Box 1: The Comprehensive Spending Review

The Comprehensive Spending Review (CSR) being carried out by the MFIN consists of a line-by-line analysis of each Ministry's expenditure inputs and outputs in order to determine the effective cost of government's activities. The objective is to prioritise expenditure and identify areas where savings can be attained. By establishing an output for each line of expenditure or input, the Government will be able to assess each expenditure item in terms of its contribution to the promotion of the public interest on a cost effective basis.

The CSR was launched in 2014 as part of the Government's medium term budget framework and was targeted on programmes and initiatives in all Ministries. The MFIN intends to conduct in-depth CSRs with respect to the various Ministries. To date, the MFIN has finalised the CSR for the Ministry for Family and Social Solidarity and is in the process of completing the CSR for the health sector.

The MFAC views such initiatives positively and invites the Government to act on the areas where potential expenditure savings are identified.

The MFAC positively notes that based on the assessment of Malta's 2015 USP, the COM issued a recommendation to the European Council to abrogate the decision on the existence of an excessive deficit in Malta.[6] On 19 June 2015 the European Council closed the Excessive Deficit Procedure (EDP) for Malta, confirming that the country had reduced the deficit below the 3% of GDP reference value.[7] Indeed in 2014 the deficit-to-GDP ratio was reported at 2.1%, well below the 2.7% target which had originally been set by the COM in its recommendation dated 21 June 2013.

The public debt ratio likewise embarked on a downward trend, falling from 69.2% of GDP in 2013 to 68.0% in 2014. This ratio was forecast to head further downwards to 65.6% by 2016, thereby complying with the forward looking "debt rule", which requires a steady convergence to the 60% debt-to-GDP threshold (see Box 2). Since the outstanding public debt ratio still exceeds this limit, Malta needs to maintain a downward trajectory to approach this ceiling at a satisfactory pace.

[6] For further details refer to http://ec.europa.eu/economy_finance/economic_governance/sgp/pdf/30_edps/126-12_commission/2015-05-13_mt_126-12_commission_en.pdf

[7] For further details refer to http://www.consilium.europa.eu/en/press/press-releases/2015/06/19-malta-poland-deficits-back-below-three-percent-gdp/