



ANNUAL REPORT  
for the  
EUROPEAN ECONOMIC AREA (EEA)  
FINANCIAL MECHANISM

MALTA

1 October 2008 – 31 August 2009

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## ACRONYMS

ACRONYM	DEFINITION
EEA	European Economic Area
EEAFM	EEA Financial Mechanism
EFTA	European Free Trade Association
ENPI	European Neighbourhood Partnership Instrument
ERDF	European Regional Development Fund
ESF	European Social Fund
FMO	Financial Mechanism Office
FP	Focal Point
HNS	Hazardous Noxious Substances
IAID	Internal Audit and Investigations Directorate
IFAC	International Federation of Accountants
MEPA	Malta Environment and Planning Authority
MGOZ	Ministry for Gozo
MMA	Malta Maritime Authority
MoU	Memorandum of Understanding
MRRA	Ministry for Resources and Rural Affairs
NFM	Norwegian Financial Mechanism
NSRF	National Strategic Reference Framework
OP	Operational Programme
OPM	Office of the Prime Minister
PCR	Project Completion Report
PIP	Project Implementation Plan
PIR	Project Interim Report
PPCD	Planning and Priorities Co-ordination Division
RTDi	Research, Technological Development and Innovation

## 1. EXECUTIVE SUMMARY

This annual report gives an analysis of the implementation of the EEA Financial Mechanism between 1 October 2008 and 31 August 2009 and outlines the progress made by the individual projects being co-financed under this mechanism. Moreover, the report sets out a work plan with objectives to reach over the coming reporting year.

The main items discussed in this report are:

- Strategic background of the financial mechanism vis-à-vis National Priorities
- Projects' progress and contribution to the Priority Areas and Cross-cutting issues
- Financial matters relating to project modifications and payment process

This was the fourth year of implementation for the projects co-financed by the EEA Financial Mechanism. During this reporting period, steady progress was registered in the four projects which are co-financed by this mechanism. Two projects have been modified through a de-commitment and a re-allocation and extension respectively. Monitoring of the projects was consistent through a number of meetings as well as on-the-spot checks carried out on the project sites. A major milestone which was achieved during this reporting year was the implementation of the electronic database which has enabled the projects to start processing payments and requests for reimbursement electronically. A first batch of Project Interim Reports has been submitted and the payment claims made have been acceded to by the Financial Mechanism Office.

## 2. STRATEGIC BACKGROUND

### a. BRIEF OVERVIEW OF THE EEA / NORWEGIAN FINANCIAL MECHANISM 2004 – 2009 IN MALTA

May 2004 saw the enlargement of the European Economic Area (EEA) by ten new European Union (EU) Member States, with an additional two countries becoming members in 2007, thus bringing the total number of EU Member States to 27. The European Economic Area also comprises three non-EU Member State European countries, namely, Iceland, Liechtenstein and Norway, which, following an agreement entered into with the European Community and EU Member States are allowed to participate in the Internal Market on the basis of their application of Internal Market relevant acquis.

2004 also saw the establishment of two Financial Mechanisms to support social and economic cohesion within the enlarged EEA. These are the EEA Financial Mechanism (EEAFM) and the Norwegian Financial Mechanism (NFM) and both have a 5 year programming period covering 2004 – 2009.

The main aims are:

→ EEA FINANCIAL MECHANISM:

“To reduce social and economic disparities within the EEA and to enable Iceland, Liechtenstein and Norway to participate fully in the Internal Market”

→ THE REPUBLIC OF MALTA:

“To select projects for funding, which contribute to the achievement of reducing social and economic disparities”

→ MALTESE FOCAL POINT (FP):

“To ensure the effective implementation of the EEA Financial Mechanism”

Through the EEA Financial Mechanism, EEA European Free Trade Association (EFTA) states will contribute towards:

- SOLIDARITY, by reducing the social and economic disparities in the newly enlarged EEA;
- OPPORTUNITY, by helping new EEA members become fully integrated in the Internal Market;
- COOPERATION, by bringing old and new EEA members together and opening new arenas for political and economic relations.

Following its accession to the European Union on 1 May 2004, Malta automatically became a party to the EEA Agreement. Furthermore, the EEA Enlargement Agreement became applicable as of 1 May 2004 and Malta therefore, became eligible for funding under the EEA Financial Mechanism. On 28 April 2005, a Memorandum of Understanding (MoU) on the implementation of the EEA Financial Mechanism in Malta was signed by the Government of Malta and the Donor States, namely Iceland, Liechtenstein and Norway.

As a result, a total of € 1.92M have been made available to Malta for the commitment period running from 1 May 2004 to 30 April 2009. A number of Priority Areas were identified in the MoU. These are<sup>1</sup>:

- Protection of the environment, including the human environment, through, inter alia, reduction of pollution and promotion of renewable energy;
- Promotion of sustainable development through improved resource use and management;
- Conservation of European cultural heritage, including public transport, and urban renewal;
- Human resource development through, inter alia, promotion of education and training, strengthening of administrative or public service capacities of local government or its institutions as well as the democratic processes, which support it;
- Health and childcare.
- Academic research in so far as it is targeted at one or more of the priority sectors.

The Planning and Priorities Co-ordination Division (PPCD) within the Office of the Prime Minister (OPM) is the designated Maltese Focal Point (FP) and acts as the main contact point between the Financial Mechanism Office (FMO) and the Project Promoters (PP) and all local stakeholders in the management of both EEA and Norwegian Financial Mechanisms. The FP is responsible for the identification, planning, implementation and monitoring of projects as well as the use of funds under both Financial Mechanisms.

Following a call for proposals, a total of 5 projects were selected for funding under the EEA Financial Mechanism. Of these projects, 2 are solely co-funded by the EAAFMT whilst 3 are co-financed by both the EAAFMT and the NFM<sup>2</sup>. Following the Donors' approval, the projects which were ultimately selected and which are now being implemented through co-financing by the EAAFMT are:

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<sup>1</sup> The Priority Areas listed below are those mentioned in Article 6 (1) in the Memorandum of Understanding (MoU) between Malta and the Republic of Iceland, the Principality of Liechtenstein and the Kingdom of Norway, otherwise known as the EFTA States. Annex B of the MoU further identifies which of the above Priority Areas and respective Focus Areas are targeted in Malta.

<sup>2</sup> Originally there were 3 projects which were co-financed solely by the EAAFMT, namely MT0005, MT0010 and MT0012; however, following the approval for reallocation of uncommitted funds and savings from other projects, MT0012 became co-financed also from the NFM.

EEA FINANCIAL MECHANISM PROJECTS <sup>3</sup>						
CODE / MT	PROJECT TITLE	GRANT AMOUNT	PP CO-FINANCING	TOTAL PROJECT VALUE (EXCL. VAT)	FINANCIAL MECHANISM	PROJECT PROMOTER
0005	Master plan for the Cittadella – the Old Fortified City of the Island of Gozo	€ 229,075.00	€ 40,425.00	€ 269,500.00	EEA	Ministry for Gozo (MGOZ)
0010	Setting up an Oil Spill Response Capability for the Protection of Our Seas	€ 800,000.00	€ 200,000.00	€ 1,000,000.00	EEA	Malta Maritime Authority (MMA)
0011	Xrobb I-Ghagin Nature Park and Sustainable Development Centre	€ 263,389.00	€ 88,916.00	€ 724,641.00	EEA	Nature Trust Malta
		€ 372,336.00			N	
0012	Consolidation of Terrain and Historic Ramparts Underlying Council Square Mdina	€ 477,215.00	€ 99,262.00	€ 661,750.00	EEA	Ministry for Resources and Rural Affairs (MRRA) [Restoration Unit]
		€ 85,273.00			N	
0013	Technical Assistance Fund for Malta	€ 36,644.00	€ 12,933.00	€ 86,220.00	EEA	Office of the Prime Minister (OPM) [Planning and Priorities Co-ordination Division (PPCD)]
		€ 36,644.00			N	

Table 1 EEA Financial Mechanism Projects

<sup>3</sup> Projects MT0011, MT0012 and MT0013 are co-financed by both the EEA and N FM. In the case of MT0011, this was done following a recommendation by the FMO after the application was submitted; In the case of MT0012, this came into effect on 17 March 2009 when an approval for the reallocation of uncommitted funds and savings from other projects was received.

## b. BRIEF OVERVIEW OF THE NATIONAL STRATEGIC REFERENCE FRAMEWORK (NSRF) AND OTHER FINANCIAL INSTRUMENTS EMPLOYED IN MALTA

A total of € 855M worth of EU funds has been allocated for Cohesion Policy 2007 – 2013 in Malta by the European Commission. The goals and strategic priorities for Cohesion Policy 2007 – 2013 in Malta are identified in the National Strategic Reference Framework (NSRF), which was approved by the European Commission in December 2006. Malta was in fact the first Member State to obtain approval for its NSRF.

The Strategic Objectives of the NSRF are:

1. Sustaining a growing knowledge-based, competitive economy
  - Supporting enterprise
  - Mobilising investment in RTDi
  - Sustaining the tourism industry and promoting culture
2. Improving Malta's attractiveness and quality of life
  - Improving and expanding the transport infrastructure
  - Environment and risk prevention
  - Energy
  - Urban regeneration
  - E-society
  - Health
3. Investing in human capital
  - Education and employment
  - Social inclusion
  - Institution building
4. Addressing Gozo's regional distinctiveness
  - Enterprise promotion
  - Accessibility and inter-island transport
  - Human capital skills

The strategy set out in the NSRF forms the basis of two Operational Programmes (OP), each setting out the framework within which Structural Funds and the Cohesion Fund will be implemented in Malta and Gozo between 2007 – 2013. These are:

- OPERATIONAL PROGRAMME I – Investing in Competitiveness for a Better Quality of Life. This OP focuses on the European Regional Development Fund and Cohesion Fund.

- OPERATIONAL PROGRAMME II – Empowering People for More Jobs and a Better Quality of Life. This OP focuses on the European Social Fund.

Malta is also participating in five Territorial Cooperation Programmes<sup>4</sup> which are financed by the European Regional Development Fund. These programmes have their own Operational Programme documents and aim to encourage cross-border, transnational and territorial cooperation across EU Member States and regions.

The financial allocations for the 2 Operational Programmes and the Territorial Cooperation Programmes are:

PROGRAMME	EU CONTRIBUTION	FUND
Operational Programme I	€ 444M	ERDF
	€ 284M	Cohesion Fund
Operational Programme II	€ 112M	ESF
Territorial Cooperation Programmes	€ 15M	ERDF
Total	€ 855M	

Table 2 Cohesion Policy 2007 - 2013

The overall objective of the Operational Programme I is 'Investing in Competitiveness for a Better Quality of Life to develop and generate economic growth based on competitive economic activities, underpinned by adequate physical infrastructure, leading to a better quality of life for the Maltese citizens.' Furthermore, action under OP I seeks the attainment of the dual NSRF strategic objectives of 'Sustaining a growing, knowledge-based, competitive economy' and 'Improving Malta's attractiveness and quality of life'.

PRIORITY AXES IN OP I	FOCUS AREAS	TOTAL ALLOCATION	EU FUNDS	FUND
1. Enhancing Knowledge and Innovation	<ul style="list-style-type: none"> <li>o Enterprise Infrastructure;</li> <li>o Aid Schemes to the manufacturing and service industries;</li> <li>o Financial engineering;</li> <li>o Investment in RTDi and RTDi-related infrastructure and ICT.</li> </ul>	€ 120,000,000.00	€ 120,000,000.00	ERDF
2. Promoting Sustainable Tourism	<ul style="list-style-type: none"> <li>o Product development;</li> <li>o Niche market development and branding;</li> <li>o Aid schemes to Tourism/Cultural undertakings.</li> </ul>	€ 120,000,000.00	€ 120,000,000.00	ERDF
3. Developing the TEN-T	<ul style="list-style-type: none"> <li>o Road transport links;</li> <li>o Maritime transport links;</li> <li>o Major projects (improving the TEN-T road infrastructure).</li> </ul>	€ 169,038,258.82	€ 143,682,520.00	Cohesion Fund
4. Upgrading Services of General Economic Interest	<ul style="list-style-type: none"> <li>o Energy;</li> <li>o Water;</li> <li>o Major projects (reduction of emissions from the Delimara Power Station, Urban Waste</li> </ul>	€ 121,000,000.00	€ 102,850,000.00	ERDF

<sup>4</sup> These are the Italia-Malta Programme, the Med Programme, the Interreg IV C programme, the Espon II Programme and the Interact II Programme. Moreover, Malta is also benefiting from the European Neighbourhood Partnership Instrument (ENPI), an external budget programme.



	Water Treatment Plant for the South of Malta).			
5. Safeguarding the Environment	<ul style="list-style-type: none"> <li>o Solid waste;</li> <li>o Storm water management;</li> <li>o Major projects (Mechanical Biological Treatment Plant; Rehabilitation and Restoration of Existing and Former Waste Dump Sites; An Integrated Water Management Approach to Flood Relief and Water Conservation).</li> </ul>	€ 165,250,000.00	€ 140,462,500.00	Cohesion Fund
6. Urban Regeneration and Improving the Quality of Life	<ul style="list-style-type: none"> <li>o Urban regeneration;</li> <li>o Internal mobility;</li> <li>o E-accessibility;</li> <li>o Education, social and health-related infrastructure;</li> <li>o Environmental monitoring.</li> </ul>	€ 149,000,000.00	€ 126,650,000.00	ERDF
7. Technical Assistance	<ul style="list-style-type: none"> <li>o Implementation of the programme;</li> <li>o Common activities between OP I and OP II</li> </ul>	€ 12,327,095.29	€ 10,478,031.00	ERDF

Table 3 Priority Axes in Operational Programme I

The overall objective of the Operational Programme II is 'to invest in human capital in order to raise Malta's employment rate to 57% by 2013.' Furthermore, action under OP II seeks the attainment of the NSRF strategic objectives of 'investing in human capital' and 'strengthening labour market structures'.

PRIORITY AXES IN OP II	FOCUS AREAS	TOTAL ALLOCATION	EU FUNDS	FUND
1. Improving Education and Skills	<ul style="list-style-type: none"> <li>o Investing in the Educational System;</li> <li>o Addressing skills mismatches;</li> <li>o Research and innovation;</li> <li>o Information and Communication Technology;</li> <li>o Innovative activities.</li> </ul>	€ 37,400,000.00	€ 31,790,000.00	ESF
2. Investing in employability and adaptability of the workforce	<ul style="list-style-type: none"> <li>o Continuous training and education;</li> <li>o Supporting the public sector;</li> <li>o Innovative activities</li> </ul>	€ 30,995,000.00	€ 26,345,750.00	ESF
3. Promoting an equal and inclusive labour market	<ul style="list-style-type: none"> <li>o Female participation in the labour market;</li> <li>o Promoting an inclusive society;</li> <li>o Addressing labour market distortions and ensuring that work pays;</li> <li>o Innovative activities.</li> </ul>	€ 36,900,000.00	€ 31,365,000.00	ESF
4. Strengthening of institutional and administrative capacity	<ul style="list-style-type: none"> <li>o Supporting Public Sector Reform;</li> <li>o Lifelong Learning for the Public Sector;</li> </ul>	€ 21,405,000.00	€ 18,194,250.00	ESF

	<ul style="list-style-type: none"> <li>o Strengthening the quality of employment services;</li> <li>o Promoting a more effective social and civil dialogue in Malta;</li> <li>o Innovative activities.</li> </ul>			
5. Technical Assistance	<ul style="list-style-type: none"> <li>o Implementation of the programme and capacity building;</li> <li>o Information and publicity;</li> <li>o Transnational / Interregional activities;</li> <li>o Innovative activities</li> </ul>	€ 5,604,705.00	€ 4,305,000.00	ESF

Table 4 Priority Axes in Operational Programme II

### 3. SUMMARY OF PREVIOUS ANNUAL REPORT AND MEETING

#### a. THE ANNUAL MEETING BETWEEN THE MALTESE FP AND THE DONOR STATES

The last Annual Meeting took place in Brussels on 12 November 2008 and it was attended by representatives from the Norwegian Ministry of Foreign Affairs, the Icelandic Mission to the European Union, the Financial Mechanisms Office as well as a delegation from the Maltese Horizontal Stakeholders.

The meeting comprised a High-Level Session and Joint Technical Meeting for the EEA and Norwegian Financial Mechanisms which kicked off with a presentation by the FP giving an overview of the projects' progress between September 2007 and October 2008 as well as a brief commentary and updates on the Annual Reports. During the ensuing discussion, it was agreed that the reporting for the next year's Annual Meeting would be more focused on an assessment of actual achievements vis-à-vis cross-cutting issues and priority areas.

A number of horizontal issues were also discussed during the meeting. Prime importance was given to the delays experienced in the submission of Project Interim Reports (PIR). The FP explained that a number of financial checks needed to be carried out prior to the submission of certified PIRs and that these checks were to be made on an electronic database which was being fine-tuned at the time of the meeting. An agreement was reached to submit all pending PIRs within a month of the Annual Meeting. Another point which was discussed was the proposed modifications submitted to the FMO. In a nutshell, the modifications envisaged de-commitments from 2 projects (MT0005; MT0008) in view of project savings, de-commitment from 2 other projects (MT0013; MT0014) due to misallocation of VAT and reallocation of all de-committed funds together with any uncommitted / reserve funds (at programme level) to one project (MT0012).

Information and Publicity and the next year's work plan and audit plan were also discussed. The FP also presented an Information Note on the Cohesion Policy 2007 – 2013 which was highly welcomed by the Donor States in view of the ongoing negotiations in preparation for the 2009 – 2014 programming period. The meeting concluded on an overview of the intended priority areas for the next programming period, as well as a round-up of the negotiations which had taken place thus far between the Donor States and the EU Commission.

It was agreed that the next Annual Meeting would be held in Gozo in October 2009.

#### b. MAIN POINTS ARISING FROM THE ANNUAL REPORT

The previous report was the third Annual Report for the EEA Financial Mechanism and covered the period 15 September 2007 and 30 September 2008.

The main sections of the third Annual Report were:

- PROJECTS PROGRESS, where an overview of the progress achieved in the projects co-financed under the EEAFM under implementation was given. The main focus of this section was on the contracts signed and activities implemented since contract signature;
- MODIFICATIONS, DE-COMMITMENTS AND RE-ALLOCATIONS, where a summary of the amendments made and proposed to the projects was given. MT0005 had a minor change in one of the activities while de-commitments were proposed to MT0005 and MT0013 (part co-financed by EEAFM). Re-allocation of de-committed and uncommitted funds was proposed to MT0012. The request for de-commitment was submitted prior to the de-commitment deadline of 30 October 2008;
- MONITORING AND MANAGEMENT ISSUES included a summary of the outcome of the third Monitoring Committee held on 20 September 2007 as well as an overview of Financial Control checks carried out on projects. The section also informed on the revisions made to the Manual of Procedures, the implementation agreements signed and progress made on the electronic database and payments;
- PUBLICITY dealt with publicity actions carried out at project level and others being planned at programme level by the FP;
- WORK PLAN FOR THE NEXT YEAR described the FP activities foreseen for the following year; and
- AUDIT PLAN gave an overview of how the Internal Audit and Investigations Directorate were planning to carry out the audits on the projects being implemented in the next 12 months.

A cover note providing clarifications and updates in terms of achievement between the report cut-off date and 31 October 2008 was provided to offer the most up-to-date information on the projects.

### C. CONCLUSIONS DRAWN FROM THE ANNUAL REPORT

The third year of implementation brought about a lot of progress in the individual projects despite the stumbling blocks which were encountered in terms of payment processing and various other project-specific situations.

By the end of the year, all individual projects were scheduled to undergo an on-the-spot check and any findings which would have emerged would have been addressed. The fact that the tendering was moving at a good speed was recorded as positive, especially when one considered that, across both mechanisms, there was one project completed, one which was almost completed and two which had concluded all tendering envisaged.

It was however rather early to determine the overall impact the projects were having on cross-cutting issues and priority areas they target since, as mentioned earlier there was only one project which was completed at the time while the others were still at a 'works in progress' stage. Nevertheless, it was already evident that the work carried out under the projects targeting the Implementation of the Schengen Acquis contributed to Malta's successful entry into the Schengen Zone. All Project Promoters had submitted their intended approach towards addressing cross-cutting issues in their application forms. These were still being adhered to by all promoters. An example of this was the promoters which even though are not public entities, and therefore not obliged to follow the Public Procurement Regulations, were still applying the key principles of transparency and fair competition in an effort to ensure good governance.

One could not deny there had been delays in securing MEPA permits and in the definition of project activities in one case, however, the modifications which were proposed together with the reallocations suggested would ensure that the funds available for Malta would be utilised in the most effective and efficient manner.

Once these pending items were cleared, the actions being co-financed by the EEA and Norwegian Financial Mechanisms would be on the way to a smooth and successful implementation and in some cases even completion during the next reporting period.

### 3. PROJECT PROGRESS

#### a. INDIVIDUAL PROJECT PROGRESS

##### → MT0005: MASTER PLAN FOR THE CITTADELLA – THE OLD FORTIFIED CITY OF THE ISLAND OF GOZO

This project targets the Conservation of European Cultural Heritage, including public transport and urban renewal and academic research priority. The Project Promoter is the Ministry for Gozo (MGOZ). The original Total Eligible Cost for this project was € 301,500.00 with a Grant Rate of 85% (€ 256,275.00). € 27,200.00 of EEA funds has been de-committed from this project following savings emerging upon contract signature. Hence, the New Total Eligible Cost is € 269,500.00 and the Grant Amount was subsequently reduced to € 229,075.00 (85%). The Grant Agreement was signed in September 2007 and the Implementation Agreement between the PP and the FP was entered into on 5 May 2008.

During the previous reporting period the contract for the Master plan had just been adjudicated and it was envisaged to come into force by end of October 2008. The contract was in fact signed on 17 October 2008 with Politecnica – Ingegneria ed Architettura (Italy) and work kicked off a few days later. Since the start of the project, the contractor has commenced phase 1 of the master plan which comprises of data collection and evaluation. Regular monthly meetings are held with the Project Promoter. The contractor has also carried out a number of meetings with the stakeholders, among which are the residents and shop owners of the Cittadella, the Cathedral, the Association of Tourist Guides and the Victoria Local Council. A number of meetings were also held with government bodies involved in the management of the Cittadella, among which are MEPA, Heritage Malta, the Superintendence for Cultural Heritage, the Restoration Unit within the Works Division as well as providers of utilities, Water Services Corporation and Enemalta. A small modification was made in this project, whereby a small amount of the savings generated (€ 4,000.00) was reallocated internally to beef up the publicity component.

Phase 1 is envisaged to be completed by the end of October 2009, a full 12-months following its kick-off as envisaged in the project's implementation schedule. A presentation of the draft Master Plan document is earmarked for the first week of February 2010. Other consultation meetings in preparation for the drafting of the document will also be held in the interim.

##### → MT0010: SETTING UP AN OIL SPILL RESPONSE CAPABILITY FOR THE PROTECTION OF OUR SEAS

This project targets the Protection of the Environment priority. The Project Promoter is the Malta Maritime Authority and the Total Eligible Cost for this project is € 1,000,000.00, with a Grant Rate of 80% (€ 800,000.00). The Grant Agreement was signed on 23 July 2007 and the Implementation Agreement between the PP and the FP was signed on 14 May 2008.

As at the previous reporting period, the services component was under implementation and the technical specifications which would feed into the tender for the equipment component were being drawn up. To date, the hydrographic data report, the environmental sensitivity report, the incident risk assessment report and the incident impact assessment report have been finalised and the reports have been issued. A sum retained for Contingency is to be used for the extra work relating to the re-writing of the National

Contingency Plan and to carry out inspection and servicing of the present oil pollution equipment at Oil Pollution Response Module and to update the Gap Analysis report accordingly. These services are currently under implementation.

On the other hand, the tender for the procurement of the Oil and Hazardous and Noxious Substances (HNS) equipment was launched with a closing date for submission of tenders of 9 June 2009. Only two bids were eligible for the evaluation process, which is currently ongoing.

During the next six months, it is envisaged that the equipment tender would be awarded without delay. The supply of oil and HNS pollution equipment would thus ensue. In terms of the services component, the update of the Gap Analysis will be concluded and so will the re-writing of the National Contingency Plan. Publicity actions undertaken in conjunction with the line ministry responsible for the project will be undertaken.

→ MT0011: XROBB L-GHAGIN NATURE PARK AND SUSTAINABLE DEVELOPMENT CENTRE

This project also targets the Protection of the Environment priority. The Project Promoter is Nature Trust (Malta). The Total Eligible Cost for this project is € 724,641.00 with a Grant Rate of 87.73% (€ 635,725.00). The Grant Agreement was signed on 23 October 2007 and the Implementation Agreement was entered into on 2 May 2008 by the PP and the FP.

A Management Agreement between the Line Ministry, the Malta Environment and Planning Authority (MEPA) and the PP was entered into in December 2007 and governs the management of the site of the planned nature park. .

During these last ten months, the relevant MEPA Permits were issued, including the Full Development Permit and the separate permit required for the 2 wind turbines. Most of the remaining trees were planted during a highly publicised tree planting event which involved the Minister for Resources and Rural Affairs, His Excellency the Norwegian Ambassador for Malta as well as a large number of children from various schools. The remaining six hundred trees will be planted in October with the direct participation of HSBC staff<sup>5</sup>. Restoration works have continued on the existing structures, including all the roofs, the internal and external walls. Furthermore, Nature Trust are currently awaiting the adjudication of various tenders worth over € 200,000.00 that have been issued and include the Photovoltaic Panels, the Sewage Treatment Plant and other restoration works.

Various tenders including plumbing and electrical works, the wind turbines, sanitary ware and other finishings are being finalised shortly and these would amount approximately to € 170,000.00. Nature Trust are presently focusing on the actual restoration works on site as the walls and floors are being restored. In the forthcoming six months, the roofs will be placed, plumbing and electrical works will be completed and floor tiles and other apertures will be fixed. Concurrently the publicity campaign will continue including the PP's presence at the University Freshers' Week and other fairs as the bulk of the publicity material including the boards, banners, dvd and website should be finalised by early October. An open day is being planned so that the public could visit the site. The PP will also be participating in informative workshops abroad and using the local University contacts and Nature Trust's foreign partners such as the World Wildlife Foundation, to organise future potential exchanges.

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<sup>5</sup> HSBC had donated the trees as an in-kind contribution to the project.

## → MT0012: CONSOLIDATION OF TERRAIN AND HISTORIC RAMPARTS UNDERLYING COUNCIL SQUARE, MDINA

The Mdina project, led by the Ministry for Resources and Rural Affairs targets the Conservation of European Cultural Heritage priority. The Grant Agreement for this project was signed on 23 October 2007 and the Implementation Agreement was signed by the PP and FP on 5 May 2008.

The original Total Eligible Cost for this project was € 500,000.00 with a Grant Rate of 85% (€ 425,000.00) co-financed under the EEA FM. However, in October 2008, a request was made to the FMO to re-allocate de-committed funds as well as reserve funds to this project to support a proposed extension to the project. The request was acceded to on 17 March 2009 and hence, the new Total Eligible Cost increased to € 661,750.00, with a New Grant Rate of 85% (€ 562,488.00) comprising of both EEA and NFM co-financing.

Work on the initial 25 metre stretch to be covered by the project was already rather advanced during the previous reporting period. Since then, both the underground and above-ground consolidation and restoration of the bastion ramparts of the original stretch (activities 2 and 3) have been completed. The same work envisaged in the original Project Implementation Plan (PIP) has been extended by a further 5 metre stretch and since the approval was granted in March 2009, preliminary excavations and underground consolidation have been completed while the actual restoration works are in the final stages of completion.

The project is in fact envisaged to be completed in its entirety that is, including the extension, by September 2009.

## b. TECHNICAL ASSISTANCE FUND FOR MALTA

## → MT0013: TECHNICAL ASSISTANCE FUND FOR MALTA

The Technical Assistance Fund for Malta is being managed by the Planning and Priorities Co-ordination Division, within the Office of the Prime Minister, which acts as the Focal Point for these Financial Mechanisms. The fund is implemented in the same way as an individual project and is therefore governed by two Grant Agreements (one for each financial mechanism) which were signed on 12 February 2007.

The original Total Eligible Cost for this project was € 101,740.00 with a total Grant Rate of 85% (€43,240.00 EEA FM and €43,240.00 NFM). €6,596.00 from each of the two financial mechanisms co-financing the project (€13,192.00 as 85% grant amount of the total amount de-committed) have been de-committed from this project in view of the fact that VAT had been erroneously included as an eligible cost. Hence, the New Total Eligible Cost is € 86,220.00 and the Grant Amount was subsequently reduced to € 73,288.00 (85%).

During this reporting period, the Focal Point has organised one Monitoring Committee in order to disseminate information about the progress of the individual projects and tackle horizontal issues of a local level with the representatives of the various ministries and Civil Society players. The meeting was also attended by a representative from the Royal Norwegian Embassy for Malta. This took place on 16 October 2008. Just under a month later, the Focal Point organised the Annual Meeting with the FMO and Donors and this took place in Brussels on 12 November 2008. A summary of the outcomes of this meeting is found in section 3.a. of this report.



In the meantime, the FP has also engaged in a number of on the spot checks and held numerous meetings with the various Project Promoters in order to monitor the implementation of the individual projects. Work on the electronic database which was being developed to facilitate the processing of payments also carried on at a steady pace and the system became fully operational for most projects by Q1, 2009. Further fine-tuning was required in the case of projects co-financed by both mechanisms; however, by the end of the reporting period, all projects could make full use of the electronic database. In the meantime, the FP also carried on drafting the information and publicity campaign tender which will give due acknowledgement and visibility to the financial mechanisms at a programme level. By the end of the reporting period, the tender was being vetted internally and it is planned to be launched and start implementation by the end of the year.

### C. PROJECTS' CONTRIBUTION TO PRIORITY AREAS

Two priority areas are targeted by the EEA Financial Mechanism in Malta. These are the Protection of the Environment, including the human environment and the Conservation of European Cultural Heritage, including public transport and urban renewal.

MT0010 and MT0011 target the environment priority area in two distinct manners. MT0010 looks into the protection of the Maltese seas in the case of oil spills and aims to create a response capability should such a natural disaster occur. On the other hand, the actions envisaged under MT0011 are more land-based through the development of a nature park which will include over 10,000 trees intended to create different natural environments and ecological units. Furthermore, the project will also make use of renewable sources of energy which will contribute to further research being made in their use.

On the other hand, the cultural heritage priority area is addressed by MT0005 and MT0012, both of which are being implemented on old fortified cities. While the MT0005 is developing a master plan for the better use and safeguarding of the Cittadella in Gozo, with a view for the recommendations made to be implemented through other sources of funding, the MT0012 is serving as a pilot project on the consolidation of terrain and historic ramparts. A larger project which sees other, more extensive areas of intervention along the Mdina fortifications is being funded under the European Regional Development Fund (ERDF) 2007 – 2013.

#### d. PROJECTS' CONTRIBUTION TO CROSS-CUTTING ISSUES

A number of cross-cutting issues are upheld by the EEA and NFM and were assessed during the project selection phase in 2005. The main areas are Sustainable Development (Environmental, Economic and Social), Gender Equality, Good Governance and Bilateral Relations. These cross-cutting issues have been addressed by the projects throughout their lifespan, to some degree or other, depending on their relevance to the project.

##### → SUSTAINABLE DEVELOPMENT (ENVIRONMENTAL, ECONOMIC AND SOCIAL)

The three pillars of Sustainable Development are well addressed in all projects co-financed under the EEA FM.

MT0005 is mapping out ways in which the Cittadella can be safeguarded in view of its historical significance and natural setting. Improvement in the state of the Cittadella will imply improved economy through its enhanced attraction to visitors to the island of Gozo. All areas being targeted by the master plan are being discussed with the residents and shop owners of the Cittadella, the Cathedral, the Association of Tourist Guides and the Victoria Local Council who are the main stakeholders in the area.

Similarly, project MT0012 is close to completing the consolidation and restoration of a 30m stretch out of the fortifications which surround the old medieval city of Mdina. Given that Mdina is one of the most visited sites in Malta, the actions undertaken in the project are adding value to the site from all aspects of sustainable development: the visible fissures in the stretch of bastions being treated under this project have been consolidated against further damage to the fortification while the environment around the site is being improved. By inference, the economic value of the site has increased, especially through the unearthing of the ruins of a medieval tower, and furthermore the standard of living of the residents of the area is improved.

Meanwhile, project MT0010, while focusing on the protection of the marine environment through the studies made and the equipment being procured, is also addressing issues of an economic and social nature. Our seas are one of the main visitor attractions the Maltese Archipelago has to offer and for this reason, if an oil spill occurs, this would be of detriment to the tourism industry and the Maltese workforce employed in this industry. Moreover, the project also investigates the possible application of the 'polluter pays principle' and has established a task force comprised of, inter alia, the Armed Forces of Malta, the Civil Protection Department and MMA, to respond in case such a disaster should occur.

The MT0011 project is also well set in addressing the Sustainable Development cross-cutting issue through the afforestation component which has almost been completed as well as through the implementation of renewable energy sources. Moreover, the NGO implementing the project foresees that the site being developed will eventually be able to sustain itself through activities held on the site which is being made accessible to all.

##### → GENDER EQUALITY

All the projects being implemented under the EEA FM respect the gender equality policy and are equal opportunity initiatives. Moreover, all the actions envisaged in all the projects discussed in this report do

not discriminate between genders and are thus equally applicable to both males and females. The project teams in all cases are also formed of both males and females

→ GOOD GOVERNANCE

Once again, good governance is a cross-cutting issue which targets all projects in the same manner and is an area which is firmly emphasised by the Focal Point, which devised a Manual of Procedures for the correct implementation of the projects. Furthermore, PPs which are not public entities are encouraged to follow the spirit of public procurement to ensure that the procurement of works, services and supplies is carried out in the most transparent and fair manner.

→ BILATERAL RELATIONS

While none of the projects have as yet entered into partnerships or contracts with entities from the Donor States, the Project Promoters are obliged to recognise the assistance received through the use of logos, co-financing statements and good publicity efforts.

Having said that, during the current reporting period the Minister Counsellor from the Norwegian Embassy to Malta in Rome paid a visit to MT0012 prior to attending the Monitoring Committee which is organised by the FP on a yearly basis. The Minister Counsellor also accompanied His Excellency the Ambassador of Norway to Malta in January 2009 on a visit to MT0011 on the occasion of Arbour Day where a tree-planting activity was being held as part of the afforestation component. Such activities have contributed to strengthened bilateral relations between the two countries.

## 4. MATTERS OF HORIZONTAL NATURE

### a. PROJECT MODIFICATIONS

During the previous reporting period, the FP had submitted a number of proposed modifications to projects currently under implementation. Two key dates during the current reporting period were the end of de-commitment period falling on 30 October 2008 and the commitment deadline on 30 April 2009. For this reason, any proposed modifications requiring de-commitment and reallocation of funds had to be submitted by the FP within these timeframes.

The FP submitted a letter to the FMO comprising of a number of requests for de-commitment and a request to re-allocate de-committed funds and reserve funds to a particular project on 9 October 2008. In terms of projects being co-financed by the EEA FM which were effected by these modifications,

- MT0005 saw substantial savings following the signature of the contract for the Master Plan. For this reason, while part of the savings (€ 4,000.00) were retained and re-allocated internally to give a boost to the publicity component of the project, the remaining € 27,200.00 were de-committed.
- MT0012 was chosen as the recipient of the de-committed and reserve (un-committed) funds. Whilst always being considered as one of the best practice projects currently under implementation through these financial mechanisms, the PP proposed an extension to the works originally planned in order to consolidate a longer stretch of the medieval bastions surrounding the city of Mdina. Furthermore, in view of the fact that the additional funds made available consisted of both EEA FM and NFM, this gave the project, as well as the financial mechanisms, more visibility.

MT0013 had to have 18% of its total project cost de-committed in view of the fact that VAT had been erroneously included as an eligible cost.

The tables below give an overview of the changes made to all projects involved, in terms of amounts de-committed and reallocated and the new project (MT0012) eligible and grant amounts respectively.

PROJECT MODIFIED	DATE OF APPROVAL	AMOUNT DE-COMMITTED	NEW TOTAL PROJECT COST	NEW TOTAL ELIGIBLE COST	NEW TOTAL GRANT AMOUNT	FINANCIAL MECHANISM
MT0005	18.11.2008	€ 27,200.00	€ 323,770.00	€ 269,500.00	€ 229,075.00	EEA
MT0008	18.12.2008	€ 4,021.00	€ 290,184.00	€ 290,184.00	€ 246,656.00	N
MT0013	19.11.2008	€ 13,192.00	€ 86,220.00	€ 86,220.00	€ 73,287.00	EEA+N
MT0014	07.11.2008	€ 58,475.00	€ 450,986.00	€ 382,192.00	€ 324,863.00	N

Table 5 De-commitments

PROJECT MODIFIED	DATE OF APPROVAL	AMOUNT RE-ALLOCATED	NEW TOTAL PROJECT COST	NEW TOTAL ELIGIBLE COST	NEW TOTAL GRANT AMOUNT	FINANCIAL MECHANISM
MT0012	17.03.2009	€ 137,488.00	€ 661,750.00	€ 661,750.00	€ 562,488.00	EEA+N

Table 6 Re-allocations

A total of € 102,888.00 was thus de-committed from the four projects indicated in the table above and became available for re-allocation. € 34,600.00 was uncommitted at the programming stage and were therefore also available for re-allocation. These amounts were together added on to the original grant amount of MT0012 Consolidation of Terrain and Historical Ramparts underlying Council Square, Mdina.

The amounts made available through de-commitments and reserve funds emanated from both financial mechanisms in the following amounts:

PROJECT MODIFIED	EEAFM DE-COMMITMENT	N FM DE-COMMITMENT	TOTAL
MT0005	€ 27,200.00	€ -	€ 27,200.00
MT0008	€ -	€ 4,021.00	€ 4,021.00
MT0013	€ 6,596.00	€ 6,596.00	€ 13,192.00
MT0014	€ -	€ 58,475.00	€ 58,475.00
Reserve / Unallocated Funds	€18,442.20	€16,157.80	€ 34,600.00
Total	€ 52,238.20	€ 85,249.80	€ 137,488.00

Table 7 Overall de-committed amounts

## b. MONITORING AND FINANCIAL CONTROL

By end 2008, virtually all projects had undergone a first round of financial control checks by the FP. Checks continued throughout 2009 with an average of 2 projects visited per quarter. Financial control checks, known as 'on-the-spot' checks, are carried out by the FP and focus on the administrative, financial and physical aspects of the project. During these checks, the FP gains assurance that the project is being implemented as planned and in accordance with sound financial management principles. The projects which have been checked during the current reporting period, spanning from October 2008 to August 2009 are:

PROJECT	ON-THE-SPOT CHECK	FOLLOW-UP CHECK
MT0005	24.10.2008	03.12.2008
MT0006	11.02.2009	09.03.2009
MT0008	13.04.2009 14.04.2009	- 05.08.2009
MT0010	(23.09.2008) 04.06.2009	03.12.2008 22.07.2009
MT0011	02.12.2008 19.12.2008	- 09.03.2009
MT0012	(27.08.2008) 08.05.2009	01.10.2008 22.07.2009
MT0014	14.01.2009	04.06.2009

Table 8 Schedule of Financial Control Checks carried out

All projects checked registered substantial progress over the last 12 months and physical implementation could start being seen in a number of cases. Most of the contracting planned was carried out in a timely manner. During the financial controls carried out, great emphasis is placed on the verification that PPs are carrying out the tendering and contracting procedures as laid out in the Public Procurement Regulations. Nonetheless, in the case of projects MT0006 and MT0011, which are implemented by a private company and a non-governmental organisation respectively, allowances are made as long as the PPs follow the spirit of public procurement and ensure fair competition, transparency and good governance.

Furthermore, a good number of projects started processing payments through the electronic database system as will be seen in the subsequent section of this report.

The checks carried out during the last year confirmed the general weakness which transpired from the checks carried out during the previous reporting period. Most checks necessitated a follow-up action to rectify filing systems which lacked documents related to the implementation of the project. Overall, the missing documents did not carry any serious repercussions in the implementation of the projects and were resolved within a matter of days from the date of the spot-check. While the staff at the Line Ministries have continued assisting Project Promoters in the more administrative aspects of the project implementation, there still seems to be a gap in the system with regard to the retention of documentation. Moreover, the compact nature of most of the PPs' organisations, particularly the teams directly involved in the implementation of the EEA and / or NFM projects does little to alleviate this situation when each team member would have a number of other tasks to attend to over and above the implementation of the project.

By the end of this calendar year, all projects would have undergone two full rounds of financial checks. The reason behind multiple checks lies in the fact that contracting is most times carried out in various phases over the projects' lifetime, and therefore checks on the correctness of the methods applied are necessary along the way. Checks are also held prior to the submission of Project Interim Reports to the FMO. The upcoming checks will therefore concentrate a lot on the financial documents held by the PPs as well as the physical implementation which is mostly at an advanced stage.

### C. PAYMENT PROCESS AND PROGRESS

One of the objectives envisaged in MT0013 is the "modification of the application database" which ensures the quicker collection of financial information from various sources and allow for monitoring on a day-to-day basis by the horizontal stakeholders. The database application also facilitates the verification and certification process for both the FP and the Paying Authority whilst also allowing Treasury to authorise and effect the payments through the Central Bank of Malta. This information system forms part of a larger system which is used to monitor projects being financed by the EU Cohesion Policy Funds 2007 - 2013 in the same manner.

During the current reporting period, a lot of progress was registered in comparison to the previous reporting period. As mentioned earlier, the EEA and Norwegian Financial Mechanisms database is part of a larger system which takes processes payments for EU-funded projects. For this reason, a certain amount of customisation was required in order to ensure that the modules dealing with the two separate financial mechanisms, as well as the joint mechanism where both the EEA and NFM co-finance projects, could take into consideration the various co-financing ratios as well as documentary requirements in view of the variety of beneficiaries (public entities, private company and NGO). Almost all projects have started utilising the

database to process their payments and this has facilitated the processing of pending Project Interim Reports (PIR).

The table below indicates the amounts certified to date and processed through the EEA and Norwegian Financial Mechanisms database:

FINANCIAL MECHANISM	PROJECT	ELIGIBLE AMOUNT (GRANT + MT)	VAT (NON-ELIGIBLE)
EEAFM	MT0005	€ 116.46	€ 20.97
EEAFM	MT0010	€ 42,250.00	€ 7,605.00
NFM	MT0006	€1,046,313.78	€ 182,646.60
EEA+NFM	MT0013	€ 487.28	€ 87.72
Total		€1,089,167.52	€ 190,360.29

Table 9 Amounts certified to date through EEA / N FM database

The following table shows the PIRs which have been submitted and the respective amounts claimed:

FINANCIAL MECHANISM	PROJECT	PIR #	PIR DATE	AMOUNT CLAIMED
EEAFM	MT0005	1	05.03.2009	€ 99.00
NFM	MT0006	1	01.07.2009	€ 465,271.00
NFM	MT0008	1	16.02.2009	€ -
EEAFM	MT0010	1	16.02.2009	€ -
EEA+NFM	MT0011	1	16.02.2009	€ -
EEAFM	MT0012	1	16.02.2009	€ -
EEA+NFM	MT0013	1	16.02.2009	€ -
NFM	MT0014	1	18.06.2009	€ -
		2	30.07.2009	€ -

Table 10 Project Interim Reports (PIR) submitted to date

One must not overlook the pre-financing effected towards project MT0013 on 5 March 2007. The total Grant amount advanced to Malta for the implementation of its Technical Assistance fund was of €8,648.00 (split equally between the two financial mechanisms). No PIR was associated with this pre-financing.

It is to be noted also that since MT0006 had only one PIR foreseen in view of its short implementation timeframe, a Project Completion Report (PCR) was drawn up once the PIR was approved. The PCR consolidated the project and reported on achievements made in terms of cross-cutting issues, indicators met, lessons learnt, and overall financial performance in comparison to the planned schedules. The PCR was submitted to the FMO on 30 July 2009, carrying a claim of € 52,341.00 which was retained by the FMO in the last PIR as per Article 5 of the Grant Agreement.

The amounts claimed in PIR#1 for MT0005 and MT0006 were transferred to the Central Bank of Malta on 17 July 2009.

A discrepancy between the amounts processed at a national level and those claimed in the Project Interim Reports as reported in the above tables is noticeable. The reason behind such a discrepancy is that expenditure claimed in the PIRs reflects the payments which were processed through the electronic system.

Regrettably, some payments take slightly longer than others to be processed due to various reasons. Since the electronic database was finalised much later than the start of most projects, some payments had already been effected through the Project Promoters' own funds (without tapping the EEA / Norwegian Financial Mechanism vote in the national budget which is controlled through the electronic database). For this reason, a number of requests for reimbursement had to be drawn up and processed through the system in order to feature their expenditure on the PIRs.

Furthermore, the electronic system enables all horizontal stakeholders to monitor the movement of documents and the data provided as required to effect payments. At any point of the process, invoices can be rejected if it is found that some information is incorrect or documents are missing. The PP is then given a chance to rectify and re-process the same invoice. In cases where such a situation occurs, this can delay the payment process a bit more.

For this reason, PP at times get caught with a situation where invoices captured within a PIR's reporting period are still being processed, whilst other more recent ones would have been effected without any delays. This therefore creates a certain discrepancy between the amounts officially claimed through PIRs and the amounts actually paid out at a national level.



## 5. PUBLICITY

### a. PUBLICITY AT PROJECT LEVEL

Publicity actions by all projects are monitored by the FP and are governed by the Manual of Procedures issued by the FP and the guidelines on promotional material and publicity actions available on the FMO website. The FP insists that clear acknowledgement of the assistance received is made at all stages of the project as far as possible. The PPs are instructed to use the co-financing statement bearing the logo of the Financial Mechanism assisting the project at all stages of tendering (advertising on government gazette/newspapers; tender document etc) as well as on all items procured or published material produced.

During the last year of implementation, while the billboard reported in the previous Annual Report has remained affixed on the route to the Cittadella, MT0005 also featured during an interview with the Minister for Gozo in February 2009. Furthermore, reports on the master plan have also appeared on local TV stations and newspapers. On the other hand, no publicity actions took place during the current reporting period in terms of MT0010; however, the PP has met with the Line Ministry involved in the project to discuss the way forward on publicity for the project. Moreover, all the equipment being procured will, where possible, bear a sticker acknowledging the assistance being received.

MT0011 has been very much in the public eye through a number of events covered by the local media over the last months. A tree planting session held in January 2009 included the participation of the Norwegian Ambassador to Malta, the Minister for Resources and Rural Affairs, the Marsaxlokk Local Council and hundreds of school children from different localities participating in the local Ekoskola Programme. Later in the year, the project was also visited by the Leader of the Opposition and his delegation who were given a walking tour on the project. The project was given good publicity following meetings with the Education Department, wherein the PP gave a presentation to a large number of science teachers as part of an Inservice Course so as to start preparing for the potential day and overnight visits by students when the project is finalised.

On the other hand, MT0012 was mostly covered during one activity which however targeted a large audience comprising of people from all ages and all walks of life. A Medieval Festival was held in Mdina in April 2009 and an exhibition giving information about the project was set up in one of the main historical buildings at the entrance of the city. This exhibition was visited by hundreds of people who attended the festival. A press release was also issued in the local media in June 2009. Furthermore, a current affairs programme on one of the local TV stations carried out a feature on the actions being carried out on the Mdina bastions and due prominence to the pilot project being undertaken through the EEA and Norwegian Financial Mechanisms was given.

## b. PUBLICITY AT PROGRAMME LEVEL

With regard to publicity actions on a programme-level, the FP is currently finalising the tender dossier for an information and publicity campaign which is envisaged to kick off in the last quarter of 2009. The information and publicity campaign is envisaged to have two main phases targeting a broad audience through various means:

PHASE	MEANS	TARGET AUDIENCE	SUMMARY OF ACTION
1	<ul style="list-style-type: none"> <li>o Thematic Lessons + Site Visits</li> <li>o Art competition</li> <li>o Publication of Calendar</li> </ul>	<p>Direct: senior school students + teachers</p> <p>Indirect: children's and teacher's families; other students/teachers/staff within chosen schools; officers within Education Division; visitors to art exhibition</p> <p>Press coverage will be given to this phase</p>	<p>Teachers deliver thematic lessons on the Priority Areas targeted by the 2 Financial Mechanisms and take students to site visits;</p> <p>Children create artworks which will be exhibited in central location;</p> <p>Best 12/13 artworks will be utilised to publish a calendar to be distributed among participating schools and parties involved in the campaign (Education Division, PPs, etc)</p>
2	<ul style="list-style-type: none"> <li>o Street advertising</li> </ul>	<p>Direct: motorists and pedestrians in central localities</p> <p>Indirect: recipients of word of mouth promotion</p> <p>Press coverage may be given to this phase in conjunction with Phase 1</p>	<p>A suitable manner for street advertising will be selected to best portray the three areas of action targeted by the 2 Financial Mechanisms in Malta; artwork produced by the school children in Phase 1 may be utilised to create a cohesive Information and Publicity campaign</p>

## 6. WORK PLAN SEPTEMBER 2009 – AUGUST 2010

SEPTEMBER 2009	OCTOBER 2009	NOVEMBER 2009
<ul style="list-style-type: none"> <li>→ Hold Monitoring Committee</li> <li>→ Launch Information and Publicity tender</li> </ul>	<ul style="list-style-type: none"> <li>→ Hold Annual Meeting and Site Visits</li> <li>→ Evaluate and Adjudicate Information and Publicity tender</li> <li>→ Attend Conference on Environmental Sector in Poland</li> </ul>	<ul style="list-style-type: none"> <li>→ Sign contract for Information and Publicity tender</li> </ul>
<ul style="list-style-type: none"> <li>○ Monitor payments carried out through the EEA &amp; NFM database</li> <li>○ Submit PIRs and PCRs as required</li> <li>○ Carry out financial controls (on-the-spot checks)</li> <li>○ Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
DECEMBER 2009	JANUARY 2010	FEBRUARY 2010
<ul style="list-style-type: none"> <li>→ Information and Publicity campaign enters into Phase 1a: teaching school children about the Financial Mechanisms</li> </ul>	<ul style="list-style-type: none"> <li>→ Information and Publicity campaign enters into Phase 1b &amp; c: drawing competition and publication of calendar with drawings by children</li> </ul>	
<ul style="list-style-type: none"> <li>○ Monitor payments carried out through the EEA &amp; NFM database</li> <li>○ Submit PIRs and PCRs as required</li> <li>○ Carry out financial controls (on-the-spot checks)</li> <li>○ Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
MARCH 2010	APRIL 2010	MAY 2010
<ul style="list-style-type: none"> <li>→ Information and Publicity campaign enters Phase 2: taking the funds to the streets with banners/billboards</li> </ul>		
<ul style="list-style-type: none"> <li>○ Monitor payments carried out through the EEA &amp; NFM database</li> <li>○ Submit PIRs and PCRs as required</li> <li>○ Carry out financial controls (on-the-spot checks)</li> <li>○ Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
JUNE 2010	JULY 2010	AUGUST 2010
<ul style="list-style-type: none"> <li>→ Information and Publicity campaign comes to a close</li> </ul>		<ul style="list-style-type: none"> <li>→ Draw up Annual Reports for upcoming Monitoring Committee and Annual Meeting</li> </ul>
<ul style="list-style-type: none"> <li>○ Monitor payments carried out through the EEA &amp; NFM database</li> <li>○ Submit PIRs and PCRs as required</li> <li>○ Carry out financial controls (on-the-spot checks)</li> <li>○ Day-to-day implementation of projects including ad hoc meetings</li> </ul>		

Once the current negotiations between the Donor States and the European Commission on the 2009 – 2014 Financial Mechanisms come to a close, the FP will start working towards issuing calls for application, holding information meetings, project selection etc. However, the timeframes within which these activities will take place cannot be determined at this stage.

## 7. CONCLUSION

During this reporting period, a great deal of progress has been registered in all projects being implemented under this financial mechanism and, despite the fact that the projects are not yet concluded, one can already see certain results. Nevertheless, the extent of the achievement of the envisaged results and the impact the projects will have on the respective Priority Areas and cross-cutting issues, can only be determined at project closure.

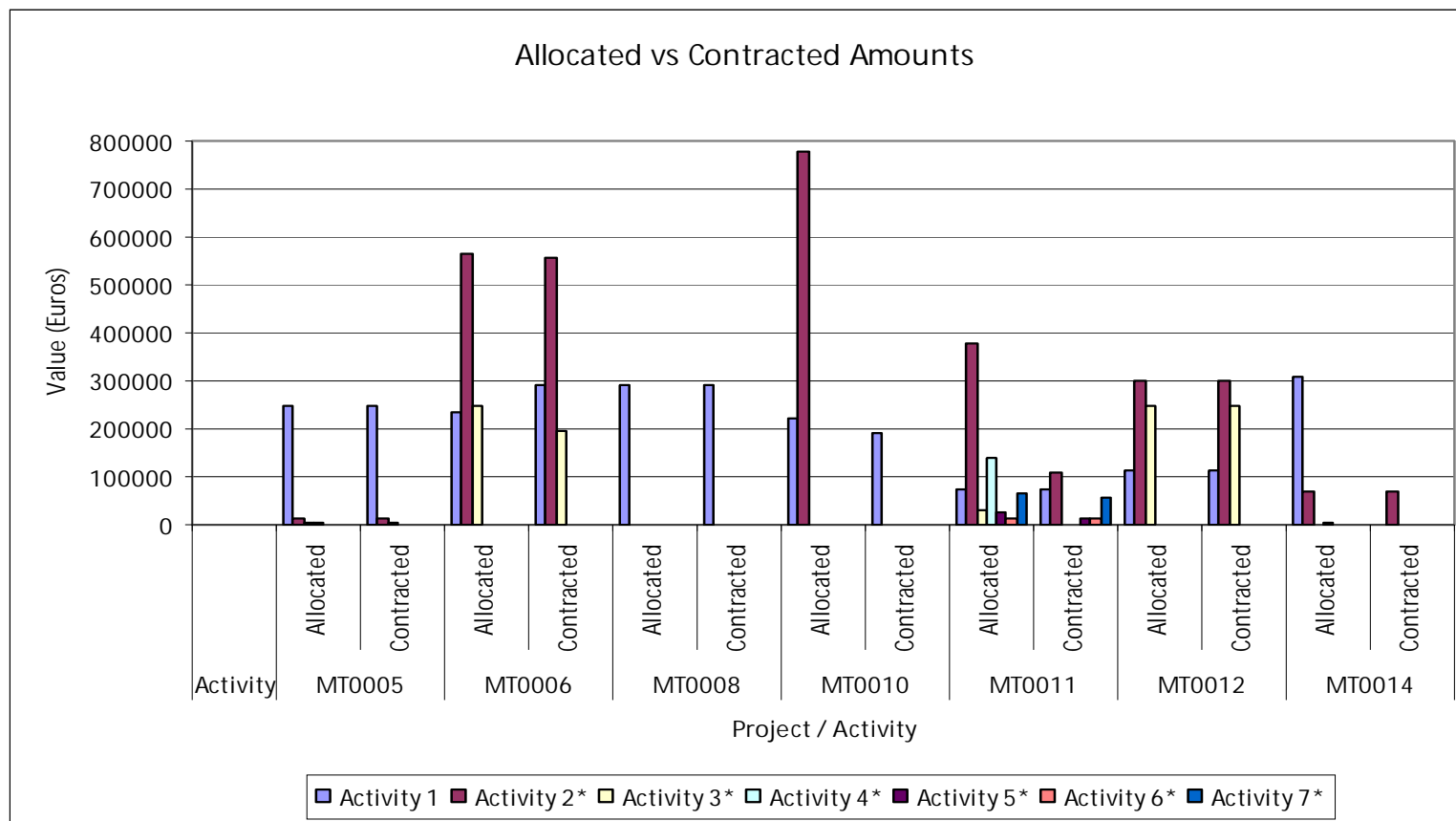
In terms of horizontal matters, the FP is steering the PPs to carry out the required payments and draw up the required reports in as timely a manner as possible. However, one should realise that the process of certification is quite lengthy. The beneficiary inputs the required information in the electronic database and verifies the same, whilst the Line Ministry and Treasury carry out independent verifications to ensure that the payment is processed at a local level. Furthermore the FP verifies this payment process and the Certifying Authority certifies the same in order to have a PIR drawn up and the respective payment claim can be forwarded to FMO. Needless to say this takes some time to be effected and efforts are being done at all levels to ensure a more prompt processing of documentation to shorten these timeframes as much as possible and keep within the determined deadlines for submission of PIRs to the FMO. Moreover, monitoring and first level financial control is carried out regularly by the FP in order to ensure that all documentation is in place for payment processing and to ensure that the audit trail is adhered to.

Finally, it is envisaged that within the next reporting period, a programme level information and publicity campaign will be implemented to give further visibility to the projects themselves and the results achieved within the Priority Areas addressed through this mechanism, and the payment process would have gained further momentum and come in line with the timeframes as envisaged by the FMO.

## ANNEXES

### I. PROJECT CONTRACTING AND DISBURSEMENT STATUS

All figures represented in the charts and tables hereunder are net of VAT which is a non-eligible expense.



\* The number of activities per project varies.

ACTIVITY	MT0005	
	ALLOCATED	CONTRACTED
1	€ 246,400.00	€ 246,400.00
2	€ 13,200.00	€ 13,200.00
3	€ 4,400.00	€ 4,400.00
4	€ 5,500.00	€ 116.00
Total	€ 269,500.00	€ 264,116.00

ACTIVITY	MT0006	
	ALLOCATED	CONTRACTED
1	€ 234,000.00	€ 293,081.00
2	€ 566,000.00	€ 557,863.00
3	€ 246,822.00	€ 195,370.00
Total	€ 1,046,822.00	€ 1,046,314.00

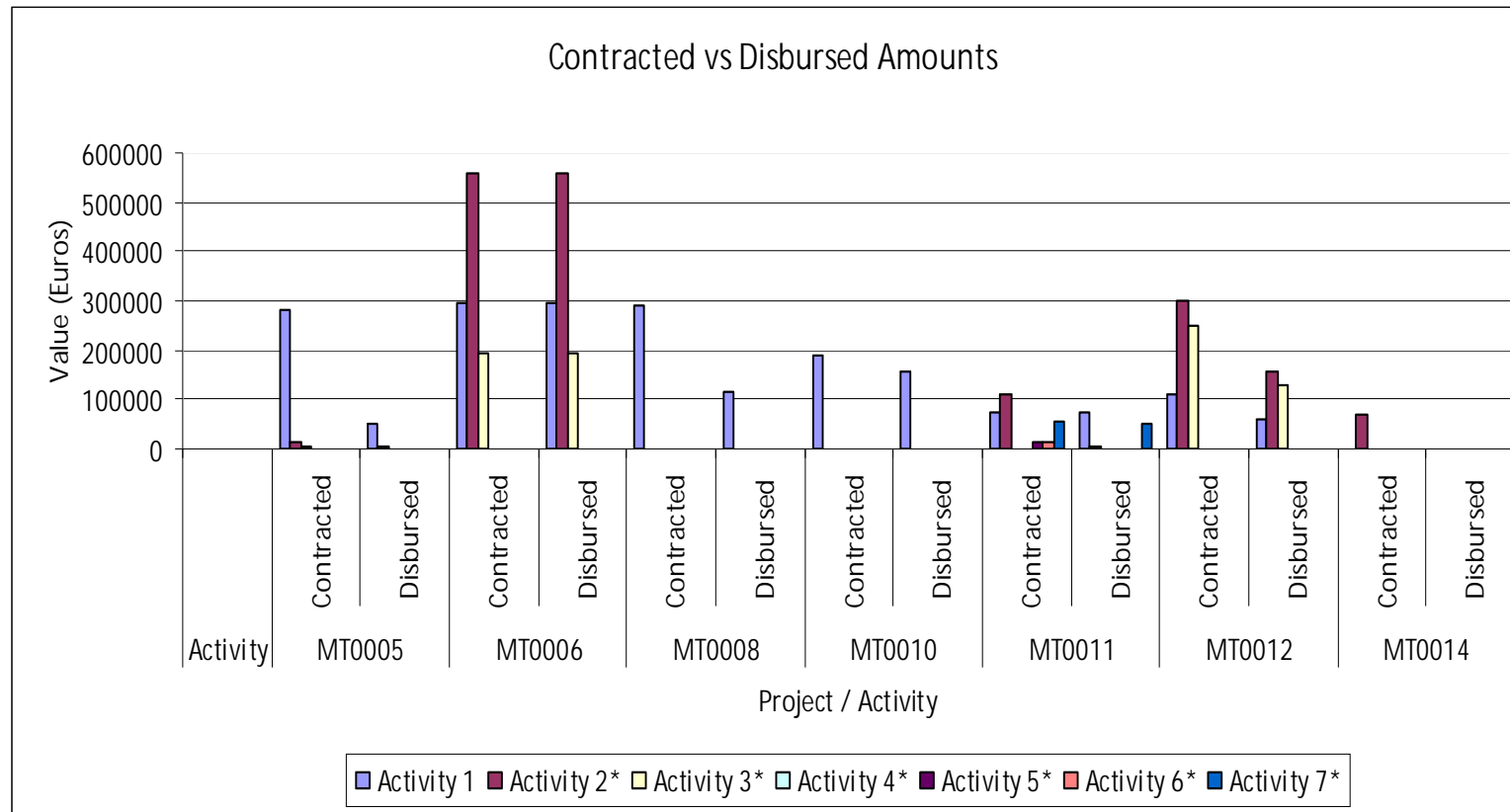
ACTIVITY	MT0008	
	ALLOCATED	CONTRACTED
1	€ 290,184.00	€ 290,184.00
Total	€ 290,184.00	€ 290,184.00

ACTIVITY	MT0010	
	ALLOCATED	CONTRACTED
1	€ 220,000.00	€ 191,000.00
2	€ 780,000.00	€ -
Total	€ 1,000,000.00	€ 191,000.00

ACTIVITY	MT0011	
	ALLOCATED	CONTRACTED
1	€ 73,374.00	€ 71,976.38
2	€ 377,969.00	€ 109,249.00
3	€ 30,679.00	€ -
4	€ 137,430.00	€ -
5	€ 26,664.00	€ 13,883.00
6	€ 13,974.00	€ 13,974.00
7	€ 64,550.00	€ 54,973.21
Total	€ 724,641.00	€ 264,055.59

ACTIVITY	MT0012	
	ALLOCATED	CONTRACTED
1	€ 111,750.00	€ 111,750.00
2	€ 300,000.00	€ 300,000.00
3	€ 250,000.00	€ 250,000.00
Total	€ 661,750.00	€ 661,750.00

ACTIVITY	MT0014	
	ALLOCATED	CONTRACTED
1	€ 308,388.00	€ -
2	€ 70,000.00	€ 70,000.00
3	€ -	€ -
4	€ 3,802.00	€ -
Total	€ 382,190.00	€ 70,000.00



<sup>6</sup> The amounts described as 'disbursed' in this chart are national funds which will be claimed for re-imburement through the respective PIRs.



ACTIVITY	MT0005	
	CONTRACTED	DISBURSED
1	€ 246,400.00	€ 49,280.00
2	€ 13,200.00	€ 2,640.00
3	€ 4,400.00	€ 880.00
4	€ 116.00	€ 116.00
Total	€ 264,116.00	€ 52,916.00

ACTIVITY	MT0006	
	CONTRACTED	DISBURSED
1	€ 293,081.00	€ 293,081.00
2	€ 557,863.00	€ 557,863.00
3	€ 195,370.00	€ 195,370.00
Total	€ 1,046,314.00	€ 1,046,314.00

ACTIVITY	MT0008	
	CONTRACTED	DISBURSED
1	€ 290,184.00	€ 116,072.68
Total	€ 290,184.00	€ 116,072.68

ACTIVITY	MT0010	
	CONTRACTED	DISBURSED
1	€ 191,000.00	€ 156,850.00
2	€ -	€ -
Total	€ 191,000.00	€ 156,850.00

ACTIVITY	MT0011	
	CONTRACTED	DISBURSED
1	€ 71,976.38	€ 71,976.38
2	€ 109,249.00	€ 6,166.26
3	€ -	€ -
4	€ -	€ -
5	€ 13,883.00	€ 629.00
6	€ 13,974.00	€ -
7	€ 54,973.21	€ 50,314.47
Total	€ 264,055.59	€ 129,086.11

ACTIVITY	MT0012	
	CONTRACTED	DISBURSED
1	€ 111,750.00	€ 58,057.59
2	€ 300,000.00	€ 155,859.30
3	€ 250,000.00	€ 129,882.75
Total	€ 661,750.00	€ 343,799.64

ACTIVITY	MT0014	
	CONTRACTED	DISBURSED
1	€ -	€ -
2	€ 70,000.00	€ -
3	€ -	€ -
4	€ -	€ -
Total	€ 70,000.00	€ 0.00

## II. PUBLICITY BEST PRACTICE



Figure 1 Dedicated website for MT0005



Figure 2 H.E. Ambassador of Norway for Malta Mr. Einar M. Bull at a tree-planting activity during the implementation of MT0011

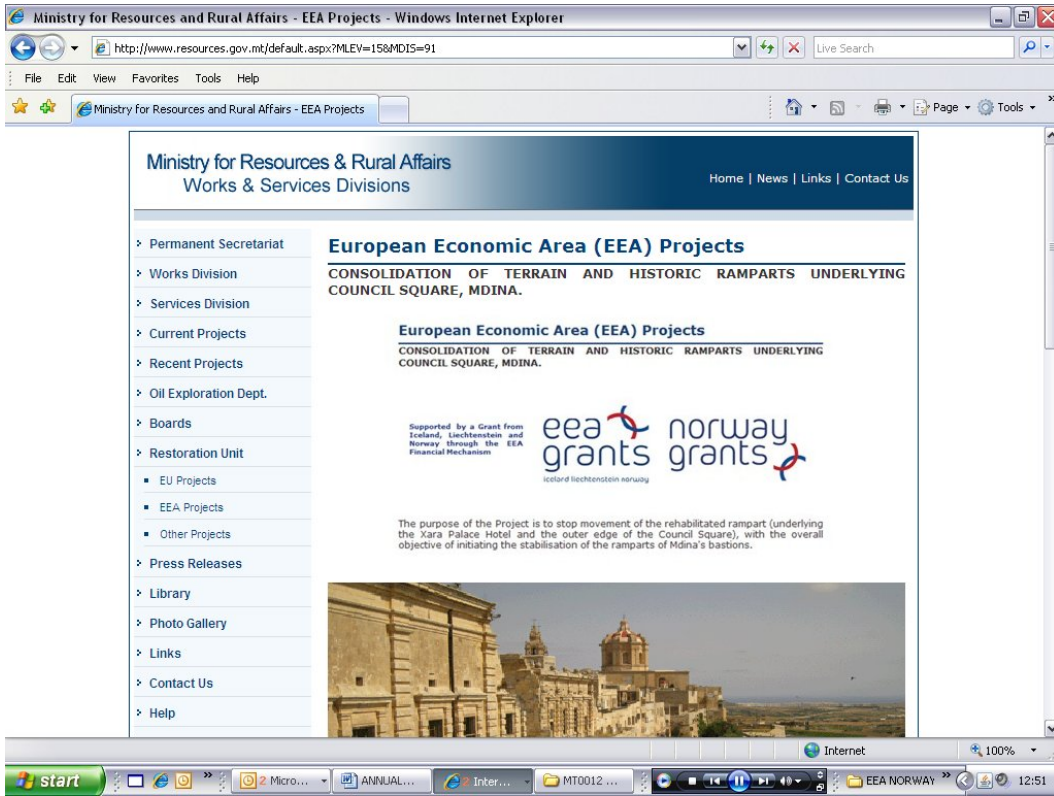


Figure 3 Dedicated website for MT0012



Figure 4 Posters used during exhibition for MT0012

### III. AUDIT PLAN

#### 1. Year under review

Until mid-2009, only an insignificant amount of expenditure had been claimed by the Paying Authority (PA) from the Financial Mechanism Office (FMO). Thus to date the Internal Audit and Investigations Division (IAID) could not conduct sample checks on expenditure. However, July has seen a significant amount of expenditure actually being claimed from the FMO, so it is envisaged that during the months of August and September 2009 the IAID conducts its first sample checks on expenditure.

#### 2. Audit Plan

The IAID is responsible for drawing up an annual audit plan with respect to the audits of the EEA and Norwegian Financial Mechanisms (2004-2009). The IAID is independent of the Focal Point and the Paying Authority.

#### Sample checks on Expenditure

As can be inferred from the previous section, the IAID is responsible for conducting sample checks on expenditure. Now that claims for reimbursement of expenditure have started to be made to the FMO and that it is expected that such claims gain momentum during the forthcoming year, the IAID plans to conduct regular checks on a sample of expenditure declared to the FMO.

IAID's checks will cover expenditure on all 7 projects and such expenditure checked will amount to at least 10% of total expenditure claimed from the FMO. The expenditure to be audited within particular projects will be prioritized on the basis of a risk assessment. This risk assessment will be based on both historical and factual information. Amongst the risk factors that will be taken into consideration there will be the following:

- A. Type of expense item;
- B. Previously Reported Irregularities or Errors.

The Risk Factors will be allotted a weight factor on a score number ranging from 1 to 5 where 1 represents the lowest risk and 5 the highest risk. Thus the higher the score means the higher the risk.

The work done by the IAID in the sample checks will basically involve a thorough financial audit aimed at establishing whether selected expenditure is eligible and regular and thus determining the reliability of payment claims and the effectiveness of controls by the Focal Point and by all the stakeholders involved in the management, implementation and control of the EEA and Norwegian Financial Mechanisms.

The objectives of the IAID in such audits will thus include the verification that:

- i. the management and control systems are properly and effectively applied;

- ii. there is a sufficient audit trail;
- iii. supporting documents are accurate and complete and provide reliable financial and other information on the projects implemented;
- iv. accounting records are adequately held by the bodies involved in the implementation of the projects;
- v. the expenditure items correspond to the eligibility requirements;
- vi. the use or intended use of the project is consistent with the objectives set originally;
- vii. the appropriate co-financing has in fact been made available.

Whilst originally it was planned to conduct systems audits on 3 out of the 7 Project Promoters, it was subsequently deemed more practical to audit these units indirectly when conducting the sample checks. Thus while conducting sample checks, the IAID will concurrently assess whether the management and control systems in place at the Project Promoters ensure the sound financial management of the EEA and Norwegian Financial Mechanisms and are adequate and operating effectively.

#### Scope and Methodology

The methodology used by the IAID is based on internationally accepted audit standards including those published by the International Federation of Accountants (IFAC).