

**Inventory of the methods, procedures and sources  
used for the compilation of deficit and debt data and  
the underlying government sector accounts  
according to ESA2010**

***MALTA***

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## Background

Compilation and publishing of the Inventory of the methods, procedures and sources used to compile actual deficit and debt data is foreseen by Council Regulation 479/2009, as amended.

According to Article 8.1: *“The Commission (Eurostat) shall regularly assess the quality both of actual data reported by Member States and of the underlying government sector accounts compiled according to ESA 95.... Quality of actual data means compliance with accounting rules, completeness, reliability, timeliness, and consistency of the statistical data. The assessment will focus on areas specified in the inventories of Member States such as the delimitation of the government sector, the classification of government transactions and liabilities, and the time of recording.”*

In line with the provisions of the Regulation set up in Article 9, *“Member States shall provide the Commission (Eurostat) with a detailed inventory of the methods, procedures and sources used to compile actual deficit and debt data and the underlying government accounts. The inventories shall be prepared in accordance with guidelines adopted by the Commission (Eurostat) after consultation of CMFB. The inventories shall be updated following revisions in the methods, procedures and sources adopted by Member States to compile their statistical data”*.

The content of the Inventory and the related guidelines have been endorsed by the Committee on Monetary, Financial and Balance of Payments statistics in June 2012 and are followed by all EU Member States. This version introduces references to the ESA2010 as well as some updates of the relevant topics mirroring the changes introduced by the ESA2010. It also includes changes introduced by the August 2019 Manual on Government Deficit and Debt (MGDD) version.

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## **A. Institutional arrangements, sources, procedures and methods used for the calculation of deficit and debt data**

This chapter provides a summary description on the general government sector components and specifies institutional responsibilities and basic data sources used for EDP tables and for the compilation of general government national accounts. Special attention is given to EDP tables: detailed description of components of the working balance and the transition into EDP B.9 (net lending/net borrowing); compilation of Maastricht debt and of stock-flow adjustments; explanation of the link between EDP table 2 and 3, balancing process and statistical discrepancies.

### **1. General Government**

This section describes the coverage of the General Government sector and the sub-sectors for Malta.

The General Government Sector in Malta is composed of two sub-sectors: S.1311 and S.1313.

#### **1.1. Central government subsector (S.1311)**

The Central Government subsector is made up of:

##### 1) Budgetary Central Government (BCG)

The BCG consists of the operations of the Government Ministries and Departments. In 2020, there were the Office of the Prime Minister, the Office of the President, the House for Representations and 14 area-related Ministries. Each Ministry, further split into Departments and Cost Centres, is allocated a budget vote (revenue and expenditure) by Parliament. The expenditure categories in each vote consist of the following: Personal Emoluments, Operations and Maintenance Expenditure, Programmes and Initiatives (over 500 expenditure lines), Contributions to Government Entities (around 135 units) and Capital expenditure (over 450 items). The list of Government Ministries and Departments, including cost centres and new expenditure items in the different expenditure categories, is updated at the beginning of each year in conformity with the Government's Financial Estimates presented during the Budget process.

##### 2) Extra Budgetary Units (EBUs)

These institutional units are non-market producers, owned and supported financially by the Government. These EBUs are established by various Acts of Parliament. They are independent, they have their own set of accounts, have only limited supervision, and only their operational budgets need to be approved by Parliament. In 2020 there were 75 EBUs, including 2 hospitals, 2 higher education institutions, 6 units in the social protection area, 11 units in culture and sports, 1 in waste management and the rest in the administration and regulation of various public services.

## **1.2. State government subsector (S.1312)**

Not applicable.

## **1.3. Local government subsector (S.1313)**

The local government subsector was established in Malta in 1993 through the Local Councils Act, which is the regulatory primary legislation, complemented with subsidiary legislation on financial issues, tendering, audit, human resources and other matters. This subsector is composed of all 68 local councils across Malta and Gozo. The local councils' responsibilities are in the areas of environment, internal security and infrastructure. They are in charge for the general upkeep and embellishment of the locality, local warden scheme, refuse collection and other general administrative duties for the central government. Local councils depend mainly on central government for their financing. They are empowered to enact bye-laws to charge fees, for instance advertisement on street furniture, the administration of the Council property, use of Council facilities, etc. Local Councils need written authorisation, both from the Minister responsible for local government and the Minister for Finance, in order to take a loan.

The local government sector consists of 68 Local Councils, the five regional committees, the Local Council's Association and the Local Enforcement Systems Agency.

The five Regional Committees were set up in mid-2010, following the Local Council's Reform Act No. XV of 2009 amending the Local Councils Act. The Regional Committee are empowered to manage the Local Enforcement System (A system of Wardens responsible for the enforcement of numerous regulations, including those related to traffic and littering).

The Local Enforcement Systems Agency (LESA) was set up in 2016 to oversee the reform of the local wardens and local councils in general. The primary function of the Agency is to provide for the enforcement of any law, regulation or bye-law, the enforcement of which has been delegated to regional committees, local councils or to such other local or regional authorities as are designated by the Local Councils Act. As from 2018, all local wardens were transferred to LESA.

This subsector has a very minor impact on the total General Government Sector. In fact, their expenditure makes up only 1.2% of total expenditure of the General Government Sector (2020).

## **1.4. Social security funds subsector (S.1314)**

Not applicable.

The pension system in Malta is on a pay-as-you-go basis. Hence, the pension received by a pensioner today is paid through the contributions made by a worker and employer in the labour market today. The pay-as-you-go scheme is an 'unfunded' pension scheme, meaning that the scheme accepts responsibility to provide retirement benefits to participants but does not set aside money today to meet future obligations. Both the receipts from the social security contributions as well as the social security benefits payments are accounted for in the main Budgetary Central Government fund which is called the Consolidated Fund (working balance).



Further details relating to practical aspects of sector classification for individual units into General Government sector can be found in Chapter B, section 1.

## **2. Institutional arrangements**

This section provides general information on institutional arrangements relating to the production and dissemination of government deficit and debt statistics:

- responsibility of national authorities for compilation of individual EDP tables and underlying government national accounts, as defined by ESA2010 Transmission Programme;
- institutional arrangements relating to public accounts which are used by statistical authorities for compilation of government national accounts and EDP tables;
- general overview about bookkeeping system used by public units, internal quality checks and external auditing;
- communication between individual national authorities involved in EDP;
- publishing of deficit and debt statistics.

### **Legal basis for the compilation of GFS and EDP data**

There is no specific legislation in place in Malta for the collection and compilation of GFS and EDP, however these are covered by the Malta Statistics Authority Act (XXIV of 2000).

The Fiscal Responsibility Act (XXVII of 2014), which established the fiscal rules that bind the national fiscal authorities in achieving a balanced structural budget, or in its absence, convergence towards the medium-term budgetary objective, has for the first time made references of the European System of Accounts, the General Government Sector concepts and the deficit and debt Maastricht criterion in the law.

### **2.1. Institutional responsibilities for the compilation of general government deficit and debt data**

This section describes institutional responsibilities for compilation of Government Finance Statistics (national accounts for general government and EDP tables). Further related information is described in section 2.3 Communication.

National accounts data for General Government are transmitted to Eurostat<sup>1</sup> via the following tables (see the related EU legislation)<sup>2</sup> :

Table 2 – Main aggregates of general government (annual data)

Table 6 – Financial accounts by sector (annual data)

Table 7 – Balance Sheets for financial assets and liabilities (annual data)

Table 801 – Non-financial accounts by sector (quarterly)

Table 9 – Detailed Tax and Social Contribution Receipts by Type of Tax or Social Contribution and Receiving Sub-sector (annual data)

<sup>1</sup> <http://ec.europa.eu/eurostat/data/database>

<sup>2</sup> <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2013:174:0001:0727:EN:PDF>

Table 11 – Expenditure of General Government by function (annual data)

Table 25 - Quarterly Non-financial Accounts of General Government

Table 26 – Balance sheets for non-financial assets (annual data)

Table 27 – Quarterly Financial Accounts of General Government

Table 28 – Quarterly Government Debt (Maastricht Debt) for General Government

Data on government deficits and debt levels are reported to Eurostat twice a year (in April and October) in EDP notification tables<sup>3</sup>.

**Table 1. - Institutional responsibilities for the compilation of general government national accounts and EDP tables**

| Institutional responsibilities<br><i>(the appropriate cells are crossed)</i> |                          | NSI             | MOF            | NCB | Other |  |
|--|--------------------------|-----------------|----------------|-----|-------|--|
| <b>Compilation of national accounts for General Government:</b>              |                          |                 |                |     |       |  |
| Nonfinancial accounts  | annual                   | X               |                |     |       |  |
|  | quarterly                | X               |                |     |       |  |
| Financial accounts   | annual                   | X               | X              |     |       |  |
|  | quarterly                | X               | X              |     |       |  |
| Maastricht debt  | quarterly                | X               |                | X   |       |  |
| <b>Compilation of EDP Tables:</b>  |                          |                 |                |     |       |  |
| EDP table 1  | actual data              | deficit/surplus | X              |     |       |  |
|  |                          | debt            | X              |     |       |  |
|  |                          | other variables | X              |     |       |  |
|  | planned data             | deficit/surplus |                | X   |       |  |
|  |                          | debt            |                | X   |       |  |
|  |                          | other variables |                | X   |       |  |
| EDP table 2<br>(actual data)   | 2A central government    |                 | X              |     |       |  |
|  | 2B state government      |                 | Not applicable |     |       |  |
|  | 2C local government      |                 | X              |     |       |  |
|  | 2D social security funds |                 | Not applicable |     |       |  |
| EDP table 3<br>(actual data)   | 3A general government    |                 | X              | X   |       |  |
|  | 3B central government    |                 | X              | X   |       |  |
|  | 3C state government      |                 | Not applicable |     |       |  |
|  | 3D local government      |                 | X              |     |       |  |
|  | 3E social security funds |                 | Not applicable |     |       |  |
| EDP table 4  |                          | X               |                |     |       |  |

NSI - National Statistical Institute including units subordinated to the NSI (the latter is to be specified in comments)  
MoF – Ministry of Finance including units subordinated to the MoF (to be specified in comments)

<sup>3</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

NCB – National Central Bank

Other – other national body, to be specified in comments

The main institutions are:

NSI – Uffiċċju Nazzjonali tal-Istatistika – National Statistics Office (NSO)

MOF – Ministeru għall-Finanzi – Ministry of Finance (MoF)

NCB – Bank Ċentrali ta' Malta – Central Bank of Malta (CBM)

The official Government Finance Statistics (GFS) Committee was set up in 2006 and took over the functions performed by the Government Finance Statistics Working Group. The GFS committee is chaired by the NSO and includes members from the following institutions: NSO, Budget Office, the Treasury, Financial Management and Monitoring Unit, the Central Bank of Malta and the Economic Policy Division. The National Audit Office is a member of the GFS Committee with an observer status. The terms of reference of the GFS Committee (Annex VI) outline the main functions of the Committee, these were also incorporated in the MoU between the NSO, MoF and CBM, signed in 2016.

All the members of the GFS Committee are involved in the process of the EDP reporting.

The following table shows the institutions, their responsibility, and the respective number of staff involved directly/indirectly in EDP work:

| <b>INSTITUTION</b>   | <b>RESPONSIBILITY</b>   | <b>NUMBER OF STAFF (x)</b>   |
|--|---|------------------------------|
| <i>Public Finance Unit, NSO</i>  | <i>Overall responsibility of EDP reporting, including supplementary questionnaires and the compilation of all the ESA transmission programme related to GFS</i> | 6<br>4 FT<br>2 reduced basis |
| <i>The Treasury – CFMS</i>   | <i>Management of NSO requirements from the Departmental Accounting System (DAS) and Corporate Financial Management System</i>                                   | 4                            |
| <i>The Treasury - Accounting Methodology and Compliance Unit</i>             | <i>Accrual accounting: compliance and methodology of the quarterly accruals templates</i>   | 2                            |
| <i>The Treasury - Debt Management</i>  | <i>Provision of data for the quarterly financial accounts for Budgetary Central Government</i>  | 2                            |
| <i>Budget Office, Ministry of Finance</i>                                    | <i>Assistance in compilation of EDP Table 2A and provision of planned data for EDP Table 1 and 2A</i>   | 2                            |
| <i>Financial Management and Monitoring Unit (FMMU) - Ministry of Finance</i> | <i>Administrators of the FDRS and surveillance and monitoring of EBUs and Public Corporations</i>   | 2                            |
| <i>Central Bank of Malta</i>   | <i>Provision of debt data for the Budgetary Central Government and data for the government guarantees</i>   | 3                            |

(x) Number of staff whose main job is related to the compilation of GFS data. The numbers include the signatories of the EDP Notification.

**The ultimate responsibility for the compilation of the EDP Notification, questionnaires related to the EDP, the fulfilment of requirements in relation to data pertaining to the GFS, as well as the treatment of methodological issues arising therefrom, rests with the NSO.**

As a general rule, on the last working day of March and September, the NSO sends the EDP Notification tables, the questionnaire related to EDP, as well as other supporting documents to the European Commission (Eurostat). The data are sent via electronic transmission. For each submission of EDP data, a covering letter signed by the NSO Director General, as well as an affidavit, are attached to the document. The affidavit is signed by the Director of Economic Statistics at NSO, the Manager of the Public Finance Unit at NSO, the DG Budget Affairs, the DG Treasury and the Director Budget Office. As from the April 2020 EDP notification, the NSO started preparing an explanatory note accompanying the notification. In general, the note includes the main changes from the previous notification including revisions, the main items explaining the results of the fiscal data, any changes in the institutional units forming part of the General Government sector and any other relevant information.

### **2.1.1 Existence of an EDP unit/department**

The Public Finance Unit within the National Statistics Office is responsible for the compilation of the EDP Notification.

### **2.1.2 Availability of resources for the compilation of GFS data**

The Public Finance Unit, which falls under the supervision of the Director of Economic Statistics, consists of 6 persons (2 on reduced hours), while the total overall workforce at the NSO is circa 165 persons. The NSO's organisation chart is presented in Annex III.

The responsibilities of the Public Finance Unit, apart from the compilation of the EDP Notification, are:

- Input to National Accounts Unit – Apart from estimating the General Government sector's contribution to GDP, the Unit provides the data necessary for the computation of the Supply and Use Tables (SUT), the Weighted Average Rate (WAR) for the VAT own resources exercise, the Purchasing Power Parities (PPPs) and the Regional GDP.
- ESA Transmission Programme – Compilation of Table 2 – Main Aggregates of the General Government Sector, Tables 6 and 7 – Annual Financial Accounts for the Total Economy (responsible for the General Government Sector and the transmission of these tables using CBM quarterly financial accounts for the total economy), Table 9 – Detailed taxes and social contributions receipts (plus National Tax List), Table 11 – Expenditure of General Government by COFOG (including data at second level), Tables 25 – Quarterly non-financial accounts, Table 27 – Quarterly financial accounts, Table 28 – Quarterly Debt and Table 801 – Quarterly Non-financial accounts by sector (compiled for S13).
- Eurostat table 29: Accrued-to-date pension liabilities
- Quality management work in the area of GFS.
- Requirements emanating from Council Directive 85/2011.
- Public Corporations database: qualitative and quantitative information

- ESSPROS - Compilation of the European System of the Social Protection Systems satellite account. Estimation of the number of Pension Beneficiaries. Drafting publications on Social Protection.
- Research and Development - The Unit compiles annual reports on R&D activities in the General Government sector.
- Assistance to the Ministry of Finance in the preparation of forecasts in ESA2010 format and in meetings with DG ECFIN, IMF and credit rating agencies.
- Publication of 28 news releases each year.
- Participation in meetings abroad.
- Other matters include replying to parliamentary questions, requests by users, Eurostat ad-hoc questionnaires, etc.

The Public Finance Unit is also involved in providing data (custom or tailor-made) or clarifications on its output to various national organisations (notably the Central Bank of Malta and the Economic Policy Division), international organisations (IMF and DG ECFIN) and to other individual users.

## **2.2. Institutional arrangements relating to public accounts**

Generally, “public accounts” are basic source data for GFS compilation, i.e. EDP tables as well as annual and quarterly accounts for general government. Public accounts are used by public units and refer to accounting records and relating accounting outputs (e.g. financial statements) based on the accounting framework defined by a national legislation. This section provides a general overview on institutional responsibilities relating to public accounts. Further details on public accounts for individual government subsectors are described under relevant sections on data sources and EDP tables.

### **2.2.1 Legal / institutional framework**

Malta’s Central Government reporting is regulated by the Public Finance Management Act (PFMA).

The Act was enacted on 12<sup>th</sup> July 2019 and it replaced the former Financial and Administration act:

*AN ACT to introduce the Public Finance Management Act, to regulate financial management in Government, to ensure the effective and efficient management of all assets and liabilities, cash flow, and revenue and expenditure of the Government; to define responsibilities of public employees entrusted with the financial management of Government; to provide for other matters related with or incidental to the purposes aforesaid, and to provide for the regulation, management and accountability of public funds and resources, and the control and auditing thereof.*

The Act can be found at:

<https://legislation.mt/eli/act/2019/21/eng/pdf>

The Act lists the reporting requirements that the Accountant General has to fulfill for each financial year. Such information as required by law is presented in the Financial Report published annually and presented to Parliament. The Financial Report presently includes a detailed analysis of the financial transactions on a cash accounting basis. When established by

the Minister responsible for Finance by means of a regulation, all Ministries shall adopt the accruals-based accounting standards in their financial accounting and financial reporting implementing in line with the International Public-Sector Accounting Standards (IPSASs) as adopted by the Government (Articles 32 to 43 of PFMA refer).

### Fiscal Responsibility Act

As at the 8th of August 2014, by virtue of ACT XXVII of 2014, Malta published its first Fiscal Responsibility Act. The Act can be found at:  
<https://legislation.mt/eli/cap/534/eng/pdf>

The relevant aspects of the Fiscal Responsibility Act are:

**Part I** highlights the main principles of fiscal responsibility, objectives of fiscal policy and definitions. These principles and objectives should guide the interpretation of this Act. Among the most important definitions one finds the various references to the EU Regulations and Directives which this Act must satisfy. The definition of “exceptional circumstances” is also provided here. This is of crucial importance to this act because it defines clearly the conditions on the basis of which fiscal policy can be allowed to deviate from the fiscal rules. The definition is fully compliant with the requirements of the Stability and Growth Pact (Council Regulation (EC) No. 1466/97, Article 5) and the Fiscal Compact (Treaty on Stability, Coordination and Governance in the Economic and Monetary Union, Article 3(3)). Furthermore, Medium Term Budgetary Objective is also defined in accordance with the SGP (Council Regulation (EC) No. 1466/97, Article 2).

**Part II** deals with the fiscal rules which ensure that the main principles of fiscal responsibility are adhered to also in full respect of the commitments with the EU and the responsibilities as a Euro Area Member.

- i. **The Budget Rule** – requires that unless “exceptional circumstances” prevail, the budget should be in **balance or in surplus in structural terms** OR the structural budget is **converging towards the Medium Term Budgetary Objective (MTO)** in line with the **time frame set in accordance with the SGP**.
- ii. **The Debt Rule** - stipulates in accordance with Council Regulation (EC) No.1467/97 Article 2 that when the debt-to-GDP ratio exceeds 60% of GDP, it shall be reduced “at a satisfactory pace in accordance with point (b) of Article 126(2) TFEU if the differential with respect to the reference value has decreased over the previous three years at an average rate of one twentieth per year as a benchmark, based on changes over the last three years for which the data is available”. However, even if this backward looking condition is not satisfied the same Directive specifies that the debt rule can be satisfied if “the required reduction in the differential will occur over the three-year period encompassing the two years following the final year for which the data is available”.

In addition, a contingency reserve shall be established by the Ministry of Finance to ensure that unforeseen expenditure or revenue slippages do not jeopardize the compliance with fiscal rules. The Contingency Reserve shall amount to between 0.1 per cent and 0.5 per cent of the Gross Domestic Product (GDP) in any one particular year (established in Part IV).



**Part III** sets out the main tasks of the Fiscal Council, primarily:

- i. Endorsement of official forecasts;
- ii. Analysis of compliance of the medium term fiscal strategy and annual budgetary policy with this Act including the Fiscal Rules
- iii. Monitoring of progress in corrective action plan implementation where relevant;
- iv. Determine the existence or otherwise of exceptional circumstances,
- v. Provide information and advice on legislative proposals to maintain fiscal discipline
- vi. Dissemination of information to the general public and thus strengthen the democratic conduct of fiscal policy

All assessments by the Fiscal Council are to be made public ten days after submission to the Minister for Finance. The Minister for Finance is required to prepare a statement to Parliament if it disagrees with the opinion and recommendations of the Fiscal Council, ensuring greater democratic legitimacy. In this way the Fiscal Responsibility Act contemplates a reputational cost to the failure to conduct budgetary policy in accordance with the provisions of this Act.

**Part IV** strengthens the budgetary process and the role of the Ministry of Finance through

- a. the provision of business and financial plans,
- b. the setting up a rolling medium term (3-year) fiscal strategy and establishes the top-down budget approach through a spending ceiling consistent with the independently endorsed macroeconomic and fiscal projections for revenue and the fiscal rules embodied by this Act
- c. the publication of a draft budgetary plan before the actual budget,
- d. the regulation of the annual budget to ensure conformity with the provisions of this act,
- e. the regular monitoring of the budgetary performance to allow more scrutiny by Parliament, the Fiscal Council and the wider public

Any unauthorized new or additional expenditures shall become the sole responsibility of the person making such authorizations and the person occupying the highest executive position in Departments, authorities, agencies and entities falling within the remit of this Act and shall lead to disciplinary action.

Responsibilities for the Ministries, Departments, Public Sector Authorities, Entities, Agencies and Local Councils in the reporting of fiscal data are listed in Part IV. They shall:

- a.) *keep proper books of accounts that would provide a fair and true picture of all their revenues and debtors, expenditures and creditors, expenditure commitments, and other contingent liabilities;*
- b.) *follow any prescribed Government accounting policies, principles, procedures and methodologies as may be approved or prescribed, from time to time, by the Ministry of Finance;*
- c.) *ensure the comprehensiveness, integrity, reliability and timeliness in reporting financial data and other information to the Ministry of Finance, the Treasury and the National Statistics Office.*

Any failure to abide by these provisions shall lead to disciplinary proceedings.

**Part V** sets up the Fiscal Council as the main watchdog of this Act, defines its composition, delineates its powers and provides for its functional independence.

## Treasury Department

The Treasury Department has the responsibility to maintain an effective accounting methodology and relevant accounting systems across Government and to monitor Government's cash flow position; through its two main important functions Government Accounting and Debt Management. On these lines, in 2012 the Treasury embarked on a long process to change-over the Departmental Accounting System (DAS) to a new system under the Corporate Financial Management Solution (CFMS).

The reform in the Government's public finance management was based on three main pillars:

1. The replacement of the current cash-based DAS system with an accrual accounting system (CFMS);
2. The changeover from cash-based to the accrual accounting methodology based on the International Public Sector Accounting Standards (IPSAS) and,
3. The restructuring of Government's finance function

On 10th July 2017, the Government of Malta (Contracts Department) signed a contract with the Grant Thornton Malta - Unit 4 Consortium for the implementation of a Corporate Financial Management Solution (CFMS) in Government for a contract value of €11.6 million. The consortium was to implement the Business World ERP Solution, enabling the Government of Malta to upgrade its technology, re-engineer its business and be able to achieve its goals and objectives effectively.

Upon contract signing an implementation plan kicked-off and it was agreed to split the project implementation in three phases:

- Phase 1 (pilot phase) Implementation of core modules in Pilot Sites to be concluded within 18 months from date of contract signature
- Phase 2 Roll out of the core modules in the remaining Ministries and Departments to be concluded within 30 months from date of contract signature
- Phase 3 Implementation of other potential systems

Government set up the following teams to assist in the implementation:

- CFMS Implementation Team – to carry out the implementation process and to assist the Board
- IPSAS Project Board – to oversee the adoption of the IPSAS standards
- CFMS Implementation Board – to oversee the implementation across

NSO participates as a Board Member in the IPSAS Project Board and CFMS Implementation Board

The Departmental Accounting System, the previous bookkeeping system, used to extract the income and expenditure data of the ministries and line departments, as required by Law, was essentially cash-based. In order to compile the internal accrual-based financial statements, the Accounting Methodology and Compliance Unit (AMCU) within the Treasury Department, as from the fiscal year 2002, started collecting accruals' data and preparing accrual-based financial statements, on an annual and quarterly basis. These have been used by the NSO, for its



reporting obligations, and by Treasury, for their internal consumption. The accruals` excel templates gather information on accrued expenditure, accrued income, debtors, creditors, deferred income and prepayments. These data are used to supplement the cash data and produce accrual-based information. Refer to the accruals` templates in annex X.

Once established by the Minister responsible for finance by means of a regulation, all ministries and departments shall adopt the accruals-based accounting standards in their financial accounting and reporting, implementing IPSASs as adopted by the Government and publish accruals` financial statements (Articles 38 to 43 of PFMA refer).

In terms of Article 108(5) of the Constitution of Malta, the accounts of all Government departments and offices and of other public authorities administering, holding, or using funds belonging directly or indirectly to the Government of Malta shall be audited and reported upon annually by the Auditor General to the House of Representatives.

In terms of Article 36the afore-mentioned Public Finance Management Act, a Financial Report, which is a cash-based report, is published yearly by the Treasury covering the accounts and finances of Government for financial year end. Article 38 to 41 of the same Act, to be brought into force at a later date, also provide for the eventual transition and financial reporting on an accruals-basis.

The content of the data submitted is the sole responsibility of the Heads of each Department. They are responsible for designing, implementing and maintaining internal controls relevant to the preparation and the fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with relevant laws and regulations, policies and procedures, and generally accepted accounting practices and principles. Moreover, they are also responsible for safeguarding the assets of the Department and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. Departments are also responsible for making accounting estimates and judgments that are reasonable in the circumstances.

The second pillar of the accounting reform concerned the adoption of the International Public Sector Accounting Standards (IPSAS) within the Budgetary Central Government. Compliance with the IPSAS standards guarantees that the financial reporting of public bodies conveys what is termed as a true and fair view of the financial situation. An IPSAS Project Board has been set up to oversee the adoption of the IPSAS standards. The NSO`s role on this Board was to provide a reconciliation between the IPSAS standard and the GFS reporting in ESA 2010. Although both frameworks have much in common the IPSAS and ESA standards have some important differences, as a result of their different objectives and separate development. These differences include different reporting entity definitions, and specific differences with respect to recognition, measurement, and presentation. The NSO, through fact sheets, described the treatment in ESA2010 and impact on the government deficit and debt figures for each IPSAS standard.

On the Treasury Department`s website one may find more information on the IPSAS standards as adopted by the Maltese Government:

[https://treasury.gov.mt/en/Pages/Government\\_Accounts\\_Directorate/IPSAS.aspx](https://treasury.gov.mt/en/Pages/Government_Accounts_Directorate/IPSAS.aspx)

In April 2021, the Treasury has completely replaced the Departmental Accounting System (DAS) with the new Corporate Financial Management Solution (CFMS) in order to implement

accrual accounting across Budgetary Central Government. The new system will report both on a cash and accruals basis. The usage of the system is still in its early stages, and the ministries and line departments are still getting accustomed with the new CFMS. No specific deadlines for the adoption of the accrual accounting within the CFMS have yet been set.

The Treasury is not responsible for data reporting of Public Corporations, Extra Budgetary Units and Local Councils.

### National Audit Office

The National Audit Office (NAO) is responsible for carrying out audits in terms of the Auditor General and the National Audit Office Act (Chapter 396 of the Laws of Malta). This Chapter of the Law empowers the Auditor General, either personally or through his Office, to inquire into and report on any matter relating to Government finances, property or funds administered or under the control of any Government Department or Office or of anybody whose accounts are subject to his audit. Such enquiry is conducted either on the Auditor General's own initiative or at the request of the Minister responsible for Finance, or of at least three members of the Public Accounts Committee.

Rules, regulations and accounting procedures are mainly enshrined in the Public Finance Management Act, Chapter 601 of the Laws of Malta. These are referred to by NAO in its financial and compliance audited of central government accounts. The International Public Sector Accounting Standards (IPSAS) as adopted by the Maltese Government will eventually be used for the compilation of public accounts on accrual basis. These standards provide guidance on financial reporting and address specific requirements of the Ministries/Departments of the Government of Malta.

## **2.2.2 Auditing of public accounts**

### **2.2.2.1 *General government units***

The three 'subsectors' of Malta's General Government Sector, being the Budgetary Central Government, Extra Budgetary Units and the Local Councils, have their financial statements audited on an annual basis. The audit for the Budgetary Central Government is performed by the National Audit Office (NAO), while private audit firms are engaged to audit the financial statements of the Extra Budgetary Units, Local Councils, as well as the public corporations.

### National Audit Office

Financial audits are mandatory in accordance with the Auditor General and National Audit Office Act, 1997 (Chapter 396 of the Laws of Malta). Performance and compliance audits are carried out at the discretion of the NAO as per the above legislation. IT audits may also be conducted. Special audits and investigations are initiated either on the personal initiative of the Auditor General or at the request of the Minister responsible for Finance or of at least three members of the Public Accounts Committee of the House of Representatives.

Moreover, in accordance with Article 65 (1) of the Local Councils Act, 1993 (Chapter 363 of the Laws of Malta), the audits of the Local Councils' Financial Statements are carried out by private audit firms, on behalf of the Auditor General, selected through a tendering process. Financial audits of Extra Budgetary Units and Public Corporations are also carried out by private sector auditors. However, NAO is empowered through Article 108 (5) (b) of the Constitution of Malta and Article 9 (a) (iii) of the First Schedule to the Auditor General and National Audit Office Act, 1997 to carry out financial audits of extra budgetary units and public corporations.

NAO is also empowered to undertake compliance audits, performance audits, IT audits and special audits and investigations of such budgetary units and public corporations as per the relevant provisions of the Auditor General and National Audit Office Act. Additionally, Article 9 (a) (iv) of the First Schedule to the Act stipulates that the Auditor General may inquire into and report on the operations of companies or other entities in which the Government of Malta holds majority ownership.

The Auditor General currently audits and reports on an annual basis, on the cash-based accounts of Departments and Offices of the Government of Malta. In terms of Article 35 of the PFMA, as soon as possible after the close of each financial year, and in every case not later than three months after the close of such year, the Accountant General shall prepare and forward to the Auditor General a statement of the cash-based Consolidated Fund, as well as the receipts and expenditures of any fund or account created by the PFMA or any other law. In terms of Article 36 of the PFMA, the Accountant General shall, as soon as possible after the close of the accounts of every financial year, and in any case not later than six months after the close of such year, prepare and send to the Auditor General statement and accounts referred to in Article 36. The audits performed by the Auditor General provides assurance that the value of financial data is correctly determined in the financial statements and hence in the EDP/deficit compilation. The report by the Auditor General on the Public Accounts is prepared within 12 months of the end of reporting period and is available online at: <http://www.nao.gov.mt/page.aspx?id=38>.

### Extra Budgetary Units

The Extra Budgetary Units are legislated by the Companies Act 1995 and Legal Notice 19 of 2009 on the Accountancy Profession (Accounting and Auditing Standards) Regulations 2009 and by individual enacting acts for various Government authorities. The Companies Act requires the annual accounts of every company to be audited in accordance with International Standards on Auditing. Private audit firms are in charge of auditing the EBUs' financial statements. The Companies Act states that "The period allowed for laying before and approval by the company in the general meeting of a company's annual accounts for a public company shall be seven months after the end of that period". For the majority of the EBUs (around 85%), their audited accounts are available in time for the second EDP notification. Some of the EBUs publish their audited financial statements on their own website. The EBUs audited accounts are forwarded to NSO upon request.

### Local Councils

Local Councils' financial statements are drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by

the Minister for Finance in conjunction with the Minister responsible for Local Government, in terms of section 67 of the Local Councils Act (Cap 363). The financial statements are prepared in accordance with the requirements of the International Financial Reporting Standards (IFRS). The National Audit Office is in charge of auditing the Local Councils' financial statements. However, these audits are subcontracted to private audit firms. The accounts of the Local Councils are available to the NSO through the Local Councils Department, around seven months after the end of their financial year (which ends in December). These are then taken in consideration for the second submission of the EDP notification in September.

A typical EBU/Local Council/Public Corporation financial statement includes:

- Director's or Executive Secretary report (as applicable);
- Independent auditor's report;
- Statement of financial position;
- Statement of comprehensive income;
- Statement of changes in equity;
- Statement of cash flows; and
- Notes to the consolidated statement (including commitments, contingent liability, risk analysis and related party transactions).

For further information on the public accounting and auditing practices refer to Malta's country page in the Eurostat report on the assessment of the suitability of the International Public Sector Accounting Standards (IPSAS) for EU Member States

In annex V a table is available with information on the auditing of public accounts.

#### **2.2.2.2            *Public units, not part of general government***

Public corporations are legislated by the Companies Act 1995 and Legal Notice 19 of 2009 on the Accountancy Profession (Accounting and Auditing Standards) Regulations, 2009. The Act requires the annual accounts of every company to be audited in accordance with International Standards on Auditing. Private auditing firms are usually in charge of auditing public corporations' accounts, however, as mentioned in section 2.2.2.1, when necessary, the National Audit Office has powers to carry out audits in a public corporation.

According to the Companies Act, public corporations have up to seven months after the end of that period to finalise their audited accounts. Public corporations are obliged by law to submit their audited financial statements to the Registry of Companies at the Malta Business Registry agency. The Registry of Companies is a public registry, where all commercial partnerships including companies are registered, irrespective of what type of activities they carry out, and all registered information and documentation is made available to the public at: <https://registry.mbr.mt/ROC/>. The NSO has access to this registry and the accounts of public corporations are downloaded from this database, as well as, from the FDRS for the major public corporations.

## 2.3. Communication

### 2.3.1 Communication between actors involved in EDP

#### 2.3.1.1 Agreement on co-operation

As mentioned in section 2.1, the Government Finance Statistics (GFS) Committee brings together the actors involved in the EDP Notification, i.e. NSO, Budget Office, the Treasury, the Central Bank of Malta and the Economic Policy Department. The National Audit Office is a member of the GFS Committee in an observer role. The terms of reference of the GFS Committee (see Annex VI) outline the main functions of the Committee. However, it does not explicitly specify the role for each member. The functions vary from the compilation of EDP to the provision of input towards the public finance statistics in ESA2010. The Committee is chaired by the NSO as it is the ultimate responsible authority for the compilation of the EDP, the questionnaires related to the EDP and the fulfilment of requirements in relation to data pertaining to the General Government Sector. The GFS Committee meets formally on average one to two times a year. The NSO sends an agenda of the items for discussion and, following the meeting, a report is prepared and circulated. Informal meetings are held among the institutions and the latter communicate, on a regular basis, by phone and by email.

The data for all the subsectors of the General Government Sector, Budgetary Central Government, EBUs and Local Councils are available to the NSO, which is satisfied with the quality of data and the excellent cooperation with the data providers.

A tripartite Memorandum of Understanding between the National Statistics Office, the Ministry of Finance (MoF) and the Central Bank of Malta was signed on 23rd June 2016 by the NSO Director General, Permanent Secretary Ministry of Finance and Deputy Governor Central Bank of Malta. The main purpose of this MoU was to formalise the current informal operation arrangements in the compilation and reporting of GFS and EDP notification in Malta through the clarifications of the roles and responsibilities, as well as areas of cooperation between, the Parties. This operational agreement includes amongst which:

- the provision of the upstream data sources: MoF shall provide to the NSO all the necessary upstream data including information on special government transactions concerning agreements with private sector in the form public private partnerships and concessions, as well debt related transactions and any government transactions with corporations controlled by Government. CBM and Treasury will provide financial and debt related information;
- the responsibilities and deliverables of the Public Finance Unit and MoF: includes a list of all the GFS and EDP related responsibilities including the EDP notification, the GFS ESA transmission tables and the government finance news releases;
- safeguards for the independence of NSO;
- terms of reference of the Government Finance Committee;
- the assistance to be provided to MoF: NSO provides assistance in the form of technical assistance and methodological advice in relation the classification of government decisions which may have an impact on the level of the government fiscal balance and debt and assistance in meeting reporting requirements emanating from the Fiscal Responsibility Act, the Stability and Growth Pact and the Code of Conduct; and
- a pre-access release to the Public Finance Unit news releases.

Finally, in the MoU, the Ministry of Finance commits to ensure that there are adequate resources at the NSO in consideration of its tasks and responsibilities in the compilation of the GFS and EDP data.

A copy of this agreement is found in annex VII.

An MoU between the National Statistics Office and the National Audit Office was signed in 2016, with the main objective of this cooperation agreements being to formalize and enhance the excellent working relationship prevailing between these two entities. This MoU has expired in 2018 and discussions between the two parties have been rekindled in 2021. A copy of this agreement is found in annex VIII.

Another memorandum of understanding that is available is the one signed between the NSO and the Central Bank of Malta covering the collection, compilation, dissemination and exchange of economic and financial statistics. In this agreement, the responsibilities and exact roles of the two organisations in relation to each category (e.g. GFS and EDP data) are outlined.

The cooperation between the institutions involved in GFS is well established, and this is confirmed with NSO demands for data sources being met without hesitation by the upstream data providers. Moreover, the NSO is consulted when there are proposed changes in upstream data systems, for example with the introduction of the new Corporate Financial Management System (CFMS), and NSO also involved in the introduction of the Financial Data Reporting System. Support and cooperation are necessary to ensure that NSO's data requirements are fully met and to put forward suggestions on the improvements of these systems.

### 2.3.1.2 *Access to data sources based on public accounts*

The databases (upstream data systems) available to the NSO and used for the compilation of the EDP Notification and quarterly and annual government finance statistics are:

- a) Corporate Financial Management System (CFMS): This new solution is a financial and budgetary system that conforms both to cash and accrual-based methodologies. One of the main objectives of the CFMS is that it will facilitate the implementation of the accrual accounting methodologies as part of the implementation of the International Public Sector Accounting Standards (IPSAS). The CFMS is a web-based system via single sign-on functionality, and it facilitates the build of individual reports via SQL. Treasury Department is the owner of the CFMS. NSO's data needs were met through an SQL-generated excel report that is used to extract data from CFMS

A comprehensive implementation period (Phase 1) involving the Consortium (Unit 4 and Grant Thornton (GT)) and the CFMS Implementation Team was initiated in 2017 consisting of the following phases: business analysis, solution design, development and build. Testing involved the integrated systems testing (IST) and user acceptance testing (UAT), while training was provided to super-users and end-users through workshops. ESA classification codes were included in the new chart of accounts.

The 15 pilot sites that started using the CFMS as from 1st January 2020 were:

- Armed Forces of Malta (Dept 7)



- Ministry for Foreign Affairs and Trade Promotion (Dept 13)
- Treasury Administration and Finance (Dept 25)
- Commissioner for Revenue (Dept 31)
- Ministry for Transport, Infrastructure and Capital Projects (Dept 39)
- Ministry for Tourism (Dept 51)
- Primary Health Care (Dept 84)
- Ministry for Economy, Investment and Small Business (Dept 85)
- Sir Paul Anthony Mamo Oncology Hospital (Dept 92)
- Mater Dei Hospital (Dept 93)
- Central Procurement and Supplies Unit (Dept 95)
- Ministry for Health (Dept 95)
- Ministry for Gozo – Corporate Services (Dept 96)
- Ministry for Gozo – Customer Services (Dept 97)
- Ministry for Gozo – Projects Development (Dept 98)

The remaining Departments continued to use the Departmental Accounting System until the go-live date of Phase 2.

The work on phase 2 started in May 2020, with the plan to be finalised after 12 months in line with the contractual agreement. The implementation of phase 2 followed the same stages of phase 1:

- Business Process Re-engineering (BPR)
- Integrated System Testing (IST)
- Training to super-users and end-users
- User acceptance testing (UAT)
- Go live 1st April 2021

Phase 2 was successfully managed by the Treasury Department making dividends on the lessons learned in the implementation of phase 1.

Hand on sessions were held till the end of the March 2021. Apart from serving as an important refresher before the Go-Live date, the aim of these sessions was to ensure that all the required data setups, accounts and privileges were in place. This helped ensure a smooth transition process.

The deadline has been met and on 1st April 2021 the remaining 38 new Departments switched off DAS and embarked on CFMS. The January-March DAS balances data for these 38 Departments will be migrated in CFMS in the coming weeks.

- b) **Departmental Accounting System (DAS):** This Government's computerised accounting system has been phased out in 2021 having reached its lifetime both in terms of technology and in meeting business and users' requirements. This system was on a cash basis and catered for all the transactions of the Budgetary Central Government.

The system was owned and managed by the Treasury. A corporate chart of accounts (COA) permits a standardised range of budget line items to be used across the board, each account was coded in ESA2010 and in accordance with the IMF manual on Government Finance Statistics. NSO has online (read-only) access to this system. Specific report generators were used to extract data in ESA2010 basis on a quarterly

basis. The output was an ASCII file, which was then converted into excel and inputted manually in NSO's systems.

This old accounting system was phased out completely in 2021 to pave the way for the new Corporate Financial Management System (CFMS).

*The national accounts data concerning the Budgetary Central Government, up to 2020, will continue to be based on data extracted from the DAS.*

- c) Financial Data Reporting System (FDRS): Launched in 2010 by the Ministry of Finance, the FDRS is geared towards attaining real time financial data pertaining to Government Entities (Extra Budgetary Units and major public corporations). It facilitates the surveillance of budget implementation and the formulation of budget policy governing the administration of public funds as part of government's ongoing fiscal consolidation process.

There are four templates, namely:

- 1) Monthly Template whereby entities are required to submit the income statement;
- 2) Quarterly EBU Template whereby Extra Budgetary Units are required to submit their balance sheet with counterpart information and other data;
- 3) Quarterly Non-EBU Template whereby Public Corporations and Other Entities are required to submit their balance sheet position and other data; and
- 4) Quarterly Workforce Template whereby entities are required to submit their employment data.

The templates are to be submitted within 22 calendar days following the end of the respective period. The Public Finance Unit has online (read-only) access to this system. This system caters for the quarterly and annual financial and non-financial data of the EBUs and the major public corporations. Data is extracted from this system in excel format. NSO sends clarification requests to the Financial Management and Monitoring Control Unit (FMMU) or directly to EBUs.

In 2020/2021 the FDRS has been upgraded to a new and better version that is accessible via a web browser. The primary enhancement that was beneficial to NSO was the improvement function in the data extraction. Templates' data can now be extracted for the EBUs category, for a selection of entities or for a single entity, the latter was the only in previous version. In addition, the data is extracted in excel file, as opposed to a PDF file in the older version, thus facilitating the data input in the Unit's databases. There were no major changes in the templates.

- d) Treasury's Accruals templates: On a quarterly basis the Treasury collects accruals data for the Budgetary Central Government (covering all the Government Ministries and Departments). Data are requested for the stock position of the accrued expenditure, accrued income, debtors, creditors, deferred income and prepayments. This information is monitored by the Accounting Methodology and Compliance Unit at the Treasury. These data are used to supplement the cash data. The templates are saved on a shared server which is accessible to the NSO. Data for each Ministry and Department is extracted in excel format and manually inputted into NSO's system. The NSO queries any changes greater than €1.0 million. Refer to the accruals' templates in annex X.



*In light on the new Government accounting system, an accruals-based system, it is envisaged that once the system is up and running for all the Ministries and Departments and there are assurances that the required accruals data is being reported in the CFMS, then the Treasury's accruals template would not be needed anymore.*

- e) Final audited accounts for the Extra Budgetary Units and the Local Councils.
- f) Other ad-hoc requests: mainly from Ministry of Finance and other Government Departments.

The systems used by the Public Finance Unit, which lead to the compilation of the EDP Notification tables and the ESA Transmission Programme (Tables 2, 9, 11 and 25) are based on excel files. On a quarterly basis, all the data are inputted into the system. The excel files are all inter-linked and are all stored on a shared server at NSO.

In the period 2017-2019 an IT system that caters for the compilation of the non-financial accounts has been created and even the generated reports were checked and validated by Eurostat. However, the Unit encountered several shortcomings during implementation period that hindered the process of populating the database with the timeseries data and in fact up to now, the new IT system includes only data pertaining to year 2016.

In the field of the financial accounts, a new IT system was created in 2014. It is a database that is built using MS SQL Server 2005 to process the data and generate advances reports including the transmission of ESA tables 6 and 7 (annual financial accounts) and 27 (quarterly financial accounts for general government). The database caters for both the compilation of the quarterly financial accounts for the general government and the annual financial accounts of the total economy.

## **2.3.2 Publication of deficit and debt statistics**

### **2.3.2.1 Publication of EDP data**

The NSO publishes a news release on the EDP data in April (for the 1<sup>st</sup> submission of EDP) and October (for the 2<sup>nd</sup> submission) of each year. The publication dates for these news releases coincide with Eurostat's press release of the EDP data for the EU Member States.

The EDP news release, which covers the years reported in the EDP notification, consists of:

- A brief commentary, including an explanation on the EDP data, on revisions and the stock flow adjustment;
- Deficit and debt data in absolute figures and as a per cent of GDP, for the General Government Sector and sub-sectors;
- A table on the transition between the working balance and the ESA2010 General Government Sector (with explanatory notes for each item);
- A table on the composition of the stock flow adjustment;
- Latest list of Extra Budgetary Units; and

- Methodological notes; including links to the Reference Metadata in Euro SDMX Metadata Structure (ESMS)<sup>4</sup> template for the Government Deficit and Debt data, statistical database and concepts.

The official EDP notification tables that are transmitted to the Commission are published in the excel version of the EDP news release.

The EDP news releases is accessible on the NSO website:

[http://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Government-Debt-and-Defecit-under-the-Maastricht-Treaty.aspx](http://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Debt-and-Defecit-under-the-Maastricht-Treaty.aspx)

Together with the EDP news release, the NSO issues a news release on the quarterly accounts for the General Government Sector: in April with data up to the fourth quarter of previous year and in October with data for second quarter of the current year. This release includes quarterly ESA2010 data on:

- Total revenue and Total expenditure of the General Government Sector;
- Components of General Government Sector's revenue;
- Components of General Government Sector's expenditure;
- Transition between the Consolidated Fund (working balance) and the General Government Sector (similar to the quarterly EDP table 2A);
- Financial Accounts for General Government – Financial Stocks in Assets;
- Financial Accounts for General Government – Financial Stocks in Liabilities;
- Financial Accounts for General Government – Financial Transactions in Assets;
- Financial Accounts for General Government – Financial Transactions in Liabilities;
- and
- General Government debt, split by sub-sector, and the stock of government guarantees on debt.

The Quarterly accounts for the General Government news release is accessible on the NSO website:

[http://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx](http://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx)

The Central Bank of Malta disseminates annual and quarterly data on General Government, based on ESA 2010 methodology in its Quarterly Review and CBM's website (<http://www.centralbankmalta.org/government-finance>).

### 2.3.2.2 *Publication of underlying government ESA2010 accounts*

On an annual basis, the Public Finance Unit at the NSO, apart from the two news releases on the EDP data, publishes the following news releases in the area of GFS:

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<sup>4</sup> <http://nso.gov.mt/metadata/reports.aspx?id=2>

| No of releases | Type  | Periodicity | Description   |
|----------------|---|-------------|---|
| 12             | Government Finance                                    | Monthly     | Regular up-to-date information on the Consolidated Fund of Government (EDP table 2A working balance).   |
| 4              | Quarterly Accounts for the General Government         | Quarterly   | Presents data for the General Government Sector's non-financial (revenue and expenditure) and financial accounts (assets and liabilities) and debt drawn up in line with the ESA2010 methodologies.   |
| 4              | Government Expenditure on Social Security Expenditure | Quarterly   | Data on the different types of social security benefits.  |
| 1              | Structure of General Government Debt                  | Annual      | Provides a deeper analysis of the General Government Debt, by holders, by instrument, by initial and remaining maturity, etc.   |
| 1              | Tax Revenues  | Annual      | Presents the overall tax burden and the different types of taxes and social contributions.  |
| 1              | Research & Development in Malta                       | Annual      | Portrays research and development indicators for the Government Sector, Higher Education Sector and Business Sector.  |
| 1              | Pension Entitlements                                  | Annual      | Presents the data of the accrued-to-date pension entitlements (government liabilities).   |
| 1              | Expenditure of General Government Sector by Function  | Annual      | Total General Government sector expenditure data split by the classifications of functions of government (COFOG).   |
| 1              | Public Corporations                                   | Annual      | Publication of the aggregate financial statements of Malta's public corporations; including: <ul style="list-style-type: none"> <li>- statements of financial performance and financial position;</li> <li>- a NACE analysis of the statements of financial performance and financial position;</li> <li>- statements of financial performance and financial position including the data for the Central Bank of Malta; and</li> <li>- latest list of public corporations.</li> </ul> |

The Public Finance Unit news releases are available on the NSO website as follows:

Monthly Government Finance data:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Government-Finance-Data.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Finance-Data.aspx)

Quarterly Accounts for General Government:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx)

Expenditure of General Government Sector by Function:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Expenditure-of-General-Government-Sector-by-Function.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Expenditure-of-General-Government-Sector-by-Function.aspx)

Tax Revenues:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Tax-Revenues.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Tax-Revenues.aspx)

Structure of Government debt:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Structure-of-General-Government-Debt.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Structure-of-General-Government-Debt.aspx)

Public Corporations:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Public-Corporations.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Public-Corporations.aspx)

Government expenditure on social security benefits:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Government-Expenditure-on-Social-Security-Benefits.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Government-Expenditure-on-Social-Security-Benefits.aspx)

Pension Entitlements:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Pension-Entitlements.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Pension-Entitlements.aspx)

Research and Development in Malta:

[https://nso.gov.mt/en/News\\_Releases/View\\_by\\_Unit/Unit\\_A2/Public\\_Finance/Pages/Research-and-Development-in-Malta.aspx](https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_A2/Public_Finance/Pages/Research-and-Development-in-Malta.aspx)

A time series of data presented in these news releases is available, in greater detail, at the online Statistical Database – StatDB – on the NSO website at:

<http://nso.gov.mt/statdb/start>

An ESA2010 glossary providing the necessary definitions is available online at:

[http://nso.gov.mt/en/nso/Sources\\_and\\_Methods/Unit\\_A2/Public\\_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx](http://nso.gov.mt/en/nso/Sources_and_Methods/Unit_A2/Public_Finance/Pages/Quarterly-Accounts-for-General-Government.aspx)

### 3. EDP tables and data sources

This section reports on availability and use of basic data sources for the compilation of national accounts and EDP tables, by general government subsectors and main units/groups of units. It also aims at describing adjustments to basic data source in order to compile ESA2010 based deficit/surplus; EDP tables compilation techniques, balancing practices; link between EDP table 2 and 3.

#### 3.1. EDP table 1

EDP table 1 provides the core, summary information for the reporting period, as requested by the related EU legislation<sup>5</sup>: net borrowing(-)/net lending(+)(EDP B.9) for general government sector and its subsectors, outstanding amount of Maastricht debt by instruments, Gross Domestic Product (GDP), gross fixed capital formation (GFCF) for GG sector and data on interest expenditure (D.41).

This section focuses on Maastricht debt only. A detailed description of EDP B.9 calculation and data sources for individual subsectors is covered under section 3.2.

##### 3.1.1 Compilation of Maastricht debt

###### 3.1.1.1 Specification of debt instruments

The compilation of General Government debt data according to Maastricht debt complies with ESA2010 rules, especially concerning sector classification of the institutional unit, the consolidation rules, the classification of financial transactions and of financial assets and liabilities. The valuation is in face value, that is excluding accrued interest and any discount/premium effect. The components of the General Government debt are as follows:

| Components                                    | Category | ESA2010 |
|---|----------|---------|
| Euro coins issued in the name of the Treasury | BCG      | F21     |
| 62+ Malta Savings Bond                        | BCG      | F29     |
| Treasury Bills                                | BCG      | F331    |
| Malta Government Stocks                       | BCG      | F332    |
| Foreign Borrowing                             | BCG      | F42     |
| Domestic loans with Commercial Banks          | BCG      | F42     |
| Debt of Extra Budgetary Units                 | EBU      | F41/F42 |
| Debt of Local Government                      | LG       | F41/F42 |
| EFSF re-routing                               | GG       | F42     |
| Rerouted & PPP debt adjustments               | GG       | F42     |

Almost all the debt of the General Government sector is in national currency. The maturities of the various debt instruments vary from 28 days to 35 years and the weighted average remaining maturity of the total debt is 8 years 10 months as at 31 December 2019.

<sup>5</sup> <http://eur-lex.europa.eu/LEXURISERV/LexUriServ.do?uri=OJ:L:2014:069:0101:0101:EN:PDF>

The NSO is not aware of any long-term trade credits in the General Government sector that should be classified as loans (AF. 4).

The 62+ Malta Savings Bonds targets elders aged 62 and older with an investment ranging between €500 and €10,000 in government stocks with a 3% interest rate. The target group is mainly made up of persons who rely on a retirement pension and some additional income from past savings (investments) who would have saved during their working life. The low interest rate environment continued to affect negatively the pensioners who are experiencing a substantial decrease in their additional income that used to be derived from past savings.

The interest rate is 3% per annum and is fixed for five years. The investment is not negotiable on the Malta Stock Exchange and cannot be transferred to any other individual. The bonds are intended to be held to maturity, yet if the need arise, an individual can encash the full amount invested in the bond before its maturity date, subject to a penalty equivalent to three months' interest. Interest is paid semi-annually in arrears on January 21 and July 21 of each year during the tenor of the bond. These bonds were first introduced in 2017Q3.

NSO classifies this instrument as Other deposits AF29 given that the bonds are non-negotiable, hence considered as savings instruments. Interest cannot be capitalised as it is paid in cash twice annually, therefore, the accrued interest is not included in the compilation of the Maastricht debt.

#### **3.1.1.2                      *Data sources used for the compilation of Maastricht debt***

Data for the Budgetary Central Government Debt, mentioned in section 3.1.1.1, are provided to the NSO by the Central Bank of Malta. Their sources are the Debt Management Office at the Treasury, Malta Stock Exchange for information on holders of domestic debt (counterpart data) and internal information on the Euro coins issued in the name of the Treasury and foreign loans. Debt data for the EBU's are obtained from their submissions in the FDRS system and from their audited accounts. For the local government, information on their debt is also obtained from their financial statements. For the component EFSF re-routed debt, NSO uses the information supplied each month by Eurostat to ensure consistency with the other Euro Area Member States. The data for the component 'Rerouted and PPP debt adjustments' is obtained directly from the concerned public and private companies.

The Central Bank of Malta provides information on the debt of the Budgetary Central Government to the NSO for the calculation of the General Government sector. This is done within 60 days after the end of the reporting period. On the other hand, as mentioned in section 2.3.1.1, the EBU's have 22 days to input their financial and non-financial data in the FDRS system. For various reasons, not all the EBU's submit their data by the deadline and therefore NSO has to wait up to 70/75 days to have the complete picture for all the EBU's.

In the April EDP Notification, for the compilation of the debt data for the previous year (n-1), data for EBU's are extracted from the FDRS system, while for the Local Councils this is estimated on their debt position based on year n-2. In the second notification, data for the EBU's and Local Councils are revised in accordance with their respective audited accounts. Debt data for the Budgetary Central Government are considered final by the first notification.

### 3.1.1.3 *Amendments to basic data sources*

The starting point for the debt position in notification Table 1 is taken from the most recently available Budgetary Central Government debt data at the Debt Management Directorate within the Treasury. The data are provided at face value and are consolidated by the NSO. The consolidation consists of the sinking fund and extra budgetary units' holding of the Malta Government Stocks.

Most of the debt for the Budgetary Central Government is denominated in the national currency. Therefore there are no issues of revaluation due to exchange rate differences. The NSO ensures that it has available full counter-party information on loan positions. Debt is then consolidated across the sub-sector. As mentioned in 3.1.1.1, the compilation of debt according to the Maastricht rules and the ESA2010 financial accounts are linked, except for the valuation rules.

To arrive to the General Government sector debt data the following debt components are added:

- EFSF rerouted debt - The European Financial Stability Facility (EFSF) was established on 7 June 2010 for the purpose of providing stability support to Euro Area Member States (EAMS). The EFSF finances such support by issuing or entering into bonds, notes, commercial paper, or other financing arrangements. The operations are backed by guarantees of the EAMS on the basis of an agreed 'adjusted contribution key'. On 27 January 2011, Eurostat decided that the debt issued by the EFSF for each support operation must be rerouted to the public accounts of the EAMS providing guarantees, proportionately to their contribution key. Therefore, the recording of such flows will impact the gross government debt (as defined in the Maastricht Treaty) but not the net debt. In addition, all revenue/expenditure streams (interest, margins and service fees) will be recorded in the general government accounts, resulting in a positive impact on the deficit/surplus of the EAMS.
- Rerouted debt transactions: The Affordable Housing Project by Malita Investments plc has been rerouted through the government accounts on the basis that the project is of a social housing nature and the tenants are heavily subsidised by Government.
- PPPs on-balance sheet debt transactions includes two projects:
  - *The redevelopment and the maintenance, management, and operation of the sites at St Luke's Hospital, Karin Grech Rehabilitation Hospital and Gozo General Hospital by Stewards Global Healthcare*
  - *Construction of an extension in San Vincent De Paul Rehabilitation Hospital by the Malta Healthcare Ltd.*

Hitherto, Malta did not have other cases requiring amendments to basic data sources as a result of guarantee calls, debt assumption and financial leasing. Good cooperation and communication within the GFS Committee ensure that the necessary methodological adjustments are carried out should such events occur.



### 3.1.1.4 Consolidation of Maastricht debt

The consolidated debt transactions are:

- Sinking Fund investments in Malta Government Stocks: The sinking fund is another government fund previously used to finance the repayments of debt on redemption. Excess funds are either transferred to the consolidated fund as financial transactions, or invested in government stocks. The data sources are reports produced by the Treasury and the data are counterchecked with counterpart information from the Malta Stock Exchange.
- EBUs and Local Councils investment in Malta Government Stocks and Treasury Bills: Data is obtained from the EBUs audited accounts and counterchecked with counterpart information from the Malta Stock Exchange. If inconsistencies arise, NSO uses the figures from the audited accounts as the correct information and apportion the inconsistency on the other counterpart sectors.
- EBUs debt with other EBUs: NSO uses either audited accounts or else relevant information of such transactions from the Ministry of Finance to capture information of these transactions.

## 3.2. Central Government sub-sector, EDP table 2A and 3B

Information provided in this section refers to data sources available for the Central Government (S.1311), indicates what sources are used for compilation of non-financial and financial accounts and EDP tables for S.1311, and explains the adjustments made in order to comply with ESA2010.

### 3.2.1 Data sources for main Central Government unit : “The State”

This section describes data sources available and used for compilation of national accounts and EDP tables for the main Central Government unit:

- Basic data sources
- Complementary data sources used for the purpose of special ESA2010 adjustments (e.g. accrual adjustments, recording of specific government transactions, etc.).

The starting line of the EDP table 2A, the working balance in Central Government accounts, represents the Consolidated Fund of Government. This fund is government’s main account and it captures the activities of the Government’s Ministries and Departments as conducted through the Consolidated Fund. This fund records transactions on a cash basis. All allocations provided from the Consolidated Fund are either authorised by Parliament under an Appropriation Act, or are permanently appropriated by Parliament under other relevant legislation.



**Table 2 – Availability and use of basic source data for the main central government unit**

| Available source data    |                       |  |                 | Source Data Accounting                          | Source data used for compilation of |           |           |
|--------------------------|-----------------------|--|-----------------|---|-------------------------------------|-----------|-----------|
| Accounting basis (C/A/M) | Periodicity (M/Q/A/O) | Time of availability of annual results for T-1 |                 |   | WB                                  | B.9 (NFA) | B.9f (FA) |
|                          |                       | First results                                  | Final data      |   |                                     |           |           |
| 1                        | 2                     | 3  | 4               | 5   | 6                                   | 7         | 8         |
|                          |                       | <i>T + days</i>                                | <i>T+months</i> |   | <i>cross appropriate cells</i>      |           |           |
|                          |                       |  |                 | <b>Budget Reporting</b>                         |                                     |           |           |
| C                        | M                     | T+40   | T+2.5           | (1) Current revenue and expenditure             | X                                   | X         |           |
| C                        | M                     | T+40   | T+2.5           | (2) Current and capital revenue and expenditure | X                                   | X         |           |
| C                        | Q                     | T+50   | T+2.5           | (3) financial transactions                      | X                                   | X         | X         |
|                          |                       |  |                 | (4) Balance sheets                              |                                     |           |           |
|                          |                       |  |                 | <b>Financial Statements</b>                     |                                     |           |           |
| A                        | A                     | T+250  | T+12            | (5) Profit and loss accounts                    |                                     |           |           |
| A                        | A                     | T+250  | T+12            | (6) Balance sheets                              |                                     |           |           |
| A                        | A                     | T+250  | T+12            | (7) Cash flow statement                         |                                     |           |           |
|                          |                       |  |                 | <b>Other Reporting</b>                          |                                     |           |           |
| A                        | Q                     | T+50   | T+12            | (8) Accrual accounting templates                | X                                   | X         | X         |
|                          |                       |  |                 | (9) Other:                                      |                                     |           |           |
|                          |                       |  |                 |   |                                     |           |           |
|                          |                       |  |                 |   |                                     |           |           |

Accounting basis (column 1): C- cash, A- accrual, M-mixed

Periodicity (column 2); M - monthly, Q - quarterly, A - annual, O - other, to be specified.

Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.

Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.

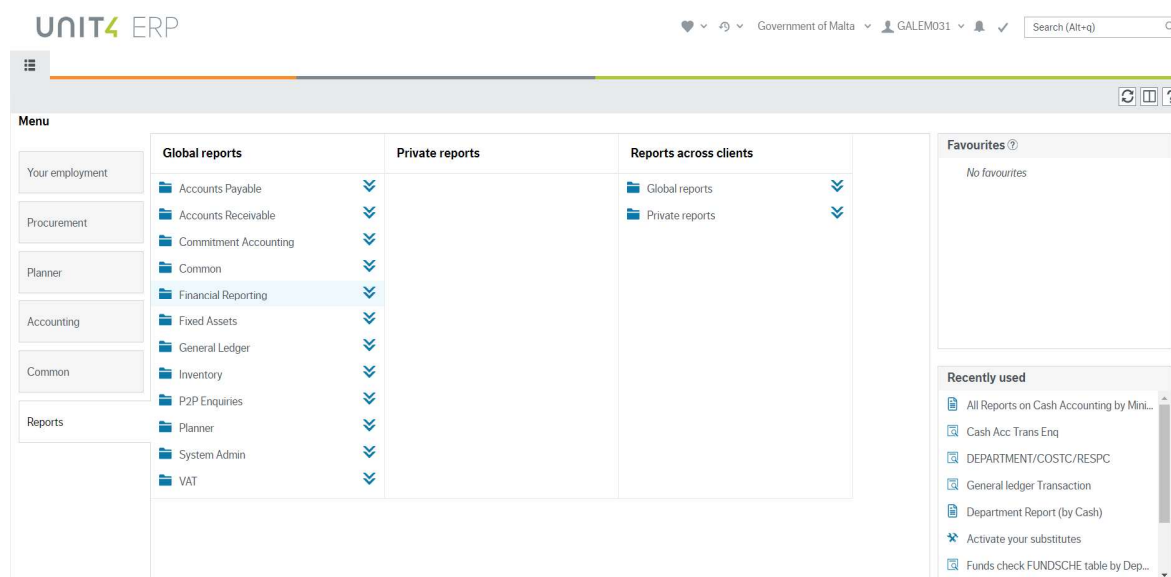
Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.

### 3.2.1.1 Details of the basic data sources

#### **Data sources used for compilation of national accounts**

Up to 2019 the data source used for the EDP Table 2A working balance was the Departmental Accounting System (DAS), a cash-based system. Then, in 2020 the new accounting system, the Corporate Financial Management System (CFMS), was introduced and the first pilot phase, covering fifteen ministries and departments, started on 2<sup>nd</sup> January 2020. The remaining ministries and departments continued using DAS until they joined CFMS as from the 1<sup>st</sup> April 2021. Hence, for 2020 and 2021 the data extracted from the two systems (DAS plus CFMS) was merged and used to compile the cash data for the working balance. For further information refer to section 2.3.1.2a/b.

A snapshot of the CFMS home page:



The chart of accounts has around 926 different accounts and was built on 4 level-detail to cater for the different reporting purposes, mainly of the NSO, Budget Office and the Treasury themselves. In the preparation of the chart of accounts, as much as possible the national budget classification has been retained so as to ensure a smooth reconciliation between the different datasets, while the accruals-based accounts such as depreciation accounts, revaluation reserves, provisions and accruals were added in. Each account has been assigned an ESA code, whereas each Department and cost centre and also the workorders (which are used for the Government's programmes and initiatives, contributions to government entities, capital expenditure and below the line accounts) have been attributed a COFOG code.

An extract of the CFMS chart of accounts:

| <u>Level 1</u> | <u>desc</u> | <u>Level 2</u> | <u>desc</u>                       | <u>Level 3</u> | <u>desc</u>                                 | <u>Level 4</u> | <u>Description</u>                          | <u>ESA</u> |
|----------------|-------------|----------------|-----------------------------------|----------------|---|----------------|---|------------|
| 11             | Revenue     | 106            | Excise duties                     | 1030           | Machine made Cigarettes                     | I0060          | Machine made Cigarettes                     | D214       |
| 11             | Revenue     | 109            | Licences, Taxes and Fines         | 1190           | Wines & Spirits                             | I0380          | Wines & Spirits                             | D29        |
| 11             | Revenue     | 112            | Income Tax                        | 1360           | Income Tax - Individuals                    | I1440          | Final Settlement Tax                        | D51        |
| 11             | Revenue     | 112            | Income Tax                        | 1370           | Income Tax - Companies                      | I1980          | Settlement Tax                              | D51        |
| 11             | Revenue     | 115            | Value Added Tax                   | 1400           | Value Added Tax - VAT99                     | I2750          | VAT collections by VAT Department           | D211       |
| 11             | Revenue     | 118            | Fees of Office                    | 1460           | Land Registry Fees                          | I3000          | Registration of property (Lands Registry)   | P131       |
| 11             | Revenue     | 121            | Sales - Goods                     | 1770           | Sale of container security seals            | I3535          | Sale of container security seals            | P131       |
| 11             | Revenue     | 122            | Sales - Services                  | 1820           | Services to third parties                   | I3585          | Services to third parties - Government      | P131       |
| 11             | Revenue     | 123            | Sales - Others                    | 1910           | Sale of Government Land Etc                 | I4054          | Sale of Government Land - Land              | NP1        |
| 11             | Revenue     | 127            | Central Bank of Malta             | 2000           | Transfer Net Profit - Central Bank of Malta | I4960          | Transfer Net Profit - Central Bank of Malta | D421       |
| 11             | Revenue     | 133            | Dividends on Investments/Receipts | 2100           | Dividends from public limited companies     | I5300          | Dividends from public limited companies     | D421       |
| 11             | Revenue     | 139            | Social Security                   | 2190           | Social Security Contributions               | I5420          | Employers' social contributions             | D61111     |
| 11             | Revenue     | 142            | Grants                            | 2195           | European Structural Funds [REV]             | I5580          | European Structural Funds                   | D92        |

|    |                         |     |   |      |  |       |  |        |
|----|-------------------------|-----|---|------|--|-------|--|--------|
| I1 | Revenue                 | 145 | Miscellaneous Receipts                              | 2320 | Bank Interest                                  | I6120 | Bank Interest                            | D41    |
| I1 | Revenue                 | 157 | Accrual adjustments                                 | 2390 | Revaluation Gains                              | I6720 | Revaluation Gains                        | K7     |
| I1 | Revenue                 | 157 | Accrual adjustments                                 | 2410 | Exchange Gains                                 | I6760 | Exchange Gains                           | K7     |
| I2 | Reconciling Items       | 159 | Suspense Income                                     | 2460 | Suspense Income                                | I6900 | Suspense Income                          | ZZ00   |
| E1 | Pay & Employment Costs  | 203 | Holders of Political Office                         | 3010 | Salaries (Holders of Political Office)         | E0020 | Salaries (Holders of Political Office)   | D11    |
| E1 | Pay & Employment Costs  | 203 | Holders of Political Office                         | 3020 | Honoraria (Holders of Political Office)        | E0040 | Honoraria (Holders of Political Office)  | D11    |
| E1 | Pay & Employment Costs  | 206 | Salaries and Wages                                  | 3030 | Permanent Staff (Salaries and Wages)           | E0080 | Permanent Staff (Salaries and Wages)     | D11    |
| E2 | Overheads               | 303 | Utilities   | 3360 | Electricity                                    | E0700 | Electricity                              | P2     |
| E2 | Overheads               | 306 | Materials and supplies                              | 3410 | Operating Materials & Supplies                 | E0800 | Operating Materials & Supplies           | P2     |
| E2 | Overheads               | 330 | Contractual Services                                | 4120 | Contractual Services - Others                  | E2460 | Contractual Services - Others            | P2     |
| E2 | Overheads               | 333 | Professional Services                               | 4280 | IT Development Service                         | E2780 | IT Development Service                   | P2     |
| E2 | Overheads               | 348 | Other expenses                                      | 4580 | Other expenses                                 | E3840 | Rounding differences                     | P2     |
| E2 | Overheads               | 351 | Accrual adjustments                                 | 4590 | Depreciation                                   | E3920 | Depreciation                             | P51c   |
| E2 | Overheads               | 351 | Accrual adjustments                                 | 4600 | Bad Debts                                      | E3940 | Bad Debts                                | D99    |
| E3 | Contributions and P&Is  | 380 | Contributions and P&Is                              | 4691 | P&Is - Public service obligations              | E4021 | P&Is - Public service obligations        | D39    |
| E3 | Contributions and P&Is  | 380 | Contributions and P&Is                              | 4695 | Subsidies                                      | E4027 | Subsidies on Product                     | D319   |
| E4 | Finance costs           | 403 | Finance costs/Charges                               | 4700 | Interest - Malta Government Stocks             | E4055 | Interest - Malta Government Stocks       | D41    |
| E5 | Transfers to Reserves   | 423 | Transfers to Revaluation Reserve                    | 4810 | Transfer to Revaluation Reserve                | E4360 | Transfer to Revaluation Reserve          | ZZ00   |
| E6 | Reconciling Items       | 503 | Suspense Account                                    | 4840 | Suspense                                       | E4460 | Suspense                                 | ZZ00   |
| E7 | EU Grants: Expenditure  | 523 | EU Grants: Expenditure                              | 4850 | European Structural Funds (2014-2020) [EXP]    | E4580 | European Structural Fund (2014-2020)     |        |
| A1 | Non Current Assets      | 606 | Property, Plant & Equipment                         | 7020 | Land and Buildings                             | A0020 | Gross value of Land                      | AN211  |
| A1 | Non Current Assets      | 606 | Property, Plant & Equipment                         | 7030 | Infrastructure Assets                          | A0060 | Gross value of Infrastructure Assets     | AN1122 |
| A1 | Non Current Assets      | 609 | Investments   | 7130 | Investment Stock and Shares                    | A0560 | Value of investment stock held - MGS     | F32    |
| A1 | Non Current Assets      | 609 | Investments   | 7130 | Investment Stock and Shares                    | A0580 | Value of investment shares held - Listed | F511   |
| A1 | Non Current Assets      | 610 | Other Financial Assets                              | 7140 | Loans receivables                              | A0650 | Loan to Hellenic Republic                | F42    |
| A1 | Non Current Assets      | 612 | Intangible Assets                                   | 7200 | Trademarks, Copyrights and Patents             | A0840 | Gross Value of Trademarks                | AN1179 |
| A1 | Non Current Assets      | 624 | Depreciation/Amortisation                           | 7290 | Depreciation - Buildings                       | A1120 | Accumulated Depreciation of Buildings    | K1     |
| A2 | Current Assets          | 653 | Cash and cash equivalents                           | 7520 | Central Bank of Malta                          | A2320 | Public Account (CBM) - Euro              | F22    |
| A2 | Current Assets          | 656 | Receivables from exchange transactions              | 7570 | Trade receivables from exchange transactions   | A2640 | Receivables from sale of goods           | F89    |
| A2 | Current Assets          | 662 | Inventories   | 7680 | Raw Materials, WIP, Finished Goods (Inventory) | A3220 | Raw Materials (Inventory)                | AN121  |
| A2 | Current Assets          | 665 | Short-term financial assets                         | 7690 | Investment Stock and Shares                    | A3300 | Short-term Investment Stock              | F31    |
| L1 | Current Liabilities     | 703 | Trade and other Payables from exchange transactions | 8010 | Accruals (Exchange)                            | L0040 | Accruals (Exchange)                      | F89    |
| L1 | Current Liabilities     | 709 | Short-term provisions                               | 8160 | Short-term provisions                          | L0460 | Short-term provisions                    | ZZ00   |
| L1 | Current Liabilities     | 712 | Short-term borrowings                               | 8190 | Short-term Loans - Foreign                     | L0490 | Loans - Foreign (Short-term)             | F41    |
| L1 | Current Liabilities     | 712 | Short-term borrowings                               | 8195 | Short-term Loans - Local                       | L0495 | Loans - Local (Short-term)               | F41    |
| L1 | Current Liabilities     | 718 | Short-term Employee benefits                        | 8250 | Short-term Employee benefits                   | L0800 | Accrued paid leave                       | AF89   |
| L2 | Non Current Liabilities | 750 | Payables (Exchange Transactions)                    | 8400 | Accounts Payable Control Accounts (Exchange)   | L0860 | Accounts Payable (long-term)             | F89    |
| L2 | Non Current Liabilities | 754 | Long-term provisions                                | 8555 | Long-term provisions                           | L0950 | Long-term provisions                     | ZZ00   |

|    |                         |     |                            |      |                          |       |                            |      |
|----|-------------------------|-----|----------------------------|------|--------------------------|-------|----------------------------|------|
| L2 | Non Current Liabilities | 759 | Long-term employee benefit | 8610 | Post-employment benefits | L1300 | Widows and Orphans pension | ZZ10 |
| R1 | Reserves                | 806 | Revaluation Reserve        | 9010 | Revaluation Reserve      | R0060 | Asset Revaluation Reserve  | ZZ00 |
| R1 | Reserves                | 809 | Other Reserves             | 9020 | Other Reserves           | R0110 | Consolidated Fund          | ZZ00 |
| Z9 | Budgets                 | 990 | Budgetary Allocations      | 9901 | Budgetary Allocations    | Z1000 | Budgetary Allocations      | ZZ00 |

Through Parliament each Government Ministry and Department is given a vote to administer. The Ministries and Departments can be further split into specific costs centres and responsibility centres. The standard format vote is:

- Revenue
- Expenditure
  - Personal Emoluments
  - Operational and Maintenance Expenditure
  - Programmes and Initiatives
  - Contributions to Government Entities
  - Capital Expenditure

Each item is then further split into hundreds of accounts from the Chart of Accounts.

Each account is coded in ESA2010, making it easy for NSO to distinguish between the different ESA2010 categories and between flows of a non-financial and financial nature. It is possible to identify particular transactions or activities that are to be treated or reclassified according to ESA2010 requirements, for instance, reclassifying equity subscriptions originally recorded as non-financial transactions to financial transactions.

The detailed codification of the DAS facilitates the process of consolidation. Capital and current transfers between General Government units are clearly identifiable from transfers to households or non-profit institutions serving households, with the use of the dependent accounts available in the COA. For example: government transfers payable can be broken down into the following accounts:

| Acclev1 | Acclev1 (T)            | Acclev2 | Acclev2 (T)            | Acclev3 | Acclev3 (T)                          | Account | Description  | ESA code |
|---------|------------------------|---------|------------------------|---------|--------------------------------------|---------|--|----------|
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4690    | Contributions to Government Entities | E4020   | Contributions to Government Entities                 | D73      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4691    | P&Is - Public service obligations    | E4021   | P&Is - Public service obligations                    | D39      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4695    | Subsidies                            | E4027   | Subsidies on Product                                 | D319     |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4695    | Subsidies                            | E4028   | Subsidies to Non Govt. Institutions                  | D39      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4695    | Subsidies                            | E4029   | Subsidy to Individuals                               | D75      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4697    | Transfers/Subventions/Grants/Awards  | E4037   | Transfer/subvention/grant to Government institutions | D73      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4697    | Transfers/Subventions/Grants/Awards  | E4038   | Transfer to Church Schools                           | D75      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4697    | Transfers/Subventions/Grants/Awards  | E4039   | Transfer/grant/award to non-Government institution   | D75      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4697    | Transfers/Subventions/Grants/Awards  | E4041   | Transfer/grant/award to individuals                  | D75      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4698    | Compensation                         | E4042   | Compensation to Individuals                          | D75      |
| E3      | Contributions and P&Is | 380     | Contributions and P&Is | 4698    | Compensation                         | E4043   | Compensation to non-Government Institution           | D39      |

The name of the workorders, especially those relating to the Contributions to Government Entities, gives a clear indication of the type of institution that will receive the money, thus facilitating the consolidation process. The Government expenditure towards Extra Budgetary Units, which are in general listed in the category Contributions to Government Entities in the CFMS, is captured as a transfer between two government institutions. Then, from the EBUs FDRS templates or audited accounts, the NSO gathers the information of how the EBU spent the government subvention it received. Consolidation is complicated when the amounts recorded as government transfers payable to EBUs are not equal to what the EBUs record as received from Government. Reasons for inconsistencies are the different recording basis, cash versus accruals, and timing differences. The first approach is to solve the discrepancies on an individual basis, however, if this fails adjustments are made on an aggregate level.

Counterpart information is available for few items in the non-financial flows, e.g. transfers to public or private corporations, households and rest of the world, income tax split by counterpart, some licences receipts are split by counterpart and from the nature (name) of the item of expenditure. Counterpart information for the compilation of the financial accounts is not available in CFMS.

The reporting of the CFMS were tackled during two workshops; the Excelerator hands-on training to report-writing staff and the building of the actual reports. NSO were present to both, especially to the second one, to assist the consultants in replying to the queries and issues relating to the mapping and layout of the reports.

In 2020 the National Statistics Office had to extract data from the two systems and merge them together, both for the publication of monthly government finance news release and for the compilation of the General Government sector accounts in ESA2010 format.

The report prepared in the workshop had to meet the requirements of the NSO, Budget Office and the Treasury and consequently it included various sub-reports:

1. Statement of Financial Performance (001a)
2. Capital Expenditure by department (Cap)
3. Income Statement by category and by department (Rev)
4. Statement of Recurrent Expenditure by Department (Rec)
5. Statement of Financial Performance by Ministry (001a\_Comp)
6. Statement of Financial Position (003a)
7. Cash Flow Statement *direct method* (004a)
8. Cash Flow Statement *indirect method* (Rep005)
9. Statement of changes in net assets/equity (Rep006)
10. ESA Report (Rep017)
11. COFOG Report (Rep018)

The same financial report can be run both on a cash or accruals basis. For the time being the NSO is using the CFMS to extract cash data only, as some accruals procedures are not yet clear for the Treasury and the CFMS users need to accustom more the accrual-based principles.

The data in the cash reports can be reconciled with the Cash Accounting Transactions Enquiry, whereas the accruals reports are reconciled with the General Ledger Transaction.

An extract of the ESA Report (Report 17):

| Account           | Account description | Dept                              | Costc | Workorder | COFOG      | Q1 Total | Q2 Total      | Q3 Total      | Q4 Total      | Total Year    |                 |
|-------------------|---------------------|-----------------------------------|-------|-----------|------------|----------|---------------|---------------|---------------|---------------|-----------------|
| 885 ESA           | D39                 | D39                               |       |           |            |          |               |               |               |               |                 |
| 886               | E4026               | Refund of SSC                     | 031   | 108       | P031-5138A | A        | 0             | 15,959        | 4,826         | 0             | 20,785          |
| 887               | E4021               | P&Is - Public service obligations | 039   | 102       | P039-5462A | D        | 87,352        | 147,558       | 112,092       | 87,352        | 434,352         |
| 888               | E4021               | P&Is - Public service obligations | 039   | 102       | P039-5586A | D        | 14,193,245    | 5,206,506     | 12,906,784    | 5,067,585     | 37,374,120      |
| 889               | E4021               | P&Is - Public service obligations | 039   | 102       | P039-5587A | D        | 1,667,055     | 1,317,511     | 1,742,416     | 4,548,142     | 9,275,124       |
| 890               | E4021               | P&Is - Public service obligations | 085   | 113       | P085-5235A | A        | 500,000       | 0             | 0             | 150,000       | 650,000         |
| 891               | E4021               | P&Is - Public service obligations | 085   | 113       | P085-5406A | J        | 299,638       | 198,646       | 215,786       | 137,516       | 851,585         |
| 892 Total for ESA | D39                 | D39                               |       |           |            |          | 16,747,289    | 6,886,180     | 14,981,904    | 9,990,595     | 48,605,967      |
| 893               |                     |                                   |       |           |            |          |               |               |               |               |                 |
| 894 ESA           | D41                 | D41                               |       |           |            |          |               |               |               |               |                 |
| 904 Total for ESA | D41                 | D41                               |       |           |            |          | (1,686)       | 832           | (493)         | 5,985         | 4,638           |
| 905               |                     |                                   |       |           |            |          |               |               |               |               |                 |
| 906 ESA           | D45                 | D45                               |       |           |            |          |               |               |               |               |                 |
| 916 Total for ESA | D45                 | D45                               |       |           |            |          | (4,011,508)   | (2,139,983)   | (4,938,779)   | (8,031,617)   | (19,121,887)    |
| 917               |                     |                                   |       |           |            |          |               |               |               |               |                 |
| 918 ESA           | D51                 | D51                               |       |           |            |          |               |               |               |               |                 |
| 968 Total for ESA | D51                 | D51                               |       |           |            |          | (241,022,791) | (315,962,356) | (430,787,514) | (548,933,943) | (1,536,706,604) |
| 969               |                     |                                   |       |           |            |          |               |               |               |               |                 |

An extract of the COFOG Report (Report 18):

| Account              | Account description | Dept                           | Costc | Workorder | ESA | Jan 2021    | Feb 2021   | Mar 2021   | Q1 Total    |
|----------------------|---------------------|--------------------------------|-------|-----------|-----|-------------|------------|------------|-------------|
| 1060 COFOG           |                     |                                |       |           |     | €           | €          | €          | €           |
| 1060 Total for COFOG |                     |                                |       |           |     | 1,389,625   | 341,314    | 2,490,480  | 4,221,420   |
| 1061                 |                     |                                |       |           |     |             |            |            |             |
| 1062 COFOG           | A                   | General Public Service         |       |           |     |             |            |            |             |
| 2607 Total for COFOG | A                   | General Public Service         |       |           |     | 10,152,688  | 2,503,116  | 23,362,955 | 36,018,758  |
| 2608                 |                     |                                |       |           |     |             |            |            |             |
| 2609 COFOG           | B                   | Defence                        |       |           |     |             |            |            |             |
| 2690 Total for COFOG | B                   | Defence                        |       |           |     | 8,848,199   | 4,209,396  | 13,632,623 | 26,690,218  |
| 2691                 |                     |                                |       |           |     |             |            |            |             |
| 2692 COFOG           | D                   | Economic Affairs               |       |           |     |             |            |            |             |
| 3198 Total for COFOG | D                   | Economic Affairs               |       |           |     | 71,724,424  | 16,181,336 | 26,509,028 | 114,414,788 |
| 3199                 |                     |                                |       |           |     |             |            |            |             |
| 3200 COFOG           | E                   | Environmental Protection       |       |           |     |             |            |            |             |
| 3212 Total for COFOG | E                   | Environmental Protection       |       |           |     | 7,160       | 3,364      | 236,166    | 246,690     |
| 3213                 |                     |                                |       |           |     |             |            |            |             |
| 3214 COFOG           | F                   | Housing & Community Amenities  |       |           |     |             |            |            |             |
| 3217 Total for COFOG | F                   | Housing & Community Amenities  |       |           |     | 65          | 0          | 0          | 65          |
| 3218                 |                     |                                |       |           |     |             |            |            |             |
| 3219 COFOG           | G                   | Health                         |       |           |     |             |            |            |             |
| 3970 Total for COFOG | G                   | Health                         |       |           |     | 100,765,999 | 74,302,075 | 74,312,663 | 249,380,737 |
| 3971                 |                     |                                |       |           |     |             |            |            |             |
| 3972 COFOG           | H                   | Recreation, Culture & Religion |       |           |     |             |            |            |             |
| 4068 Total for COFOG | H                   | Recreation, Culture & Religion |       |           |     | 4,534,333   | 1,592,732  | 751,753    | 6,878,818   |
| 4069                 |                     |                                |       |           |     |             |            |            |             |
| 4070 COFOG           | I                   | Education                      |       |           |     |             |            |            |             |
| 4092 Total for COFOG | I                   | Education                      |       |           |     | 506,626     | 1,446,379  | 113,360    | 2,066,365   |

### Working balance (WB)

In the working balance of EDP Table 2A the operations of the Consolidated Fund are recorded.

Transactions conducted by Government are processed through the Public Account which the Treasury holds at the Central Bank of Malta. The main four funds that comprise the Public Account structure are:

- i) The Consolidated Fund;
- ii) The Treasury Clearance Fund (refer to section 3.2.1.4);
- iii) The Sinking Fund (refer to section 3.2.1.4);
- iv) The Good Causes Fund

The Consolidated Fund is the Government's most important account/fund. It was established in terms of Article 102, Chapter IX of the Constitution of Malta. The Constitution states that: "All revenue and other moneys raised or received by Malta shall, unless Parliament otherwise provides, be paid into and from one Consolidated Fund"



The working balance is the starting line of the whole process to transpose the Government's Consolidated Fund data into the General Government Sector data in ESA2010 format.

### 3.2.1.2 *Statistical surveys used as a basic data source*

No statistical surveys are used.

### 3.2.1.3 *Supplementary data sources and analytical information*

This section describes supplementary data sources used to amend basic data sources when compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for e.g. for accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

Not applicable

#### 3.2.1.3.1 Supplementary data sources used for the compilation of non-financial accounts

Not applicable

#### 3.2.1.3.2 Supplementary data sources used for the compilation of financial accounts

Not applicable

### 3.2.1.4 *Extra-budgetary accounts (EBA)*

Usually, not all flows of a non-financial nature are recorded in the so called budgetary accounts which enter the WB, as reported in the first line of EDP table 2. Some funds could be put aside as reserves, special purpose funds and are booked in so called "extra-budgetary accounts" - EBA. In some cases, according to national legislation, transactions which are not scrutinized by budgetary rules can be booked in EBA and not in ordinary budgetary accounts. It is very important that all non-financial flows of the main entity, including those entering EBA, are appropriately incorporated into calculations of deficit.

The Government budgetary operations are mainly conducted through the Consolidated Fund. Inflows towards this fund constitute all tax and non-tax-revenues, grants, loans and repayment of Government lending. All disbursements out of the Consolidated Fund are authorised by means of the Appropriation Act of Parliament. On the other hand, as mentioned in section 3.2.1.1 under working balance, the Public Account, apart from the Consolidated Fund, includes other funds:

- i) Treasury Clearance Fund
- ii) Sinking Fund
- iii) Good Causes Fund

Other funds such as the Contingencies and Schools Councils are minor and considered insignificant.

Treasury Clearance Fund

The Treasury Clearance Fund (TCF), established in terms of Article 18 of the Public Finance Management Act, contains all those Funds and Accounts the expenses of which are initially defrayable out of public funds and repayable, gradually or otherwise, out of the Consolidated Fund or from other sources. Accordingly, all the Accounts within the Treasury Clearance Fund are classified as Deposits and Advances. All advance accounts are operated on the strength of an ‘ad hoc’ Ministerial Warrant which determines the amount that may be advanced and also provides for the method of ‘repayment’.

The TCF contains a number of accounts:

| <b>Deposit Accounts</b>               | <b>Advance Accounts</b> |
|---------------------------------------|-------------------------|
| Acquisition of Shares                 | Special advances        |
| Other Investments                     |                         |
| Deposit Fund Account                  |                         |
| Short-Term Borrowing                  |                         |
| Trust Funds                           |                         |
| Sinking Funds for Redemption of Loans |                         |
| Malta Government Stocks               |                         |
| Court Deposits                        |                         |
| Other Deposits                        |                         |

Deposit Accounts:

- Acquisition of shares – Includes the list of shares (quoted and unquoted) owned by the Government as at the end of each financial year.
- Other investments – Includes other forms of equity in public corporations, which are not limited liability companies, such as Enemalta Corporation, the Water Services Corporation and the Central Bank of Malta.
- Deposit Fund Accounts – insignificant account
- Short-Term Borrowing – Shows the transactions in Treasury Bills (short-term financial securities) issued by the Government.
- Trust Funds – Account holders within the Trust Fund rest in trusting the Government by opening an account specifically aimed in aid of philanthropic or social reasons.
- Sinking funds for redemption of loans – (mentioned in the following section)
- Malta Government Stocks – Issuance and redemptions of Government’s long-term financial securities
- Court Deposits – Deposits held by the Courts, not yet treated as revenue within the Consolidated Fund as these funds could be refunded to the original source; e.g. bail proceeds.
- Other deposits – Incorporate around 230 accounts administered by the various Government Ministries and Departments. These accounts are related to specific tasks, activities or operations which are not featuring in the Consolidated Fund but are captured in the TCF. Example of other deposits is refund of income tax. Transactions with respect to legal notice 254 of 1998 are recorded in other deposits. For further information on this legal notice refer to section 3.2.3.4.



#### Advances Account:

- Special advances – Advances are considered as disbursements of public fund not accounted under the Consolidated Fund. Advances from the TCF are in the form of loans/transfers granted to Public Corporations (prior to 2001).

#### Sinking Fund

Sinking funds established in terms of section 6 of the Local Loans Ordinance of 1959. The sinking funds are funds into which money is deposited each year to enable loan repayments to be made as the loans mature. Sinking Funds have only two sources of revenue: contributions from the Consolidated Fund for the amortisation of loans and interest earned on its investments. In the 1999 budget speech the Government announced that as from the year 2000, contributions towards the Sinking Fund on new local loans were to be discontinued. However, contributions on existent loans and foreign loans were not discontinued.

The information and data for the Treasury Clearance and Sinking Fund are available from NSO's upstream source data being the CFMS. Disaggregated data for the TCF is published annually on the Treasury's Financial Report.

The Extra-Budgetary Accounts (EBAs) in the CFMS are identifiable between those transactions in non-financial flows and the transactions in financial flows. In EDP Table 2A, the non-financial flows in the Treasury Clearance Fund are recorded in Detail 1 under the category "Non-Financial transactions not included in the working balance". The non-financial transactions in the Sinking Fund are the interest received on the investments of the sinking fund. Contributions from the Consolidated Fund to the Sinking Fund are excluded. The funds that are not captured in the non-financial account are recorded in the financial accounts.

#### Good Causes Fund

The National Lotteries Good Causes Fund was set under the Lotteries and Other Games Act, 2001 Section 50 (7). The fund is intended to support projects and initiatives of a:

*“a religious, philanthropic, cultural, sports, educational, social or civic nature or in support of other deserving causes and in such amounts, in such manner and at such times, as may be determined by the Minister of Finance from time to time after consultation with an Advisory Board appointed by him for the purpose.”*

The Fund generates its income through a percentage contributed from the amount of tax payable from gaming activity and unclaimed prizes. The receipts and payments from the Good Causes Fund were incorporated in the General Government accounts for the first time in the April 2014 EDP Notification.

Two new funds created recently are the:

- i) Contingency Reserve Fund
- ii) National Development and Social Fund

### Contingency Reserve Fund

Under the provisions of the Fiscal Responsibility Act a contingency reserve shall be established by the Ministry of Finance to ensure that unforeseen expenditure or revenue slippages do not jeopardize the compliance with fiscal rules. The reserve shall amount to at least 0.1% of GDP and a maximum of 0.5% of GDP in any one particular year.

As long as the budget is not balanced, the contingency reserve is to be established as an expenditure vote. The Contingency Reserve becomes a rainy day fund when the budget is in surplus and in this case the Act contemplates the proceeds to be invested in top-rated, short-term liquid assets. The contingency shall be built gradually over a period of five years starting from the year following the entry in force of the Act.

The Contingency Reserve is to be used only in urgent, temporary and unforeseen circumstances. Use of the Contingency Reserve is subject to approval by the Prime Minister following a proposal by the Minister for Finance.

### National Development and Social Fund

Legal Notice 47 of 2014 set up the regulations of the Individual Investor Programme which allows for the grant of citizenship by a certificate of naturalization to foreign individuals and their families who contribute to the economic development of Malta

A fund was set up, known as the National Development and Social Fund (NDSF), into which seventy per cent of contributions received by Identity Malta under the programme are paid. The funds received by the National Development and Social Fund shall be used in the public interest *inter alia* for the advancement of education, research, innovation, social purposes, justice and the rule of law, employment initiatives, the environment and public health.

The Fund shall have a separate legal personality and may also subsequently be established as a foundation, a trust or in the form of another legal person as may be determined by the Minister from time to time.

The Fund shall be administered by a Board of Governors consisting of five members of whom one shall be the Chairman and another shall be the Deputy Chairman who shall be appointed by the Prime Minister. The Board of Governors of the Fund shall be responsible to ensure the highest level of governance of the Fund and that the funds held in the Fund are used solely for the said intended purposes. The Fund shall publish its audited accounts on an annual basis and shall report to the Minister responsible for Finance on its activities as the said Minister may require but in any case not less than once a year. The audited accounts and the annual report of the Fund shall be laid on the table of the House of Representatives by the Minister responsible for Finance. The Fund shall be subject to being audited by the Auditor General.

*In National Accounts the National Development and Social Fund is classified as forming part of the General Government Sector. It featured within the item "Treasury Clearance Fund flows in non-financial transactions" but as from 2016, the NDSF was established as an Agency and thus it is featuring as an extra budgetary unit.*

### *Non-financial flows recorded in EBA*

Refer to above.

### *Financial flows recorded in EBA*

Refer to above.

### **3.2.2 Data sources for other Central Government units**

This section describes data sources available and used for compilation of national accounts and EDP tables for other Central Government units (those not reported in the working balance in EDP T2A).

Extra Budgetary Units are the other components of Central Government (S.1311). These are the non-market producers owned and in most cases supported by government. These institutional units are legally required to prepare an annual set of audited accounts. Their responsibility is the performance of specialised Governmental functions such as education, health, administration, promotion and social policy.

The final (annual) audited accounts for year n-1 are normally available to the NSO by the time of the October notification. The unavailability of the audited accounts is covered through the use of the Financial Data Reporting System (FDRS), which is accessible by all the Extra Budgetary Units.

The accounting system of the Extra Budgetary Units is accruals-based.

**Table 3 – Availability and use of basic source data for other central government units:**

| Available source data    |                       |  |                 | Source Data Accounting   | Source data used for compilation of |           |
|--------------------------|-----------------------|--|-----------------|--|-------------------------------------|-----------|
| Accounting basis (C/A/M) | Periodicity (M/Q/A/O) | Time of availability of annual results for T-1 |                 |  | B.9 (NFA)                           | B.9f (FA) |
|                          |                       | First results                                  | Final data      |  |                                     |           |
| 1                        | 2                     | 3  | 4               | 5  | 7                                   | 8         |
|                          |                       | <i>T + days</i>                                | <i>T+months</i> |  |                                     |           |
|                          |                       |  |                 | <b>Budget Reporting</b>  |                                     |           |
|                          |                       |  |                 | (1) Current revenue and expenditure  |                                     |           |
|                          |                       |  |                 | (2) Current and capital revenue and expenditure                            |                                     |           |
|                          |                       |  |                 | (3) Current and capital revenue and expenditure and financial transactions |                                     |           |
|                          |                       |  |                 | (4) Balance sheets   |                                     |           |
|                          |                       |  |                 | <b>Financial Statements</b>  |                                     |           |
| A                        | M                     | T+50   | T+8             | (5) Profit and loss accounts   | X                                   |           |

|   |   |      |     |                         |   |   |
|---|---|------|-----|-------------------------|---|---|
| A | Q | T+50 | T+8 | (6) Balance sheets      | X | X |
| A | A |      | T+8 | (7) Cash flow statement |   |   |
|   |   |      |     | <b>Other Reporting</b>  |   |   |
|   |   |      |     | (8) Statistical surveys |   |   |
|   |   |      |     | (9) Other:              |   |   |
|   |   |      |     |                         |   |   |
|   |   |      |     |                         |   |   |

See notes to table 2, on the used abbreviations.

In relation to column 1, the audited financial statements are accruals based and their accounting rules are the European IAS regulation and, for few, the Accounting Profession (General Accounting Principles for Smaller Entities) Regulations.

In those cases when neither the audited accounts nor the FDRS templates are submitted by the entity, annual data is taken from the financial estimates submitted by the respective entity at the beginning of the year. These estimates are then replaced as soon as the audited accounts are received or the FDRS template is submitted.

Calculating the non-financial B.9 using the data on financial transactions (i.e. non-financial B.9 = B.9f) is not usually the case, since in the absence of substantial data, non-financial B.9 is estimated on the previous year's data. In absence of any financial data for a particular unit, the closing stocks are kept constant with the opening stock.

Data used for the financial accounts and the B9f compilation is identical to the compilation of transactions reported in EDP table 3.

Each entity submits its annual audited financial report which is on accrual-basis. Therefore, as soon as these are made available, data is amended accordingly and considered final. Each entity submits only one report.

### 3.2.2.1 *Details of the basic data sources*

The majority of the EBU's have a financial year ending 31<sup>st</sup> December; therefore the annual financial statements for year n-1 may still not be available in time for the first EDP notification. Hence, in this case data are taken from the Financial Data Reporting System.

The Financial Data Reporting System is geared towards attaining real time financial data pertaining to the Government Entities. It facilitates the surveillance of the budget implementation and the formulation of budget policy governing the administration of public funds as part of government's ongoing fiscal consolidation process.

The transmission is done electronically through one dedicated webpage. The relevant templates are available online and accessed through the link [www.fdrs.gov.mt](http://www.fdrs.gov.mt). Access to the templates is through a login and password which is allocated by the System Administrator and communicated to Heads of Government Entities via e-mail.

The Public Finance Unit within the NSO has online access to this system.

There are four templates available:

- The Monthly Template whereby entities are required to submit the income statement;
- The Quarterly EBU Template whereby Extra Budgetary Units are required to submit their balance sheet with counterpart information and other data;
- Quarterly Non-EBU Template whereby Public Corporations are required to submit their balance sheet position and other data; and
- Quarterly Workforce Template whereby entities are required to submit their employment data.

A copy of these templates is found in annex IX.

The templates are to be submitted within 22 calendar days following the end of the respective period. The Public Finance Unit has online (read-only) access to this system. This system caters for the quarterly and annual financial and non-financial data of the EBUs and the major public corporations. Data are extracted from this system in excel format.

### **3.2.2.2**                    *Statistical surveys used as a basic data source*

Statistical surveys are only used when the audited financial statements are still unavailable. These surveys are conducted through the FDRS whereby each and every entity has access to the system and are required to submit their income related data on a monthly basis, and their balance sheet position on quarterly basis.

The main variables collected are the revenue and expenditure items in the income statement (monthly template) and the financial assets and liabilities in the balance sheet (quarterly EBU template). Other data available is their employment data. NSO consider that the FDRS is an exhaustive source as all EBUs are required to submit their data through this system, and response rates are quite satisfactory.

Some units provide forecasts and budget estimates and therefore, in cases of non-response, these forecasted figures are useful in getting information on year n-1 and n. If a forecast is unavailable, estimates are drawn up from the templates completed by all the units through the FDRS. No non-response is allowed for the major units, and therefore any estimation is, by definition, limited.

### **3.2.2.3**                    *Supplementary data sources and analytical information*

This section describes supplementary data sources which are used to amend basic data sources while compiling national accounts. In order to meet ESA2010 requirements, supplementary data could be used for, e.g., accrual adjustments, reclassification of specific transactions, consolidation, amendments of revenue and expenditure structure, amendments of structure of assets and liabilities, identification of a counterpart sector, etc.

This is not normally the case but if necessary any relevant information is requested (as required) from each individual entity. Such information is usually readily supplied.

#### 3.2.2.3.1 Supplementary data sources used for the compilation of non-financial accounts

Not Applicable

#### 3.2.2.3.2 Supplementary data sources used for the compilation of financial accounts

Not Applicable

### 3.2.3 EDP table 2A

This section provides detailed information on individual lines reported in EDP T2A.

#### 3.2.3.1 *Working balance - use for the compilation of national accounts*

The data sources used for the compilation of the working balance are the same ones used for the compilation of the General Government Sector non-financial assets and of national accounts and the General Government Sector B9.

#### 3.2.3.2 *Legal basis of the working balance*

For further information on the legal status and national legislation, kindly refer to section 2.2.1 above.

The working balance consists of the deficit figure resulting from the originally estimated deficit amount authorised by Parliament when the Financial Estimates of Revenue and Expenditure of Government are appropriated at budget time. All allocations provided from the Consolidated Fund are either authorised by Parliament under the Appropriation Act, or are permanently appropriated by Parliament under other relevant legislation. The original estimated deficit amount is published in the Consolidated Fund Statement on page 1 of the Financial Estimates. Normally, the Government presents its Budget for the new financial year in October or November of the preceding year.

The National Audit Office, through the Auditor General, performs audits and reports on the accounts of all Departments and Offices of the Government of Malta. Moreover, Article 67(j) of the Financial Administration and Audit Act (Chapter 174 of the Laws of Malta) specifies that the Accountant General shall prepare and send to the Auditor General within six months after the close of each financial year a statement of revenue, expenditure, assets and liabilities of the Government at the end of the financial year. The report includes also an analysis on the Government's contingent liabilities and arrears of revenue. The report by the Auditor General on the Public Accounts is prepared within 12 months of the end of reporting period and is available online at: <http://www.nao.gov.mt/page.aspx?id=38>.

There was never the need to revise the General Government Sector deficit and debt data following the publication of the National Audit Office report of the Auditor General on the Public Accounts.

### 3.2.3.3 *Coverage of units in the working balance*

Two adjustment lines due to sector delimitation appear in EDP T2. The purpose of the first adjustment is to exclude flows relating to units which do not belong to the government sector (or to the particular subsector) according to ESA2010 definition. The second adjustment refers to B.9 of other units which are classified within the particular government subsector, but related inflows/outflows are not included in the working balance.

#### 3.2.3.3.1 Units to be classified outside the subsector, but reported in the WB

Not Applicable.

#### 3.2.3.3.2 Units to be classified inside the subsector, but not reported in the WB

The units reported within this category are the Extra Budgetary Units, the institutional units forming part of the General Government Sector. As explained in section 3.2.2, the data for these units are on accruals basis.

Any necessary methodological imputations/reclassifications relating to these units (e.g. debt cancellations, debt assumptions, EU flows, dividends, capital injections, etc) would be reflected in their B.9 as reported in EDP T2 (line: Net borrowing (-) or net ending (+) of other central government bodies).

A full sequence of ESA2010 accounts is available for each individual extra budgetary unit. In the supporting documentation accompanying the EDP Notification a full sequence of ESA2010 accounts is included for the EBUs aggregated data.

### 3.2.3.4 *Accounting basis of the working balance*

The working balance is computed on a cash basis and the data for Central Government are intrinsically based on the Government's cash accounting standards. It follows the guidelines set out in the European System of Accounts (ESA2010) Manual on Government Deficit and Debt. Therefore, the shortfall between revenue and expenditure is essentially the cash-based deficit position as far as the Central Government's Consolidated Fund is concerned.

In this respect, revenue that has no impact on the deficit, such as proceeds from loans, proceeds from sale of financial assets and revenue from other accounts of Government, is not taken into consideration. Likewise, direct loan repayments, contributions to sinking funds, acquisition of equity, as well as transfers into other accounts of Government, are excluded from the total expenditure.

There are no cases when "non-validated" expenditure by an auditing institution are not included in the working balance; or cases when expenditure related to the previous period not validated in the past is included in the working balance.

In the past there were cases when planned expenditure not actually spent in the current year is recorded as actual expenditure. These are related to Legal Notice 254 of 1998. The legal notice



authorises a Minister to transfer unutilised funds from the Consolidated Fund appropriated in a financial year for any purpose, and placed in a separate account in the Treasury Clearance Fund. These funds may be drawn upon after the end of the financial year when such funds have been so appropriated, for the purposes of which funds have been originally appropriated. This would feature as expenditure in the Consolidated Fund, thus in the working balance, and as revenue in the non-financial accounts of the TCF. From a General Government Sector view this transaction does not impact the deficit as the expenditure in the Consolidated Funds nets out with the revenue in the TCF. The legal notice 254 of 1998 is used during the closing and reconciliation of accounts in February for the preceding year, for unutilised budget amounts already appropriated in the Budget. During subsequent years these amounts are expended from the TCF for the original purpose appropriated. The legal notice 254 of 1998 was last used in 2009.

#### 3.2.3.4.1 Accrual adjustment relating to interest D.41, as reported in EDP T2

In the working balance the accounting basis used for recording of interest expenditure and revenue is on a cash basis. The interest expenditure of the Budgetary Central Government, including the servicing of the Government's Treasury Bills and the Malta Government Stocks, are recorded in the working balance. Inflow of premium is recorded in the working balance but not the payment of discounts.

Within the line 'Difference between interest paid and accrued' the interest payable in accrual basis for the Budgetary Central Government debt is recorded. The Treasury reviews the list of outstanding Treasury Bills and Malta Government Stocks and interest on foreign borrowing and the loans with commercial banks. Each individual tranche is analysed to determine the amount of interest due at end of the reference year. The data are aggregated to reflect the total interest payable as at 31<sup>st</sup> December.

The accrual interest expenditure for the Extra Budgetary Units Debt is recorded in the line 'Net borrowing/ net lending of other central government bodies', while the interest revenue on an accrual basis for the Budgetary Central Government is reported under the line 'Other accounts receivable'.

The adjustment for the apportionment of the premium proceeds from the issuance of Malta Government Stocks features under this category.

#### 3.2.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.8 in EDP T2

##### The other accounts receivable include:

- Treasury's Department accruals template: change in accrued income
- Treasury's Department accruals template: change in prepayments
- Treasury's Department accruals template: change in debtors  
For further information refer to section 2.3.1.2.c and annex X
  
- Adjustment for EU Funds 2014-2020: reimbursement of expenditure
- Adjustment for EU Funds 2007-2013: reimbursement of expenditure

- Adjustment for EU Funds 2004-2006: pending claims  
For further information refer to section 6.2.1
- Time adjusted cash method for VAT, Income Tax and Social Security Contributions  
For further information refer to section 6.1.1 and 6.1.2
- Other general accounts receivables: such as Palumbo debtors, deferred lotteries concession fees, MOSS adjustments (Mini-One-Stop-Shop), etc.
- Accrued interest receivable

ITU bank balance threshold adjustment – In order to adjust for the recording of revenue from the income taxes collected from the International Trading Companies, which companies are registered in Malta with essentially foreign ownership, which gives their non-resident shareholders a right to be refunded. Once the refund is requested and paid, the balances in these departmental accounts, held at the Central Bank, representing the net income tax, are then transferred to the Consolidated Fund as revenue. In general, non-resident shareholders request an income tax refund after a couple of months, however there are instances when this time lag, between the payment of tax and request for refunds, stretches over to more than one year. Until such transfer, the closing balances of the accounts at the Central Bank are recorded in the financial accounts of government under F.2A (currency and deposits, assets) and F.8L (accounts receivable/payable, liability). There are nine bank accounts in the CBM, which are used for the receipts from and for refunds to the ITCs. In the 2016 EDP dialogue visit, following a discussion with Eurostat, it was agreed that the net amounts of ITC income tax transferred to the working balance should remain stable over time in order to avoid overestimation or underestimation of the central government tax revenue. To this end, a threshold of 75 MEUR (+/- 10% meaning 67.5-82.5 MEUR) was set for the stock outstanding at the Central Bank as of end of December and end of February every year and it was agreed that the difference between the balances in the accounts and the agreed adjusted threshold as of end of December and February every year should be recorded as revenue/expenditure of general government.

International Taxation Unit accounts balances held at the Central Bank of Malta as at the end of December and February from 2011 onwards:

| Year | End of December | End of February | Threshold €75m +/- 10% |              | Adjustment for year t <sup>-1</sup> | Effect of adjustment |
|------|-----------------|-----------------|------------------------|--------------|-------------------------------------|----------------------|
|      |                 |                 | Maximum                | Minimum      |                                     |                      |
| 2011 | € 128,733,866   | € 148,036,748   | Maximum                | Minimum      |                                     |                      |
| 2012 | € 132,944,236   | € 139,089,417   |                        |              |                                     |                      |
| 2013 | € 111,219,295   | € 84,493,896    |                        |              |                                     |                      |
| 2014 | € 61,239,121    | € 50,531,560    |                        |              |                                     |                      |
| 2015 | € 90,464,907    | € 32,047,643    |                        |              |                                     |                      |
| 2016 | € 76,988,474    | € 42,809,971    |                        |              |                                     | € 7,963,996          |
| 2017 | € 83,006,793    | € 90,463,996    | € 82,500,000           | € 67,500,000 | € 7,963,996                         | -€ 7,963,996         |
| 2018 | € 85,437,759    | € 79,224,062    | € 82,500,000           | € 67,500,000 | € 0                                 | € 0                  |
| 2019 | € 73,694,423    | € 74,437,232    | € 82,500,000           | € 67,500,000 | € 0                                 | -€ 4,729,858         |
| 2020 |                 | € 62,770,142    | € 82,500,000           | € 67,500,000 | -€ 4,729,858                        | € 4,729,858          |

The other accounts payable include:

- Treasury's Department accruals template: change in accrued expenditure
- Treasury's Department accruals template: change in deferred income
- Treasury's Department accruals template: change in creditors  
For further information refer to section 2.3.1.2.c and annex X
- Adjustment for Malta's contribution to the EU Own Resources  
For further information refer to section 6.2.1
  
- Adjustment for EU Funds 2007-2013: advance payments
- Adjustment for EU Funds 2014-2020: advance payments  
For further information refer to section 6.2.1
  
- Adjustment for emission trading permits  
For further information refer to section 6.14
  
- Adjustment for Church stocks  
The Holy See and the Government of Malta signed an agreement in November 1991 in relation to the transfer of immovable property to the latter. Pursuant to Article 6 of the Agreement appended to the Ecclesiastical Entities (Properties) Act, Cap 358, the Government had to issue bonds (MGS) to the Catholic Church under the provisions of the Local Loans Ordinance, Cap 161, in compensation for the transfer of such property. The bonds had the following characteristics:
  - in multiples of €100;
  - free of duty on documents;
  - with a tenure of ten years;
  - earning a minimum of 7% annual rate of interest payable every six months (the annual rate of interest is revised upon the lapse of two years from the date of issuance); and
  - are negotiable and redeemed at a premium of 10% over the nominal value.

The first MGS issuance, worth €65,379,000, was issued directly to the Ecclesiastical Entities on 18 February 1993 to compensate for the transferred property. Five per cent of the aggregate value was withheld as the Government wanted to embark on a verification process of all the transferred property to ensure a fair value was assigned to the property and also confirm the ownership of the property prior to the transfer. Hence, bond issuances following the major one taking place in 1993 are in part justified by this ongoing verification process.

Furthermore, Article 7 binds the Government to issue bonds with the aforementioned characteristics to the Foundation for Church Schools in the event of disposal of the property in question and if its value exceeds by more than 30% plus the rate of inflation since 1992 the amount initially paid to the Church. This provision is valid for thirty years from the date of the coming into force of the Agreement (i.e. 12 June 1992).

In the General Government sector accounts the issuance of bonds to the Catholic Church was being recorded as an increase in long-term securities other than shares (F.332) while the counterpart transaction was not being captured in the financial accounts as no cash is received in return. This led to an erroneous increase in net borrowing (B.9f), widening the discrepancy between B.9 and B.9f. The bonds are issued to the Catholic

Church in the following year after the government sells the property and are calculated by working the difference between the actual sale of land and the initial price paid to the Church plus 30% mark-up adjusted for the rate of inflation since 1992.

The amounts which are due to the Catholic Church by means of this Agreement (related to sale of ex-church property – article 7 and verification process – article 6) are recorded as expenditure in the other accounts payable in EDP table 2, in the year the sale of land takes place.

- Other general accounts payables

The counterpart transactions of these accruals adjustments in the other accounts payable and receivable are recorded in EDP table 3 and financial accounts.

#### 3.2.3.4.3 Other accrual adjustments in EDP T2

Not applicable

#### 3.2.3.5 *Completeness of non-financial flows covered in the working balance*

The non-financial transactions not included in the working balance are the following:

- Treasury Clearance Fund flows in non-financial transactions  
For further information refer to section 3.2.1.4
- Local and foreign interest on the Sinking Fund  
For further information refer to section 3.2.1.4
- Interest received not in the working balance  
Represent interest received on EU Funds advance payments deposited at the Central Bank of Malta.
- EFSF re-routing  
This is the EFSF re-routed non-financial transactions. The European Financial Stability Facility (EFSF) was established on 7 June 2010 for the purpose of providing stability support to Euro Area Member States (EAMS). The EFSF finances such support by issuing or entering into bonds, notes, commercial paper, or other financing arrangements. The operations are backed by guarantees of the EAMS on the basis of an agreed 'adjusted contribution key'. On 27 January 2011, Eurostat decided that the debt issued by the EFSF for each support operation must be rerouted to the public accounts of the EAMS providing guarantees, proportionately to their contribution key. Therefore the recording of such flows will impact the gross government debt (as defined in the Maastricht Treaty) but not the net debt. In addition, all revenue/expenditure streams (interest, margins and service fees) will be recorded in the general government accounts, resulting in a positive impact on the deficit/surplus of the EAMS. On the revenue side are recorded the one-off service fee paid by the borrowing country, the interest rate charged to the borrowing country and the cash reserve reinvestment by the EFSF. On the expenditure side are the interest rate costs for the EFSF and its operating costs. Data

for Malta's exposure resulting from the EFSF operations is obtained on a monthly basis from Eurostat.

- Equity Injections  
For further information refer to section 5.2 Ports and Airports
- Standardised guarantees  
For further information refer to section 7.1.1 Guarantees on borrowing
- Rerouted transactions and operations  
For further information refer to section 7.16 Rearranged Transactions
- Public Private Partnerships (PPPs) agreements classified ON the Government Balance Sheet  
For further information refer to section 7.6 Public Private Partnerships

### **3.2.3.6** *Financial transactions included in the working balance*

The national legislation does not specify which transactions in financial assets and liabilities can be recorded in the working balance of the EDP table 2. Nevertheless, the working balance of the Consolidated Fund balance follows some of the guidelines set out in the Manual on Government Deficit and Debt. In this respect, financial transactions, such as proceeds from loans and proceeds from sale of financial assets, are not taken into consideration. Likewise, direct loan repayments, contributions to sinking funds, acquisition of equity, and issuance of loans, are excluded from the total expenditure.

Financial transactions that used to be included in the working balance are the:

- International subscriptions such as those relating to the European Investment Bank, European Bank for Reconstruction and Development and European Financial Stability Facility.

The Treasury informs the NSO of any financial transactions recorded in the working balance.

Recorded under the category 'other financial transactions' is:

- Superdividend test. For further information refer to section 7.4.

### **3.2.3.7** *Other adjustments reported in EDP T2*

No items are recorded under the category "Other Adjustments".

### **3.2.3.8** *Net lending/net borrowing of central government*

The same data source is used both for B.9, as reported in the last line in EDP Table 2, and the working balance.

### 3.2.4 EDP table 3B

#### 3.2.4.1 Transactions in financial assets and liabilities

The financial accounts are used to compile EDP Table 3.

**Table 4. Data used for compilation of transactions and of stocks of financial assets and liabilities**

| Source Data   | Assets                             |     |     |     |     |     |     | Liabilities |     |     |     |     |     |     |
|---|------------------------------------|-----|-----|-----|-----|-----|-----|-------------|-----|-----|-----|-----|-----|-----|
|   | F.2                                | F.3 | F.4 | F.5 | F.6 | F.7 | F.8 | F.2         | F.3 | F.4 | F.5 | F.6 | F.7 | F.8 |
|   | <b>Calculation of transactions</b> |     |     |     |     |     |     |             |     |     |     |     |     |     |
| Transaction data<br>(integrated in public accounts) | X                                  | X   | X   | X   |     | X   | X   | X           | X   | X   | X   | X   | X   | X   |
| Other transaction data                              | X                                  | X   | X   | X   |     | X   | X   | X           | X   | X   | X   | X   | X   | X   |
| Stock data  | X                                  | X   | X   | X   |     | X   | X   | X           | X   | X   | X   | X   | X   | X   |
|   | <b>Calculation of stocks</b>       |     |     |     |     |     |     |             |     |     |     |     |     |     |
| Transaction data                                    | X                                  | X   | X   | X   |     | X   | X   | X           | X   | X   | X   | X   | X   | X   |
| Stock data  | X                                  | X   | X   | X   |     | X   | X   | X           | X   | X   | X   | X   | X   | X   |

### Currency and Deposits (F.2)

#### Assets

Budgetary Central Government holds the following assets classified under this category: bank accounts, both euro- and foreign-currency denominated, held at the Central Bank of Malta, bank accounts at the disposal of foreign embassies and euro coins in circulation. Included in the government's deposits are the EU advance payments and the taxes from international trading companies. The counter transaction for these deposits is in other accounts payable (F8). The changes in foreign denominated accounts due to exchange rates are treated in the revaluation account. The main data sources are monthly bank statements and reconciliation reports provided by the Central Bank of Malta, the Treasury and the International Tax Unit.

Extra Budgetary Units hold deposits at local banks.

#### Liabilities

Budgetary Central Government is liable for the value of euro coins in circulation and the main source of data is the Central Bank of Malta. The 62+ Malta Government Savings bond is recorded as Other Deposits (AF29L).

Extra Budgetary Units: not applicable

### **Securities other than shares (F.3)**

#### **Assets**

Budgetary Central Government, through the Sinking Funds, holds long-term securities in the form of Malta Government Stocks. This transaction is consolidated. These financial instruments are valued at market prices. Direct data sources consist of end of quarter official price lists published by the Malta Stock Exchange, and the indicative market prices report published by the Central Bank of Malta.

Extra Budgetary Units hold investments in Government's Treasury Bills and Malta Government Stocks, both of which are consolidated, but also investments in private debt securities

#### **Liabilities**

Budgetary Central Government issues short-term debt instruments in the form of Treasury Bills, and long-term securities in the form of Malta Government Stocks (bonds). Holdings of these securities by other units within the General Government sector are consolidated. The sources of data used to record these liabilities at market value are the end of quarter official price lists published by the Malta Stock Exchange, the daily indicative market prices published by the Central Bank of Malta and reports issued by the Debt Management Directorate within the Treasury.

Extra Budgetary Units: not applicable

### **Loans (AF.4)**

#### **Assets**

Budgetary Central Government grants long-term loans to various entities, including public corporations, foreign countries and the re-routed EFSF debt. Direct sources are reports made available by the Ministry of Finance, the Treasury and the National Statistics Office.

Extra Budgetary Units support households and enterprises with loans. Loans between EBUs are consolidated.

For further information on loans granted by the central government refer to section 7.2.1.

#### **Liabilities**

Budgetary Central Government owes money in the form of long-term loans to various entities local domestic bank, foreign banks and international organisations. This also incorporates the re-routed EFSF debt (same amount as reported on the asset side). The sources used to compile data on these loans are the sanction letters drafted by the commercial banks, reports provided by the Treasury, the National Statistics Office and reports on the reference exchange rates published by the Central bank of Malta. Loans denominated in foreign currency are converted to the national currency at the market exchange rate prevailing on the date to which the balance sheet relates.

Extra Budgetary Units hold loans with domestic commercial banks.



## **Shares and other equity (AF.5)**

### **Assets**

Budgetary Central Government: invests in various economic sectors of the economy, mostly public corporations and international organisations. The investment in extra budgetary units is consolidated. Shareholding in listed companies is valued according to prevailing market prices while, in general, unlisted shareholding and equity is valued at cost. For some of the unlisted shareholding the net asset value approach is applied. Shareholding denominated in foreign currency is valued in accordance to the market exchange rate prevailing on the date the balance sheet relates. The data sources include reports provided by the Treasury, the Malta Government Investments Limited, the Malta Stock Exchange, the Ministry of Finance, the National Statistics Office and the Central Bank of Malta.

Extra Budgetary Units: hold some equity in private entities.

### **Liabilities**

Budgetary Central Government: not applicable

Extra Budgetary Units' liability in shares and other equity relate to the Government investment in certain EBUs. This transaction is consolidated.

## **Insurance, pension and standardised guarantee scheme (F.6)**

### **Assets**

Not applicable.

### **Liabilities**

A social security second pillar scheme is not available in Malta. The Housing Authority guarantees meet the criteria of standardised guarantees and as such are recorded as AF66 Provision for calls under standardised guarantees.

## **Financial Derivatives and employee stock options (F.7)**

### **Assets and liabilities**

Employee stock options: are not available in the General Government Sector.

Financial Derivatives: Extra Budgetary Units dealing in foreign exchange currencies may use financial derivatives, such as with the case of the Malta Freeport Corporation when this entity was featuring in the General Government Sector.

## **Other accounts receivable and payable (AF.8)**

### **Assets**

Budgetary Central Government other accounts receivable include the counterparty transactions of the accruals adjustments in the 'other accounts receivable' in EDP table 2, among which the Treasury accruals' template (accrued income, debtors and prepayments), time-adjusted cash, EU funds reimbursement of expenditure, , etc. This item also includes the EFSF re-routed accounts receivable. The main data sources are reports generated by the Treasury, the Ministry of Finance and calculations by NSO.

Extra Budgetary Units have normal transactions in other accounts receivable.

### **Liabilities**

Budgetary Central Government other accounts payable include the counterparty transactions of the accruals adjustments in the ‘other accounts payable’ in EDP table 2, among which the Treasury accruals template (accrued expenditure, creditors and deferred income), EU funds advance payments, adjustment for EU own contribution, church stock adjustment, etc. This item also includes the EFSF re-routed accounts payable and the court and other deposits, mentioned in section 3.6.4. As mentioned in the section on F2 assets, in F8 the bank balances of the EU advance payments and the taxes from international trading companies are recorded. The main data sources are the Treasury, the International Tax Unit and the National Statistics Office.

Extra Budgetary Units have normal transactions in other accounts payable.

All the financial transactions are recorded at the transaction value and in accordance with the accruals principles. The source data for the extra budgetary units are their audited financial statements and the balance sheet templates of the FDRS. Counterpart data is used only for counterpart purposes.

At the NSO, the compilers of the financial and of the non-financial accounts of general government work in the same unit. Both sets of compilers use the same sources of data. In this way difficulties relating to methodological issues specific transactions reflected in the financial accounts such as debt cancellation, debt assumption, super-dividends, capital injections and time of recording as well as other issues, are discussed and dealt with in a consistent manner. This coordination also assists in improving the consistency of the data while concurrently reducing the discrepancy between the B9 and B9f.

#### **3.2.4.2**            *Other stock-flow adjustments*

In the case of Malta, the other stock-flow adjustments reported in Table 3B relate to:

- (i) government issuances of security above or below nominal value;
- (ii) accrued interest of the securities;
- (iii) government security redeemed at a value above or below the nominal value;
- (iv) appreciation/depreciation of the foreign currency debt; and
- (v) changes in sector classifications.

Hereunder is a short description on the methodology used to compile these stock-flow adjustments:

(i) “Issuance above/below nominal value”: When the government issues a security above the nominal value in a particular year the difference between the issued value and nominal value is reported in that particular year. On the other hand, if government securities (namely Treasury Bills) are issued below the nominal value, the difference again is reported here. The data are available at the Treasury and Malta Stock Exchange.

(ii) “Difference between interest accrued and paid”: For each security (both the Malta Government Stocks and the Treasury Bills), the accrued interest for a period is calculated and

reported here. Moreover, if a security was issued above the par value, the difference between the issue value and the par value needs to be apportioned throughout the lifetime of the security, as per ESA2010 methodology. This apportionment is included in this item as well.

(iii) “Redemptions of debt above/below nominal value”: The government stocks issued in the name of the Archdiocese of Malta are repaid back by the Government of Malta in an amount above the nominal value as outlined in the Holy See and the Government of Malta agreement in relation to the transfer of immovable property signed in November 1991. For further information refer to section 3.2.3.4.2.

(iv) “Appreciation/depreciation of foreign currency debt”: Includes the change in the flow of the external loans due to exchange rates fluctuations. The data on foreign loans are compiled on a monthly basis by the Central Bank of Malta and the Treasury. Data is cross-checked on a quarterly basis. The exchange rate used to calculate the appreciation or depreciation is the one prevailing at the end of the reference period. For EBU data is obtained from the audited financial accounts.

(v) “Changes in sector classifications”: This item captures any reclassification of an institutional unit within or outside the General Government sector. The latest major changes in sector classification of a significant magnitude were reported in 2008 due to the reclassification of the Malta Shipyards from the Non-Financial Corporation sector to the General Government sector and in 2012 with reclassification of the Malta Freeport Corporation outside the General Government sector.

With regards to the “Other volume changes in financial liabilities” and “interest flow attributable to swaps and FRAs”, so far such information is not applicable to Malta’s General Government sector.

### 3.2.4.3 *Balancing of non-financial and financial accounts, transactions in F.8*

This section aims at describing of techniques and methods for balancing non-financial and financial accounts applied generally for the whole general government sector.

#### *Allocation of discrepancy B.9 vs B.9f*

The discrepancies between B9 and B9f are not allocated, neither in the financial nor in non-financial accounts.

#### *Changes to intermediate data*

Counterpart data are used only as supplementary information for the financial accounts.

Discrepancies are not allocated.

#### *Complementary elements on stocks/*

Not applicable.

### *Accruals*

The high discrepancies observed on a quarterly basis contrary to the low discrepancies on an annual basis indicate that the discrepancies are related to time of recording issues.

### *Ex-post monitoring*

Prior to sending quarterly and annual financial and non-financial accounts a test is run to identify quarters with high discrepancies. If the resources permit, the quarters with discrepancies exceeding the permitted thresholds are investigated. The thresholds are 2.0% of GDP for quarterly data and 0.2% for annual data.

### **3.3 State government sub-sector, EDP table 2B and 3C**

Not Applicable.

### 3.4 Local government sub-sector, EDP table 2C and 3D

#### 3.4.1 Data sources for Local Government main unit: municipalities, localities

**Table 5 – Availability and use of basic source data for main local government units**

| Available source data    |                       |  |                 | Source Data Accounting   | Source data used for compilation of |           |           |
|--------------------------|-----------------------|--|-----------------|--|-------------------------------------|-----------|-----------|
| Accounting basis (C/A/M) | Periodicity (M/Q/A/O) | Time of availability of annual results for T-1 |                 |  | WB                                  | B.9 (NFA) | B.9f (FA) |
|                          |                       | First results                                  | Final data      |  |                                     |           |           |
| 1                        | 2                     | 3  | 4               | 5  | 6                                   | 7         | 8         |
|                          |                       | <i>T + days</i>                                | <i>T+months</i> |  | <i>cross appropriate cells</i>      |           |           |
|                          |                       |  |                 | <b>Budget Reporting</b>  |                                     |           |           |
|                          |                       |  |                 | (1) Current revenue and expenditure  |                                     |           |           |
|                          |                       |  |                 | (2) Current and capital revenue and expenditure                            |                                     |           |           |
|                          |                       |  |                 | (3) Current and capital revenue and expenditure and financial transactions |                                     |           |           |
|                          |                       |  |                 | (4) Balance sheets   |                                     |           |           |
|                          |                       |  |                 | <b>Financial Statements</b>  |                                     |           |           |
| A                        | A                     | T+210  | T+7             | (5) Profit and loss accounts   | X                                   | X         | X         |
| A                        | A                     | T+210  | T+7             | (6) Balance sheets   | X                                   | X         | X         |
| A                        | A                     | T+210  | T+7             | (7) Cash flow statement  | X                                   | X         | X         |
|                          |                       |  |                 | <b>Other Reporting</b>   |                                     |           |           |
|                          |                       |  |                 | (8) Statistical surveys  |                                     |           |           |
|                          |                       |  |                 | (9) Other:   |                                     |           |           |
|                          |                       |  |                 |  |                                     |           |           |
|                          |                       |  |                 |  |                                     |           |           |

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

#### 3.4.1.1 Details of the basic data sources

The basic data for the Local Government sector are taken from the individual audited accounts of the 68 local councils, 5 regional committees, Local Council Association and the Local Enforcement Services Agency (LESA). The Local Councils are required by law to forward an audited financial report to the Department of Local Government. In effect, Local Councils send two copies of their audited financial statements to the Department of Local Government, one is kept by the Department and one is forwarded to the NSO.

The MoF's budget allocation is used as a benchmark to estimate the data for year n (April and October), and for year n-1 (April). Since the local councils are not authorised to raise taxes, and they depend mostly on the budget allocation for their respective funds, these estimates are considered reliable. As soon as the audited statements are available, the estimates are updated accordingly.

#### **3.4.1.2**            *Statistical surveys used as a basic data source*

Not Applicable

#### **3.4.1.3**            *Supplementary data sources and analytical information*

Since the audited accounts submitted to the NSO are quite detailed and are drawn up according to the accruals based principle, no supplementary data sources are required.

3.4.1.3.1    Supplementary data sources used for the compilation of non-financial accounts

3.4.1.3.2    Supplementary data sources used for the compilation of financial accounts

#### **3.4.2**    **Data sources for other Local Government units**

Not applicable.

**Table 6 – Availability and use of basic source data for other local government unit**

| Available source data    |                       |  |                 | Source Data Accounting   | Source data used for compilation of |           |           |
|--------------------------|-----------------------|--|-----------------|--|-------------------------------------|-----------|-----------|
| Accounting basis (C/A/M) | Periodicity (M/Q/A/O) | Time of availability of annual results for T-1 |                 |  | WB                                  | B.9 (NFA) | B.9f (FA) |
|                          |                       | First results                                  | Final data      |  |                                     |           |           |
| 1                        | 2                     | 3  | 4               | 5  | 6                                   | 7         | 8         |
|                          |                       | <i>T + days</i>                                | <i>T+months</i> |  | <i>cross appropriate cells</i>      |           |           |
|                          |                       |  |                 | <b>Budget Reporting</b>  |                                     |           |           |
|                          |                       |  |                 | (1) Current revenue and expenditure  |                                     |           |           |
|                          |                       |  |                 | (2) Current and capital revenue and expenditure                            |                                     |           |           |
| C                        | Q                     | T+55   | T+7             | (3) Current and capital revenue and expenditure and financial transactions | x                                   | x         | x         |
| A                        | Q                     | T+55   | T+7             | (4) Balance sheets   |                                     |           | x         |
|                          |                       |  |                 | <b>Financial Statements</b>  |                                     |           |           |
| A                        | A                     | T+150  | T+7             | (5) Profit and loss accounts   |                                     |           |           |
| A                        | A                     | T+150  | T+7             | (6) Balance sheets   |                                     |           |           |
|                          |                       |  |                 | (7) Cash flow statement  |                                     |           |           |
|                          |                       |  |                 | <b>Other Reporting</b>   |                                     |           |           |
|                          |                       |  |                 | (8) Statistical surveys  |                                     |           |           |
|                          |                       |  |                 | (9) Other:   |                                     |           |           |
|                          |                       |  |                 |  |                                     |           |           |
|                          |                       |  |                 |  |                                     |           |           |

*Accounting basis (column 1): C- cash, A- accrual, M-mixed*

*Periodicity (column 2); M - monthly, Q - quarterly, A - accrual, O - other, to be specified.*

*Time of availability (column 4): availability of annual results for T-1 = number of months and days after the reporting period.*

*Column 6, 7 and 8 – those cells are crossed which refer to data sources used for compilation of the WB, B.9 (non-financial accounts) and B.9f (financial accounts), respectively.*

*Empty cells in column 1, 2, 3 and 4 mean that the data source does not exist.*

#### 3.4.2.1 Details of the basic data sources

Not Applicable

#### 3.4.2.2 Statistical surveys used as a basic data source

Not Applicable



### 3.4.2.3 *Supplementary data sources and analytical information*

Not Applicable

### 3.4.3 **EDP table 2C**

#### 3.4.3.1 *Working balance - use for the compilation of national accounts*

The data sources for the Local Government are the individual audited financial statements, which are drawn up under the accruals-based principle. The working balance of EDP table 2C consists of the aggregated Profit and Loss (P&L) account balance as reported in the individual local council's audited accounts. In this case, the transition between the working balance and the local government deficit / surplus is basically the reconciliation between the local council's audited accounts prepared in accordance to the requirements of the International Financial Reporting Standards (IFRS) and the ESA net lending / net borrowing.

#### 3.4.3.2 *Legal basis of the working balance*

Local Councils financial statements are drawn up in accordance with the accounting policies and reporting procedures prescribed for Local Councils in the Financial Regulations issued by the Minister for Finance in conjunction with the Minister responsible for Local Government in terms of section 67 of the Local Councils Act (Cap 363). The Local Councils are required to prepare a detailed annual administrative report which includes a statement of the Local Council's income and expenditure for the year and of the Council's retained funds at the end of the year. It is the duty of each individual Local Council to ensure that these statements are presented fairly and in compliance with the Local Councils (Financial) Regulations and the Local Councils (Financial) Procedures issued in terms of the said Act.

The National Audit Office is in charge of auditing the Local Councils' financial statements. However, these audits are subcontracted to private audit firms. The accounts of the Local Councils are available to the NSO through the Local Councils Department around seven months after the end of their financial year (which ends in December). These are then taken into consideration for the second submission of the EDP notification and therefore no changes affect the working balance as a result of auditing.

For further information on auditing, refer to section 2.2.2.1.

The subvention given by the government to each Local Council is voted for in Parliament. This is done in the fourth quarter of every year, in line with the presentation of the government's budget.

#### 3.4.3.3 *Coverage of units in the working balance*

Not Applicable

3.4.3.3.1 Units to be classified outside the subsector, but reported in the WB

3.4.3.3.2 Units to be classified inside the subsector, but not reported in the WB

3.4.3.4 *Accounting basis of the working balance*

The aggregated P&L accounts data used to compute the working balance for the local government are obtained from the audited financial reports, which are drawn up under the accruals based principle. The financial statements are prepared in accordance to the requirements of the International Financial Reporting Standards (IFRS).

3.4.3.4.1 Accrual adjustments relating to interest D.41, as reported in EDP T2C

Primary source data is already accruals based.

3.4.3.4.2 Accrual adjustments reported under other accounts receivable/payable F.7 in EDP T2C

Primary source data is already accruals based.

3.4.3.4.3 Other accrual adjustments in EDP T2C

Primary source data is already accruals based.

3.4.3.5 *Completeness of non-financial flows covered in the working balance*

*Items not reported in the P&L account but reported in national accounts:*

- *Purchase of property, plant and equipment (GFCF)*
- *Change in inventories*
- *Capital grants, received*
- *Capital grant, payable*

3.4.3.6 *Financial transactions included in the working balance*

Not Applicable.

3.4.3.7 *Other adjustments reported in EDP T2C*

In the 'Other adjustment' the following items are reported:

*Items not reported in national accounts but reported in the P&L account:*

- *Depreciation charge*
- *Adjustment for Provision for doubtful debts*
- *Other adjustments*

### 3.4.3.8 *Net lending/net borrowing of local government*

The same source data is used for the WB and B.9.

### 3.4.4 **EDP table 3D**

#### 3.4.4.1 *Transactions in financial assets and liabilities*

**Table 7. Data used for compilation of transactions and of stocks of financial assets and liabilities**

|   | Assets                             |     |     |     |     |     |     | Liabilities |     |     |     |     |     |     |
|---|------------------------------------|-----|-----|-----|-----|-----|-----|-------------|-----|-----|-----|-----|-----|-----|
| Source Data   | F.2                                | F.3 | F.4 | F.5 | F.6 | F.7 | F.8 | F.2         | F.3 | F.4 | F.5 | F.6 | F.7 | F.8 |
|   | <b>Calculation of transactions</b> |     |     |     |     |     |     |             |     |     |     |     |     |     |
| Transaction data<br>(integrated in public accounts) | X                                  | X   |     | X   |     | X   | X   |             |     | X   |     |     | X   | X   |
| Other transaction data                              | X                                  | X   |     | X   |     | X   | X   |             |     | X   |     |     | X   | X   |
| Stock data  | X                                  | X   |     | X   |     | X   | X   |             |     | X   |     |     | X   | X   |
|   | <b>Calculation of stocks</b>       |     |     |     |     |     |     |             |     |     |     |     |     |     |
| Transaction data                                    | X                                  | X   |     | X   |     | X   | X   |             |     | X   |     |     | X   | X   |
| Stock data  | X                                  | X   |     | X   |     | X   | X   |             |     | X   |     |     | X   | X   |

The source for the financial accounts of the Local Government subsector is their respective audited accounts. No amendments to the data sources are made. Counterpart information is not used to amend data sources.

For Malta's local councils, the financial assets are in currency and deposits (F2), securities other than shares (F3), shares and other equity (F5) and other accounts receivable (F8), while the financial liabilities are in loans (F4) and other accounts payable (F8). The other instruments are not applicable.

#### 3.4.4.2 *Other stock-flow adjustments*

No stock-flow adjustments are necessary for the Local Government Sector.

### **3.5 Social security sub-sector, EDP table 2D and 3E**

Not applicable.

### **3.6 Link between EDP T2 and related EDP T3**

The monitoring of the link between the individual adjustments in EDP T2 and the related transactions reported in EDP T3 is important for the assessment of GFS data quality.

It is not expected that the adjustments from EDP T2 would be clearly identified in EDT3.

- First, this is due to different coverage of units, because the adjustments in EDP T2 should refer only to the main entity reported in the WB, while transactions in EDP T3 reflect the whole subsector.
- Second, due to the accounting basis and coverage of transactions reported in the WB. For the former, if the WB is on accrual basis, theoretically there is no need for adjustments in other accounts receivable/payable F.8 in EDP T2, but it should be ensured that the accrual recordings in non-financial accounts are linked to transactions in F.8 reported in EDP T3 and in FA. For the latter (coverage of transactions), the WB balance as reported in EDP T2 typically does not cover all financial flows, since some are booked in the so called extra-budgetary accounts of the main entity.
- Third, adjustments/transactions reported in EDP T2A are non-consolidated, since they refer to the main entity only, as recorded in the working balance (e.g. loans, other accounts receivable/payable, etc.), while financial transactions recorded in EDP T3 refer to the whole subsector and are consolidated.

As far as specific imputations are concerned, such as debt cancellation, debt assumption etc., which are reported in EDP T2, these should be reflected also in financial accounts and EDP T3 under the related financial instrument.

Therefore, in order to ensure consistency between non-financial and financial accounts and quality of GFS data, statisticians are to be able to explain and to quantify a link between flows reported in EDP T2 and EDP T3.

#### **3.6.1 Coverage of units**

The General Government Sector non-financial and financial accounts are compiled by the same unit within the NSO, and therefore the level of consistency between the two data sets is easily achievable. The same applies for the compilation of EDP tables 2 and 3. The coverage of units is consistent as the same register of units is used for Government Ministries and Departments, for Extra Budgetary Units and the Local Government Sector.

#### **3.6.2 Financial transactions**

Financial transactions that are excluded from the working balance as reported in EDP Table 2, such as proceeds from sale of financial assets, acquisition of equity and issuance of loans, feature in the financial accounts and EDP Table 3. Financial transactions that feature in the working balance and as an adjustment in EDP Table 2, such as an increase in share capital of international organisations, are reported consistently in the financial account and EDP Table 3.

### **3.6.3 Adjustments for accrued interest D.41**

The adjustment item ‘Difference between interest paid (+) and accrued’ in EDP Table 2 refers only to the interest expenditure. The accrued interest revenue is recorded under the item ‘Other accounts receivable’.

The item “difference between interest paid and accrued” is not fully consistent between the same item reported in EDP Tables 2 and 3. The calculation of the accrued interest expenditure, mentioned in section 3.2.3.4.1, features in both EDP Tables 2 and 3. The differences are due to the recording of securities issued above the par value., in which case the difference between the issue value and the par value is apportioned throughout the lifetime of the security. This apportionment, referred to as the premium accrued, for year t is included in the item “difference between interest paid and accrued” in both EDP Tables 2 and 3.

In Table 2, the premium cash features as follows:

- all the revenue from the premium proceeds from the issuance of Malta Government Stocks is recorded within the working balance;
- under the category ‘difference between interest paid and accrued’ there is the difference between the premium proceeds received in year t and the premium apportionment accrued for year t.

On the other hand, the premium cash in EDP Table 3 features as an increase in Currency and Deposits and with a contra-sign in the item “Issuances above (-) / below (+) nominal value”.

### **3.6.4 Other accounts receivable/payable F.8**

All the accruals adjustments reflected in the non-financial accounts, such as the Treasury accruals templates, time-adjusted cash, adjustment for EU Funds, etc. feature in the financial accounts in F8. The interest receivable is reported in F8 receivables in the non-financial accounts, though in the financial accounts it features with the relevant financial instrument. As a measure of quality control on the EDP process one of the checks done is to ensure that the accrual adjustments reported in the non-financial accounts feature also in the financial accounts.

In the financial accounts in F8 payable there are two Treasury Clearance Funds – Court Deposits and Other Deposits, which feature only in the financial accounts. These deposits are held in the TCF as these cannot be regarded as revenue within the Consolidated Fund, since they could be eventually refunded, as is the case with Court Deposits. Moreover, another item that features in F8 payable in the financial accounts and not in the non-financial accounts are the departmental bank balances (EU funds and ITUs) held at the Central Bank of Malta (refer to section 3.2.4)

Since 2011, the re-routed data for the European Financial Stability Facility (EFSF) for the present value of loan margins and margin interest rates are included in the financial accounts and EDP Table 3 under F.8 assets and liabilities. In the EDP Table 2, the information relating to the EFSF re-routed data is included in detail 5 of the category ‘Non-financial transactions not included in the working balance’.

### **3.6.5 Other adjustments/imputations**

Methodological adjustments reported in the EDP Table 2 are consistently recorded in the EDP Table 3, such as:

- Superdividends – recorded as withdrawal of equity, reduction of F5 assets
- Debt assumption – recorded as increase in liabilities in securities (F3) and loans (F4)
- Debt cancellation – recorded as a decrease in government loan assets
- Equity acquisitions – increase in the government equity (F5)

The NSO ensures that there is full consistency in the recording of these adjustments in EDP Tables 2 and 3 and in the financial and non-financial accounts.

### **3.7 General comments on data sources**

Overall the NSO is satisfied with the data provided by the upstream data providers. Data sources available are of good quality, consistent with the definitions, scope, classification and valuation of the guidelines based on international manuals, such as ESA2010.

There are changes foreseen in the accounting practices and standards used by the Budgetary Central Government as it is the Government's intention to implement the International Public Sector Accounting Standards (IPSAS). Some IPSAS standards are already partially implemented. Refer to section 2.2.1 under Treasury for further information.

### **3.8 EDP table 4**

Table 4 – The statements on the provision of additional data contained in the Council minutes of 23/11/1993 request the submission of trade credits and advances, amounts outstanding in the government debt from the financing of public undertakings, differences between the face value and the present value of government debt and GNI at market prices.

#### **3.8.1 Trade credits and advances**

Starting from the April 2013 EDP Notification the item Trade Credits and Advances includes the data for the whole General Government Sector. Before, this item included only data relating to Extra Budgetary Units and Local Councils, which is obtained from their respective audited financial statements.

Based on one of the 2012 EDP Mission's main action points, NSO compiled an estimate covering the trade credits for the Government Ministries and Departments as direct information is not available from the upstream data provider. In order to distinguish between trade credits and other payables, the Treasury's Creditors template was used. The template is designed to gather data based on a list of specified categories which are in line with the Government's format of budgetary votes. The template incorporates also information on the analysis of creditors calculated by the number of days overdue.





## 4. Revision policy used for annual GFS

This section relates to the revision policy concerning annual non-financial and financial government accounts. It describes the country policy for revisions with and without impact on the deficit (non-financial accounts for general government) and debt (financial accounts for general government).

### 4.1 Existence of a revision policy in your country

A written revision policy related to EDP data and the underlying ESA2010 government accounts is not in place.

For EDP data, the data for year t-4, t-3, and t-2 is considered final. However, if exceptional revisions are necessary NSO will still adopt these revisions for years considered final. The main reasons for revisions, which are sometimes beyond NSO's control, are:

- Availability of audited accounts for extra budgetary units and local councils, mainly for year t in October notification
- Revisions in the accruals templates collected by the Treasury. Whenever the Treasury detects mistakes or methodological errors, it requests the department concerned to adopt the correct methodology and revise back data accordingly.
- Reclassifications of units within or outside the General Government Sector.

In the quarterly non-financial accounts for the General Governments Sector, the revision policy is:

- For the first two accounts from the full sequence of accounts, which are used for the compilation of the GDP, revisions are in line with the National Accounts policy; in general 12 to 16 quarters are revised.
- For Table 25, quarterly general government sector non-financial accounts, for the June transmission (Q1) and December transmission (Q3) the policy is to not revise annual B9 data. Annual data is revised only at the time of the submission of the April and October EDP notifications.

#### 4.1.1 Relating to deficit and non-financial accounts

Revisions impacting the deficit occur during the April and October EDP Notification rounds.

#### 4.1.2 Relating to debt and financial accounts

Revisions impacting the debt and financial accounts occur on a quarterly basis, the number of revised quarters is not more than eight quarters.

## **4.2 Reasons for other than ordinary revisions**

The revenue and expenditure figures of the Consolidated Fund (working balance EDP Table 2) are based on actual cash transactions and are therefore not normally subject to revision.

In case the revisions are due to the existence of new data sources or details which were not available in the past, NSO revises the data accordingly in the subsequent EDP Notification.

Revisions due to changes in methodologies at EU level, e.g. introduction of the Nace Rev. 2 classification, new European System of Accounts (ESA 2010), update of the Manual on Government Deficit and Debt (MGDD) or new decisions or guidelines issued by Eurostat in the area of the government finance statistics, are adopted when required by Eurostat.

Revisions due to potential errors in the EDP Notification are made on detection, or in the subsequent EDP notification in line with European Statistics Code of Practice principle 6.3.

## **4.3 Timetable for finalising and revising the accounts**

Not applicable.

## B. Methodological issues

### 5. Sector delimitation – practical aspects

#### 5.1 Sector classification of units

General government is defined by ESA2010 §2.111 as "...all institutional units which are non-market producers whose output is intended for individual and collective consumption, and are financed by compulsory payments made by units belonging to other sectors, and institutional units principally engaged in the redistribution of national income and wealth". Moreover, §20.05 specifies that the general government sector "consists of all government units and all non-market non-profits institutions (NPIs) that are controlled by government units. It also comprises other non-market producers as identified in paragraphs 20.18 to 20.39".

It is necessary to determine:

- a. if it is an institutional unit (ESA2010 2.12 describes the rules according to which an entity can be considered as an institutional unit)
- b. if it is a public institutional unit (ESA2010 §20.18 and MGDD 1.2.3 – define the notion of control by the government over an entity as "the ability to determine the general policy or programme of that entity"....According to the list of criteria listed in ESA2010 §20.309)
- c. if it is a non-market public institutional unit - reference to "Market-non-market delineation (ESA2010 §20.19 to §20.28 and MGDD I.2.4)"

The General Government Sector and its subsectors include only institutional units. The Budgetary Central Government, which comprises the Government Ministries and Departments, is treated as one institutional unit. The other components of Central Government (S.1311) are the entities termed as Extra Budgetary Units. These are non-market producers, not selling at economically significant prices or providing services for free, have decision-making autonomy, are owned and supported by government and keep a complete set of accounts. The local councils making up the local government subsector are all treated as institutional units and non-market providers, given that they provide their services to the community for free.

The main criterion for sector delimitation is the quantitative test of the 50% rule (i.e. total sales [market output] cover less than 50% of costs [consisting of: compensation of employees, intermediate consumption, consumption of fixed capital, taxes on production and net interest charge]). For the purpose of the market/non-market test, the data for the consumption of fixed capital represents the depreciation from business accounts without adjustment for all companies except for infrastructure companies and those with significant assets. All public corporations and extra budgetary units are regularly tested. The delimitation exercise is an exercise carried out by NSO with the cooperation of the Ministry of Finance (MoF) and, when necessary, the input of the Central Bank of Malta.

The delimitation template used in the process of deciding the sector classification of public entities can be found in Annex IV.

The delimitation exercise is conducted twice a year, prior to each EDP notification. The number of years covered depend on how long a particular entity has been operating. The final (annual) audited accounts of each individual entity are used to conduct the delimitation exercise. The

financial statements are drawn up once a year. Since, the delimitation exercise is carried out twice a year before each notification, and the majority of the EBUs have a financial year ending 31<sup>st</sup> December, the annual financial statements for year n-1 may still not be ready in time for the first notification. Hence, data in this case are taken from the GDP/EDP estimates mainly based on data extracted from the Financial Data Reporting System (FDRS). Any borderline cases are revisited regularly and, following consultation in the Government Finance Committee, appropriate decisions are taken as necessary. The criterion has to be satisfied for three successive years before any decision on the reclassification of a unit is taken.

Qualitative aspects are also taken in consideration for the sector/subsector classification. These are other criteria for units in a particular area of activity, amongst which:

- Units selling its output only to Government
- Public Units in liquidation
- Units engaged in financial activities
- Public head offices and public holding companies

### **5.1.1 Criteria used for sector classification of new units**

Banking on the close relationship and good communication between the NSO and the MoF (specifically the Budget Office and the Treasury), NSO is immediately informed when a new unit is created.

Discussions are held between MoF (specifically the Budget Office and the Treasury) and the NSO whenever a new entity is set up and also when substantial funding level changes are involved. Any entities which are so identified are then examined in considerable detail based on a specifically designed template to determine its sector delineation. In cases where new entities are set up, the NSO would request the MoF to provide a budget plan for this new entity so as to compile the sector delineation. Once the entity is set up and becomes operative, the case is followed so that the sector delineation exercise is confirmed using actual audited accounts. If necessary, the issue on whether an entity should be included in the government sector or not is discussed in the GFS Committee.

### **5.1.2 Updating of the register**

The Public Finance Unit at the NSO maintains two registers: one for the Extra Budgetary Units and one for the Public Corporations.

#### Extra Budgetary Units

Maintaining the list of Extra Budgetary Units is the responsibility of the Public Finance Unit. For consistency in the coverage of the sectors of the total economy, this list, together with relevant information, is forwarded to the NSO's Business Registers Unit, the unit responsible for the Business Register in Malta.

For further information on sector classification refer to section 5.1.

#### Public Corporations

Following Eurostat's request for information on Public Corporations, specifically in relation to the Public Corporations questionnaire, the Public Finance Unit started working on a dedicated

database. This database includes administrative and classification information and financial and employment data. The information is captured from the Public Corporations' audited accounts, starting from 2005 onwards. This database is useful in monitoring the corporations and in catering for the local demand for this information (especially through parliamentary questions).

In the Public Corporation Database for each public corporation the following information is available: Shareholding, Financial Year, Currency, Exchange rate (where applicable), NACE activity, Business Register Number, Company Number (MFSA), Employment, Income Statement split by revenue and expenditure item, Balance Sheet split by non-financial and financial assets and liabilities and the market/non-market test.

A new database containing qualitative information on the Government controlled entities has been created. The main criterion for classifying a government-controlled entity as a public corporation is the ownership of the majority of the voting interest (50+1%). For the other entities in which Government has a minority shareholding, we apply the other control criteria being the rights to appoint or remove majority of officers or board of directors members, the right to veto board meeting decisions, rights under special shares, rights to control via contractual agreements rights to control from permission to borrow and control via excessive regulation.

NSO started publishing a new news release related to Malta's public corporations, which incorporates the latest list of public corporations.

### **5.1.3 Consistency between different data sources concerning classification of units**

The Public Finance Unit is the reference point for the list of EBU's and the Public Corporations for the other Units within the NSO, the Ministry of Finance (including the Treasury, Budget Office and Financial Management and Monitoring Unit), the Central Bank of Malta and other users. In this way, consistency among the different statistical data and domains is ensured.

## **5.2 Existence and classification of specific units**

### **1. Non-Profit Institutions**

There are no non-profit institutions included in the General Government sector.

### **2. Quasi-Corporations**

There are no quasi-corporations included in the General Government sector and no public quasi corporations classified outside the General Government sector.

### **3. Infrastructure companies**

#### **Railways**

Not applicable

## **Roads**

*Transport Malta* (TM) commenced operations in January 2010 and assumed the functions previously exercised by the Malta Transport Authority (previously considered as an EBU), the Malta Maritime Authority (previously considered as a public corporation) and the Civil Aviation Department (Government Department). TM is an autonomous body corporate and a holistic regulator for the transport sector in Malta. Transport Malta is mainly responsible for Merchant Shipping, Integrated Transport Strategy, Ports and Yachting, land transport, roads and infrastructure, and aircraft registration and aviation matters.

From inception TM was not included in General Government. TM is responsible for the collection of the Motor Vehicle Registration Tax and Annual Circulation Tax, on behalf of Government. These taxes are passed over to Government, and in return the Government pays the Authority an administration fee each year. Transport Malta loans are guaranteed by Government. The sales (market output) of TM, among others, include the fees from the ports and yachting directorate (berthing fees, permits, certifications, etc), merchant shipping directorate (fees from the shipping registrar), the administration fee from Government, and fees from aircraft registration.

TM had the responsibility for the arterial and distributor road network in Malta until 2018, when Infrastructure Malta was established to gradually implement the Government's plan for the upgrading of the road network. In 2019, it was also entrusted with the development and maintenance of maritime infrastructure in the Maltese Islands' ports and other coastal locations. All the non-financial assets of road network, as well as the annual recurrent and capital expenditure of the roads in Malta, are featuring in the General Government sector and not in the TM's accounts.

*Infrastructure Malta* has been classified inside the General Government sector.

*In the 2021 Eurostat EDP dialogue mission to Malta an EDP action point concerned the sector classification of Transport Malta, which had to be assessed in line with the Manual on Government Deficit and Debt (2019 edition) chapter 1.6.5.1 – Market Regulatory Bodies. Based on an assessment prepared by the NSO it was decided to classify Transport Malta within the General Government sector due to its regulatory role for the transport sector. The sector classification was implemented from the year of inception, that is 2010 onwards.*

## **Metro**

*Not applicable*

## **Public Utility Companies**

*Enemalta Corporation* is the main provider of energy generation and distribution in the Maltese Islands, incorporating the importation and distribution of petroleum products and the generation and distribution of electricity.

Enemalta's gas division operations were impacted with the 27 November 2008 agreements signed by Enemalta, Gasco Energy Limited and Liquigas Malta Limited for the commercialisation of the Gas Division. These agreements included the transfer of the gas



distribution business from the Corporation to Liquigas Malta Limited, which came into effect as from February 2009.

Enemalta is classified outside the General Government Sector as it is a market producer, produces at economic significant prices and its sales cover more than 50% of the costs. Between 2005 and 2009 and again from 2012 the Government supported Enemalta through subsidies on products. The majority of Enemalta's debt is guaranteed by Government

In 2012, Enemalta set up a special purpose vehicle, Vault Finance Ltd, to restructure its debt. Vault Finance Ltd is administered by a foundation. Property (power stations and distribution centres) belonging to Enemalta Corporation were transferred to the foundation together with an equal amount of Enemalta's debt. The debt was converted to rent paid annually by Enemalta to the foundation by the leasing back of property to Enemalta.

In 2014, Enemalta signed an agreement with China Power Investment Corporation, through its subsidiary Shanghai Electric Power (SEP), which will invest €320 million in Enemalta and will acquire a 33 per cent stake in the corporation. This investment is split as follows – a capital injection of €100 million into Enemalta, an investment of €150 million to acquire the majority shareholding in the BWSC plant, and the remaining €70 million will cover the commitment to convert the BWSC plant to gas. The official agreement was signed on the 12<sup>th</sup> December 2014.

As part of the restructuring of Enemalta, the Petroleum Division, a profitable business, has been hived-off from Enemalta as it lies outside SEP's sphere of expertise and interest, moreover Government wanted to retain control over this business. Government invested a limited amount of equity for the creation of Petromal, the latter borrowed €85 million to fund the acquisition of the Petroleum Division from Enemalta Corporation. Petromal created a new operating company Enemed that will own the ongoing business. Petromal will service the debt from dividends paid to it regularly by Enemed and from the management of its properties. In the eventuality of a strategic investor or an IPO at the level of Enemed, the proceeds would go to Petromal to reduce the debt.

Petromal and Enemed will be directed jointly by the same Board. In setting future investment plans, the Board will need to consider both companies plans together, and not in isolation from each other. For statistical purposes the two companies are treated as one institutional unit, classified outside the General Government sector based on the solid profits generated by Enemed. As soon as the IPO takes place, or a strategic investor invests in Enemed, this would indicate that as from that moment Enemed has a separate, independent management team and board direction. Based on the new guidelines of the Manual on Deficit and Debt (ESA 2010 7<sup>th</sup> Edition) on the classification of holding companies, in the absence of new substantial business activities being carried on by it at that time, Petromal shall be reclassified within the General Government Sector.

Competition in the electricity generation market has been stimulated and there will now be 3 operators doing business in this market namely Enemalta, Malta Power and Gas Corporation (MPGC), and Shanghai Electric Power (SEP) in a joint venture with Enemalta. The plants will run on natural gas (LNG). Enemalta Corporation will also own and operate the interconnector.

The agreement with MPGC is finalised. MPGC will build and operate a 215 Mega Watt (MW) Combined Cycle Gas Turbine Power Plant, Floating Storage Unit and Onshore Regasification



Facility. The necessary MEPA permits have been issued. The price charged to EMC is fixed for the first five years.

The BWSC plant, a 144MW 4 stroke medium speed diesel engines, operating in combined cycle mode, is already operational and will be converted to gas. Conversion is expected to be completed by 2015.

Enemalta concluded the installation of the interconnector with 200MW potential.

Water Services Corporation is the sole and exclusive entity to acquire, produce, distribute and sell water for domestic, industrial and commercial use. The Corporation is also responsible for the treatment and disposal or re-use of sewage, waste water and storm water.

The Water Services Corporation is classified outside the General Government Sector as it is a market producer, produces at economic significant prices and its sales cover more than 50% of the costs. The Water Services Corporation's debt is guaranteed by Government.

Subsidies towards Water Services Corporation stopped by the end of 2008. The Drainage Directorate of the Water Services Corporation is financed by Government, through Government's intermediate consumption and capital transfers.

Telecommunications sector is run by private producers. In May 2006, the Government sold its 60% shareholding in Maltacom plc to Emirates International Telecommunications (Malta) Limited, a Company which forms part of Tecom Investments.

## **Ports and Airports**

Air Malta plc is the national air carrier of Malta. Ancillary activities of the holding company are ground handling operations, tour operations and other tourism-related activities, and insurance. It was set up in 1973 and is majority-owned (98% of the shares) by the Government. Air Malta is classified outside the General Government Sector as it is a market producer, produces at economically significant prices and its sales cover more than 50% of the costs.

Air Malta has enjoyed many years of highly profitable operations until the late 1990's. Over the years it accumulated substantial wealth, including various hotels and other properties and other operations. However, like many other legacy carriers, in recent years it faced unprecedented economic and financial difficulties – the effect of September 2001 (9/11), spiralling fuel prices, exchange rate fluctuations and the 2008 financial crisis.

In November 2010 Government granted a €52 million loan to Air Malta as temporary financial assistance until a rescue and restructuring plan is agreed with the European Commission. The loan had an interest rate of 6.49% with an initial term of 6 months, extendable until a decision by the European Commissioner is taken. The Commission approved the restructuring aid for Air Malta plc in June 2012 and in November 2012 the loan was paid in full together with interest of €5.9 million. Back-to-back, the Government granted a new commercial loan of €52 million, with an interest rate at 300 basis points over the EU Base reference interest rate for Malta, to be repaid back in 2015 and 2016.

In the budget speech for 2012, the Government committed the following equity injections towards Air Malta plc: 2012: €20 million; 2013: €40 million; 2014: €15 million. NSO is classifying these equity injections as capital transfers payable, based on Part VII of the Manual on Government Debt and Deficit whereby any equity injection into a public company with a loss-making history is to be considered as a capital transfer (III.2.3.2.39).

In the first quarter of 2015, as planned, there was a loan-to-equity conversion of €40 million. NSO applied the capital injection test to verify whether Air Malta is profitable or not. Air Malta failed the test and thus the converted amount was recorded as capital transfers payable with an impact on the General Government deficit. The remaining €12 million were converted to equity in 2016.

As part of the reorganization of Air Malta's business model and strategy and in line with the restructuring plan, the company focused on retaining the core business as a commercial airline and in this respect, it started carving out a number of business segments from the company:

#### 1. Transfer of landing rights

In 2018, Government incorporated a new company, Malta Air Travel Ltd (a.k.a Malta Med Air Ltd), with the primary objective being to purchase and hold Air Malta's landing slots primarily those at Heathrow Airport. The intention was to take over and segregate the slot ownership from Air Malta plc in the overall strategy plan that Air Malta is transformed into the airline of the Mediterranean. The Air Malta plc slots were valued by international valuers at €57.5 million. Malta Air Travel Ltd purchased these slots at a market value and leased them back to Air Malta plc at market driven rates. The lease period is of at least 15 years. Government funded the slot acquisition through an equity injection.

*Malta Air Travel Ltd* was classified outside the General Government sector on the basis of the market/non-market test. Concerning the government equity injection of €57.5 million, this has been recorded as a capital transfer impacting the government's fiscal balance in 2018 as this arrangement was seen as another way to organise the activities of Air Malta by redistributing tasks between two different legal entities and as another way to raise finance from Government to Air Malta.

#### 2. Transfer of ground handling services

In 2018, Government incorporated another new company, Air Malta Aviation Services Ltd to take over the ground handling services provided at the airport by Air Malta.

*Air Malta Aviation Services Ltd* is classified as a public non-financial corporation, while the Government's equity injection of €5.0 million was classified a capital transfer on the same considerations as above.

#### 3. Transfer of the intellectual property rights comprised in the 'Air Malta' brand

In 2019, Air Malta disposed of the intellectual property rights comprised in the 'Air Malta' brand to IP Holding Ltd ("IPH"), a subsidiary of Air Malta plc, with IPH licensing back the brand name to Air Malta for a period of 20 years. The Air Malta brand has been valued at €21.0 million in March 2019 by Brand Finance, a leading brand valuation and strategy firm, appointed by Government (GOM). The yearly royalty fee charged to Air Malta is indicated as a

percentage (0.98%) of Air Malta's turnover in a particular year. Government acquired the shareholding in IPH (and consequently ownership of the Air Malta brand) in tranches.

IP Holding Ltd is classified as a public non-financial company.

The government equity injection for the purchase of IP Holding Ltd from Air Malta of €8.0 million and €13.0 million in 2019 and 2020, respectively, were classified as capital injection impacting the fiscal balance as it the transaction is seen as an indirect way to raise more finance to Air Malta plc.

#### Malta Air Ltd

In June 2019, Ryanair, together with the Government, set up a subsidiary airline called Malta Air consisting of an initial fleet of 10 aircraft and taking over the 61 flights operated by Ryanair from the island. The fleet will be registered in Malta, while a new repair and maintenance hangar could eventually be set up. Ryanair will transfer all its existing Maltese operations to the new airline with its fleet expected to increase from 6 to 10 Boeing 737-800 aircraft and in Malta Air colours by mid-2020.

The shareholding structure of Malta Air Ltd is 99.99% (150,000 shares) for Gulliver Holding Ltd (Ryanair Holding Co) and 0.01% (1 share) for Government. In the company's memorandum and articles of association the Government's golden share, entitles Government the right to veto any proposed resolution to change the name of the Company. Government is not entitled any other rights, including right to vote or any right to receive dividends or assets on winding up or other return on capital. The NSO has concluded that Government is not controlling the Malta Air Ltd through its golden share and it does not influence the general policy of the company, thus Malta Air Ltd is not part of public sector.

Other infrastructure companies related to ports and airports are:

- Malta International Airport – The only airport in Malta was privatised by Government in 2002. MIA also operated the Gozo heliport in the years it was functioning as such.
- Malta Air Traffic Services Limited – Public corporation providing air navigation services within the Malta Flight Information Region.
- Gozo Channel – Public Corporation operating the ferry service between Malta and Gozo.

The above companies do not form part of General Government.

- Malta Freeport Corporation – Public corporation running the maritime transshipment logistics centre and responsible for container handling and industrial storage. The introduction of the ESA2010 supplemented the definition of production costs with the introduction of the net interest as a measure of the "costs of borrowed capital". On applying the new quantitative test, the ratio was below the 50 per cent threshold between 1999 and 2011 and therefore it was reclassified inside the general government sector. From 2012 onwards, Malta Freeport Corporation was reclassified inside the non-financial sector on account of better financial results.

#### **4. Universities and schools**

Public schools are owned and controlled by the Government and therefore are fully financed by the Government. All their related outlays are recorded under the Education Department and are featuring in the working balance of EDP table 2. On the other hand, church schools do not form part of General Government. However, the Government transfers a contribution towards these schools. This is recorded under miscellaneous current transfers payable (D75) in the General Government sector.

The University of Malta and the Malta College of Arts, Science and Technology are considered as EBUs, hence form part of General Government. Related data for these entities is taken from their annual financial statements and from the FDRS.

#### **5. Public TV and radio**

*Broadcasting Authority* monitors and regulates all radio and television broadcasts originating from the Maltese Islands. The Broadcasting Authority supervises all local broadcasting stations and ensures their compliance with the legal and licence obligations as well as the preservation of due impartiality in matters of political or industrial controversy or relating to current public policy, while fairly apportioning broadcasting facilities and time between persons who belong to different political parties. The Broadcasting Authority ensures that local broadcasting services consist of public, private and community broadcasts that offer varied and comprehensive programming to cater for all interests and tastes.

The Broadcasting Authority is an EBU and therefore forms part of General Government. All data are taken from their annual audited financial statements.

*Public Broadcasting Services* provides state broadcasting services to the Maltese Islands. The aim of PBS Ltd is to fulfill its mission by offering a wide spectrum of high quality radio and television programmes as well as precise and fair news. Although this activity in itself does not generate revenue, it contributes indirectly towards this end by attracting sponsorships and airtime sales. Public Broadcasting Services Limited operates two general interest television channels and three radio stations. Being a commercial company, PBS Ltd is directed by a Board, which is nominated by Government being the only major shareholder. The Chief Executive who deals with the running of the Company is responsible to the Chairman.

PBS Ltd provides extended public service obligation (EPSO) programmes for the cultural, social and educational development of the society, for which it receives subsidies from Government.

PBS is classified outside the General Government sector.

#### **6. Public Hospitals**

The public hospitals in Malta are the following:

- Mater Dei Hospital
- Sir Anthony Mamo Hospital – specialises in oncology and palliative care and dermatology
- Mental Health Services (formerly Mount Carmel Hospital) – specialises in mental health

Mater Dei, and Sir Paul Boffa Hospitals are owned, controlled and financed by the Government and fall under the Ministry for Health, hence, are part of General Government.

Mental Health Services and The Rehabilitation Hospital Karin Grech are classified as EBUs.

As from November 2015, the Gozo General Hospital and the Rehabilitation Hospital Karin Grech, together with the one-time St Luke's hospital, formed part of the Public Private Partnership agreement between Government of Malta and Vitals Group Ltd for the provision of healthcare and ancillary services and the redevelopment, maintenance and operation of the three hospitals. For further information refer to section 7.6

## **7. SPE/SPV**

No special purpose vehicles are included in the General Government sector.

Public special purpose vehicles are:

- Malita Investments Ltd – to develop, manage and operate projects of national and/or strategic importance such as the City Gate Project, which consists of the construction of an open air theatre, City Gate and Parliament.
- Vault Finance Ltd – to restructure the Enemalta debt

Both SPV's are classified outside the General Government sector.

## **8. Specific public units involved in financial activities**

Public units involved in financial activities are the following public corporations:

- *Malta Financial Services Authority* (MFSA) is the single regulator for financial services activities in Malta. It regulates and supervises credit and financial institutions, investment, trust and insurance business and also houses the country's Companies Registry. The MFSA issues guidance notes, monitors local and international developments, works with relevant parties on legislative matters, and plays a major role in training.

In 2018 the Companies Registry function, the most profitable arm of MFSA, demerged from MFSA into a new entity Malta Business Registry. The Malta Business Registry (MBR), established under Subsidiary Legislation 595.27, is responsible for the registration of new commercial partnerships, the registration of documents related to commercial partnership, the issuing of certified documentation including certificates of good-standing amongst others, the reservation of company names, the collection of registration and other fees, the publication of notices and the imposition and collection of penalties. The Registry also conducts investigations of companies and the keeping of the company and partnership register.

Since 2018, the MFSA is also responsible for regulating Virtual Financial Assets. The MFSA was set up through an Act of Parliament (Chapter 330 of the Laws of Malta) and its main functions include the protection of consumers, integrity of financial markets, financial stability and the supervision of all financial services activities. The MFSA also holds an advisory role

to Government in the formulation of policies on matters relating to the financial services industry. In the carrying out of its functions, the MFSA collaborates closely with local and international institutions.

The Malta Business Registry is classified as a public corporation on account of a positive quantitative test. The MFSA, following the demerger and the eventual loss of the main revenue stream from the registration of companies, started receiving subsidies from Government. This event impacted negatively the result of the market/non-market test and MFSA is still classified outside the general government solely on the provisions in ESA 2.96 which states that: “*central supervisory authorities of financial intermediaries and financial markets when they are separate institutional units are classified as financial auxiliaries (S.126)*”.

- Malta Stock Exchange is a fully-fledged regulated market which successfully fulfils its role as an effective venue to raise capital finance. The Exchange carries out this role by providing a structure for admission of financial instruments to its recognised lists which may subsequently be traded on a regulated, transparent and orderly market place (secondary market). The main participants in the market are Issuers, Stock Exchange Members (stockbrokers), and investors in general. Apart from admission and trading, the Exchange offers a comprehensive range of back-office services including maintenance of share and bond registers, clearing and settlement and custody services through its Central Securities Depository (CSD), which is located in-house. The Malta Stock Exchange is classified inside the Financial Sector.

- Financial Protection Schemes – in Malta there are three financial protection schemes:

1. *Depositor Compensation Scheme* is a rescue fund for depositors of failed banks which are licensed by the Malta Financial Services Authority (MFSA).
2. *Investor Compensation Schemes* is a rescue fund for customers of failed investment firms which are licensed by the Malta Financial Services Authority (MFSA).
3. *Protection and Compensation Fund* is a fund to pay for any claims against an insurer which have remained unpaid because the insurer became insolvent and to compensate victims of road traffic accidents in certain specified circumstances.

Each scheme is separate and distinct entity from the others, established by regulation and are controlled and managed by a Management Committee. The Committees are made up of persons representing the MFSA, the Central Bank of Malta, investment firms, the banks, insurance companies and customers.

Malta’s financial protection schemes were classified inside the Financial Sector until the EDP October 2017 notification, when these three financial protection schemes were classified inside the General Government sector following the amendments in the Manual on Government Deficit and Debt (2016 edition)

With the publication of the Manual on Government Deficit and Debt (2014 Edition) section I.5 Protection Funds specifies that: the contributions to the protection funds, if classified outside the general government sector, are to be rerouted via the central government subsector, recorded as taxes against an income transfer, the NSO rerouted the contributions received by these financial protection schemes inside the General Government sector. These are recorded as revenue (D.29) and expenditure (D75), with no impact on the deficit.

Then, following the publication of the Manual on Government Deficit and Debt (2016 Edition), NSO decided to reclassify the three financial protection schemes inside the General



Government sector on the basis that they are established by law, deemed as publicly controlled non-market entities, serving the public policy and the contributions they receive are considered as taxes.

Malta Development Bank - The Malta Development Bank (MDB) was established on 24 November 2017 when the Malta Development Bank Act, 2017 came into force (Act No XXI of 2017 – CAP 574). It commenced operations on 11 December 2017 when the Board of Directors was appointed and held its first meeting. The MDB is fully owned by the Government of Malta.

The MDB's strategic objective is to offer financing facilities that support productive and viable operations where the market is unable or unwilling to accommodate such activities on its own in whole or part. The MDB's activities focus on complementing and supplementing the operations of market players in the provision of financing facilities, particularly to SMEs, infrastructure projects that contribute to national or regional development, and projects which are socially oriented, energy efficient and environment friendly.

The MDB is run by a Board of Directors consisting of a Chairperson and four Directors appointed by the Minister (all from the private non-bank sector) as well as two independent Directors appointed by the Minister on the recommendation of the Malta Council for Economic and Social Development (MCESD).

In terms of article 5 of the Malta Development Bank Act, the Government shall guarantee up to 100% of all obligations of the MDB and up to 100% of the loans, facilities or guarantees issued by the Bank. The Government guarantee is unconditional and irrevocable. Regarding constraints on the liabilities side, government does not have to authorise borrowing. On the other hand, government guarantees can go up to 100% even if the targeted level is planned to be at 30% of the total borrowing. On the assets side, expected constraints from government did not seem significant: guarantees by government over lending were expected to reach about 30% of the total.

Article 5(1) provides that the Government shall enter into a Memorandum of Understanding with the MDB to set the maximum limit of Government guarantees to the MDB. This limit shall be expressed in terms of euro and/or percentage of assets/liabilities. This amount will be reviewed on an annual basis in the light of the evolving growth of the MDB's business.

The National Statistical Office classified the Malta Development Bank in the financial corporation's sector (S.12), specifically in the sub sector Other financial intermediaries, except insurance corporations and pension funds (S.125).

## 6. Time of recording

This section describes the time of recording for taxes and social contributions, EU flows, military expenditure, interest and other transactions (subsidies, current and capital transfers) and financial transactions.

The time of recording is defined in ESA2010 §1.101. It is the accrual basis, meaning when economic value is created, transformed or extinguished, or when claims and obligations arise, are transformed or are cancelled.

### 6.1 Taxes and social contributions

Council Regulation 2516/2000 amended the Regulation on European system of national and regional accounts in the Community (ESA) 95 as concerns taxes and social contributions and clarified the rules concerning both the time of recording and the amounts to be recorded.

#### 6.1.1 Taxes

This section describes the methods of recording of taxes on an accrual basis. The time of recording is defined in ESA2010 §4.26 and §4.82 as the time "...when the activities, transactions or other events occur which create the liabilities to pay taxes".

The main method for recording taxes is the time-adjusted cash. The time adjusted cash method is applied for VAT (D211) and Income Tax (D5), which cover around 64% of the total taxes received by Government. The other taxes are recorded on a cash basis and are adjusted for accruals using the Treasury's accruals template, which are based on the realisable debtors' balances as recorded on the books of the tax authorities.

The NSO has implemented the revision necessary for the adoption of Council Regulation 2516/2000 (recording of taxes and social contributions) in 2008. This revision was effective from the October 2008 Notification. Revenue from taxes for VAT and Income Tax are now recorded using time-adjusted cash. Based on Eurostat's advice, NSO had undertaken an economic study to see what the results would be for different time-lags. The study has included time-adjusting the different taxes with one, two and three months respectively. In order to estimate the appropriate time-lag to be chosen, the comparison with the current assessment is relevant, as it implicitly does not only take the administrative time-lag (simple time-adjusted cash method) into account but also other delays, such as arrears (weighted time-adjusted cash). Following this exercise, Eurostat approved time-adjustment of t+1 for VAT and t+2 for income taxes. By the October 2012 EDP Notification, the time series had been revised going back to 1995.

The relevant tax authorities collect the information for each tax: the VAT Department for VAT receipts and the Inland Revenue Department for income tax receipts. NSO obtains the data from the Departmental Accounting System, checks it through a comparison with previous years and with the economic scenario, and then compiles the time-adjusted cash method for the EDP tables, related questionnaires and ESA2010 transmission tables.



For income tax and VAT, the reimbursements, refunds, final settlement, interest on late payments, fines and penalties for non-payments, tax amnesties are captured with the time-adjusted method and no adjustments were ever necessary. Regarding tax credits, none of the tax credits currently stipulated in the Income Tax Act have a non-wastable character. The tax credits present in Malta's tax system cannot cause taxpayers to receive a refund in excess of their payments for the year.

The data for year t-1 is considered final by the first EDP notification.

As from the April 2017 EDP Notification, the income tax figure incorporates the International Trading Companies bank balance threshold adjustment.

### **6.1.2 For further information refer to section 3.2.3.4.2. Social contributions**

The time of recording of social contributions is defined in ESA2010 §4.94 as "... the time when the work that gives rise to the liability to pay the contribution is carried out..." for employers and employees social contributions, and as "... when the liabilities to pay are created" for self-employed and non-employed persons.

The method for recording social contributions is the time-adjusted cash. Social contributions cover around 17% of the total taxes received by Government.

The time-lag for social contributions is at t+2 months. For further information refer to section 6.1.1.

The Inland Revenue Department collects the information for social contributions receipts. The NSO obtains the data from the Departmental Accounting System, checks it through a comparison with previous years and with the economic scenario, and then compiles the time-adjusted cash method for the EDP tables, related questionnaires and ESA2010 transmission tables.

For social contributions, refunds, final settlement, interest on late payments, fines and penalties for non-payments, tax amnesties are captured with the time-adjusted method and no adjustments wherever necessary.

Following a Eurostat questionnaire on Member States' recording of deductions from employers' social contributions and a paper presented in the Financial Accounts Working Party, as from 2012 and going back to 2008 the social security contributions deductions available in Malta (the refunds for social security contributions are to employers who employ a disabled person, to disabled persons who employ a carer, to previously unemployed over 45-year old self-occupied person and to employers for employees benefitting from the 14th week maternity leave) are being recorded as 'other subsidies on production' (D.39) with gross recording in 'compulsory employers' actual social contributions' (D.61111).

The data for year t-1 is considered final by the first EDP notification.

## 6.2 EU flows

The issue of recording EU flows is important for national accounts, especially government accounts, because – due to the institutional arrangements – in general all amounts transit via government accounts. In order to avoid potential effects on the level of government deficits, countries have to eliminate these flows from public accounts. Eurostat, after the consultation with Member States, released a decision in February 2005. The ESA2010 Manual on government deficit and debt Chapter II.6 “*Grants from the EU budget*” provide further details concerning the recording of these flows.

### 6.2.1 General questions

For the Structural Fund (including the European Regional Development Fund (ERDF) and the European Social Fund (ESF)), Cohesion Fund and External Borders Fund the:

- Certifying Authority is the EU Certifying Authority at the Ministry for Foreign and European Affairs
- Execution of Payments is effected by the Treasury at the Ministry of Finance
- Managing Authority is the Planning and Priorities Co-Ordination Division (PPCD) at the Ministry for Foreign and European Affairs
- Intermediate Bodies are various.

For the Agricultural Funds the paying, certifying and managing authority is the paying agency at the Ministry for Sustainable Development, the Environment and Climate Change.

All the units involved in the administration of EU funds are classified in the General Government sector, within sub-sector Central Government.

The two main data sources on EU flows are:

1. The Government’s accounting systems (the new CFMS and the old DAS system) at the Treasury. Detailed data on expenditure funded by the EU is recorded in the Government’s Capital Expenditure Category, where data for the expenditure of EU Funds by type of project and the share of national and EU contribution for each project is available.
2. The EU Certifying Authority within the Ministry for Foreign and European Affairs for the certified funds, pre-financing payments and funds transferred to revenue schedule.

On accession to the European Union in May 2004, Malta was in receipt of EU flows from the EU Funds programming period 2004-2006. In the first two years of accession, almost all of the EU flows were in the form of a cash flow facility as a temporary budget compensation. In 2006, the Government started to receive funds from the Structural and Cohesion Funds after the projects to be financed by EU funds were identified and all the necessary applications were submitted and works on projects started.

For the recording of EU Funds in national accounts for the year 2006, NSO adopted the pending claim method. Essentially this method, took into consideration:

- the expenditure made in the Government’s Consolidated Fund on behalf of the EU (in the form of pre-financing by the Maltese Government);
- reimbursement from EU (actual cash revenue) transferred to the Consolidated Fund; and

- adding the difference between the stock of pending claims for a given period (quarter or annual) with the stock for the previous period.

In 2009, for the first time, the government transferred an amount of €26.6 million to revenue from the advance payments of the Structural and Cohesion Funds for the programming period 2007-2013. For EDP purposes, the NSO, in order to adjust for this transfer, changed the method of recording of EU funds specifically for the Structural and Cohesion Funds 2007-2013 period to the time of expenditure. Therefore, with the use of monthly data from the DAS, the recording of EU funds revenue in national accounts is determined according to the time of expenditure on the EU funded projects. Applying this method, when revenue from the EU funds is higher than the EU funded expenditure, the difference impacts negatively the deficit and vice versa.

The shift in the method reinforced the recording of EU funds in the Maltese national accounts in line with Eurostat rules with no timing effect impacting on government accounts. The pending claims method was phased out in 2014, when Malta received the reimbursement for the final pending claims for the EU Funds programming period 2004-2006.

In Malta's General Government accounts, the EU Funds that go through the Consolidated Fund are not being split according to the final beneficiary. Nevertheless, the agriculture and the education fund, which are earmarked for third parties, do not feature in the government accounts as the education funds (e.g. Lifelong Learning Programme and Youth in Action Programme) are not included in the Consolidated Fund and the agriculture funds (e.g. EU Agriculture Fund for Rural Development and EU Agriculture Guaranteed Fund) are adjusted for in the General Government accounts. For the other cases when the final beneficiary of EU Funds is not the government sector, the expenditure and revenue are recorded under capital transfers payable and receivable respectively.

EU Funds from the following funds are recorded in the Government's working balance: European Maritime and Fisheries fund (EMFF), European Regional Development Fund (ERDF), the European Social Fund (ESF) and Cohesion Fund.

Specifically, for the EU Funds programming periods 2007-2013 and 2014-2020, the NSO is in a position to distinguish revenue from EU Funds, between advances and reimbursements, through information supplied to us by the EU Certifying Authority at the Ministry for Foreign and European Affairs. Whenever Government transfers revenue from the advance payments of ERDF, ESF and Cohesion Funds, which are deposited at the Central Bank of Malta, these are adjusted for in the General Government sector. Given that the method of recording EU Funds is the time of expenditure, the advance payments that are transferred to revenue are neutralised in EDP table 2A within the item "Other accounts payable", with a double entry in the financial accounts in F8 – Other accounts payable. The reimbursement of expenditure for EU Funds feature in Table 2A within the item "Other accounts receivable" and in the financial accounts in F8 – Other accounts receivable.

EU Funds advance payments deposited at the Central Bank of Malta feature in the General Government Financial Account, and are recorded also in EDP Table 3A, as an asset for Government under Currency and Deposits (F2) and liability for Government F8 – Other accounts payable.

In April 2020 EDP notification, the NSO made the necessary adjustments to close off the EU funds programming period 2007-2013, with the recording of a financial correction concerning

a proposed new embassy in Shanghai (€4.3 million) in 2017 and an adjustment of €13.7 million for the over-booking in 2019.

The over-booking is the creation of a reserve list of projects by approving a higher number of projects or extra activities within approved projects, than the one corresponding to funding available. The Certifying Authority will certify this expenditure to exceed the 100% absorption rate of the programme available for funding. Thus, in case the EU Commission proposes a financial correction at programme closure, the excess certified expenditure will act as a buffer against the negative adjustment. Hence, through over-booking, Member States can safeguard the absorption rate of 100% (unless the financial correction is greater than the excess certified expenditure). This practise is endorsed by the EU Commission and Member States were encouraged to implement it. The over-booking amounts accumulate over the duration of the programme period, however, it is only in the year of the final payment by the Commission that it becomes clear that there will be no financial correction imposed and thus the over-booking will not be reimbursed by the Commission.

On the expenditure side, NSO also adjusts for Malta's contribution to the EU Own Resources, which are recorded on a cash basis in the working balance in Table 2A. The adjustment is in respect of the Traditional Own Resources since this is paid within a two-month lag and is recorded under the item "Other accounts payable" in EDP Tables 2A and 3A. Moreover, on a quarterly basis NSO adjusts the EU Own Resources aggregates for the prepayment for VAT, GNI, UK Correction and Gross Reduction that are usually paid in February for the adopted budget of the current year. This adjustment does not affect the annual data, as the extra payment is apportioned throughout the year.

Draft Amending Budgets (DABs) which are adopted by the two arms of the Budgetary Authority (European Council and European Parliament) in year  $t$  (usually in December) but are paid in cash in year  $t+1$  are recorded in year  $t$  on the principle of accruals. These DABs relate to increases in expenditure, fines, forecasts' adjustments, etc. The adjustments related to the DABs feature in the Treasury Department Accruals Templates.

### **6.2.2 Cash and Schengen facility:**

The time of recording of payments received by the beneficiary Member States through Schengen and Transitional Facilities would be accounted according to the Eurostat decision on EU flows, while the time of recording of Cash-flow Facility is when the transfers are to be made by the Commission. In practice, in this particular case, the amounts would be recorded as revenue in the years in which they were received by the beneficiary countries.

Malta was in receipt of a cash-flow facility, in the form of temporary budget compensations and transitional facilities. In the national accounts, receipts from the cash flow facility, amounting to €261.5 million (received between 2004 and 2006), were recorded on a cash basis. The transitional facilities were recorded on a cash basis and adjusted for the pending claims for reimbursement from the EU Commission. The adjustment of the pending claims featured in the item 'Other accounts receivable' in Table 2A and in the 'Other financial assets' in Table 3B.

### 6.2.3 EU financial instruments

The EU has been providing measures of financial support from EU structural and investment funds ‘financial instruments’ (FI). These instruments may be ‘equity or quasi equity investments, loans or guarantees’ and they are intended to support activities that will generate income, or result in saving on future expenditure. Unlike grants, they do not constitute a gift to the final recipient, which will typically be a small or medium-sized enterprise (SME) since, under normal circumstances, the funds are expected to be repaid to the creditor and produce a return on the investment (such as interest on the loan, or profit on subsequent sale of equity). EU legislation allows for a choice on how the financial instruments are implemented nationally: the Implementing Authorities can choose whether to assign the implementing task to a newly created entity or contract out the management to the EIF/EIB or to existing financial institutions.

The EU financial instruments that were implemented in Malta are:

| Financial Instrument  | Disbursed Amount | Description                   | Fund of Funds/Holding Fund Manager              | Sector classification | Operating under programme |           |
|---|------------------|-------------------------------|---|-----------------------|---------------------------|-----------|
|   | € millions       |                               |   |                       | 2014-2020                 | 2007-2013 |
|   |                  |                               | Name of the unit, legal status                  | S.13/S.12/S.2         | Y/N                       | Y/N       |
| JEREMIE, Separate Block of Finance as per Article 43(2) of Regulation 1828/2006.              | 10               | Guarantees                    | European Investment Fund, supranational entity. | S2                    | N                         | Y         |
| SME Initiative as per Article 39 of Regulation 1303/2013                                      | 22               | Guarantees                    | European Investment Fund, supranational entity. | S2                    | Y                         | N         |
| Energy Efficiency and Renewable Energy (EERE) Malta as per Article 37 of Regulation 1303/2013 | 15               | Guarantees                    | European Investment Fund, supranational entity. | S2                    | Y                         | N         |
| Further Studies Made Affordable (FSMA) as per Article 37 of Regulation 1303/2013              | 3                | Guarantees + subsidy interest | Malta Development Bank                          | S12                   | Y                         | N         |

In national accounts the disbursements to the Fund of Funds / Holding Fund Manager are being recorded as expenditure in capital transfers payable (D9pay).

The JEREMIE programme was implemented in Malta in April 2011. Following the signature of the funding agreement between the Government of Malta and the European Investment Fund (EIF), a call for expression of interest was launched to select a Maltese financial intermediary. The EIF received three proposals from local financial intermediaries and subsequent to an internal selection process it chose Bank of Valletta.

The Government of Malta injected €10.0 million (made up of €8.5 EU Funds and €1.5 Malta Funds) in the JEREMIE programme. With these EU and Government funds the bank leveraged a €51.0 million JEREMIE Fund for enterprise. The objectives of the fund are to enhance access to finance for SMEs and in particular to micro enterprises.

In national and public accounts the government transfer of € 10.0 million was recorded as an investment grant payable (D92) with the final beneficiaries being the SMEs.

Remaining funds from the Jeremie Programme will be re-used through existing and new financial instruments targeting support of SMEs to access finance.

#### **6.2.4 Market Regulatory Agencies**

Market regulatory agencies are bodies whose intervention activities are mostly characterised by buying and selling products, often on behalf of the EU, with an aim to stabilize prices and to maintain purchasing prices to farmers at a sufficiently high level: they offer buying agricultural products from domestic producers at a predetermined price (often higher than "market" prices) and reselling them usually at a lower price later on and occasionally arranging for giving them away free of charge. These agencies can be involved in storing agricultural inventories, or in arranging for storage, as well as in distributing subsidies.

The question is whether the principle of re-arranging EU transactions would also apply to the recording of changes in inventories (P.52) arising from the interventions of agricultural market regulatory agencies in the market. According to the guidance, in those circumstances where a market regulatory agency acting on behalf of the EU is classified inside general government, the creation of a unit in S.11 is recommended in order to capture the changes in agricultural inventories, and to avoid that such changes in inventories are recorded in national government accounts (as changes in government inventories, with an impact on the government deficit/surplus) or in the rest of the world accounts (as exports and imports). The unit to be created to capture these changes in inventories is a quasi-corporation, rather than a notional unit, in order to ensure an equality of treatment with cases where market regulatory agencies are classified outside government. This is also appropriate because any temporary difference in value arising from changes in market value of these inventories not yet covered by subsidies is likely to be small and on average zero.

In Malta there are no market regulatory agencies which are acting on behalf of the European Union and which are classified under the General Government Sector.



## **6.3 Military expenditure**

The ESA2010 principle on accrual recording, when applied to military expenditure, is generally the time when the economic ownership of the good occurs, which is usually when delivered. ESA2010 paragraphs 20.190-20.192 define the rules for the statistical recording of military equipment. Chapter II.5 in Part II of the ESA2010 MGDD details the rules concerning the recording of military expenditure.

### **6.3.1 Types of contracts**

The Constitution of Malta, in the first paragraph of article 3, states that: “Malta is a neutral state actively pursuing peace, security and social progress among all nations by adhering to a policy of non-alignment and refusing to participate in any military alliance”.

The Armed Forces of Malta (AFM) is Malta’s military organisation tasked with primary defence functions and safeguarding national sovereignty and interests both in peacetime and in crises.

In national accounts, NSO do not record any military expenditure as such. The budget allocation of capital for the procurement of equipment is considered insignificant. Any equipment that is acquired, in the form of patrol boats or small aircraft, are for civil and not military defence and are normally financed through the EU External Borders Funds or the Italian Protocols. Expenditure related to these acquisitions, if applicable, is recorded in Government’s working balance (Consolidated Fund). The AFM does not make use of long-term rental contracts and international special agencies are not normally used.

There are no Maltese government units engaged in the production of military equipment.

### **6.3.2 Borderline cases**

There are no borderline cases in Malta.

### **6.3.3 Recording in national accounts**

Transactions covering procurement of military equipment are recorded on a cash basis corrected for actual data on receivables and payables. All financial information relating to the transactions in the above-mentioned contracts is made available to the National Accounts compilers (through the centralised Departmental Accounting System).

## 6.4 Interest

This part aims at describing accrual adjustment for interest.

ESA2010 paragraph 20.178 reads: *"In the system, interest is recorded on an accrual basis: that is, interest is recorded as accruing continuously over time to the creditor on the amount of principal outstanding."*

ESA2010 MGDD part II, chapter II.4 is dealing with some practical aspects of the recording of interest.

### 6.4.1 Interest expenditure

**Table 8 Availability and basis of data on interest**

| Instrument                                 | S.1311         |         | S.1312    |      | S.1313    |      | S.1314    |      |
|--|----------------|---------|-----------|------|-----------|------|-----------|------|
|  | State          | OCGB    | Main unit | OSGB | Main unit | OLGB | Main unit | OSSB |
| <b>Deposits (AF.2)</b>                     | Cash/Accrual   | Accrual | M         | M    | Accrual   | M    | M         | M    |
| <b>Securities other than shares (AF.3)</b> | Cash / Accrual | Accrual | M         | M    | Accrual   | M    | M         | M    |
| <b>Loans (AF.4)</b>                        | Cash / Accrual | Accrual | M         | M    | Accrual   | M    | M         | M    |
| <b>Other accounts receivable (AF.8)</b>    | M              | Accrual | M         | M    | Accrual   | M    | M         | M    |

*Cash/accrual, M (not applicable) or L (not available)*

#### **Deposits (AF.2)**

##### **62+ Malta Savings Bond**

Cash based data on interest paid on the 62+ Malta Government Savings Bonds are obtained from reports generated from the Government's accounting system. The necessary adjustments are undertaken to record the interest expenditure on an accrual basis. The accrued interest is recorded under the debt instrument.

#### **Securities other than shares (AF.3)**

##### **Treasury Bills**

Data on interest paid by Central Government on Treasury Bills are cash based and the data sources are weekly reports issued by the Debt Management Directorate within the Treasury. Cash data are adjusted according to the accrual principle to effect the necessary accrual adjustments in the EDP tables. In the balance sheet the accrued interest is not assimilated in the instrument as the latter is a 'discount' debt instrument and the accrued interest is implicitly integrated in the market value.

#### **Malta Government Stocks (Bonds)**

Cash based data on interest paid on Malta Government Stocks are obtained from reports generated from the Government's accounting system. The necessary adjustments are undertaken to record the interest expenditure on an accrual basis. The accrued interest is recorded under the debt instrument.



## **Loans (AF.4)**

### **Loans with commercial banks**

The data sources of the interest paid on loans with commercial banks are reports generated by the Government's accounting system DAS. The accrued interest is calculated in accordance to the terms and conditions of the loan and assimilated with the instrument.

### **Foreign Loans**

Data on interest on a cash basis on foreign loans are available on the Government's accounting system. The accrued interest, calculated in accordance to the terms and conditions of the loan agreements, is recorded under the instrument.

Interest expenditure data for the extra budgetary units is payable on loans instruments and is extracted from the respective audited accounts. The same applies for the Local Government subsector.

Data instrument by instrument is available to the NSO. Data for accruals adjustment on interest payable is the same in EDP tables 2 and 3.

### **EFSF re-routed loans**

The EFSF re-routed interest expense data is available from Eurostat.

## **6.4.2 Interest Revenue**

### **Currency and Deposits (AF.2)**

The principal data sources of interest received and accrued on currency and deposits held by Budgetary Central Government are bank statements and reconciliation reports provided by the Central Bank of Malta and the Treasury.

### **Securities other than shares (AF.3)**

Data on interest earned from the investment in Malta Government Stocks are available in the Government's accounting system and bank statements issued by the Central bank of Malta.

### **Loans (AF.4)**

The source data for interest earned and accrued on loans granted by Central Budgetary Government are reports issued by the Ministry of Finance and the Treasury.

### **EFSF re-routed loans**

The EFSF re-routed interest revenue data is available from Eurostat.

## **6.4.3 Consolidation**

Consolidation of interest in the General Government sector is not done as the amount is minimal.

#### **6.4.4 Recording of discounts and premiums on government securities**

Premiums on issuance of government securities are recorded as revenue on a cash basis in the working balance of EDP table 2. Then, in EDP Table 2 under the category ‘difference between interest paid and accrued’ these flows are neutralised by applying the difference between the premium proceeds received in year t and the premium/discount apportionment accrued for year t. Both the premium and discount are spread over the life of the securities. The flows for the discount on government securities do not enter the working balance.

Extra budgetary units and local councils do not issue securities.

In national accounts the premiums are treated as negative expenditure with the interest payable (D41pay).

#### **6.4.5 Recording of interest accrued on intergovernmental loans in dispute and interest accrued on intergovernmental loans unlikely to be repaid**

*Not applicable.*

### **6.5 Time of recording of other transactions**

All the transactions of the General Government Sector are recorded according to ESA2010 rules.

The data for Budgetary Central Government is essentially cash based. NSO then supplement the cash data with the Treasury’s accruals templates (for further information refer to section 2.3.1.2.c). The design of the accruals templates is in the same way as the Government’s Ministry and Department budget vote, with the same categories of expenditure and revenue being requested for accruals information. For further breakdown of accruals data, the compilers either make use of the additional information embedded in the templates or else request information from the Treasury accordingly. Moreover, for further analysis, a breakdown of debtors and creditors amounts is provided by the Treasury in a separate Debtors’ and Creditors’ List as requested.

Other accruals adjustments, not captured in the Treasury accruals templates, are necessary to obtain a General Government Sector accounts consistent with the ESA2010 methodologies and the Manual on the Government Deficit and Debt, especially related to the recording of taxes and social contributions, recording of EU grants, etc. Every accrual transaction recorded in the non-financial accounts, be it the Treasury’s accruals template or the other adjustments, is also consistently recorded in the other accounts payable / receivable in the financial accounts.

Data for the Extra Budgetary Units are obtained from their respective audited accounts and FDRS templates (as explained in section 2.3.1.2.a). For local councils the audited financial statements are used. With a few corrections, mainly related to the classification of certain items from the business accounting to national accounting, the audited accounts are deemed to be a good source of information for accruals information in line with ESA2010 methodology.

Within the Treasury, the Accounting, Methodology and Compliance Unit (AMCU) has the responsibility to conduct sample checks by reconciling cash data as reported in the Departmental Accounting System (DAS) and in the Corporate Financial Management System (CFMS) with the accrual data submitted by the Government Ministries and Departments. Then, AMCU outlines any shortfalls in reporting and brings it to the attention of the Departments/Ministry concerned. Furthermore, NSO conducts checks on the Treasury's accruals templates, and each quarter queries are sent to the AMCU in respect to substantial movements in debtors and creditors. In some instances, due to more information available at NSO, the Public Finance unit informs the AMCU about any payables or receivables not being recorded or captured in the Treasury's accruals templates.

The following points are worth mentioning:

- As from 2012, the NAO was invited to participate as an observer in the Accrual Accounting Working Group (AAWG). The AAWG was established in 2008, chaired by the Treasury. It met with departmental heads and accounting officers to review and improve the quality of the accruals data. This WG had been replaced by the:
  - IPSAS Project Board – oversees the adoption of the IPSAS within the government accounts.
  - CFMS Implementation Board – oversees the complete implementation of the Corporate Financial Management System (CFMS).

NSO is represented on both boards.

- The General Financial Regulations (GFR) 2017 refer to duties of accounting officers, preparation of the Estimates, classification and accounting for receipts and payments, management of the petty cash impress, special advances, custody of public moneys, and stores.

The NSO is not aware of any government payables that are not booked in the public accounts.

The time of recording for the following transactions in the national accounts by sub-sector is:

- Subsidies payable – Cash data supplemented by accruals data.
- Current and capital transfers' payable – Cash data supplemented by accruals data and adjustment necessary for ensuring consistency with current and capital transfers receivable from the other sub-sectors of the General Government Sector.
- Gross capital formation – Cash data supplemented by accruals data.
- Dividends (and interim dividends) receivable – cash data and adoption of superdividend test.
- Social benefits payable – Social benefits are paid in advance and therefore the time of recording is cash data supplemented by accruals data, mainly, from the prepayments template.
- Financial transactions – are recorded at the same point in time as their counterpart transactions.

## 7. Specific government transactions

Methodological rules applicable for recording of specific government transactions are set up in the Manual on Government Deficit and Debt (implementation of ESA2010), 2013 edition<sup>6</sup>.

### 7.1 Guarantees, debt assumptions

Generally, government guarantees are recorded off-balance sheet in government accounts (contingent liability), and neither government debt nor deficit is impacted. However, when a guarantee is activated (called), the payment made by government on behalf of the debtor is normally recorded as government expenditure. In case of repeated guarantee calls, the whole outstanding amount of the guaranteed debt should be assumed by government. The latter leads to a one-off increase of government debt as well as of deficit. The accounting rules are explained in the Chapter VII.4 on Government guarantees of the ESA2010 Manual on government deficit and debt. This chapter describes also specific cases and related treatment in national accounts.

#### 7.1.1 Guarantees on borrowing

##### 7.1.1.1 *New guarantees provided*

##### *Recording in public accounts*

The main provider of government guarantees is the Ministry of Finance.

[The following is the government guideline for the granting of government bank guarantees:](#)

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<sup>6</sup> <http://ec.europa.eu/eurostat/web/government-finance-statistics/methodology/manuals>

Before the Ministry of Finance approves the acquisition of a bank loan by a Government Entity (as required in the respective legislation setting up the Entity concerned), and in considering the granting of a Government bank guarantee, the Ministry takes into account the following aspects:

1. Government (Guaranteed) Debt in the context of:-  
The Maastricht criteria; and  
The State Aid Regulations
2. Whether the purpose of the related loan involves the financing of capital programmes required to improve the operations of the entity concerned and to enhance its assets;
3. Whether Government will be eventually financing the interest, or the interest and capital, of the loan;
4. Whether such loan is being taken to replace another already existing loan (Government's exposure will thus not be increased) and whether the interest rate of the new loan will be the same as or less than the interest rate of the loan being replaced;
5. Whether a government bank guarantee is required in the national interest; and
6. Whether a clear and specific loan repayment schedule is available for the purpose of eventual monitoring of such schedule, especially when and if a subsequent request for guarantee extension is made.

Each request should, in the first instance, be processed by the Ministry responsible for the entity requesting the loan and related Government bank guarantee.

Such request must, first and foremost, be assessed in the light of the above guidelines and with these concepts in mind.

Whenever recommendations for the granting or refusal of a bank guarantee are made, consideration must, however, also be given as to whether some specific and particular reason exist behind the request for a Government bank guarantee.

The major beneficiaries of government guarantees on borrowing are the public corporations. Based on data for 2019, the beneficiaries of the total stock of government guarantees were the public corporations with 96.5 per cent and private companies with 3.5 per cent. By institutional sector, the breakdown is as follows: non-financial corporations (73.3 per cent), financial corporations (25.7 per cent) and households (1 per cent).

Government treats the government guarantees as contingent liabilities. On aggregate, the government guarantees are published in the Treasury's Financial Report, while the National Audit Office, in its annual report, publishes the information by individual beneficiary.

### ***Recording in national accounts***

The NSO receives information on government guarantees on borrowing from the Central Bank of Malta on a quarterly basis. The CBM prepares a report on the position of the government guarantees including information on each individual guarantees and beneficiary, such as the issue date, limit, amount withdrawn, capital repaid and the government exposure.

Contrary to the information on government guarantees in the public accounts, in the national accounts the government guarantees exclude guarantees on Multilateral Investment Guarantee Agency (MIGA) and International Bank for Reconstruction and Development (IBRD) and on

foreign loans taken by the Central Bank of Malta on behalf of government, which loans already feature in the calculation of government external debt. Government guarantees include any guarantees granted by the EBUs but exclude government guarantees provided to EBUs.

Furthermore, in national accounts these government guarantees are treated as contingent liabilities. On an aggregate level, NSO publishes government guarantees data in a periodic news release entitled '*Quarterly accounts for the General Government Sector*'.

#### 7.1.1.2 *Treatment of guarantees called*

##### ***Recording in public accounts***

In 2014, a letter of understanding in relation to the liquidation of Sea Malta Co. Ltd was called. Government paid the full and final settlement to the bank in the same year.

##### ***Recording in national accounts***

In national accounts, the information on the call was available to NSO and the transaction was recorded as guarantee cash call in expenditure in ESA D99 payable in 2014.

#### 7.1.1.3 *Treatment of repayments related to guarantees called*

##### ***Recording in public accounts***

Not applicable.

##### ***Recording in national accounts***

Not applicable.

#### 7.1.1.4 *Treatment of write-offs by government in public accounts of government assets that arose from calls, if any*

Not applicable.

#### 7.1.1.5 *Data sources*

Not applicable.

### **7.1.2 Guarantees on assets**

Not applicable.

7.1.2.1 *New guarantees provided*

*Recording in public accounts*

Not applicable.

*Recording in national accounts*

Not applicable.

7.1.2.2 *Treatment of guarantees called*

*Recording in public accounts*

Not applicable.

*Recording in national accounts*

Not applicable.

7.1.2.3 *Treatment of repayments related to guarantees called*

*Recording in public accounts*

Not applicable.

*Recording in national accounts*

Not applicable.

7.1.2.4 *Treatment of write-offs*

Not applicable.

7.1.2.5 *Data sources*

Not applicable.

**7.1.3 Standardized Guarantees**

The Housing Authority guarantees provided to beneficiaries to purchase their properties meet the criteria of standardised guarantees as outlined in ESA 2010 paragraph 5.190 as they are issued to a number of households, by and large all have the same contractual obligations and the amounts involved are small.

The guarantees held by the Housing Authority are nearly all old guarantees whereby the Housing Authority used to sell properties without having legal title and thus for the clients to get a loan they needed to have a guarantee from the Housing Authority. Also they have guarantees for schemes whereby they would have only sold a share of the property and thus again the bank would have needed a guarantee. The amount of government guarantees on this scheme are decreasing at an average rate of 8% from €17.6m in 2013 to €10.0m in 2019. The amounts of the Housing Authority government guarantees are small, generally related to the value of the property and are provided to a closed number of beneficiaries as this particular scheme is not open for new entrants.

| Year | Guarantees provided by the Housing Authority (€) | Number of beneficiaries | Cumulative Number of defaulters | Cumulative Amounts called (€) | Calls per year | Estimated expectation of amounts called (%) | D9 - Capital Transfer (€) | AF66 - Provision for calls under standardised guarantees (€) | AF66 - adjusted for actual calls                       |
|------|--|-------------------------|---------------------------------|-------------------------------|----------------|---|---------------------------|--|--|
|      | A  |                         |                                 |                               | D              | B   | C=A x B%                  | E = AF66 <sub>t-1</sub> + C <sub>t</sub>                     | F = F <sub>t-1</sub> + C <sub>t</sub> - D <sub>t</sub> |
| 2012 | 19,202,191                                       | -                       | 1                               | 627                           | 627            | 0.40  | 76,809                    | 76,809   | 76,182   |
| 2013 | 17,615,249                                       | -                       | -                               | -                             | -              | 0.40  | 70,461                    | 147,270  | 146,643  |
| 2014 | 16,786,194                                       | 355                     | -                               | -                             | -              | 0.40  | 67,145                    | 214,415  | 213,788  |
| 2015 | 15,899,835                                       | 338                     | -                               | -                             | -              | 0.40  | 63,599                    | 278,014  | 277,387  |
| 2016 | 14,642,403                                       | 311                     | 1                               | 30,189                        | 29,562         | 0.40  | 58,570                    | 336,583  | 306,395  |
| 2017 | 12,784,000                                       | 271                     | 2                               | 58,970                        | 28,782         | 0.40  | 51,136                    | 387,719  | 328,749  |
| 2018 | 11,523,374                                       | 245                     | 4                               | 134,010                       | 75,040         | 0.40  | 46,093                    | 433,813  | 299,803  |
| 2019 | 10,011,078                                       | 235                     | 6                               | 202,870                       | 68,860         | 0.40  | 40,044                    | 473,857  | 270,987  |
| 2020 | 8,860,114  | 114                     | 6                               | 220,590                       | 17,720         | 0.40  | 35,440                    | 509,298  | 288,708  |

Data for Housing Authority guarantees is available pre-2012 but not so the beneficiaries and amounts called.

## 7.2 Claims, debt cancellations and debt write-offs

Providing loan capital is generally a financial transaction not impacting the net borrowing/net lending (B.9). Government, as a lender, is expecting that the debtor will be in a position to repay the loans, according to a schedule agreed at inception. However, if the loan is non-recoverable, the recording of government expenditure might be considered. The related accounting rules are set up in ESA2010 and further clarified in the Chapter III.2 on Capital injections and Chapter VII.2 on Debt assumption and cancellation of the ESA2010 Manual on government deficit and debt.

### 7.2.1 New lending

The latest loans granted by Government are the loans to:



- Air Malta plc – Air Malta plc is a public corporation classified in the non-financial sector. Government granted €52 million loan to Air Malta in November 2010 as a temporary financial assistance until a rescue and restructuring plan is agreed with the European Commission. The loan had an interest rate of 6.49% with an initial term of 6 months, extendable until a decision by the European Commission is taken. The Commission approved the restructuring aid for Air Malta plc in June 2012 and in November 2012 the loan was paid in full together with interest of €5.9 million. In the same month, the Government granted a new commercial loan of €52 million, with an interest rate at 300 basis points over the EU Base reference interest rate for Malta, to be repaid back in 2015 and 2016.
- Hellenic Republic – A bilateral loan agreed between the Eurozone Members. Malta's guaranteed commitment amounted to €74 million and the disbursed amount up to December 2014 was €50.7 million.

NSO is in possession of the loan agreements of the Government with Air Malta plc and with the Hellenic Republic.

Another component of loans granted is the EFSF re-routed debt. The European Financial Stability Facility (EFSF) was established on 7 June 2010 for the purpose of providing stability support to Euro Area Member States (EAMS). The EFSF finances this support by issuing or entering into bonds, notes, commercial paper, or other financing arrangements. The operations are backed by guarantees of the EAMS on the basis of an agreed 'adjusted contribution key'. On 27 January 2011, Eurostat decided that the debt issued by the EFSF for each support operation must be rerouted to the public accounts of the EAMS providing guarantees, proportionately to their contribution key. Therefore the recording of such flows impacts the gross government debt (as defined in the Maastricht Treaty) but not the net debt. In addition, all revenue/expenditure streams (interest, margins and service fees) will be recorded in the general government accounts, resulting in a positive impact on the deficit/surplus of the EAMS.

The government department/entities that can grant loans are the:

- The Treasury within the Ministry of Finance – As is the case for the Air Malta and the Hellenic Republic loans.
- Malta Enterprise Corporation – Malta Enterprise provides soft loans to manufacturing enterprises, to support new investment projects, after completing a due diligence exercise on the applicant and the proposed project. Soft Loans, granted by Malta Enterprise, usually cover 33% of an approved project but in any case may not exceed 75% of the cost of plant, machinery and equipment.
- Housing Authority – Through a scheme given by the Authority to first-time buyers who wished to purchase property from the private sector. This scheme was launched in February 2007 and terminated in 2008.

Information is available to the NSO from the Departmental Accounting System at the Treasury and the audited accounts for the EBUs. The data at hand is detailed, including information on stocks and transactions.

There are no cases of government claims being kept in books of public corporations.

There were no cases of granted loans which were recorded as a capital transfer payable in national accounts instead of a financial transaction.

## **7.2.2 Debt cancellations**

Debt cancellation, which is a bilateral agreement between a creditor (Government) and a debtor to cancel or forgive part or all of liability outstanding, is very rare in Malta. Debt cancellations recorded in national accounts are based purely on government decisions and not by a decision of the National Statistics Office. Information on debt cancellation agreements is obtained directly from the Ministry of Finance. Debt cancellations are recorded when announced and consistent with the recording in the Government's public accounts.

The latest known cases of debt cancellations go back to 2003 and 2005. In 2003, Government as part of the restructuring of the shipyard sector, cancelled debt in favour of Malta Drydocks Co Ltd (a public corporation classified outside the General Government Sector) amounting to €61.7 million. The restructuring of Malta Drydocks and the Marsa Shipbuilding Yard was enacted by the President, by and with the advice and consent of the House of Representatives in Act No. XV of 2003.

In 2005, Government agreed with Iraq's authorities to cancel debt in Iraq's favour to the tune of €1.3 million as part of an international debt relief for Iraq. In national accounts, both these transactions were recorded as a capital transfer payable.

There are no official rules for public bookkeeping on debt cancellations. However, any cancellation of a government asset will feature in the public accounts i.e. in Government's Consolidated Fund. In Malta there was never a case where a debt cancellation on other accounts receivable (F8) was recorded.

Loans or other accounts receivable which are non-recoverable or non-performing, as long as they are kept in the books of government accounts, are treated as such in the national accounts. Accrued interest revenue is not calculated for these types of receivables, both in the Government's public account and in National Accounts.

Accruals data for Government's stock of claims are obtained from the Treasury's Debtors template. This template has a specific column related to bad debts. Such information facilitates the process of investigating any significant difference between the change in stocks of claims and transactions in order to identify the correct accounting treatment of each change, (financial transaction vs. other changes in volume).

Provisions on bad debts are not recorded in national accounts, in line with the ESA2010 guidelines.

## **7.2.3 Repayments of claims**

Repayments of claims are recorded according to the nature of their transaction, e.g. a repayment of a government loan is recorded as a decrease in loans (F4) and an increase in currency and deposits (F2) in the Government Accounts.

There were no occasions where Government received repayment of claims which were previously cancelled. Should these occur, NSO would appropriately record them as capital transfer receivable to neutralise part of/or all of the debt cancelled in the past.

#### **7.2.4 Debt write-offs**

The General Financial Regulations, Legal Notice 40 of 1996 and the Ministry of Finance Circular 10/2001 – Government Accrual Accounting: Procedures for the control of debtors and creditors state that:

*“Authority for the writing off of any loss of public moneys may be given by the Permanent Secretary, Ministry of Finance or by such other officers as may be delegated by the Minister for Finance, provided that:*

*(1) Where the amount in any one case does not exceed €6,000, the write-off may be authorised by the Permanent Secretary responsible for the Department concerned;*

*(2) Where the amount in any one case does not exceed €1,200 write-off may be authorised by the Head of the Department concerned.*

*In all instances, recommendations for a write-off shall state what remedial action has been taken to avoid future recurrences. Heads of Department shall be responsible to ensure that no amounts of money due to Government become time-barred. When a doubtful debt is considered to be a bad debt and is to be written off, the matter shall be referred to the Board as indicated below.*

##### **1.7 Board for the Write-Off of Bad Debts**

*When a bad debt exceeding €6,000 is to be written off, the Permanent Secretary of the Ministry concerned is to appoint a Board consisting of at least three members (one member to be appointed by the Treasury) to:*

*(a) determine the circumstances that led to the doubtful debt being a bad debt;*

*(b) ascertain that the doubtful debt cannot be collected;*

*(c) recommend the appropriate action to be taken, including the writing off of the doubtful debt or any other legitimate action to be taken.*

*Authority shall be obtained from the Permanent Secretary, Ministry of Finance or by such other officers as may be delegated by the Minister for Finance, to take the actions deemed necessary on the recommendations made by the Board. The Accountant General is to be informed accordingly.”*

It's a government decision to write-off debt. Debt write-off is usually related to the cancellation of claims against a public corporation in liquidation. In national accounts debt write-offs are recorded as other changes in volume of assets.

#### **7.2.5 Sale of claims**

The issue of sale of claims is not applicable to Malta.

### 7.3 Capital injections in public corporations

Government capital injections are transactions which occur when governments provide assets (in cash or in kind) to public corporations (or assume liabilities), in their capacity of owner / shareholder, with an aim to capitalize or recapitalize them. The accounting rules are set out in ESA2010 paragraphs 20.197-20.203 and clarified in the Chapter III.2 on Capital injections of the ESA2010 Manual on government deficit and debt. This chapter devotes considerable space to set the operational rules for the recording of capital injections in national accounts either as transactions in equity (financial transaction = financing = “below-the-line”), or as capital transfers (non-financial transaction = expenditure = “above-the-line”).

It is recalled that the MGDD also indicates that payments by government to public units, structured in the legal form of a loan or a bond, might be considered in specific circumstances as capital injections, to be classified in certain cases as a non-financial transaction (predominantly capital transfer D.9); cf. MGDD III.2.3.2.2.

Adequate information on any Government’s capital injection (in cash or in kind) into a public corporation is available, either prior or after the event, through the Government Finance Statistics Committee and the good cooperation with the Ministry of Finance. It is common practice that the Ministry of Finance, prior to taking a decision related to a capital injection into a public corporation, consults the NSO in respect of the capital injection test.

Equity injections are recorded as such, whenever Government in exchange receives an equal share in equity of corporation, expects a sufficient rate of return, and the corporation is in good health. Capital injections in kind occur rarely, but when they do, they are in the form of land in exchange for equity.

The latest Government’s capital injections into a public corporation were in Air Malta plc. In the budget speech for 2012, Government committed the following equity injection: 2012: €20 million; 2013: €40 million; 2014: €15 million. The NSO, on applying the capital injection test from Chapter III of the Manual on Government Deficit and Debt, decided that these capital injections are to be recorded as capital transfers with an impact on the Government net borrowing/net lending as the public company has a loss-making history. The Government’s loan of €52 million provided to Air Malta plc in 2012, had to be repaid back in 2015 and 2016, instead the loan was converted to equity. Thus in 2015, a total of €43 million was recorded as capital transfer, with the remaining €12 million recorded also as a capital transfer in 2016.

Further capital transfers payable, directly or indirectly related, to Air Malta were recorded in:

- 2016: Capital transfer to Selmun Palace Hotel Co. Ltd for the payment of all its liabilities with the Bank and Air Malta (€10.9 million).
- 2018: Equity injection to Malta Air Travel Ltd in relation to purchase of landing slots and Air Malta Aviation Services (€62.5 million). For further information refer to section 5.2 Existence and classification of specific units: Ports and Airports.
- 2019: Equity injection to IP Holding Ltd in relation to the acquisition of the Air Malta brand name (€8.0 million) – *first tranche*.
- 2020: Equity injection to IP Holding Ltd in relation to the acquisition of the Air Malta brand name (€13.0 million) – *final tranche*

Local Councils do not provide capital injections.

## 7.4 Dividends

The accounting rules are set out in ESA2010 paragraphs 20.205-20.207. It is recalled, that the ESA2010 Manual on Government Deficit and Debt chapter III.5 indicates that large and exceptional payments out of reserves which significantly reduce the own funds of the corporation should be treated as superdividends, i.e. transaction in shares and other equity (a capital withdrawal). It also sets out that the resource available for distribution by a unit (a corporation) is the distributable income of the unit, as defined in the ESA2010, paragraph 4.55.

Total distributions could therefore comprise one part recorded as distributed income of corporations, D.42, and another recorded as transactions in equity, F.5. The former data is reported to Eurostat in ESA2010 table 2 and table 8 within “other property income” category, but the latter is included within transactions in equity in financial accounts. Within the latter, for the benefit of analysis, one should also distinguish between amounts received from the National Central Bank, and amounts received from other public corporations.

The application of the superdividend test is the responsibility of the NSO.

The data source on dividends received by the Budgetary Central Government is obtained from the Government’s accounting System. The accounts used from the chart of accounts to report dividends are:

| Acclev1 | Acclev1 (T) | Acclev2 | Acclev2 (T)              | Acclev3 | Acclev3 (T)                                 | Account | Description                                 | Rule   |
|---------|-------------|---------|--------------------------|---------|---|---------|---|--------|
| 11      | Revenue     | 127     | Central Bank of Malta    | 2000    | Transfer Net Profit - Central Bank of Malta | 14960   | Transfer Net Profit - Central Bank of Malta | Income |
| 11      | Revenue     | 133     | Dividends on Investments | 2100    | Dividends from public limited companies     | 15300   | Dividends from Public limited Companies     | Income |
| 11      | Revenue     | 133     | Dividends on Investments | 2130    | Registry of Companies Agency                | 15330   | Registry of Companies Agency                | Income |
| 11      | Revenue     | 133     | Dividends on Investments | 2150    | Sundry Dividends                            | 15340   | Sundry Dividends - Non Public               | Income |

As the presented dividend’s data in the Government’s accounting system are aggregated, the NSO requests the Budget Office, within the Ministry of Finance, for information on dividends received by company, amounts involved, received date, reference periods and occurrences of interim dividends.

The superdividend test for the Central Bank of Malta transfers to Government, for the current year, is applied once the CBM’s audited accounts are available to NSO. This is usually around the beginning of April.

For further information on the method applied refer to section 7.13.

For the other public corporations, the superdividend test is applied in preparation to the April EDP Notification. The individual data used is supplied by the Budget Office and compare it with their profit before tax data from the audited accounts. In absence of audited accounts NSO either use data from the FDRS or request the particular entity to forward their management accounts. When dividends received by Government are higher than the public corporation’s profits in their profit and loss account (the accounting concept used is the business accounts and the accounting item is profit/loss before tax), it is considered as evidence that part of the payments were financed from the entity’s reserves. Thus, NSO adjust Government’s dividend

received in Table 2A to reflect a reduction in property income, resulting in a negative impact on the deficit. The counter transaction is recorded in the financial accounts as a reduction of Government's Shares and Other Equity (F5).

Interim dividends are not common, however, when Government receives interim dividends, NSO uses monthly information from the FDRS to apply the superdividend test. Then, if need be, the quarterly accounts for the General Government Sector are adjusted.

The Local government sector does not hold financial investments in companies or public corporations.

## 7.5 Privatisation

The accounting rules are set out in ESA2010 paragraphs 20.210-20.213. The proceeds collected by government when disposing of shares in public corporations are often called privatization proceeds. The counterpart entity (i.e. the acquirer of shares) is the private sector. Privatisation can be indirect when the proceeds are forwarded to government after the sale of a subsidiary. The MGDD chapter V.2 indicates that such indirect privatisation proceeds are not government revenue. MGDD chapters V.3 and chapters V.4, respectively, provide the guidance on the treatment of privatisation proceeds from public corporations and restitution and use of vouchers for privatisation.

Specifically, chapter V.3.1 of the ESA2010 Manual on government deficit and debt mentions that in some EU Member States, holding companies have been set- up by the government to restructure the public sector with the aim of making the enterprises more competitive and profitable and, in the long run, disengaging the government. Often their main activity is to organise the privatisation efficiently and transfer the proceeds of the sale of shares to other public corporations (owned by the holding company or not), through grants, loans or capital injections.

The main issue is: what is the relevant sector classification of this sort of unit managing privatisation and possibly making grants to other enterprises? Should this activity been considered as taking place on behalf of the government?

The Government entities that are involved in the Government's privatisation operations are the:

- Privatisation Unit – established within the Ministry of Finance in 2002 to oversee Government's implementation of its privatisation plan announced in 1999. The Privatisation Unit is not classified as an institutional unit in National Accounts.
- Malta Investment Management Company Limited (MIMCOL) – which together with the Malta Government Investments Ltd hold some of the Government investments in state-owned enterprises. Both entities are classified as extra budgetary units and are classified within the General Government sector.

All privatisation proceeds are transferred to the Budgetary Central Government. At the stage of releasing the monthly information on Consolidated Fund of Government, these proceeds from sale of financial assets are not recorded as revenue and therefore do not feature in the Government's working balance in EDP Table 2A. The privatisation proceeds are recorded in the financial accounts as a reduction in government shareholding (F5) and an increase in government bank balances (F2). Transactions in F5 are recorded on an accrual basis when the cash is paid in tranches.



## 7.6 Public Private Partnerships

The term “Public-Private Partnerships” (PPPs) is widely used for many different types of long-term contracts between government and corporations for the provision of public infrastructure. In these partnerships, government agrees to buy services from a non-government unit over a long period of time, resulting from the use of specific “dedicated assets”, such that the non-government unit builds a specifically designed asset to supply the service. The accounting rules are set out in ESA2010 paragraphs 20.276-20.282 and clarified in the Chapter VI.4 of the ESA2010 Manual on government deficit and debt.

The key statistical issue is the classification of the assets involved in the PPP contract – either as government assets (thereby immediately influencing government deficit and debt) or as the partner’s assets (spreading the impact on government deficit over the duration of the contract). This is an issue similar to the one of distinguishing between operating leases and finance leases, which is explained in Chapter 15 of ESA2010.

As a result of the methodological approach followed, in national accounts the assets involved in a PPP can be considered as non-government assets only if there is strong evidence that the partner is bearing most of the risk attached to the asset of the specific partnership. In this context, it was agreed among European statistical experts that, for the interpretation of risk assessment, guidance should focus on three main categories of risk: “construction risk” (covering events like late delivery, respect of specifications and additional costs), “availability risk” (covering volume and quality of output) and “demand risk” (covering variability of demand).

PPP assets are classified in the partner's balance sheet if both of the following conditions are met: the partner bears the construction risks and the partner bears at least one of either availability or demand risk, as designed in the contract.

If the conditions are not met, or *if government assumes the risks through another mechanism*, (e.g. guarantees, government financing) then the assets are to be recorded in the government's balance sheet. The treatment is in this case similar to the treatment of a financial lease in national accounts requiring the recording of government capital expenditure and borrowing. In borderline cases it is appropriate to consider other criteria, notably what happens to the asset at the end of the PPP contract.

In Malta, the public-private partnerships are not common. Other forms of agreements between the Government and the private sector are available but these are more a nature of payment for services by Government rather than proper PPPs; for example the embellishment and landscaping of roundabouts and traffic islands, and agreements between local councils with contractors for the maintenance of roads.

Malta has not put in place specific legal instruments that govern the application of PPPs. The relevant provisions of the Public Contract Regulations, 2005, particularly those regulating the ‘competitive dialogue’ procedure and ‘negotiated procedure’, are resorted to.



In 2014, Government set up a new company, Projects Malta Ltd that will work in Public Private Partnerships, promoting and developing sustainable private/public sector joint venture initiatives. These ventures serve to improve Malta's infrastructure, the quality of services being offered to citizens, and also to improve the value for money that a direct partnership with the private sector brings. NSO has decided to classify Projects Malta Ltd as an Extra Budgetary Unit and thus within the General Government sector. Then, each PPP initiative set-up by Projects Malta will be analysed on its own.

Major government projects may have implications on government's debt and deficit and therefore it is in the interest of the Ministry of Finance to make the NSO aware of the projects and to forward any relevant documentation and contracts. On analysing the contracts NSO would be in a position to distinguish between PPPs, concessions and leases.

The Eurostat/EIB Guide on the statistical treatment of PPPs (published in September 2016) is an essential tool to classify a PPP project.

NSO also collects information on the current and planned government concessions, as well as, on public private partnerships (PPPs) agreements within the government sector (Ministries, Departments and Government Entities), through a dedicated questionnaire. The questionnaire was designed to capture these government agreements with the private sector, with the aim to assess the statistical classification of each concession and PPP agreement. The questionnaire was first launched in 2016, and thereof circulated every two years.

A copy of the PPP and Concessions questionnaire can be found in Annex XI.

The list of government's PPP agreements with the private sector is as follows:

**1. Mellieha Home for the Elderly** – Malta's first Public Private Partnership according to the statistical rules. This PPP is reported in the EDP Inventory, as well in the questionnaire related to the EDP. The agreement between Government and Caremalta was signed in April 2007 and in March 2008 it officially opened. The Dar il-Madonna tal-Mellieha is a community home which not only provides accommodation for older persons but also offers health services to the locals through the adjacent 'berga'. It also incorporates a Day Centre and provides a night shelter through a designated area in the home. The agreement between the two parties is for 25 years, where Government provided the land and Caremalta designed, build and operates the home. Construction and availability risk were borne by the private partner, while Government retained the demand risk. Contract stipulates performance deductions to the unitary payments and there are no minimum revenue mechanisms.

*NSO classifies the Mellieha Home for the Elderly off-balance sheet.*

**2. Health facilities agreements with Vitals/Stewards Group** – The scope of the PPP between Government and Vitals Global Healthcare Ltd signed at the end of 2015 is the redevelopment, maintenance, management and operation of the St Luke's Hospital (SLH), Karin Grech Rehabilitation Hospital (KGRH) and Gozo General Hospital. The redevelopment requirements, amongst which, include: the construction of a new hospital next to current hospital building at GGH; redesign and remodel the existing building at GGH; construct and outfit a medical school at GGH; construct a dedicated research and development centre at GGH and design and build a nursing university level institution at SLH. The initial investment of the Vitals Group shall be of €220 million. Government will be purchasing the services of the healthcare provided by Vitals Group throughout the duration of the concession i.e. 30 years. Beds, facilities and

services capacity not reserved for use by GOM may be offered by the private operator for medical tourism. Steward Health Care acquired the concession for the 30-year operation of three state hospitals from Vitals Global Healthcare in December 2017.

*NSO classifies this healthcare agreement on-balance sheet.*

**3. Building of new blocks at St Vincent de Paule Long Term Facility** – In 2017, the Government of Malta and JCL and MHC Consortium (the partner) entered in an agreement where by the partner shall be constructing four long-term facility blocks for a total of 504 beds on the premises of the St Vincent De Paule Long Term Facility. The cost of construction and purchase of the relevant equipment was estimated at €29.3 million. The term of the contract is of 15 years. Government will pay a consideration at the following rates: occupied bed rate (€105.5) and unoccupied bed rate (€98.3).

*NSO classifies the four new long-term facility blocks at SVPR on-balance sheet.*

## 7.7 Financial derivatives

This part describes the use of financial derivatives and the recording of derivative related flows in EDP tables and national accounts.

Regulation (EU) No 549/2013 of the European Parliament and of the Council of 21 May 2013 on the European system of national and regional accounts in the European Union does not distinguish between the ESA and EDP definition of interest. The Regulation No 549/2013 paragraph 4.47 reads: *Payment resulting from any kind of swap arrangement is recorded as a transaction in financial derivatives in the financial account, and not as interest recorded as property income. Transactions under forward rate agreements are recorded as transactions in financial derivatives in the financial account, and not recorded as property income.*

ESA2010 paragraph 20.133 specifies the treatment of so called market swaps: *“Lump sums exchanged at inception on off-market swaps are classified as loans (AF.4) when the lump sum is received by government. Off-market swaps are partitioned in the balance sheet into a loan component and a regular, ‘at-the-money’ swap component”.*

### 7.7.1 Types of derivatives used

Financial derivatives are not currently used within the General Government Sector.

On the other hand, up to 2007Q3, Gozo Ferries Co. Ltd (an extra budgetary unit) had entered into a forward foreign exchange contract with Central Bank of Malta to offset the exchange difference arising from foreign currency borrowings obtained to finance the construction of three ferry boats. The borrowing amounts were included in the General Government debt across the years. Any changes in the forward foreign exchange contract’s fair values have been treated as revaluations in National Accounts.

With the implementation of the ESA2010 and the subsequent reclassification of Malta Freeport Corporation within the General Government Sector for the period 1999 to 2011, in the financial accounts, a new financial derivative was recorded. In 2004, Malta Freeport Corporation entered into a Cancellable Swap Transaction with UBS which converted the bond from 7.25% on USD 250 million into 6.991% on circa EUR200.7 million.

### 7.7.2 Data sources

Audited accounts.

### 7.7.3 Recording

Not applicable.

## 7.8 Payments for the use of roads

The main issue is whether payments for road, both in the case of tolls and vignettes, should be considered as sale of services or as a tax, when the infrastructures are owned by public units. The issue is important also because the classification of payments made for the usage of roads, either as sales or taxes, influences the assessment of the 50% criterion, which is fundamental for the purpose of assessing whether a given institutional unit (in some cases, a government-controlled entity receiving the payment of the toll or vignette) is a market or a non-market producer.

Payments for the use of roads will generally be classified as a sale of a service in the case of tolls. They will also be classified as a sale of a service in the case of vignettes whenever users have sufficient choice both in terms of selecting specific roads and of choosing a determined length of time for the vignette.

*Not applicable.*

## 7.9 Emission permits

There are two main trading systems, where European Union Member States can participate:

The Kyoto Protocol is a 1997 international treaty which came into force in 2005. In the treaty, most developed nations agreed to legally binding targets for their emissions of the six major greenhouse gases.[33] Emission quotas (known as "Assigned amounts", AAUs) were agreed by each participating 'Annex 1' country,

The European Union Emission Trading Scheme (or EU ETS) is the largest multi-national, greenhouse gas emissions trading scheme in the world. It is one of the EU's central policy instruments to meet their cap set in the Kyoto Protocol. The so-called EU emission Allowance (EUA) is traded.

The ESA2010 MGDD part VI, chapter VI.5 is dealing with the statistical recording of the emission trading allowances.

*The competent authority responsible for the overall implementation and administration of the EU ETS in Malta is the Malta Resources Authority (MRA).*

*Following Eurostat's guidelines on the recording in national accounts of the Emission Trading Permits, NSO organised a series of meetings between the interested parties (NSO, CBM, MoF and MRA).*

*The model used to record the emission trading permits in Malta's national accounts is according to the formula provided in the Manual on Government Deficit and Debt in section VI.5.2:*

*The payments for emission permits, issued by governments under cap and trade schemes, should be recorded as other taxes on production (D29), on an accrual basis in the year of surrender of the permits.*

The timing difference between the cash payments received by government for the allowances and the time of recording of the tax revenue in national accounts gives rise to a financial liability (F.89) for government.

The level of tax revenue to be recorded in any particular year shall be determined by a model as follows:

$$\text{Tax revenue} = [\text{Number of allowances surrendered}] \times [\text{Associated auction price of stock of allowances}]$$

The average auction price is determined as the ratio between the **total stock of AF.89 payable relating to sales** (excluding thus allowances issued for free) of allowances (taken at a date as close as possible to (but before) the surrender date) and the **total number of domestically-issued allowances which have not yet been surrendered** (including those issued for free).

$$\text{Average auction price} = \frac{[\text{Total stock of AF.89 payable relating to sales of allowances}]}{[\text{Total number of domestically-issued allowances which have not yet been surrendered}]}$$

The table shows the method for recording revenue from the EU ETS auction receipts in D.29:

| Year   | Stock of total issuance (cumulative) | Stock of total surrender (cumulative) | Issuance less Surrender | Total Permits before surrender | Surrender | Total Stock of AF89 payable relating to sales | Total auction receipts per year | Total revenue plus revenue not booked | Average market price | Recorded as revenue (D29) | Remaining revenue |
|--|--------------------------------------|---------------------------------------|-------------------------|--------------------------------|-----------|---|---------------------------------|---------------------------------------|----------------------|---------------------------|-------------------|
|  | 1                                    | 2                                     | 3=1-2                   | 4                              | 5         | 6   | 7                               | 8=7-11                                | 9=8/4                | 10=5*9                    | 11=7-10           |
| (1 EUA is equivalent to 1 tonne CO2 equivalents) |                                      |                                       |                         |                                |           | €   |                                 |                                       |                      |                           |                   |
| 2005   | 2,085,602                            | -                                     | 2,085,602               | 2,085,602                      | -         |   |                                 |                                       |                      |                           |                   |
| 2006   | 4,252,903                            | -                                     | 4,252,903               | 4,252,903                      | -         |   |                                 |                                       |                      |                           |                   |
| 2007   | 6,538,475                            | 3,957,023                             | 2,581,452               | 6,538,475                      | 3,957,023 |   |                                 |                                       |                      |                           |                   |
| 2008   | 8,646,312                            | 5,984,387                             | 2,661,925               | 4,689,289                      | 2,027,364 |   |                                 |                                       |                      |                           |                   |
| 2009   | 10,767,765                           | 5,984,387                             | 4,783,378               | 4,783,378                      | -         |   |                                 |                                       |                      |                           |                   |
| 2010   | 12,927,125                           | 9,900,085                             | 3,027,040               | 6,942,738                      | 3,915,698 |   |                                 |                                       |                      |                           |                   |
| 2011   | 15,095,130                           | 11,778,392                            | 3,316,738               | 5,195,045                      | 1,878,307 |   |                                 |                                       |                      |                           |                   |
| 2012   | 17,491,944                           | 13,709,958                            | 3,781,986               | 5,713,552                      | 1,931,566 | 272,290                                       | 272,290                         | -                                     | 0.05                 | 92,052                    | 180,238           |
| 2013   | 18,678,846                           | 15,990,207                            | 2,688,639               | 4,968,888                      | 1,178,065 | 4,738,931                                     | 4,466,641                       | 4,646,879                             | 0.94                 | 1,101,720                 | 3,545,158         |
| 2014   | 19,519,248                           | 17,687,518                            | 1,831,730               | 3,529,041                      | 1,697,311 | 8,653,735                                     | 3,914,804                       | 7,459,962                             | 2.11                 | 3,587,908                 | 3,872,054         |
| 2015   | 20,510,650                           | 19,788,514                            | 722,136                 | 2,823,132                      | 2,100,996 | 14,838,345                                    | 6,184,610                       | 10,056,664                            | 3.56                 | 7,484,245                 | 2,572,419         |
| 2016   | 21,536,552                           | 20,923,485                            | 613,067                 | 1,748,038                      | 1,134,971 | 19,037,385                                    | 4,199,040                       | 6,771,459                             | 3.87                 | 4,396,592                 | 2,374,867         |
| 2017   | 22,740,176                           | 21,738,423                            | 1,001,753               | 1,816,691                      | 814,938   | 24,962,360                                    | 5,924,975                       | 8,299,842                             | 4.57                 | 3,723,174                 | 4,576,668         |
| 2018   | 23,933,865                           | 22,705,854                            | 1,228,011               | 2,195,442                      | 967,431   | 40,672,230                                    | 15,709,870                      | 20,286,538                            | 9.24                 | 8,939,351                 | 11,347,187        |
| 2019   | 24,758,554                           | 23,727,503                            | 1,031,051               | 2,052,700                      | 1,021,649 | 56,583,225                                    | 15,910,995                      | 27,258,182                            | 13.28                | 13,566,666                | 13,691,517        |
| 2020   | 25,585,743                           | 24,840,103                            | 745,640                 | 1,858,240                      | 1,112,600 | 72,341,295                                    | 15,758,070                      | 29,449,587                            | 15.85                | 17,632,604                | 11,816,983        |

Item 4 – Total permits before surrender = total issuance per year + issuance less surrender

Item 5 – Surrender = Total surrendered EUAs per year (a surrender taking place in year x is relevant to emissions occurring in year x-1)

Item 6 – Total stock of AF89 payable relating to sales = cumulative auction revenue in cash

Data is obtained from MRA and Treasury Department.

The Government of Malta started the auctioning of its EU ETS permits on the 12<sup>th</sup> December 2012, through the common auction platform used by 24 EU Member States. The Government started receiving revenue from the sale of these ETS permits from December 2012 and these are recorded on a cash basis in revenue item '0914 – Proceeds from auctioning of emission trading units'. The difference between the total auction receipts on a cash basis and the actual revenue recorded in D.29 (as compiled from the model) is recorded in EDP table 2A. A contra-entry is booked in 'Other accounts payable' (F8).

## **7.10 Sale and leaseback operations**

Government sells an asset and immediately leases it back from the purchaser. The issue is whether the sale is to be considered as a "true sale" (transaction in GFCF improving B.9) or the transaction is to be treated differently and an asset should remain on government's balance sheet.

MGDD part VI, chapter VI.2 is dealing with sale and lease back operations.

In Malta, there are no known sale and leaseback operations undertaken by the General Government sector.

## **7.11 Securitisation**

Securitisation is when a government unit transfers the ownership rights over financial or nonfinancial assets, or the right to receive specific future cash flows, to a special-purpose vehicle (SPV) which in exchange pays the government unit by way of financing itself by issuing, on its own account, asset backed bonds.

The classification of the proceeds received by government as disposal of an asset may lead to an impact on the government deficit, when the asset is a nonfinancial asset or if it is determined that a revenue should accrue. All securitisation of fiscal claims should be treated as borrowing, as well as all securitisation with a deferred purchase price clause and all securitisation with a clause in the contract referring to the possibility of substitution of assets. Also if the government compensates the SPV ex-post, although this was not required according to the contract, the operation should be reclassified as government borrowing.

ESA2010 paragraphs 20.260-20.271 establish securitisation operations accounting rules. The MGDD part V, chapter V.5 are dealing with securitisation operations.

In Malta, there are no known securitisation operations undertaken by the General Government sector.

## **7.12 UMTS licenses**

The receipts of government following the allocation of mobile phone licenses to operators are to be recorded as rent (D.45) over the whole time of the licence. In cases when licenses are sold in advance of their actual availability, any prepayment collected by government should be recorded as other accounts payable (F.8).

The ESA 2010 MGDD part 6, chapter 6.1 is dealing with the sale of mobile phone licenses.

In 2005, the Government, through the Malta Communications Authority (an EBU), sold the right to use the 3G radio spectrum to two mobile telephone network operators for a period of 15 years. They had the option to either pay immediately upon the grant of the right of use an upfront fee of €5.8 million, or to pay according to a schedule throughout the 15-year period of the license. Both operators decided to take the option of the upfront payment and therefore, in 2005, the Government recorded an amount of €11.6 million in revenue. In 2007, the same 3G licence was granted to another operator. This operator decided to pay according to an agreed schedule and will pay €8.6 million over a period of 15 years.

In national accounts NSO followed Eurostat decision on the allocation of mobile phone licences. The receipts are apportioned on the lifetime of the contractual agreements and are being recorded as rent payable (D.45). The information is obtained from the Malta Communications Authority.

In Malta there are no cases when mobile phone licences are sold ahead of their availability.

### **7.13 Transactions with the Central Bank**

The management of asset portfolios and interventions in foreign exchange markets for monetary policy purposes may generate capital gains for central banks which are liable to be distributed to general government. The amounts involved may sometimes be very large. Capital gains are not income in national accounts and therefore payments to government financed out of capital gains cannot be recorded as property income but have to be recorded as financial transactions.

It also proposes to apply the rules on capital injections when government makes a payment to the Central Bank. Such payments by government may be made to cover losses made by the Central Bank. Capital losses may occur due to foreign exchange holding losses. Operational losses may occur due to the fact that interest and other operational income do not cover operational costs made by the central bank. Capital losses cannot be recorded as equity injection, therefore capital gains and losses are somehow not treated symmetrically. This asymmetrical treatment is nevertheless justified for the purpose of appropriately measuring government deficit.

The transactions between the Government of Malta and the Central Bank of Malta are in terms of article 22(2) of the Central Bank of Malta Act (Cap. 204). Article 22 (2) states that:

*22. (1) Subject to the following provisions of this article, the net profits of the Bank for each financial year shall be determined by the Bank after meeting all expenditure for that year and after making such provision as it thinks fit for bad and doubtful debts, depreciation in assets, contributions to staff and pension funds and all other reserves and contingencies.*

*(2) After such allocations as may be determined by the Bank under the provisions of subarticle (1) have been made, the remainder of the net profits established as aforesaid shall be paid to the Government.*

The Central Bank of Malta's annual net profit is transferred to Government's consolidated fund (working balances Table 2A) as dividends receivable.



For the purpose of the recording in national accounts, NSO base their decision on the chapter on payments between the Central Bank and Government from the Manual of Government Deficit and Debt. The table below shows the formula applied each year to record the Central Bank of Malta transfers to Government in national accounts. Apart from deducting the item net result of financial operations, write-downs and risk provisions, adjust also for the writing-off of the old Maltese Lira coin liabilities, which in the accounts of Central Bank of Malta are recorded as a profit in the profit and loss account. Another adjustment is for the ECB buffer against the counterparty risks in monitoring policy. After taking these adjustments in consideration, any excess dividend, i.e. a positive difference between the actual payment to the Government and the dividend payable resulting from this formula, is accounted for as a superdividend element in EDP Table 2A. A counter transaction is recorded in the financial account by reducing government's asset in the Central Bank of Malta.

A superdividend transaction for the Central Bank of Malta was last recorded in national accounts in 2017 for an amount of €9.5 million.

### Central Bank of Malta profit and loss account for 2019

|  | € millions     |
|--|----------------|
| 1 Net Interest Income  | 60.163         |
| 2 Net result of financial operations, write-downs and risk provisions  | -8.877         |
| 3 Net income / expense from fees and commissions   | -0.398         |
| 4 Income from equity shares and participating interests  | 1.361          |
| 5 Net result of pooling of monetary income   | -6.630         |
| 6 Other income   | 3.685          |
| <b>Total net income</b>  | <b>49.304</b>  |
|  | -              |
| 7 Staff Costs  | 12.547         |
| 8 Administrative expenses  | -7.067         |
| 9 Depreciation of tangible and intangible fixed assets   | -1.348         |
| 10 Banknote production services  | -0.342         |
| 11 Other expenses  | 0.000          |
| 12 Income tax and other government charges on income   | 28.000         |
| <b>(Loss) / profit for the year</b>  | <b>28.000</b>  |
| <br>   |                |
| <b>A Payable to Government of Malta in terms of article 22 (2) of the Central Bank of Malta Act (Cap. 204)</b> | <b>28.000</b>  |
| <br>   |                |
| Operational Profit (method 1) : 2-(loss)/profit for the year   | 36.877         |
| Operational Profit (method 2) : 1+3+4+5+6-7-8-9-10-11-12   | 36.877         |
| <br>   |                |
| Adjusted for writing off of coin liabilities   | €2.928         |
| <b>B Operational Profit (method 1) : 2-(loss)/profit for the year</b>  | <b>€33.949</b> |
| Operational Profit (method 2) : 1+3+4+5+6-7-8-9-10-11-12   | €33.949        |
| <br>   |                |
| <b>Dividend to General Government to be recorded as the minimum between A and B</b>                            | <b>€28.000</b> |
| <br>   |                |
| <b>C ECB buffer against the counterparty risks in monitoring policy</b>  | <b>0.000</b>   |
| <br>   |                |
| <b>Superdividend element (=B-A-C) (adjustment EDP Table 2A)</b>  | <b>€0.000</b>  |

## 7.14 Lump sum pension payments

ESA2010 paragraphs 20.273-20.275 define the accounting rules for recording of the lump sum pension payments. The related accounting rules are further described in the ESA2010 MGDD and debt Part III.6 Impact on government accounts of transfer of pension obligations.

*Not applicable.*

## 7.15 Pension schemes

*Not applicable.* For further information refer to section 1.4

## 7.16 Rearranged Transactions

The sole transaction re-routed through the government accounts impacting both government fiscal balance and the debt is the Affordable Housing Project by the Malita Investments plc. Malita Investments plc is classified in the Non-Financial sector.

The project on affordable housing aimed at filling the existing market gap for affordable dwellings in the Maltese real estate market. It was launched in 2016, the financing contract with the European Investment Bank and Council of Europe Development Bank was signed in June 2017 and in June 2018 the first disbursement took place. The total capital expenditure is estimated at €58 million. A long-term rent contract (emphyteusis) for the land sites was signed with government on the basis of prices valued by external evaluators and will last for 28 years with a 5% increase in the lease price each year. At the end of the 28th year, the assets will revert back to the Housing Authority, classified in government. The Housing Authority is responsible for issuing a certificate granting entitlement to social housing. The Housing authority, based on the same set of criteria (which includes income), draws two complementary lists of tenants: one for social housing on the sites included in Malita's project and one for social housing on other sites. The tenants then enter into a 7-year renewable lease contract with Malita. If a tenant is removed from the Housing Authority's list, then, the person loses the right to rent the dwelling. In case of unpaid rent, the normal procedures for eviction are followed, even if eviction is seen as an extreme solution that should be avoided. Malita can set the rental price but is allowed to raise it only by inflation rate (maximum 3%). Tenants might be entitled to government subsidies for rent that span from 70 to 100% of the total rental price, depending on the level of income and value of assets owned by the person.

The classification of this transaction was discussed with Eurostat in the May 2018 EDP standard dialogue visit. The main considerations for deciding to re-route this affordable housing project inside the general government sector are:

- Government will benefit from a significant portion of the economic life of the assets (estimated at 50 years);
- Project has a social policy purposes: tenants are obtained from Housing Authority, cannot increase rents beyond inflation rates and eviction is a last-resort measure.
- Rents are heavily subsidised

## 7.17 Decommissioning costs

Decommissioning is an operation consisting of dismantling (uninstalling) a production/industrial site in order to clean it up so that it, or the land underneath or surrounding it, becomes available for future use. The aim may be to re-use the buildings and/or other installations or to totally transform the site for other purposes (for instance, into a park). The following assets can be subject to decommissioning: nuclear power stations, oilrigs, mines, quarries, complex industrial factories (chemical, refineries, etc.), landfills sites, etc. This list is not exhaustive. The recording of decommissioning in government accounts is relevant for cases where an asset to be decommissioned is transferred to government, which will take over the future cost of the decommissioning.

The ESA 2010 MGDD chapter 3.7 deals with the impact on government accounts of transfer of decommissioning costs.

*Not applicable.*

## 7.18 Income Contingent loans

Income contingent loans are cases when government provides funds, in the legal form of loans, whereby repayments are contingent to elements defined in the funding agreement or by law. These contingent elements, which allow the debtor not to repay the funding (partially or totally), can take various forms such as the future income of the beneficiary of the funding, the limitation of the period of repayment or other elements not fully under the control of the parties.

The ESA 2010 MGDD chapter 4.7 explains the recording of income contingent loans.

*Not applicable*

## 7.19 Concessions

This term is used for government contracts with a corporation (a concessionaire), which may be public or private, generally signed after a competitive procedure, to operate over a long-term period an asset, which may be either existing (and which must be renovated) or to be constructed; and where the corporation charges the final users. A clear distinction exists between concessions and public-private partnerships (PPPs) in national accounts. The term 'concession' is used solely to describe long-term contracts, where the majority of the partner's (concessionaire's) revenue comes from the final users of the service, i.e. in which government makes no regular payments to the partner or such payments are a minority of the partner's revenue. In contrast, in PPPs contracts, the majority of the partner's revenue under the contractual arrangement comes from government payments.

The ESA 2010 MGDD chapter 6.3.1.5 refers to the statistical recording of concessions.

[NSO collects information on the current and planned government concessions, through a dedicated questionnaire. A copy of the PPP and Concessions questionnaire can be found in Annex XI.](#)

[The list of government's concessions agreements with the private sector is as follows:](#)

1. **Malta National Aquarium** – Developed over an area of 1.8 hectares and consist of an aquarium attraction, a cafeteria/restaurant, retail outlet, an auditorium, two kiosks in the attraction’s surrounding areas and an over ground and underground car park. The total capital expenditure of this project was of €15.4 million, of which: the contracting authority (Malta Tourism Authority, an EBU) financed €8.8 million through EU Funds (with a national co-financing rate of 15 per cent), while the operator, a private joint venture (Ebcon- Global), financed €6.6 million. The operator designed, build and manages the aquarium facilities. All risks (construction, availability and demand) and rewards (operator receives all the income from this project) were transferred to the operator. The agreement between government and operator is for 50 years.

*NSO classifies the Malta National Aquarium off-balance sheet.*

2. **University Residence and Community Complex** – On the 29th May 2019, the University of Malta (UOM) and Campus Residence Malta Ltd (Company) have agreed to enter into agreement for the construction and management of a University Residence and Community Complex at the University of Malta. The development will include a university residence (690 bedroom units), ancillary commercial space, student community amenities, language school, lecture space, office building and an underground car park (456 car spaces), and will be built in an 8,780 square metre area in an area known as Ta’ Gjalpos, which falls between the University of Malta and Mater Dei Hospital. The estimated cost of the construction of the University Residence and Community Complex is €35.0 million. Emphyteutical period is 60 years commencing on 1st June 2019.

*NSO classifies the University Residence and Community Complex off-balance sheet.*

3. **International School** – Discussions are still ongoing between the Government of Malta, represented by the Ministry of Education and Haileybury Malta Ltd (the partner) for the rehabilitation, operation, management and transfer back of an International School in Mtarfa. The estimated cost of the rehabilitation of the former military hospital into an international accredited school is €12.4 million. The agreement shall terminate at the end of the 40-year period. The company is expected to set up and run an international school, a gap in the country’s educational set up that has been felt for the past few years with a growing foreign population.

*NSO preliminary classifies the International School off-balance sheet*

In the relation to the existing concession agreements the Government does not provide financing for the construction costs and neither debt or minimum revenue guarantees.

## **7.20 Energy Performance Contracts**

Under an Energy Performance Contract (EPC), the owner of a facility engages a contractor to design and deliver energy efficiency measures. EPCs usually require the contractor to perform all necessary works to implement the identified efficiency measures. Such works may involve investment (capital expenditure) in construction works and/or equipment, the provision of the necessary funding and the delivery of related services. EPCs therefore contain at the same time elements of rental, service, leasing, purchase and loan arrangements, which makes its nature complex.

On 19 September 2017, Eurostat published the Guidance note on the recording of energy performance contracts in government accounts and on 8 May 2018, Eurostat published, in cooperation with the EIB), the Guide on statistical treatment on EPC.

*Not applicable*

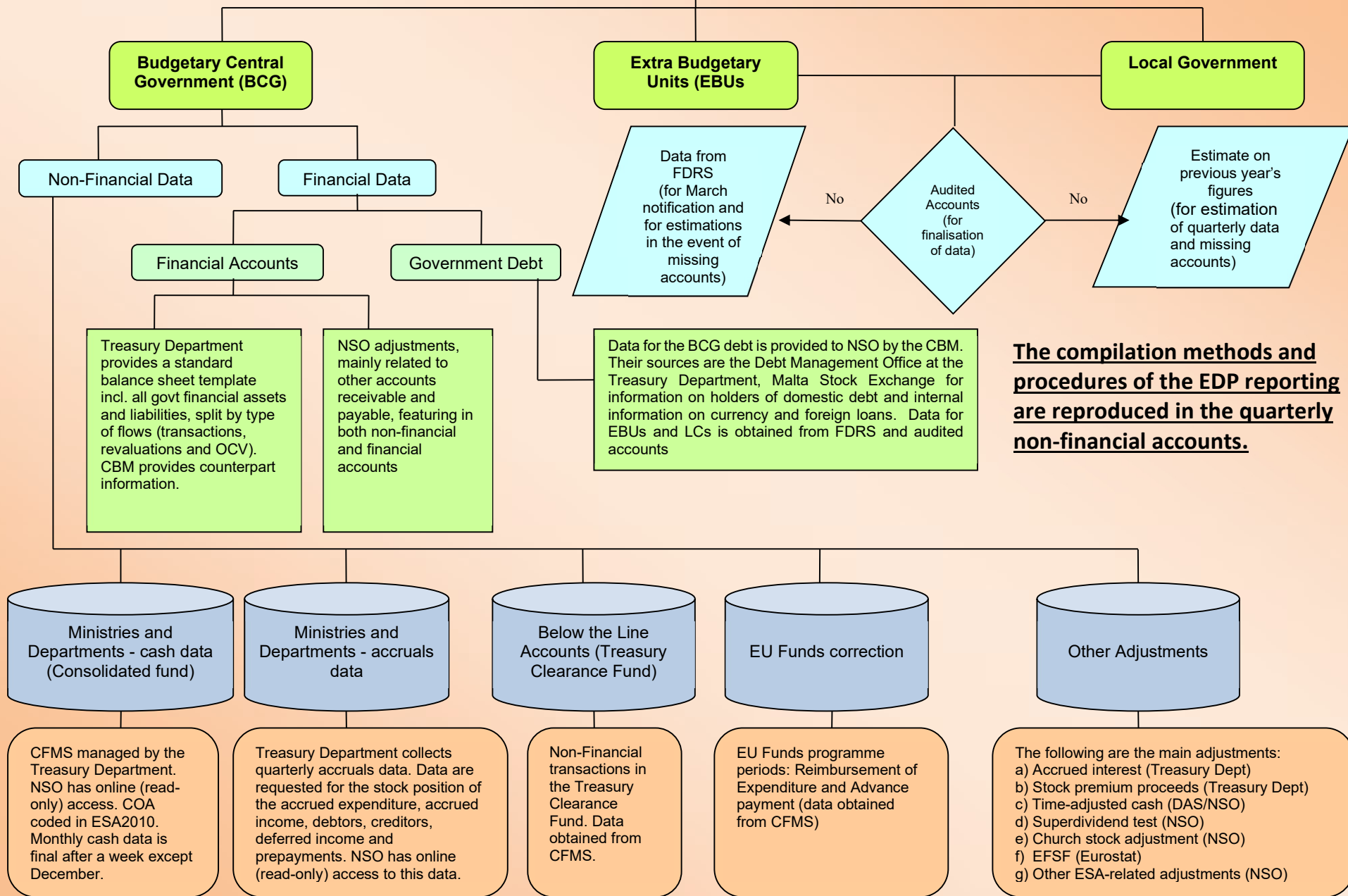
Annex I – List of General Government units

**Number of units in GG sector**

|               |                   | <b>2019</b> | <b>2020</b> | <b>Diff</b> |
|---------------|-------------------|-------------|-------------|-------------|
| <b>S.1311</b> | <b>The State</b>  | 210         | 203         | -7          |
|               | <b>Other</b>      | 71          | 75          | 4           |
|               |                   |             |             |             |
| <b>S.1312</b> | <b>Main units</b> | M           | M           | M           |
|               | <b>Other</b>      | M           | M           | M           |
|               |                   |             |             |             |
| <b>S.1313</b> | <b>Main units</b> | 68          | 68          | 0           |
|               | <b>Other</b>      | 7           | 7           | 0           |
|               |                   |             |             |             |
| <b>S.1314</b> | <b>Main units</b> | M           | M           | M           |
|               | <b>Other</b>      | M           | M           | M           |

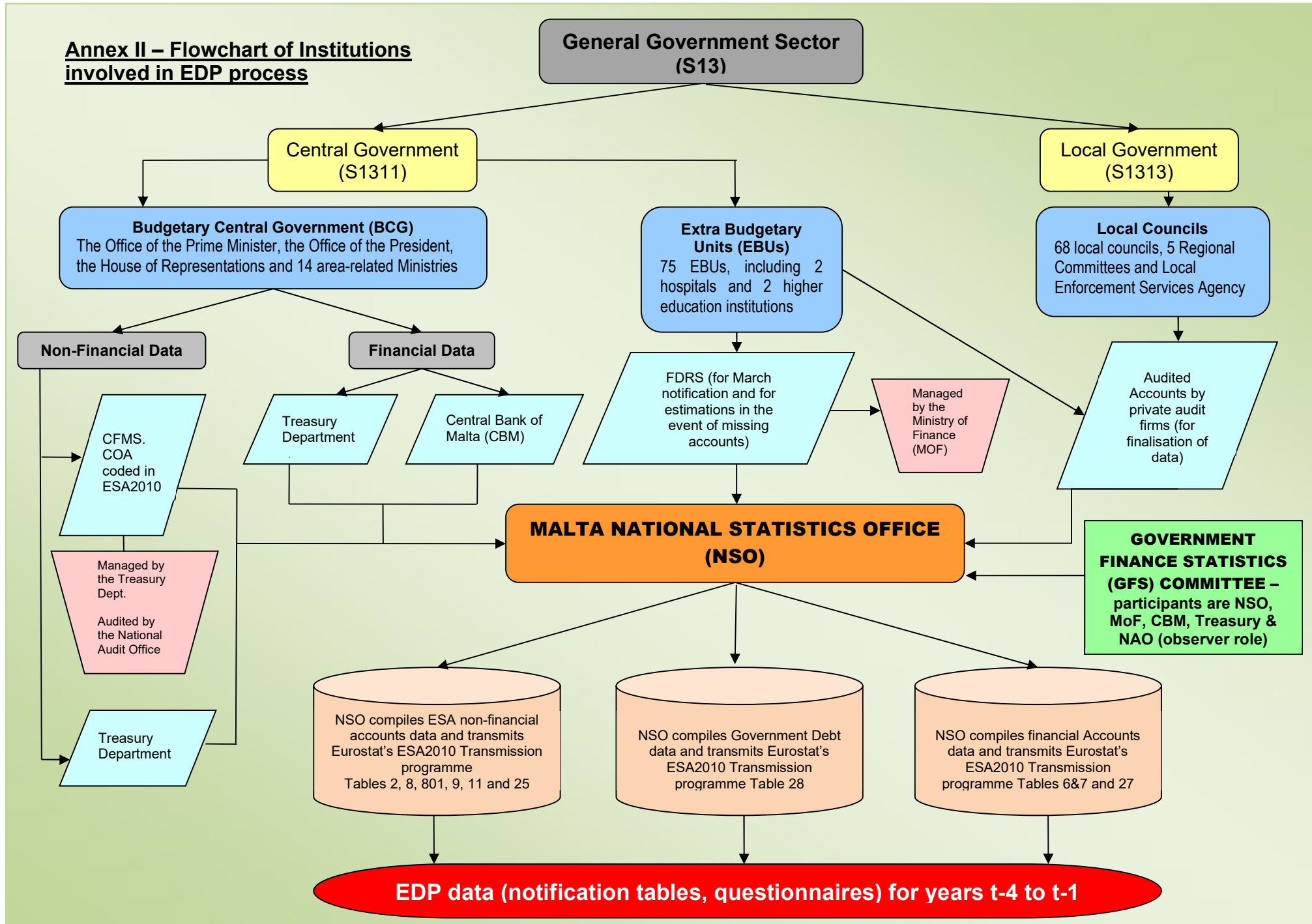
**Annex II - Flowchart of the process of EDP reporting**

**Excessive Deficit Procedure (EDP) Reporting**



**The compilation methods and procedures of the EDP reporting are reproduced in the quarterly non-financial accounts.**

**Annex II – Flowchart of Institutions involved in EDP process**





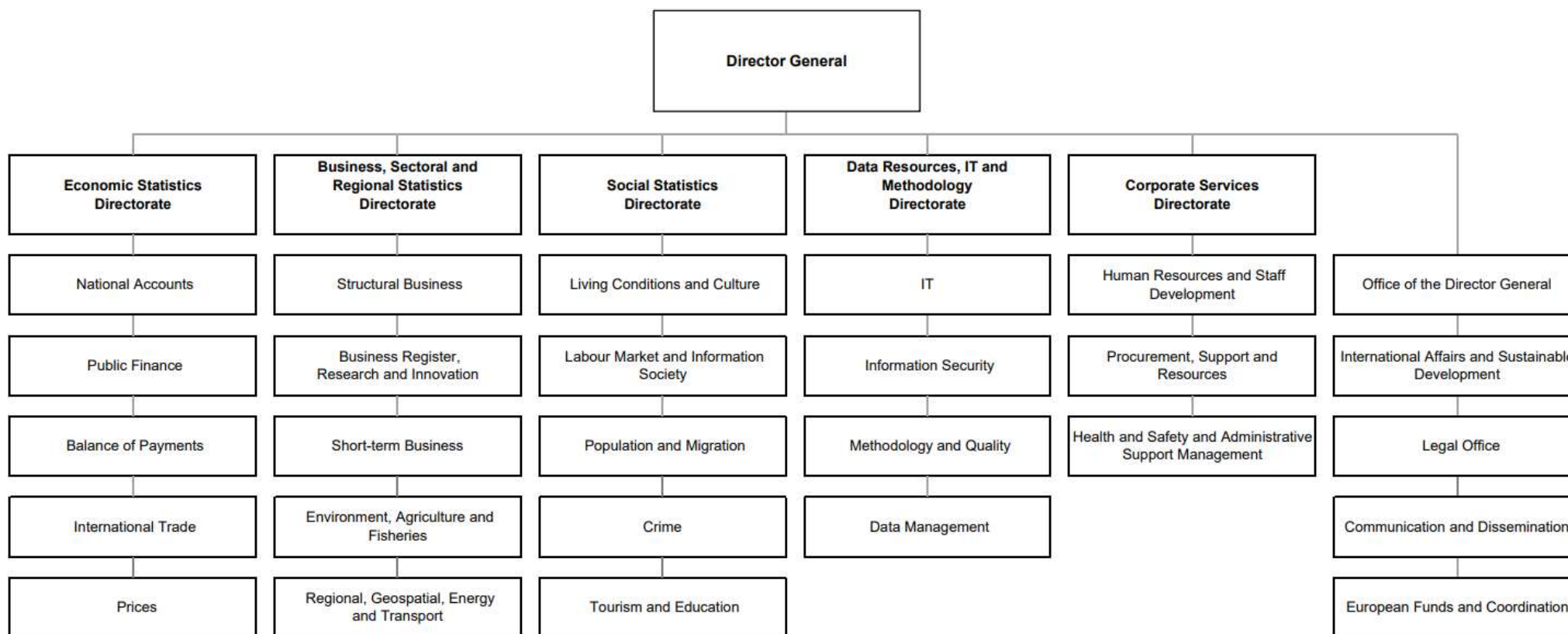
### Annex III – NSO’s organisational chart (as at 4 June 2021)

#### Director General

The Director General is the head of the National Statistics Office and has the legal representation of it. The Malta Statistics Authority Act, 2000 makes provisions for this position in Article 9.

#### NSO staff

The National Statistics Office (NSO) is the executive arm of the Malta Statistics Authority and draws its mandate from the Malta Statistics Authority Act, Cap. 422 of the Laws of Malta. The NSO is headed by the Director General and is made up of five directorates: Economic Statistics, Business Statistics, Social Statistics, Data Capability and Corporate Services. The first three directorates are responsible for statistical domains. The Data Capability directorate is tasked with assisting domain units in data management and methodological issues while helping the Office reach a higher level of efficiency in terms of processes and IT infrastructure. The Corporate Services directorate provides lateral support to all units for matters related to human resources, finances, procurement and administration. Five units answer to the Director General, while the Office of the DG monitors and takes forward matters relating to the technical domains and the horizontal functions.



## Annex IV – Delimitation specimen template

### CLASSIFICATION OF GOVERNMENT RELATED UNITS INTO INSTITUTIONAL SECTORS

| NAME OF UNIT:  | 2007        | 2008                         | 2010  | 2011        | 2012   |
|--|-------------|------------------------------|---|-------------|--|
| Subvention from Govt:  | €           |                              |   |             |  |
| <b>ARE THE STATEMENTS BELOW CORRECT?</b>   | YES         | NO                           |   |             |  |
| 1 HAS AUTONOMY OF DECISION   | ✓           |                              |   |             |  |
| 2 KEEPS A COMPLETE SET OF ACCOUNTS   | ✓           |                              |   |             |  |
| 3 ABLE TO DETERMINE GENERAL POLICY   | ✓           |                              |   |             |  |
| 4 IT IS NOT MAINLY FINANCED BY GOVERNMENT  | ✓           |                              |   |             |  |
| 5 IT IS ENGAGED IN FINANCIAL INTERMEDIATION  |             | ✓                            |   |             |  |
| 6 ITS PRODUCTS OR SERVICES ARE MARKET ORIENTED   | ✓           |                              |   |             |  |
| 7 MORE THAN 50% OF PRODUCTION COSTS COVERED BY SALES                                   | ✓           |                              |   |             |  |
| <b>TEST TO ARRIVE AT AN ANSWER FOR ITEM 7</b>  | <b>2007</b> | <b>2008</b>                  | <b>2010</b>   | <b>2011</b> | <b>2012</b>  |
| <b>A TOTAL REVENUE</b>   |             |                              |   |             |  |
| OF WHICH SALES P.11  |             |                              |   |             |  |
| <b>B EXPENDITURE</b>   |             |                              |   |             |  |
| WAGES D.1  |             |                              |   |             |  |
| INTERMEDIATE CONSUMPTION P.2   |             |                              |   |             |  |
| CONSUMPTION OF FIXED CAPITAL K.1   |             |                              |   |             |  |
| TAXES ON PRODUCTION D.29   |             |                              |   |             |  |
| <b>TOTAL</b>   | <b>0</b>    | <b>0</b>                     | <b>0</b>  | <b>0</b>    | <b>0</b>   |
| <b>C SALES IN PERCENTAGE OF COSTS</b>  | <b>0.00</b> | <b>0.00</b>                  | <b>0.00</b>   | <b>0.00</b> | <b>0.00</b>  |
| On the above evidence the Action Group agrees that the unit should be classified thus: | a           | Type of Institutional Sector | S11*<br>S12*<br>S13*<br>S14*<br>S15*                      | ✓           | Non-financial corporation<br>Financial corporation<br>General government<br>Household<br>Non-profit institution serving households   |
|  | b           | COFOG                        | 1*<br>2*<br>3*<br>4*<br>5*<br>6*<br>7*<br>8*<br>9*<br>10* |             | General public services<br>Defence<br>Public order and safety<br>Economic affairs<br>Environment protection<br>Housing and community amenities<br>Health<br>Recreation, culture and religion<br>Education<br>Social protection |
| BASED ON (A)   |             |                              |   |             |  |
| Audited Accounts   |             |                              |   |             |  |
| Management Accounts  |             |                              |   |             |  |
| Questionnaire  |             |                              |   |             |  |
| Date:  |             |                              |   |             |  |
|  | c           | NACE**                       |   |             |  |

\* delete where not applicable

\*\* to be coded by National Statistics Office

#### With the revised ESA, with the costs, the net interest is to be included

|                     |     |     |     |     |     |
|---------------------|-----|-----|-----|-----|-----|
| Interest Receivable |     |     |     |     |     |
| Interest Payable    |     |     |     |     |     |
| Net interest cost   | 0   | 0   | 0   | 0   | 0   |
| revised 50% ratio   | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

## Annex V – Auditing of public accounts

| <i>Sub-sector</i>            | <i>Auditing Authorities</i> | <i>Nature of audit</i>   | <i>Availability of audit report</i> | <i>Publication of report</i>   |
|------------------------------|-----------------------------|--|-------------------------------------|--|
| Budgetary Central Government | National Audit Office       | Financial, Compliance, Performance, IT and Special Audit and Investigation | T + 12 months                       | Auditor General Report is available at: <a href="http://www.nao.gov.mt/page.aspx?id=38">http://www.nao.gov.mt/page.aspx?id=38</a>  |
| Extra Budgetary Units        | Private audit firms         | Financial  | T + 8 months                        | Some publish their accounts on their respective website. For EBU's which are companies, their accounts is available at Malta's registry of companies at: <a href="http://registry.mfsa.com.mt/">http://registry.mfsa.com.mt/</a> |
| Local Councils               | Private audit firms         | Financial  | T + 7 months                        | Upon request   |
| Public Corporations          | Private audit firms         | Financial  | T + 8 months                        | For most of public corporations, their accounts is available at Malta's registry of companies at: <a href="http://registry.mfsa.com.mt/">http://registry.mfsa.com.mt/</a>  |

## **Annex VI – Terms of reference of Government Finance Committee**

The terms of reference of the Government Finance Committee shall include:-

- The compilation of the Notification of Debt and Deficit Levels of General Government, by 1 April and 1 October each year, under the Fiscal Surveillance Procedure in terms of Council Regulation (EC) No 3605/93;
- The carrying out of regular reviews of the forecasts featuring in the Notification of Debt and Deficit Levels of General Government, for the purpose of timely identification of those areas where deviations may be anticipated between the original forecasts and the expected final outturn;
- The provision of input towards the compilation of public finance statistics and forecasts of General Government, based on ESA 2010 methodology, for use in reports which are necessary in fulfillment of EU obligations;
- The participation in discussions during visits by Eurostat representatives and EU Directorates on matters connected with the work of the Government Finance Committee;
- The provision of advice, in terms of ESA2010 methodology treatment, in respect of any cases which Government may refer for its due deliberations, regarding transactions and events of a particular nature, in consideration of the provisions contained in the ESA2010 Manual on Government Deficit and Debt, and after consultation with the relevant EU institutions, if necessary;
- The examination, discussion and interpretation of any EU documentation issued and related to public finance (working documents, regulations, directives etc), in respect of which it may be in receipt, and the identification of the interested stakeholders to which the contents of such documentation are to be disseminated for their guidance;

**Memorandum of Understanding  
between  
the National Statistics Office, the Ministry for Finance and the  
Central Bank of Malta**

This Memorandum of Understanding is being entered on the 23 June 2016 by and between the National Statistics Office, the Ministry for Finance, encompassing the Budget Office, Treasury Department and Economic Policy Department, and the Central Bank of Malta, and, by virtue of which they agree to be bound by the following covenants set forth below.

***1. Background***

1.1 In Malta, the National Statistics Office (NSO) is responsible for the compilation of (a) quarterly and annual government finance statistics in line with the European System of Accounts (ESA 2010), (b) the biannual Excessive Deficit Procedure (EDP) Notification purposes and (c) the compilation of the general government debt, with the co-operation of the Central Bank of Malta (CBM). The CBM is responsible for the compilation of (a) annual government finance statistics (in line with the International Monetary Fund's methodology (b) quarterly debt statistics in line with the World Bank's methodology) and (c) Government Finance Statistics (henceforth the "GFS"), to fulfil the ECB's reporting requirements in line with Guideline ECB/2013/23 on government finance statistics of 3 June 2014, as subsequently amended. In recent years the EU Commission, Eurostat and the European Central Bank, increased their efforts to assure the quality of GFS mainly concerning the provision upstream data to the statistical offices to fulfil its duties. Through the Working Group on Quality Management of Government Finance Statistics and the EDP standard dialogue visit in 2014, Eurostat encouraged Malta to develop a cooperation agreement between the NSO and MFIN. NSO has a separate bilateral Memorandum of Understanding with the CBM covering all areas of statistics.

***2. Purpose of the Memorandum of Understanding***

2.1 This Memorandum of Understanding is based on the principle that while MFIN, NSO and the CBM (henceforth the "Parties") accept that each Party is fully responsible and accountable for any action it may take within the functions assigned to it by law, the Parties agree that each Party is in a position to assist the other in fulfilling their respective duties. This Memorandum of Understanding describes the contribution of the Parties in the area of the GFS, including data exchange and arrangement for the sharing of such statistical information. For this purpose, the Parties agreed to conclude this Memorandum of Understanding.

2.2 The purpose of this Memorandum of Understanding is to formalise the current informal operational arrangements in GFS and EDP reporting in Malta through the clarification

- of the roles and responsibilities, as well as areas of cooperation between, the Parties.
- 2.3 The agreement is entered into on the understanding that it is supplementary to the relevant legislation governing each body, and is limited in scope to GFS area only, and does not cover any other areas of co-operation, between the Parties.

### **3. *Applicable national and European regulations***

- 3.1 The National and European regulations that fall under this Memorandum of Understanding are:
- EDP Reporting – Council Regulation (EC) No. 479/2009 on the application of the protocol on the excessive deficit procedure, as amended by Commission Regulation (EU) No. 220/2014 with regards to references to ESA 2010
  - ESA 2010 - European System of national and regional accounts in the EU, Regulation 549/2013
  - ‘Six pack’ – Regulation 1173/2011 on the effective surveillance in the Euro area
  - ‘Two pack’ – Regulation 473/2013
  - Financial Administration and Audit Act, Chapter 174
  - Fiscal Responsibility Act, Chapter 534
  - Malta Statistics Authority Act, Chapter 422
  - Central Bank of Malta Act, Chapter 2014
  - Guideline ECB/2013/23 on government finance statistics of 3 June 2014, as subsequently amended
- 3.2 In accordance with the Fiscal Responsibility Act (Cap. 534 of the Laws of Malta), MFIN requires accurate and timely monetary, financial stability and other macroeconomic statistics in the conduct of its duties. MFIN shall be provided with the information which it deems necessary to carry out its functions as stipulated under the same Act.
- 3.3 In accordance with the Malta Statistics Authority Act (Cap. 224 of the Laws of Malta), the functions of the National Office of Statistics shall be the collection, compilation, extraction and release of official statistics relating to demographic, social, environmental, economic and general activities and conditions of Malta as specified in the First Schedule (of the Act).
- 3.4 In accordance with the Treaty and the Statute the CBM requires accurate and timely government finance statistics to fulfil its duties as may be determined by the CBM.

### **4. *Provision of upstream data sources***

- 4.1 The NSO’s main upstream data sources for the compilation of the GFS and EDP data, which are provided by the departments within MFIN are:
- a) *Departmental Accounting System (DAS)* – The Government’s computerised accounting system to which all government ministries and departments are linked through networking. It is owned, managed and hence under the responsibility of The Treasury Department within the MFIN. Authorised officials at the NSO will have full online access to the DAS database in read-only format and are to be consulted when there are proposed changes in this system. To fulfil its national and international obligations the CBM will have access to specific reports within the

DAS database. All accounts in the chart of accounts (COA) are to be coded by the NSO in accordance with the requirements of the ESA2010, as well by the CBM in accordance with the IMF manual on GFS. Whenever new expenditure and revenue items are created, the NSO shall assist MFIN in the allocation of ESA and Classification of the Functions of Government (henceforth the “COFOG”) codes, whereas the CBM will provide to the Treasury the IMF’s GFS codes to such items in the COA. Specific report generators used to extract data in ESA2010 on a quarterly basis and NSO and CBM demands for new reports are to be satisfactorily met by The Treasury Department.

- b) *Treasury Department accruals templates* – Accruals data for the Budgetary Central Government (covering all the government ministries and departments) is collected on a quarterly basis. Data are requested for the stock position of the accrued expenditure, accrued income, debtors, creditors, deferred income and prepayments. This information is monitored by the Accounting Methodology and Compliance Unit at The Treasury. The Public Finance Unit at NSO shall have access to The Treasury’s shared server where the templates are saved. These templates shall be checked and verified by the Treasury to ensure that data reported is correct albeit the NSO will assist by performing checks from its end and reporting any major revisions or abnormality in the data to the Treasury for clarification. Moreover, The Treasury shall be responsible to ensure the timeliness of data and to make the final templates available to the NSO in due time.
  - c) *Financial Data Reporting System (FDRS)* – The FDRS was launched by the MFIN to collect financial data from Government entities and is under the responsibility of the Budget Office. The Budget Office shall ensure that entities submit their templates within 22 calendar days following the end of the respective period. Hence, reminders are to be sent by the Budget Office to those entities who do not abide by these deadlines and whose data has not been yet received when the deadline of 22 calendar days has elapsed. Authorised users at the Public Finance Unit shall have online (read-only) access to this system at all times. The NSO shall send clarification requests to the Budget Office or directly to respondents.
- 4.2 MFIN shall supplement the data available to the NSO and to the CBM with additional information, such as data relating to EU funds and own resources.
  - 4.3 The Treasury Department shall provide the budgetary central government financial balance sheet on a quarterly basis to the NSO, together with other supplementary information. This data would serve as a basis for the compilation of the quarterly financial accounts for the general government sector.
  - 4.4 MFIN shall ensure that NSO has access to all relevant data it requires to fulfil its responsibilities. Thus, MFIN shall share any necessary information available with the NSO on special government transactions in order to ensure that they are recorded properly in the General Government sector accounts. This should contain among others information on public private partnerships (PPPs), debt related transactions (assumption, cancellation and write-off) and government transactions with corporations controlled by government. The CBM shall be timely informed on the recording treatment of such transactions.
  - 4.5 MFIN shall inform NSO about the creation of new government entities, authorities or corporations so that the NSO will be in a position to determine their sector



classification according to the ESA 2010 and the Manual on Government Deficit and Debt. The CBM shall be timely informed on the sector classification of these newly created entities.

- 4.6 In the near future, the Treasury Department shall implement the new Corporate Financial Management Solution (CFMS) and accrual accounting. CFMS will eventually replace the current systems, DAS and the Treasury Department accruals templates. It is essential that the CFMS would incorporate reporting structures that cater for the statistical needs of the NSO and the CBM.
- 4.7 The CBM will provide statistical information to the Treasury on: (1) government deposits held at the CBM (for Government financial accounts reporting), (2) foreign loans of Government, (3) selected CBM balance sheet items, (4) issues of euro-denominated coins by the CBM and (5) the adjustment to the Malta Stock Exchange's monthly report of Securities categories by holder to the resident credit institutions by ISIN code.
- 4.8 The Treasury will provide the CBM with statistical information on: (1) the monthly data on the outstanding stock of Malta Government Stocks (MGS), Treasury bills and MGS/Treasury Bills amount invested in the Malta Government's sinking funds, (2) additional information on debt securities, such as interest rates and payments dates, etc. needed for the compilation of the Government Finance Statistics, and other government exposures.

## **5. EDP Notification**

- 5.1 The compilation of the General Government sector deficit and debt data is the sole responsibility of the NSO, whereby these are submitted to Eurostat through the biannual transmission of the EDP Notification, by end-March and end-September. Together with the official EDP notification tables, NSO is responsible for the submission of the Questionnaire related to EDP, as well as other supporting documents. Each submission of the EDP data shall be accompanied by a covering letter signed by the NSO Director General, as well as an affidavit, signed by the Director of Economic Statistics at NSO, the Manager of the Public Finance Unit at NSO, the DG Budget Affairs, the DG Treasury and the Director Budget Office. The data are sent via electronic transmission. The NSO will provide a soft-copy of the EDP Notification to the members of the GFS Committee.
- 5.2 MFIN shall be responsible for the provision of the current and future years' fiscal projections of the general government deficit and debt. The NSO's official statistics shall serve at the starting point for the compilation of the government's fiscal and macro projections for continuity and consistency purposes. NSO shall assist MFIN in the compilation of the government's fiscal projections, among others by providing necessarily support and information details, especially with the transformation of the fiscal projections from the national budgetary classification into ESA 2010 format through the compilation of the table 2 'Main aggregates of the general government sector'. Commission requires that the fiscal projections are sent using Eurostat's table 2.

- 5.3 During the notification period, 15 days following the submission of the EDP notification, Eurostat checks the data and may also send request for clarifications. In this regard, the Parties may be requested to assist the NSO by providing the necessary information for the NSO to answer these questions and shall therefore ensure that office personnel are available.
- 5.4 NSO shall publish locally the EDP data for the 1<sup>st</sup> and 2<sup>nd</sup> notification by means of a news release on the same day that Eurostat publishes the EDP press release on its website, typically around 20 days following the submission of the EDP notification. In conjunction, NSO shall publish also the latest release of the ‘Quarterly Accounts for the General Government’, in April with data up to the fourth quarter of the previous year and in October with data up to the second quarter of the current year.
- 5.5 The EDP news release at a minimum shall include;
- A table on the deficit and debt data in absolute figures and as a per cent of GDP, for the General Government Sector and sub-sectors;
  - A table on the transition between the working balance and the ESA2010 General Government Sector (with explanatory notes for each item);
  - A table on the composition of the stock flow adjustment; and
  - Latest list of Extra Budgetary Units.
- 5.6 NSO shall compile the EDP Notification and the GFS statistics in accordance with the concepts and definitions set out in European System of Accounts (ESA 2010). ESA 2010 is a legislative text. Eurostat supplements this conceptual framework with additional guidance in the form of the Manual on Government Deficit and Debt and guidance notes and clarifications.
- 5.7 The ultimate responsibility for the compilation of the EDP Notification, questionnaires related to the EDP, the fulfilment of requirements in relation to data pertaining to the GFS, as well as the treatment of methodological issues arising therefrom, rests with the NSO.
- 5.8 NSO shall have the responsibility of deciding on statistical methods, classifications, standards and procedures. Any changes to the compilation procedures, whenever they may impact on the quality or relevance of the data, shall be communicated in due time to the Parties, either directly or through the GFS Committee.
- 5.9 NSO shall compile and publish the “Inventory of the methods, procedures and sources used for the compilation of deficit and debt data and the underlying government sector accounts as foreseen by Council Regulation 479/2009”. The inventory shall be updated following major revisions in the methods, procedures and sources. A copy of the EDP inventory shall be published on the NSO website and transmitted to Eurostat for publication on their website.

## **6. EDP Dialogue Visits**

- 6.1 Eurostat undertakes regular visits to EU Member States in accordance with Council Regulation 479/2009, usually once every two years. During these standard dialogue visits, the EDP statistics data are reviewed. Moreover, it is ensured that the

implementation of the ESA 2010 methodology, the provisions from the Manual on Government Deficit and Debt and recent Eurostat decisions are duly implemented in the EDP tables and national accounts.

- 6.2 NSO shall be responsible for coordinating practical arrangements concerning the Eurostat visits. It shall prepare the background documents and will make sure that all the persons involved directly and indirectly in EDP work shall be available for the visit. Eurostat may require the presence of other officials.
- 6.3 After each EDP dialogue visit, a number of action points will generally be issued by Eurostat. Whenever required, the parties in this agreement shall assist NSO to implement these action points.

## **7. GFS data**

- 7.1 The responsibility for the compilation of GFS statistics in accordance with the methodology of the ESA2010 and the Eurostat's transmission programme rests with the NSO. The government finance statistics show the economic activities of the government including:
  - government revenue by type
  - government expenditure by type and function
  - government balance, i.e. surplus (+)/deficit (-), referred to in national accounts terminology as net lending (+)/net borrowing (-)
  - government debt
  - transactions in financial assets and liabilities
  - other economic flows (revaluations and other changes in volume)
  - balance sheets

The following table illustrates the compilation and submission of Eurostat's transmission programme:

| No  | Table Name  | Description                                      | Frequency | Transmission Deadline  | Responsible Agency |
|-----|---|--|-----------|------------------------|--------------------|
| 2   | Main aggregates of General Government   | Revenue and expenditure categories               | Annual    | T+3 months, T+9 months | NSO                |
| 801 | Non-financial accounts by sector  | General Government and Rest of the world sector; | Quarterly | T+85 days              | NSO                |
| 9   | Detailed tax and social contributions receipts by type of tax or social contribution and receiving sub-sector | Overall tax burden and national tax list         | Annual    | T+9 months             | NSO                |
| 11  | Expenditure of the General Government by function   | COFOG data at group level                        | Annual    | T+12 months            | NSO                |
| 25  | Quarterly non-financial accounts of General Government  | Revenue and expenditure categories               | Quarterly | T+85 days              | NSO                |
| 27  | Quarterly financial accounts of General Government  | Financial assets and liabilities                 | Quarterly | T+85 days              | NSO                |
| 28  | Quarterly General Government debt   | Maastricht debt instruments                      | Quarterly | T+90 days              | NSO                |

7.2 The Enhanced Economic Governance package (the so-called "six pack" composed of five Regulations and one Directive) was adopted by the European Parliament and Council in November 2011. Amongst other things, this package includes legal requirements with implications on the collection and dissemination of fiscal data and statistics. In particular, the Council Directive 2011/85/EU of 8 November 2011 on requirements for budgetary frameworks of the Member States is relevant. The Council Directive 85/2011 requirements in the area of the government finance statistics are entrusted to the NSO. The data to be produced shall include the following:

- Monthly Central Government data and Quarterly General Government data;
- National publication of a detailed reconciliation table showing the methodology between cash based data and data based on ESA2010;
- Table on Government Guarantees, split between one-off and standardised guarantees;
- Total liabilities of public corporations;
- Adjusted capital value of off-balance sheet PPPs (public private partnerships);
- Stock of non-performing loans; and
- Participation of government in the capital of corporations, value of government assets in public and private corporations.

NSO shall maintain a dedicate webpage on the NSO website, where all the deliverables of the Council Directive 85/2011 are published.

## 8. Government Finance Statistics Committee

8.1 The official GFS committee was set up in 2006 and is chaired by the NSO. It includes members from NSO, Budget Office, the Treasury, CBM and Economic Policy Department. The National Audit Office is a member of the GFS Committee with an observer status. The Committee meets to inform each other on important conceptual and methodological issues in the field of GFS, to consult each other on data quality issues, to coordinate the compilation of Malta's statistics as required under the EDP Notification and to ensure consistency between GFS and EDP statistics. The ultimate responsibility for methodological choices will remain with the NSO as the responsible compiling agency. The members of the GFS Committee shall participate in the Eurostat's EDP standard dialogue visit.

The official terms of reference of the Government Finance Statistics Committee are:

| No. | Actions  | Responsible Agency                                |
|-----|--|---|
| 1   | The compilation of the Notification of Debt and Deficit Levels of General Government (EDP notification), by 1 April and 1 October each year in accordance with Council Regulation 479/2009 as amended by Commission Regulation (EU) No. 220/2014 with regards to references to ESA 2010  | NSO   |
| 2   | The carrying out of regular reviews of forecasts featuring in the Notification of Debt and Deficit levels of General Government, for the purpose of timely identification of those areas where deviations may be anticipated between the original forecasts and the expected final outcome.  | Budget Office                                     |
| 3   | The provision of input towards the compilation of public finance statistics and forecasts of General Government, based on ESA 2010 methodology, for use in reports which are necessary in fulfilment of EU obligations and the requirements of the Fiscal Responsibility Act.  | Budget Office, Economic Policy Department and NSO |
| 4   | The participation in discussions during visits by Eurostat representatives and EU Directorates on matters connected with the work of the Government Finance Statistics Committee.  | All members                                       |
| 5   | The provision of advice, in terms of ESA 2010 methodology treatment, in respect of any cases which Government may refer for its due deliberations, regarding transactions and events of particular nature, in consideration of the provisions contained in the ESA 2010 Manual on Government Deficit and Debt, and after consultation with the relevant EU institutions, if necessary. | NSO   |
| 6   | The examination, discussion and interpretation of any EU documentation issued and related to public finance (working documents, regulations, directives, etc.), in respect of which it may be in receipt, and the identification of the interested stakeholders to which the contents of such documentation are to be disseminated for their guidance.                                 | All members                                       |

8.2 The Committee meets on a periodical basis and the minutes prepared by the NSO are forwarded to the NSO Director General, the MFIN Permanent Secretary and all other member of the Committee. Furthermore, informal communications are held between the Parties on an on-going basis, governed by the general principles of cooperation and confidentiality. Informally, meetings are held between the institutions and communicated, almost daily, by phone or email.

## **9. GFS news releases**

- 9.1 News Releases related to General Government Finance Statistics and EDP data are the sole responsibility of the NSO and shall be published on specific dates in accordance with a pre-set calendar.
- 9.2 The monthly Government Finance news release is released on the last Friday of the following month, with a three-month delay for December as end-year closing of accounts requires additional time. The Treasury Department releases the ‘Comparative Statement of Revenue and Expenditure’ in the Government Gazette on the same day of the NSO’s release.
- 9.3 As mentioned in paragraph 6.4, the EDP news release shall be published on the same day of Eurostat press release.
- 9.4 Decisions with regards to the content and timing of the GFS related news releases shall fall within the remit of the NSO. Nevertheless, it should always be attentive to feedback received from its main users.

## **10. Pre-release access**

- 10.1 MFIN may request pre-release access to the NSO news releases in the area of the government finance statistics. The relative releases will be provided for information purposes only, not before twenty-four (24) hours prior to its publication.
- 10.2 The NSO news releases that are applicable for the pre-release access under this memorandum of understanding are only those published by the Public Finance Unit at the NSO.
- 10.3 It should be ensured that the rules governing pre-release access to news releases shall be adhered to by MFIN. The persons within MFIN, to whom pre-access news releases is provided, shall agree to be bound by the Malta Statistics Authority Act and shall respect the NSO embargo conditions. News release content shall be strictly embargoed until the official time of dissemination and hence it will be labelled as ‘*draft and provisional*’. Any information contained in the news release shall not be divulged to third parties by MFIN prior to the official publication of the news release by NSO. Any misuse of the pre-access information will automatically terminate this privileged access.
- 10.4 The request for a pre-release access has to be made in writing by email to the DG of the National Statistics Office, copying the Director Economic Statistics NSO and the Manager of the Public Finance Unit.

## **11. Areas of co-operation and exchange of information**

- 11.1 NSO shall provide, on request from MFIN, technical assistance and methodological advice in relation to the classification of government decisions which may have an impact on the level of government deficit and debt. NSO’s advice shall be contingent on the completeness of information provided by MFIN and the level of expertise available at NSO. For all intents and purposes, such information shall be deemed to have been provided by the NSO in good faith. In this respect, NSO may seek ex-ante

advice from Eurostat.

- 11.2 NSO shall support the Treasury Department in the implementation of the International Public Sector Accounting Standards (IPSAS) in the Budgetary Central Government. The NSO shall be represented in the IPSAS Project Board and IPSAS Project Team. Moreover, in order to ensure a smooth adoption of IPSAS, NSO from time to time shall prepare a fact sheet for each IPSAS that is discussed at the Project Board outlining the impact on the EDP reporting.
- 11.3 In order to ensure Malta's compliance with the requirements of the EDP and ESA 2010 regulation, MFIN shall inform NSO, as soon as possible, of the occurrence of any known event which may have an impact on the EDP and GFS reporting.
- 11.4 NSO shall assist MFIN and EPD in meeting the reporting requirements emanating from the Fiscal Responsibility Act, the Stability and Growth Pact and the corresponding Code of Conduct (including the "Specifications on the Implementation of the Stability and Growth Pact"; "Specifications on the Implementation of the Two Pack"; "Guidelines on the Format and Content of Draft Budget Plans, Economic Partnership Programmes and Debt Issuance Reports"). NSO may be required to compile an estimate of the General Government sector deficit and debt for the second quarter of each year (latest by mid-July) to be incorporated in the Half-Yearly report that the Minister of Finance lays on the table of the House of Representatives by the end of July.
- 11.5 NSO shall support MFIN during routine biannual visits by DG ECFIN, IMF and various credit rating agencies.
- 11.6 NSO and MFIN shall actively participate in working groups and task forces organised by Eurostat in the area of GFS and EDP. The NSO and MFIN agree to exchange information, conclusions, reports and other material from meetings and if necessary, consult one another about common positions.

## ***12. Resources***

- 12.1 MFIN shall ensure that the NSO, and the other institutions directly and indirectly involved in EDP work, have adequate resources to guarantee the required quality standards in the compilation of the GFS and EDP data.

## ***13. Data Confidentiality***

- 13.1 The Parties are responsible for maintaining data confidentiality and each party will treat as confidential the data it receives from the other party. Therefore, each party owns the data it produces and undertakes not to pass on to third parties any data received from the other party without its prior permission, except if required under legislation or equivalent obligation.



#### ***14. Term and Revisions***

- 14.1 This Memorandum of Understanding shall remain in force indefinitely.
- 14.2 This arrangement shall be reviewed every two years and any amendments, taking into account the changing developments in the GFS and EDP field, and the role of both Parties, may be proposed by any one of the Parties by giving notice in writing to the other Parties and shall only be brought in force by agreement of the Parties.
- 14.3 If a party wishes to terminate the agreement, it shall give at least one whole calendar year's notice of its intention to do so.

Agreed and signed on 23 June 2016

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Mr. Reuben Fenech  
Director General

National Statistics Office

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Mr Alfred Camilleri  
Permanent Secretary

Ministry for Finance

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Mr Alfred Mifsud  
Deputy Governor

Central Bank of Malta

## **Annex VIII – The memorandum of cooperation between the NSO and NAO**

### **MEMORANDUM OF CO-OPERATION**

**between the**

**NATIONAL AUDIT OFFICE**

**and the**

**NATIONAL STATISTICS OFFICE**

**of the REPUBLIC OF MALTA**

### **PREAMBLE**

This Memorandum of Cooperation between the National Audit Office (NAO) and the National Statistics Office (NSO) is based on the following principal considerations:

- The need to consolidate their mutual collaboration, in the best interest of both entities, whilst at the same time fully respecting their individual independence and autonomy as guaranteed by the Constitution of Malta as well as their respective legislation;
- The commitment, as stipulated by various European Union institutions, to ensure the highest degree of transparency, reliability and quality assurance of the national accounts statistics for the public sector;
- The readiness of both entities to duly implement the Resolution of the Contact Committee (CC-R-2012-02) on Supreme Audit Institutions' cooperation with Eurostat and National Statistical Institutions.

### **MANDATE AND OBJECTIVES OF THE NATIONAL AUDIT OFFICE**

The National Audit Office, in its present format, was set up in 1997 following the enactment of the Auditor General and National Audit Office Act of 1997 as well as amendments, namely under Section 108, to the Constitution. The main objective of this revised legal framework was to enhance and consolidate the strategic and operational independence of the state audit function. One of the most significant amendments was the establishment of both the Auditor General as well as the Deputy Auditor General as officers of Parliament, reporting directly to the Hon. Speaker, House of Representatives.

Indeed, Section 108 of the Constitution of Malta sets out the Auditor General's mandate. Essentially, the Office is required to perform annual financial and compliance audits of various Government departments and entities, whose operations are based on the use of public funds, for the purpose of providing an overall opinion that the financial and accounting transactions of the government and other funds of a public nature are being properly presented. Moreover, the Auditor General and National Audit Office Act of 1997 extended the mandate to cover independent advisory and investigative powers; examination of any financial matter concerning use of public funds; as well as Performance Audits of Government departments and other public or other entities where Government is a majority stakeholder. These audits, including those focusing specifically on Information Technology, may be carried out on the NAO's own initiative, upon request by the Parliamentary Standing Committee for Public Accounts (Public Accounts Committee), or as requested by the Minister responsible for Finance or Local Government. Thus, in essence, the NAO's mission is 'to help promote accountability, proprietary and best practices in Government operations'.

### **MANDATE AND OBJECTIVES OF THE NATIONAL STATISTICS OFFICE**

The National Statistics Office was set up by virtue of the Malta Statistics Authority Act (Chapter 422 of the laws of Malta). Section 10 of the Act determines the main functions and responsibilities of the NSO, which mainly include the collection, compilation, extraction and release of official statistics relating to the demographic, social, environmental, economic and general activities and conditions of Malta. Thus, in a nutshell, the NSO constitutes Malta's official national statistical agency, providing statistics on a wide range of social and economic matters, covering the population of Malta, the public sector and the private sector. Additionally, the Office has an important co-ordinating function with regard to the statistical activities of other entities in Malta for onward transmission to Eurostat. Its mission statement encapsulates its principal objectives, namely "To produce efficiently and with minimum burden on respondents high-quality statistics that are relevant, reliable and comparable, and to disseminate them in an impartial, independent and timely manner, making them available simultaneously to all users."

The NSO is the executive arm of the Malta Statistics Authority whose main objective is to exercise a regulatory function regarding resources relating to the collection, compilation and publishing of official statistics. The Authority was likewise established through the Malta Statistics Authority Act.

### **COOPERATION BETWEEN THE TWO ENTITIES**

Article 1. The NAO and the NSO agree to cooperate and coordinate their activities with special emphasis on the area of government finance statistics' compilation and production.

- Article 2. (1) Such cooperation and coordination between these two entities shall be carried out solely and strictly within the established principles of professional independence, impartiality, objectiveness and statistical confidentiality. Failure to do so by any of the two entities leads to the immediate termination of this agreement.
- (2) The statistical information shall be compiled and produced in full conformity with established quality criteria as stipulated by Eurostat rules and regulations as well as international recommendations and best practices.
- Article 3. The NAO and the NSO shall nominate a senior official to act as principal liaison officer with the other entity and to ensure that the provisions of this memorandum are duly safeguarded and respected.
- Article 4. The NAO nominated official shall be invited to participate, on an observer status, in all meetings, particularly those related to Eurostat's EDP dialogue visits to Malta and the Government Finance Statistics Committee, focusing on the compilation of public finance statistics.
- Article 5. Any data or information received on the basis of the cooperation arising out of this Memorandum shall be treated as strictly confidential, in line with the Malta Statistics Authority Act, and shall not, under any circumstance, be disseminated or relayed to third parties **without** the prior written consent of the party providing the information. Any such data or information which is already in the public domain is evidently excluded from this proviso.

### **OBLIGATIONS OF THE NATIONAL STATISTICS OFFICE**

- Article 6. The statistical data on the deficit/surplus and debt in the sector of general government and its subsectors is elaborated, prepared and disseminated by the Public Finance Unit under the leadership of the NSO.
- Article 7. The NSO expresses an independent opinion regarding the reference rules and the classification of institutional units across Government in the respective institutional sectors according to the provisions of the European Systems of Accounts (ESA) 2010 and Manual on Government Deficit and Debt.
- Article 8. The NSO is committed to submit in a timely manner to the NAO any information and decisions of Eurostat and the European Commission related to the assurance of providing government finance statistics which is of the highest quality and relevance.

## OBLIGATIONS OF THE NATIONAL AUDIT OFFICE

- Article 9. On its part, the NAO submits to the NSO any information deemed necessary and relevant in connection with work carried out by the latter. Such information may **only** be submitted to third parties such as Eurostat or the European Commission, if so deemed necessary, if the NAO provides written consent to proceed accordingly.
- Article 10. The NAO shares with the NSO any resolutions or decisions adopted by the Contact Committee of the Supreme Audit Institutions of the European Union regarding general collaboration between the two entities. This would enhance the possibility of compiling and producing sound and reliable government finance statistics.
- Article 11. The NAO shares also with the NSO any further information regarding audit findings and conclusions that require immediate attention and could have a determining influence in the calculation of the deficit/surplus of the general government sector and its subsectors.

## DURATION OF MEMORANDUM

- Article 12. The Memorandum comes into force on the day of signing and will expire on the 31<sup>st</sup> December 2018, when the two entities may renew it for a further three year period.
- Article 13. Any amendments to this Memorandum shall only be made with the written consent of both entities.
- Article 14. If agreed by both parties, the Auditor General and the Director General of the National Statistical Office, or their delegated senior officials, may make public the contents of this Memorandum of Cooperation.

The present Memorandum is signed in two uniform copies, one for either party.

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Mr. Anthony Mifsud  
Auditor General

National Audit Office of  
the Republic of Malta

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Mr. Reuben Fenech  
Director General

National Statistics Office of  
the Republic of Malta

Dated 22 July 2016

## Annex IX – Financial Data Reporting System (FDRS) templates

### a) Monthly template

| Income & Expenditure Account   |                        |                                      |
|--|------------------------|--------------------------------------|
| Entity:  | <input type="text"/>   | Remark: N/A                          |
| Period:  | <input type="text"/>   |                                      |
| Submitted By:  | <input type="text"/>   |                                      |
| Submitted On:  | <input type="text"/>   |                                      |
| <b>TOTAL OWN GENERATED REVENUE</b>   | <b>June 2020 (YTD)</b> | <b>Forecast for Year ending 2020</b> |
| Income generated from own operations   |                        |                                      |
| Other operating income   |                        |                                      |
| Bank interest receivable   |                        |                                      |
| <b>Total own generated revenue (i)</b>   | <b>0</b>               | <b>0</b>                             |
| <b>GRANTS AND OTHER CONTRIBUTIONS - RECURRENT</b>  | <b>June 2020 (YTD)</b> | <b>Forecast for Year ending 2020</b> |
| Parliamentary Appropriation - Government Subvention receivable for Recurrent Expenditure (i) |                        |                                      |
| Other contributions from other public administration   |                        |                                      |
| Donations receivable from sponsorships   |                        |                                      |
| EU Grants receivable to cover Recurrent Expenditure featuring under 'Total Expenses' below   |                        |                                      |
| Other Grants receivable  |                        |                                      |
| <b>Total Grants and Other contributions (ii)</b>   | <b>0</b>               | <b>0</b>                             |
| <b>a. TOTAL INCOME [i + ii]</b>  | <b>0</b>               | <b>0</b>                             |
| <b>TOTAL EXPENSES</b>  | <b>June 2020 (YTD)</b> | <b>Forecast for Year ending 2020</b> |
| Salaries and wages   |                        |                                      |
| Bonus and income supplement  |                        |                                      |
| Social Security Contributions  |                        |                                      |
| Allowances   |                        |                                      |
| Overtime   |                        |                                      |
| Utilities  |                        |                                      |
| Material and Supplies  |                        |                                      |
| Repair and Upkeep  |                        |                                      |
| Rent   |                        |                                      |
| International memberships  |                        |                                      |
| Office Services  |                        |                                      |
| Transport  |                        |                                      |
| Travel   |                        |                                      |
| Information services   |                        |                                      |
| Contractual services   |                        |                                      |
| Professional services  |                        |                                      |
| Training   |                        |                                      |
| Hospitality  |                        |                                      |
| Incidental expenses  |                        |                                      |
| Bank interest payable  |                        |                                      |
| Bad debts written off  |                        |                                      |
| Increase in provision for bad debts  |                        |                                      |
| Decrease in provision for bad debts  |                        |                                      |
| Other Provisions   |                        |                                      |
| Depreciation charge  |                        |                                      |
| Other recurrent expenditure funded through EU Grants   |                        |                                      |
| Other Expenditure  |                        |                                      |
| <b>b. Total Expenditure</b>  | <b>0</b>               | <b>0</b>                             |
| <b>Surplus / (Deficit) before tax [a - b]</b>  | <b>0</b>               | <b>0</b>                             |
| <b>Tax Expense</b>   | <b>June 2020 (YTD)</b> | <b>Forecast for Year ending 2020</b> |
| Tax expense  | 0                      | 0                                    |
| <b>Net surplus / (Deficit) for the period</b>  | <b>0</b>               | <b>0</b>                             |

## b) Quarterly Balance Sheet

### EBU Statement of Financial Position

Entity:   
 Period:   
 Submitted By:   
 Submitted On:

Remark:

#### Balance Sheet

| Current Assets                                      | Non-Financial Sector | Financial Corporation | General Government | Households / NPISH | Rest of the World | TOTAL SECTORS | Projected Position at year end 2020 |
|---|----------------------|-----------------------|--------------------|--------------------|-------------------|---------------|-------------------------------------|
| Cash at bank and in hand                            |                      |                       |                    |                    |                   | 0             |                                     |
| Amounts owed from Government (within 1 Year)        |                      |                       |                    |                    |                   | 0             |                                     |
| Stocks  |                      |                       |                    |                    |                   | 0             |                                     |
| Gross trade debtors                                 |                      |                       |                    |                    |                   | 0             |                                     |
| Less: Impairment (minus)                            |                      |                       |                    |                    |                   | 0             |                                     |
| Prepayments   |                      |                       |                    |                    |                   | 0             |                                     |
| Taxation (CA)                                       |                      |                       |                    |                    |                   | 0             |                                     |
| Other Debtors (within 1 Year)                       |                      |                       |                    |                    |                   | 0             |                                     |
| Investment in short-term securities (within 1 Year) |                      |                       |                    |                    |                   | 0             |                                     |
| Other current assets                                |                      |                       |                    |                    |                   | 0             |                                     |
| <b>a. Total Current Assets</b>                      | <b>0</b>             | <b>0</b>              | <b>0</b>           | <b>0</b>           | <b>0</b>          | <b>0</b>      | <b>0</b>                            |

| Non-Current Assets  | Non-Financial Sector | Financial Corporation | General Government | Households / NPISH | Rest of the World | TOTAL SECTORS | Projected Position at year end 2020 |
|---|----------------------|-----------------------|--------------------|--------------------|-------------------|---------------|-------------------------------------|
| Land and buildings  |                      |                       |                    |                    |                   | 0             |                                     |
| Infrastructure, plant and equipment                         |                      |                       |                    |                    |                   | 0             |                                     |
| Intangible assets   |                      |                       |                    |                    |                   | 0             |                                     |
| Other non-financial assets                                  |                      |                       |                    |                    |                   | 0             |                                     |
| Amounts owed from Government (after more than 1 Year)       |                      |                       |                    |                    |                   | 0             |                                     |
| Other Debtors (after more than 1 Year)                      |                      |                       |                    |                    |                   | 0             |                                     |
| Investment in long-term securities (after more than 1 Year) |                      |                       |                    |                    |                   | 0             |                                     |
| Holding of shares and other equity                          |                      |                       |                    |                    |                   | 0             |                                     |
| Other financial assets                                      |                      |                       |                    |                    |                   | 0             |                                     |
| <b>b. Total Non-Current Assets</b>                          | <b>0</b>             | <b>0</b>              | <b>0</b>           | <b>0</b>           | <b>0</b>          | <b>0</b>      | <b>0</b>                            |

|                                |  |  |  |  |  |                   |                   |
|--------------------------------|--|--|--|--|--|-------------------|-------------------|
| <b>c. Total Assets [a + b]</b> |  |  |  |  |  | <b>21,042,465</b> | <b>14,044,688</b> |
|--------------------------------|--|--|--|--|--|-------------------|-------------------|

| Current Liabilities                        | Non-Financial Sector | Financial Corporation | General Government | Households / NPISH | Rest of the World | TOTAL SECTORS | Projected Position at year end 2020 |
|--|----------------------|-----------------------|--------------------|--------------------|-------------------|---------------|-------------------------------------|
| Amounts owed to Government (within 1 Year) |                      |                       |                    |                    |                   | 0             | 0                                   |
| Trade payables (within 1 Year)             |                      |                       |                    |                    |                   | 0             | 0                                   |
| Accruals                                   |                      |                       |                    |                    |                   | 0             | 0                                   |
| Taxation (CL)                              |                      |                       |                    |                    |                   | 0             | 0                                   |
| Deferred Income                            |                      |                       |                    |                    |                   | 0             | 0                                   |
| Deferred Government Grants (within 1 Year) |                      |                       |                    |                    |                   | 0             | 0                                   |
| Other payables (within 1 Year)             |                      |                       |                    |                    |                   | 0             | 0                                   |
| Short-term borrowings                      |                      |                       |                    |                    |                   | 0             | 0                                   |
| Current portion of long-term borrowings    |                      |                       |                    |                    |                   | 0             | 0                                   |
| Short-term provisions                      |                      |                       |                    |                    |                   | 0             | 0                                   |
| Employee benefits (CL)                     |                      |                       |                    |                    |                   | 0             | 0                                   |
| <b>d. Total Current Liabilities</b>        | <b>0</b>             | <b>0</b>              | <b>0</b>           | <b>0</b>           | <b>0</b>          | <b>0</b>      | <b>0</b>                            |

| Non-Current Liabilities                             | Non-Financial Sector | Financial Corporation | General Government | Households / NPISH | Rest of the World | TOTAL SECTORS | Projected Position at year end 2020 |
|---|----------------------|-----------------------|--------------------|--------------------|-------------------|---------------|-------------------------------------|
| Amounts owed to Government (after more than 1 Year) | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| Other long-term payables                            | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| Long-term borrowings                                | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| Deferred Government Grants (after more than 1 Year) | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| Long-term provisions                                | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| Employee benefits (NCL)                             | 0                    | 0                     | 0                  | 0                  | 0                 | 0             | 0                                   |
| <b>e. Total Non-Current Liabilities</b>             | <b>0</b>             | <b>0</b>              | <b>0</b>           | <b>0</b>           | <b>0</b>          | <b>0</b>      | <b>0</b>                            |

|                                     |  |  |  |  |  |          |          |
|-------------------------------------|--|--|--|--|--|----------|----------|
| <b>f. Total Liabilities [d + e]</b> |  |  |  |  |  | <b>0</b> | <b>0</b> |
|-------------------------------------|--|--|--|--|--|----------|----------|

|  |  |  |  |  |  |          |          |
|--|--|--|--|--|--|----------|----------|
| <b>g. Total Assets - Total Liabilities (c - f)</b> |  |  |  |  |  | <b>0</b> | <b>0</b> |
|--|--|--|--|--|--|----------|----------|

| CAPITAL AND RESERVES                             | TOTAL SECTORS | Projected Position at year end 2020 |
|--|---------------|-------------------------------------|
| Capital  | 0             | 0                                   |
| Accumulated Surplus Reserve b/f                  | 0             | 0                                   |
| Surplus/Deficit                                  | 0             | 0                                   |
| Other Reserves                                   | 0             | 0                                   |
| <b>h. Total Capital and Reserves (summation)</b> | <b>0</b>      | <b>0</b>                            |

c) Other data

| <b>Other Information</b>   |   |  |
|--|---|--|
| <b>Securities</b>  | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Acquisition of short-term securities ( Less than 1 year )  | 0   | 0  |
| Sale of short-term securities  | 0   | 0  |
| Acquisition of long-term securities ( Greater than 1 year )  | 0   | 0  |
| Sale of long-term securities   | 0   | 0  |
| <b>Shares and Equity</b>   | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Acquisition of shares and other equity   | 0   | 0  |
| Sale of shares and other equity  | 0   | 0  |
| <b>Parliamentary Appropriation</b>   | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Parliamentary Appropriation - Government Subvention received for Capital Expenditure (I)               | 0   | 0  |
| <b>EU Grants</b>   | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| EU Grants received to cover Capital Expenditure (I)  | 0   | 0  |
| Other foreign grants received, not featuring under Part A and not featuring in Financial Estimates (I) | 0   | 0  |
| Capital Expenditure funded through EU Grants (E)   | 0   | 0  |
| <b>Fixed Capital Assets</b>  | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Capital expenditure financed from financial estimates  | 0   | 0  |
| Capital expenditure NOT financed from financial estimates  | 0   | 0  |
| Disposal of fixed capital assets   | 0   | 0  |

d) Employment

| <b>Workforce</b>                                    |   |  |
|---|---|--|
| <b>Entity:</b>                                      | <input type="text"/>                      | <b>Remark:</b> <input type="text"/>        |
| <b>Period:</b>                                      | <input type="text"/>                      |  |
| <b>Submitted By:</b>                                | <input type="text"/>                      |  |
| <b>Submitted On:</b>                                | <input type="text"/>                      |  |
| <b>Employment</b>                                   | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Number of full-time employment                      | 0   | 0  |
| Number of part-time employment                      | 0   | 0  |
| <b>Total Employees (i)</b>                          | <b>0</b>                                  | <b>0</b>                                   |
| <b>Distribution</b>                                 | <b>Actual figures at end of June 2020</b> | <b>Projected Position at year end 2020</b> |
| Managerial  | 0   | 0  |
| Professional  | 0   | 0  |
| Technical   | 0   | 0  |
| Clerical and Administrative                         | 0   | 0  |
| Unskilled   | 0   | 0  |
| <b>Total Employees (ii)</b>                         | <b>0</b>                                  | <b>0</b>                                   |
| <b>Employment Check Fields (i-ii) - should be 0</b> | <b>0</b>                                  | <b>0</b>                                   |



**Annex X – Treasury Department accruals’ templates**

| <b>Accrued Expenses</b>                                     |                                   |                              |  |
|---|-----------------------------------|------------------------------|--|
| <b>Department</b>   |                                   | <b>Quarter Ending Month</b>  |  |
| 01 Office of the President                                  |                                   | March 2011 (January - March) |  |
| <b>Description</b>  | <b>Amount<br/>Accrued<br/>EUR</b> |                              |  |
| Personal Emoluments   | -                                 |                              |  |
| Utilities   | -                                 |                              |  |
| Materials & Supplies  | -                                 |                              |  |
| Repairs & Upkeep  | -                                 |                              |  |
| Rent  | -                                 |                              |  |
| International memberships                                   | -                                 |                              |  |
| Office Services   | -                                 |                              |  |
| Transport   | -                                 |                              |  |
| Travel  | -                                 |                              |  |
| Information Services  | -                                 |                              |  |
| Contractual Services  | -                                 |                              |  |
| Professional Services                                       | -                                 |                              |  |
| Training  | -                                 |                              |  |
| Hospitality   | -                                 |                              |  |
| Incidental Expenses   | -                                 |                              |  |
| Special Expenditure   | -                                 |                              |  |
| Programmes and Initiatives                                  | -                                 |                              |  |
| Contributions to Government                                 | -                                 |                              |  |
| Capital Projects  | -                                 |                              |  |
| Below-the-line  | -                                 |                              |  |
| Other expenditure   | -                                 |                              |  |
| <b>Total Accrued Expenses</b>                               | -                                 |                              |  |
| <b><i>Document Information</i></b>                          |                                   |                              |  |
| <u>Compiled by:</u>   |                                   | <u>Authorised by:</u>        |  |
| Signature   |                                   | Signature                    |  |
| Name  |                                   | Name                         |  |
| Position  |                                   | Position                     |  |
| <b><u>Instructions</u></b>                                  |                                   |                              |  |
| In sheet 2:   |                                   |                              |  |
| [A] Fill in yellow cells only                               |                                   |                              |  |
| [B] Select the department and quarter ending month in row 4 |                                   |                              |  |
| [C] Select the category in column C                         |                                   |                              |  |

## Accrued Income

| Department   | Quarter Ending Month         |  |  |  |
|--|------------------------------|--|--|--|
| 01 Office of the President   | March 2011 (January - March) |  |  |  |
| Description  | Amount<br>Accrued<br>EUR     |  |  |  |
| Taxes (0101 - 0191)  | -                            |  |  |  |
| Licences & Fees (0201 - 0269)  | -                            |  |  |  |
| Fees of Offices (0301 - 0349)  | -                            |  |  |  |
| Receipts from goods & services (0401 - 0499)                         | -                            |  |  |  |
| Receipts from activities (0501 - 0525)                               | -                            |  |  |  |
| Rent (0611 - 0618)   | -                            |  |  |  |
| Interest & Dividends received (0601, 0621 - 0639, 0681 - 0696, 0904) | -                            |  |  |  |
| Debtors for Below-the-line accounts                                  | -                            |  |  |  |
| Other revenue  | -                            |  |  |  |
|  | -----                        |  |  |  |
| <b>Total Accrued Income</b>  | -                            |  |  |  |
|  | -----                        |  |  |  |

| Instructions  | Document Information |
|---|----------------------|
| In sheet 2:   |                      |
| [A] Fill in yellow cells only                               | Compiled by:         |
| [B] Select the department and quarter ending month in row 4 |                      |
| [C] Select the category in column C                         | Signature            |
|   | Name                 |
|   | Position             |
|   | Authorised by:       |
|   | Signature            |
|   | Name                 |
|   | Position             |

|          |  |          |  |
|----------|--|----------|--|
| Position |  | Position |  |
|----------|--|----------|--|

| Instructions  |
|---|
| In sheet 2:   |
| [A] Fill in yellow cells only                               |
| [B] Select the department and quarter ending month in row 4 |
| [C] Select the category in column C                         |

## Prepaid Expenses

|                            |                              |
|----------------------------|------------------------------|
| <b>Department</b>          | <b>Quarter Ending Month</b>  |
| 01 Office of the President | March 2011 (January - March) |

| Description                   | Amount<br>Prepaid<br>EUR |  |  |  |
|-------------------------------|--------------------------|--|--|--|
| Personal Emoluments           | -                        |  |  |  |
| Utilities                     | -                        |  |  |  |
| Materials & Supplies          | -                        |  |  |  |
| Repairs & Upkeep              | -                        |  |  |  |
| Rent                          | -                        |  |  |  |
| International memberships     | -                        |  |  |  |
| Office Services               | -                        |  |  |  |
| Transport                     | -                        |  |  |  |
| Travel                        | -                        |  |  |  |
| Information Services          | -                        |  |  |  |
| Contractual Services          | -                        |  |  |  |
| Professional Services         | -                        |  |  |  |
| Training                      | -                        |  |  |  |
| Hospitality                   | -                        |  |  |  |
| Incidental Expenses           | -                        |  |  |  |
| Special Expenditure           | -                        |  |  |  |
| Programmes and Initiatives    | -                        |  |  |  |
| Contributions to Government   | -                        |  |  |  |
| Capital Projects              | -                        |  |  |  |
| Below-the-line                | -                        |  |  |  |
| Other expenditure             | -                        |  |  |  |
|                               |                          |  |  |  |
| <b>Total Prepaid Expenses</b> | -                        |  |  |  |
|                               |                          |  |  |  |

| <b><u>Document Information</u></b> |  |  |                       |
|------------------------------------|--|--|-----------------------|
| <u>Compiled by:</u>                |  |  | <u>Authorised by:</u> |
| Signature                          |  |  | Signature             |
| Name                               |  |  | Name                  |
| Position                           |  |  | Position              |

| <b><u>Instructions</u></b>                                  |
|---|
| In sheet 2:   |
| [A] Fill in yellow cells only                               |
| [B] Select the department and quarter ending month in row 4 |
| [C] Select the category in column C                         |

## Deferred Income

| Department   | Quarter Ending Month         |  |  |
|--|------------------------------|--|--|
| 01 Office of the President   | March 2011 (January - March) |  |  |
| Description  | Amount<br>Deferred<br>EUR    |  |  |
| Taxes (0101 - 0191)  | -                            |  |  |
| Licences & Fees (0201 - 0269)  | -                            |  |  |
| Fees of Offices (0301 - 0349)  | -                            |  |  |
| Receipts from goods & services (0401 - 0499)                         | -                            |  |  |
| Receipts from activities (0501 - 0525)                               | -                            |  |  |
| Rent (0611 - 0618)   | -                            |  |  |
| Interest & Dividends received (0601, 0621 - 0639, 0681 - 0696, 0904) | -                            |  |  |
| Debtors for Below-the-line accounts                                  | -                            |  |  |
| Other revenue  | -                            |  |  |
|  | -----                        |  |  |
| <b>Total Deferred Income</b>   | -                            |  |  |
|  | -----                        |  |  |
| <u>Instructions</u>  | <u>Document Information</u>  |  |  |
| In sheet 2:  | <u>Compiled by:</u>          |  |  |
| [A] Fill in yellow cells only  |                              |  |  |
| [B] Select the department and quarter ending month in row 4          | Signature                    |  |  |
| [C] Select the category in column C                                  | Name                         |  |  |
|  | Position                     |  |  |
|  | <u>Authorised by:</u>        |  |  |
|  | Signature                    |  |  |
|  | Name                         |  |  |
|  | Position                     |  |  |



| ANALYSIS OF DEBTORS  |             |             |                      |          |          |          |           |          |           |                                 |     |
|--|-------------|-------------|----------------------|----------|----------|----------|-----------|----------|-----------|---------------------------------|-----|
| Version 01/03  | Department  |             | Quarter ending Month |          |          |          |           |          |           |                                 |     |
| Type of Debtor   | Total       | Not Yet Due | Days Overdue         |          |          |          |           |          | Bad Debts | Rem. in terms of Financial Reg. |     |
|  | EUR         | EUR         | 01 - 30              | 31 - 60  | 61 - 90  | 91 - 180 | 181 - 360 | Over 360 |           |                                 | EUR |
| Taxes (0101 - 0191)  | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Licences & Fees (0201 - 0269)  | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Fees of Offices (0301 - 0349)  | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Receipts from goods & services (0401 - 0499)                         | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Receipts from activities (0501 - 0525)                               | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Rent (0611 - 0618)   | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Interest & Dividends received (0601, 0621 - 0639, 0681 - 0696, 0904) | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Repayment of loans (0641 - 0679)                                     | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Grants (0701 - 0708)   | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Borrowings (0801 - 0807)   | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Proceeds from sale of fixed assets (0901 - 0902)                     | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Proceeds from sale of investments (0531 - 0532, 0903)                | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Other revenue  | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| Debtors for Below-the-line accounts                                  | 0           |             |                      |          |          |          |           |          |           |                                 |     |
| <b>Grand Total</b>   | <b>0</b>    | <b>0</b>    | <b>0</b>             | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>  | <b>0</b> | <b>0</b>  |                                 |     |
| <b>Per Cent of Grand Total</b>                                       | <b>0.0%</b> | -           | -                    | -        | -        | -        | -         | -        | -         |                                 |     |
| <b>Percentage Uncollectable</b>                                      |             |             |                      |          |          |          |           |          |           |                                 |     |
| <b>Provision for Bad Debts</b>                                       |             |             |                      |          |          |          |           |          |           |                                 |     |

| ANALYSIS OF CREDITORS                 |             |             |                      |          |          |          |           |          |                  |                                 |     |
|---------------------------------------|-------------|-------------|----------------------|----------|----------|----------|-----------|----------|------------------|---------------------------------|-----|
| Version 01/03                         | Department  |             | Quarter ending Month |          |          |          |           |          |                  |                                 |     |
| Type of Creditor                      | Total       | Not Yet Due | Days Overdue         |          |          |          |           |          | Amount Contested | Rem. in terms of Financial Reg. |     |
|                                       | EUR         | EUR         | 01 - 30              | 31 - 60  | 61 - 90  | 91 - 180 | 181 - 360 | Over 360 |                  |                                 | EUR |
| Personal Emoluments                   | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Operational & Maintenance             |             |             |                      |          |          |          |           |          |                  |                                 |     |
| 21 - Utilities                        | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 22 - Materials and supplies           | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 23 - Repair and upkeep                | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 24 - Rent                             | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 25 - International memberships        | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 26 - Office services                  | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 27 - Transport                        | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 28 - Travel                           | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 29 - Information services             | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 30 - Contractual services             | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 31 - Professional services            | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 32 - Training                         | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 33 - Hospitality                      | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| 34 - Incidental expenses              | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Special Expenditure                   | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Programme and Initiatives             | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Contributions to Government           | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Capital Projects                      | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Creditors for Below-the-line accounts | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| Other Creditors / Expenditure         | 0           |             |                      |          |          |          |           |          |                  |                                 |     |
| <b>Grand Total</b>                    | <b>0</b>    | <b>0</b>    | <b>0</b>             | <b>0</b> | <b>0</b> | <b>0</b> | <b>0</b>  | <b>0</b> | <b>0</b>         |                                 |     |
| <b>Per Cent of Grand Total</b>        | <b>0.0%</b> | -           | -                    | -        | -        | -        | -         | -        | -                |                                 |     |

## Annex XI – Questionnaire on Government concessions and PPPs



### DATA COLLECTION ON GOVERNMENT CONCESSIONS AND PUBLIC PRIVATE PARTNERSHIPS (PPPs)

*This questionnaire is concerned with collecting information on the current and planned concessions and PPPs agreements in the General Government sector. The questionnaire should be completed by all Ministries.*

*Kindly use the following statistical guidelines to determine what should be reported as concessions and PPPs in this questionnaire.*

#### Public Private Partnerships (PPPs)

The term Public Private Partnerships (PPPs) is typically used to describe long-term contractual arrangement between government and a corporation (partner) for the provision of public asset and related services in exchange for performance-based payments linked to the asset's availability and/or use and the delivery of the related services. The partner usually builds the asset to supply the service to government and government pays to the partner all or a majority of the fees under a specific contractual arrangement, thus covering most of the total cost of the service provided.

#### Concessions

The term concessions is used for government agreement with a corporation (a concessionaire), generally signed after a competitive procedure, to operate (management, maintenance, collection of fees, etc) over a long-term period (more than 10 years) an asset, which may be either existing (which needs renovation) or to be constructed by the concessionaire; and where the concessionaire charges the final users. Therefore, in concessions, contrary to PPPs, government makes no regular payments to the concessionaire or such payments are a minority of the concessionaire's revenue.

*The information collected from this questionnaire will enable the National Statistics Office to determine the classification of the assets involved in these agreements (Concessions and PPPs) – either as government asset (impacting the government's deficit and debt figures) or as assets of the partner.*

If you encounter any difficulties whilst completing the questionnaire, kindly contact Mark Galea on 25997240 or by email on [mark.b.galea@gov.mt](mailto:mark.b.galea@gov.mt).

Additional reading material on Concessions and PPPs can be found at the following links:

- [Manual on Government Deficit and Debt \(2010 Edition\)](#)
- [A Guide to the Statistical Treatment of PPPs](#)

**The information you provide will be treated in confidence and will be used for statistical purposes only.**

**Kindly fill up your contact details below:**

|                 |                        |
|-----------------|------------------------|
| Ministry name:  |                        |
| Contact Person: | Position/ Office Held: |
| Tel No:         | Fax No:                |
| E-mail Address: |                        |
| Date:           | Signature:             |

**If this questionnaire is not relevant to your Ministry, kindly mark question Q.1 as a **NIL RETURN** and return the questionnaire to the NSO.**

Q.1 Given the above statistical definitions, is your Ministry engaged in a Concession or PPP agreement?  
Mark the appropriate box for each category (☒)

Yes

No

---

**National Statistics Office**  
Lascaris, Valletta, VLT2000, Malta  
Tel: (+ 356) 25997240 Fax: (+356) 25997205  
E-mail: [publicfinance.nso@gov.mt](mailto:publicfinance.nso@gov.mt) <http://www.nso.gov.mt>

**Q.2** Please list the current or planned concession agreements, including the name of concession, concessionaire name, start year, short description, duration in years and value of concession.

| Name of Concession | Concessionaire Name | Start Year | Short description of the concession | Duration in years | Value of concession |
|--------------------|---------------------|------------|-------------------------------------|-------------------|---------------------|
|                    |                     |            |                                     |                   |                     |
|                    |                     |            |                                     |                   |                     |
|                    |                     |            |                                     |                   |                     |
|                    |                     |            |                                     |                   |                     |
|                    |                     |            |                                     |                   |                     |

**Q.3** Please list the current or planned PPPs agreements, including the name of PPP, partner name, start year, short description, duration in years and value of PPP.

| Name of PPP agreement | Partner Name | Start Year | Short description of the PPP transaction | Duration in years | Value of PPP |
|-----------------------|--------------|------------|--|-------------------|--------------|
|                       |              |            |  |                   |              |
|                       |              |            |  |                   |              |
|                       |              |            |  |                   |              |
|                       |              |            |  |                   |              |
|                       |              |            |  |                   |              |

*Thank you for filling up the questionnaire.*