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## PRESS RELEASE

### **The Malta Fiscal Advisory Council publishes its First Annual Report**

The Malta Fiscal Advisory Council (MFAC) has just released its First Annual Report, which was handed to the Minister for Finance on 29 March 2016 and tabled in Parliament on 11 April 2016 in line with the requirements of the Fiscal Responsibility Act, 2014 (Cap 534).

In his statement, the Chairman of the MFAC made reference to the fact that “the MFAC notes with satisfaction the commitment by the Authorities to the announced fiscal deficit and public debt targets” while reiterating that “the Government is invited to proceed further with fiscal consolidation, in order to attain the country’s Medium Term Objective (MTO) of a balanced budget, in structural terms, by 2019.”

The Report reviews the background which led to the establishment of the MFAC, noting the requirement that as an EU Member State, Malta faced a Country Specific Recommendation to set up an independent fiscal institution. This obligation was formally transposed into Maltese legislation through the Fiscal Responsibility Act of 2014. The Report notes that the statutory mandate of the MFAC is rather broad and indeed is wider than that of a significant number of other EU fiscal councils. In particular, the Act requires that the MFAC endorses both the macroeconomic and fiscal forecasts published by the Ministry for Finance, expresses an opinion on all the reports published by the Ministry for Finance during the course of the year, makes recommendations on the conduct of fiscal policy and on legislative amendments, and assesses compliance with the fiscal rules at EU and national level.

The Report reviews the activities of the MFAC since its formal establishment on 1 January 2015, giving an account of the various meetings which were held with different local and international institutions and the reports which were published. The MFAC published six reports, of which, two reports dealt with the assessment of the macroeconomic forecasts, and another two reports dealt with the assessment of the fiscal projections, which were produced by the Ministry for Finance in April and October of 2015, as part of the requirements of the European Semester. In all cases, the forecasts were deemed to be within the MFAC’s endorseable range.

The Annual Report dedicates a chapter to the various recommendations by the MFAC which were included in its reports to date. The overall objective of these recommendations is to improve the conduct of fiscal policy in Malta and fiscal governance in general. In particular, 12 of these recommendations related to the conduct of fiscal policy, 1 dealt with a proposed new legislation to regulate the granting of government guarantees, 8 focused on the budgetary process and 11 to encourage higher transparency. The MFAC intends to follow up further on these issues in the spirit of open dialogue and collaboration with the various Government entities involved in the budgetary process.

A chapter in the Report is dedicated to fiscal governance, highlighting the importance of a sound rule-based framework to ensure a prudent conduct of fiscal policy necessary to mitigate the risk of a fiscal deficit bias and to foster medium and long term sustainability in public finances. It presents a historical overview of how fiscal governance is being strengthened at EU level, from the time of the signing of the Maastricht Treaty in 1992, up to the latest EU Commission's decision to set up an Advisory European Fiscal Board in 2016.

Another chapter contained in the Report documents and explains the publicly available information about Malta's public finances, both with regard to historical data as well as fiscal projections. The MFAC considers that fiscal transparency is important because it allows the general public to evaluate better the conduct of fiscal policy and understand whether any risks to sustainability are likely to build up.

The Annual Report is accompanied by the audited financial statements of the MFAC for its first year of operation, in conformity with the requirements of the Fiscal Responsibility Act of 2014.

The MFAC's Annual Report 2015, including the financial statements, is available on the MFAC's website [www.mfac.gov.mt](http://www.mfac.gov.mt).

12 ta' April 2016

## STQARRIJA GHALL-ISTAMPA

### **Il-Kunsill Fiskali Konsultattiv Malti jippublika l-ewwel Rapport Annwali tiegħu.**

Il-Kunsill Fiskali Konsultattiv Malti (MFAC) ħareg l-ewwel Rapport Annwali tiegħu. Dan ġie ppreżentat lill-Ministru għall-Finanzi fid-29 ta' Marzu 2016 u ġie mressaq fil-Parlament fil-11 ta' April 2016 b'konformità mal-Att tal-2014 dwar ir-Responsabbiltà Fiskali.

Fid-dikjarazzjoni tiegħu, iċ-Čermen tal-MFAC għamel referenza għal fatt li “l-MFAC jinnota b'sodisfazzjon l-impenn tal-Awtoritajiet biex jintlahqu l-miri hekk kif imħabba għad-deficit fiskali u d-dejn publiku” filwaqt li tenna li “il-Gvern huwa mħegġeg biex jibqa’ għaddej bil-konsolidazzjoni fiskali, sabiex jikseb l-Objettiv Baġitarju ta’ Terminu Medju ta’ bilanċ fil-bagħi f'termini strutturali sal-2019.”

Ir-Rapport jagħti l-isfond ta' x'wassal biex l-MFAC jiġi stabbilit, fil-qafas tar-rekwiżit li bħala Membru tal-Unjoni Ewropea, Malta kellha Rakkmandazzjoni Specifika għall-Pajjiż biex tistabbilixxi istituzzjoni fiskali indipendenti. Dan l-obbligu ġie formalment imdahħħal fil-ligijiet Maltin permezz tal-Att tal-2014 dwar ir-Responsabbiltà Fiskali. Ir-Rapport jinnota li l-mandat statutorju tal-MFAC huwa pjuttost wiesgħa, anke iktar minn dak ta’ numru mdaqqas ta’ kunsilli fiskali oħra jen fl-Unjoni Ewropea. Partikolarment, l-Att jirrikjedi li l-MFAC japprova kemm it-tbassir makroekonomiku kif ukoll dak fiskali hekk kif ippublikati mill-Ministeru għall-Finanzi, jesprimi opinjoni fuq ir-rapporti kollha li jippublika l-Ministeru għall-Finanzi matul is-sena, jagħmel rakkmandazzjonijiet fuq il-kondotta tal-politika fiskali u fuq emendi fil-ligijiet, u jesprimi ruħu dwar jekk ir-regolamenti fiskali kemm f'livell nazzjonali kif ukoll dak tal-Unjoni Ewropea, humiex qiegħdin jiġi rispettati.

Ir-Rapport jagħti rendikont dwar l-aktivitajiet tal-MFAC, minn mindu ġie mwaqqaf fl-1 ta' Jannar 2015, li jinkludi d-diversi laqghat li saru ma' istituzzjonijiet differenti, kemm lokali kif ukoll barranin, u tar-rapporti li ġew ippublikati. L-MFAC ippublika sitt rapporti, li minnhom, żewġ rapporti ttrattaw l-valutazzjoni tat-tbassir makroekonomiku, u tnejn oħra ivvalutaw it-tbassir fiskali, hekk kif imħejjin mill-Ministeru għall-Finanzi f'April u f'Ottubru tal-2015, bħala parti mir-rekwiżiti tas-Semestru Ewropew. Fil-kaži kollha, it-tbassir kien meqjus bħala plawżibbli u aċċettabbli.

Ir-Rapport Annwali jiddedika sezzjoni għar-rakkommendazzjonijiet varji li ġħamel l-MFAC u li kienu inkluži fir-rapporti li inħarġu s'issa. L-objettiv ġenerali ta' dawn ir-rakkommendazzjonijiet huwa li l-kondotta tal-politika fiskali f'Malta u l-governanza fiskali jitjiebu. Partikolarment, tħażżeen minn dawn ir-rakkommendazzjonijiet huma dwar il-kondotta tal-politika fiskali, waħda ttrattat proposta għal ligi ġidida li tirregola kif jinagħtaw il-garanziji tal-Gvern, tmienja iffokaw fuq il-proċess baġitarju u ħdax oħrajn biex isahħu it-trasparenza. L-MFAC beħsiebu jsegwi bir-reqqa dawn ir-rakkommendazzjonijiet, fi spirtu ta' djalogu kostruttiv u kollaborazzjoni mill-qrib mad-diversi entitajiet tal-Gvern li huma involuti fil-proċess baġitarju.

Kapitlu fi ħdan ir-Rapport huwa dwar il-governanza fiskali, u jenfasizza l-importanza ta' qafas ta' regoli fiskali li jassiguraw prudenza fil-kondotta tal-politika fiskali. Dan huwa neċċesarju sabiex jitnaqqas ir-riskju tat-tendenza għad-defiċit u sabiex tintlaħaq stabbiltà fil-finanzi pubbliċi kemm f'terminu medju u anke iktar fit-tul. L-artiklu jippreżenta ħarsa ġenerali ta' kif il-governanza fiskali qiegħda tiġi msahħha fil-livell tal-Unjoni Ewropea, minn mindu ġie iffirmat it-Trattat ta' Maastricht fl-1992, sa l-aħħar deċiżjoni tal-Kummissjoni Ewropea biex jitwaqqaf l-Bord Fiskali Ewropew Konsultattiv fl-2016.

Kapitlu ieħor fir-Rapport jiddokumenta u jispjega l-informazzjoni disponibbli rigward il-finanzi pubbliċi f'Malta, kemm fil-qafas ta' figur tal-passat kif ukoll dwar it-tbassir fiskali. L-MFAC jikkonsidra li t-trasparenza fiskali hija importanti sabiex il-pubbliku jkun jista jevalwa aħjar il-kondotta tal-politika fiskali u jifhem iktar jekk ikunx hemm riskji għas-sostenibiltà.

Ir-Rapport Annwali jinkorpora ukoll id-dikjarazzjonijiet finanzjarji, awditjati, tal-MFAC għal-ewwel sena ta' operat tiegħu, b'konformità mal-Att tal-2014 dwar ir-Responsabbiltà Fiskali.

Ir-Rapport Annwali tal-MFAC ghall-2015, li jinkludi id-dikjarazzjonijiet finanzjarji, huwa disponibbli fuq is-sit elettroniku tal-MFAC: [www.mfac.gov.mt](http://www.mfac.gov.mt).