

# Memorandum of Understanding

concerning

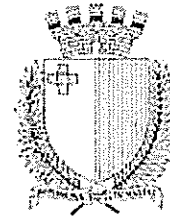
the communication relating to the existence or  
termination of exceptional circumstances as referred to in  
the Fiscal Responsibility Act and the Stability and Growth Pact

between

the Malta Fiscal Advisory Council

and the

Ministry for Finance and Employment



*Ministry for Finance and Employment*

14 June 2021

# **Memorandum of Understanding**

**between**

**the Malta Fiscal Advisory Council  
(hereinafter the “MFAC”)**

**and the**

**Ministry for Finance and Employment  
(hereinafter the “MFE”)**

This Memorandum of Understanding is being entered on the 14 June 2021 by and between the Ministry for Finance and Employment (MFE), and the Malta Fiscal Advisory Council (MFAC), by virtue of which they agree to be bound by the following covenants set forth below.

## **1. Preamble**

This Memorandum of Understanding is being agreed upon to clarify the procedures, documents and timing applicable when the situation of exceptional circumstances is invoked by the Government of Malta.

This agreement covers both the steps which the MFE shall be required to carry out to initiate the process and the procedure which the MFAC shall, as a rule, follow in response to such communication from the MFE.

The Parties agree that their respective assessment on the existence or otherwise of exceptional circumstances shall be guided exclusively by the objective criteria as indicated in the Stability and Growth Pact and referred to in the Fiscal Responsibility Act (Cap. 534) (hereinafter “the Act”).

The Parties agree to carry out the process in a transparent and collaborative manner.

## **2. Scope of the Memorandum**

This Memorandum provides guidelines in relation to the steps involved, the type of communication, and the relevant deadlines when the Government of Malta intends to invoke the situation of exceptional circumstances and the subsequent (non-binding) opinion which shall be provided by the MFAC.

## **3. Areas of co-operation and exchange**

3.1 The following arrangement applies when the European Council declares the existence of exceptional circumstances across the European Union or any one or more of its Member States which includes Malta. Within three weeks from the agreement by the European Council, either to initiate, extend or terminate the period of exceptional circumstances, the Permanent Secretary within MFE shall send a letter to the MFAC informing whether the Government of Malta intends to make use or otherwise of the flexibility granted with respect to the fiscal rules prescribed in the Stability and Growth Pact and the Act. The MFAC shall take note of this decision in its assessment reports.

3.2 The following arrangement applies when the Government of Malta invokes the situation of exceptional circumstances solely for Malta and make use of the flexibility granted under the Act as defined in paragraph (a) of the definition of "exceptional circumstances" in subarticle (2) of Article 2 of the Act. The Permanent Secretary within MFE shall send a letter expressing the intention by the Government to make recourse to this clause, this without prejudice to the MFAC's decision as stipulated in Article 13(2) of the Act.

This letter shall include the relevant information and justifications to support the Government's application for flexibility with respect to the fiscal rules

The Permanent Secretary shall also notify to the MFAC its intention to stop making recourse to this fiscal flexibility in view of the cessation of exceptional circumstances, this without prejudice to the MFAC's decision as stipulated in article 13(2) of the Act.

## **4. Other matters and data information**

The Parties agree to make available all the information necessary to support and explain the respective opinion on the existence or otherwise of exceptional circumstances.

## **5. Review terms**

Amendments to this Memorandum of Understanding may be proposed by any one of the Parties by giving notice in writing to the other Party and shall only come in force by agreement of all Parties. The Parties further agree that any proposed amendment shall not suspend the operations of this Agreement until it is implemented or otherwise.

## **6. Signatures**

By signing this agreement, all signatories acknowledge that they shall meet the objective of this agreement.

Signed on behalf of the Malta Fiscal Advisory Council

---



Chairman  
Malta Fiscal Advisory Council  
Mr. John Cassar White

Signed on behalf of the Ministry for Finance and Employment

---



Permanent Secretary  
Ministry for Finance and Employment  
Mr Alfred Camilleri

Date: 14th June 2021

