar, partikolarmen għall-ġenerazzjonijiet futuri. Din ser ikollha bżonn tkun supplimentata b'mekkaniżmi addizzjonali sabiex jiġi ddiversifikat s-sors tad-dħul wara l-irtirar. Fil-fehma tal-Kunsill, se jkun importanti li jitħegġeg aktar l-użu tal-pilastri tal-pensjonijiet iffinanzjati (pensjonijiet tax-xogħol u personali) biex jikkomplementaw l-ewwel pilastri fuq bażi 'pay-as-you-go' li huwa mandatorju. It-tfassil xieraq ta' sistema b'diversi pilastri hija kruċjali sabiex jiġi żgurat li dawn it-tliet pilastri jissahħu b'mod reċiproku b'tali mod li jiżguraw is-sostenibbiltà fit-tul tas-sistema u jipprovdu s-sikurezza meħtieġa favur il-prevenzjoni tal-faqar fost il-popolazzjoni dipendenti .

Ir-Rapport Annwali, li jinkludi d-dikjarazzjonijiet finanzjarji, huwa disponibbli fuq is-sit elettroniku tal-MFAC: www.mfac.org.mt.