

ANNUAL REPORT
for the
NORWEGIAN
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 Norwegian 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 Norwegian Financial Mechanism. During this reporting period, steady progress was registered in the four projects which are co-financed by this mechanism. One project has been complete for two years while two projects will be finalised by the year's end. Two projects have been modified through a de-commitment while a third project has seen a re-allocation of funds and extension of works. 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:

→ NORWEGIAN FINANCIAL MECHANISM:

“To reduce social and economic disparities within the EEA 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 Norwegian Financial Mechanism, Norway 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 Norwegian Financial Mechanism. On 27 June 2005, a Memorandum of Understanding (MoU) on the implementation of the Norwegian Financial Mechanism in Malta was signed by the Government of Malta and the Donor State.

As a result, a total of € 1.701M 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 include the priority areas identified for the EEA Financial Mechanism as well as¹:

- 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 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 Norwegian Financial Mechanism. Of these projects, 3 are solely funded by the NFM whilst 3 are co-financed by both the EEAFM and the NFM². Following the Donors' approval, the projects which were ultimately selected and which are now being implemented through co-financing by the NFM or the EEA and N FM are:

¹ The Priority Areas listed below with are those mentioned in Article 6 (1) in the Memorandum of Understanding (MoU) between Malta and the Kingdom of Norway. Annex B of the MoU further identifies which of the above Priority Areas and respective Focus Areas are targeted in Malta.

² Originally there were 3 projects which were co-financed solely by the EEAFM, 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.

NORWEGIAN FINANCIAL MECHANISM PROJECTS³

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	€ 517,863.00	€ 528,959.00	€ 1,046,822.00	N	Malta International Airport
0008	Procurement and Installation of Security / Safety Equipment for Building Sites housing SIS equipment	€ 246,656.00	€ 43,528.00	€ 290,184.00	N	Malta Police Force
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	
0014	Conservation of Hal-Saflieni Hypogeum World Heritage Site	€ 324,863.00	€ 57,329.00	€ 382,192.00	N	Heritage Malta

Table 1 Norwegian Financial Mechanism Projects

³ Projects MT0011, MT0012 and MT0013 are co-financed by both the EEA and NFM. 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 17.03.2009 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 Programmes⁴ 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"> o Enterprise Infrastructure; o Aid Schemes to the manufacturing and service industries; o Financial engineering; o Investment in RTDi and RTDi-related infrastructure and ICT. 	€ 120,000,000.00	€ 120,000,000.00	ERDF
2. Promoting Sustainable Tourism	<ul style="list-style-type: none"> o Product development; o Niche market development and branding; o Aid schemes to Tourism/Cultural undertakings. 	€ 120,000,000.00	€ 120,000,000.00	ERDF
3. Developing the TEN-T	<ul style="list-style-type: none"> o Road transport links; o Maritime transport links; o Major projects (improving the TEN-T road infrastructure). 	€ 169,038,258.82	€ 143,682,520.00	Cohesion Fund
4. Upgrading Services of General Economic Interest	<ul style="list-style-type: none"> o Energy; o Water; o Major projects (reduction of emissions from the Delimara Power Station, Urban Waste 	€ 121,000,000.00	€ 102,850,000.00	ERDF

⁴ 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"> o Solid waste; o Storm water management; 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). 	€ 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"> o Urban regeneration; o Internal mobility; o E-accessibility; o Education, social and health-related infrastructure; o Environmental monitoring. 	€ 149,000,000.00	€ 126,650,000.00	ERDF
7. Technical Assistance	<ul style="list-style-type: none"> o Implementation of the programme; o Common activities between OP I and OP II 	€ 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"> o Investing in the Educational System; o Addressing skills mismatches; o Research and innovation; o Information and Communication Technology; o Innovative activities. 	€ 37,400,000.00	€ 31,790,000.00	ESF
2. Investing in employability and adaptability of the workforce	<ul style="list-style-type: none"> o Continuous training and education; o Supporting the public sector; o Innovative activities 	€ 30,995,000.00	€ 26,345,750.00	ESF
3. Promoting an equal and inclusive labour market	<ul style="list-style-type: none"> o Female participation in the labour market; o Promoting an inclusive society; o Addressing labour market distortions and ensuring that work pays; o Innovative activities. 	€ 36,900,000.00	€ 31,365,000.00	ESF
4. Strengthening of institutional and administrative capacity	<ul style="list-style-type: none"> o Supporting Public Sector Reform; o Lifelong Learning for the Public Sector; 	€ 21,405,000.00	€ 18,194,250.00	ESF

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

c. 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.

d. MAIN POINTS ARISING FROM THE ANNUAL REPORT

The previous report was the third Annual Report for the Norwegian 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 NFM 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. De commitments were proposed to MT0008, MT0013 (part co-financed by EEAFFM), and MT0014. 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.

e. 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.

4. PROJECT PROGRESS

a. INDIVIDUAL PROJECT PROGRESS

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

The project targets the Implementation of the Schengen Acquis priority area. The Project Promoter is the Malta International Airport PLC. The Total Eligible Cost for this is € 1,046,822.00 with a Grant Rate of 49.47% (€ 517,863.00). 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 the 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 € 465,271.00. Following the PIR's approval, a Project Completion Report was drawn up and submitted to the FMO for the remaining claim of € 52,341.00 withheld until project completion as per Article 5 of the Grant Agreement.

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 € 294,915.00 with a Grant Rate of 85% (€ 250,678.00); 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 € 290,184.00 and the Grant Amount stands at € 246,656.00 (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 progressed extensively, despite the fact that some delays were encountered due to a change which was required to the power supply intended for the equipment procured. While the project can be termed as completed, there remains one

item which is still to be commissioned since it has not been permanently installed as yet. The reason behind this stems from the fact that works are being carried out in the same area where this item is to be housed. Even though these works fall outside the remit of the project, they are nonetheless required for the safe housing of the SIS equipment. The project is expected to be completed by Q3, 2009.

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

This project 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 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 staff⁵. 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.

→ 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 EAAF. 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

⁵ HSBC had donated the trees as an in-kind contribution to the project.

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.

→ 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 € 451,000.00 with a Grant Rate of 85% (€ 383,350.00). The project saw a de-commitment of 18% which was originally allocated as eligible VAT and therefore the new Total Eligible Cost is € 382,192.00 with the grant amount reading € 324,863.00 (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.

It was previously reported that, while feedback was awaited on the proposed modifications and de-commitment, the tenders for the 3D Recording and the Equipment required were being drafted. Since the previous reporting period, the modifications and de-commitment were approved and both tenders were launched on the open market. The 3D Documentation tender was adjudicated and the contract has been signed. Work on site kicks off in early August 2009. The documentation process is expected to take approximately three weeks on-site, while the processing of the data recorded will then be carried out off-site

On the other hand, the Equipment Supply, Installation and Commissioning tender was not as successful and thus had to be re-launched as three separate tenders, namely, 1) Supply Tender for the provision of IR reference standard and ancillary calibration equipment to be used in conjunction with equipment deployed for the environmental monitoring of the Hal Saflieni Hypogeum; 2) Supply Tender for the Supply, Installation and Commissioning of environmental monitoring equipment at the Hal Saflieni Hypogeum and 3) Service Tender for the Consultancy services in connection with environmental monitoring at the Hal Saflieni Hypogeum. The adjudication of the three tenders and their contracting, as well as the mobilisation of equipment envisaged, are expected to take up most of the upcoming six months.

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 also acts as a 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 financing 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 EAFM 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

Three priority areas⁶ 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,

⁶ Article 6 (1) of the MoU between Malta and the Kingdom of Norway states that:

In accordance with Article 3 of the Agreement, grants shall be available for projects in the same sectors as under the EEA Financial Mechanism as well as in the areas of:

- Implementation of Schengen acquis, support of National Schengen Action Plans as well as strengthening the judiciary.
- Environment, i.a. with emphasis on strengthening the administrative capacity to implement relevant acquis and investments in infrastructure and technology with priority to municipal waste management,
- Regional policy and cross-border activities,

including public transport and urban renewal and the Implementation of Schengen Acquis. The last priority area is the one which is mostly addressed through this mechanism.

Projects MT0006 and MT0008 have both contributed a great deal to Malta's entry in 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 Schengen⁷. On the other hand, the new gates developed through MT0006 have been in full operation since their completion, in preparation for Malta's lifting of the air borders in March 2008.

MT0011 targets the environment priority area 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 MT0012 which is being implemented on an ancient fortified city. 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. Cultural heritage is also being addressed through MT0014 which aim is to safeguard the uniqueness of the Hypogeum, which is UNESCO World Heritage Site. In view of its particular climatic conditions, UNESCO World Heritage had already established that not more than 10 people 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 NFM.

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

- Technical assistance relating to implementation of *acquis communautaire*.

The 'Protection of the Environment, including the human environment' priority area is essentially an EEA FM priority; however, as per Article 6 (1) of the MoU, this would also constitute one of the areas targeted, albeit marginally, by the NFM.

⁷ One may also point out that the project has also contributed to the successful implementation of an EU-funded project addressing the Prüm treaty in view of the fact that the security requirements needed for the latter project were already in place through MT0008. The security and safety measures implemented in MT0008 have also addressed national security requirements and served as a best practice which is being emulated across other departments of the Malta Police Force.

special permits from MEPA. Furthermore, attention was given to the type of items procured, particularly in MT0008 where the automated fire extinguishing system procured uses a special type of gas which is not toxic to humans or the environment. Moreover, the fact that these two projects have widely contributed to Malta's accession to the Schengen Zone, Malta's economic and social spheres have benefited through the lifting of borders meaning easier travelling for both locals and foreigners.

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 even to all.

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.

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. In previous years, the site had to be kept closed for a long period of time and this project aims to prevent this situation from happening again. The conservation of the hypogeum will draw more tourists, thus improving on the economy and social standard of 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 NFM respect the gender equality policy and are equal employers. 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 in terms of competition.

→ 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.

5. 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 NFM which were effected by these modifications,

- 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 EEFM 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.
- MT0014 faced a similar scenario as MT0013 and had 18% VAT erroneously allocated as eligible, de-committed. Furthermore, the PP also requested a number of modifications to the activities envisaged in the project, which after close consultation with the FMO, were approved in November 2008.

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	NFM 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 EEAFM 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 / NFM 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 were 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 certainly 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.

6. 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, 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 2 years. However, anyone flying into or out of Malta International Airport can view a commemorative plaque which was affixed in a prominent area and unveiled during the inauguration of the gates.

Similarly there has been no promotion 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 very delicate way. 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 has planned to affix a commemorative plaque in a prominent area on one of the three sites equipped and to hold a final conference giving information on how Malta has benefited from this project.

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.

Acknowledgement of funding through publicity actions are being planned to kick off in the coming months for MT0014. During the current reporting period, the project was given prominence on the PP's website and temporary signage has been designed, manufactured and affixed on site. The project has also been given

publicity in a presentation delivered at a conference in Vienna among the Heads of Heritage entities across the EU.

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"> o Thematic Lessons + Site Visits o Art competition o Publication of Calendar 	<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"> o Street advertising 	<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>

7. WORK PLAN SEPTEMBER 2009 – AUGUST 2010

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

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.

8. CONCLUSION

During this reporting period, a great deal of progress has been registered in all projects being implemented under this financial mechanism. Despite the fact that not all the projects under this grant are concluded, results can already be seen. However, one ought to wait until project closure to really determine how successful the achievement of the envisaged results has been and to a greater extent, the impact the projects will have on the respective Priority Areas and cross-cutting issues. A case in point is the MT0006 Schengen project which has achieved the results envisaged in the PIP (conversion of former arrivals and departure halls into non-Schengen and Schengen departure halls respectively including flexible gates to be adapted according to demand) and has contributed to Malta's entry into the Schengen zone.

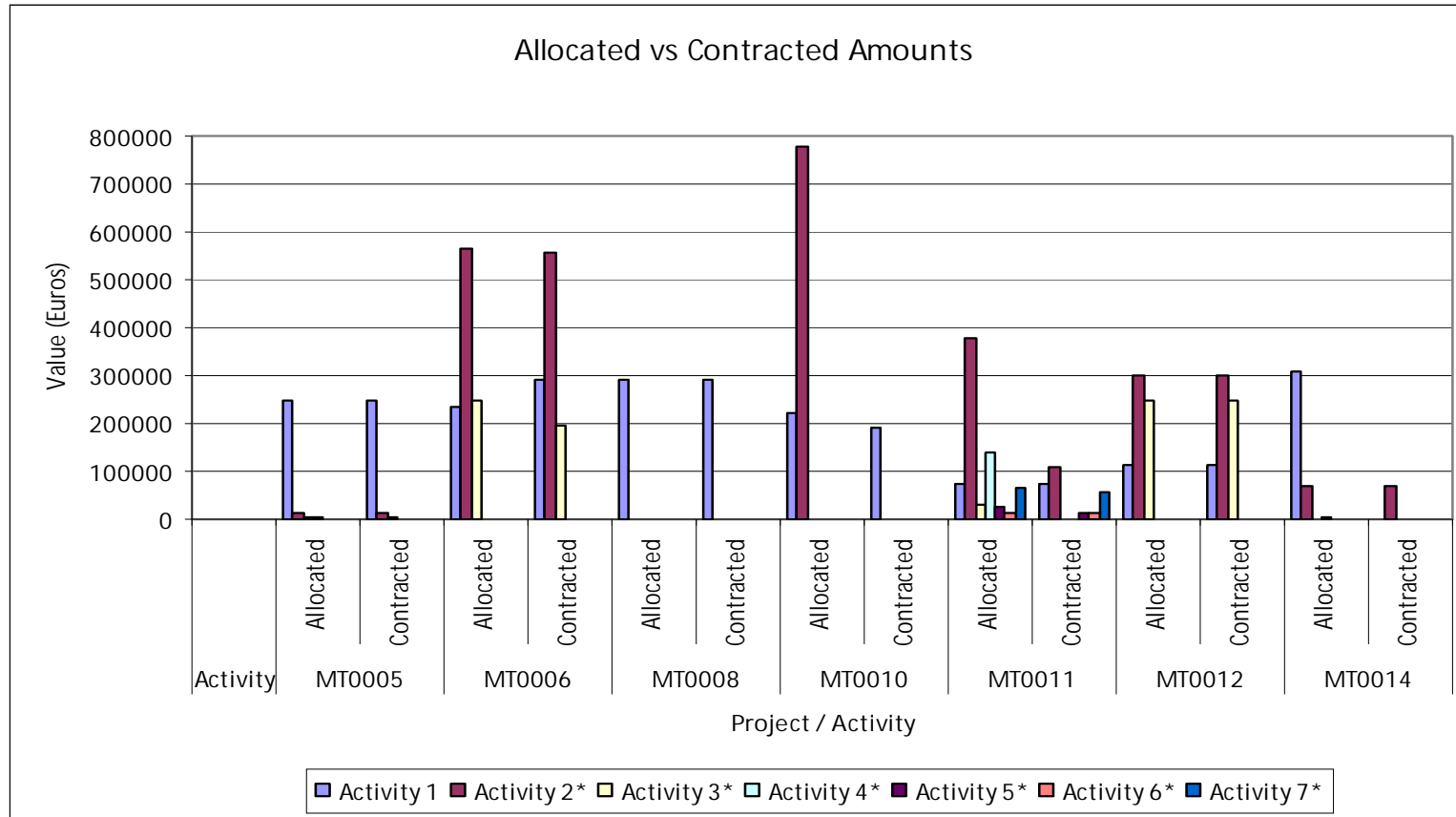
In terms of horizontal matters, the FP is steering the PPs to carry out the required payments and draw up the required reports in as timely a manner as possible. One has to concede to the fact that the process of inputting the required information in the electronic database, the certification carried out at beneficiary, Line Ministry and Treasury levels for a payment to be processed at a local level; and furthermore by the FP and Certifying Authority in order to draw up a PIR and respective payment claim can be long drawn and take a number of weeks to be completed. 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. As mentioned earlier, monitoring and first level financial controls are 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.

On the whole, one can say that the actual implementation of the projects is moving on successfully and that once the projects are concluded, the full effect of the actions undertaken through this financial mechanism will be evident to the public. 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. It is also envisaged that the payment process would have gained further momentum and come in line with the timeframes 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

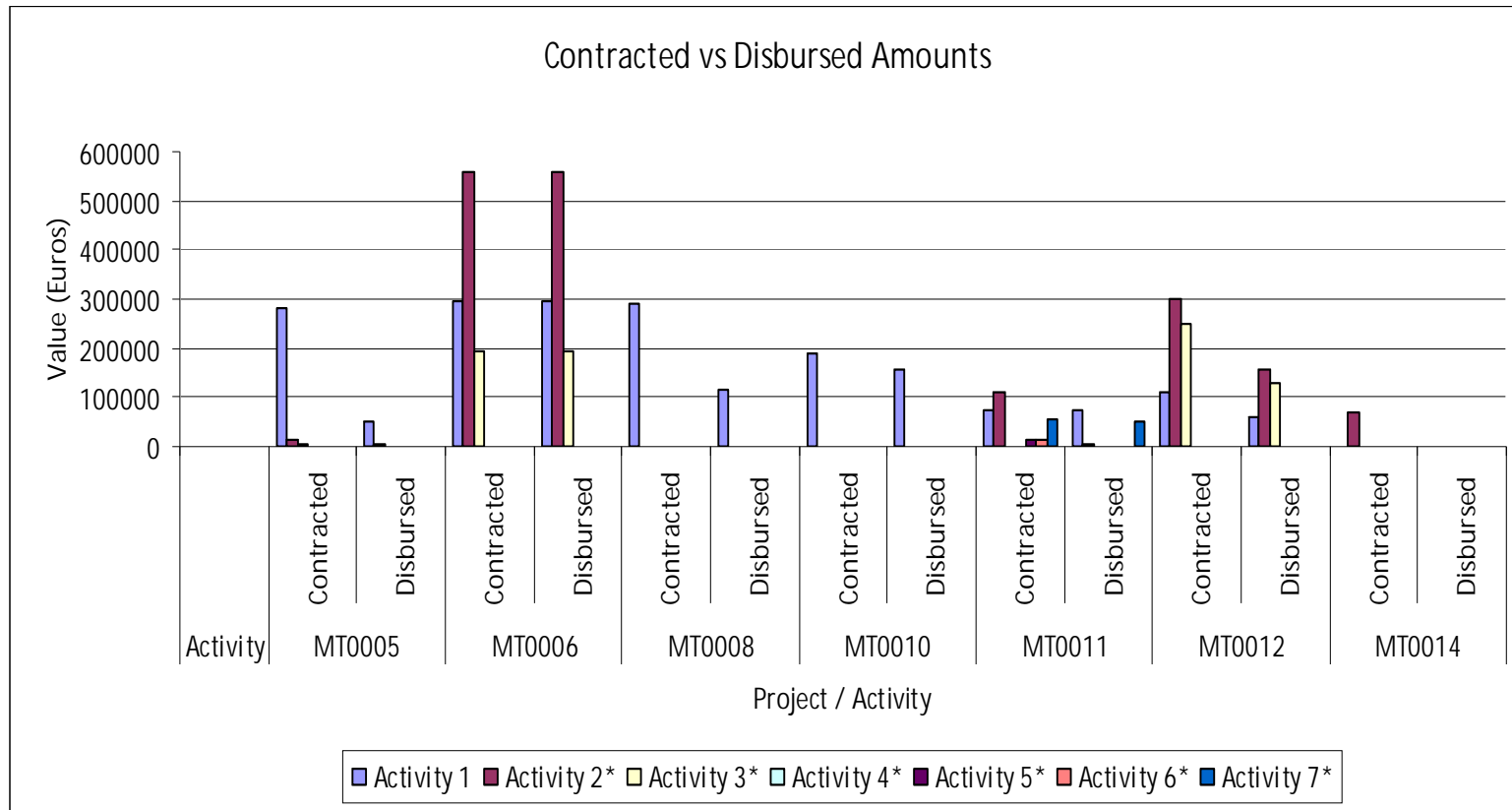
ACTIVITY	MT0008	
	ALLOCATED	CONTRACTED
1	€ 290,184.00	€ 290,184.00
Total	€ 290,184.00	€ 290,184.00

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



8

^{8 8} 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

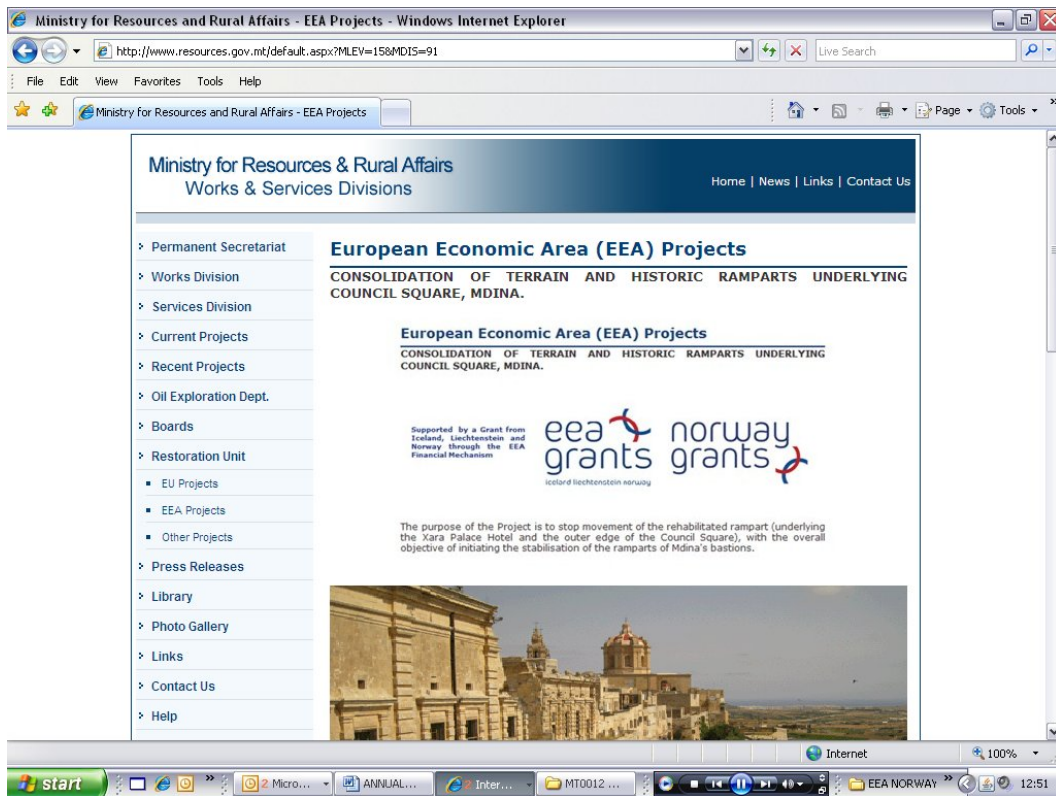


Figure 3 Dedicated website for MT0012



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).