

Securing our
Childrens' Future

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Mr Speaker,

We have achieved our objectives. We are placing our country's finances on solid ground. Our economy has resumed a healthy rhythm. We are creating thousands of new jobs. We have sustained major developments in education, health, and in the social sphere.

All this has been achieved by the Maltese and Gozitan population through our determined work over the past years.

This evening, on behalf of my Government, I would like to convey a message of gratitude, determination and clear direction.

The Budget I am presenting this evening in front of this House of Representatives has a single and unequivocal aim: securing our future and that of our children.

Mr Speaker,

Over the past weeks we have made a genuine effort to listen to, discuss and scrutinize everyone's wishes, ideas and aspirations.

We have now prepared this Budget. Our aim is, while building on previous budgets, to continue using our best endeavours to achieve the ambitious goals we have set for our country. We want to:

- invest as much as possible in education for our children and for each and every one of us, as well as in research and innovation
- achieve a quality leap in health services through the opening of Mater Dei Hospital
- improve our environment in its entirety
- continue strengthening our country's finances and economy
- adjust our taxes and introduce other measures to incentivise work, while allowing everyone to benefit from what our country has managed to achieve

- prepare our country for adoption of the euro, another important step in the economic and social development of our country, and
- make best use of EU Funds that we have managed to obtain for Malta and Gozo.

Mr Speaker,

This is a budget made by the people for the people.

The human being, or rather each and every one of us, is the focal point of our work. We favour no particular ideology or class. The human being constitutes the alpha and omega of all our efforts in their entirety. The economy, trade, education, laws, fiscal measures, technology, the euro, the European Union – to mention but a few – are not ends within themselves, but merely tools for the service of our people.

The yardstick by which politicians' achievements are measured is the extent to which we use these tools wisely and with commitment in order to improve the lives of all Maltese and Gozitan citizens.

In using these tools, we must acknowledge the fact that although we all possess the same dignity, our needs differ. While safeguarding the dignity of everyone, we must afford preferential treatment to those who are more vulnerable and who therefore require more attention in order to live in dignity. Man manifests his worth by showing solidarity towards others. Solidarity is not a slogan but a way of life. Without interacting with others we impoverish ourselves, and consequently economic and social progress must work in a complementary manner.

Although each and every person has needs which must be seen to without undue delay, we cannot allow such short term concerns to detract us from long term needs, both for us and our children. In order to secure a healthy present we must secure our long-term future, through a Government which embraces a serious and credible policy which is not vitiated by the common temptation to pander to instant gratification.

In building a society which fully respects man's dignity and which secures our future, a key role must be played by the social partners and members of civil society, including the ever-increasing number of voluntary organisations, professional bodies, and unions. We acknowledge this role, encourage it and expect it. Government, politics,

administrative bureaucracy, and the services we provide cannot work in isolation, and can never aspire to give to society what families, communities, Local Councils and voluntary initiatives can give. These are all important partners in the building and strengthening of Maltese society.

In order to give a valuable service conducive towards securing our future, we must take into account the wishes, needs and aspirations of all Maltese and Gozitan citizens. Finally however Government is also responsible, after listening, consulting, and discussing, to give a clear direction.

This Budget gives the clear direction necessary for the attainment of the aforementioned goals, with the participation of all parties.

Budget preparation

Mr Speaker,

The preparation of this budget was based on a process of consultation and dialogue. Since January, we set in motion consultation meetings aimed towards optimising use of EU funds to the tune of 805 million euro. Towards the beginning of August, we published the Pre-Budget Document. For the second year running, Government has pre-announced its thoughts about the budget. We entered into discussions with employers associations and unions. We sent the main points to all households. We received feedback and proposals from thousands of persons. We also held specific meetings in order to continue listening to ideas and discussing.

I am pleased to confirm that many ideas and proposals emerged from this process. These were very helpful for us to understand better the aspirations of our people. We reflected deeply on the feedback received, contemplated possible courses of action, and analysed the impact thereof. We have now arrived at what I am about to present this evening.

We wish to be in a position where we can accede to everyone's wishes. Nonetheless, we feel that it would be grossly irresponsible should we in any way whatsoever jeopardise our country's financial consolidation, that is, jeopardise what the Maltese population has managed to achieve with much toil and effort. This is therefore a cautious budget which does not attempt to go beyond our present means.

Challenges we have Faced

Mr Speaker

Last year we had promised that we wanted to build on our strengths, the strengths of all Maltese and Gozitans. We committed our best common efforts to secure our future. We had to face challenges and difficulties which often came from beyond our shores. I am pleased to announce that thanks to the ability and efforts of all Maltese and Gozitans, we have set the wheel in motion and started to reap the fruits. Now it is imperative, that step by step, in order not to upset what has been built – we continue reaping such benefits for our people.

This does not mean that we had no major hurdles.

The steep rise in oil prices has placed great pressure on the prices of various products and services that we use. We are aware that the *surcharge* had an impact on our families and industries. The increase in oil prices we experienced during 2006 resulted in an increased expenditure of approximately Lm48 million when compared to 2005. Without such problem, our aim of financial sustainability would have been achieved with a much lesser degree of sacrifice. We would have had more than half a million Maltese liri extra per week to spend on improving the quality of life of our people.

Another major challenge was that of illegal immigration. Until recently, we used to view this as a problem for other countries. This problem has now reached our shores. This is a major challenge which we cannot face alone. We have succeeded in persuading the European Union to step in and help us. Nonetheless, we feel that much more needs to be done. In fact, tomorrow morning I will be attending a summit for EU leaders in Finland where we shall *inter alia* discuss the issue of illegal immigration.

The changes in tourism trends were also a substantial challenge. When towards the beginning of this year it had seemed that we were not going to achieve the targets we set ourselves in tourism, we had to find the necessary finance in order to incentivise low-cost airlines to operate new routes towards our country. This we managed to achieve following extensive consultation with all sectors involved.

We also experienced the closure of two factories which complexively led to the loss of over one thousand jobs. However, our economy managed to create enough new jobs such that unemployment rates today are roughly at the same levels as last year. Not only so, but we have also managed to achieve the highest rate of persons in gainful employment. Today the labour situation is much better than how we found it in 1998, and is actually among the best we have had over the past eight years. But this is not enough. We believe that as long as there remains at least one person genuinely looking for work, the challenge remains open.

Review of the Economic Situation

International Economic Developments

Mr Speaker,

I am placing a copy of *The Economic Survey* on the table of the House.

Although our country is an island, we are not an isolated country, and whatever happens around the world has a bearing on us. For this reason, in Table No. 1, which I request the House to take as read, I am presenting a brief overview of the international economy.

Table 1: International Economy

In the first six months of this year, the world economy grew at a somewhat fast rate. Although it seems that this growth rate slowed down slightly in the second half of the year, the world economy is expected to register a growth rate of 5.5% throughout this year. On a European level, Euro zone economies and, especially the major economies, continued to recover throughout this year following a somewhat poor start earlier on. Consequently, the latest indications show that the Euro zone economy is expected to grow by 2.5 per cent.

The recovery of the world economy and especially those of Malta's trading partners helped and is expected to continue helping the Maltese economy.

Projections for the coming year indicate that world economy performance is expected to be somewhat slower than that registered this year. These projections also apply to most advanced economies with which Malta has close trading relations.

During this year the world economy continued operating in the shadow of risks arising from financial imbalances on a global scale and new uncertainties concerning the performance of the US economy, as well as continuous uncertainties caused by geo-

political instability, terrorist threats and diseases. Moreover, the world economy this year continued to be greatly impacted by the ever-increasing prices of oil and various other essential products and raw materials. These developments led to higher rates of inflation in many countries, including ours.

The Globalisation Challenge

The process of globalisation is creating major challenges for everyone, including our country. However, we feel that globalisation should be viewed as an opportunity. Our country has been operating in an open economic environment for years. Over the past years, we have used our intellect and skills to great effect and we can be proud of our achievements. We must now continue building on our strengths, while restructuring our economy towards high value-added sectors.

This point is illustrated in further detail in Table No. 2, which I request the house to take as read.

Table 2: The Globalisation Challenge

The world economy is continuing to change at a fast pace. Competition in world markets has increased greatly. Jobs are nowadays created and lost much faster than ever before. These same can be said about ideas and movement of capital. At the same time, enterprises and industries are being created which require highly-skilled workers. Creation of wealth nowadays depends to a far greater degree on creativity and innovation. Consequently, in order for our economy to be competitive it is imperative that we become more innovative, attain higher skills and be more enterprising.

All developed countries are undergoing substantial changes in their economic structures. We are no exception in this regard. While some of our sectors have slowed down or have been wiped out, other sectors have been created and have flourished. It is important that we understand well the realities surrounding us in order to bolster and sustain what can truly work in our context, while taking

on board the continuous challenges which the dynamic world economy is presenting us with.

We must continue restructuring in order to face up to forces exerted by world markets, improve investment, and consequently continue improving the economic growth rate in our country. It is for this reason that we are emphasising on training, innovation, investment and enterprise, because we are aware that in today's global context, success is achieved by those who have the courage required to create the necessary environment and invest in such fields.

Government's Economic Policy

Macro-economic stability is necessary for sustainable economic growth and job creation. All in all, a stable economic environment minimizes business risks while encouraging investment. For this reason, Government will continue using its best endeavours for our country to achieve a low and stable level of inflation, and a fiscal policy which assures that public finances continue to be placed on ever more solid ground. This should be conducive towards using our fiscal policy, when necessary and possible, to influence the economic sphere in our country and to aid and sustain our monetary policy.

We are strictly adhering to the rules contained in the Stability and Growth Pact as we believe that this is what our country requires and deserves.

Price fluctuations and stability are being closely monitored in order to protect low-earners as well as our country's competitiveness. At the same time we are insisting that wage increases correspond to increases in productivity in our economy.

In the sphere of public finances, great efforts have been and are being made in order to ensure their sustainability. While we insist that all that is due to Government must be collected, we are using our best endeavours to eliminate waste and to curtail public spending. In fact, public spending, except for that in sectors such as health, pensions, social services and education, is being either reduced or kept at the same levels as those for the present year.

This Government's consistent, clear and determined policies are leading to stability which gives rise to further development. We were and still are consistent in our strategy towards our economic and social development and Malta's role within the European Union. We are now working towards the next logical step for our country within the European Union: introduction of the euro from the 1st of January 2008. We believe that this step is another important signal in the economic management of our country. It is a step which should increase stability because it reduces risks, and opens new horizons and opportunities for those who want to work in our country.

Towards a More Productive Country

Government will continue working towards the continuous improvement of productivity in our country. We must use our limited resources wisely and effectively for the well being of our people.

Our strategy is based on two pillars. Firstly, the maintenance of a stable macro-economic environment, which helps and enables our people and enterprises to invest for the future. Secondly, we must implement the necessary reforms which help our markets to work more efficiently.

Consequently we require further investment, education and training, more research and innovation, a more enterprising culture, fair and transparent competition in our markets and more productivity in the public sector.

A Helpful and Productive Public Sector

The public sector is an essential part of the governmental, economic and social infrastructure of our country. We want a dynamic public sector, which is in tune with and sensitive to ongoing changes in the country and abroad. A public sector which responds to our country's needs is an important platform for the economic and social development we require in our country.

The public sector must justify Government's investment and trust and continue becoming more competitive. Government will continue insisting upon and demanding more value-for-money and enhanced productivity in this sector in order to facilitate the economic and social development of our people. We believe that the public sector should be

another engine which helps our country to become more competitive. These are the guiding principles on which Government based the negotiations leading to the collective agreement which was signed in October 2005 for a six-year period.

Maltese Economic Situation

In the first six months of this year, the Maltese economy grew by 2.6 per cent in real terms, when compared to the equivalent period for the previous year. Growth thus doubled when compared to the previous year, clearly showing that the Maltese economy has now picked up impressively. This positive result was achieved in spite of intense competition in international markets, international economic instability and oil prices.

Almost all economic sectors registered an improvement when compared to the first six months of the previous year. Certain sectors such as transport and communications and the financial sector grew at a substantial rate. Other sectors grew at a lesser rate, though still satisfactory. The value added of the hotel and restaurants sectors decreased slightly.

Over this period, investment in buildings and machinery increased by 7.4 per cent when compared to the previous year, reaching over Lm210 million. This is a heavy investment which clearly shows the ever-increasing confidence in Maltese economic development.

During the same period, our workers' income increased by more than Lm 13 million or 3 per cent and exceeded Lm461 million. Profits registered by our businesses increased by almost Lm26 million, reaching almost Lm388 million.

Tourism Sector

During the first eight months of the year, the number of tourists visiting our country decreased by 29,800 to 767,836, while the average amount of nights spent by tourists in our country increased to 9.8. The number of cruise passengers visiting our country increased by more than 31 per cent. Gross profit from tourism maintained the same level as in the previous year. In fact, during the first six months of this year, profits from tourism were estimated to be in excess of Lm101 million. This

means that, *per capita*, each tourist spent approximately Lm215, an increase of approximately Lm6 when compared to the previous year.

While we acknowledge the challenges that tourism is facing in our country, it would be mistaken to depict the situation worse than it is. We believe that this sector is still viable, and while we must continue working hard to achieve better results, we are convinced that we have a solid basis on which to continue building. We are determined to do whatever is necessary in order to overcome the challenges faced by the tourism sector and to increase its share in the Maltese economy. We have already done a lot in this regard. We invested heavily to improve our tourism product, especially in our historical and cultural heritage and the environment. And we shall continue doing so. However, in order to achieve the desired results, it is necessary that we all join forces and give our contribution. The success of our tourism product depends on each and every one of us.

Manufacturing Sector

Following the upheavals we experienced last year in the manufacturing sector, this sector which is so important for our country started recovering and growing again. Sales by large enterprises increased by more than 8 per cent to almost Lm495 million in the first six months of this year, when compared to the same period of last year. Investment in this sector increased by almost 30 per cent to more than Lm31 million. This is a positive sign which shows confidence in this sector's viability. All in all, the average income of workers employed in the manufacturing sector increased by more than Lm7 per week, to almost Lm125 per week.

Mr Speaker,

Restructuring efforts which have been carried out and others which are still underway in this productive sector are yielding the desired results.

Existing factories are continuing to invest and have stepped up their production. New sectors, such as the pharmaceutical sector, continue to grow. These are now registering sales of approximately Lm30 million yearly and employ around 800 people.

The dynamic process currently being undergone by the manufacturing sector must be supported in every way. Government believes that in our country there is a niche for a manufacturing sector oriented towards the

production of high added-value products, which will allow our country to compete successfully in international markets. As promised in the Pre-Budget Document, today Government is publishing an industrial policy document which renews and fine-tunes its strategy for this sector.

Foreign Trade

In the first eight months of this year, importation in our country increased by more than Lm129 million to almost Lm965 million. During the same period, exportation increased by more than Lm65 million and now exceeds Lm593 million. Foreign trade imbalance increased by more than Lm64 million due to greater importation of industrial supplies and objects of a capital nature. Eventually, many of these will be re-exported, meaning more economic growth. This increase is also caused by the increase in oil expenditure at higher prices.

Foreign Investment

In the first six months of this year, foreign investment in our country amounted to Lm312 million, that is Lm212 million more than last year and actually Lm127 million more than the whole of last year!

These figures speak for themselves: our policies are delivering. Ours is a credible country embracing serious policies. We are succeeding in attracting the foreign investment necessary in order to continue creating jobs and wealth in our country.

Inflation

As we projected last year, inflation this year was pushed up due to the steep rise in oil prices. These increases were reflected in the retail price index and hence in the inflation registered for this year. Consequently, in September, inflation reached the rate of 3.42 per cent.

It now seems that oil prices have started to stabilize slightly. We hope that what we experienced over the past few weeks is a sign of times to come. While it is projected that the rate of inflation will start falling towards the end of this year, Government will be using its best endeavours to ensure that prices in our markets remain just and transparent. In this connection, it is worth mentioning the agreement which Government reached with importers of medicines and which has already led to lower prices for a number of medicines in our country.

This agreement also includes an agreement in principle concerning transparency in prices of medicines. I hope that over the coming weeks this mechanism becomes operative.

Creation of Jobs

As I mentioned earlier on in this Budget speech, our final aim is not only solid public finances and a healthy economy, but a good quality of life for our people and a secure future. Work is the key. Work provides a living and dignity to our workers and families.

Creation of work is our absolute priority.

In June we attained a record of 146,498 persons in gainful employment, of which 139,437 work full time. This occurred at the same time when employment in the public sector was reduced. Table No. 3 explains the situation in the labour market.

Table 3: The Labour Market

	2005 June	2006 June	Variation
Labour Force	145,746	146,498	+752
Full-Time Employees:	138,816	139,437	+621
Public Sector	93,275	96,238	+2,963
Private Sector	45,541	43,199	-2,342
Self Employed	16,336	16,428	+92
Unemployment (Part 1)	6,218	6,601	+383
Unemployment Rate	4.3%	4.5%	+0.2%
Part-time Employees	40,195	43,177	+2,982

In June, the number of persons registering for work in the first part of the register amounted to 6,601. The unemployment rate stood at 4.5 per cent. Although this success in job creation speaks for itself, I believe that one person unemployed is one too many. Therefore, under my stewardship this Government will leave no stone unturned in this endeavour.

In this connection, I must emphasise the substantial investment Government has made in the education sector in order to help each and every person acquire the necessary skill set required for work and in order to remain relevant for the labour market. We want our education and training systems to remain continually updated in order that our workers will be able to respond to changes and demands in the labour market and improve productivity in the country. It is in this way that in today's world we can secure the future of our workers and their families.

2006 Overview

Mr Speaker,

An overview of the present year would not be complete without giving account of a number of success stories.

Financial Position

We had announced last year that it was the aim of this Government to reduce the deficit to between 3% and 2.8% of GDP, as compared to a corresponding figure of 3.9% for the previous year.

I am pleased to report to the House, that this goal has been achieved and it is expected that this year the deficit will be Lm57 million from Lm75 million last year. This means a decrease of Lm18 million on the previous year. Furthermore, it is worth stressing that when the deficit is computed in accordance with EU regulations, this year's deficit will work out at 2.6%, that is, Lm55 million.

Tables 4 and 5, which by leave of the House is to be taken as read, show the Financial Position for 2006. The detailed Income and Expenditure Statements are appended towards the end of this speech.

Tabel 4

Financial Position 2005 - 2006

	2005		2006			
	Actual		Approved		Revised	
	Lm '000	Lm '000	Lm '000	Lm '000	Lm '000	Lm '000
Consolidated Fund Position						
Total Revenue		896,418		951,546		965,984
Tax Revenue	740,305		785,281		802,350	
Non-Tax Revenue	156,113		166,265		163,634	
Total Recurrent Expenditure		840,738		857,801		873,184
Recurrent Expenses	765,974		781,901		796,000	
Interest Payments	74,764		75,900		77,184	
Recurrent (Deficit)/Surplus	55,680		93,745		92,800	
Capital Expenditure		130,994		148,602		150,584
Total Expenditure		971,732		1,006,403		1,023,768
Structural Defecit		(75,314)		(54,857)		(57,784)
Financing						
Direct Loan Repayments	(1,882)		(100)		(284)	
Sinking Fund Contributions	(11,938)		(11,662)		(11,602)	
Converted Loans Sinking Funds Residue	3,837		10,400		10,400	
Sale of Assets	21,791	11,808	136,000	134,638	74,200	72,714
Public Sector Borrowing Requirement		(63,506)		79,781		14,930
Foreign Loans		0		0		0
Opening balance as on 1 January	(92,352)		(51,315)		(45,858)	
Local Loans	110,000	17,648	0	(51,315)	0	(45,858)
Closing balance 31 December		(45,858)		28,466		(30,928)
E.S.A. '95 Adjustments		13,500				3,184
General Government Deficit		(61,814)				(54,600)
G. D. P.		1,941,100				2,056,900
Structural Deficit as % of G.D.P.		3.88%				2.81%
General Government Deficit as % of G.D.P.		3.18%				2.65%

Table 5: Government's Financial Position

Government revenue increased by Lm69 million to reach Lm965 million. The increase in tax revenues reflects the positive trends in the economic performance of the country in its areas of economic activity. It is worth noting that in the last budget, that of 2006, Government did not introduce new forms of taxation nor did it increase existing tax rates.

Income tax revenues increased by Lm28m. The major part of this increase is attributable to increased activity in most economic sectors, including employment income. This is also reflected in the significant increase in social security contributions of Lm14 million. This has happened due to the increase in the number of gainfully employed people this year, as well as the increase in Malta's average employment income which is recorded at 5 percent with respect to the previous year. VAT revenues increased by around Lm6 million with respect to the previous year. The actual revenue appears to be slightly less than the estimates. This is due to larger refunds made to large private sector construction projects that were expected to account for income this year but in fact will do this next year. Government has also registered a further Lm7 million increase in revenue from other sources, mainly due to the Italian and EU Protocol funding.

Government recurrent expenditure increased by Lm33 million when compared to the previous year. The main increase is in social service pensions, which is around Lm12 million more than the previous year. Government also increased its contribution to the Social Security Contributory Fund by Lm5 million as a result of increased employment income. There was also a Lm2 million expenditure increase in the elderly sector. An additional Lm3 million were also transferred to Enemalta Corporation to reduce the impact of the international fuel price increases. There is also an increase in public sector wages of around Lm 4 million as estimated as well as an increase in tax refunds paid of Lm5 million. There was also an expenditure increase of Lm3 million in interest payments on loans since the expected privatisation programme was not fully completed.

Capital expenditure was also increased by Lm20 million, compared to the previous year. Increases of Lm2 million was spent on the education sector, Lm2 million on the tourism sector, Lm4 million on Gozo, and

Lm2 million on the health sector, apart from the Mater Dei Hospital project. The agriculture and environment sectors benefited from an additional Lm7 million allocation during this year, a reflection of Government's commitment towards this sector. There was also a further investment of Lm4 million in sewage treatment resources.

At all levels of education, we are carrying out the biggest investment ever. Today, from every Lm100 we produce, we spend Lm6 on education. And this is already yielding results. I will illustrate briefly: in the last five years, the number of early school leavers decreased by 10 percent, youths in post-secondary or vocational courses increased by 26 percent, while 20,000 youths participate in various fields and levels of advanced and higher education. Our country can indeed be proud of the fact that even during times when we are trying to curtail public spending, it still continued investing fully on education.

The same can be said for the environment sector in our country, ranging from waste management, to renewable sources of energy, afforestation, agriculture and fisheries, and monitoring of air quality. Today our country is addressing these issues seriously and with the required heavy investment.

Although we managed to achieve the strict financial objectives which we set ourselves during this year, our country still continued sustaining its social fabric and the related expenditure. This year alone, increase in pensions amounted to Lm10.8 million more than in the previous year. To these, one may add the vast array of other social benefits as well as the net of personalised social services in the fields of housing, children, families, disabled persons, drugs, alcohol, mental health, and many others. In these sectors, Government also continued sustaining an extensive solidarity programme. Besides, we set in motion the pensions reform, an important reform which while not affecting present-day pensioners or those who are close to being of pensionable age, secures the future of our youth.

In Gozo we achieved substantial progress in developing the physical and tourism infrastructure. The main challenge for Gozo remains employment, where the progress seen in Malta has not been mirrored in Gozo. Government is doing its part in this regard by transferring back-office work to Gozo.

Throughout this year, we left no stone unturned in order to continue making a success out of Malta's EU Membership. Malta was one of the first new Member States to commit all its Structural Funds for the 2004-2006 period towards projects, and is the only country to have committed all funds derived from the Cohesion Funds. Not only so, but our country is one of the few new Member States to have used all funds for 2006, six months in advance of the stipulated date, that is December 2006. Not only has our country managed to use all pre-accession funds at its disposal, but it has also benefited from many other funds which other countries did not manage to tap into on time. Today I can confirm that seventy-eight projects with a combined value of approximately Lm50 million are being executed in order to improve the standard of living of the Maltese and Gozitan population.

A more detailed analysis of these success stories is found in tables No. 6 to 10 hereunder which I request the House to take as read.

There can be no doubt that we have built on our strengths. This is what we promised and it is what we have delivered.

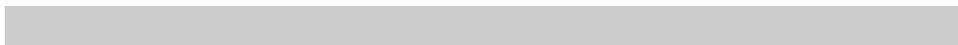


Table 6: Education

Work is essential as it provides us with our daily living. Education is of paramount importance because it gives us the possibility of a better life tomorrow. And because we wish our children to enjoy a better living than us, we have not been stingy when it comes to expenditure on their education. Out of every one hundred liri that the country produces, we spend Lm6 on education. In total we spent Lm109 million on education.

Moreover, the Foundation for Tomorrow's Schools spent 16.7 million lira for our children to have more attractive and better equipped schools.

Our efforts have helped our children receive a better education, thus enabling them to face better tomorrow's challenges. Today, we have a success rate of 6 out of every 10 children who sit for the Junior Lyceum examination. In 1985, only 3 out of 10 used to pass this same exam. The improved level of education our children receive is encouraging them to continue their studies. Today there are 20,000 students attending post-secondary or tertiary education. Ten years ago there were only 11,000.

We have overhauled the system from the ground up. The college system we introduced should revolutionise education. Our children now have a choice. If they prefer not to or cannot enrol at University, they may choose to study at MCAST. Almost 6,000 have taken up this latter choice, while approximately 10,000 are enrolled at University.

Last July, after a long consultation process on the proposals announced in the document *For All Children to Succeed*, Parliament approved Government's proposals to amend the Education Act. The Minister for Education and the Education Division held detailed discussions and negotiations with the Malta Union of Teachers, concerning reforms in the field of mandatory education.

While the main fields and levels of education have all been examined now as a solid basis for the reforms being implemented by Government, and recommendations have been made for their improvement, steps have already been taken to implement many of these recommendations. This work is set to continue during the course of next year.

Following the Spiteri Report, various measures were taken with the aim of setting in motion the process for the implementation of

recommendations put forward by the Inclusive and Special Education Group, which are being administered by the Network Coordinator. Special schools are being transformed into resource centres and will be reorganized to provide a service to children and youths with special needs, according to age. Next year, this should lead to the setting up of a post-secondary and vocational facility for youths with special needs who may not be able to continue their development at MCAST or University. A lot of work has already been carried out with the aim of providing more professional training for those who work in this sector, both in regular and special schools. Measures are also being adopted to increase the number of facilitators specialised in autism, hearing impairments, vision impairments, multiple and severe learning difficulties, including those connected with difficult emotional behaviour.

Following the Chalmers report and the report of the Commission for Higher Education, further steps have been taken and investment is being made to strengthen University and MCAST. We have set up the National Commission for Higher Education which operates from the University Building in Valletta. While we supported for another year the Youth Studies Specialisation Scheme, in collaboration with APS Bank, it was of great satisfaction to me to hand out certificates to the first group of 35 students who were chosen to pursue their studies abroad at Masters or PhD level under the Malta Government Scholarship Scheme set up for this purpose last year. One must also add the 20 members of University academic staff who, through scholarships awarded by the same University attained PhD's in various areas of specialisation.

The building and modernization of schools, courtesy of the Foundation for Tomorrow's Schools (FTS), has continued at a steady pace. During this year, the FTS issued calls for tenders via the Department of Contracts or departmental channels to the tune of more than 5 million Maltese liri for the construction of new schools and the modernisation of 38 schools, including the construction of a new school in Qormi, another school in Cospicua and the extension of the higher secondary school Giovanni Curmi, according to quality standards established at St.Benedict College. In part of this work FTS was supported by the Technical Services Division within the Education Division.

All this was accomplished through a heavy investment in the education of our children and youths, which on the basis of our public expenditure and Gross Domestic Product, compares well with the most advanced

European Union member states. Government's education policy is moving in the right direction and is yielding results, although much remains to be done for us to achieve our aims of quality education for everyone, for all children to succeed.

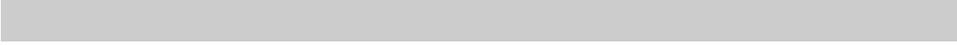


Table 7: Environment

The environment is one of the main pillars of the policy embraced by my Government. Last year this expenditure increased to Lm32 million. During the course of the past year we drew up the *National Strategy for Sustainable Development*. This strategy is intended to serve as a guide for our work in favour of the environment we live in. The *National Strategy for Sustainable Development* gives direction on the social and economic development in our country which is consistent with Government's general direction as is being indicated in this Budget.

Waste Management

This expenditure is yielding tangible reports in sectors which up till recently were considered to be the biggest malaise of our environment. Suffice to mention the impressive progress being registered at the Maghtab landfill, which since being closed in April 2004 has undergone impressive changes.

Work is underway on various fronts. Some work is already producing visible results while other work is expected to yield results in the coming months. In this connection, I can mention preparatory work for the setting up of the first centres for bulky waste, known as civic amenity sites. The same applies to preparatory work for the addition of bring-in sites around Malta and Gozo. Other preparatory work includes the setting up of the first landfill for hazardous waste, as part of the new engineered landfill in Għallis.

Another unprecedented investment currently underway is major work being carried out for our country to have a waste treatment facility in Sant' Antnin employing the most advanced technology. Our country is placed at an advanced stage to start generating energy from waste, and we are therefore in a position where even waste can be a resource for this country. In this regard, it is this Government's intention to distribute these benefits amongst our people.

Energy Conservation

In the energy conservation sphere, we launched incentive schemes aimed towards reducing electrical consumption in households. These schemes were successful. While during 2005 the number of applicants for these schemes amounted to 364, these rose to 1,012 throughout this year. To date, we have granted more than one hundred thousand Maltese liri in VAT refunds under these schemes.

Leading by example

Government is doing its part even in its own buildings. Following a request for proposals, an offer was recommended for Government to start installing photovoltaic panels on ministries and Government departments. This offer was made as part of the valuable work being carried out by Green Leaders within the public sector. By virtue of this initiative, Government is presenting itself as a catalyst for change which should lead to the generation of clean energy even on a domestic scale.

Besides, a draft national plan was drawn up for Green Public Procurement. The adoption of Green Public Procurement implies that in the context of public procurement, Government agencies must take into account not only the economic price but also the environmental price. Environment friendly procurement also amounts to leading by example and influencing the market.

Earlier this year, a request for proposals was issued for the installation of a wind energy system. I am pleased to announce that nine companies have expressed interest in this project. Consequently, following due evaluation of all offers submitted, we will be able to proceed to take those decisions most appropriate for our country.

Afforestation

The afforestation project launched by Government for 2006, named 34U, was a great success. The target of more than 10,000 trees for this year was greatly exceeded. Public response to this campaign was highly encouraging, with the donation of 16,000 trees from individuals, enterprises and associations planted or being planted in the five areas designated by Government. The five areas are: the extension of Kennedy

Grove in Salini, areas in the limits of Torri l-Ahmar in Mellieha, Xrob l-Ghagin, Delimara and Ta' Qali.

Agriculture and fishing

In the agricultural sector we continued with the restructuring and investment necessary in the farming and local produce processing sectors, with investments from structural funds under measures 3.1 and 3.2, in conjunction with local funding aid as negotiated with the European Union under the Special Market Policy Programme for Maltese Agriculture. Up to October, aid during this year amounted to more than Lm4.2 million.

Thanks to such restructuring and investment, sectors such as the poultry and egg production sectors have been consolidated and are now in a better position to face up to foreign competition. Furthermore, there has been a continuous improvement in milk produced by Malta Dairy Products, while pork production has retained a steady presence in the local market. In this connection, it is also interesting to note that the Pig Breeders Cooperative (PBC) has also tapped into a new market for pork in Sicily.

Developments have also been registered thanks to the work of producers' unions, in particular Gomriza (Malta) and Gozitano (Gozo). Government is also extending its help to enable producers' unions to sell quality products directly to Maltese and Gozitan consumers, and is in the final stages to provide aid to another organisation in accordance with EU rules.

In the context of the *Pitkalija* Vegetable Market, work has continued for products to be sold on the basis of quality and the informal classification of products. Work has also continued with regard to EurepGAP certification for potato exportation, an important sector in local farming. We have also seen an improvement in tomato production for processing, where following difficulties encountered due to fierce competition, we have managed to increase production to approximately 10,500 tonnes.

Farmers and villagers have also benefited from funds under the *Rural Development Plan, Ad Hoc, Meeting Standards and Agri-Environment*, with aid amounting to Lm4 million. Work conducive to the conclusion of

the Rural Development Plan (EAFRD) and the Strategic Plan for EU funds for the period 2007-2013 has also been completed.

In the fishing sector, work has also been done which is bearing fruit. Fishermen are expected to start reaping the benefits from the hardstanding facilities project, which will take place with an investment of €2 million, 75% of which is being financed by the European Union. Financial aids for fishermen to the tune of Lm123,000 are being processed, while aids amounting to Lm54,000 are expected to be approved during the course of this year. We are also examining ways how we can revise duty-free fuel agreements with fishermen, and this revised agreement will be announced once this exercise has been finalised.

Roads

During the past year, we continued working on the massive road upgrading project. Around 20 kilometres of arterial roads have been constructed between Ħal Far and Imġarr in Malta. Currently, more work is being done on arterial roads including those in Luqa, St.Paul's bay and in Gozo. Improved accessibility to Ricasoli is also being seen to, this being the site where the SmarCity@Malta project will be implemented. Four hundred local roads have also been laid, while the necessary plans have been drafted for a further 450 residential streets.

Over the past three years, road works investment in Malta has reached the highest level ever. From 2004 until today, Lm19 million from the Italian Protocol and Lm10.5 million from European Union funds have been spent on this sector. Additionally, one should also mention road expenditure in Gozo which is covered by the Budget of the Ministry of Gozo.

A steady rhythm has also been maintained in connection with 5 other projects co-financed by the European Union under the financial period which expired this year. These are the St.Paul's Bay bypass, Ħal Far road, Manwel Dimech bridge, and in Gozo, the road leading from Rabat to San Lawrenz road, as well as the street between Imġarr and Ghajnsielem.

Urban Embellishment

Embellishment of public gardens and road landscaping has continued. The embellishment of Hastings Garden and Howard Gardens has been completed. Our country's roundabouts have also been further embellished. There have been more than 100 restoration projects, including the aqueducts and Upper Barakka. At the same time, an extensive valley clean-up project and necessary flood prevention works have been accomplished in Qormi and Salina.

Table 8: The Social Sector

Government considers the social sector an integral part of the country's economic development. This is not an expense but an investment. This is why we have developed a social development policy that addresses everybody's needs but is able to focus attention on the most vulnerable requiring support. We are delivering this through programmes with a wide beneficiary base as well as assistance programmes targeting special needs even when the beneficiaries are expected to be few.

2006 will be a defining year in terms of the important social developments we are managing. We have

- published and started a Parliamentary debate on the pensions reform, a critical reform for future generations.
- the Law on Domestic Violence entered into force, whilst discussions are under way to introduce amendments to the code of police laws to safeguard children against the dangers of alcohol.
- established a directorate to tackle abuse of social benefits, such as in unemployment registrations whilst holding employment. This year up till the end of August we managed to save the Country more than three quarters of a million Maltese liri worth of abuses - an average of Lm3,000 daily - which will now be redirected towards those who genuinely need them. Therefore, the Lm228 million spent by Government on this sector will be addressed to those who deserve them.

- Agenzija Appogg, Agenzija Sedqa and Agenzija Sapport, under the Fondazzjoni for Social Welfare Services, delivered a record number of services to a record number of people, with the largest budget ever made available to them. These services have become an integral part of our family support framework.
- continued to strengthen the voluntary sector with over Lm1 million in direct or contracted aid. We have also concluded the consultation process concerning the bill which supports the voluntary sector.
- forty-five child care centres benefited from financial and technical aid to upgrade the level of services they give according to standards published by Government this year.
- continued to manage the illegal immigrant issue in our country where an increased number of immigrants are being granted refugee status and are therefore expected to remain in Malta over a longer period. Apart from the financial impact there is the social impact where significantly effort is expended to assist these refugees rebuild their life locally or abroad, with special care paid to children.
- issued 260 dwellings under the shared ownership scheme managed by the Housing Authority, through which families with limited means may still take up home ownership.
- distributed Euro 3 million to NGOs operating in the social sector. These funds were made available through the European social funds and the *Equal* programme.

Our success in the social policy developed and implemented is reflected in the several beneficial actions, and their coordination, which are resulting in a significant quality leap in people's lives. For example, when the Housing Authority, Agenzija Support and the financial assistance given help disabled people to fulfil their aspirations and form their own family and become house owners. I am proud to state that the work we have undertaken in recent years has brought about a far better quality of life to an increasing number of people.

Table 9: Gozo

Gozo has benefited from and contributed towards the whole development which took place in this country. However, this Government is aware that Gozo has its own particular circumstances and has therefore given it special attention, as it has always done.

We have taken care of Gozo's physical infrastructure, in particular roads. Throughout this year Government also continued investing in Gozitan workers, since these are the primary resource for the labour sector in Gozo. In the education sector, throughout this year we continued the modernization programme for primary and secondary schools in Gozo, with investment being concentrated on the Rosa Magro primary school in Xewkija. In the environment sector, we commenced infrastructural work on the construction of a Sewage Treatment Plant. This should allow solid and liquid waste generated in Gozo to be treated in a sustainable manner which truly respects our country's natural environment. We have also strengthened Gozo Channel, in order for it to be a solid company which can also fulfil its duties for the service of Gozitan and Maltese citizens.

Table 10: European Union

Three years ago we decided to become EU Members. Two years later we can say that Membership has translated into many benefits for our people. These benefits did not come about by default. We had to work and toil hard to acquire funds for our people, who on a *per capita* basis, are benefiting more than other peoples.

The accomplishment of projects thanks to Structural and Cohesion Funds is a new experience for us. Last year was particularly hectic in view of the fact that many projects were initiated while others were completed. This was an important learning curve for us all. At the same time we managed to improve the administrative capacity of this country – both in the public as well as in the private sector – in order to be able to tap into these Funds in a better way.

During the last two years, progress was achieved in various economic sectors thanks to these projects financed by Structural and Cohesion Funds. These include:

- Substantial investment of over Lm7 million in the capabilities of Maltese and Gozitan citizens in order to upgrade training and education levels of our country's foremost resource;
- Aid schemes for enterprises, farmers and fishermen. More than four hundred enterprises are benefiting from these schemes;
- Investment in physical infrastructure in the industrial and tourism sectors;
- Capital investment, training as well as information campaigns of not less than Lm20 million in favour of the environment, especially in the waste management and water management sectors;
- Investment in excess of Lm12 million in the transport sector, which is already yielding visible results;
- Specific projects for Gozo in the fields of transport, tourism, and human resources development.

Contrary to all that was said prior to accession, today I am proud to say that Malta was one of the first new Member States to have committed all its Structural Funds for the period covering 2004-2006 on projects and is the only country to have committed all funds under the Cohesion Fund. Not only so, but our country is also one of the few new Member States to have used all funds for 2006, six months in advance of the stipulated date, that is December 2006. Thanks to the perseverance, ability and diligence of all parties concerned, today I can confirm that seventy-eight projects to the tune of Lm50 million are being carried out in order to improve the standard of living of Maltese and Gozitan citizens.

Besides these National Programmes, I would also like to mention the fact that Malta is also benefiting from a number of other Programmes which also fall under the remit of Structural Funds. These are the Programmes *Equal* and *Interreg*. *Equal* addresses equality and social inclusion, while *Interreg* consists in regional cooperation programmes between the various regions of the European Union having common interests and

challenges. Malta is participating in four *Interreg* programmes with more than fifty approved programmes and others which are expected to be approved in the coming days. In this connection I would like to add that many Local Councils applied for projects under these Programmes.

Mr Speaker,

In this regard I reiterate what I had declared on being sworn in as Prime Minister. My message to the Maltese people is: do not judge us on our words, but judge us on our achievements.

For all these efforts my heartfelt thanks go to my fellow Ministers and Members of Parliament. I thank all workers, at every level, within Ministries, Government Departments and public corporations. I thank workers and managers in the private sector. I thank owners and investors. I thank the self-employed. And I also express my heartfelt gratitude to all members of the Malta Council for Economic and Social Development.

I thank you all for efforts throughout this year, which have helped us to overcome many obstacles and carry out a lot of work.

We have achieved a lot together, but much more can be done. And we must do more. We must never take our foot off the pedal. We must also increase our efficiency and quality in every sector, achieving to the best of our abilities as a society, as a nation and with the resources available to us.

I will therefore proceed to present Government's plan for the forthcoming year. This plan embodies a lot of your comments and feedback. With your help, we aim to continue securing our future and that of our children.

Securing Our Children's Future

Mr Speaker,

I will now announce the work programme my Government is committed to achieving next year.

Financial Position 2007

Mr Speaker,

I am presenting a budget that confirms that our country's finances are strong and sustainable. We have reduced the financial deficit to less than 3 percent of GDP. We are estimating that the deficit in 2007 will be 2.5 percent of GDP.

I am presenting a more detailed analysis of Government's revenue and expenditure estimates for the coming year in the table hereunder, as well as in the financial statements in Tables 11 to 13, which I request the House to take as read. Government is projecting a deficit of less than 1 percent of GDP by 2009.

Table 11

FINANCIAL POSITION 2005 - 2009

	2005 Actual		2006 Revised		2007 Projections		2008 Projections		2009 Projections	
Consolidated Fund Position										
Total Revenue		896,418		965,984		992,929		992,274		1,013,529
Tax Revenue	740,305		802,350		851,185		874,090		900,445	
Non-Tax Revenue	156,113		163,634		141,744		118,184		113,084	
Total Recurrent Expenditure		840,738		873,184		879,558		897,649		918,770
Recurrent Expenses	765,974		796,000		803,408		819,899		840,570	
Interest Payments	74,764		77,184		76,150		77,750		78,200	
Recurrent (Deficit)/Surplus	55,680		92,800		113,371		94,625		94,759	
Capital Expenditure		130,994		150,584		167,835		127,439		116,974
Total Expenditure		971,732		1,023,768		1,047,393		1,025,088		1,035,744
Structural Deficit		(75,314)		(57,784)		(54,464)		(32,814)		(22,215)
Financing										
Direct Loan Repayments	(1,882)		(284)		0		0		0	
Sinking Fund Contributions	(11,938)		(11,602)		(9,902)		(8,597)		(8,597)	
Converted Loans Sinking	0		0		0		0		0	
Funds Residue	3,837		10,400		4,200		9,000		0	
Sale of Assets	21,791	11,808	74,200	72,714	0	(5,702)	0	403	0	(8,597)
Public Sector Borrowing Requirement		(63,506)		14,930		(60,166)		(32,411)		(30,812)
Foreign Loans		0		0		0		0		0
Opening balance as on 1 January	(92,352)		(45,858)		(30,928)		(41,094)		(48,505)	
Local Loans	110,000	17,648	0	(45,858)	50,000	19,072	25,000	(16,094)	30,000	(18,505)
Closing balance 31 December		(45,858)		(30,928)		(41,094)		(48,505)		(49,317)
E.S.A. '95 Adjustments		13,500		3,184		3,881		(2,176)		2,976
General Government Deficit		(61,814)		(54,600)		(50,583)		(34,990)		(19,239)
Gross Domestic Product		1,941,100		2,056,900		2,163,000		2,276,700		2,395,000
Structural Deficit as a % of Gross Domestic Product		3.88%		2.81%		2.52%		1.44%		0.93%
General Government Deficit as a % of Gross Domestic Product		3.18%		2.65%		2.34%		1.54%		0.80%

Tabel 12

Statement of Public Debt

	2006	2007	2008	2009
Malta Government Stocks	1,126.6	1,176.6	1,201.6	1,231.6
Treasury Bills	167.5	172.4	175.1	171.9
Ex-MDD/MSCL Loans	24.7	24.7	24.7	24.7
Foreign Loans	55.6	53.2	49.9	47.0
E.B.U.'s	38.0	36.6	36.3	33.8
Public Debt (including E.B.U.'s)	1,412.4	1,463.5	1,487.6	1,509.0
G. D. P	2,056.9	2,163.0	2,276.7	2,395.0
Debt as Percentage of G. D. P.	68.67%	67.66%	65.34%	63.01%

Table 13: Government's estimated revenue and expenditure in 2007

Government is estimating an increase in revenue of Lm27 million over 2006.

An additional Lm7 million will be received through Income Tax revenues, due to the changes in the income tax bands which I will explain later on. Social security contributions will also increase by Lm12 million, partly due to an additional weekly contribution attributed to 2007 having an extra Monday, as well as due to growth in employment and employment income resulting from the positive trend being experienced in our economy. The increase in excise duty revenues is expected to result from the transformation we have made earlier this year in Enemalta's profits on fuels to excise duties. This way we will be able to transfer these funds back to the corporation to subsidise electricity generation whilst removing cross-subsidisation across Enemalta's divisions and we will be able to continue the fuel liberalisation process without a negative impact on electricity bills. Although there are no financial implications, we will continue with the changes we have started in 2005 to gradually implement the EU minimum excise duty levels on energy products. VAT will contribute an increased revenue of Lm6 million in line with the growth in economic activity being experienced and which we expect to continue in 2007.

As we have indicated in the Pre-Budget document, Government is in the process of better regulating the gaming machines in use in the Gaming Sector. We have set out a number of measures that will ensure that these machines will be operated within a far better regulatory environment. We will introduce a central monitoring system to ensure that children do not have access to the gaming machines and to ensure that gaming taxes are collected.

Government's recurrent expenditure is expected to increase by Lm6.6 million only. Whilst social service pensions are expected to increase by Lm12.1 million, health related expenditure by Lm4 million, and another Lm8.3 million transferred to Enemalta, Government will offset these increased costs by continuing its expenditure reduction programme leading to a reduction in administrative expenditure of around Lm17.8 million.

Capital investment expenditure will increase by Lm17 million in 2007 whilst expenditure on the Mater Dei Hospital project will decrease by Lm8 million and Italian Protocol funded projects will be concluded by the end of this year, we will make an additional Lm10 million investment in education, Lm3 million in tourism, Lm2 million in Gozo, Lm4 million in health, Lm6 million in the environment and Lm5 million in the roads network.

Education and Training

Mr Speaker,

My Government, and every Government led by my Party, always believed that the key to securing our future lies in education. Investment in education is always a guarantee of open opportunities for our children. Education is the key to success for them and for our country.

I wish to avail myself of this occasion to thank all those who have given and are giving their contribution in this field. In particular I want to publicly thank all educators and teachers. With great dedication you are helping to bring out the best in our children. You are the principal builders of our country. For this, I thank you.

I will now come to the point without further ado. In the education and training sector, we are estimating that for the forthcoming year we shall invest the global sum of more than Lm 121 million. We shall thus allocate Lm 12 million more than last year.

Mr Speaker

What does this mean? This means that on average we shall invest Lm 1,332 every year on every boy and girl, youth and adult within our educational system. This average investment figure does not include related capital expenditure.

Compulsory Education

During next year we shall continue our project of building and modernising State schools. We are planning to complete the construction of two new secondary schools, one in Qormi and another in Cospicua. We shall start building new schools in Mosta, Pembroke and Gozo. We shall continue with the complete modernisation of the Boys' Junior Lyceum in Hamrun. Various maintenance and modernisation works in different schools around Malta and Gozo will be undertaken. It is estimated that in 2007 Government will invest Lm 5 million on these projects under the financial arrangements scheme which the Foundation for Tomorrow's Schools has set in place.

Buildings alone are not sufficient. The discussions between the Ministry of Education and the Malta Union of Teachers have now reached their final stages. With pleasure I would like to report to the House the constructive and collaborative spirit between the two parties. We trust that we will reach an agreement that will strengthen the extensive reform taking place in the compulsory education sphere.

We expect nothing but the best education for our children.

We want State schools to have the most modern science laboratories for physics, chemistry, biology and technology, as well as language laboratories. Here we shall invest over Lm 1.5 million. In State schools, we shall have one hundred and three laboratories of the highest calibre, according to European Union standards.

We consider Church and private schools as our principal partners in the education of our children. This belief leads us to two important programmes:

First, this Budget is proposing an expenditure of Lm 12.75 million for Church Schools. This represents an increase of Lm 1 million over last year's allocation. This means an average of Lm 755 for every boy and girl.

Second, we are aware of the expenses incurred by parents who decide to send their children to private schools. In 2003 we introduced a deduction from taxable income to make up for part of the fees paid. At that time we

fixed a maximum of Lm 200 as deductible expenses for primary level students, and Lm 300 for secondary level. With effect from the 1st January, Government will double these amounts to Lm 400 for primary level and Lm 600 for secondary level for every student.

Advanced and Higher Education

We want to continue to strengthen the advanced and higher education sector.

Government shall make maximum use of EU funds allocated to Malta to continue strengthening the University and MCAST, two education pillars in our country. Next year we shall initiate a programme for construction, infrastructure and purchase of equipment spread over a number of years. For 2007, we are planning an expenditure of Lm 4.3 million and Lm4.5 million respectively on these two institutions. In this way we will have the necessary space to allow number of students who pursue studies and training to continue increasing. At the same time they will have the required facilities and services to receive education and training.

The recurrent expenditure for the coming year for the Institution of Advanced and Higher Education is estimated to reach the sum of Lm 19.3 million. Government is increasing the recurrent grant to University by Lm700,000 to Lm 11.3 million. It is pertinent to remember that in addition to these funds, Government is investing almost Lm 9 million in direct student support in the form of stipends.

We are again allocating the sum of Lm 200,000 for a number of scholarships at Masters and Doctorate level under the Malta Government Scholarship Scheme which we launched successfully this year.

During pre-budget discussions we have met a number of students following private post-secondary courses or private university programmes on a full-time basis. Government has decided that as of the 2007 scholastic year, full-time students following higher education courses in private institutions will benefit from maintenance grants in accordance with recommendations to be made by the National Commission for Higher Education. We believe that the licensed private sector educational institutions are an asset to our country. This sector has an important role to play in developing Malta as a regional centre for training and educational services.

We believe that we should never stop learning and training. We shall dedicate EU Funds for this purpose, or more specifically Lm 3.5 million from the European Social Fund. These include teaching and training courses for all parts of our society.

In the sports sector Government is voting the global sum of Lm 1.1 million. The capital vote of Lm 200,000 incorporates the continuation of the sports complex in Kirkop. In this contest it is worth mentioning that in addition to this investment Government is investing in sports facilities. Although these are based in Government schools, they are intended to be used after school hours also by sports organizations and those having a keen interest in sports. In this way we shall have a number of modern floodlit grounds with artificial turf, spread all over Malta and Gozo. This means that in addition to the ground in Kirkop, over the course of the next three years we shall have grounds of this standard in Qormi, Cospicua, Luqa, Mosta, Naxxar and Gozo.

Mr Speaker,

We have one aim - for our people to be among the best educated and trained people in the world.

Generating Further Economic Growth and Job Creation

I will now turn my attention to how we intend to generate further economic growth and ensure job creation.

The euro

Next year will be the year leading our country to another important step in its socio-economic development. In view of the economic progress which our country is registering, it seems more and more likely that the euro will be adopted on the 1st of January 2008. Entry in the Euro zone, which boasts the second strongest currency in the world, should give greater stability to our economy. Thereafter, our country will become more attractive for those wishing to invest and create jobs in our country.

The euro gave Europe stability not only by eliminating exchange rate risks between the participating countries, but also by creating a monetary environment characterised by low long-term interest rates. The euro has

been conducive towards a monetary policy which has always favoured price stability.

Some still argue that our country should take more time before adopting the euro, without forwarding any plausible economic reasons. In this connection it is argued that our country should first concentrate on economic growth, while seemingly ignoring the fact the euro is an important tool for generating the desired economic growth.

There are various risks associated with undue delays in adopting the euro. The countries which have not set this process in motion are already being considered as countries still having serious economic problems. We could be looked upon as lacking commitment towards a serious economic policy. To the contrary, I am proud to proclaim that today everyone considers us to be on track.

Foreign Investment

Our economy continued to develop and grow while made up for old economic structures which were no longer relevant for Malta. The measures we took yielded positive results. The record level of investment I mentioned earlier bears testimony to this fact.

Over the past nine months, Malta Enterprise approved 71 new projects which over the next three years are set to create 3,600 new jobs and generate Lm44 million worth of investment. These figures relate only to those sectors which benefit from the incentives we are offering. The economy is however much larger than that.

In order to continue sustaining and stimulating new investment in our country, in addition to the Lm2.3 million which are being allocated to Malta Enterprise in order to create aid schemes to industry, Government will allocate a further Lm1 million from EU funds for this purpose; 25 per cent of these will be dedicated exclusively to Gozo.

The time has come to depart from the present incentives structure under the Business Promotion Act. We need to adopt a flexible legal framework. During the course of the forthcoming year, we will be presenting these changes in our legal structures for discussion in Parliament.

While on the subject of foreign investment, I cannot fail to mention the largest foreign investment this country has ever seen, namely the Smart City project in Ricasoli. Six years ago we had proclaimed our aspirations to transform Malta in the Mediterranean Information Technology capital. Back then, we were accused from some quarters that our vision was nothing but pie in the sky. These same detractors had proposed instead a future chained to the past whereby Malta would isolate itself from the rest of the world in order to protect traditional manufacturing industries such as textiles and leather products. It was these same detractors who vehemently opposed Malta's entry in the European Union.

Smart City alone represents more than Lm100 million worth of investment. Thousands of Maltese citizens will earn their daily living from this investment. We should all feel very proud of this major asset which our country stands to gain.

Government's Strategy for Industry

As I have already mentioned, today we are publishing Government's Industrial Strategy for Malta. This strategy was drawn up following extensive consultation meetings held with various stakeholders, in particular the Federation of Industry. We are certain that this strategy will be critical to further economic growth and employment opportunity.

Information Technology

Smart City was not a coincidence. The investors we persuaded to come to our shores had many other options where to base their European expansion project.

This year the European Union recognized the *on-line* public service provided by the Maltese Government as the second best in all Europe. The World Economic Forum reported that Government of Malta is the 12th highest ranking Government in the world which uses technology to improve its level of services. This makes us competitive and improves the quality of life for all Maltese.

Malta's e-Government has reached yet another important stage. During the coming year a unique portal will be built with an investment of four hundred thousand Maltese liri. This will provide a one-stop shop for all electronic public services, and will constitute the highest level public service provided by any Government.

We are now in the last three years of the National Strategic Plan for Information and Communications Technology which was launched in the beginning of 2003. Those who were sceptical back then, now have the perfect answer. Today our country boasts and impressive information society and economy.

Over the course of the coming three years we shall be working towards a more ambitious National Strategic Plan for Technology. I am convinced that within three years' time, I will have the satisfaction to declare that our country is amongst the most technologically sophisticated in the world.

Research and Innovation

If we want our country to be at the forefront amongst the more competitive countries and to attract the best investment, we have to strengthen our commitment towards research and innovation.

As we announced in the National Strategy for Research and Innovation, which we published together with the Pre-Budget Document, Government is increasing public expenditure on research and innovation. This strategy proposes Lm1.25 million for the National Research and Innovation Programme. I am pleased to announce the fact that the allocation shall exceed this amount by Lm250,000, meaning a total of Lm1.5 million .

In this connection I would like to mention the fact that Government has joined forces with the Malta Council for Science and Technology, Malta Enterprise, University and the private sector. This team has set up EuroMedITI, which identified and initiated a number of projects in the designated technological sectors.

Tourism

I have already stressed on the importance of the tourism industry in our country. Our country can attract more tourists if we are competitive, if we continue to invest in our product, if we can offer a unique positive experience to our visitors and if we understand that we all have a role to play in this industry.

Government will not refrain from investing wherever necessary to ensure that this sector grows and improves tourist quality. Next year we will dedicate Lm 15 million towards this important sector to our economy.

This amount represents an increase of almost 40 percent with respect to the approved budget for 2006.

Next year Government will again allocate Lm 8 million directly to the Malta Tourism Authority. Apart from this amount we will allocate a further Lm 7.3 million towards improving our tourism product. This includes continuation of the Mnajdra and Hagar Qim Neolithic Temple projects, the development of new beaches and better management of existing ones, schemes to directly support the tourism industry, and the continuation of the branding exercise that also means additional marketing funds for the country.

Government expenditure on the tourism product proper, including the heritage part of the product, will amount to Lm 5 million.

To this I must also add the investment being made through other ministries to implement programmes and projects intended to considerably enhance our tourist product, which include the environment in general, road and countryside cleanliness, clean seas, clean air, embellishment of roads with trees, flowers and general landscaping, new high quality roads and rehabilitated village cores and squares.

I will also add the value of the projects that we will finance through the consolidated fund and the EU funds to restore our heritage sites wherever necessary. This applies to all our heritage sites that are numerous in our country, including the unique fortifications of Malta and Gozo.

We are doing all this because we firmly believe that we have a unique product which can face up to the harsh competition we face. We know that we have a lot to offer – a mix of a historical heritage and a rich culture, beautiful sea and natural coastline, and colourful villages and countryside. Apart from this Gozo offers more tourism product potential which adds value to the Maltese product. This is why we need to promote Gozo for what it is – a unique destination with special characteristics.

Air Malta will remain a strategic asset to our country since the service it provides is in line with our national priorities and requirements, including those of industry.

Nevertheless, present day reality obliges us to expand our tourist channels. This is why earlier this year we took the first steps and introduced schemes to attract a low cost airline other than those already

operating here. At this point it is pertinent to point out that these schemes will cost Government more than Lm 1 million. I am saying this to explain to everyone that the price of a low cost airline ticket is cheap because we are all paying part of it.

In any case Government is convinced that this is the best direction to follow for our country. For this reason we will soon take the second step decided earlier this year, that is to promote the creation of new routes between Malta and new source markets in European countries.

Over these last few days Government has received recommendations from the Consultative Council established a few weeks ago. These recommendations will form an integral part of the National Tourism Plan. The intention is to start a new implementation phase within the shortest possible time frame.

VAT exemption without credit on cultural activities

Culture is an integral part of our national identity and an essential feature of the tourism package. We believe that the time has come to continue assisting the local artistic community by exempting without credit the VAT element of those services and activities of a cultural nature organised by recognised cultural non-profit organisations.

This measure should encourage the provision and production of more cultural activity in places like Gozo so as to further enhance cultural and economic development in similar places.

Host families

A particular niche closely related to tourism which I would like to address in this Budget is that of host families. Earlier this year, we had announced an advantageous fiscal scheme for this service. We believe that we should go a step further by providing the option to these operators to obtain an exemption from social security contributions with retrospective effect.

Financial Services

Malta has already achieved important successes in the financial services sector. This year we estimate that around 2,500 companies will be added to the registry of companies. The total number of registered companies

will reach the 40,000 mark. We also have eighteen banking institutions, more than 150 investment funds and eight insurance management companies.

I am happy to note that earlier this year we have concluded an agreement with the European Commission that effectively safeguards the full tax imputation system. We are currently discussing the anti-abuse measures in our proposed tax system with the Code of Conduct (Business Taxation) Group. Government is expecting to conclude this political process forthwith. We will soon be publishing the necessary legislation to implement the agreement reached with the European Commission.

Small and Medium-sized Enterprises

We believe that the self employed and small enterprises constitute the heartbeat of our economy. Through all the initiatives announced in this Budget, we intend to generate more work for them in order to create new jobs.

An important measure we will be taking this year consists in enabling men or women working in a family business to register as employees of the same family business for fiscal purposes. This means that any man or woman working in their family business will be allowed to be registered on the company's books, thus having the opportunity and advantage to enjoy all social benefits while also being entitled to a pension on payment of their Social Security contributions. For the family concerned this doesn't only mean better recognition for their work, but above all the family business itself will benefit from a tax reduction.

We shall allocate Lm1.4 million, almost Lm 1 million more than the previous year, for the improvement of work places from which a number of self employed small enterprises operate. These Funds shall lead to the development of the Crafts Village in ta' Qali under the stewardship of MCAST. We shall also continue the improvement programme in industrial zones for SMEs in Handaq, Imriehel, Żebbuġ, Mosta, Attard and Luqa.

This year we aim to reduce operating expenses for the self employed and owners of small enterprises. We intend to finalise amendments to the Trading Licences Regulations which allow for a lowering of trading licence fees while facilitating the process for issue of trading licences, by

providing the necessary measures for such licences to be issued within a definite time frame.

Venture Capital Fund

Government is still committed towards the creation of a Venture Capital Fund. Following various attempts to operate this fund, we believe that the best way forward is for this Fund to be licensed as a Collective Investment Scheme under the auspices of the Malta Financial Services Authority. Government, through Malta Government Investments Limited, shall promote and assist the financing of this fund by contributing Lm900,000 of the initial capital.

Port Reform

Port Reform is of paramount importance in order to improve our country's competitiveness. A new operator started working in Grand Harbour, discussions continued with all the parties involved.

We were well aware that we would be engaged in difficult negotiations which we entered for with the various port-related sectors. Discussions with port workers regressed slightly due to developments which were occurring within the General Workers Union. Now that the Malta Dockers' Union and Union Haddiema Maghqudin have been recognized as the Unions which have a right to negotiate for their respective sectors, discussions have resumed.

The ongoing discussions include the reorganization of port workers, the removal of outdated practices which are not adequate for a modern port and the lowering of tariffs for cargo handling.

Improving Regulation

Improving regulation and cutting down on bureaucracy are essential for our business sector. Consequently, Government shall continue to insist that all kinds of regulation should be proportionate. Much has already been achieved in this field. We are still not satisfied and we want further improvement. We need to continue removing obstacles to business and the creation of wealth in this country.

Table 14 illustrates the Plan of Action for Simplification drawn up by Government.

Table 14: Plan of Action for Simplification

In order to achieve these aims, the Simplification Action Plan puts forward five main Government priorities with regards to Better Regulation, which are:-

- *Setting up of a One-Stop-Shop Entity or Consolidation of Existing Entities.* This strategic thrust aims at offering a range of Government services in an easy to get manner that saves businesses and citizens' time and money by providing, a single, yet all inclusive point of access. Government entities also stand to gain by making better use of human and physical resources available.
- *Revision of Procedures / Processes.* Here, the attainment of better efficiency levels and customer service delivery in a number of areas are targeted with the aim of improving processing cycle times and throughput, without adversely impacting customer service.
- *Use of ICT and e-Government Services.* This strategic thrust builds on Malta's sterling attainments within ICT and information society and the main advantages of this thrust is that it saves businesses and citizens' time and money by avoiding them having to go round in person to a number of entities and by improving clarity and accessibility of regulations.
- *Simplifying legislation and repealing obsolete legislation.* This strategic thrust intends to make legislation clear, understandable, up-to-date and user-friendly thus leading to better quality regulations.
- *Consolidation of forms.* Complementary to the above strategic thrusts, these measures aim to remove excessive complexity, thereby making the Government-customer interface more simple and user-friendly, thereby improving service delivery to clients.

Over 100 proposals were identified for implementation of which more than 30 are deemed to be of high priority and around 20 proposals can be implemented in the immediate timeframe. Implementation of over 50 projects has been targeted to commence immediately. In fact, the BRU has commenced with the implementation of this Plan.

These proposals are anticipated to have an effect on the whole of society, albeit on different levels, as they deal with various aspects of everyday life such as the provision of health, education, business and social security services.

Most of the projects we are implementing are anticipated to have far reaching effects. Examples of such projects include:-

- setting up a Business Facilitation Centre to provide preliminary information to business and to act as a one-stop-shop entity to facilitate all registration applications from business start-ups with a view to simplify the current burdensome, time-consuming, and unnecessary bureaucratic procedures to register a business; and
- introducing a single application form for the assessment for all social security and other benefits with a view to amalgamate the benefit application forms required, for example, for Social Assistance, Age Pension, Supplementary Allowance and Medical Assistance.

Other proposals included in the plan would benefit particular sectors or target groups because of their specific nature.

This is but a first yet fundamental step towards assisting our business in operating within a more competitive framework as well as to assist the citizen in gaining the most effective access to Government services in the easiest manner possible.

In line with my Government's policy on consultation, Government will be seeking to consult private, public and voluntary sector entities and individuals to gather their feedback.

Gozo

In the Pre-Budget document, Government published a socio-economic strategy for Gozo. This strategy emphasizes the need to sustain a distinct economy for this island, expanding its labour market, investing in education and research, and improving the quality of life for Gozitans.

Mr Speaker,

I am pleased to announce that Gozo's Budget for the forthcoming year will increase by an additional Lm 2.4 million when compared to last year, taking the total allocation to approximately Lm 29 million. We believe that this investment will enable Gozo to continue developing as it deserves.

We are allocating a record sum of Lm9 million for capital projects in Gozo. One must not forget to add the Lm3 million invested in the building of new education complexes by the Foundation for Tomorrow's Schools and Lm 3.3 for the sewage treatment plant.

Table 15 sets out more detail on the projects that will be implemented in Gozo.

Table 15: Gozo Projects

Lm1.4 million will be allocated to tourism projects which will continue to strengthen Gozo's image as a distinct destination. This includes the regeneration of the public garden at Villa Rundle, the coast in the vicinity of Mgarr Port with the development of ta' Żewwieqa and development of bays. During the course of the forthcoming year Government will commission studies about the best possible preservation methods for The Citadel and the necessary interventions needed, while through Heritage Malta we will continue our project for the creation of a visitor's centre and other works at Ggantija temples. During the coming year Government will start operating a training centre for the tourism industry, which Government is currently building in Qala. A crafts incubation centre will also start operating in Ghajnsielem.

We will continue the programme for road improvements in residential areas that this year will have allocated over Lm500,000. We will use Lm2.1 million of EU funds to carry out extensive works on arterial roads

that include the road to Xlendi, the road to Ta' Pinu and Ramla. As the studies to develop an alternative road to the Imgarr harbour are concluded, Government will be in a position to commence works on the by-pass to Imgarr Harbour in line with the outcome of these studies.

In the education sector, through the Foundation for Tomorrow's Schools, we will start demolition works on the existing Junior Lyceum Complex and the Boys' Secondary School to replace these with a modern school in line with current and future needs, equipped with sporting and underground parking facilities. At the same time we will offer new educational opportunities through specific programmes that address Gozo's specific requirements.

The modernisation programme of the Gozo General Hospital will continue through the modernisation of an operating theatre as well as the setting up of a radiology unit at a cost of Lm1 million. The decompression chamber will also commence operations.

From an environmental perspective, the construction of the sewage treatment plant will continue and finish whilst work will commence on a waste transfer station requiring an investment of Lm1.5 million. The Dwejra management and the Qortin waste fill rehabilitation projects will continue with an investment of Lm750,000.

Gozo should also benefit from the cruiseliners sector. To this end, the Maritime Authority will invest in berthing facilities for this sector.

We realize the huge impact of seasonality on the Gozitan tourism market. We have therefore decided that as from the 1st of January, on renewal or issue of a new licence, accommodation and catering establishments in Gozo will pay 75 percent of the present rates.

During 2006, Government has continued to identify further public services which can be transferred to the island of Gozo. The services identified include: the Freephone 153 service, payroll work related to public sector employees and Treasury pensions, work related to verification of Civil Status Certificates issued by the Public Registry.

By the end of this year, we expect a number of the abovementioned services would have been transferred to Gozo. This means that about thirty Gozitan workers who work in Malta will be now be able to work in

Gozo. This initiative will continue throughout next year with the overall aim that Gozitan workers in the general service grades of the public service will be employed in Gozo. Government's vision is that all back-office services required by the public administration will be carried out in Gozo. Government believes that Gozo provides an ideal environment for this kind of work and encourages the private sector to follow in Government's footsteps.

All this should help Gozo to have an economy built on the basis of its distinctiveness, strengthen education and training opportunities while leading to an improvement in quality of life.

Towards an All-Inclusive Society

Health and Community Care

Mr Speaker,

Our country can boast a health service of the highest quality. All this is due to the dedication and commitment of the workers in this field, to the doctors, consultants, nurses, midwives, physiotherapists, occupational therapists, social workers, medical laboratory technicians, other paramedics and support staff in this field. On behalf of the Maltese people I wish to thank them all.

In order to secure our future, we must ensure that we shall continue to give the necessary priority to the level and quality of our health services. For this reason Government will continue to invest heavily in the health sector. It was truly interesting to note that a substantial number of questionnaires we received from the public in reaction to the pre-Budget Document, clearly revealed that the health sector should continue to receive the highest priority from Government.

Within the next ten months, Government will inaugurate the largest project that a Maltese Government has ever embarked upon. In July 2007, Skanska is bound to complete Mater Dei Hospital and hand it over to Government. This should allow Maltese people to start enjoying a quantum leap in health services.

The number of interventions at St Luke's is always on the increase. While during the year 2000 less than 25,000 interventions were performed, last year more than 32,000 interventions were performed which means an increase of 7000 interventions – an average of 20 interventions per day. Notwithstanding this, Government wants to respond to the ever increasing demand from patients who are waiting for medical intervention. I wish to make it clear that here I am not referring to urgent interventions: these are always performed immediately. While we are investing in a hospital which will have more operating theatres, we have to admit that human resources in this sector are scarce. Therefore Government is working on a solution for the reduction of waiting time.

We have taken these decisions in order to continue to improve our health services.

We shall build a rehabilitation facility of 280 beds in Luqa, near St Vincent Residence. This means that the number of beds will be four times more than what we have today. Our project also permits that patients who remain in hospital for rehabilitation purposes will be able to receive outpatient services while all the beds will be used to provide acute care. We shall transform Zammit Clapp Hospital to cater for Oncology and Dermatology services of the highest standard with an investment of Lm 3.5 million. The demand for cancer therapy is always on the increase and nowadays Boffa Hospital has become too small to cope. The new service will offer better facilities both to patients and to workers.

It is also time to make a new investment on medical equipment for Oncology. We shall invest heavily in the purchase of two linear accelerators which cost around Lm 2 million.

A few days ago I had the pleasure of opening the complex of Madre Theresa at St Vincent which accommodates 108 elderly women. This is another confirmation of Government's commitment towards the elderly population. This project, which cost Lm 3 million, is yet another step in a wide modernisation project which started a few years back.

Next year construction work will begin on the Residence for the Elderly at Mellieha on the basis of a 'Public Private Partnership'.

Personalised Social Services and the Disability Sector

The social sector will remain the main pillar of Government's policy. Next year expenditure on social benefits will reach a record of Lm243.3 million. This is a sector which strengthens Maltese society and contributes indirectly to the economy.

Mr Speaker,

We cannot secure a future for our children unless we recognize the challenge in front of us of sustaining an adequate pensions system for future generations. The political convenience of procrastinating this problem is not in the interests of our youths. Government has presented to this Parliament a draft which envisages that a sustainable and adequate pensions system. I would like to express my gratitude to all those who have contributed in this direction so that next year we can initiate the implementation of this important reform.

In addition to Government's expenditure on social benefits, this Budget is providing approximately Lm 10 million to sustain personalised social services which support persons in difficult circumstances. Nowadays, the agencies Appoġġ, Sedqa and Sapport have become important tools so that Maltese society will provide professional support services to those needing them.

Next year we shall initiate a number of other social programmes to address different needs.

Government, in partnership with the Church, will open Pirotta Residence in Birkirkara as a community residence for persons with special needs.

Government is also initiating a programme for the fostering of children experiencing great difficulties. This service will build on the success which we accomplished in recent years with the fostering programme developed by the Agency Appoġġ.

In collaboration with the Local Council of Birkirkara, we shall develop a day-care centre for children named "Ċentru għall-Ħarsien tat-Tfal Matul

il-Jum”, which should serve as a model of how the Central Government and a Local Council can cooperate to provide this important service.

Next year we shall also establish an Office for the Commissioner of Voluntary Organizations which should provide the legal and administrative framework for the further consolidation of this important sector. This framework will be an important tool for voluntary organizations to be able to participate in EU programmes.

Next year will mark the European Year of Equal Opportunities for All. This year should present us with the opportunity to focus on how Maltese society can continue along its path to ensure equal opportunities for all sectors of the Maltese society.

These are a few of the important measures for which Government is allocating funds for the coming year, funding which will translate into services which value the most needy, so that no one will be left by the wayside.

The Housing Sector

While Government continues to adopt a policy to encourage citizens, as far as possible, to own their own houses, Government is aware that there is a sector in society who cannot reach this aim without assistance. Therefore, Government’s policy in this sector is a dynamic one and seeks to address this area through different initiatives which vary from aid to young families about to buy their first house from the private market, to extensive programmes of lift installations in houses and apartments of elderly and disabled persons.

During the course of this year, the Housing Authority offered 260 properties for sale at a subsidised price at a cost in excess of Lm 1.6 million. It also passed on around one hundred apartments to the Department of Social Accommodation to be allocated on lease. The Authority is planning to offer for sale more than another 450 properties during the course of next year. It will continue to work on Urban Regeneration projects in the localities of Valletta, Floriana, Msida and Cospicua.

This year, the Authority has launched two schemes to attract property in private ownership to the social accommodation market.

The first scheme encourages owners who are interested to lease their property to the Housing Authority for a period of not less than ten years. Government intends to grant a favourable tax rate of 5% on income derived from such leases to those owners who are prepared to lease their property to the Authority for this purpose.

Through the second scheme, the Authority buys properties from private owners which are either leased after being refurbished, or sold under the Shared Ownership Scheme.

During the course of last year, the Housing Authority launched the first Shared Ownership Scheme with 132 properties. The aim of this scheme is to assist more persons to become house owners. Table 16 sets out more detail on this scheme.

Table 16: Shared Ownership Scheme

This scheme provides that applicants who do not have the financial means to buy the entire property will be given the opportunity to buy a share in the property, with the possibility of buying the remaining share at a later stage. Through this scheme, Government is giving the opportunity to those who normally cannot afford to buy property to utilize the equivalent money which they normally pay for rent, to spend it to become owners of their houses. The market value of the properties under the first issue of the scheme amounted to over Lm 5 million. This shows how much this Government is committed in practice to invest in social accommodation for the most needy.

During the pre-Budget discussions, we received very positive comments on this scheme. It appears that this scheme has helped a number of families who for a small margin could never become owners of their house and are now fulfilling their dream. As from next year, Government is extending this scheme to those who buy from the private sector. The Housing Authority will finance or guarantee a sum of between Lm 5,000 and Lm 8,000 to couples and families who wish to buy their first house but who do not have the required collateral to obtain a Bank loan. Through this scheme we aim to help around 400 families to become owners of their house.

Environment

Mr Speaker,

This evening we shall reiterate our firm commitment in favour of the environment. We shall vote a total of Lm46.9 million for rural development and the environment, with the capital expenditure for 2007 increasing by Lm5.8 million to Lm22.1 million. We shall also invest Lm28.1 million, an additional Lm5.8 million in comparison to the previous year on road works and projects which will continue to enhance the appearance and environment of our towns and villages.

This amounts to a capital investment of Lm43.9 million or Lm11.6 million more than last year. An investment to embellish the country we live in.

Today, 17 percent of Maltese Land is regulated by law as *Special Area of Conservation* or *Specially Protected Area*. This amounts to more than 50 km² of land protected by law. This does not include the stretches of sea which are being placed under legal protection. This Government cherishes the historical heritage of our country, and shall accordingly invest Lm3.6 million in projects which further bring to light on the unique historical and architectural heritage of our country. This means that while the multitude of initiated projects will continue, we shall also set in motion new projects. To mention a few, these include work on Biblijoteka Nazzjonali, the Main Gate of Mdina, the conservation and restoration of the Old Church in Siggiewi, the aquaduct between St. Venera and Balzan and works in the centre of Qrendi, Luqa, Żabbar and Xatt is-Sajjieda in Marsaxlokk, the Floriana mall and the Ta' Xbiex promenade.

Our country is renowned for its long stretches of bastions and fortifications; around 25 kilometres encapsulate the three cities, Valletta and Floriana, Mdina and the Citadel in Gozo. We have to halt the damage these are suffering while allowing their splendour to shine through. We have initiated projects that will cost tens of millions of Maltese liri, spread over a seven-year period. We are considering co-financing from the European Union for these projects.

Together with the Lm 11.9 million allocated by Central Government, Local Councils will have the opportunity to participate in a number of programmes to which we will allocate Lm 1.8 million. Table 17 sets out this detail.

Table 17: Local Community Embellishment Funds

Government wants its authorities to be committed towards the promotion of development in our localities. With this aim in mind, MEPA approved the allocation of just under Lm 1 million to various localities for urban improvement. Funds are allocated to the Urban Improvement Fund from approved planning applications which do not provide parking space and which are not covered by the Commuted Payment Parking Scheme. The money may be used for projects submitted by the central Government or Local Councils. Projects which MEPA deems eligible for the funds include; gardens, better traffic management schemes and facilities for disabled persons.

Another fund administered by MEPA is the Environment Initiatives in Partnership Programme (EIPP). This is intended to help those communities which have suffered inconveniences due to a considerable amount of development in their locality. MEPA has concluded four projects thanks to EIPP funds. These were the restoration of St. Michael's Chapel in Burmarrad, cleaning of the site in Tal-Baqqari, the restoration of the Victoria Lines in Ta' Kaduma and the monitoring of artificial reefs close to il-Merkanti at Dragonara Point. Work is also in progress on eight other projects, including an educational documentary about the Mediterranean and 2 restoration projects in Gozo.

Local Councils, together with NGOs, will be able to participate in 2 EU programmes in order to enhance the quality of life in their localities. We shall allocate Lm500,000 from the European Agricultural Fund for Rural Development as well as Lm300,000 from the European Regional Development Fund.

Waste management

WasteServ has been allocated Lm3.5 million in co-financing under the Structural Funds of the European Regional Development Fund, for rehabilitation of the closed landfills in Maghtab, Qortin and Wied Fulija. We are at an advanced stage in the rehabilitation of the Maghtab landfill. The engineered landfill in Ta' Zwejra took up around 600,000 tons of waste. Now that this has been filled, Government is investing Lm10 million on the development of a new engineered landfill in Ghallis. It is estimated that this facility for domestic waste will be filled at a rate of 250,000 tonnes of waste per year for a period of not less than 7 years.

WasteServ is at a very advanced stage in order to start operating the 5 Recycling Centres for Bulky Waste and as from next month, the first two centres in Maghtab and Mriehel will be open for public use. These centres will make it easy for one to dispose bulky waste once it is separated.

The development of these sites is part of a project that also includes the introduction of more bring-in sites and an ongoing information campaign. All this is being done through co-financing from the European Regional Development Fund to the tune of almost Lm 2 million.

Other new initiatives include a family park next to sant Antnin, tree planting and an animal centre. Table 18 sets out more detail on the projects that will be implemented..

Table 18: Family Park adjacent to Sant' Antnin

A Project Description Statement has been submitted to MEPA for the construction a Family Park in Marsascale adjacent to Sant' Antnin plant. The site chosen until now has been neglected to date and was used as a dump. Thanks to this family park we will enhance the characteristics of the natural environment in Wied il-Għajn.

Afforestation

Following the success of the 34U campaign, Government will continue giving its contribution for the planting of more trees in our country. Next year's aim will be more extensive, and with the public's help 5 zones will be developed around Malta. We shall double the aim for next year to

20,000 trees. Although many of these trees are being donated by the public, on its part Government is taking care of the required infrastructure, including the building of rubble walls, reservoirs and irrigation systems, as well as maintenance work. In order for Government to keep up his contribution, the vote for purpose shall increase to Lm150,000.

Animal Welfare

Government is working to set up a foundation for animal care. The scope of the foundation includes management of the National Centre for Animal Care which will be set up by Government. This centre will embrace a number of modern facilities which includes an after-care clinic and boarding kennels. For this aim Government is voting Lm 60,000 so that in work on this centre will commence in 2007.

Programme for Rural Development

Under the present programme for Rural Development 2004-2006, there are a number of measures which will be carried over for a number of years to the next programme. These consist in agri-environmental measures and include the building of rubble walls and organic farming. For these measures the projected expenditure for 2007 amounts to approximately Lm1.5 million. Furthermore, there are also aids under the Structural Funds for investment in agricultural structures and improvement of processing. Expenditure for the year 2007 under these two measures will amount to Lm1.44 million. Consequently, the total expenditure on rural development for 2007 is projected to reach around Lm2.94 million.

In the year 2007, the new programme for rural development 2007 - 2013 also enters into force. Under this programme, which is currently in the preparation stages, we are projecting an expenditure of around Lm2.4 million for the 2007. Lm 2 million from this total sum consists in aids to farmers and producers to strengthen their competitiveness while attaining quality, health and environmental protection standard. The rest of the funds shall be allocated to investment projects within rural zones which that embellish and preserve the natural and rural environment.

Fisheries

In the fisheries sector, the main priorities shall be to further improve the facilities for fishermen in the ports of Malta and Gozo, measures which strengthen production from fish farms, the reallocation of fish markets as well as aid for the modernization and improvement of fishing vessels. These projects, in conjunction with others, will be partially financed by the European Union. Lm 1.9 million are being allocated for this purpose.

Roads

We have bolstered the roads network in Malta and Gozo. Thanks to funds derived from the fifth financial protocol between Malta and Italy and EU funds, the average expenditure on road works in Malta and Gozo during the last 3 years has risen to more than Lm 15 million per year.

The positive effects of these works are already being felt. It is planned that the rhythm of this work will be kept up during the coming years. The challenges of carrying out works to the highest quality standards and within the stipulated timeframes are being met successfully. The remaining challenge is that of executing these works with the least inconvenience possible for road-users and residents nearby.

From 2003 onwards, 379 new residential roads were built in 46 locations in Malta whilst in Gozo, another programme is being coordinated by the Ministry for Gozo and the ADT. The rhythm picked up in the past 5 years has substantially decreased the list of roads still requiring works. Government has compiled a list of these roads. We have identified around 450 residential streets which will be built by the Central Government by end 2008. The estimated cost for these roads, with a length of 55 kilometres, exceeds Lm8 million. Calls for tenders have already been issued for the commencement of work on 80 of these roads.

In the coming months Government shall issue a call for tenders, for arterial roads projects, to be financed by the European Union. These include the upgrading of the road connecting 13th December Street in Marsa to the Cruise Passenger Terminal, and the upgrading of Council of Europe street in Luqa. It is planned that by the end of next year, we will have completed Lm13 million worth of projects in arterial roads development.

European Union Funds

Our country's experience in use of EU funds has been a positive one and augurs well for the future.

Mr Speaker,

During the forthcoming year, we will be facing massive challenges in this sphere! We have at our disposal much more EU funds than we have had to date. Indeed, we have four times more per year. Under this new Budget, Malta receive have an average of Lm50.4 million annually in Structural Funds and Cohesion Funds alone. These in addition to an extra Lm33.6 million under the Agricultural and Rural Development Fund, and the Fisheries Fund during this financing period. These figures look good on the eye but require much work and discipline in order to be converted to benefits for our country.

Government has drawn up the strategy and draft Programmes which are currently being negotiated in an informal manner with the European Commission. It is Government's aim to start applying these Funds to projects as from early next year.

Government's strategy for using these Funds is built on a number of aims. These include the improving our country's competitiveness and the standard of living of Maltese and Gozitan citizens, while addressing Gozo's special needs. These aims give rise to a number of priorities, including education and training, employment and social inclusion, research and innovation, tourism, historical heritage, industry, environment, transport and renewable energy. These are priorities which also emerged from discussions I had earlier this year. I can confirm that there is also an agreement in principle with the European Commission on these priorities and we are now expecting to start formal negotiations. Once an agreement is reached on these programmes, the projects may commence. Contemporaneously we are also preparing strategies for the agricultural, rural development and fisheries sectors.

I am convinced that the Maltese and Gozitan population together with the public administration will live up to this commitment with the same level of determination and perseverance shown by everyone in the implementation of the present Programme. I trust that we will achieve the same result.

Incentives to Generate Employment, Stimulate Economic Growth and Other Measures

Mr Speaker,

In the beginning of my speech, I declared that the aim of this year's Budget is to secure our children's future. One of the ways how this can be achieved is by generating employment and stimulating economic growth. We will therefore propose a number of measures, specifically aimed towards the achievement of such goals.

I would like to emphasize that in the measures to be announced, Government is acting responsibly and taking decisions following a detailed analysis of projected revenue for the coming years. I would also like to add that the measures being proposed in this budget should have a positive economic impact, for instance an increased female participation rate in the labour market, more productive workers and reduced burdens for the self-employed.

It is a fact that we are managing to curtail recurrent expenditure without failing our social obligations. Furthermore, Government revenue is consistently meeting the targets established towards the beginning of each year, without tax increases.

We are convinced that this will be achieved once again in the forthcoming year and in the following years. The economic growth we are registering clearly shows that the increase in revenue we are seeing is generated by increased economic activity and not through tax rises.

I am therefore pleased to announce that for the second consecutive year, we have managed to present a Budget without new taxes, and indeed without any rises in existing taxes.

Moreover, this year we shall start taking the first steps to alleviate the tax burden, where this is possible.

Energy Benefit and Incentives for Energy Conservation

As I stated in the beginning of my speech, Government is aware of the pressure imposed by oil prices on Maltese and Gozitan families. With full responsibility, we reiterate that if some relief is to be granted, this

should be in the form of a raise in our families' income and not in the form of a subsidy on the surcharge. Otherwise, we would be discriminating against those who are conscientious about the need not to waste, and who use energy in a responsible manner. Government shall however introduce an energy-related benefit for those categories in our society who need our solidarity.

In order to alleviate the burden on families caught up in a difficult financial situation, we shall introduce the energy benefit. Families eligible for non-contributory benefits, which amount to approximately 17,000 families, will benefit from this aid. The benefit will be calculated in such a way to neutralise the surcharge impact on the basis of average consumption, according to the number of beneficiaries. This will be awarded in the form of a voucher redeemable on payment of the water and electricity bill of such family.

We need to implement measures that encourage more efficient energy use. As of the 1st November we will offer assistance up to a 20 percent of the purchase price, capped at Lm50, on washing machines, tumble dryers, refrigerators, freezers and airconditioning equipment for domestic use, that are certified as being energy efficient. This will be in accordance with the provisions of Legal Notice 99 of 2002.

Change in Computation System of Social Security Contributions on Part-Time Employment

Part-time employment as a main employment has become a common characteristic of the Maltese economy. For this reason, Government has decided to adjust the social security contribution paid by part-time employees for whom such employment is their main job.

To date, part-time employees who work more than eight hours per week, regardless of the amount earned, are obliged to pay a minimum contribution of Lm5.79 per week, which is equivalent to 10 per cent of the National Minimum Wage. In view of this system, many are those who wish to work on a part-time basis but are dissuaded from doing so.

In order to address the difficulties encountered by part-time workers, in this Budget the Government has decided that as from the 1st of January 2007, the social security contributions due by employees working eight

hours or less shall be adjusted to 10 per cent of what they earn from such work.

This *pro-rata* rate of social contributions gives the contributor a *pro-rata* entitlement to contributory benefits. Through these measures, Government is alleviating the burden on workers and strengthening the part-time work sector. It is calculated that this measure will signify a loss of approximately Lm 1 million in Government revenue.

Government considers this measure to be yet another step in the required reform in order to make part-time work more attractive. The next discussions on the agenda concern the social security contributions to be paid by employers who provide work to part-timers. This discussion must take into account the duties of employers who employ workers for an 8 to 19-hour week.

Measures to help the family in its responsibilities

Government is well aware that more and more women and men are choosing to seek employment. This choice presents new challenges for the family, which must fulfil its duties as a family, while balancing these duties with work responsibilities. In this Budget, Government shall adopt a number of measures which help the family in the fulfilment of its responsibilities.

First, Government decided to extend those measures in favour of the family applicable to the Civil Service to the entire Public Sector. This measure shall benefit around thirteen thousand Public Sector employees.

Second, Government shall allow parents to deduct Lm400 from the taxable amount to make good for part of the expenses incurred in licenced childcare services.

Third, in those cases where employers pay their employees for expenses related to childcare services, such expenses are considered as business costs and therefore are deductible from taxable income.

Fourth, in those cases where employees receive payment from their employer for expenses related to childcare services, such payments shall no longer be considered as fringe benefits in the hands of the employee and will therefore no longer be taxable.

Together with these measures, Government shall continue helping, through funds and technical advice, existent child care services to improve their operations. Various other programmes having the same aim and financed under the European Social Fund shall also be continued.

Revision of Tax Bands

The study carried out by the Tax Revision Commission clearly showed that Government should not change tax rates. However, Government should consider how to adjust tax bands in order to provide a greater incentive to those who want to work harder.

Following a detailed analysis, we have decided to change the present tax bands in order to incentivise those who wish to work. The main aim behind this change is to reduce the current disincentive for those who want to work harder. To date, we have a situation where some persons refuse to do overtime on the basis of the belief that they would be taxed at a higher rate than if they do part-time work at the 15 per cent rate.

This change will amount to a loss of approximately Lm12 million in Government revenue from income tax.

Tables 19 and 20 show the new bands for a joint declaration and single declaration respectively:

Table 19

Revised Income Tax Rates for married couples presenting a joint declaration

Present Rates		Revised Rates	
Income up to	Rate	Income up to	Rate
0 - 4300	0	0-4500	0
4301 - 6000	15	4501-8000	15
6001 - 7250	20		
7251 - 8500	25	8001-10000	25
8501 - 10000	30		
10000+	35	10000+	35

Table 20

**Revised Income Tax Rates for
Single individual declarations**

Present Rates		Revised Rates	
Income up to	Rate	Income up to	Rate
0 – 3100	0	0 - 3250	0
3101 – 4100	15	3251 - 5500	15
4101 – 5000	20		
5001 – 6000	25	5501 - 6750	25
6001 – 6750	30		
6751+	35	6751+	35

Through the changes I am announcing today, in case of joint computation, the non-taxable amount under the first band will increase by Lm200 to Lm4,500. In order to truly incentivise those who want to work harder, the band of income taxed at 15 per cent shall be extended by Lm2,000, that is from Lm6,000 to Lm8,000; the 20 per cent band has thus been removed. The 25 per cent band shall be raised by Lm750 and is thus extended to Lm10,000. The 30 per cent has therefore also been removed.

A couple which does not earn more than Lm8,000 annually, shall benefit from an income tax reduction of up to Lm 168 annually, thanks to this reform. If this couple earns between Lm8,000 and Lm10,000, it will benefit from a tax reduction ranging from Lm168 to Lm243 annually.

In case of separate computation, the non-taxable amount shall increase by Lm150, thereby increasing to Lm3,250. In order to give a genuine incentive to those who wish to work harder, the 15 per cent tax band shall be extended by Lm1,400, thus taking it up to Lm5,500. The 20 per cent band has been removed. The 25 per cent tax band shall increase by Lm1,750, and has thus been extended to Lm6,750. The 30 per cent tax band has been removed.

A single person earning between Lm4,500 and Lm5,500 annually will save between Lm 43 and Lm 118 on income tax. Those earning between Lm5,500 and Lm7,000 will save between Lm118 and Lm143 per year. This means that couples who in aggregate earn between Lm11,000 and

Lm14,000, and who choose a separate computation, will save between Lm236 and Lm286.

The message is clear. Government believes that an average tax of between 15 per cent up to a maximum of 25 per cent is a reasonable contribution for the country's financial requirements. It is not excluded that if financial objectives continue being attained and the economy reacts positively to this measure, Government will continue with this reform and start applying the 35 per cent rate at a higher ceiling than present.

In the changes we are effecting to the bands of those who opt for a separate computation and single persons, the reform aims to reach the same goal, namely that of providing an incentive to those who want to work harder.

Tables 21 and 22 indicate the positive impact of the new bands.

Table 21: Joint Computation

Joint Computation	
Income	Tax Reduction
0-4300	0
4500	30
5000	30
5500	30
6000	30
6500	55
7000	80
7500	118
8000	168
8500	168
9000	193
9500	218
10000	243
10500+	243

Table 22: Separate Computation

Separate Computation	
Income	Tax Reduction
0-3100	0
3250	23
3500	23
4000	23
4500	43
5000	68
5500	118
6000	118
6500	143
7000	143
7500	155

We also decided that payment of tax refunds owed by the Inland Revenue Department to various individuals and companies for previous years will no longer be postponed indefinitely. The amounts due shall be paid in the stipulated time frame. The average period envisaged will be of 12 months, going up to a maximum of 36 months where amounts are substantial. The Department shall also bind itself to pay interest at the rate of 1 per cent monthly. This constitutes another step so that those paying extra tax will no longer be left in the dark.

Supplementary Aid

With effect from the 1st of January 2007, Government is increasing the supplementary benefit aid both for married couples as well as for single persons. This benefit provides additional income for those low-earners who do not benefit from children's allowance. For married couples, this benefit will increase by a minimum of Lm 15 annually and a maximum of Lm 20 annually, according to the couple's income. For single persons, this benefit shall increase with a minimum of Lm12.50 annually and a maximum of Lm15 annually, always according to the person's income. It is estimated that this adjustment represents an increase of Lm250,000 annually for the benefit for 2007.

Air Departure Tax

On attainment of our financial targets, and in the context of the tax measures I have just announced, as from the 1st of June 2007 we shall remove the Lm10 from the air departure tax which we had introduced in August last year.

Severe Disability Pension

In the Budget announced two years ago, we had introduced a measure whereby when two disabled persons eligible for a severe disability pension get married, they do not lose this benefit. I can personally vouch for the fact that this measure has already made a difference in people's lives. We shall now take a further step in this direction: a disabled person in receipt of a severe disability pension and who gets married to a person who is not disabled does not lose this pension in view of the income of his/her spouse during the first five years of marriage. Through this measure, the severe disability pension shall continue to be of financial aid to the persons concerned in the first five years of marriage.

Widows'/Widowers' Pension

During the widespread consultation carried out prior to this Budget, I had the fortune of coming across two cases of widows who explained to me how the Budget can be of help to them. A widow with three children who have completed secondary education explained to me that she was feeling compelled to reduce her working hours in order to earn more than the minimum wage, as otherwise she would lose her entitlement to the widow's pension. This happened at a time when her children's expenses were constantly increasing as they got older. Another widow spoke to me about the fact that she wished to remarry but would lose her pension on getting remarried. The Government listened to these stories and decided to arrange this situation in this Budget. As from the 1st of January 2007, a widow or widower entitled to a widows'/widowers' pension will remain so entitled to the fixed rate of this pension when they earn more than the minimum wage and in the first five years of marriage.

Duty on Documents and Transfers

We shall amend the duty on documents and transfers as explained in Table 23, in order to help couples when they inherit from each other.

Table 23

To date, when a person inherits property which was the residence of the transferor, the first Lm10,000 of the value of the property are exempt from tax. We are now extending this value to Lm15,000.

At the same time, if the person inheriting the property as mentioned above resides with the transferor, this person pays the reduced rate of 3.5 per cent, instead of 5 per cent on the value in excess of Lm10,000. This beneficial rate of 3.5 per cent now applies on the value in excess of Lm15,000.

Another rule stipulates that when a person resides in a tenement he/she inherits, and in which the transferor does not reside, the first Lm20,000 of the value of the property attracts the beneficial rate of 3.5 per cent instead of 5 per cent. This Lm20,000 shall be extended to Lm30,000 of the value of the property.

Securitisation

A considerable amount of people have been waiting for many years to receive compensation from Government following expropriation of their land. Government, through the law on Securitisation, as explained in Table 24, shall set up a fund worth Lm20 million in order to settle these due amounts faster.

Table 24: Property Fund

We have a substantial amount of people who are still awaiting compensation for land expropriated from them from Government for public purposes.

Today, the law on Securitisation is offering a new opportunity for Government to honour its duties much faster than if we continue following the practices of these past few years.

It is worth mentioning that provisions have already been made for these creditors throughout the years, and consequently, what I am proposing in this Budget will have no impact on Government revenue, since this should only be considered as financing in

accordance with rules established by the 1995 *European System of Accounts* (ESA).

During the forthcoming year, Government shall place a number of its properties under this fund, which shall be administered by a financial institution to be chosen following the issue of a call for tenders, and which shall be listed on the Maltese Stock Exchange.

This Fund will offer to these Government creditors bonds having a ten-year maturity period and bearing interest. The biggest advantage of this scheme is that whoever wants to liquidate this investment or use it as collateral to obtain a bank loan, will be able to do so either by trading these bonds on the Malta Stock Exchange, or else by using these bonds to secure a loan. Participation in these *bonds* will take place by offer, however creditors owed money by Government due to property expropriated will be given priority, with first preference being given to the hundreds of small owners who have been waiting for the compensation due for many years.

The document establishing this fund, which is estimated to have a value of Lm20 million, will bind the financial institution with procedures concerning transparency and accountability, stipulating the manner in which property comprising the fund may be transferred, its payment obligations, annual interest to bond holders and the capital on maturity of bonds after the ten-year period.

Compensation for Cost of Living

This year's increase for cost of living, calculated on the basis of the rate of inflation in accordance with the Retail Price index, shall be of Lm2.25 per week.

This time last year we were experiencing special circumstances caused by a steep rise in oil prices. Back then we had forecast that in view these exceptional circumstances, the cost of living for this year would be somewhat higher. In order to make good for this increase, in last year's Budget, Government had granted 50 cents from the compensation for cost of living for this year in advance.

Our Vision Forward

Mr Speaker.

This budget, like the previous budget, does not envisage new taxes or increases in tax rates. It takes a further step forward in adjusting income tax to reward work effort. It is a budget that strengthens female participation in the workplace. It is a budget to benefit all Maltese families.

When we say that together we want to build a secure future for our children, we are not talking about something in the far distance.

The future begins today because it is nurtured by what we do or do not do, as from today. We cannot brush the problems we face today under the carpet and leave them unresolved, saying that we have enough time. Government insisted that we face the pensions problem today so that our children will not be faced with a crisis tomorrow.

This is the serious governance the Maltese people expect.

The Budget which I have presented today is the cornerstone on which we can build a secure future. Every measure we are taking is analysed in the light of: To what extent does it help to give us a good present, and a better future?

The world in which our children will live within the next ten, fifteen, twenty years will be different from the world we live in now. Exactly how it will be, we do not know. It depends a lot on today. But in the sketches being drawn up today, we can already catch a glimpse of tomorrow's picture, which is currently being nurtured.

We will have a world increasingly dominated by information technology, We have to ensure that technology is serving man and not vice versa. Technology must be designed in image of man, and not man in the image of technology. The heavy investment that we are making in the education of our children should give them the key to open the door to the future, to overcome and not be overcome by the possibilities which this world will offer.

We have to ensure that those amongst our children, who for some reason or other may not be able to master these new possibilities, are not excluded from society and fall by the wayside. These are also our children, and we must value them and must not jeopardise their dignity. They too must be able to fulfil their aspirations in life.

In tomorrow's world society will remain more important than the State. In this society therefore, more and more importance and power should be given to non-governmental organizations which form part of civil society. We have to find a way of empowering these organisations so that together with the organs of the state we create a society built on a communication web which our children truly deserve and which satisfies their needs and various capabilities.

In building a secure future for our children, there is also an important place for those who do not agree with our policy direction. The discussion for alternative solutions alternative solutions to actions undertaken by Government as well as those proposed in this budget, strengthens our children's future. There are areas which are not absolutely crucial to agree on, but there are other matters which are vital everyone agrees on, including the Opposition, and that everyone tows the same line. I believe that our people want a situation where we will work more closely together. It is essential that we work closer together in order to secure the future of our children.

We are all one family and it is as one family that we may grow in strength.

One final word - our children will have a secure future, if we, the Maltese and Gozitans of today, have faith in ourselves and our abilities. Together we have already made significant inroads and won many a challenge. Together we can build a better future for us and a secure future for our children.

STATEMENT A

REVENUE 2006 : REVISED ESTIMATES COMPARED TO THE APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE Lm	REVISED ESTIMATE Lm	VARIATION		REMARKS
			+	-	
	Lm	Lm	Lm	Lm	
TAX REVENUE					
Direct - Income Tax	242,100,000	250,244,000	8,144,000	-	Higher receipts than expected from final settlement system.
Social Security	193,800,000	209,800,000	16,000,000	-	Higher receipts than expected from employees in private firms and the self employed. One third of the amount represents State Contribution.
Indirect - Customs and Excise Duties	72,290,000	73,190,000	900,000	-	Higher receipts than expected from import duties.
Licences, Taxes and Fines	94,891,000	94,816,000	-	75,000	
Value Added Tax	182,200,000	174,300,000	-	7,900,000	Shortfall expected against the original estimate.
TOTAL TAX REVENUE	785,281,000	802,350,000	25,044,000	7,975,000	

STATEMENT A

REVENUE 2006 : REVISED ESTIMATES COMPARED TO THE APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE Lm	REVISED ESTIMATE Lm	VARIATION		REMARKS
			+	-	
	Lm	Lm	Lm	Lm	
NON-TAX REVENUE					
Fees of Office	20,313,000	18,957,000	-	1,356,000	Shortfall mainly due to lower receipts than expected from fees levied by WasteServ.
Reimbursements	10,171,000	10,843,000	672,000	-	
Public Corporations	2,733,000	2,233,000	-	500,000	Malta Maritime Authority is not expected to pass any profits to Government in 2006.
Central Bank of Malta	10,000,000	10,000,000	-	-	Year 2005 actual profits passed to Government.
Rents	9,400,000	9,420,000	20,000	-	
Dividends on Investment	1,800,000	6,200,000	4,400,000	-	Increase due to profits/dividends higher than projected being passed to Government by Maltacom and Bank of Valletta.
Repayment of Government Loans and Interest	77,000	77,000	-	-	
Grants	82,574,000	75,966,000	-	6,608,000	The majority of receipts from the Vth Italian Financial Protocol had been withdrawn in 2005.
Miscellaneous Receipts	29,197,000	29,938,000	741,000	-	Increase due to higher proceeds than expected from several miscellaneous receipts.
Total Non-Tax Revenue	166,265,000	163,634,000	5,833,000	8,464,000	
TOTAL RECURRENT REVENUE	951,546,000	965,984,000	30,877,000	16,439,000	

STATEMENT A

REVENUE 2006 : REVISED ESTIMATES COMPARED TO THE APPROVED ESTIMATES

HEAD	APPROVED ESTIMATE Lm	REVISED ESTIMATE Lm	VARIATION		REMARKS
			+	-	
	Lm	Lm	Lm	Lm	
NON-ORDINARY REVENUE					
Sale of shares	136,000,000	74,200,000	-	61,800,000	Government privitisation programme for 2006.
Sinking Funds of converted loans	10,400,000	10,400,000	-	-	
Local Loans	0	0	-	-	
Foreign Loans	0	0	-	-	
TOTAL NON-ORDINARY REVENUE	146,400,000	84,600,000	0	61,800,000	
GRAND TOTAL	1,097,946,000	1,050,584,000	30,877,000	78,239,000	

STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
1 Office of the President	749,000	739,000		10,000	
2 House of Representatives	1,186,000	1,201,000	15,000		
3 Office of the Ombudsman	180,000	180,000			
4 National Audit Office	850,000	850,000			
5 Office of the Prime Minister	7,711,000	7,986,000	275,000		Expenditure under Operational and Maintenance Expenses and Contributions to Government Entities categories was higher than expected but was partly offset by lower expenditure under the Personal Emoluments category.
6 Public Service Commission	157,000	157,000			
7 Armed Forces of Malta	13,320,000	13,945,000	625,000		Higher expenditure than originally forecasted, mainly in respect of <i>Third Country Nationals</i> and under the Operational and Maintenance Expenses category, was partly offset by lower expenditure under the Personal Emoluments category.
8 Information	607,000	607,000			
9 Government Printing Press	594,000	564,000		30,000	
10 Electoral Office	1,159,000	1,293,000	134,000		Expenditure under the <i>Electoral Commission Activities</i> is expected to be higher than the original estimate.

STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
11 Ministry for Justice and Home Affairs	3,529,000	3,814,000	285,000		Expenditure under Personal Emoluments and Programmes and Initiatives (mainly due to <i>Detention Service</i> and <i>Third Country Nationals</i>) was higher than expected but was partly offset by lower expenditure under Contributions to Government Entities.
12 Judicial	3,748,000	3,821,000	73,000		Expenditure under the Operational and Maintenance Expenses Category and the Programmes and Initiatives category, was higher than originally envisaged but this variance was partly offset by lower expenditure under Personal Emoluments.
13 Local Government	11,282,000	11,505,000	223,000		Expenditure higher than originally forecast under the Personal Emoluments Category, due to staff brought over from the Water Services Corporation.
14 Police	16,467,000	16,720,000	253,000		Expenditure under the Personal Emoluments and Operational and Maintenance Expenses Categories is expected to be higher than originally forecast, mainly under the items of <i>Utilities</i> and <i>Transport</i> .
15 Correctional Services	2,782,000	2,826,000	44,000		
16 Civil Protection	1,418,000	1,444,000	26,000		
17 Government Property Division	1,929,000	1,882,000		47,000	
18 Land and Public Registration Division	1,110,000	1,174,000	64,000		Expenditure under the Operational and Maintenance Expenses Category is expected to exceed the original forecast.
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STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
19 Ministry of Finance	28,366,000	29,324,000	958,000		Higher expenditure than originally projected is primarily due to the <i>EU Own Resources</i> contribution, and is partly offset by savings under <i>EU Pre-Accession Programmes</i> .
20 Treasury	5,701,000	3,560,000		2,141,000	The amount voted under <i>Salaries and Wages Adjustments</i> will not be required in full by the end of the year.
21 Pensions	32,834,000	32,034,000		800,000	It is anticipated that the amount originally voted under <i>Pensions, Allowances and Gratuities</i> will not be required in full by the end of the year.
23 Inland Revenue	5,907,000	11,398,000	5,491,000		Supplementary funding will be requested to cover Repayment of Income Tax, and is expected to be partly offset by savings under the Personal Emoluments category.
24 Customs	5,545,000	5,255,000		290,000	Expenditure under Personal Emoluments and Programmes and Initiatives categories is expected to be lower than expected.
25 V.A.T.	3,062,000	2,994,000		68,000	Expenditure under Personal Emoluments category is expected to be lower than the original forecast.
26 Contracts	493,000	460,000		33,000	
27 Economic Policy	461,000	413,000		48,000	
28 Ministry of Education, Youth and Employment	44,419,000	45,147,000	728,000		Higher expenditure mainly under the <i>Church Schools</i> item is expected to be partly offset by lower expenditure under other items within the Programmes and Initiatives category.

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STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
29 Education	51,442,000	52,124,000	682,000		Expenditure under Personal Emoluments, mainly <i>Allowances</i> , and Operational and Maintenance Expenses, mainly under <i>Materials and Supplies</i> and <i>Transport</i> , is expected to be higher than originally forecasted.
30 Industrial and Employment Relations	592,000	557,000		35,000	
31 Libraries and Archives	690,000	665,000		25,000	
32 Ministry for Tourism and Culture	4,978,000	4,979,000	1,000		
33 Ministry for Competitiveness and Communication	4,633,000	4,555,000		78,000	Higher expenditure to cover <i>Contractual Services</i> is expected to be offset by lower Public Service Obligation requirements. Furthermore, savings are expected to materialise under the approved budget allocation for <i>Pre-Accession Programmes</i> .
34 Commerce	4,010,000	2,766,000		1,244,000	The amount voted under <i>Food Subsidies</i> will not be required in full by the end of the year.
35 Consumer and Competition	560,000	499,000		61,000	Lower expenditure than originally forecasted is expected to be registered under the Personal Emoluments Category.
36 Civil Aviation	567,000	561,000		6,000	
37 Ministry for Resources and Infrastructure	17,845,000	17,210,000		635,000	It is not expected that the original budgeted amounts under the Personal Emoluments category will be required in full by the end of the year.

STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
38 Ministry for Gozo	20,672,000	20,893,000	221,000		Expenditure under Personal Emoluments, Operational and Maintenance Expenses and the Programmes and Initiatives categories is expected to be higher than the original forecast.
39 Ministry for Health, the Elderly and Community Care	79,637,000	82,032,000	2,395,000		Expenditure under Personal Emoluments (mainly <i>Staff - Salaries and Wages</i> and <i>Social Security Contributions</i>), Operational and Maintenance Expenses (mainly <i>Utilities</i>), Programmes and Initiatives (mainly <i>Medicines and Surgical Materials</i>) and Contributions to Government Entities is expected to be higher than the original estimate.
40 Elderly and Community Care	15,706,000	15,863,000	157,000		Higher expenditure than originally forecasted under the Operational and Maintenance Expenses Category (mainly <i>Utilities</i>) should be partly offset by lower expenditure under the Personal Emoluments Category by the end of the year.
41 Ministry for Investment, Industry and Information Technology	40,533,000	37,704,000		2,829,000	Expenditure under the Programmes and Initiatives and Contributions to Government Entities is expected to be lower than originally forecasted.
42 Ministry for Rural Affairs and the Environment	26,817,000	25,988,000		829,000	Overall savings are expected to be registered under this Vote by the end of the year, most of which originate under the Programmes and Initiatives category.
43 Ministry for Urban Development and Roads	3,952,000	4,052,000	100,000		Supplementary funding is expected to be required under the Contributions to Government Entities category.

STATEMENT B

RECURRENT EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

Vote	Approved Estimate Lm	Revised Estimate Lm	Variation		Remarks
			+	-	
			Lm	Lm	
44 Ministry for the Family and Social Solidarity	7,028,000	7,474,000	446,000		Expenditure higher than the original forecast is expected under Programmes and Initiatives (mainly due to <i>Refugee Fund</i>) and Contributions to Government Entities, to be partly offset by lower expenditure under the Personal Emoluments Category.
45 Social Security	67,093,000	73,282,000	6,189,000		Expenditure is projected to be higher than the original estimate, mainly under the State Contribution.
46 Social Security Benefits	227,600,000	231,664,000	4,064,000		It is anticipated that expenditure will be higher than expected, primarily under <i>Retirement Pensions</i> .
47 Family and Social Welfare	442,000	417,000		25,000	
48 Housing	1,191,000	1,187,000		4,000	
49 Ministry of Foreign Affairs	10,347,000	10,235,000		112,000	Lower expenditure than originally projected is expected to materialise under Operational and Maintenance Expenses category and under the <i>Commonwealth Heads of Government Meeting</i> item.
TOTAL RECURRENT EXPENDITURE	781,901,000	796,000,000	14,099,000		
49 Public Debt Servicing	87,662,000	89,070,000	1,408,000		Higher interest costs are being forecasted under Malta Government Stocks, as well as Treasury Bills.
TOTAL RECURRENT EXPENDITURE AND PUBLIC DEBT SERVICING	869,563,000	885,070,000	15,507,000		

STATEMENT C

CAPITAL EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	Lm	Lm	Lm	Lm	
I Office of the Prime Minister	1,912,000	1,908,000	-	4,000	Although additional funds were required under AFM capital programme for Third Country Nationals Centres , the overall expenditure under this vote is expected to be less due to lower disbursements under the EU financed projects.
II Ministry for Justice and Home Affairs	3,600,000	6,330,000	2,730,000	-	Payment on contracts for the acquisition of land by Government will result in higher expenditure.
III Ministry of Finance	51,542,000	48,535,000	-	3,007,000	Vote was revised to include expenditure incurred on the Acquisition of Overseas Property item, originally provided under Ministry of Foreign Affairs. Higher expenditure is expected on Mater Dei Hospital and Information Technology whereas a lower expenditure is anticipated on EU Funds and Contributions towards TCF Advances.
IV Ministry of Education, Youth and Employment	7,139,000	7,240,000	101,000	-	Higher expenditure is expected under EU Structural Funds projects and Sport capital programme. Lower expenditure is anticipated under EU Transition Facility, EU Interreg and projects undertaken by University and MCAST.
V Ministry for Tourism and Culture	11,249,000	12,384,000	1,135,000	-	Expenditure on EU co-financed projects is expected to be higher than anticipated. A higher expenditure is also envisaged on contributions to Malta Tourism Authority.
VI Ministry for Competitiveness and Communication	2,172,000	1,556,000	-	616,000	Lower expenditure expected on projects financed under EU Structural Funds and Transition Facility.
VII Ministry for Resources and Infrastructure	2,022,000	2,846,000	824,000	-	Expenditure is expected to be higher than anticipated due to the provision of additional funds to cover storm water project works together with the the demolition/excavation works related to the location of the new American Embassy at Ta' Qali.

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STATEMENT C

CAPITAL EXPENDITURE 2006: REVISED ESTIMATES COMPARED TO APPROVED ESTIMATES

VOTE	APPROVED	REVISED	VARIATION		REMARKS
	ESTIMATE	ESTIMATE	+	-	
	Lm	Lm	Lm	Lm	
VIII Ministry for Gozo	6,168,000	6,670,000	502,000	-	Expenditure is expected to be less than that originally anticipated on the Waste Water Treatment Plant, while higher expenditure is expected under EU Structural Funds.
IX Ministry of Health, the Elderly and Community Care	2,658,000	3,624,000	966,000	-	Higher expenditure is expected for the refurbishment works at the National Blood Transfusion Centre and the re-location of the Medical Stores.
X Ministry for Investment, Industry and Information Technology	26,552,000	27,072,000	520,000	-	Lower expenditure is expected under the Malta North Sewage Treatment Plant and higher expenditure is expected to be incurred on the Privatisation Programme, Capital Venture Fund and Factory Development.
XI Ministry for Rural Affairs and the Environment	16,265,000	15,739,000	-	526,000	Expenditure on EU co-financed projects will be lower than anticipated. On the other hand higher expenditure is expected under Wasteserv Malta Ltd. and on assistance to Farmers and Fishermen.
XII Ministry for Urban Development and Roads	13,111,000	14,496,000	1,385,000	-	Higher expenditure due to Roads' EU funded projects as well as those locally sourced. Lower expenditure is expected under the subsidy on the purchase of new route buses.
XIII Ministry for the Family and Social Solidarity	2,802,000	1,851,000	-	951,000	Contribution provided to Housing Authority will not be utilised this year. Lower expenditure is also anticipated on House loan interest subsidy.
XIV Ministry of Foreign Affairs	1,410,000	333,000	-	1,077,000	Lower expenditure due to EU Transition Facility and suppression of funds under Acquisition of Overseas Property as the outlay to the Brussels' Representative has been transferred on to the Ministry of Finance.
TOTAL CAPITAL EXPENDITURE	<u>148,602,000</u>	<u>150,584,000</u>	<u>1,982,000</u>		