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**PRESS RELEASE****Malta Fiscal Advisory Council publishes its assessment of the Government's Medium-Term Fiscal Strategy**

On 30 June 2017 the Malta Fiscal Advisory Council (MFAC) presented its assessment of the Medium-Term Fiscal Strategy for the period 2017 to 2020, as outlined in the latest Update of Stability Programme. The Council fully supports the Government's plans to maintain a fiscal surplus equivalent to 0.5% of GDP between 2017 and 2020.

According to the planned conduct of fiscal policy, both total revenue and total expenditure will grow by less than nominal GDP throughout the forecast horizon. These plans reflect an element of prudence in the revenue projections, combined with an element of expenditure restraint. In this respect, it is important that expenditure restraint is sought in areas where savings are feasible, but at the same time, ensure that budgeted amounts are sufficient to cover the rising demand for public services, commensurate with a larger population. At the same time, the Council fully supports the European Commission's recommendation to expand the scope of the ongoing spending reviews to the broader public sector and introduce performance-based public spending.

The Council highlights the importance that any new initiatives which could be considered over and above what was factored into the Medium-Term Fiscal Strategy document, do not derail the commitment to comply with the Medium Term Budgetary Objective of structural balance. It is also important to maintain adequate fiscal buffers for times when economic conditions could be less favourable than at present.

The Council confirms that in 2016 there was full compliance with the three fiscal rules which feature in the Stability and Growth Pact and the Fiscal Responsibility Act. The debt rule, the budget balance rule and the expenditure benchmark were all fully met. This was an improvement compared to the partial compliance reported in 2015. The upward revision in nominal GDP undertaken in December 2016 contributed to lower the debt ratio to below the 60% of GDP threshold, earlier than originally targeted. In fact, the debt ratio declined to 58.3% of GDP in 2016 and is projected to fall further to 47.6% of GDP by 2020. In turn, the improvement in the fiscal balance between 2015 and 2016 resulted in a structural effort which was substantially larger than the 0.6% of GDP structural adjustment requested by the European Council for 2016. Furthermore, expenditure developments in 2016 were within the growth limits set by the Commission in respect of the expenditure benchmark. The fiscal strategy outlined by the Government in the Update of Stability Programme should ensure that there remains full compliance with the fiscal rules over the period 2017 to 2020.

Apart from compliance with such fiscal rules, it is essential that fiscal policy is sustainable. On the basis of the Commission's assessment framework, short and medium term risks to sustainability are judged to be low in the case of Malta, as a result of the benign macroeconomic conditions as well as the improved fiscal conditions, which are expected to persist in the near term. On the other hand, the Commission is projecting that there could be medium risks in the long run. These risks reflect the higher ageing costs being anticipated for the future, largely in connection with the necessary future outlays for pensions, health care and long term care. The Government is invited to continue to sustain the pension reform process in order to address long term sustainability challenges.

The Council would like to reiterate the importance of conducting fiscal policy which is geared more towards the medium and longer term. This would require a more effective transposition of a three-year policy framework, away from the tendency of yearly moving targets for the various revenue and expenditure components. Such a strategy would enhance the transparency, continuity and consistency of budgetary objectives.

The full report, entitled "Overall Assessment – Update of Stability Programme 2017 – 2020", is available on the website of the MFAC <http://www.mfac.org.mt>.

3 ta' Lulju 2017

## STQARRIJA GHALL-ISTAMPA

### **Il-Kunsill Fiskali Konsultattiv Malti jippubblika l-evalwazzjoni ġenerali tal-Istrateġija Fiskali ta' Terminu Medju**

Fit-30 ta' Ġunju 2017 il-Kunsill Fiskali Konsultattiv Malti (MFAC) ipprezenta l-evalwazzjoni ġenerali tal-Istrateġija Fiskali ta' Terminu Medju għall-perjodu 2017-2020, kif indikat fl-ahhar Aġġornament tal-Programm ta' Stabbiltà. Il-Kunsill jappoġġja bis-shiħ il-pjan tal-Gvern sabiex jinżamm bilanċ pozittiv anwali ta' 0.5% tal-Prodott Gross Domestiku (PGD) bejn l-2017 u l-2020. Skont il-pjanijiet fiskali, kemm id-dhul, kif ukoll l-infiq totali mistennija jikbru b'inqas mit-tkabbir fil-PGD nominali tul il-perjodu tat-tbassir.

Dawn il-pjanijiet jirriflettu element ta' prudenza fit-tbassir tad-dhul, u kif ukoll element ta' trazzin fl-infiq. F'dan ir-rigward, huwa mportanti li t-trazzin fl-infiq isir f'oqsma fejn hu fattibbli, filwaqt li l-ammonti bbaġitjati jkunu biżżejjed sabiex ilaħħqu mad-domanda dejjem tikber għas-servizzi pubbliċi, abbażi tat-tkabbir fil-popolazzjoni. Fl-istess hin, il-Kunsill jaqbel bis-shiħ mar-rakommandazzjonijiet tal-Kummissjoni Ewropea sabiex l-eżerċizzju tar-reviżjonijiet li qed isiru dwar l-infiq jiġi mifrux b'mod aktar wiesa fis-settur pubbliku filwaqt li tiġi ntrodotta sistema sabiex l-infiq pubbliku jkun iktar ibbażat fuq il-prestazzjoni u ix-xogħol imwettaq mis-settur pubbliku.

Il-Kunsill itenni l-importanza li inizzjattivi godda li ma kienux ippjanati fl-Objettiv Baġitarju tal-Istrateġija Fiskali ta' Terminu Medju, ma jservux biex ma jintlaħqux il-miri stabiliti ta' bilanċ strutturali. Huwa wkoll importanti li jinżammu riservi fiskali adegwati għal żminijiet meta l-kundizzjonijiet ekonomiċi jistgħu jkunu inqas favorevoli minn dawk ta' bħalissa.

Il-Kunsill jikkonferma li fl-2016 kien hemm konformità mat-tlett regoli fiskali li huma stabbiliti mill-Patt ta' Tkabbir u Stabbiltà u l-Att dwar ir-Responsabbiltà Fiskali. Ir-regola tad-dejn, ir-regola ta' bilanċ fil-baġit u l-parametru referenzjarju tan-nefqa kollha ġew rispettati. Dan juri titjib meta mqabbel mal-konformità parzjali fl-2015. Ir-reviżjoni 'l fuq fil-PGD f'termini nominali li saret f'Diċembru 2016 għinet sabiex il-proporzjon tad-dejn jinzel taht il-livell referenzjarju ta' 60% tal-PGD, iktar kmieni milli kien mistenni. Fil-fatt, id-dejn naqas għal 58.3% tal-PGD fl-2016 u hu mistenni jinzel iktar, għal 47.6% tal-PGD sal-2020. Mill-banda l-oħra, t-titjib li seħħ fil-bilanċ fiskali bejn l-2015 u l-2016 irriżulta f'aġġustament strutturali li kien ferm ikbar mill-aġġustament ta' 0.6% tal-PGD mitlub mill-Kunsill Ewropew għal 2016. Barra minn hekk, fl-2016, l-infiq kien fil-limitu tat-tkabbir stabbilit mill-Kummissjoni Ewropea permezz tal-parametru referenzjarju tan-nefqa. L-istrateġija fiskali hekk kif ippjanata mill-Gvern fl-Aġġornament tal-Programm ta' Stabbiltà għandha tiżgura sabiex tkompli tinżamm konformità ma' dawn ir-regoli fiskali matul il-perjodu 2017-2020.

Minbarra l-konformità ma' dawn ir-regoli fiskali, huwa essenzjali li l-politikà fiskali tkun ukoll sostenibbli. Abbażi tal-analizi magħmula mill-Kummissjoni Ewropea, ir-riskji fit-terminu qasir u medju huma meqjusa bħala baxxi fil-każ ta' Malta, bħala riżultat ta' kundizzjonijiet makroekonomiċi favorevoli, kif ukoll titjib fil-kundizzjonijiet fiskali, li huma mistennija jippersistu fit-terminu qarib. Minn naħa l-oħra, il-Kummissjoni Ewropea tqis li jista' jkun hemm riskji medji fit-tul. Dawn ir-riskji jirriflettu infieq iktar għoli mistenni fuq il-pensjonijiet, is-saħħa u l-kura tal-anzjani. Għalhekk, il-Gvern huwa mhegġegħ sabiex ikompli bir-riformi fil-pensjonijiet sabiex jilqa' għal dawn l-isfidi.

Il-Kunsill jixtieq ukoll ifakkar fl-importanza li l-politikà fiskali tkun iktar imfassla u maħsuba għal perjodu ta' żmien medju u iktar 'il bogħod. F'dan il-każ ikun hemm bżonn li jitwettaq b'mod aktar effettiv il-qafas ta' tliet snin dwar il-politika fiskali, lil hinn mit-tendenza li l-miri ta' dħul u nfiq jinbidlu kull sena. Din l-istrateġija tikkontribwixxi biex iżżid it-trasparenza, il-kontinwità u l-konsistenza tal-miri baġitarji.

Ir-rapport sħiħ, bit-titlu ta' "Overall Assessment – Update of Stability Programme 2017 - 2020" huwa disponibbli fuq is-sit elettroniku tal-MFAC <http://www.mfac.org.mt>.