



EUROPEAN COMMISSION
EUROSTAT

Directorate C: National and European Accounts
Unit C-3: Public finance



Luxembourg, 31 March 2008

- FINAL FINDINGS -

EDP Mission to Malta

29 January 2008

Eurostat EDP dialogue visit to Malta

29 January 2008

Final findings

Executive summary

Eurostat undertook an EDP dialogue visit to Malta on 29 January 2008 as part of its regular visits to Member States and with the aim to assess the existing statistical capacity, to review the division of responsibilities concerning the compilation of EDP statistics and government accounts, to discuss the quality and exhaustiveness of primary data sources, to clarify the issues relating to EDP tables raised in the context of previous notifications, to review the progress achieved in implementing ESA 1995 methodology (in particular sectorisation of units and the implementation of Council Regulation 2516/2000) and to assure that provisions from the ESA 1995 Manual on Government deficit and debt and recent Eurostat decisions are duly implemented in the Maltese EDP tables and national accounts.

In the meeting, Eurostat welcomed the transparent and well structured approach by the Maltese authorities to the EDP related work and concluded good progress on numerous EDP related issues in recent years. Eurostat also thanked the Maltese authorities for the comprehensive annexes to the EDP notifications, which are sent with each reporting.

Concerning data sources, Eurostat congratulated the Maltese authorities for the effective use of the Departmental Accounting System, which includes all the transactions of Budgetary Central Government, coded according to ESA95, GFS 2001 and COFOG I.

Eurostat took note of the sector classification policy in Malta and of the classification of the units in the transport sector, of hospitals and of public TV and radio.

Eurostat took note of the intention of the Maltese authorities to send the EDP notification tables and the Questionnaire related to notification tables already on 27 March 2008, in line with the Eurostat request. Eurostat thanked the Maltese authorities in advance for their efforts. Eurostat also took note of the intention of the Maltese authorities to participate in the pilot exercise relating to the new set of questionnaire tables as proposed by Eurostat in the January 2008 Financial Accounts Working Group (FAWG).

Concerning EDP table 2A and the related Annex 7, which was sent with the October 2007 notification, it was agreed that the Maltese authorities should check the nature of the adjustment related to the MGI-MDC Investment in Industry (247 605 Lm) as reported in Annex 7, and report back to Eurostat as soon as possible.

Concerning receivables and payables as reported in EDP tables 2 and 3, it was agreed that the Maltese authorities should investigate on the composition of the adjustment as reported in EDP table 2A, as well as on the difference between the figures as reported in EDP tables 2 and 3 respectively, and send this information to Eurostat as soon as possible. Furthermore, for the receivables and payables for taxes and social contributions as reported in table I of the

Questionnaire related to EDP tables, Eurostat asked the Maltese authorities to investigate and modify the stock of receivables in 2001, in order to ensure full consistency between the data reported in EDP tables and in the Questionnaire related to EDP tables. The action should be implemented already in the April 2008 notification.

Concerning the implementation of Council Regulation 2516/2000 and the planned change to time-adjusted cash recording, it was concluded that the Maltese authorities should carry out a simulation based on last years' data in order to get a picture of the reliability of historical data and of possible revisions, and as a second step officially consult Eurostat on the new proposed recording. Eurostat stressed the importance of reaching progress on the issue and the need to fully implement the new system with time-adjusted cash at the latest from the October 2008 notification onwards.

In relation to the agenda items on specific government transactions as reported in the questionnaire related to EDP tables, it was agreed among others that the Maltese authorities will send to Eurostat information on the companies benefitting from government guaranteed debt (as this information could not be provided in the meeting (questionnaire table III)), that the Maltese authorities will provide information on capital injections by large operations, distributions by large operations and largest losses of loss making public corporations, in line with the thresholds in the table (questionnaire table Vb) and that the Maltese authorities will analyse the new PPP project relating to an old people's home before the April 2008 notification in order to decide on the correct recording, and to consult Eurostat in the coming weeks if needed.

Concerning the recording of a VAT refund by government to a telecommunications company (Maltacom) after a court decision at the end of 2007, Eurostat agreed with the Maltese recording proposals and concluded that the amount of Lm 4 million, bar exceptional events, should be recorded in 2007, leading to an increase in the deficit of around 0.2% of GDP.

Introduction

In accordance with article 8d of Council Regulation (EC) No 2103/2005 of 12 December 2005, amending Council Regulation (EC) No 3605/93 as regards the quality of statistical data in the context of the excessive deficit procedure, Eurostat carried out an EDP dialogue visit in Malta on 29 January 2008.

The delegation of Eurostat was headed by Mr. Luca Ascoli, Head of the Eurostat Public Finance Unit (C3). The Directorate General for Economic and Financial Affairs (DG ECFIN) and the European Central Bank (ECB) also participated in the meeting as observers. The Maltese authorities were represented by the National Statistics Office (NSO), the Ministry of Finance (MoF) and the Central Bank of Malta (NCB).

Eurostat introduced the meeting by referring to the procedural arrangements as indicated in article 8 of the Regulation 3605/93, as amended, and by stating that *Main conclusions and action points* from the meeting will be sent within days after the mission to the Maltese authorities for comments. Within weeks, *Provisional findings* will be sent to the Maltese authorities in draft form for review. *Final findings*, including possible comments from Malta, will be sent to the Economic and Financial Committee (EFC) and published on the Eurostat web site.

The agenda covered institutional responsibilities and data sources, examination and follow-up of the EDP reporting tables and the *Questionnaire related to the notification tables* from previous notifications, as well as delimitation of general government, the change in the method of the recording of taxes and social contributions and the recording of various government transactions.

Final findings

1. Statistical capacity issues

1.1. Institutional responsibilities in the framework of the reporting of data under EDP and government finance statistics compilation

Introduction

The Maltese authorities introduced the meeting by presenting the institutional set-up related to EDP and government finance statistics.

Discussion

Malta has created a government finance committee which meets regularly in order to discuss on-going matters relating to the compilation of government finance statistics. The Committee is chaired by the Permanent Secretary of the Ministry of Finance and includes officers from the National Statistics Office, the Ministry of Finance (Treasury, Budget Office and the Financial Management and monitoring unit) and the Central Bank of Malta. The committee has existed for many years and was created when Malta was preparing for EU membership.

The Maltese authorities also informed Eurostat that in the case of disagreements relating to EDP methodology, the final decision is taken by the NSO.

Conclusions

Eurostat took note of the institutional arrangements between the NSO, the MOF and the NCB and of their respective roles in EDP reporting and welcomed the transparent and well functioning co-operation in this respect.

1.2. Data sources and the EDP inventory

Introduction

The Maltese authorities made a presentation of the data sources in relation to the compilation of general government finance statistics. The publication of the EDP inventory was also discussed.

Discussion

The general government sector in Malta consists of the central government and local government sub-sectors. Malta does not have any state government and social security sub-

sectors. Central government accounts consist of budgetary central government and the Extra Budgetary Units (EBUs).

For budgetary central government, the main data sources are financial reports, the Departmental Accounting System (the DAS), financial estimates and surveys carried out by the Treasury.

For the EBUs (46 in 2008) classified in S.1311, the main data sources are the financial statements (normally annual and audited), complimented with more timely sources like quarterly and annual questionnaires. For the first notification, the NSO is using the annual questionnaires sent to all EBUs, providing data for the years n-1 and n.

For the local councils (68 in 2008), the main data sources are the audited financial reports. Local councils also submit main aggregates on a quarterly basis, but these are not sufficient for the compilation of non-financial and financial accounts. Instead, in part, the quarterly data are estimated.

Budgetary central government dominates the relative contribution to deficit and debt in the Maltese accounts. For example, in 2006, as reported in the October 2007 notification, budgetary central government stood for 93%, the EBUs for 6.7% and the local councils for 0.3% of the total deficit. Concerning the debt, the number for budgetary central government was even higher (97.6%).

The DAS covers all transactions by budgetary central government and are recorded according to ESA95, GFS 2001 and COFOG level I codes. It is available in real time to all staff working in the NSO and the NCB.

During the meeting, Eurostat asked for more detailed information on the social benefits in cash and in kind, which could not be provided on the spot.

Concerning the publication of the EDP inventory, the Maltese authorities communicated their intention to publish it nationally, for the first time. The publication will take place shortly after the Eurostat EDP press release on 18 April 2008.

Conclusions

Eurostat congratulated the Maltese authorities for the effective use of the Departmental Accounting System, which includes all the transactions of budgetary central government, coded according to ESA95, GFS 2001 and COFOG I.

In this context it was also agreed that the Maltese authorities should send to Eurostat a list with social benefits in cash and in kind.

Eurostat took note that the Maltese authorities plan to publish nationally, for the first time, the EDP inventory.

2. Follow-up of the October 2007 EDP reporting – analysis of EDP tables and discussion on the FAWG proposal of a revised EDP related questionnaire

Introduction

Eurostat analysed the EDP tables and the questionnaire related to the notification tables, as reported in the October 2007 notification.

Eurostat furthermore investigated whether it would be possible for the Maltese authorities to compile the proposed revised questionnaire related to the notification tables, as presented in the FAWG meeting on 21 January 2008.

Eurostat also recalled that during the January 2008 FAWG Member States were asked to notify on 27 March, i.e. a few days earlier than the legal deadline of 31 March, due to the fact that Eurostat has been asked this time to anticipate the publication of data to 18 April 2008.

Discussion

EDP table 1

The Maltese explained the variability of data reported for GFCF throughout the years, originating from reclassification of transactions from P.51 to P.2. The Maltese also confirmed the revision of GFCF in 2004 due to a transfer of asset to a public corporation, which was reclassified as a capital injection in kind. Eurostat agreed with the Maltese revisions.

EDP table 2

The adjustments in table 2A as reported under "other adjustments" are mostly explained in the EDP inventory.

Eurostat asked about the adjustments in 2006 and 2007 of Lm -10.3 mn and Lm +10.3 mn respectively. The Maltese authorities explained the nature of the adjustment (in 2006 there was a promise of sale of land and a corresponding cash payment, but the transfer of ownership and signature of contract only took place in 2007, which is therefore the year in which the sale should actually be recorded in national accounts) and agreed that the labelling was incorrect and that they should use the one of the April 2007 notification, "time-adjustment relating to the sale of land".

Eurostat asked about the relationship between the 2006 figures reported in EDP table 2A for "loans granted" and "loans repayments" and the figures reported for 2006 in Annex 7, as sent together with the notification. Whereas the figure of Lm 300 000 as reported in Annex 7 for "repayments, water services corporations" was included in table 2A, there was uncertainty about the nature of the item of Lm 247 605 labelled "MGI-MDC-Investments in Industry".

Concerning table 2C, Eurostat asked about the absence of details in the table (only the working balance and B.9 are reported). The Maltese authorities explained that the local councils are small and data are on accrual basis. The local councils do not buy and sell equities, but they may take loans.

Eurostat also referred to the figures for "other accounts receivable/other accounts payable" in table 2A, but proposed to discuss these under EDP table 3.

EDP table 3

In the context of the mission, the Maltese authorities provided Eurostat with the breakdown of other accounts receivable and payable as reported in EDP table 3A, in the form of the new voluntary table being part of the revised questionnaire as presented in the January 2008 FAWG. The data in that table are consistent with the data as reported for receivables/payables in the tables I and II in the compulsory questionnaire related to EDP tables. The data are also consistent with the data in EDP table 3A.

The data in EDP table 3 are however different from the data for "other accounts receivable" and "other accounts payables" as reported in EDP table 2A. Eurostat pointed out that the figures for receivables and payables should not necessarily be the same in EDP tables 2 and 3 due to differences in the definition of the working balance, to whether the working balance is on accrual basis etc., but that there should normally be a clear link. The Maltese authorities explained that in table 2A, the figures for receivables and payables only relate to budgetary central government and not to the EBUs, as these are part of the adjustment item "net borrowing (-) or net lending(+)" of other central government bodies" in the same table. Eurostat agreed that, while this fact implies a difference in the figures reported in tables 2 and 3, only a part of this difference is hereby explained and there should be further explanatory factors.

In relation to table 3D, the Maltese authorities confirmed that there are no transactions in loans or equities for the local councils.

Conclusions

Eurostat took note of the intention of the Maltese authorities to send the EDP notification tables and the Questionnaire related to notification tables on 27 March 2008, in line with the Eurostat request. Eurostat thanked the Maltese authorities in advance for their efforts.

Concerning EDP table 2A, it was agreed that in the April 2008 notification, the Maltese authorities will change the wording of the adjustment relating to sale of land from "payables charged to the consolidation fund" to "time-adjustment relating to the sale of land".

Concerning EDP table 2A and the related Annex 7, which was sent with the October 2007 notification, it was agreed that the Maltese authorities should check the nature of the adjustment relating to the "MGI-MDC Investment in Industry" (247 605 Lm) as reported in Annex 7, and report back to Eurostat as soon as possible.

Concerning receivables and payables as reported in EDP tables 2 and 3, it was agreed that the Maltese authorities should investigate on the composition of the adjustment as reported in EDP table 2A as well as on the difference between the figures for receivables and payables as reported in EDP tables 2 and 3 respectively and send this information to Eurostat as soon as possible. In the context of the mission, the Maltese authorities did provide, as part of the new proposed questionnaire, the split of the figures as reported in EDP tables 3.

January 2008 FAWG proposal on a revised version of the questionnaire related to notification tables

Discussion

Malta did not complete any of the tables in the new voluntary questionnaire, which was sent to Member States for the first time in the context of the October 2007 notification. In the mission, Eurostat asked the Maltese authorities about their general view on the tables and about the possibility to provide to Eurostat the data requested in the new voluntary FAWG questionnaire, which is an extended version of the one used in the bilateral clarifications in the October 2007 notification.

Concerning the first two tables *1.1 Revision of general government net lending (+)/net borrowing (-)* and *1.2 Revision of General Government consolidated gross debt (EDP table 1)*, the Maltese authorities said that they did not expect any specific problems for providing these data.

For the table 2. *Breakdown of financial transactions considered in the working balance*, the Maltese authorities could not foresee any problems either for the provision of such data.

Relating to tables *3.1 Breakdown of net borrowing (-)/net lending (+) by groups of units* and *3.2 Main surplus-making "other government bodies"*, the Maltese authorities said that they would probably be in a position to provide aggregated data as requested in table 3.1, but also they would come back with a formal answer concerning the data requested in table 3.2.

Concerning table 4. *Breakdown of other accounts receivable/payable (F.7) reported in EDP tables 3A and 2A*, the NSO had already filled the table for EDP table 3A, but they also added that they will have to investigate on EDP table 2A (see also above).

Table 5 taxes and social contributions: other accounts receivable/payable of general government is the same one of the actual compulsory table I and Malta provides data from 2001/2002.

As table 6 *other accounts receivable/payable relating to EU grants* was going to be reviewed (and the new version was not available during the meeting), it was not discussed.

Table 7 *military equipment expenditure* is not relevant for Malta due to the absence of military equipment expenditures.

Concerning the tables *8.1, 8.2, 8.3 relating to general government claims and debt cancellations* and the new *table 9 relating to government guarantees*, the Maltese authorities were not in a position to provide an answer about whether it would be feasible for them to complete the tables in the meeting, but they said that they would nevertheless reflect on this issue and come back to Eurostat.

Tables *10.1 and 10.2 on capital injection in public corporation, super-dividends and privatizations* have not been changed and were therefore not discussed.

Finally, relating to table 11 on *Private-Public-Partnerships, sale and leaseback operation and securitizations operation*, this table was not filled by the Maltese authorities so far due to the absence of such operations and it was not discussed in the meeting.

Conclusions

Eurostat took note with satisfaction of the intention of the Maltese authorities to participate in the pilot exercise relating to the new set of questionnaire tables as proposed by Eurostat in the latest FAWG of 21-23 January 2008. Eurostat further noted the intention of the Maltese authorities to send already on 27 March 2008 a selection of these new voluntary tables. Eurostat thanked the Maltese authorities in advance for their co-operation.

3. Methodological issues and recording of specific government transactions

3.1. Delimitation of general government, application of the 50% rule in national accounts

- public infrastructure companies (roads, airports, ports)
- public hospitals
- public TV, radio

Introduction

In the meeting, the methodology for delimitation of general government was discussed and special attention was devoted to public infrastructure companies, public hospitals and public TV and radio.

Discussion

Relating to the delimitation of general government, the Maltese authorities have developed a special template which they use for each classification case. The Maltese authorities showed to Eurostat the template during the meeting and its application on a number of government units. As a general rule, all new units created are analysed and when they approach the banking sector for borrowing purposes, the bank in question asks the NCB about the correct classification of the unit.

The Maltese authorities also make regular official reviews of units when conditions change, like for example when there is a change in the funding of the unit. The classification of all existing units is published on the web site of the NSO.

In the meeting, Eurostat made reference to the newly created task-force on infrastructure and asked for details on the classification of road companies, seaports and airports.

The Maltese authorities confirmed that Malta Transport Authority (MTA) is the agency responsible for infrastructure, including roads. MTA issues public calls for contractors building/renovating roads. The investments are financed with funds from government and EU funds (the structural and cohesion funds). There are no road tolls/vignettes in Malta. There have furthermore been no formulated plans to re-organise road construction and maintenance in Malta.

Concerning the seaports, the Maltese authorities further confirmed that Malta has three major port companies, Valletta, Marsaxlokk and Marsamxett, all classified outside government. The ports are run by different port operators (Malta Freeport Terminal manages Marsaxlokk). The Malta Maritime Authority is a supervisory board, classified in the non-financial corporations sector. Their principal activity is listed as "to establish the necessary mechanisms to enable the primary maritime services, encompassing ports, merchant shipping and yachting centres, to operate within a centralized and commercially oriented framework". The Malta Maritime Authority has a board of independent directors.

Finally, in relation to airports, Malta has one Airport, Malta International Airport (MIA). Government owns 20% of the shares, Malta Mediterranean Link Consortium Ltd 40%, VIE Malta Ltd 10% and the rest is owned by smaller shareholders. MIA was 100% government owned until 2002, when it was firstly partly privatised. MIA is now classified outside government. The Maltese authorities indicated that there have been no articulated plans to sell the last government shares.

Relating to hospitals, the Maltese authorities confirmed that all public hospitals are fully funded by government and set up as government departments rather than separate institutional units. The hospitals are classified in the general government sector.

Publicly owned TV and radio stations are set up on a commercial basis and are classified in S.11. The licence paid by households for TV and radio is recorded as a tax. Other revenue comes from advertisements.

Conclusions

Eurostat took note of the general sector classification policy in Malta and of the current classification of units in the transport sector, of hospitals and of public TV and radio.

3.2. Implementation of Council Regulation 2516/2000

Introduction

The implementation of Council Regulation 2516/2000 had already been discussed in the EDP dialogue mission to Malta in 2006 and it was concluded that "*the Maltese application of the rules are different from other countries, but still acceptable. The method could however be improved by introducing time-adjustment of data and Eurostat encouraged the Maltese authorities to make an effort in this respect*".

In the meantime the Maltese authorities initiated some work relating to the issue, but at the time of the mission no changes had yet been implemented.

Discussion

The Maltese authorities explained the current situation and the work undertaken so far. Today, Malta is using a system based on cash, adjusted for so called realistic balances, in order to determine accruals and in order to avoid recording any amounts which will finally not be collected. The rationale for deciding on the amount of taxes non collectible is based on: assessments which have been declared 'ultra vires' by the courts, assessments which are under

objection following tax audits, amounts due by deceased persons, amounts due by companies which have since been dissolved, amounts which are time-prescribed and estimates of tax liabilities which need to be revised once annually. The assessments are basically decided based on the department's expertise and experience in collecting its dues.

As agreed in the previous 2006 EDP mission, Malta intends to change the system from the present one to time-adjusted cash, and has during the last two years analysed to what period cash payments received for VAT, income taxes and social contributions relate, in order to decide on the time-adjustment needed. The preliminary results of this exercise have given figures close to the current method used according to the description above, and the Maltese authorities do not expect any major revisions of data when the new system will be implemented.

In relation to the recording of taxes and social contributions, Eurostat also raised the issues on the change in stock between 2004 and 2005 as reported in questionnaire table I (the issue was discussed already in the April 2007 notification, where it was stated by Eurostat: *We would propose that you, if you have, for the transactions recorded in 2005, information concerning which year they belong to, distribute these figures on historical years. If you do not have this information, we would propose to allocate the figure in 2001 and reconstruct the series for consistency*). The Maltese authorities then explained that the change in stocks related to the inclusion of some new EBU units in the data reported, and that these new data related to several previous years and not only to 2005, and that the Maltese authorities have decided to book all the amount as a change in stock and transaction in 2005, i.e. the moment in which these new data became available. This method resulted in inconsistencies between EDP table 2A and questionnaire table I (data were not changed in EDP tables, but only in the questionnaire table I).

In the meeting, two different options relating to the issue were discussed: The first option was to record the full amount in 2001 (which is the first year stocks are reported in table I). This would solve the problem of the change in transactions and stocks in 2005 and of inconsistencies between EDP tables and questionnaire table I.

The second option would be to allocate the amounts backwards (if the information is known) for improved consistency between EDP tables and table I of the questionnaire and for a more correct picture of the reality.

Conclusions

Concerning the implementation of Council Regulation 2516/2000, it was concluded that the Maltese authorities should carry out the full simulation based on last years' data in order to get a picture of the reliability of historical data and possible revisions, and as a second step officially consult Eurostat on the new system of time-adjusted cash. Eurostat stressed the importance of reaching progress on the issue and proposed to fully implement the new system with time-adjusted cash from the October 2008 notification onwards.

Concerning the reporting of receivables and payables for taxes and social contributions in table I of the Questionnaire related to EDP tables, Eurostat asked the Maltese authorities to investigate and modify the stock of receivables in 2001, in order to ensure full consistency

between the data reported in EDP tables and in the Questionnaire related to EDP tables. The action should be implemented already in the April 2008 notification.

3.3 Recording of specific government transactions

Introduction

During the meeting, the recording in the Maltese accounts of a number of transactions was discussed.

3.3.1. EU flows

Discussion

During the meeting the Maltese authorities explained the current method of recording of EU grants in the accounts. In short, each year the revenue in relation to EU grants are recorded as follows:

- Actual cash revenue, plus
- Certified pending claims on the Commission at the end of the accounting period (as compiled by the EU Paying Authority within the Ministry of Finance), minus
- Cash receipts in respect of previous year (accounting period).

All flows relating to the EU transit via a special transitory account. The EU paying authority provides the data to the Statistical Office.

In the meeting the Maltese authorities confirmed that the Eurostat rules on the recording of EU grants are fully followed in Malta.

Conclusions

Eurostat took note of the method used for the recording of EU grants in Malta.

3.3.2. Guarantees

Discussion

Malta has comparatively a very high amount of outstanding government guarantees (12% of GDP in 2006). On the other hand, there have been no such calls in Malta. During the 2006 EDP mission, it was concluded that, due to the high amounts at stake, the issue should be closely monitored.

Malta has completed the questionnaire table III related to guarantees. In the meeting, the Maltese authorities confirmed that there have been no calls of guarantees in 2006 or 2007.

Eurostat asked for detailed information on which are the companies currently benefitting from government guarantees, but these data could not be provided during the meeting.

Conclusions

In the context of table IIIa of the Questionnaire related to EDP tables, it was agreed that the Maltese authorities will send to Eurostat, as soon as possible, information on the companies

benefitting from government guaranteed debt, as this information could not be provided in the meeting.

3.3.3. Military equipment expenditures

In the meeting it was confirmed that Malta has no military equipment expenditure.

3.3.4. Debt assumptions, debt cancellations and debt write-offs

Discussion

Malta has completed the table relating to debt cancellations and there is consistency with EDP tables. However, concerning Annex 7 on "Statement of loans", as sent in the context of the October 2007 notification, the difference between the stock as reported in Annex 7 and questionnaire table IV could not be explained during the meeting.

Conclusions

In the context of table IV of the Questionnaire related to EDP tables, it was agreed that the Maltese authorities will send to Eurostat, as soon as possible, information on the consistency of the data provided in the questionnaire table IV and in Annex 7 on "Statement of loans".

3.3.5. Capital injections in public corporations, dividends, privatization

Discussion

Concerning the questionnaire tables Va and Vb, Malta has provided data for table Va, which is consistent with EDP tables. During the meeting in particular, recent and future privatisations were discussed. In 2005, Malta privatised Middle Sea Insurance and Malta International Airport, in 2006 Maltacom, and in 2007 Malta towing activities and Malta Post. In 2008, further privatisation of Malta Post is expected.

On the contrary, no information has been provided for table Vb on capital injections by large operations, distributions by large operations, and largest losses of loss making public corporations. However, when discussing the issue in the meeting, it became clear that there were indeed operations over the indicated threshold, which could be provided in the table.

Conclusions

It was proposed by Eurostat that the Maltese authorities will provide information on capital injections by large operations, distributions by large operations and largest losses of loss making public corporations, in line with the thresholds as indicated in table Vb. The tables should possibly be completed already in the context of the April 2008 EDP notification.

3.3.6. Public Private Partnerships (PPP)

Discussion

The Maltese authorities informed Eurostat about the PPP relating to an old people's home, which construction started in 2007 and which contract runs over 25 years. No official

documentation relating to the PPP was available during the meeting. It was also said that this is the first genuine PPP taking place in Malta.

Conclusions

Eurostat asked the Maltese authorities to analyse the project in detail before the April 2008 EDP notification, in order to decide on the correct recording, and to consult Eurostat in the coming weeks if needed.

3.3.7. Swaps (swap cancellations, off-market swaps, FOREX swaps, options)

The Maltese authorities confirmed that there have been no swaps or swap related operations in Malta.

3.3.8. Securitisation operations

Discussion

In 2006, the Maltese authorities contacted Eurostat on a planned securitisation operation relating to sale of land. The operation was however finally cancelled.

Conclusions

The Maltese authorities confirmed that there have been no securitisation operations in Malta.

4. Other issues

4.1. ESA95 Transmission Programme (tables 2, 6, 7, 9, 11, 25, 27 and 28)

Discussion

The Maltese authorities presented their intention relating to future transmissions of data and in particular for annual and quarterly financial accounts.

Today, Malta transmits annual financial accounts for the years 2003-2006 (2002-2006 for stocks). In the meeting, the Maltese authorities said that due to lack of source data they will not be able to go further back in time. In the context of the April 2008 EDP notification, they will send the 2007 data.

So far, Malta has only sent annual financial accounts for general government, and they have a derogation until 2010 for the other sectors.

Concerning the quarterly financial accounts, the Maltese sent in 2007 data for the first time and for the periods 2006 and 2007Q1-Q3. The Maltese announced in the meeting that they will send in April 2008 also data for 2005 and 2007Q4. Furthermore, they intend in June 2008 to send data for 2004 and for the first quarter of 2008. In the meeting, the Maltese said that due to lack of source data, they will not be able to go further back than 2004.

The NCB has made a first test to send quarterly financial accounts for the full economy to the ECB and a close co-operation has been established between the NCB and the NSO in this respect.

4.2 Methodological issues relating to the Maltese EMU accession of 1 January 2008

No particular issues were raised under this point.

4.3 Any other business

- the recent tax reform in Malta

Eurostat took note of the planned tax reform in Malta as presented by the Maltese authorities, following a question of the ECB, and as described in the 2008 budget speech.

- the recording of a VAT refund by government to a telecommunications company after a court decision at the end of 2007 (new item)

Discussion

In the meeting, the recording of a VAT refund by government to a telecommunications company (Maltacom) after a court decision at the end of 2007 was discussed. The Maltese authorities had analysed the issue and proposed to record the amount in 2007, leading to an impact on net borrowing in 2007 of around 0.2%. The court decision had been referred to in the Maltese press in December, and government had announced that it may appeal the decision of the court.

Conclusions

Eurostat agreed with the Maltese recording proposals and concluded that the amount of Lm 4 million, bar exceptional events, should be recorded in 2007 (the deficit for 2007 will increase with around 0.2 %)

Annex 1 List of participants

National Statistics Office

Michael Pace Ross, Acting Director, Economic Statistics Division

Joseph Bonello, Manager, Government Finance Unit

Mark Galea, Statistician

Katya Scicluna Bartoli, Statistician

Claire Grima, Statistician

Ministry of Finance, Budget Office

Mark Borg, Director

Angele Mangion, Programme Manager

Ministry of Finance, Treasury

Noel Camilleri, Director General

Claire Micallef, Economist

Ministry of Finance, Financial Management Monitoring Unit

Mark Abela, Project Leader, Public Sector Finance

Central Bank of Malta

Jesmond Pule', Manager Statistics Office

Christopher Pace, Senior Economist Statistician

Karen Caruana, Economist Statistician

Experts who addressed specific issues:

- i. Mario Debattista, Director General, Financial Policy & Management, Ministry of Finance
(Public Private Partnerships)
- ii. Randolph Aquilina, Assistant Director, Inland Revenue Department
(Tax Reform)

Eurostat

Luca Ascoli, Head of Unit Public Finance

Lena Frej Ohlsson, Desk officer Malta

Jean-Pierre Dupuis, Expert

DG ECFIN

Ivan Ebejer, Desk officer Malta

ECB

Hans Olsson, Economist