

5

## Publicly available information about Malta's public finances

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. Availability of fiscal information contributes to better understanding of the fiscal issues being debated in the public sphere. Detailed historical data can also increase the accountability of the executive, as it evidences whether and how the announced fiscal targets are being met.

“Fiscal transparency allows for a better informed debate by both policymakers and the public about the design and results of fiscal policy, and helps establish accountability for its implementation. It helps to highlight risks to the fiscal outlook, allowing an earlier and smoother fiscal policy response to changing economic conditions and thereby reducing the incidence and severity of crises. The degree of fiscal transparency can also help provide a sense of a country’s fiscal credibility and plays a role in how financial markets view the country’s fiscal track record.”

Factsheet published on the IMF website.

In a forward-looking context, fiscal projections show how public finances are anticipated to evolve over the coming years, based on the announced policies, thereby serving as early warning of whether future changes may be necessary, in order to safeguard fiscal sustainability. They are also important to verify Malta’s adherence to the international commitments in the area of public finance. In the case of Malta, fiscal projections are regularly published by the MFIN and other independent organisations, both local and foreign. Independent fiscal projections are particularly useful because they serve as a benchmark, against which, the robustness of the MFIN’s forecasts can be evaluated, while facilitating the identification of any upside or downside risks to the official targets. Indeed, in some countries, the production of forecasts is fully delegated to an independent authority to further reduce any risk of possible bias.

In the case of Malta, the NSO is the main source for historical data in the area of public finances. Fiscal statistics are freely downloadable from the NSO's website (see Diagram 5.1).<sup>31</sup>

**Diagram 5.1: NSO's releases in the area of public finances**

The screenshot displays the NSO Malta website interface. At the top, the logo 'NSO NATIONAL STATISTICS OFFICE • MALTA' is visible alongside a search bar. A horizontal navigation menu includes 'HOME', 'RELEASES', 'PUBLICATIONS', 'SERVICES', 'EU STATISTICS', 'EXTERNAL LINKS', and 'CONTACT US'. The 'RELEASES' menu is expanded, showing options like 'View Current Year', 'View by Unit', 'News Release Calendar', and 'Archived News Releases'. A central menu lists various statistical categories from '01 Methodology and Research' to 'D2 External Cooperation and Communication'. On the right, a 'HOUSEHOLD BUDGETARY SURVEY 2015' banner is present. The main content area features a 'NEWS RELEASE CALENDAR' with a graphic of red pushpins and a list of recent releases, including 'International Trade: November 2015', 'Index of Industrial Production: November 2015', and 'Registered Unemployed: November 2015'. A large graphic on the left shows trade deficit figures for November 2014 (€240.6 million) and November 2015 (€178. million).

The frequency of the releases ranges from monthly to annual, according to the release calendar.<sup>32</sup> Some published statistics are compiled using local definitions, while statistics contained in some other releases are based on the ESA 2010 guidelines, which is mandatory across the EU. Local definitions mirror the way in which the budgetary process in Malta is carried out, while the ESA definitions are the ones used to compile fiscal data across the EU, thereby ensuring the use of harmonised definitions and cross-country comparability.

Each type of release also varies with regards to the time after the end of the reference period when it is published. In some cases, the statistics published in the release are also labelled as provisional, and henceforth could be revised in subsequent releases, when more and better

<sup>31</sup> [www.nso.gov.mt](http://www.nso.gov.mt)

<sup>32</sup> The NSO publishes the release calendar for the next three months. This is available on [https://nso.gov.mt/en/News\\_Releases/Release\\_Calendar/Pages/News-Release-Calendar.aspx](https://nso.gov.mt/en/News_Releases/Release_Calendar/Pages/News-Release-Calendar.aspx)

quality data becomes available to the NSO. However, cash-based data, compiled on the basis of local definitions, is generally not revised.

These various aspects, and in particular the definitions used and timeliness, have a bearing on the purpose for which each release may be useful and the caveats which have to be kept in mind when analysing such statistics. Table 5.1 provides a detailed list of the type of content which can be found in each of the releases and an explanation of their usefulness.

**Table 5.1: Overview of the NSO's releases in the area of public finance**

TITLE	FREQUENCY	CONTENT	USEFULNESS
Government Finance Data	Monthly	Details about the various revenue and expenditure transactions which are recorded in the Consolidated Fund; and the gross outstanding Central Government debt.	To monitor latest cash-based fiscal developments, compiled using definitions established by the BO. Offers the most regular and timely fiscal information, but the coverage is incomplete, since it does not capture the full General Government. The revenue and expenditure figures are based on actual cash transactions, and are therefore not normally subject to revision. However, since there is no accrual adjustment, monthly figures may be influenced by special factors which make it harder to identify underlying trends.
Quarterly Accounts for General Government	Quarterly	Details about the revenues and the expenditures for general government; and information about the adjustments necessary to reconcile the fiscal balance as recorded in the Consolidated Fund, and that measured	To monitor fiscal developments compiled according to the definitions upon which adherence to the SGP is assessed. To analyse the different revenue and expenditure components using economically meaningful definitions. This release also includes information about the accrual adjustments to the cash data, as well as a full coverage of the Government's activities,

TITLE	FREQUENCY	CONTENT	USEFULNESS
Structure of General Government Debt	Annual	<p>according to the ESA 2010 guidelines (which is mandatory across the EU).</p> <p>Details about the holders of debt; the type of debt, the currency denomination; the original and remaining maturity of debt; the apparent cost of debt (average interest rate paid); the market value of debt; and the outstanding Government guarantees by sector.</p>	<p>beyond what is recorded in the Consolidated Fund. This release offers the comprehensive information about public finance but the information is less timely than in the case of the monthly <i>Government Finance Data</i> release.</p> <p>To detect possible roll-over risks for government debt such as by identifying whether there are particular concentrations of maturing debt. To identify the share of public debt held by non-residents and identify possible exchange rate risks. To monitor the trend in the contingent liabilities (guarantees), in the eventuality that guarantees may be called up, hence creating negative implications for the fiscal balance.</p>
General Government Debt and Deficit under the Maastricht Treaty	Biannual	Presents the deficit-to-GDP and the debt-to-GDP ratios computed in line with the procedure defined in the Maastricht Treaty Article 104. This release captures all the government's accounts including the Treasury Clearance and Sinking Funds; excludes the financial transactions; and includes accruals	To monitor whether the requirement that the general government deficit should not exceed 3 per cent of GDP and gross nominal consolidated debt should not exceed 60 per cent of GDP, are being respected. The release also contains the updated list of EBUs which are entities forming part of General Government, but which are not accounted for within the Departmental Accounting System (DAS) of Central Government. The performance of these entities must be monitored as they can be a source of additional fiscal risks,

TITLE	FREQUENCY	CONTENT	USEFULNESS
Expenditure of General Government Sector by function	Annual	<p>adjustments. Data in respect of Extra Budgetary Units (EBUs) and Local Councils are also included.</p> <p>Government expenditure is classified by the purpose for which the funds are used. Details about the general government expenditure split by function, such as on general public services, health and education. Data is also split according to the specific type of expenditure, for example whether it represents gross capital formation or compensation of employees.</p>	<p>if they experience revenue shortfalls or expenditure slippages.</p> <p>To analyse trends in government expenditure and in particular drivers of growth, based on ESA 2010 definitions. This enables meaningful comparison with other countries' fiscal developments. This release offers a holistic perspective of expenditures relating to key sectors, such as health and education. It makes it easier to link expenditure developments to their underlying economic determinants. The latter is important to establish a better link between fiscal and macroeconomic dynamics, thereby evaluating the plausibility of the published projections.</p>
Government Expenditure on Social Security Benefits	Quarterly	<p>Detailed breakdown on the social security benefit payments, such as on the various types of pensions. Additional data about non-contributory benefits, such as social assistance and children's allowance. The data is extracted</p>	<p>To analyse the latest quarterly trends in pension-related expenditures. Offers timely information about changing short term trends and in particular identify possible intensification of upward pressures. Given that the data is based on administrative records, any changes to the payment procedures may impact the monthly data, hence requiring extra caution when evaluating year-on-year or month on month changes.</p>

TITLE	FREQUENCY	CONTENT	USEFULNESS
Social Protection Expenditure	Annual	<p>from the administrative records of the Social Security Department.</p> <p>Detailed breakdown on social protection expenditure in Malta, such as in the form of spending on hospitals, subsidies and transfers to Non-Governmental Organisations (NGOs). Also distinguishes between gross and net expenditures, by removing the taxes and social contributions that are paid by the recipients of the benefits.</p>	<p>Offers a holistic perspective of expenditure on social protection, thereby enabling a fuller assessment of the conduct of fiscal policy in this area. Useful to identify issues related to poverty alleviation and ageing-related costs, and long term fiscal challenges in general.</p>
Tax Revenues	Annual	<p>Detailed breakdown of tax revenues, such as direct and indirect taxes. Includes also the data about the overall tax burden.</p>	<p>To analyse trends in tax revenues based on economically meaningful definitions and in particular, the drivers of growth, based on ESA 2010 definitions. This enables meaningful comparison with other countries' fiscal developments. It also links revenues to their economic determinants. The latter is important to establish a better link between fiscal and macroeconomic dynamics, thereby evaluating the plausibility of the projections.</p>

TITLE	FREQUENCY	CONTENT	USEFULNESS
Research and Development in Malta	Annual	Details about Government spending on R&D and employment related to R&D	To evaluate the country's progress towards attaining the Europe 2020 target relating to the overall spending on R&D. Can provide information about future potential output growth, since this is also influenced by investment in R&D.

Apart from these releases, the NSO makes available additional monthly and quarterly data, based on the cash transactions recorded in the Consolidated Fund, but classified under the ESA headings.<sup>33</sup> Effectively, these files report the fiscal balance as published in the Monthly Government Finance Data release, but based on ESA terminology and methodology. These files also include separate data relating to the revenues and expenditures of the EBUs. The NSO compiles this information as part of the requirements stemming from the Enhanced Economic Governance package. This information can be particularly useful, as it provides partial, but timelier information, about fiscal developments, based on ESA classifications, and thus enable a better evaluation of the fiscal revenues and expenditures when compared to the annual targets as indicated in the DBP and the USP.

Statistics on Malta's public finances are also freely downloadable from Eurostat, which is the statistics agency of the EU.<sup>34</sup> In this case, there is the added advantage that one can retrieve the fiscal data for each EU Member State, as well as aggregates for the EU and the euro area as a whole. Since this data is all compiled on the basis of a common methodology, it enables meaningful comparisons, such as to evaluate the relative composition of tax revenues and the relative spending on particular expenditure categories. Quality assurance is also enhanced, since the plausibility of the data for each data transmission is checked by Eurostat, which may request additional information from local authorities, in case of any doubts about the data quality.

<sup>33</sup> These can be downloaded from [http://nso.gov.mt/en/Services/Council\\_Directive/Pages/Council-Directive-85\\_2011.aspx](http://nso.gov.mt/en/Services/Council_Directive/Pages/Council-Directive-85_2011.aspx)

<sup>34</sup> <http://ec.europa.eu/eurostat>

While the NSO and Eurostat are the prime source for historical data, the MFIN is the primary source of forward-looking information dealing with the conduct of fiscal policy in Malta. Indeed, within MFIN, the EPD is primarily responsible for producing Malta's fiscal and macroeconomic forecasts which are published in October, as part of the DBP, and in April, as part of the USP.<sup>35,36</sup> The DBP contains the fiscal forecasts for the years  $t$  and  $t+1$ , produced after taking account of the discretionary measures, as announced in the Budget Speech. In turn, the USP presents an extended set of fiscal and macro projections, to cover up to year  $t+3$ .

“Statistics are of great importance to the country because of how they provide the necessary gauges for decision makers. One cannot safely guide the ship of state without precise gauges and indicators in place conveying much-needed information to decision makers.”

Prof Edward Scicluna, Minister for Finance, during a visit to the NSO, 31 July 2013.

Independent commentaries on the recent and the projected fiscal developments are also publicly available. In particular, these are published by the CBM, the COM and the IMF. Specifically, the CBM dedicates a chapter to analyse public finance developments in Malta in every edition of its *Quarterly Review* and in its *Annual Report*, and a section in its monthly *Economic Update*.<sup>37</sup> The CBM also publishes forecasts for key fiscal ratios, which are prepared according to the guidelines of the European System of Central Banks (ESCB).<sup>38</sup> Importantly, these projections are prepared independently of the MFIN. As a result, the CBM's forecasts present an alternative set of fiscal forecasts which may differ from the MFIN's figures due to the use of different assumptions and reliance on different economic relationships and models.

The COM publishes dedicated country page, three times a year, when it presents its own economic projections. These are labelled as the Winter, Spring and Autumn forecasts.<sup>39</sup> These are also included in the COM's assessment of Malta's DBP and USP.<sup>40,41</sup> In these reports the COM presents its assessment of whether the country is complying with the requirements of the SGP, based on its own calculations, following the data submitted by the

<sup>35</sup> Malta's DBP can be downloaded from

[http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/budgetary\\_plans/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/budgetary_plans/index_en.htm)

<sup>36</sup> The latest USP is available on [http://ec.europa.eu/europe2020/pdf/csr2015/sp2015\\_malta\\_en.pdf](http://ec.europa.eu/europe2020/pdf/csr2015/sp2015_malta_en.pdf)

<sup>37</sup> These are available on <http://www.centralbankmalta.org/publications>

<sup>38</sup> For example, the ESCB guidelines require that only measures which have been clearly publicly articulated can be included in the baseline forecasts, while some assumptions, particularly related to international variables are uniform across the ESCB.

<sup>39</sup> Can be downloaded from:

[http://ec.europa.eu/economy\\_finance/publications/european\\_economy/forecasts/index\\_en.htm](http://ec.europa.eu/economy_finance/publications/european_economy/forecasts/index_en.htm)

<sup>40</sup> The COM's assessment of Draft Budgetary Plans for the euro area Member States, are available on:

[http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/budgetary\\_plans/index\\_en.htm](http://ec.europa.eu/economy_finance/economic_governance/sgp/budgetary_plans/index_en.htm)

<sup>41</sup> The COM's assessment of Stability and Convergence Programmes, are available on:

[http://ec.europa.eu/economy\\_finance/economic\\_governance/sgp/convergence/](http://ec.europa.eu/economy_finance/economic_governance/sgp/convergence/)



Member States. The IMF is another source of information as it publishes a commentary about public finance developments in Malta in its annual Article (iv) report on Malta.<sup>42</sup> The IMF provides longer term fiscal projections about Malta in its Fiscal Monitor, which is a biannual publication.<sup>43</sup> Indeed, while the CBM and the COM publish fiscal forecasts to cover years: t, t+1 and t+2, the IMF publishes forecasts up to t+5.

Table 5.2 summarises the level of detail which is published by each of the identified institutions. It is useful to compare the projections across institutions, in order to identify whether there exists significant or limited dispersion since this can indicate the extent of uncertainty relating to the published projections.

**Table 5.2: Publicly available fiscal projections by official institutions**

FISCAL VARIABLE	UNIT	MFIN	CBM	COM	IMF
General government revenue	% of GDP	✓		✓	✓
General government expenditure	% of GDP	✓		✓	✓
General government balance	% of GDP	✓	✓	✓	✓
Primary balance	% of GDP	✓		✓	✓
Cyclically-adjusted budget balance	% of potential GDP	✓		✓	✓
Cyclically-adjusted primary balance	% of potential GDP	✓		✓	✓
Structural budget balance <sup>44</sup>	% of potential GDP	✓		✓	
General government gross debt	% of GDP	✓	✓	✓	✓

<sup>42</sup> When a country joins the IMF, it agrees to subject its economic and financial policies to the scrutiny of the international community. During an Article IV consultation, an IMF team of economists visits a country to assess economic and financial developments and discuss the country's economic and financial policies with government and central bank officials. IMF staff missions also often meet with parliamentarians and representatives of business, labor unions, and civil society. For further details refer to <https://www.imf.org/external/about/econsurv.htm>. For publications relating to Malta refer to <http://www.imf.org/external/country/MLT/index.htm>

<sup>43</sup> Available on <http://www.imf.org/external/ns/cs.aspx?id=262>

<sup>44</sup> The difference between the cyclically-adjusted budget balance and the structural budget balance is that the latter nets off one-off and other temporary measures.