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Minister of Finance and Economic Affairs  
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<b>Index</b>	<i>Pages</i>
<b>Introduction</b>	<b>4</b>
<b>The Economy</b>	<b>4</b>
<b>Finances</b>	<b>5</b>
<b>The European Union</b>	<b>5</b>
<b>Reforms</b>	<b>6</b>
<b>Dialogue</b>	<b>6</b>
<b>The Economy and Public Finances</b>	<b>8</b>
<b>The Gross Domestic Product</b>	<b>8</b>
<b>The Balance of Payments</b>	<b>8</b>
<b>Inflation</b>	<b>9</b>
<b>The Monetary Sector</b>	<b>9</b>
<b>Monetary Development</b>	<b>9</b>
<b>Developments in the Financial Services Sector</b>	<b>10</b>
<b>Malta's Strategy for Adopting the Euro</b>	<b>11</b>
<b>Free Movement of Capital</b>	<b>12</b>
<b>The Economy</b>	<b>12</b>
<b>Labour</b>	<b>12</b>
<b>Retail Profits</b>	<b>13</b>
<b>Economic Sectors</b>	<b>13</b>
Agriculture and Fisheries	<b>13</b>
Manufacturing	<b>14</b>
Tourism	<b>15</b>
The self-employed	<b>16</b>
Trade	<b>16</b>
The Consumer	<b>16</b>
The Malta Enterprise Corporation	<b>17</b>
The Financial Services Sector	<b>17</b>
<b>The Economic Survey</b>	<b>18</b>
<b>Public Finances</b>	<b>19</b>
<b>Transparency and Control in Public Finances</b>	<b>19</b>
<b>Revenue</b>	<b>20</b>
<b>Excise Duties</b>	<b>21</b>
<b>Tax on property sales</b>	<b>21</b>
Tax exemption on restructuring of companies	<b>22</b>
Share transfers of companies whose main asset are real estate	<b>22</b>
Property acquired 'causa mortis'	<b>22</b>
Change in the method of calculating capital gains	<b>23</b>
Notification of a promise of sale	<b>23</b>

VAT	24
Additional Tax on used vehicles	25
Subsidies on social security to farmers and fishermen	25
EU Funds	26
Financial Protocol with the Italian Government	26
Recurrent Expenditure	26
The Elderly	27
Persons with Special Needs	28
Capital Expenditure	29
Privatisation	29
Malta Freeport Terminals Ltd.	30
Public Lotto	30
Other Plans	30
The years 2005-2006	31
Financial Estimates	32
Reforms	33
Challenges	33
Social Market Economy	34
Globalisation	34
Competitiveness	35
Research and Innovation	35
Education	36
Parastatal enterprises	37
The Shipyard	37
The Environment	38
Welfare	41
Rationalisation of benefits	41
Vigilance	43
Pensions	43
Health	43
Conclusion	46
Appendix A – Monetary Policy	51
Appendix B – Exchange Control Liberalisation Measures	56
Appendix C – Economic Strategy	58
Appendix D – Public Finances	67

*Statements A-C*

# Introduction

Mr Speaker,

We are entering a new phase.

We are launching this economic and financial programme for next year within a new reality for Malta as a member state in the European Union, with all the benefits and obligations that are tied to it. Now we have the tools. We need to prepare for the new times.

## The Economy

The scenario is that of a world that is going through difficult times with a weak economy and troubled finances.

The bad experiences of terrorism, wars and infectious diseases that we had for these last two years dealt a downward blow to many economies and shook peoples' confidence in the future world wide.

	<b>Gross Domestic Product</b>		
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>Actual</i>	<i>Forecast</i>	
<i>Euro area</i>	0.9	0.5	1.9
Germany	0.2	0.0	1.5
France	1.2	0.5	2.0
Italy	0.4	0.4	1.7
UK	1.9	1.7	2.4
US	2.4	2.6	3.9
Japan	0.2	2.0	1.4

Western economies are facing a radical change that globalisation is imposing on them. In these economies, unemployment is increasing and the threat to employment is stepping up as industrial activity is being attracted towards the Far East where low wages, an ethic for hard work and a lack of a social and an environmental regulatory regime are having a magnetic force. This is reducing consumption expenditure

and is creating uncertainty that bogs down demand for consumption products, such as electronics, and leisure services.

## Finances

A weak economy has a strong negative impact on Government revenues world-wide. The result is increased deficits as receipts are not matching the costs of an ever growing expenditure on administration, security, education, pensions, social benefits, health, environment, culture, sustained development in the quality of life and investment in social, environmental and productive sectors.

Many countries, therefore, are looking analytically at their structures and are taking necessary decisions, even if difficult, in order to bring about effective reforms in each sector.

<b>Deficit Increase</b>				
		<b>2002</b>	<b>2003</b>	<b>2004</b>
		<i>Actual</i>	<i>Forecast</i>	
<i>Euro area</i>	€b	-156.0	-201.0	-203.0
Germany]	€b	-67.7	-84.8	-80.0
France	€b	-47.6	-62.8	-64.3
Italy	€b	-25.3	-35.3	-37.7
UK	£ b	-22.4	-34.4	-34.1
US	\$ b	-158.0	-393.0	-502.0
Japan	¥ t	-37.4	-37.2	-36.0

Even Malta is sailing in this troubled ocean, battling against the same waves and directing towards the same haven: the haven of financial sustainability, social equity, wholesome environment and improvement in everyone's standard of living. Storms that build up without warning batter us as much as anybody else. We shall

continue to do our best, however, with a strong hand on the helm so that we will not be overtaken by the currents but remain on course whenever the storm pulls towards the rocks.

## The European Union

It is appropriate that in these times, the Maltese have decided to be part of the historic step that will be made next year when we shall witness for the first time a European Union that has been the dream of many for decades.

They resolved to grasp the tools which membership in the European Union will hand out to them so that they can toil with more and better results, so that they will turn Malta in a more beautiful, more efficient, more organised and more embracing State.

## **Reforms**

This will help and strengthen us in the reforms that we intend to undertake to change the systems that we had in place in many areas: reforms that are needed to reflect present day realities, present day needs, the present day standards of living, present day burdens and present day perceptions.

Therefore, our system, burdened by decisions taken over scores of years, very often in contexts that were different from present day realities and without any reference to any liabilities that they would be creating in the future, will be retracted and placed on foundations that will sustain it in the future.

## **Dialogue**

These reforms will consolidate local competition and strengthen our caring society. It is wise that these are implemented in harmony, where ever possible, with all the social partners.

We are taking the social partners into our full confidence. We intend to pursue intensive dialogue so that, with all information in hand, together we plan the route that will take us to the desired destination with the least difficulty and the greatest speed. It seems that the social partners are committed to do their best to see through the necessary reforms and to draw up a social pact on which we will construct for the future.

They are committed to enter into intensive discussions so that, by the middle of next year, we would have examined our structures in detail and together we will have established the strategy that we need to put

in place for the future in order to secure sustainable pensions for future generations, a health system that continues to provide good service that would be accessible to everyone and a vibrant economy built on a social agreement that specifies unequivocally the roles for each one of us. We hope that we will be able to rise together above piques and personal interest and reach the necessary consensus on a programme of reforms, which will ensure the best national interest.

This budget provides for a balanced programme which, cautiously, will hold back, on the one hand the decline of public finances that is evident world-wide and on the other will prepare our country for the improvement which is expected in the global economy in the near future.

We are aware that the implementation of this programme involves courage to overcome adversities as well as strength to face challenges. The determination which the Maltese have always shown in the face of big and small challenges gives us the strength and fills us with courage.

## **The Economy and Public Finances**

The slow economy in 2002 and 2003 brought about huge constraints on public finances as tax revenue that had been forecast on income and on consumption, as well as profits from investments were far below expectations.

In Malta, apart from being hit by the same calamities that have hit other countries, we have had the traumatic experience of two elections. These did not propose simply a change in Government but also fundamental decisions that deeply regarded the strategies of all economic operators, as the two avenues that were put before our people meant totally differing strategies from those hitherto in place.

More than ever, these elections bogged down economic activity as the uncertainty that crept in, dampened the vision for the future, scared away investment and withheld decisions in every economic sector.

## **The Gross Domestic Product**

Economic statistics showed this out very clearly. In the first 9 months of the year economic growth was 1% when last year, albeit less than originally forecast, it was 2.8%. For the whole year, growth is expected to be 1.5%. Next year, we are expecting improvements and we forecast a nominal growth of 3.5%. This growth should come about from increased exports, which should result from the strengthening of world economy, as well as from increased levels of investment.

## **The Balance of Payments**

We are still experiencing a strong imbalance in the Current Account in the Balance of Payments – the account which records the balance between inflows and outflows of foreign currency. During the first 9

months of the year, this imbalance reached 4.8% of the Gross Domestic Product.

## **Inflation**

Inflation was contained and, for the twelve months ending September 2003, the mean rate was 1.1%. According to the index which has been in use since 1990, this inflation rate works out an increase of 75c per week in the cost of living.

The inflation rate this year is expected to be around 1% while for next year it is being forecast at 2.3% as a result of the measures we are undertaking.

<b>Inflation Rate</b>			
	<b>2002</b>	<b>2003</b>	<b>2004</b>
	<i>Actual</i>	<i>Forecast</i>	
<i>Euro area</i>	2.3	2.0	1.5
Germany	1.3	1.0	1.0
France	2.0	2.0	1.6
Italy	2.5	2.7	2.1
UK	2.2	2.8	2.4
US	1.6	2.3	1.7
Japan	-0.9	-0.3	-0.4

## **The Monetary Sector**

The main objective of the Central Bank's Monetary Policy will continue to be price stability and this should be activated in the best economic interest of the country.

The fixed rate of exchange is the principal tool by which the Central Bank tries to attain this main objective.

During the twelve months up to September of this year, the official interest rates went down by one percentage point to 3%.

## **Monetary Development**

Monetary growth slowed down somewhat during the twelve months up to September of this year. In fact, broad money supply increased by 3.3% when compared with 12.2% over the same period last year. This

was due to a reduction in fixed deposits which was, in part, probably due to lower interest rates on bank deposits. This could have pushed investments towards other forms of investment such as bonds or short-term deposits. In fact, cash in hand, saving deposits and current account balances all increased significantly. One must add, moreover, the lower level of income in the capital account in the balance of payments. This could have also contributed to a reduction in fixed deposits. The growth of local borrowing continued to be relatively slow, although, during the twelve months up to September, the growth rate managed to go up to 4.3% from 2.3% during the previous twelve months. This increase in loans reflects more net Government as well as private sector liabilities where, in the latter case, it was mainly tied to property purchases.

### **Developments in the Financial Services Sector**

All bond issues, both Government and corporate, were this year immediately taken up.

The Exchange index shows an increase of 15% during the year.

Several measures aimed at further strengthening consumer confidence and protection in the field of financial services were introduced, with a view to enhancing financial market development in Malta. In the banking sector, the Set-Off and Netting on Insolvency Act, which entered into force in June 2003, amended bankruptcy procedures to recognise the netting of financial transactions.

The Investor Compensation Scheme and the Deposit Guarantee Scheme were also set up in 2003 to provide investors and clients of credit institutions with a certain amount of financial compensation in the event of the insolvency of such institutions.

In January 2003, the Malta Financial Services Authority (MFSA) was appointed as the Listing and Competent Authority for the purposes of the Financial Markets Act. Thus, after having taken over responsibility for the regulation and supervision of credit and financial institutions

from the Central Bank of Malta in January 2002, the MFSA also assumed regulatory functions related to financial markets that had previously been vested in the Malta Stock Exchange (MSE).

Measures aimed at combating money laundering activities continued with the issue in August of the Prevention of Money Laundering Regulations, 2003. Furthermore, the Financial Intelligence Analysis Unit (FIAU) was accepted as a full member of the Egmont Group of financial intelligence analysis units.

Full details regarding Monetary Policy are shown in Appendix A to this Speech.

### **Malta's Strategy for Adopting the Euro**

A major decision that the Government must take upon accession to the European Union (EU) concerns the timing for adopting the euro as the national currency.

The significant advantages that can be derived from membership of the euro area and the fact that Malta's economic characteristics make it well suited to join a common currency area militate in favour of an early adoption of the euro. This being so, it would, therefore, be appropriate to take the first step by applying soon after membership next May to participate in ERM II by early 2005.

A strategy that would prolong the process has its inherent dangers, in particular that Malta might lag behind other acceding countries both in terms of convergence and the catching-up process.

Of course, there are a number of conditions we have to fulfil and procedures to follow on benchmarks for inflation, the fiscal deficit, the public debt, the long-term interest rate and the exchange rate. Today, Malta already performs satisfactorily in terms of the inflation, interest rate and exchange rate criteria. It does not, however, meet the requirements in so far as the fiscal deficit and public debt are concerned.

This strategy for the adoption of the euro is realistic and the Maastricht criteria can be fulfilled on time.

### Free Movement of Capital

As I have stated these last few years, Malta has followed a gradual and prudent approach to the liberalisation of capital movements. This programme has proceeded smoothly, as is evidenced by the fact that the Central Bank of Malta's external reserves today cover about 8 months of imports, and it is now at an advanced stage.

During 2003, the Exchange Control Act was amended to take into account the anticipated regime of total capital liberalisation. Under the new Act, a number of controls will remain in force until EU accession. These will be listed in a legal notice that will be issued when the Act comes into effect on 1 January, 2004. However, as in past years, I have taken the opportunity to ease some remaining controls from the beginning of January next year. The liberalisation measures are shown in the Appendix B to this Speech.

<i>Table 4</i>			
<b>Unemployment</b>			
%	2002	2003	2004
	<i>Actual</i>	<i>Forecast</i>	
Euro are	8.4	9.1	9.2
Germany	8.6	9.5	9.8
France	8.8	9.5	9.7
Italy	9.0	9.0	9.0
UK	5.2	5.2	5.2
US	5.8	6.0	5.7
Japan	5.4	5.5	5.4

### The Economy

#### Labour

Job creation continues to be our main objective notwithstanding that this year, as a result of the weakening of the economies which are our main trading partners and of the restructuring that is taking place in all economic sectors, we had a net increase of 422 in the number of those registering for work. As economic growth next year is not expected to be strong, we still expect a level of around 5.2% registering for work.

We do well to note the change that is taking place in Malta. During the twelve months up to September this year, the number of employees in the manufacturing sector went down by 1161 – mainly in the textiles and clothing sector. However, during the same period, we shall have been increasing employment in the services sector by 1511. The public sector has shrunk by 660. The self-employed have increased by 267.

It is also observed that, while male employment has gone down by 341 during the twelve months up to September, female participation increased by 425.

Income from employment continued to increase. This income amounted to Lm 582 million, that is, 3.8% more than a year ago.

### **Retail Profits**

Retail profits also increased and during the first nine months of the year they amounted to Lm298.3 million.

### **Economic Sectors**

#### *Agriculture and Fisheries*

Agriculture and fisheries were given major importance during our negotiations with the European Union notwithstanding that this sector contributes 2% to the Gross Domestic Product. The agricultural sector must continue to adapt in order to meet the challenges that it faces.

For this to be possible, this sector will next year be given Lm12 million in aid, of which over Lm3 million will be in the form of grants from the European Union. This aid is being provided in order to consolidate sustainability and competition, strengthen good environmental practices, improving the living standards of farmers and to open up entrepreneurial opportunities that give a new lease of life to rural economy.

Part of the funds provided for agriculture will be applied for promoting research in ecological and quality products so that it will be possible for farmers to sell products that are ecologically and environmentally sound.

In the fisheries sector we shall continue to assist in the modernisation of the fleet and to adapt according to the resources at our disposal.

### *Manufacturing*

The manufacturing sector is being radically transformed. This will impact on the infrastructure provided by way of energy, telecommunications, factory space and bureaucratic support. We see a change in the type and quality of our investment and its levels moving up. We observe that the interest by foreign investment in Malta comes from those sectors that require a high level of resources.

This reality means that the investment in the industrial infrastructure that the country needs to make must be higher than it is today. The sectors in which we can compete need larger factory space and premises with higher specifications.

The Malta Industrial Parks Co. Ltd, will be given the necessary means to be able to develop factory space for the future, readapt existing factories, monitor the needs for maintenance, both on the factory premises and on the surrounding areas, and manage Government industrial property.

We reckon that in the next four years we shall be required to invest Lm40 million on this development. Even here, we cannot face new circumstances with an outdated policy on factory allocation and leasing. A new policy will, therefore, be adopted that will ensure better use of existing space and that leases will be based on commercial lines, while we shall continue to assist new investors by granting concessions in the first two years of operation. This strategy should generate funds for the maintenance and development of

industrial property, while serving also to cut down on the artificial demand for space that we have today due to low leasing rates.

At the same time, we shall generate financing for such a strong programme of industrial factory development by a process of securitization of existing leases and by maximising utilisation of existing factory stock.

### *Tourism*

Notwithstanding difficulties in tourism we retained our levels.

Tourism must be built on quality. Tourism that provides a return is that which attracts to us quality visitors who come to Malta because of our clean and well cared for environment, because we maintain an orderly and beautiful place, because we are a disciplined people, and because we give good value for the money that we earn.

We shall provide Lm10 million over four years to start on embellishment projects so that we enhance Malta's attraction so more tourists will visit us. These will further benefit those Local Councils with a tourist area in their locality. Private and public investment of millions of maltese liri, however, is not enough. Each one of us should contribute his or her share so that this important industry can grow.

This calls for a sound educational drive involving both children and adults and an effective enforcement of all regulations and standards.

Recurrent and capital expenditure in tourism and culture will be managed through an 'ad hoc' account which will be credited with VAT receipts from hotels and restaurants as well as from revenues which the Heritage Malta will collect from the various sites that it manages. Funds that will be credited to this account will be allocated towards the contribution to the Malta Tourism Authority, to the Heritage Malta, to the Ministries concerned, and to capital projects related to the care of national heritage and for the development and enhancement of tourism products.

### *The Self-employed*

We are already assisting the self-employed so that they will be able to change and develop in order to integrate well with the economic order that EU membership and globalisation are creating.

We shall continue to increase access to finance required by small enterprises by ensuring that more firms will be able to borrow under the Small Firms Loan Guarantee Scheme which, at present, is managed by IPSE and which will be transferred to Malta Enterprise Corporation.

We shall change procedures so that self-employed and small firms can have more access to bid for public contracts. Therefore, wherever possible, bids for contracts will be called for in small deals which can be worked out by a small enterprise or by a number of small enterprises in close co-operation. In addition to this we shall be introducing a registration scheme for contractors.

### *Trade*

In order to increase the momentum in our economy we need to increase our trade. We want to work out an entrepreneurial policy so that we gain better advantage from the broader access to markets which the European Union provides us with, both domestic and others, wherefor multilateral agreements are in place. This free market makes it possible for us to push forward our country as an international distribution centre.

### *The Consumer*

We cannot keep back from strengthening the rights of the consumer. We will ensure that legislation is understood by everyone and that everyone would determine the applicable regulations.

It will be ensured that the consumer will be provided with all relevant information that he would need and that this would be distributed and

made available to everyone so that the consumer may make independently informed decisions.

#### *The Malta Enterprise Corporation*

The merging process of the functions of MDC, METCO and IPSE within the Malta Enterprise Corporation is now at an advanced stage. This entity will be managed on the principles of capacity building and of focused marketing, so that it would attract new local and foreign investment. Current enterprises, therefore, both big and small will be assisted to expand their activity in new products and services as well as in new markets.

This entity will be responsible to see that, with full synergy with other entities, all necessary measures will be implemented in the most efficient manner for our country to be indeed attractive to the investor and to be truly competitive.

#### *The Financial Services Sector*

In contrast to what is happening in the general economy, the financial services sector is rapidly expanding and currently contributes to around 12% of the Gross Domestic Product. Without reckoning audit firms that operate in this sector, it employs at present around 5500 employees full-time apart from several other hundreds part-time.

After discussions with the EU Commission we succeeded to retain our present regulatory regime. This is evidence of the right steps that were taken in 1994 when we changed course for this sector from an offshore to an onshore basis. All this augurs well for this sector's continued expansion in the future.

The new legislation on trusts, to be enacted early in 2004, will bring about a new camp for the financial sector which will continue to strengthen this specialised field.

The Malta Financial Services Authority is also in the final stages of consultation before starting to implement a programme of initiatives designed to help the financial services sector further develop its potential within the EU. These initiatives cover human resource development, introduction of technology-based services, branding, regulatory development and SME's.

### **The Economic Survey**

A detailed report on the performance of the economy can be found in the Economic Survey which I place on the Table of the House. A review of this year's economy and forecasts for next year are attached at Appendix C with this Speech.

## **Public Finances**

2003 will end with a deficit of Lm108 million, or Lm33 million more than that originally estimated, a result primarily due to lesser receipts than expected. This deficit represents 6.3% of the Gross Domestic Product.

2004 forecasts have been placed on a new reality that we shall be living as from next year. Malta's EU membership will not only provide a better perspective for our country that will accelerate economic rhythm for the next years but it will also impact directly on our revenue and expenditure. It is expected that, next year the deficit will be at Lm95 million or 5.4% of GDP.

### **Transparency and Control in Public Finances**

In order to strengthen transparency and control over public finances, we shall put in place a system, as from this year, whereby sub-accounts for specific activities will be created within the Consolidated Fund. These sub-accounts will be credited with tax receipts that will be wholly allocated to a particular activity. We shall insist that all costs related to that activity will not exceed the funds allocated to it.

It was proposed within the Malta Council for Economic and Social Development that these sub-accounts will be managed by a committee made up among others by the Permanent Secretary responsible for the particular activity, by an official from the Ministry of Finance and Economic Affairs, by a representative of those involved in the activity and by an MCESD representative. These will have the facility to scrutinise the administration of receipts and costs as well as decision-making when expenditure will be exceeding income.

We shall start off with the following accounts:

- Tourism and Culture Account
- Roads, Construction and Maintenance Account

- Health Account
- Environment and Embellishment Account

This should secure awareness that all revenue collected is addressed towards specific projects:. This should, furthermore, incentivise every citizen to join forces with us to combat evasion everywhere and at all times. In this way, everyone will be doing his or her part so that the social and environmental framework of our country will be reinforced and not eroded.

## **Revenue**

Total revenue in 2003 is expected to be Lm741 million, i.e. Lm21 million more than for the previous year but still Lm30 million less than the estimates which we drew up last year.

This was mainly brought about by Lm10 million less in social security contributions, a decrease of Lm3 million from Customs and a shortfall of Lm6 million in VAT receipts – all of them resulting from economic activity which was weaker than we had anticipated. We also had Lm4 million less in revenue from gaming as the planned reform for the sector did not materialise, and another Lm2 million less from vehicle registration tax, due to the fact that, notwithstanding that car imports decreased in number, the major share of these imports are second hand vehicles on which registration tax is far lower than that on new vehicles. In addition to this, another Lm14 million expected as inflows under the Italian Financial Protocol failed to materialise due to the delay in its Parliamentary ratification.

Part of these shortfalls were offset by Lm5 million increased receipts from Income Tax, an increase of Lm 5 million from Central Bank profits and Lm7 million from the Investment Registration Scheme which was extended for this year. As we have already announced, under this scheme there were more than Lm130 million that were registered by Maltese investors, which so far had been held away from our shores but which now form part of the economy.

During 2004, revenue is expected to go up by Lm102 million to Lm843 million. 50% from this increase, or Lm48 million, are due from inflows under the Italian Financial Protocol and from EU funds. Another increase will be the result of more enforcement in tax collection, mainly in the real estate sector, as will be explained further on, and which will be reflected both in receipts from duty on documents, VAT and income tax. Furthermore, we shall increase revenue with the proposed measures on VAT and on excise duty. This should make up for a shortfall of Lm8 million that we expect from Central Bank profits, Lm5 million less that we shall have following the removal of levies by 1<sup>st</sup> May, 2004, and the once only shortfall of Lm15 million in VAT intake as, upon accession to the EU, the collection of VAT on EU imports will no longer be at entry stage but will be collected at the retail stage.

### **Excise Duties**

Increases in excise duties will come from an increase of excise on cigarettes which will go up in price so that a 20-king size packet will be sold at Lm1.45c to the consumer while a 20-standard size packet will be sold at Lm1.30c; from excise duty on rolled-on tobacco which will go up to Lm26.70c per kilogram while excise on cigars will be Lm6 for every 1000 cigars.

These increases should provide an additional Lm5 million. All income from this tax will go towards the Health Account.

### **Tax on property sales**

Change will be introduced in the way property tax is charged. These changes will be introduced as part of our enforcement against tax evasion.

### *Tax Exemption on restructuring of companies*

Provisions for exemption of duty on documents and on capital gains in cases of restructuring of businesses are being repealed. This exemption was made in order to facilitate ways for companies to restructure their operations to be able to list their shares on the Stock Exchange. Yet, not only have we not seen Maltese Companies listing their shares on the Exchange for public participation but these provisions were used instead for evading tax on property speculation.

With immediate effect all transactions involving restructuring or partitions involving property must be published by a notarial act.

When property is transferred between companies within the same group, exemption on tax and on stamp duty will continue to apply. However, we emphasise the current situation whereby no re-evaluation will be considered for tax purposes when capital gains are computed on sale of property outside the group.

### *Share transfers of companies whose main assets are real estate*

An amendment to the Income Tax Act will be clarifying the Inland Revenue Department's interpretation that share transfers in a company whose main assets are real estate will be considered as property sales. Therefore, for the purposes of income tax, capital gains tax and duty on document, the tax due will be computed as if there was a transfer of property without any reference to liabilities or price residue. Any reduction in the seller's share value through an increase in capital or similar transactions is considered as a tax evasion scheme and will be ignored by the Inland Revenue Department.

### *Property acquired 'causa mortis'*

With immediate effect when property acquired '*causa mortis*' is sold, it will be subject to tax as much as any other property. The purchase

value that would be considered for calculating gains will be the value declared.

For purposes of equity, in cases of property inherited before the 25 November, 1992, (the date of repeal of succession duties) and on which, therefore, succession duty might have been charged at high rates, there will be a final tax of 7% on the proceeds.

#### *Change in the method of calculating capital gains*

At present, in calculating tax on capital gains on property purchased before the 25 November, 1992, taxable gains are currently computed as a proportion of the number of months between that date and the date of sale and the number of months between the date of purchase and the date of sale. With immediate effect, this method of computation will cease and all gains will now be subject to tax.

#### *Notification of a promise of sale*

Promise of sale related to sale of property or any other transfer will be notified to the Inland Revenue Department. Upon notification, there will be paid 1% provisional duty on documents on the value of the property being transferred. This payment will be deducted from the total payment made on the deed of sale or will be refunded whenever the promise of sale is cancelled.

This will apply as from 1 January, 2004. Existing promises of sale will have to be notified under these new provisions by 30 June, 2004. Promises of sale for contracts that will be published before this date do not need to be so notified.

Any promise of sale that will not be registered according to these regulations will not be legally valid.

## VAT

The higher VAT rate will be increased from 15% to 18%. This will come in place with effect from 1 January 2004. This means, that there will be no change in the VAT rate charged on products and services that are exempt with credit or on those with a reduced rate of 5%.

All receipts from this increase which are expected to amount to Lm21 million, will be credited to the Health Account. It is important that every Maltese citizen will do his or her best to see that VAT is collected in order to secure the sustainability of the health services for the future. This can be done by asking for a fiscal receipt for every chargeable purchase that is made. Everyone has a direct role to play and it is social duty for this part to be done.

The increase in the highest VAT rate will bring about a once-only increase in inflation of around 1.9%. This increase would not impact significantly on inflation when this is at the lowest for these last years and when levies that are still in place on food items will be wholly removed next year - which will also push down prices.

Its effect on the cost of living will be absorbed by the COLA worked out in September 2004 and will be added on to pensions and wages in 2005. In order to ease the burden in 2004, a special bonus of 75c per week, or Lm39 per annum, will be awarded by Government to all in employment and to pensioners in March 2004.

At the same time, we shall award a special bonus of 25c per week, or Lm13 for one year, to those who benefit from supplementary assistance. Therefore workers and pensioners with the lowest income will be receiving Lm52 for the whole year. So that nobody falls behind.

## Additional tax on used vehicles

<b>Vehicles Importation</b>				
	<b>2000</b>	<b>2001</b>	<b>2002</b>	<b>Sett 2003</b>
<b>New</b>	10116	7292	7009	4008
<b>Second hand</b>	1502	2157	2555	2658
<b>Total</b>	11618	9449	9564	6666
<b>Second hand %</b>	13%	23%	27%	40%

<b>Engine Capacity</b>		<b>Minimum Registration Tax</b>	
		<b>Current</b>	<b>Proposed</b>
<b>From</b>	<b>To</b>		
0	1000	1070	1,200
1000	1300	1350	1,500
1300	1500	1600	2,200
1500	1800	2770	2,900
1800	2000	4000	4,200
2000	2500	7000	7,300
2500	3000	8000	8,400
3000	-	10000	11,000

will be adjusted as from 1 December, 2003 and this will be paid at import stage. The changes will be as shown in Table 6 and will not affect commercial vehicles.

## Subsidies on Social Security to farmers and fishermen

Now, that a new tax regime on income for farmers will come in place and fishermen are being assisted financially in their operations, the current partial exemption on social security payments for farmers and fishermen, members of co-operatives, will cease as from 1 January, 2004.

Statistics show that importation of used vehicles has increased over these last years (Table 5). From 13% of all imported cars, this has risen to 40%. It is evident that a used vehicle cannot reach the same level of environmental standards as a new vehicle.

Moreover, we would not wish that Malta will get a name for dumping of second-hand cars that were discarded in other countries.

In order to control this phenomenon their current minimum registration tax

## **EU Funds**

Next year, we shall benefit from inflows of funds from the European Union. As already stated, membership will bring with it both inflows and outlays of funds. Receipts during the year are expected to be Lm33 million. From these, Lm21 million will flow in as grants while another Lm12 million will be co-financing of projects and programmes. These include projects in the transport, environmental, educational and training, agriculture and fisheries, and industry and tourism sectors.

Against these, there will be Lm29 million in outflows: our contribution to Own Resources will amount to Lm18 million while the expenditure as our share of co-financing of projects will amount to Lm4 million. Another Lm7 million will be paid on subsidies on cereals, meat and milk products and processed tomato products.

## **Financial Protocol with the Italian Government**

The Italian Financial Protocol is expected to be ratified by the Italian Parliament in the next days and will be fully on course next year. Lm18 million in all will be granted by the Italian Government on agreed projects that include new roads, waste water purification, facilities for the civil abattoir, maritime surveillance equipment, and equipment for Mater Dei Hospital.

## **Recurrent Expenditure**

During the year, we managed to resist requests for more funds that came from various Government Departments so that we would relieve somewhat the pressure that a weak economy places on Government finances.

During 2003, we spent Lm1 million less than projected on wages. However, we spent Lm1 million more on medicines and surgical equipment.

During 2003, we paid out Lm5 million more on social benefits as a result of higher number of early retirements for medical reasons, another Lm5 million on Treasury pensions, Lm3 million on social assistance, Lm1 million on grain subsidy, Lm1 million on early retirement pensions for 'Yard employees who retired last year. During the year we exercised great pressure on cost-cutting in Government Departments and entities, that was carried out selectively and not across the board. In this way, we succeeded to end up with an increase of only Lm5 million for programmes and initiatives.

We managed to reduce subventions from the original provisions that are paid out of the Consolidated Fund to public entities by Lm4 million but public debt interest costs rose by an equivalent Lm4 million.

In 2004, Recurrent Expenditure will go up by Lm69 million of which Lm48 million will be related to revenue from the above mentioned sources. There will then be an increase in costs of Lm7 million on social benefits and Treasury pensions, of Lm3 million on health, of Lm1 million on education, and of Lm9 million on public debt interests.

### **The Elderly**

Even for the elderly we are developing the Public Private Partnership concept by which the private sector will shoulder the burden of the building of homes on established standards and Government having on lease a number of rooms in these homes to be allocated to elderly persons who otherwise could not afford for the private service.

As from next year, when elderly persons are admitted to Government institutions or to a private home under the Public Private Partnership, they will be making a contribution of 80% from their pension as against the present 60% as the services they are getting will be complete services that cover all their needs for accommodation, meals and medication. From other income sources, such as interests on bank deposits which the elderly may have, this contribution will remain at 60% as at present. While the ceiling on this contribution will be

removed, the current minimum amount of Lm550 per annum that is retained by the elderly following the deductions will be increased to Lm600 per annum. This revenue will be passed on to the Consolidated Fund which we then provide in a controlled and prioritised manner for the developments and improvements in this sector.

Last year, we had computed the cost of living increase for pensioners on the basis of a Price Index for Pensioners and the full increase that resulted was granted vice the usual two-thirds of the COLA that applied for employees.

This year, the same computations were made by the National Office of Statistics and it resulted that the increase would amount to 45c per week. As the two-thirds COLA amounts to 50c per week, pensioners will also be given the same 50c per week.

The system applied for the cost-of-living adjustment for pensioners in the future will form part of the discussions that are taking place within the Malta Council for Economic and Social Development and at which pensioners' organisations are participating in the context of the pensions reform.

### **Persons with Special Needs**

In the area of services to persons with special needs, Government is already providing for a number of centres where these persons can meet and receive training that would help them attain some form of independence in life.

The demands on these services are continuously growing and the need has, therefore, arisen for more such centres in order to relieve the pressure on those already operating and to meet the demand on existing services.

In 2004, therefore, we shall open a new Resource Centre for persons with special needs. This will receive those persons who leave special

schools and others who are already receiving the service in the other overpopulated centres.

## **Capital Expenditure**

Capital expenditure will go down by Lm2 million in 2003 even though we had higher investment on the environment and on efficiency in the public transport through the purchases of new buses, and a larger expenditure on equipping the National Laboratory which must be upgraded to the levels required to provide the services expected from it. This outlay is expected to bring about innovative industrial development so necessary for Malta.

This year we had also an outlay of Lm4 million paid to shipyard workers who opted for early retirement as part of the restructuring exercise.

Capital expenditure in 2004 will amount to Lm127 million, that is Lm20 million more than this year, due to higher outlays on Mater Dei Hospital for which, in 2004, we shall provide Lm43 million as it now reaches the furnishing and equipment stage. As already stated, Lm18 million from this Capital outlay is expected to be funded under the Italian Protocol.

## **Privatisation**

Although times were and are still difficult and political activity in the first half of the year delayed somewhat the privatisation process, we continued with our task in this area.

We will try hard so that, by the end of the year, we finalise negotiations on Malta Freeport and Public Lotto.

### **Malta Freeport Terminals Ltd.**

In the case of the privatisation of Malta Freeport Terminals Ltd we reached agreement with CMA/CGM, the largest client at the Port, for them to manage the Terminal for 30 years. We shall be entering into detailed negotiations as well as consultations with the representatives of the workers engaged with this enterprise.

### **Public Lotto**

We have also finalised negotiations with a company, made up of Greek and Maltese investors, so that it will manage Public Lotto in Malta over the next seven years. The agreement is expected to be signed early next year.

### **Other Plans**

We have now come to a stage for a decision on the Mediterranean Offshore Bunkering Company Ltd.

During next year, plans are in hand to start the process for the selling of shares in Bank of Valletta plc and in Maltacom plc in which Government has shareholding.

<b>Consolidated Fund 2003 - 2006</b>							
	<b>2003</b>			<b>2004</b>		<b>2005</b>	<b>2006</b>
	Rev.	App.	Var.	Est.	Var. from 2003	Est.	Est.
<b>Direct Taxation</b>							
Income Tax	203.40	198.80	4.60	213.80	10.40	222.10	232.40
Social Security	189.50	199.00	-9.50	194.60	5.10	199.10	203.60
<b>Total</b>	<b>392.90</b>	<b>397.80</b>	<b>-4.90</b>	<b>408.40</b>	<b>15.50</b>	<b>421.20</b>	<b>436.00</b>
<b>Tax Indirect Taxation</b>							
Customs	11.84	13.04	-1.20	12.65	0.81	13.16	13.36
Excise	51.50	53.45	-1.95	56.59	5.09	56.89	62.09
Licenses	86.51	91.33	-4.82	108.40	21.89	101.38	104.32
VAT	125.00	130.95	-5.95	140.50	15.50	162.00	167.50
<b>Total</b>	<b>274.85</b>	<b>288.77</b>	<b>-13.92</b>	<b>318.14</b>	<b>43.29</b>	<b>333.43</b>	<b>347.27</b>
Other Income	72.86	83.96	-11.10	116.46	43.60	116.58	104.80
<b>Recurrent Rev.</b>	<b>740.61</b>	<b>770.53</b>	<b>-29.92</b>	<b>843.00</b>	<b>102.39</b>	<b>871.21</b>	<b>888.07</b>
Pers. Emols.	196.57	197.78	-1.21	199.61	3.04	203.89	208.22
Maint. Exps.	45.79	44.86	0.93	47.09	1.30	46.86	46.86
Prog. & Initiatives	363.94	358.53	5.41	413.10	49.16	410.50	416.91
Public Ent.	72.49	76.23	-3.74	79.44	6.95	86.73	90.07
Public Debt Interests	63.15	59.80	3.35	71.91	8.76	72.54	78.45
<b>Total Rec. Exp.</b>	<b>741.94</b>	<b>737.20</b>	<b>4.74</b>	<b>811.15</b>	<b>69.21</b>	<b>820.52</b>	<b>840.51</b>
<b>Rec. Deficit</b>	<b>-1.33</b>	<b>33.33</b>	<b>-34.66</b>	<b>31.85</b>	<b>33.18</b>	<b>50.69</b>	<b>47.56</b>
<b>Cap. Exp.</b>	<b>106.29</b>	<b>108.16</b>	<b>-1.87</b>	<b>126.66</b>	<b>20.37</b>	<b>124.00</b>	<b>99.78</b>
<b>Deficit</b>	<b>-107.62</b>	<b>-74.83</b>	<b>-32.79</b>	<b>-94.81</b>	<b>12.81</b>	<b>-73.32</b>	<b>-52.22</b>

## The Years 2005-2006

During 2005 and 2006, we are programming a reduction in the deficit of around Lm20 million annually. The trust for this reduction will be on the one side our strong commitment to continue to combat tax evasion and, therefore, consolidating income which is due for collection, and on the other side from the structured review of costs in

order to ensure that tax revenue will be applied for the common good: both by way of investment to create wealth for the future and care for those who are truly in need.

We expect that the deficit for 2006 will be around Lm52 million or 2.8% of the Gross Domestic Product.

Table 7 which I ask the House to take as read provides details of Income and Expenditure between 2005-2006.

### **Financial Estimates**

A detailed report on the financial situation appears in the General Estimates which I put on the Table of the House, and in 'Appendix D' attached to this Speech.

## **Reforms**

Competition is the main axis on which the future of our country must run.

Government acknowledges that the development of a stronger economy is a complex process which involves different aspects of policy. We understand that change is a continuous process and not a one-off activity and it needs to be synchronised with social development. Therefore, we cannot accept simplistic solutions that often are based on ideologies and interests instead of experience and logic.

As a European Union member, Malta forms part of a block with a strategy directed towards being the most competitive block built on new technology by 2010.

## **Challenges**

The challenges that we are facing are the same as those in other countries:

- Consolidation of economic competitiveness
- Improvement in the educational level
- Reforms in the public sector culture
- Consolidation of fiscal morality
- Pensions reform
- Health service reform
- Public service reform
- Implementation of social justice
- Protection of the environment

## **Social Market Economy**

While private initiative, free market and market disciplines are the motors that effectively drive the economy, there is also the need for social corporate and collective responsibility.

The freedom for trading and making reasonable profits brings with it a duty of solidarity and justice towards the community and the commitment to observe laws and respect both the environment and nature.

Government will continue to carry its obligations to see not only that the environment in which the economy should grow will be clean and fair, but also to ensure the continuity of that activity necessary for social development and for the care of citizens, but which, because it lacks financial incentives, the private sector would not invest in it.

## **Globalisation**

This reform must take place in the environment of globalisation that has overtaken the world.

Many perceive globalisation as a threat. Indeed, globalisation is pushing hard the pace of change with the openings it is providing in markets world-wide, with the technological revolution that we are witnessing, and with the explosion in the means of communication which have brought about a massive and constant upturn in people's lifestyles.

It is also true that this whirlwind of change is resulting in a threat to some people's jobs, both for employers and their employees and those who work independently.

Globalisation, however, means newer and bigger opportunities: it means a better standard of living. It is a revolution that will not be stopped.

## **Competitiveness**

The Malta Council for Economic and Social Development is working on a competitiveness index which will show us where we need to work more in order to strengthen our competitiveness. More than that, the Council is committed so that together we look into all these factors that affect competitiveness in order that we reach a Social Pact that paves the way to speed up progress.

Indeed, competitiveness grows more where there is flexibility in the use of production factors. This can be attained by:

- ensuring market competition in all economic factors so that we ensure that every increase in cost will be equated to an increase in productivity;
- reducing public sector costs both as a financial burden and as a bureaucratic burden;
- consolidating flexibility in the labour market so that the worker will find his place in that job where he can produce more;
- facilitating the private sector into using human resources hitherto unemployed or under-utilised;
- strengthening our human resources with schemes for the upgrading of workers and for the transfers to them of new skills and trades;
- applying scrupulously the principles of entrepreneurial governability. This creates the right climate between all parties involved in the operations of the enterprise, increases competition and frees everyone from burdens; and
- strengthening production and marketing processes with the development of new systems and products.

## **Research and Innovation**

Competitiveness is only possible with a strong pace of research and innovation. This is the main motor which creates jobs. This was announced in strong terms by the EU Commission when it embarked on the Lisbon Initiative that included a plan so that our economies like ours would be set up on knowledge.

We are, therefore, taking measures so that Government assists research and innovation in our country. The Malta Enterprise Corporation will be ensuring the good management of a Technology Venture Fund which was set up last year and for which all preparations have been made for it to start. The tax incentives that are being given for research will be strengthened and consolidated.

With the help of the Malta Council for Science and Technology, a research and development programme has been finalised so that assistance may be given to both small and large enterprises in order for them to be able to create and develop research and innovation capacity, alone or with others.

In this way, Maltese individuals and enterprises can participate in research programmes with the University and with foreign companies and entities. The support that is given to researchers will be strengthened so that the results of their research will be put on the market and generate economic activity.

## **Education**

Our target in the education sector is that the system should address complete development. It should provide the person with the tools to work and to participate in the country's economic development while it enhances him with the knowledge of our culture and of other civilisations. It needs to attract more youth so that these will continue their studies to higher levels.

The education system is an important pillar that supports our ability to undertake research as well as to absorb new technologies which we come across. For this purpose, we shall expand the e-learning programme.

The continuous change that we face in the world around us makes us increase our flexibility so that our education system adapts itself quickly and continually to new requirements that come up from time to

time. This can take place by securing continuous re-training for teachers and for changes in the planning of courses provided.

Investment in education is always on the increase. However, there is need for a continuous evaluation of the way resources are applied so that we prioritise according to present and future needs.

### **Parastatal enterprises**

We are working to level off the inefficiency gaps that exist in the public sector. There is need for everybody's commitment for a radical reform in the management culture and in work practices.

It will continue to be our main objective to eradicate the injustice whereby two standards exist today in the management ethics and in the work practices in the public and the private sector.

It is also fair that a service is paid for by its recipient. At the same time we are aware that certain essential services should continue to be given free or against subsidy, so that full access will be secured for everyone. This spirit solidarity must remain strong.

### **The Shipyards**

This year we are witnessing a start to the implementation of a programme of renewal of the shipyards. The two current yards will cease operations and the liabilities which they had with banks and with Government, and which add up to Lm300 million, will be waived. There was agreement with the General Workers' Union which, among others, provided for a strong reform in work practice which should increase efficiency and generate resources that can make up for an ever bigger share of the operational costs of the shipyard.

Two companies have been set up, one that would continue with the operations of the shipyard and the other that would take up all labour considered excess to the requirements of the first company and who

would be redeployed on productive work elsewhere. For these workers, early retirement schemes were also announced.

After the Collective Agreement was finalised, the way ahead was opened for the sustainability of the shipyards to take shape. Agreement was based on the principle that wage increases would be attached to productivity.

After 2008, the Shipyards will have to operate without the need of subsidies. For this to happen, both management and workforce have to move hand in hand to attract work and to perform this work at the highest quality, in the shortest time and at the least cost. Everyone must understand that from this success depend jobs and income for all those connected with this enterprise.

Subsidies for the shipyard will be established on a reducing balance so that discipline will secure the principle that whatever happens at the shipyard will bear on resources from which wages will be met. Resources increase with a taller work order and productivity. Subsidies will be based as a percentage of the basic pay at the shipyards and will be passed on in the form of capital.

Hence, next year, the shipyard's production should be at a level that it will cover all outlays and up to 30% of wages. This last percentage will be incremental on a yearly basis as productivity and efficiency increase.

## **The Environment**

When we talk about the environment we need to start looking through a different magnifying glass. On one side we cannot but admire the enhancement of the urban environment brought about by the intensive and careful work on roads carried out by the public private partnership that we created last year. However, environmental quality does not stop with cleanliness and tree planting. It is the quality of air, water and noise levels as well as the diversity of creatures and the natural habitat. Our lives depend on the environment around us.

Our life style is putting great pressure on the environment with the huge production of waste and with the pollution that results from the use of fuels and chemicals.

We need to cut down on waste and pollution as much as possible. This can take place in three ways by:

- > constant supply of information that clarifies the choices in front of us and more awareness to whatever affects the environment;
- > adequate compensation to be asked for those who pollute so that pollution will be controlled as much as possible or removed where it happens;
- > investment in the production of energy using more efficient and cleaner methods and to create products which, when discarded, will bring about as little pollution as possible.

For our own good and for the best interest of future generations, Government is wholly committed to look after the environment that surrounds us. As Government promised, the *Magħtab* and the *Qortin* landfills will be closed down by the date of accession to the European Union. In order to achieve this objective, Government is working intensively to construct and operate the necessary infrastructure including an Interim Controlled Engineered Landfill. The financial investment side to these facilities will amount to Lm30 million over a 3-year period, a substantial part of which will be funded by the European Union.

EU membership will bring with it also greater responsibilities for the Malta Environment and Planning Authority to better monitor the environment on which our health depends so much.

In the coming months, Government will be working also on five sites that have been chosen for afforestation projects. This project will be part of a larger programme of afforestation, spread over 5 years, of 13 sites that have been identified all over Malta and Gozo.

Government will continue to provide financial support to these projects. It will be useless, however, if we do not ourselves care for our environment by what we consume and by what we contribute to the required costs.

A system of eco-contribution will, therefore, be launched. Part of this eco-contribution will be collected from containers of consumption products as containers make up an essential part of the waste management problem in our country. This system, which will be gradually introduced, will be based on these principles:

- eco-contribution will incentivise more use of the deposit-refund schemes on containers;
- the amount of eco-contribution on the various types of containers would reflect the environmental impact of containers and would, therefore, depend on factors such as material and container size – hence, the incentive for use of containers with a lesser environmental impact;
- eco-contribution is primarily intended to discourage consumption with a non-acceptable environmental impact;

Next year, this eco-contribution will be introduced on a limited spread of containers of locally-consumed products, both produced locally as well as imported. There will be no eco-contribution on products meant for export.

This measure will be reviewed regularly depending on the extent by which local producers/importers will shoulder their responsibilities from an environment point. This can happen when local operators will put systems in place by which material that is put on the market will be recovered and managed in a way that it will not leave any negative impact on the environment.

The other part of eco-contribution will be on consumption products which, when thrown away, generate a negative environmental impact. Next year, this eco-contribution will be collected on batteries, tyres, electronic apparatus, non-edible oils and oil filters.

## **Welfare**

The world can never be at peace if it does not embrace the values of social justice, solidarity, and of opportunities and security for everyone. We have to bring together economic development and social justice in an effective manner.

Although the development of a culture of dependency on the State is not quite acceptable, every citizen has a right to national solidarity when he is going through bad times such as illness, calamities, old age and other risks which bring about a reduction in income for him and his family.

The social services that we provide should be flexible and should operate within systems that should be able to be adapted and to encourage renewal so that specific problems of an individual could be addressed over time.

### **Rationalisation of benefits**

Table 8 shows the various social benefits that we currently provide, the number of persons benefiting from them and the cost of each on a weekly basis. It appears that over a period of time we created social benefits in order to accommodate '*ad hoc*' circumstances and this without taking notice that in some cases administrative costs exceeded the benefit itself. It also appears that some social benefits that could have been needed in the past are no longer relevant.

While we retain our objective to help those in need, we need also to rationalise the plethora of social benefits that we have in place even so that we ensure that our system will not provide a disincentive to work.

Moreover, we have to stop the practice that some have, both politicians and the administrators of the system, who give advice as how to seek eligibility for this or that benefit, whether it is due or not.

<b>List and Weekly Cost of Social Benefits</b>			
<b>Description of Benefit</b>	<b>no of benef.</b>	<b>avg payments</b>	
		<b>ech chq</b>	<b>total</b>
Non - Contributory Age Pension	4,017	25.98	5,427
Blindness Pension	137	28.39	202
Children's Allowance	38,352	7.40	14,748
Social Assistance - Drug Addict	95	10.00	49
Disability Child Allowance	640	5.03	167
Disablement Gratuity	161	615.86	99
Decreased National Invalidity	35	31.68	58
Decreased National Minimum	117	35.71	217
Disablement Pension	406	7.69	162
Early Survivors Pension	1,724	51.95	4,658
Foster Child Allowance	97	12.74	64
Handicapped Pension Allowance	52	5.37	15
Handicapped Pension	1,689	30.17	2,650
Injury Benefit	1,654	7.91	680
Increased Invalidity Pension	474	35.91	885
Increased National Minimum	1,536	38.72	3,093
Invalidity Pension	1,691	25.60	2,251
Increased Retirement Pension	2,900	46.13	6,956
Leprosy Assistance	68	14.52	51
Maternity Benefit	1,917	19.16	37
Milk Grant	124	5.25	34
Marriage Grant	1,977	86.38	171
National Minimum Invalidity	6,353	34.09	11,261
National Minimum Pension	8,250	29.52	12,665
Widows Pension - Nmwp	8,231	39.17	16,767
Orphans Allowance	15	25.34	20
Non - Contributory Age Allowance	383	5.39	107
Carer's Pension	279	32.49	471
Retirement Pension	7,619	31.48	12,473
Social Assistance	6,367	30.02	9,939
Sa- Social Assistance Allowance	21	5.30	6
Social Assistance (Sab)	26	23.86	32
Social Assistance Female	556	21.96	635
Sickness Benefit	16,853	4.99	4,370
Severly Handicapped Allowance	3	5.37	1
Severly Handicapped Pension	270	29.64	416
Sickness Assistance	14,252	7.87	5,836
Supplementary Assistance	28,401	1.72	2,537
Survivors Pension	3,203	52.29	8,709
Special Unemployment Benefit	1,116	4.95	287
Sa - Unmarried Parent	1,286	29.32	1,961
Tuberculosis Assistance	33	8.72	15
Treasury Pension	13,343	1,487.63	19,849
Two Thirds Pension	17,039	56.55	50,104
Unemployment Assistance	5,395	31.88	8,943
Unemployment Benefit	3,044	2.74	434
Widows Pension	1,282	47.17	3,145
	<b>203,483</b>		<b>213,659</b>

## **Vigilance**

It will continue to be our duty to set up our vigilance in order to ensure that the benefits which are paid for out of taxpayers' money will, indeed, reach those who need them. Therefore, we need to revise the procedures in place for the calculation and distribution of social benefits. We shall introduce medical audit in order to ensure that the person so certified for entitlement to benefits will, indeed, be eligible.

## **Pensions**

The pension reform process is now moving faster. After the Chairman of the National Commission for Welfare Reform presented his report, Government and the other social partners gave their reactions.

It was agreed that, in order to avoid duplication, the Commission will join the Malta Council for Economic and Social Development for the purpose of discussing the pensions reform.

There was broad discussion on the implications of the reform and the changes that are being proposed. The actuarial and economic experts from the World Bank, who have been asked by the Chairman to analyse and advise on this reform, will be presenting their findings by the end of January 2004. This report will be studied closely by all parties concerned who will then go into intensive discussions so that, by the middle of next year, we reach conclusions which, we hope, would be agreeable to all.

## **Health**

The Health service is a current problem. The huge advances that are taking place and which our country quickly adopts mean that many diseases that have been hitherto reckoned as terminal are being treated or cured. Malta now has doctors, nurses, and other professionals who are dedicated to treat diseases for which patients needed to go abroad up to a few years ago. We shall soon also have a new hospital where the best quality service will be provided.

No wonder that from time to time we hear that our health system is among the best in the world.

We must look critically at the services that we have provided so far in order to manage costs better and ensure that every Maltese and Gozitan will continue having full access to medical treatment.

Therefore, while the pink card will be retained, we will ensure that free medicines will continue to be given out where indeed due. There will be a major revision on the use of the yellow card where a means test will be introduced that will be flexible to various conditions. Even here, there will be medical auditing in order to ensure eligibility to these benefits.

From compiled statistics it is clear that there is no logic in keeping all health centres open at night-times and on Sundays. Also in this way, doctors, nurses and paramedics who are currently deployed on these duties will be re-allocated to hospital duty where they are more needed to ease the pressure of work on their colleagues and cut down on overtime costs. Apart from this certain, services will be limited for those in possession of the pink card.

Measures will be taken so that hospital treatment will be billed for:

- those privately insured;
- those who are victims of accidents and who are covered by insurance;
- foreigners, even those covered by a bilateral protocol, but who are also covered by insurance.

Details of the reform in the Health system will be also discussed with the social partners on the Malta Council for the Economic and Social Development so that together we will find the right balance between support and viability.

When the pension reform gets under way, then the health insurance will be announced which will be partly paid by contribution to social

security as we know it today. Details on this insurance will be given when it is announced.

## **Conclusion**

Mr Speaker,

Over centuries, we have build up a nation that attracts the admiration of many.

We have gone further than other countries which are enriched by vast natural resources. We managed to do this with the abilities of Maltese and Gozitans, present and past.

We have people with huge talents: men, women, youth, and the elderly, whatever their political beliefs, whatever their social position. We all played our part. And we shall continue to give our part in all areas of culture, professions, skills, education, agriculture, manufacture, construction, tourism, financial services, social areas, environment.

We shall succeed in Europe. We shall prepare our country for the new times, together pulling the same rope. Because the country belongs to us all.

And because it belongs to us all we want to raise its standards, we abhor mediocrity, we shun egoism and introduce discipline. Nothing that helps us reach these objectives should be seen as extra or troublesome.

This is the moment where the vision becomes concrete, where dreams become a reality, where words become facts.

This is because the country belongs to us all. This is because it is the best inheritance that we can leave to our children.