

ANNUAL REPORT  
for the  
NORWEGIAN FINANCIAL MECHANISM

MALTA

1 September 2009 – 30 September 2010

*Compiled by:*

Maltese Focal Point  
Planning and Priorities Coordination Department  
Office of the Prime Minister  
12 St. Paul Street  
Valletta VLT1210  
Malta

☎: +356 2200 1142  
☎: +356 2200 1141  
✉: [leonie.aquilina@gov.mt](mailto:leonie.aquilina@gov.mt)  
🌐: <http://ppcd.gov.mt>

## ACRONYMS

ACRONYM	DEFINITION
EEA	European Economic Area
EEAFM	EEA Financial Mechanism
EEA/N FM	EEA and Norwegian Financial Mechanisms
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 Department
IFAC	International Federation of Accountants
MEPA	Malta Environment and Planning Authority
MFEI	Ministry of Finance, the Economy and Investment
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
PP	Project Promoter
PPCD	Planning and Priorities Co-ordination Department
RTDi	Research, Technological Development and Innovation
TM	Transport Malta

## 1. EXECUTIVE SUMMARY

This annual report gives an analysis of the implementation of the Norwegian Financial Mechanism between 1 September 2009 and 30 September 2010 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 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 fifth year of implementation for the projects co-financed by the Norwegian FM. During this reporting period, steady progress was registered in the six projects which are co-financed by this Mechanism. Two projects have been completed. Four projects have been modified through either internal budgetary re-allocations or by an extension to their respective planned completion dates. Monitoring of projects was constant through a number of meetings as well as on-the-spot checks carried out on project sites. The period under review also reports substantial progress in the processing of payments for each project through the electronic database system. PIRs have been regularly submitted and payment claims made have been reimbursed by the FMO.

## 2. STRATEGIC BACKGROUND

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

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

The year 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 five-year programming period covering 2004 – 2009.

The main aims are:

→ NORWEGIAN FINANCIAL MECHANISM:

“To reduce social and economic disparities within the EEA and to enable 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 Norwegian Financial Mechanism”

Through the NFM, Norway is contributing 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 EU 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 Norwegian Financial Mechanism. On 27 June 2005, a MoU on the implementation of the NFM in Malta was signed by the Government of Malta and the Donor State.

As a result, a total of €1.701 million has been made available to Malta under the Norwegian Financial Mechanism (NFM) for the commitment period running from 1 May 2004 to 30 April 2009. A number of Priority Areas were identified in the MoU. These include the Priority Areas identified for the EEA Financial Mechanism as well as:

- Implementation of Schengen acquis, support of National Schengen Action Plans as well as strengthening the judiciary
- Environment, *inter alia* with emphasis on strengthening the administrative capacity to implement relevant acquis and investments in infrastructure and technology with priority given to municipal waste management
- Regional policy and cross-border activities
- Technical assistance relating to implementation of acquis communautaire
- Academic research in so far as it is targeted at one or more of the priority sectors

The Planning and Priorities Coordination Department (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.

A total of six projects are being co-funded under the NFM. Three of these projects are solely co-funded by the NFM whilst a further three are co-financed by both the EEAFM and the NFM<sup>1</sup>. Following the Donors' approval, the projects which were ultimately selected and which are now being implemented through co-financing by the NFM and the EEA/N FM are:

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<sup>1</sup> Three projects (MT0006, MT0008 and MT0014) are co-financed solely by the NFM. Originally, 2 projects were co-financed by the EEA/N FM, namely MT0011 and MT0013. However, following the approval for reallocation of uncommitted funds and savings from other projects, MT0012 became co-financed also from the NFM as of 17 March 2009.

NORWEGIAN FINANCIAL MECHANISM PROJECTS<sup>2</sup>

CODE / MT	PROJECT TITLE	GRANT AMOUNT	PP CO-FINANCING	TOTAL PROJECT VALUE (EXCL. VAT)	FINANCIAL MECHANISM	PROJECT PROMOTER
0006	Implementation of Schengen Acquis Requirements at the Malta International Airport by April 2007	€517,863	€528,959	€1,046,822	N	Malta International Airport
0008	Procurement and Installation of Security / Safety Equipment for Building Sites housing SIS equipment	€246,656	€43,528	€290,184	N	Malta Police Force
0011	Xrobb l-Għagin Nature Park and Sustainable Development Centre	€263,389	€88,916	€724,641	EEA	Nature Trust (Malta)
		€372,336			N	
0012	Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina	€477,215	€99,262	€661,750	EEA	Ministry for Resources and Rural Affairs (MRRA) [Restoration Unit]
		€85,273			N	
0013	Technical Assistance Fund for Malta	€36,644	€12,932	€86,220	EEA	Office of the Prime Minister (OPM) [Planning and Priorities Coordination Department (PPCD)]
		€36,644			N	
0014	Conservation of Hal Saflieni Hypogeum - World Heritage Site	€324,861	€57,329	€382,190	N	Heritage Malta

Table 1 Norwegian Financial Mechanism Projects

<sup>2</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 €855 million 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 (ERDF) 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 (ESF).

Malta is also participating in five Territorial Cooperation Programmes<sup>3</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 OPs 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
<b>Total</b>	<b>€855M</b>	

Table 2 Cohesion Policy 2007 - 2013

The overall objective of the OP 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 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>○ Enterprise Infrastructure;</li> <li>○ Aid Schemes to the manufacturing and service industries;</li> <li>○ Financial engineering;</li> <li>○ Investment in RTDi and RTDi-related infrastructure and ICT</li> </ul>	€120,000,000.00	€102,000,000.00	ERDF
2. Promoting Sustainable Tourism	<ul style="list-style-type: none"> <li>○ Product development;</li> <li>○ Niche market development and branding;</li> <li>○ Aid schemes to Tourism/Cultural undertakings</li> </ul>	€120,000,000.00	€102,000,000.00	ERDF
3. Developing the TEN-T	<ul style="list-style-type: none"> <li>○ Road transport links;</li> <li>○ Maritime transport links;</li> <li>○ Major projects (improving the TEN-T road infrastructure)</li> </ul>	€169,038,258.82	€143,682,520.00	Cohesion Fund
4. Mitigation and Adaptation to Climate Change	<ul style="list-style-type: none"> <li>○ Energy;</li> <li>○ Flood relief;</li> <li>○ Major projects (reduction of emissions from the Delimara Power Station, National Flood Relief Programme)</li> </ul>	€121,000,000.00	€102,850,000.00	ERDF

<sup>3</sup> These are the Italy-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.



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 OP I

The overall objective of the OP 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 private 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> <li>o Strengthening the quality of employment services;</li> </ul>	€21,405,000.00	€18,194,250.00	ESF

	<ul style="list-style-type: none"> <li>○ Promoting a more effective social and civil dialogue in Malta;</li> <li>○ Innovative activities</li> </ul>			
5. Technical Assistance	<ul style="list-style-type: none"> <li>○ Implementation of the programme and capacity building;</li> <li>○ Information and publicity;</li> <li>○ Transnational / Interregional activities;</li> <li>○ Common activities between OPI and OPII;</li> <li>○ Innovative activities</li> </ul>	€5,064,705.00	€4,305,000.00	ESF

Table 4 Priority Axes in OP II

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

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

The last joint Annual Meeting for the NFM and EEA FM was held in Gozo in October 2009 between the Maltese FP and representatives of the Donor States, the Royal Norwegian Embassy, the Financial Mechanisms Office and the local horizontal stakeholders.

The full day session started with visits to two project sites, Mdina (MT0012) followed by the Cittadella in Gozo (MT0005). Both site visits provided an opportunity for the overseas delegates to meet the two respective project promoters and their teams who delivered detailed and interesting presentations about their projects complemented by a tour around the sites. This helped the delegates to further understand the work being carried out at these sites through the Financial Mechanisms' valuable support, with added appreciation of the sites' historical contexts.

The high level session and joint technical meeting for the EEA N FM was held later in the day. The FP gave an overview of the projects' progress between October 2008 and September 2009 as well as a brief commentary and updates on the Annual Reports.

A number of horizontal issues were also discussed during the meeting. Prime importance was given to the expected submission of Project Interim Reports (PIRs). The FP explained that a number of financial and documentary checks needed to be carried out prior to the submission of certified PIRs and that these checks were to be made through an electronic database that had come on stream earlier in the year. On this note, the FP agreed to the FMO's request of submitting any pending PIRs by December 2009.

Information and publicity actions and the following 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 welcomed by the Donor States in view of the ongoing negotiations in preparation for the 2009 – 2014 programming period.

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

The previous Annual Report was the fourth for the NFM and covered the period 1 October 2008 and 31 August 2009.

The main sections of the fourth Annual Report were:

- PROJECTS PROGRESS, where an overview of the progress achieved in the projects co-financed under the NFM was given. The main focus of this section was on the contracts signed and activities implemented since their respective contract signature;
- MATTERS OF A HORIZONTAL NATURE, where a summary of the amendments made and proposed to the projects was given. A de-commitment was proposed on MT0013 (the Technical Assistance Fund project being partly co-financed by EEA FM). It was proposed that de-committed funds as well as uncommitted funds should be allocated to MT0012. The request for de-commitment was submitted

prior to the deadline of 31 October 2008. This section also included an overview of Financial Control checks carried out on projects. Information about the modifications made to the electronic database and to payment progress was also given;

- PUBLICITY dealt with publicity actions carried out at project level by the PPs and others being planned at programme level by the FP;
- WORK PLAN SEPTEMBER 2009 – AUGUST 2010 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 audits on the projects being implemented in the following 12 months.

A cover note providing clarifications and updates in terms of achievement between the report cut-off date at the end of August 2009 and 30 September 2009 was provided to offer the latest information on the projects.

### C. CONCLUSIONS DRAWN FROM THE ANNUAL REPORT

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

Most projects underwent spot checks. The fact that the tendering for many projects was moving at a swift pace was recorded as positive, especially when one considered that across both mechanisms there was one project already completed, another nearing completion and two which had concluded their tendering processes.

As in the previous year, it was still early to determine the overall impact the projects were having on cross-cutting issues and priority areas given that only one project was completed by this time. Despite this, 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 PPs had submitted their intended approach towards addressing cross-cutting issues in their application forms. These cross-cutting issues and the principles of good governance, transparency and fair competition were being adhered to by all PPs, irrespective to whether they were public entities, private companies or NGOs.

One project was afflicted by delays in securing MEPA permits and in properly defining project activities. However, the modifications which were proposed together with the reallocations suggested were made to ensure the utilisation of the available funding in a most effective and efficient manner.

## 4. PROJECT PROGRESS

### a. INDIVIDUAL PROJECT PROGRESS

#### → MT0006: IMPLEMENTATION OF SCHENGEN ACQUIS REQUIREMENTS AT MALTA INTERNATIONAL AIRPORT BY APRIL 2007

This project targets the *Implementation of the Schengen Acquis* priority area. The Project Promoter is Malta International Airport PLC. The total eligible cost for this project is €1,046,822 with a grant rate of 49.47% (€517,863). The Grant Agreement was signed on 15 June 2007 and the Implementation Agreement was entered into on 12 May 2008.

The implementation status of this project remains unchanged from the previous reporting period. This is the first project from both Financial Mechanisms to have been completed both on a local level as well as across all beneficiary states. All envisaged activities and results were achieved, namely:

- Construction works converting the existing arrivals hall into a non-Schengen departures hall;
- Construction works converting the existing departures into a departures hall for departures to the Schengen area;
- Construction works for flexible gates for both Schengen and non-Schengen departures to be used in either configuration according to demand.

The first, and only, Project Interim Report was drawn up for this project and forwarded to the FMO for their approval, under a cover note as payment claim for €465,271. Following the PIR's approval, a Project Completion Report was drawn up and submitted to the FMO for the remaining claim of €52,341 withheld until project completion as per Article 5 of the Grant Agreement.

In a sample check audit performed on expenditure by the IAID, in late 2009/early 2010, it emerged that one of the budget headings in this project's PIP was exceeded by €4,197, which is equivalent to 20.98% and therefore more than the 15% permitted without the FMO's prior approval. This finding was contained in an audit report drawn up by the IAID on 30 April 2010. This report was sent to the FMO a few weeks later and the FP is currently in the process of recovering the Norwegian Grant share of €2,076.26.

No further actions are envisaged in the implementation of the project; however, the gates converted through this project remain fully operational.

#### → MT0008: PROCUREMENT AND INSTALLATION OF SECURITY / SAFETY EQUIPMENT FOR BUILDING SITES HOUSING SIS EQUIPMENT

This project also targets the *Implementation of the Schengen Acquis* priority and the Project Promoter is the Malta Police Force. The original total eligible cost for this project was €294,915 with a grant rate of 85% (€250,678); however a request for de-commitment was made following some savings which resulted after the signature of the only contract envisaged in this project. For this reason, the revised total eligible cost is €290,184 and the grant amount stands at €246,656 (85%). The Grant Agreement was signed on 15 June 2007 while the Implementation Agreement was drawn up and co-signed by the PP and FP on 06 June 2008.

The previous Annual Report saw the project moving smoothly with most of the equipment envisaged already procured and installed. During the last twelve months, the project addressed the issues reported last year that had kept the project on hold, such as the change in power supply intended for the equipment procured and physical works that needed to be carried out in the area where an item procured through this project was to be housed and installed. Although these works fell outside the remit of the project, they were nonetheless required for the safe housing of the SIS equipment. The project was completed by December 2009.

→ MT0011: XROBB I-GĦAĠIN 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 with a grant rate of 87.73% (€635,725). 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, MEPA and the PP was made in December 2007 and governs the management of the Nature Park site.

A total of 15,500 trees, exceeding the target of 10,500 set in this project's PIP, had already been planted during the previous period. Meanwhile, restoration works have continued on the existing structures, including all the roofs and the internal walls; interior electricity and plumbing have been installed; the various tenders were issued and have been adjudicated; ground trenching and the laying of water and drainage pipes are in progress while the wind turbines are on order. The tender for the photovoltaic (PV) panels was recently also awarded, while the sewage treatment plant, other restoration works and interior fittings are envisaged to be completed by early next year.

Publicity measures undertaken to date include the PP's delivery of a presentation about this project during an international conference entitled 'Lessons learned and looking forward - EEA and Norway Grants in the Environmental Sector' which was held in Warsaw in October 2009, and a half-day seminar for students the PP itself organised together with the University of Malta last December on campus.

In October 2009, H.E. Ms. E. Walaas, Norwegian State Secretary for Foreign Affairs visited the site of MT0011 while in Malta for a one-day bilateral seminar between the two countries on 'Energy Efficiency and Renewable Energy'. During the seminar, which was jointly organised by the Malta Intelligent Energy Management Agency (MIEMA) on behalf of the Ministry for Resources and Rural Affairs, and the Royal Norwegian Embassy, Malta's Minister for Resources and Rural Affairs had words of praise for this project, describing it as an excellent example of local renewable and sustainable energy efforts. He pointed out that the wind turbines would also serve as a pilot for future projects of this kind in Malta.

Over the summer months 2010, the PP established contact with education centres using renewable energy in Europe. The aim was to organise bilateral exchanges to encourage the sharing of knowledge and experience in the operation of such centres. Such exchanges would additionally promote the park at Xrobb I-Għaġin as a potential centre for the organisation of future environmental camps, hence extending publicity to the project from the local to the European level.

An article on project MT0011 and the assistance received through these Financial Mechanisms is expected to feature on a local publication in due course.

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

This project, implemented 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 with a grant rate of 85% (€425,000) co-financed under the EEAFM. 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 approved on 17 March 2009 and hence, the new total eligible cost went up to €661,750, with the grant of €562,488 (85%) comprising of both EEA and NFM co-financing.

Work on the original 25-metre stretch of St Paul's Bastion and the preliminary excavations and underground consolidation of the 5-metre extension had been finalised during the previous reporting period, with the actual restoration works of the 5-metre extension being in the final stages of completion on 30 August 2009. All physical work was in fact completed by the following month.

H.E. the Norwegian State Secretary for Foreign Affairs visited this project also on 27 October 2009, following her visit to project MT0011. The Minister for Resources and Rural Affairs pointed out that the technical work carried out on the whole 30-metre stretch of bastion had proved to be a successful pilot restoration that would be applied on a much larger project utilising ERDF funds to restore fortification around Malta and Gozo.

→ MT0014: CONSERVATION OF HAL SAFLIENI HYPOGEUM WORLD HERITAGE SITE

This project targets the *Conservation of European Cultural Heritage* priority area. The Project Promoter is Heritage Malta and the original total eligible cost for this project was €451,000 with a grant rate of 85% (€383,350). The project saw a de-commitment of 18% which was originally allocated as eligible VAT and therefore the new total eligible cost is € 382,190 with the grant amount of €324,862 (85%). The Grant Agreement for this project was signed by the FP and the Donors on 6 March 2009 and the Implementation Agreement between the PP and the FP was entered into on 10 March 2009.

During the previous period, the service contract for the 3D Documentation of the Hal Saflieni Hypogeum was signed and work kicked off in early August 2009. The documentation process, consisting of laser scanning and digital photographic documentation of the upper, middle and lower levels of the Hypogeum, was carried out on site, while the processing of the data recorded was then continued off site. This activity was completed in August 2010.

The tender for the supply, installation and commissioning of equipment, divided into 3 lots which had failed as reported last year, was re-issued but again it was not fully successful. Only one lot could be awarded – the IR reference standard and calibration equipment to be used in conjunction with equipment deployed for environmental monitoring of the Hypogeum – and a contract was signed in early February 2010. Training was given in April 2010 and delivery of supply commenced in June 2010.

A tender for the other two lots was issued again in April 2010, entitled 'The Supply and Service Tender for the Installation, Commissioning and Operation of Environmental Monitoring Equipment and the Data Gathering, Supply and Analysis at the Hypogeum'. The Department of Contracts published the result of the award in July 2010 but an objection lodged by an aggrieved party has been delaying the signing of the contract for the last months.

Should this objection be rejected by the Public Contracts Objection Board, the way would be cleared for the contract to be signed, enabling the environmental monitoring equipment to be delivered and installed, and the monitoring to commence.

This project cannot be fully completed by the current final eligibility date of 30 April 2011. Since the Hal-Saflieni Hypogeum is a UNESCO World Heritage Site, and this project is crucial for continued public access to it and for the site's enjoyment by all those who visit it, the FP intends to submit to the FMO a formal request for an extension to the final eligibility date on an exceptional case basis.

#### b. TECHNICAL ASSISTANCE FUND FOR MALTA (MT0013)

The Technical Assistance Fund for Malta is being managed by the Planning and Priorities Coordination Department, 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 with a total grant rate of 85% (€43,240 EAAF and €43,240 NFM). €15,520 was de-committed from the project, giving a new total eligible cost of €86,220. The grant amount was reduced accordingly to €73,288 (85%).

On 2 September 2009, the FP organised the Monitoring Committee meeting with the participation of the representatives of the various ministries and Civil Society stakeholders. Mr Arne Gjermundsen, Minister Counsellor from the Royal Norwegian Embassy for Malta also took part in the meeting. The FP subsequently organised the Annual Meeting with the FMO and the Donors on 8 October 2009. A summary of the outcome of this meeting is found in section 3a of this report.

Elsewhere, the FP held meetings with the various PPs in order to monitor the implementation of the individual projects and to discuss any issues and difficulties that arose. The FP has also carried out spot checks on projects to verify expenditure claims before these were submitted to the FMO along with Project Interim Reports.

A substantial amount of payments has also been processed through the electronic database.

Additionally, the FP twice launched a departmental call for tenders for an Information and Publicity Campaign at programme level. The first call was issued in the Malta Government Gazette of 8 January 2010 but no bids were submitted. So the call was reissued on 16 July 2010, resulting in one bidder whose offer was deemed technically non-compliant at the adjudication stage. Subsequently the Departmental Contracts Committee (DCC) approved the recommendation of the Evaluation Committee for a direct agreement with this sole bidder in terms of Article 20 (4) of the Public Procurement Regulations.



### c. PROJECTS' CONTRIBUTION TO PRIORITY AREAS

Three priority areas are targeted by the Norwegian Financial Mechanism in Malta, namely, the *Protection of the Environment, including the human environment*, the *Conservation of European Cultural Heritage, including public transport and urban renewal* and the *Implementation of Schengen Acquis*.

Projects MT0006 and MT0008 have both contributed a great deal to Malta's entry into the Schengen zone. MT0008 which addressed the security and safety requirements at the sites housing SIS equipment was crucial during the Schengen evaluation visit held in December 2007 since it addressed the mandatory security requirements for entry into Schengen. On the other hand, the new gates developed through MT0006 have been in full operation since their completion, ahead of Malta's lifting of the air borders in March 2008.

MT0011 targets the environment priority area through the development of a nature park which comprises 15,500 trees intended to create different natural habitats and ecological units. Furthermore, project MT0011 will also make use of renewable energy sources, contributing to further research into their use.

On the other hand, the cultural heritage priority area is addressed by MT0012, which has been implemented in the ancient fortified city of Mdina. MT0012 has served as a pilot project on the consolidation of terrain and historic ramparts. A larger project covering other, more extensive areas of intervention round the walled cities of Malta and Gozo is being co-funded through the European Regional Development Fund (ERDF) 2007 – 2013.

Cultural heritage is also being targeted through MT0014 which aims to safeguard the uniqueness of the Hypogeum, which is UNESCO World Heritage Site. In view of its particular climatic conditions, UNESCO World Heritage had established that not more than 10 persons can access this underground site at any one time. Having followed this recommendation, more effort is being made through this project in monitoring the climatic conditions of the site in order to preserve for as long as possible the red ochre paintings on the Hypogeum's walls and ceiling.

### 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 N FM.

The Schengen projects co-financed under NFM did not have any adverse effects on the environment, primarily because the actions envisaged concentrated on indoor areas which in fact did not require any special permits from MEPA. Furthermore, attention was given to the type of items procured, particularly in MT0008 where the automated fire extinguishing system chosen uses a special type of gas which is non-toxic to humans or the environment. Moreover, these two projects have widely contributed to Malta's accession to the Schengen Zone, thus benefitting Malta's economic and social spheres through the lifting of borders that have made travelling easier for both locals and visitors.

The MT0011 project is also well set to address the Sustainable Development cross-cutting issue through the afforestation component as well as through the harnessing 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 at the nature park which is being made accessible to all.

MT0012 has contributed to the consolidation and restoration of a 30-metre stretch of the fortifications which surround the old medieval city of Mdina. Given that Mdina is one of the most visited locations in Malta, the actions undertaken in the project have added value to the site from all aspects of sustainable development: the visible fissures in the stretch of bastions treated under this project have been consolidated against further damage to the fortification while the environment around the site has been improved. By inference, the economic value of the site has increased, especially through the discovery of the remains of a medieval tower, and furthermore prosperity in the area is improved.

On the other hand, MT0014, while focusing on the protection of a unique underground environment, will be improving Malta's potential for tourism through the preservation of a historical site which generates a lot of interest among visitors to the island. For a number of years in the past, the site had to be kept closed and this project aims to prevent that situation from recurring. The conservation of the Hypogeum will draw more visitors, thus generating economic activity in the area where it is situated. Furthermore, the site being a unique one in Malta and being accorded UNESCO World Heritage Site status has also significant educational value and deserves being preserved for posterity. The fact that it is situated underground however renders it inaccessible for some potential visitors and this aspect is being mitigated through the 3D recording of the site which will feed into a model which can be viewed by all.

#### → GENDER EQUALITY

All the projects being implemented under the N 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 FP, which devised a Manual of Procedures, in support of the correct implementation of the projects. Furthermore, PPs which are not public entities have been encouraged to follow the spirit of public procurement to ensure that the procurement of works, services and supplies is carried out in a most transparent and fair manner.

#### → BILATERAL RELATIONS

While none of the projects have entered into partnerships or contracts with entities from the Donor State, the PPs 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 Royal Norwegian Embassy to Malta attended the Monitoring Committee held by the FP in September 2009 and has remained

regularly in touch. The Minister Counsellor, the Donor and FMO representatives visited Malta for the Annual Meeting on 8 October 2009 where they were taken to visit the site of MT0012.

Later that same month, the Minister Counsellor also accompanied H.E. the Norwegian State Secretary for Foreign Affairs on her visit to Malta for a bilateral seminar between the two countries on Energy Efficiency and Renewable Energy. Ms. Walaas was also escorted to site visits in Mdina and Xrobb I-Għagin to witness the concrete results of these projects. She also took some time to personally meet and thank the Focal Point for its dedicated work and to have discussions about how bilateral relations between Malta and Norway could be improved.

## 5. MATTERS OF HORIZONTAL NATURE

### a. PROJECT MODIFICATIONS

Throughout the current reporting period, a number of modifications were made on individual projects during their respective eligibility period.

Following written requests from some of the PPs, the FP submitted covering letters justifying to the FMO the need for modifying some of the Project Implementation Plans (PIPs). The modifications entailed extensions on planned completion dates and/or transfer of funds between budget headings and/or activities. The following projects were modified:

- MT0008 needed an extension to its planned completion date from February 2009 to December 2009. This was granted by the FMO on 30 April 2010 on the basis of the justification provided by the PP and the FP.
- MT0011 needed an extension to its planned completion date from July 2009 to December 2010. This was also granted by the FMO on 28 April 2010 on the basis of the justification provided by the PP and the FP.
- MT0013 also received FMO approval to extend its planned completion date to April 2011, which is also the final eligibility date for all remaining projects under the EEA/N FM 2004-2009. Given that Technical Assistance aims at monitoring the implementation of individual projects and seeing to the overall operation of the programme, such extension ensures that the FP fulfils its management role till the very end. A modification involving a transfer of less than 15% between activities was made to increase the budget of the publicity component.
- MT0014 registered €600 in savings from the budget allocated for 3D documentation of the site and a further €662 that were previously allocated for project management since this was carried out in-house by the PP itself at no cost. Following FMO and FP approval, these two amounts were transferred to the equipment supply and services component, thus making the previously unsuccessful services and supply tender more attractive, while retaining the remaining amount of €3,140 for publicity, hence increasing the amount originally allocated for this purpose.

### b. MONITORING AND FINANCIAL CONTROL

Financial control checks, known as 'on-the-spot' checks or 'spot-checks', are carried out by the FP and focus on the administrative, financial and physical aspects of a project. During these checks, the FP gains assurance that the project is being implemented as planned and in accordance with sound financial management principles. These financial control checks were intentionally carried out by the FP on projects before submitting payment claims through a 'statement of expenditure' along with a Project Interim Report that covered the same progress period. Such checks help the FP to verify that all eligible rules and regulations were adhered to, and to confirm the authenticity of certified payment documents.

During the financial control checks, emphasis is also placed on the verification that PPs are adhering to tendering and contracting procedures as laid down in Public Procurement Regulations. In the case of project MT0011, which is run by a non-governmental organisation, a degree of flexibility is allowed as long as the PP follows the spirit of public procurement practices and ensures fair competition, transparency and good governance throughout.

Moreover, the FP has been in regular contact with all PPs whose projects were still under implementation throughout this year under review. Meetings were regularly held between FP and PPs to address issues such as the need for extending a project completion date, public procurement difficulties, shifting funds between budget headings and/or activities and so forth.

All projects registered substantial physical and financial progress over the last year, leading to successful project completion for the majority of them. The couple of projects that are left are progressing well too, both in physical implementation and in registering payments.

### C. PAYMENT PROCESS AND PROGRESS

The database application SFD 07-13, which was also modified to cater for the EEA and Norwegian Financial Mechanisms, enables quicker collection of financial information from various sources and allows 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. The application 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.

The system caters for modules dealing with the two separate financial mechanisms (EEAFM / NFM), as well as the joint mechanism (EEANFM), where projects take into consideration the various co-financing ratios as well as documentary requirements in view of the variety of beneficiaries (public entities, private companies, NGOs).

During the current reporting period, notable progress in payments made through the system was registered in comparison to the previous reporting period. Most projects have had all their payments executed through the system by Treasury, and this, in turn, has sped up the processing of pending Project Interim Reports (PIRs).

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

FINANCIAL MECHANISM	PROJECT	ELIGIBLE AMOUNT (GRANT + MT)	VAT (NON-ELIGIBLE)
EEAFM	MT0005	€267,854.64	€47,801.55
EEAFM	MT0010	€998,434.61	€13,751.97
NFM	MT0006	€1,046,314.00	€182,646.60
NFM	MT0008	€290,184.00	€52,233.12
NFM	MT0014	€34,788.33	€6,261.90

EEA+NFM	MT0011	€111,932.44 <sup>4</sup>	€19,540.52
EEA+NFM	MT0012	€618,375.60	€111,307.59
EEA+NFM	MT0013	€34,695.98	€408.62
Total		€3,402,580.03	€433,951.99

Table 5 Amounts processed and paid to date through EEA / N FM database

It should be noted that Table 5 captures all payments executed at national level by Treasury up to the end of period under review.

Projects are fully pre-financed by the Maltese authorities. Payments may be processed in two ways – either through a reimbursement of funds by Treasury to the Project Promoter following the latter's payment to contractor/supplier, or by means of direct payment transfer by the Treasury's into contractor/supplier's bank account.

Both payment methods are processed through the EEA / N FM database, ensuring an audit trail at each stage of the payment process. However, payments declared to the FMO in a given PIR are limited to those executed by the Treasury during the reporting period covered by that PIR. This explains why claims to the FMO always lag behind the level of physical implementation as well as the level of payments at national level.

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

FINANCIAL MECHANISM	PROJECT	PIR #	REPORTING PERIOD	AMOUNT CLAIMED
EEAFM	MT0005	1	March 07 - February 08	€99
		2	March 08 – February 09	€44,880
		3	March 09 – August 09	€-
NFM	MT0006 <sup>5</sup>	1	January 07 – October 07	€465,271
		2	PCR (November 2009)	€52,341
NFM	MT0008	1	February 07 - October 07	€ -
		2	November 07 – October 08	€ -
EEAFM	MT0010	1	March 07 - February 08	€ -
		2	March 08 – January 09	€125,480
EEA+NFM	MT0011	1	February 07 - January 08	€ -
		2	February 08 - January 09	€ -
EEAFM	MT0012	1	April 07 – May 08	€ -
		2	April 08 - March 09	€117,304
		3	April 09 – January 10	€329,473
EEA+NFM	MT0013 <sup>6</sup>	1	September 06 – August 07	€8,648-
		2	September 07 – August 08	€ -
NFM	MT0014	1	October 07 - September 08	€ -
		2	October 08 – June 09	€ -
		3	July 09 - October 09	€ -

<sup>4</sup> This amount does not include the €73,374 in-kind value of donated trees since the latter was not processed, like other payments, through the database.

<sup>5</sup> Following the finding of an audit carried out by the IAID, the amount of €2,076.26 is in the process of being recovered from the PP.

<sup>6</sup> This was an advance payment from FMO in 2007

Table 6 Project Interim Reports (PIRs) submitted by end of this report

It is to be noted 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.

All amounts shown in Table 6 above have been reimbursed by the FMO. The discrepancy between the amounts paid at national level given in Table 5 and the amounts reimbursed by the FMO illustrated in Table 6 is due to the way the payments system functions by firstly executing all payments at the national level and subsequently claiming the Donors' share from the FMO through the PIRs submitted later. Some PIRs have been overdue, mainly because of ad hoc project modifications requiring a revision of respective PIPs before a PIR could be generated, and due to the lengthy process taken for PIRs to be compiled, vetted and certified at national level.

## 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 there is clear acknowledgement of the funding source at all stages of the project. 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 on published material.

During the last two years, there have been no further publicity actions taken with regard to MT0006 in view of the fact that this project has been completed for almost 3 years. However, the commemorative plaque is still fixed in the non-Schengen Departure Hall (where most of the construction works co-financed through the N FM had been carried out) at Malta International Airport and remains on public view. This plaque had been unveiled during the inauguration of the gates.

There has been no promotion given to the MT0008 project in view of the fact that it is a sensitive project and the way it is promoted has to be done in a way that does not attract unwanted attention. The main drawback in promoting this project is the fact that the media cannot film inside the sites where the equipment has been installed, for obvious security reasons. Nevertheless, the PP still plans to publish a press release for the local media and possibly to host a conference giving information on how Malta has benefited from this project and to officially thank the Donors.

In October 2009, the PP of MT0011 was invited to a conference in Warsaw entitled 'Lessons learned and looking forward - EEA and Norway Grants in the Environmental Sector', held for all PPs in Beneficiary States of the EEA N FM. The Maltese PP gave a presentation on its project.

In early December 2009, the PP of MT0011 held a half-day seminar for University of Malta students. This project was also featured on a local TV educational programme earlier in 2010.

Also in October 2009, the local news media extensively covered the visit of H.E. Ms. E. Walaas, Norwegian State Secretary for Foreign Affairs, who was accompanied by H.E. the Norwegian Ambassador and their delegation to the sites of MT0011 and MT0012 by the Maltese Minister for Resources and Rural Affairs.

Acknowledgement of the funding source through publicity actions is being planned to kick off in the coming months with regard to project MT0014. Meanwhile the project is given prominence on the PP's website, (<http://www.heritagemalta.org/>) and temporary signage is affixed on site.



## b. PUBLICITY AT PROGRAMME LEVEL

On 8 January 2010, the FP launched a departmental call for tenders for an Information and Publicity Campaign on the EEA and Norwegian Financial Mechanisms. The call failed to attract any offers by the closing date of 29 January 2010.

Following some amendments to the original terms of reference, the tender was re-issued on 16 July 2010 and the closing date for the receipt of offers, only one bid was submitted. During the evaluation stage however, this sole bid was deemed to be technically non-compliant. Given the fact that the tender had been issued twice without success and having regard to the looming final eligibility date, the Evaluation Committee recommended that the Departmental Contracts Committee (DCC) authorises a direct agreement with the bidder. The DCC accepted this recommendation and gave its permission to the FP in terms of Article 20 (4) of Public Procurement Regulations (LN 296/2010).

The negotiations with the sole tenderer for this contract were still under way at the cut-off date of this report. The information and publicity campaign has a budget of €15,254 (excluding VAT) and is envisaged to have two main phases:

PHASE	MEANS	TARGET AUDIENCE	SUMMARY OF ACTION
1	<ul style="list-style-type: none"> <li>o Thematic Lessons + Site Visits</li> <li>o Artistic competition and launch of artistic exhibition</li> <li>o Publication of Calendar</li> </ul>	<p>Direct: senior school students + teachers</p> <p>Indirect: students' and teachers' families; other students/teachers/staff within chosen schools; officers within Education Division; visitors to art exhibition</p> <p>Press coverage will be given to the exhibition launch</p>	<p>Teachers deliver thematic lessons on the Priority Areas targeted by the 2 Financial Mechanisms and take students to site visits;</p> <p>Students create artworks which will be exhibited in central location;</p> <p>Best 12 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, such as billboard advertising</li> </ul>	<p>Direct: motorists, passengers 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, such as billboards, will be selected to best portray the three areas of action targeted by the 2 Financial Mechanisms in Malta; artwork produced by the students in Phase 1 may be utilised to create a cohesive Information and Publicity campaign</p>

## 6. WORK PLAN OCTOBER 2010 – OCTOBER 2011

OCTOBER 2010	NOVEMBER 2010	DECEMBER 2010
→ Hold Monitoring Committee	→ Contract signing and kicking off the implementation of Phase 1 of the Information and Publicity Campaign (I&PC); → Hold Annual Meeting	→ I&PC Phase 1: in progress; → Preparations for I&PC Phase 2
<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>		
JANUARY 2011	FEBRUARY 2011	MARCH 2011
→ I&PC Phase 1: in progress	→ I&PC Phase 1: final stage; → I&PC Phase 2: set-up of billboard advertising	→ I&PC Phase 2: final stage; → I&PC final reporting, marking completion of campaign
<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>		
APRIL 2011	MAY 2011 – OCTOBER 2011	
→ End of eligibility period of the EEA/N FM 04-09 (physical and financial implementation for pending individual projects ends here)	→ Submit last PIRs and any generated PCRs, for projects whose final eligibility date was April 2011; → Draw up Annual Reports for last Monitoring Committee and Annual Meeting; → Organise the last Monitoring Committee and Annual Meeting	
<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>		

## 7. CONCLUSION

During this reporting period, substantial progress was registered in all projects implemented under the N FM. All projects have been concluded and achieved the planned results, except two - MT0011 and MT0013. These are still in progress and expected to be completed in a few months.

In terms of horizontal matters, the FP has kept up the pressure on the PPs to execute payments and draw up the requested reports in as timely a manner as possible. One needs to acknowledge the fact that the process of inputting the required information in the electronic database, the certification carried out at Beneficiary, Line Ministry and Treasury levels for a payment to be fully processed, and hence executed, at a local level; and furthermore the desk-based checks drawn up by the FP and transmitted to the Paying Authority together with a PIR and respective payment claim via a Statement of Expenditure, together with the checking process at PA level, is evidently lengthy, taking a number of weeks to be ready for submission to the FMO. Every effort is done at each level to ensure prompter processing of documentation to keep these timeframes to a minimum. As mentioned earlier, the FP carries out monitoring and first level financial control to ensure that all documentation necessary for processing payments is in place, its authenticity verified, and an audit trail exists.

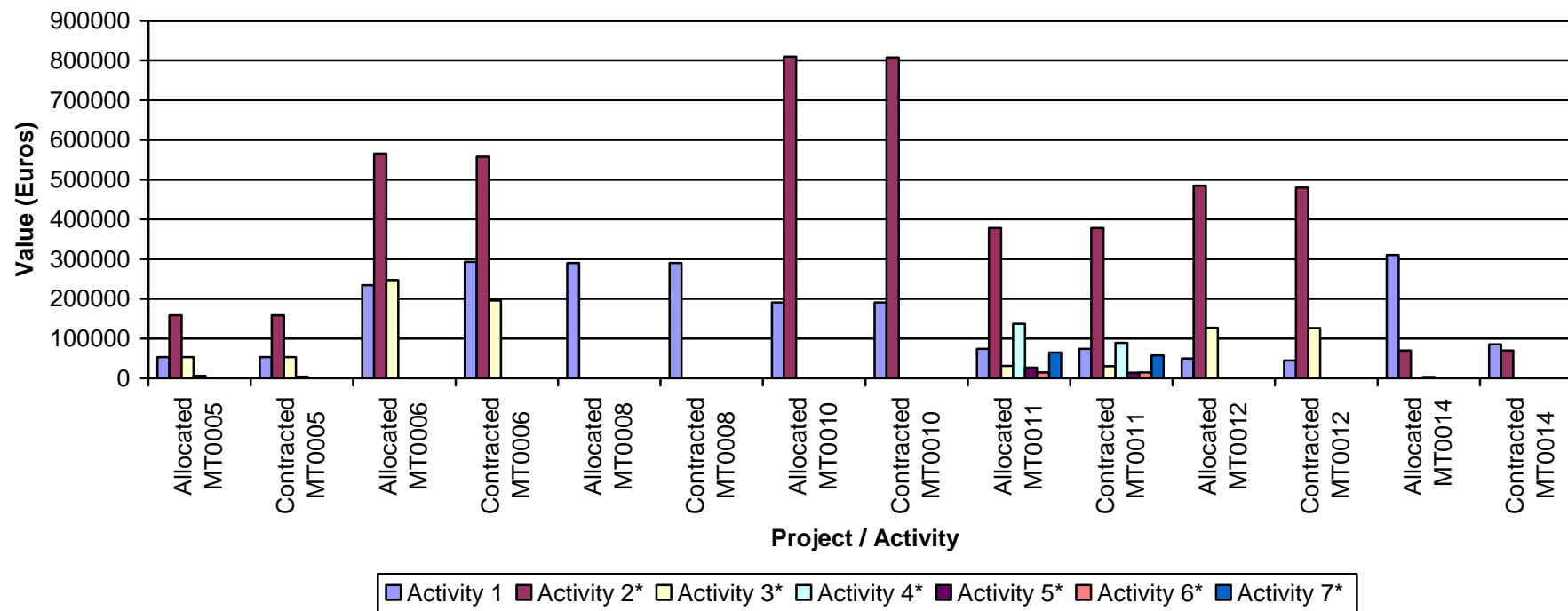
The Information and Publicity Campaign is intended to heighten public awareness of the results achieved in the EEA / N Financial Mechanisms 2004-09 Priority Areas that have been targeted in Malta and Gozo.

## ANNEXES

I. PROJECT CONTRACTING AND DISBURSEMENT STATUS AT NATIONAL LEVEL

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

Allocated vs Contracted Amounts



\* The number of activities per project varies.

ACTIVITY	MT0005	
	ALLOCATED	CONTRACTED
1	€ 52,800.00	€ 52,800.00
2	€ 158,400.00	€ 158,400.00
3	€ 52,800.00	€ 52,800.00
4	€ 5,500.00	€ 3,854.64
<b>Total</b>	<b>€ 269,500.00</b>	<b>€ 267,854.64</b>

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
<b>Total</b>	<b>€ 1,046,822.00</b>	<b>€ 1,046,314.00</b>

ACTIVITY	MT0008	
	ALLOCATED	CONTRACTED
1	€ 290,184.00	€ 290,184.00
<b>Total</b>	<b>€ 290,184.00</b>	<b>€ 290,184.00</b>

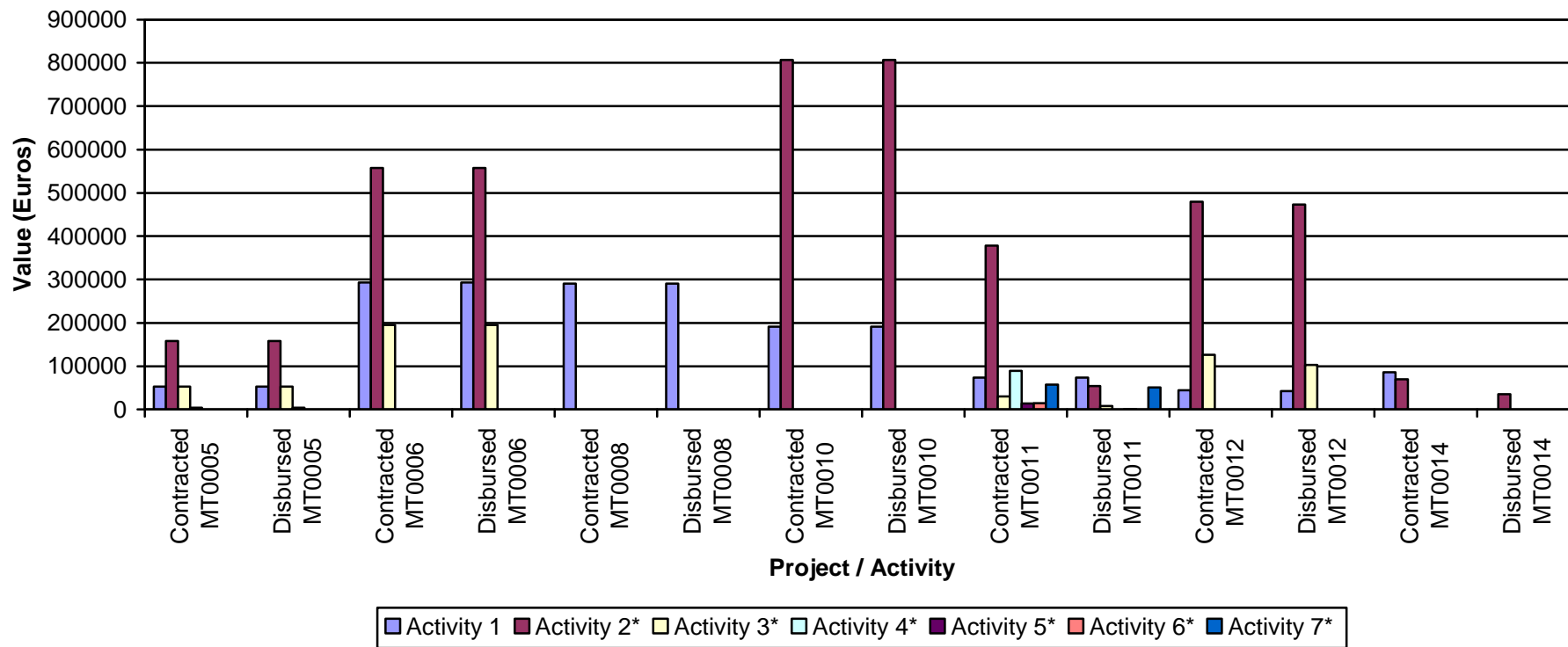
ACTIVITY	MT0010	
	ALLOCATED	CONTRACTED
1	€ 191,000.00	€ 191,000.00
2	€ 809,000.00	€ 807,434.64
<b>Total</b>	<b>€ 1,000,000.00</b>	<b>€ 998,434.64</b>

ACTIVITY	MT0011	
	ALLOCATED	CONTRACTED
1	€ 73,374.00	€ 73,374.00
2	€ 377,969.00	€ 377,969.00
3	€ 30,679.00	€ 29,963.00
4	€ 137,430.00	€ 89,366.00
5	€ 26,664.00	€ 13,883.00
6	€ 13,974.00	€ 13,975.00
7	€ 64,550.00	€ 57,303.00
<b>Total</b>	<b>€ 724,641.00</b>	<b>€ 655,833.00</b>

ACTIVITY	MT0012	
	ALLOCATED	CONTRACTED
1	€ 49,500.00	€ 44,235.00
2	€ 485,000.00	€ 480,000.00
3	€ 127,250.00	€ 126,451.64
<b>Total</b>	<b>€ 661,750.00</b>	<b>€ 650,686.64</b>

ACTIVITY	MT0014	
	ALLOCATED	CONTRACTED
1	€ 309,650.00	€ 85,999.00
2	€ 69,400.00	€ 69,400.00
3	€ -	€ -
4	€ 3,140.00	€88.33
<b>Total</b>	<b>€ 382,190.00</b>	<b>€ 155,487.33</b>

### Contracted vs Disbursed Amounts



ACTIVITY	MT0005	
	CONTRACTED	DISBURSED
1	€ 52,800.00	€ 52,800.00
2	€ 158,400.00	€ 158,400.00
3	€ 52,800.00	€ 52,800.00
4	€ 3,854.64	€ 3,854.64
<b>Total</b>	<b>€ 267,854.64</b>	<b>€ 267,854.64</b>

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
<b>Total</b>	<b>€ 1,046,314.00</b>	<b>€ 1,046,314.00</b>

ACTIVITY	MT0008	
	CONTRACTED	DISBURSED
1	€ 290,184.00	€ 290,184.00
<b>Total</b>	<b>€ 290,184.00</b>	<b>€ 290,184.00</b>

ACTIVITY	MT0010	
	CONTRACTED	DISBURSED
1	€ 191,000.00	€ 190,999.97
2	€ 807,434.64	€ 807,434.64
<b>Total</b>	<b>€ 998,434.64</b>	<b>€ 998,434.61</b>

ACTIVITY	MT0011	
	CONTRACTED	DISBURSED
1	€ 73,374.00	€ 73,374.00
2	€ 377,969.00	€ 53,777.83
3	€ 29,963.00	€ 7,490.70
4	€ 89,366.00	€ -
5	€ 13,883.00	€ 349.41
6	€ 13,975.00	€ -
7	€ 57,303.00	€ 50,314.50
<b>Total</b>	<b>€ 655,833.00</b>	<b>€ 185,306.44</b>

ACTIVITY	MT0012	
	CONTRACTED	DISBURSED
1	€ 44,235.00	€ 41,924.01
2	€ 480,000.00	€ 473,440.60
3	€ 126,451.64	€ 103,010.99
<b>Total</b>	<b>€ 650,686.64</b>	<b>€ 618,375.60</b>

ACTIVITY	MT0014	
	CONTRACTED	DISBURSED
1	€ 85,999.00	€ -
2	€ 69,400.00	€34,700.00
3	€ -	€ -
4	€88.33	€88.33
<b>Total</b>	<b>€ 155,487.33</b>	<b>€34,788.33</b>



## II. PUBLICITY BEST PRACTICE



MT0011: H.E. Ms. E. Walaas, Norwegian State Secretary for Foreign Affairs, planting a tree in the afforestation area at the Xrobb I-Għagin Nature Park and Sustainable Development Centre



MT0012: Hon. G. Pullicino, Minister for Resources and Rural Affairs, showing H.E. Ms. E. Walaas Norwegian State Secretary for Foreign Affairs around the newly restored St Paul's Bastion, Mdina

### III. AUDIT PLAN

#### 1. Year under review

During the year under review, the Internal Audit and Investigations Department (IAID) finalised its first project audit (sample check). This was related to project (MT0006) *Implementation of Schengen Requirements at Malta International Airport* and the audit was based on the amounts certified by 30 July 2009 - the total declared expenditure in relation to this project incorporated in the Statement of Expenditure drawn up by the Paying Authority up to 30 July 2009 amounted to €1,046,313.75 and the total expenditure covered in IAID's sample check amounted to €195,896.15. Thus in total the expenditure audited represented 18.7% of the total declared expenditure.

In this audit, the IAID identified a specifically identifiable irregularity related to the non-seeking of approval from the Financial Mechanism Office (FMO) for a variation (modification) of more than 15% in a budget heading of the project. This irregularity amounted to €4,197, representing 2.14% of the total expenditure checked and 0.40% of the total declared expenditure.

Through the checks performed by the IAID on this project the following has been verified:

- Accounting records held by the Malta International Airport (the Project Promoter) were adequate for a sufficient audit trail;
- Supporting documents were accurate and complete and provided reliable financial and other information on the project implemented;
- Reconciliation of the amounts verified by the Paying Authority with the individual expenditure records and supporting documents held by the Project Promoter was possible;
- Apart from the modification in budget heading (explained above), the actions implemented were consistent with the requirements of the grant, the management and control systems have been properly and effectively applied and the expenditure was eligible;
- The appropriate national co-financing has been made available; and
- The assets/equipment/works financed truly exist in terms of the original objectives of the project.

The detailed Report of this sample check dated 30 April 2010 was submitted to the Director General of the National Focal Point for onward transmission to the Financial Mechanism Office.

During the year under review the IAID was also in the process of conducting sample checks on three other projects namely, MT0005 and MT0010 (both co-funded only by the EEA FM) and MT0012 (jointly co-funded by the EEA and N FM). To date the sample checks on these projects are in a very advanced stage and the conclusions of these checks will be communicated in due course.

## 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. Given the increasing expenditure claims being made to the FMO, the IAID plans to conduct regular checks on a sample of expenditure declared to the FMO.

During the forthcoming year the IAID will finalise the sample checks already in progress i.e. in relation to MT0005 and MT0010 (both co-funded only by the EEA FM) and MT0012 (jointly co-funded by the EEA and N FM) and will possibly conduct sample checks on the remaining 4 projects<sup>7</sup> co-financed by the EEA & Norwegian Financial Mechanisms. The expenditure to be checked on each of these projects will amount to at least 10% of total expenditure claimed from the FMO.

The word 'possibly' has been used as obviously whether the sample checks on the remaining 4 projects will be concluded in the forthcoming year will depend on whether a significant amount of expenditure in relation to these projects will be claimed by the Paying Authority (PA) from the FMO.

The expenditure to be audited within particular projects will be prioritized on the basis of a risk assessment.

The work done by the IAID in the sample checks basically involves 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;

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<sup>7</sup> As explained in section 1, sample checks on project MT0006 have been concluded already.

- 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 originally set;
- vii. the appropriate co-financing has in fact been made available.

*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).