

**ANNUAL REPORT**

*for the*

**NORWEGIAN  
FINANCIAL MECHANISM**

**MALTA**

**15 September 2007 – 30 September 2008**

*Compiled by:*  
Maltese Focal Point  
Planning and Priorities Coordination Division  
Office of the Prime Minister  
12 St. Paul Street  
Valletta VLT1210  
Malta

Tel: +356 2200 1861  
Fax: +356 2200 1141  
Email: [marie.sacco@gov.mt](mailto:marie.sacco@gov.mt)  
Web: <http://ppcd.gov.mt>

---

**TABLE OF CONTENTS**

<b>EXECUTIVE SUMMARY</b>	<b>6</b>
<b>A REVIEW OF THE IMPLEMENTATION STATUS</b>	<b>7</b>
<b>1. AN OVERVIEW OF THE FINANCIAL MECHANISMS</b>	<b>7</b>
1.1. EEA Enlargement	7
1.2. Aims	7
1.3. Objectives	7
1.4. The Grants in Malta	8
<b>2. SUMMARY OF PREVIOUS ANNUAL MEETING AND REPORT</b>	<b>10</b>
2.1. The Annual Meeting between the Maltese FP and the Donor states	10
2.2. Main points arising from the Annual Report	10
2.3. Conclusions drawn from the Annual Report	11
<b>3. THE PROJECTS' PROGRESS</b>	<b>13</b>
3.1. MT0006 Implementation of Schengen Acquis Requirements at the Malta International Airport	13
3.2. MT0008 Procurement and Installation of Security/Safety equipment for building sites housing SIS equipment	13
3.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre	14
3.4. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site	15
<b>4. MODIFICATIONS, DE-COMMITMENTS AND RE-ALLOCATIONS</b>	<b>16</b>
4.1. Proposed Changes	16
4.2. De-commitments	16
4.3. Re-Allocations of de-committed amounts and reserve funds	17

<b>5. MONITORING AND MANAGEMENT ISSUES</b>	<b>20</b>	
5.1. Monitoring Committee Meeting	20	
5.2. Financial Control	21	
5.3. Manual of Procedures	22	
5.4. The Implementation Agreement Template	22	
5.5. Electronic Database and Payments	23	
<b>6. PUBLICITY</b>	<b>24</b>	
6.1. Publicity carried out by the individual Projects	24	
6.2. General publicity of the Financial Mechanism	25	
<b>7. WORK PLAN FOR THE NEXT YEAR</b>	<b>26</b>	
7.1. Work Plan	26	
<b>8. AUDIT</b>	<b>27</b>	
8.1. Systems Audit	27	
8.2. Audit Plan	27	
<b>9. CONCLUSION</b>	<b>29</b>	
<b>ANNEXES</b>		
Annex 1	Project Contracting progress as at 30 September 2008	30
Annex 2	Publicity	31

**LIST OF ACRONYMS**

AIR	Annual Implementation Report
APR	Annual Progress Report
CHIMS	National inventory of cultural property
DoC	Department of Contracts
EEA	European Economic Area
EEAFM	EEA Financial Mechanism
EU	European Union
FDP	Full Development Permit
FMO	Financial Mechanism Office
FP	Focal Point
GA	Grant Agreement
GIS	Global Information System
GOL	Grant Offer Letter
IAID	Internal Audit and Investigations Directorate
IFAC	International Federation of Accounts
MC	Monitoring Committee
MEPA	Malta Environment and Planning Authority
MOP	Manual of Procedures
MoU	Memorandum of Understanding
MMA	Malta Maritime Authority
MRAE	Ministry for Rural Affairs and the Environment
MRRA	Ministry for Resources and Rural Affairs
MRES	Ministry for Resources and Infrastructure
NFM	Norwegian Financial Mechanism
NSRF	National Strategic Reference Framework
OPM	Office of the Prime Minister
PA	Paying Authority

PIP	Project Implementation Plan
PIR	Project Interim Report
PP	Project Promoter
PPCD	Planning and Priorities Coordination Division
PSC	Project Selection Committee
TA	Technical Assistance

**EXECUTIVE SUMMARY**

This annual report gives an analysis of the implementation of the Norwegian Financial Mechanism between 15 September 2007 and 30 September 2008 and an overview of the various stages of progress which the projects have undergone. In addition, it sets specific objectives for the following one year period.

The main highlights of the reporting period are:

- (a) the progress registered by the projects;
- (b) the modifications, de-commitments and re-allocations proposed by the Maltese Focal Point;
- (c) financial control and other management issues.

During the third year of implementation, 5 projects kicked off and registered steady progress in their implementation whilst 2 got to an advanced stage of the tendering process. The on-the-spot checks carried out over the last months by the national Focal Point have helped to heighten the sense of responsibility and ownership by Project Promoters and further defined the monitoring and coordinating role of the Line Ministry. The finalisation and roll-out of the electronic database should enable payments and requests for reimbursements to be processed electronically from the second half of Q4 2008. Meanwhile, a first request for reimbursements is being processed manually between October and November 2008.

---

## A REVIEW OF THE IMPLEMENTATION STATUS

### 1. AN OVERVIEW OF THE FINANCIAL MECHANISMS

#### 1.1. EEA Enlargement

In May 2004, the European Economic Area (EEA) was enlarged by the ten new European Union (EU) Member States, and in 2007 enlarged by two additional EU members, bringing the total to 27 members; all sharing access to the Internal Market. At the same time the three non-EU members of the EEA – Iceland, Liechtenstein and Norway – established the EEA Financial Mechanism (EEAFM) and the Norwegian Financial Mechanism (NFM) for the period 2004-9 to support social and economic cohesion within the enlarged EEA.

#### 1.2. Aims

*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 Norwegian Financial Mechanism.”

#### 1.3. Objectives

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.

#### 1.4. The Grants in Malta

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 became eligible for funding under the Norwegian Financial Mechanism. On 27 June 2005, the Memorandum of Understanding (MoU) on the implementation of the Norwegian Financial Mechanism was signed by Malta and Norway.

As a result, a total of € 1.701 million have been made available to Malta for the commitment period running from 1 May 2004 to 30 April 2009. The specific target areas agreed to in the MoU are:

- Conservation of European cultural heritage, including public transport, and urban renewal
- Implementation of Schengen acquis
- Strengthening the Judiciary
- Academic research (as long as it is targeted at one or more of the selected priorities for Malta, listed above)

The Planning and Priorities Co-ordination Division (PPCD) within the Office of the Prime Minister (OPM) is the designated Maltese Focal Point (FP).

Following a call for proposals, a total of 5 projects were selected for funding under the Norwegian and EEA Financial Mechanisms. Of these projects, 3 are solely funded by the EEAFM whilst 2 are co-financed by both the EEAFM and the Norwegian Financial Mechanism. Following the donors' approval, the projects which were ultimately selected and which are now being implemented through co-financing by the Norwegian Financial Mechanism are:

NORWEGIAN FINANCIAL MECHANISM PROJECTS <sup>1</sup>						
Code MT	Project Title	EEA / Norway Grant	Project Promoter Co- financing	Total Project Value (excl. VAT)	Mechanism	Beneficiary
0006	Implementation of Schengen Acquis Requirements at MIA by April 2007	€ 517,863.00	€ 528,959.00	€ 1,045,822.00	NFM	Malta International Airport PLC
0008	Procurement and Installation of Security/Safety Equipment for Building Sites Housing the SIS Equipment	€ 250,678.00	€ 44,237.00	€ 294,915.00	NFM	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			NFM	
0013	Technical Assistance	€ 43,240.00	€ 15,260.00	€ 101,740.00	EEA	Office of the Prime Minister (OPM), Planning and Priorities Coordination Division (PPCD)
		€ 43,240.00			NFM	
0014	Conservation of Hal Saflieni Hypogeum World Heritage Site	€ 383,350.00	€ 67,650.00	€ 451,000.00	NFM	Heritage Malta

<sup>1</sup> Projects MT0011 (Xrobb I-Ghagin) and MT0013 (TA) are co-financed by both the EEA Financial Mechanism and the Norwegian Financial Mechanism. In the case of MT0011, this was done following a recommendation by the FMO after the application was submitted.

## 2. SUMMARY OF PREVIOUS ANNUAL MEETING AND REPORT

### 2.1. The Annual Meeting between the Maltese FP and the Donor states

The last Annual Meeting took place in Malta on 23 October 2007 and it was addressed by the Head of the Focal Point (FP), the Assistant Director General of the Royal Norwegian Ministry of Foreign Affairs as well as by the Minister Counsellor at the Royal Norwegian Embassy to Malta. The Director, Country Portfolio Officer and Head of Legal Affairs from the Financial Mechanism Office (FMO) were present on the part of the Donors. Apart from the FP, Malta was represented by Director Corporate Services, Ministry of Foreign Affairs, Assistant Director PPCD and other senior officers from the Paying Authority (PA), the Department of Contracts (DoC), the Internal Audit and Investigations Directorate (IAID) and the Treasury Department, all within the Ministry of Finance<sup>2</sup>.

The meeting comprised a High-level Session and Joint Technical Meeting for the EEA and Norwegian Financial Mechanisms wherein an overview of the implementation of both mechanisms between June 2006 and September 2007 was given. As part of the introduction, a brief description of the EU National Strategic Reference Framework (NSRF) for Malta as well as an update of the Cohesion Policy process was also presented.

The presentation on the progress of the Norwegian FM projects as well as on the highlights of the annual reports was delivered by the FP. Following the presentation, a discussion ensued on how the Grants were comparing, in terms of projects selected, control systems in place and publicity material, with other Financial Instruments particularly the EU Structural Funds. The procurement procedures and respective timeframes were also discussed.

Another point which emerged during this discussion was the utilisation of an amount of funds (€34,596) which up to that time were still unallocated<sup>3</sup>. However, in view of the fact that the procurement of most projects was still ongoing, it was decided that the allocation of these funds would be best left to a later stage in the lifetime of the programme so that any re-allocation would be inclusive of savings / needs of the ongoing projects following the procurement process.

### 2.2. Main points arising from the Annual Report

The previous report was the second Annual Report for the Norwegian Financial Mechanism and covered the period 1 June 2006 to 14 September 2007.

---

<sup>2</sup> This Ministry is now called Ministry for Finance, the Economy and Investment following the General Election that was held in March 2008.

<sup>3</sup>The reserve funds (€34,596) comprise €18,432 unallocated funds under the EEA Financial Mechanism and €16,164 unallocated funds under the Norwegian Financial Mechanism.

The main sections of the second Annual Report were:

- **Legal and Cross-Cutting Issues** where an overview of the process which led to the amendments to the Memoranda of Understanding was set out. This section also focussed on how the projects are targeting cross-cutting issues such as sustainable development, gender equality and good governance;
- **The Appraisal Process** described the 5 stages each project had to go through prior to being selected;
- Another section dealt with **The Projects' Progress** wherein an overview of what had been achieved to date since the receipt of the Grant Offer Letter was given;
- A section dealing with **High Level Monitoring** described the proceedings of the September 2006 Monitoring Committee which had taken place just over a month prior to the Annual Meeting;
- In the section entitled **Management**, a summary of the main FP tasks for the previous year was drawn up. These tasks included the drawing up of a Manual of Procedures, training to all stakeholders, the design of a template for the Implementation Agreements and the implementation of the electronic database;
- The section dealing with **Publicity** described any publicity related actions which had taken place at a project level;
- The **Work Plan for the next year** described the FP activities foreseen for the following year;
- The **Audit** section described the Systems Audit which had taken place as well as a brief overview of the audit plan for the following year.

### 2.3. Conclusions drawn from the Annual Report

In the second year of implementation of the Norwegian Financial Mechanism, all stakeholders received training on the Financial Mechanisms.

This second year was described as a long year, particularly with regard to the approval process of the projects. There was a steep learning curve for all stakeholders in the Maltese administration, particularly the FP and the Project Promoters. Most management structures were put in place and projects had started the first phase of implementation.

Despite difficulties and also unforeseen delays, good progress was registered, due largely to effective co-operation between the FMO and the FP. The annual report concluded by arguing that the implementation pace will continue to accelerate with physical results on the ground foreseen for the coming year (2007-8).

### 3. THE PROJECTS' PROGRESS

The level of achievement and success of the projects co-financed under this mechanism vary. While the two projects which target the Schengen Acquis are completed or nearing completion, the Environment project and Heritage project are still at an early stage of implementation due to some technical difficulties each project encountered. Publicity actions undertaken as part of the start of the implementation of the projects are not reported here but under section 6 of this report.

#### 3.1. MToo06 Implementation of Schengen Acquis Requirements at the Malta International Airport

This project targets the *Implementation of the Schengen Acquis* priority. The Project Promoter is the Malta International Airport PLC. The Total Eligible Cost for this project 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 premises were officially inaugurated during the same month.

The status of this project remains unchanged from the last reporting period. This is the first project from the entire Financial Mechanism Grants (EEA FM and N FM) to have been completed. All envisaged activities and results have been 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 full implementation of this project is reflected in the fact that Malta joined the Schengen area in March 2008. The new gates are in full compliance with the requirements of the Schengen Treaty as was envisaged in the project results and are in use on a continuous basis.

The first Project Interim Report for this project has been drawn up and will be forwarded together with the respective payment claim at the start of Q4 2008 as explained later in section 5.5 of this report.

#### 3.2. MToo08 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 Total Eligible Cost for this project is €294,915.00 with a Grant Rate of 85% (€250,678.00). The signature of the Grant Agreement took place on 15 June 2007.

The project kicked off in September 2007. After a very intense and highly scrutinised process to shortlist potential suppliers, the contract was signed for a total of €290,185.

Work has since been going on rather steadily and most of the equipment envisaged by the project has been procured and installed. The most important deadline for this project was that its first phase had to be concluded in time for the Schengen Evaluation Visit which took place in December 2007. This target was, in fact, achieved and one can safely say that this project has contributed a great deal to Malta's successful entry into the Schengen Zone.

The first Project Interim Report for this project has been drawn up and the intention is to forward it together with the respective payment claim during Q4 2008 as explained later in section 5.5 of this report.

### **3.3. 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 €724,641.00 with a Grant Rate of 87.73% (€635,725.00).

Over the past year, the project has faced some stumbling blocks, however the Promoter has managed to make quite important achievements. The Grant Agreement was signed on 23 October 2007 and a Management Agreement between the former Ministry for Rural Affairs and Environment<sup>4</sup>, the Malta Environment and Planning Authority (MEPA) and Nature Trust (Malta) was signed on 12 December 2007. Through this agreement, Nature Trust has undertaken to manage an area of land on behalf of the Ministry. This includes, in a broad sense, the conservation, management and monitoring of the biological diversity of the area, the rehabilitation of degraded areas, the maintenance and restoration of natural habitats and population of species of wild fauna and flora among other objectives.

The issue which has held the project behind in terms of the larger part of its implementation has been the granting of the Full Development Permit (FDP) required both to carry out works (beyond the afforestation and restoration components which are covered by the Outline Development Permit) on site and as one of the pre-disbursement conditions set out in the Grant Offer Letter. A positive decision on the permit was taken by the MEPA board on 9 July 2008. The official FDP still remains to be issued since there were a number of conditions which the board made, including the submission of a detailed Construction Management Plan. This will be submitted at the beginning of October and the official FDP is expected to be granted within a couple of weeks. The location of the two wind turbines envisaged in the project was a bone of contention with the MEPA board as well as the residents of the area. Discussions were held between Nature Trust (Malta) and these stakeholders and an agreement in principle was reached on the location of these wind turbines. A separate

<sup>4</sup> This Ministry is now called Ministry for Resources and Rural Affairs following the General Election held in March 2008.

application for an FDP specifically covering the location of the turbines is to be applied for once the official FDP for the entire site is issued by MEPA.

In the meantime, work on the afforestation and restoration components has been progressing since these were already cleared in an Outline Development Permit which was issued earlier last year. To date, 5,572 trees have been planted. A total of just under €81,000 has so far been utilised<sup>5</sup>. Over the next six months, the afforestation activity will be finalised and the restoration works are expected to be at an advanced stage. Preparations for the installation of the water treatment facility and the renewable energy based production will also be under way.

#### **3.4. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site**

This project targets the *Conservation of European Cultural Heritage*, priority. The Project Promoter is Heritage Malta. The Total Eligible Cost for this project is €451,000.00 with a Grant Rate of 85% (€383,350.00).

As per the last reporting period, Heritage Malta was in the process of re-considering the structure of some of the activities it had envisaged in the project. This process has been rather lengthy with various proposals being made over the last months. Another factor which delayed the final decision on the project modifications proposed was the fact that Value Added Tax (VAT) was initially allocated as an eligible cost. This therefore led to a request for de-commitment of the VAT amount and a subsequent redesign of the budget according to the modifications which had been proposed.

However, while this report is being compiled, there is still no reply as to whether the modification has been approved the FMO.

Nevertheless, the tenders for the 3D Recording and the Equipment required have been drafted and it is envisaged that both will be published, adjudicated and awarded by end 1Q 2009.

---

<sup>5</sup> This figure includes the monetary value of the trees which have so far been planted (€48,846.96). The various trees being planted in the afforestation component are an in-kind contribution.

## 4. MODIFICATIONS, DE-COMMITMENTS AND RE-ALLOCATIONS

### 4.1. Proposed Changes

There was one project modification request which were forwarded to the FMO during the reporting period.

The modification request related to project MT0014, co-financed under the Norwegian Financial Mechanism, which targets conservation of the Hal Saflieni Hypogeum World Heritage Site. Briefly, the modification envisaged the removal of costs from the Project Management and Conservator Services activities (1 and 2 respectively). This was being requested in view of the fact that when Heritage Malta took over the Malta Centre for Conservation and Restoration in early 2007, the organisation has seen an increase in in-house capacity with respect to conservation. This meant that the number of conservators, conservation scientists and architects within Heritage Malta increased, thus making it possible for Heritage Malta to use in-house expertise rather than tender out for expertise which would potentially not be as familiar with this sensitive site as the in-house staff.

The modification proposed also foresaw the inclusion of a hands-on training component within Activity 3 which would ensure that the staff is knowledgeable on how to operate the new equipment being procured through the project as well as a new Activity (activity 7) entitled Professional Consultancy. The purpose of this activity is to further support Heritage Malta's knowledge in the administrative aspect of the project (e.g. tender drafting).

The FP and the FMO have been in regular communication on this modification over the past months, however, while this report was being compiled, there was still no reply as to whether the modification has been approved the FMO.

### 4.2. De-Commitments

With reference to the letter to the Focal Points sent by the FMO in August 2008 relating to the de-commitment of funds from projects which have either encountered savings or for other reasons have funds available for re-allocation, the FP intends to submit a request for de-commitments by 31 October 2008. Summarily this letter shall request the de-commitment of funds from three projects and propose to re-allocate the resulting balance to other activities.

Among the projects co-financed by the NFM, the projects from which de-commitment of funds is being requested are:

- MT0008 Procurement and Installation of Security / Safety Equipment for Building Sites housing SIS Equipment
- MT0013 Technical Assistance Fund for Malta
- MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

In the case of MT0008, the project envisaged one contract which would cater for all aspects of the project. The project is nearing completion and the final contract price was as few thousand euro short of the overall allocation. For this reason, the balance left as savings will be de-committed from the project.

In the case of Projects MT0013 and MT0014 the original application and respective budgets considered the VAT element as an eligible cost. However, whilst discussing the project modification which was requested in terms of project MT0014<sup>6</sup>, it emerged that VAT would not be eligible for financing under the Norwegian Financial Mechanism. The amount formerly allocated for VAT is therefore being de-committed from the project.

Similarly, in the case of MT0013, the amount earmarked for VAT is considered ineligible and is being de-committed from the project.

The table below shows the amounts being de-committed from each of the three projects and the Financial Mechanism(s) which is financing the respective project.

Project No.	Financial Mechanism	Amount to de-commit	Reason
MT0008	NFM	€ 4,020.80	Savings
MT0014	NFM	€ 58,475	non-eligible VAT
MT0013	EEAFM	€ 6,595.86	non-eligible VAT
	NFM	€ 6,595.86	non-eligible VAT
<b>Total</b>		<b>€ 75,687.52</b>	

The FP ascertains that despite these de-commitments, the activities, results, and indicators agreed to in respect of each of the above projects are not being jeopardized and shall be carried out and achieved as planned.

#### 4.3. Re-Allocations of de-committed amounts and reserve funds

The same letter making the request for de-commitment of funds also includes a proposal for the re-allocation of the de-committed funds as well as the reserve funds<sup>7</sup> as yet untapped. The proposal being put forward considers the extension of the interventions being carried out

<sup>6</sup> Vide section 4.1 of this report.

<sup>7</sup> Vide last paragraph of section 2.1

under project MT0012 Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina.

In summary, the action proposed is an extension to the consolidation works being carried out along the bastion wall underneath one of the main squares of the Medieval City of Mdina. The total amount to be re-allocated to this proposal was calculated as follows:

<b>Reserve funds</b>	€	€
EEAFM	18,432.00	
NFM	<u>16,164.00</u>	
		<b>34,596.00</b>
<b>De-commitments</b>		
MT0008 NFM	4,020.80	
MT0013 EEAFM	6,595.86	
NFM	6,595.86	
MT0014 NFM	<u>58,475.38</u>	
		<u><b>75,687.90</b></u>
		<b>110,283.90</b>

This amount is being proposed as the 85% Grant amount while the Project Promoter will be responsible to contribute 15% co-financing as well as any VAT payable.

The new total project cost is therefore calculated as:

Contribution	Current	Additional	Total
EEA(&N)FM			
85% EEA	€425,000.00	+ € 25,027.86	
N		€ 85,256.04	= €535,283.90
<u>PP 15%</u>	<u>€ 75,000.00</u>	<u>+ € 19,462.17</u>	<u>= € 94,462.17</u>
100%	€500,000.00	+ €129,746.07	= €629,746.07

Should this proposal be approved by the FMO, the project will henceforth be co-financed by both mechanisms in the following ratio:

Total	€535,283.99	85.00%
EEA FM	€450,027.86	71.46%
N FM	€ 85,256.04	13.54%

The Project Promoter's 15% contribution will thus increase to €94,462.17.

The fact that the Norwegian Financial Mechanism will be roped in to the co-financing of this project will further address the priority area of ‘Conservation of European cultural heritage, including public transport, and urban renewal’ which both Financial Mechanisms target. The extension of the interventions currently being carried out will also further increase the visibility of this project. The rationale and justification are being fully explained in the proposal to the FMO.

## 5. MONITORING AND MANAGEMENT ISSUES

### 5.1. Monitoring Committee (MC) Meeting

The third Monitoring Committee Meeting took place on 20 September 2007 chaired by the Principal Permanent Secretary and Head of the Public Service. Permanent Secretaries and other officials from line ministries, socio-economic partners as well as representatives of the Civil Society also participated in the meeting.

#### 5.1.1. Main points raised in the MC Meeting

A presentation on the progress achieved by the individual projects was delivered by the Focal Point. The presentation described the project approval procedure whereby the projects were subjected to an appraisal by consultants commissioned by the FMO, followed by the receipt of Grant Offer Letters which denoted the official approval of the projects. The Project Implementation Plan and signing of Grant Agreements procedures were also covered. Special reference was made to the publicity measures which each project is undertaking. The presentation was then uploaded on the PPCD website.

During the meeting, the Annual Implementation Reports for both Financial Mechanisms were approved by all members following a presentation giving an overview of the content of both reports.

The last item on the agenda concerned the Addenda to the Memoranda of Understanding (MoU). The FP explained to the committee members that a modification to the MoU was proposed during the May 2006 Annual Meeting with the FMO. The change related to the alignment of the Grants paying system to the system which Malta uses in line with its national implementation system. This was also due to the fact that by virtue of its title ‘Paying Authority’, the Donors interpreted the Paying Authority as the entity which in fact authorises the payments when in the Maltese system, this role is fulfilled by the Treasury. The Paying Authority’s main role is to present requests for reimbursement to the Donors and receive, on behalf of Government, such reimbursement from the Donors.<sup>8</sup>

#### 5.1.2. Conclusions drawn from the MC Meeting

No further matters were discussed and therefore the Chairperson brought the meeting to a close with some concluding remarks.

---

<sup>8</sup> It is to be noted that the Addenda to the MoUs were signed by all stakeholders on 14 March 2008.

## 5.2. Financial Control

Between April and September 2008, a number of the projects being co-financed under the EEA and Norwegian Financial Mechanism have undergone an ‘on-the-spot’ check. On-the-spot-checks are carried out by the FP and focus on the administrative, financial, technical 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 period April – September 2008 are:

- MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport (NFM)
- MT0008 Procurement and Installation of Security / Safety Equipment for Building Sites housing SIS Equipment (NFM)
- MT0012 Consolidation of Terrain and Historical Ramparts underlying Council Square, Mdina (EEAFM)
- MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas (EEAFM)

All projects checked have shown that the works carried out, whether these consisted of supplies of equipment or services, are in line with the Project Implementation Plans and respective contracts. The Public Procurement Regulations were followed in all public sector projects. In the case of project MT0006 which was implemented by the Malta International Airport plc (private company) the basic principles of fair competition, transparency and good governance were applied.

A weakness which emerged in some of the projects checked was of an administrative nature. In some cases, the Project Promoters lacked the support staff required to assist them in filing the required documents in the appropriate manner as required by the Manual of Procedures. The situation is however alleviated by the support given by the Line Ministries’ staff in charge of monitoring the projects. In fact, an approach which has largely been adopted is for staff in the EU Affairs / Programme Implementation Directorates within the respective Line Ministries, to assist the Project Promoters in tasks which are of a more administrative nature, such as compilation and correct retention of documents related to the project.

It is planned that by the end of the current calendar year, the remaining projects being co-financed by both Mechanisms will undergo an on-the-spot check. These are:

- MT0005 Masterplan for the Ċittadella – the Old Fortified City of the Island of Gozo (EEAFM)

- MT0011 Xrobb I-Għagin Nature Park and Sustainable Development Centre (EEA & NFM)
- MT0014 Conservation of Ħal Saflieni Hypogeum World Heritage Site (NFM)

It is envisaged that these checks will target the documentary aspect of the projects in view of the fact that by the end of the year, little of the physical aspect of projects MT0011 and MT0014 will have been implemented since during this quarter, tenders would be on the market or in the process of being evaluated. Furthermore, project MT0005 does not involve any infrastructural works, and therefore the physical check will be limited to the documents being drawn up as part of the master plan.

### 5.3. Manual of Procedures

The Manual of Procedures which was being revised during the last reporting period has been finalised and is accessible to all stakeholders on the webpage dedicated to the EEA and Norwegian Financial Mechanisms on the FP's website <http://ppcd.gov.mt/eeanorwegian?l=1>.

The MOP serves as a guideline for procedures related to, *inter alia*, Programming and Project Selection; Project Implementation; Contracting; Monitoring and Evaluation; Eligible Expenditure; the Payment Process and the subsequent Reimbursement process from the FMO as well as Audit and Financial Control. Apart from procedural information, it also contains a number of templates which are to be used for the different management tasks by the different stakeholders.

### 5.4. The Implementation Agreement Template

As required under Article 3.7 of the General Terms and Conditions attached to the Grant Agreement, a standard template of the Implementation Agreement to be signed by Project Promoters (PP) and the FP as a commitment to successful implementation was drawn up. This template was revised by the FP following comments received from the FMO during the last reporting period. The template was agreed to between the FP and the FMO on 21 April 2008. The templates were then tailored for the individual projects and circulated for signatures between the FP and PPs. The following list denotes when the Implementation Agreements were signed:

- MT0005 Masterplan for the Ċittadella – the Old Fortified City of the Island of Gozo – 5 May 2008

- MT0006 Implementation of Schengen Acquis Requirements at the Malta International Airport – 12 May 2008
- MT0008 Procurement and Installation of Security / Safety Equipment for Building Sites housing SIS Equipment – 6 June 2008
- MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas – 14 May 2008
- MT0011 Xrobb I-Għagin Nature Park and Sustainable Development Centre – 13 May 2008
- MT0012 Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina – 5 May 2008

No Implementation Agreement has as yet been drawn up for project MT0014 Conservation of Ħal Saflieni Hypogeum World Heritage Site since the Grant Agreement for this project has not yet been signed. Once the modification explained in section 4.1 of this report is approved by the FMO, a Project Implementation Plan will be drawn up for the Hypogeum project, which will be included as an annex to the Grant Agreement and Implementation Agreement.

#### **5.5. Electronic Database and Payments**

One of the objectives of the Technical Assistance Fund for Malta (MT0013) envisages the “modification of the application database” which will ensure the quicker collection of information from various sources as well as more effective monitoring on a day-to-day basis of the financial and implementation status according to the implementation schedules of the individual projects. The database also facilitates the verification and certification process for the Focal Point and Paying Authority and the actual authorisation of payments by the Treasury. This information system forms part of a larger system which is used to monitor projects being financed by EU funds.

During the current reporting period, work on the EEA and Norwegian Financial Mechanisms module of this database was still underway. Over the last year, the customisation of this module faced a number of technical difficulties which have delayed its operability. However, work to overcome these technical difficulties has been largely completed and the FP envisages that the system will be fully operational by the end of the year.

The Project Interim Reports (PIR) were received in May 2008, however, due to the technical difficulties referred to above which delayed the generation of supporting documentation to the PIRs from the database, these were being verified and certified manually in 3Q 2008 and will be submitted together with the payment claims by the beginning of 4Q 2008.

## 6. PUBLICITY

### 6.1. Publicity carried out by the individual Projects

The Manual of Procedures issued by the FP as well as the Publicity Guidelines made available by the FMO serve as a guide to the PPs on the way the support received by the Financial Mechanisms can be acknowledged and made visible.

#### 6.1.1. **MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport**

A number of billboards and posters were put up in various prominent sites around the airport building during the implementation of the works. Upon completion, a commemorative plaque was affixed on the occasion of the project's inauguration and this can be viewed in the Departures Lounge at the Malta International Airport. However, during the current reporting period, no further publicity actions were carried out.

#### 6.1.2. **MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment**

In the run-up to the project's final stages, the PP is planning to host a press conference which will involve the Justice and Home Affairs' Minister, the Ambassador to Norway (or his delegate) and the Commissioner of Police. The PP is also planning to issue a press release about the project imminently. The main thrust of the press release will relate to what the project has contributed to society rather than focusing on the technical details which would defeat the concept of safety and security.

#### 6.1.3. **MT0011 Xrobb I-Għagin Nature Park and Sustainable Development Centre**

A tree-planting event which formed part of the afforestation component of the project took place in November 2007 and was attended by 1,500 school children who planted over 5,500 trees in the nature park which is being developed as part of the project. This event was given a lot of publicity in the media. The project was also given coverage during a local television production. The programme, which tackles mostly animal welfare, was aired in June 2008 with various repeats over the following weeks. The Project Leader gave an overview of the project during a five minute interview.

#### 6.1.4. **MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site**

During this reporting period, Heritage Malta issued a press release which made reference to the on site visit held in conjunction with the last Annual Meeting last year as well as to the signing of a collaboration agreement with the Malta Standards Authority, that will be providing technical assistance in the environmental monitoring of the Hypogeum and the implementation of the conservation project being co-financed by the N FM. More publicity actions are planned to take place further down the lifetime of the project.

## 6.2. General publicity of the Financial Mechanism

### 6.2.1. Publicity Tender

The terms of reference drawn up by the FP as the PP in charge of implementing the Technical Assistance Fund for Malta have been reviewed once again during the current reporting period. This was due to a re-orientation on the activities which are to be implemented in the publicity contract (services). The FP is envisaging a publicity campaign that will create an awareness among the general public on the results being achieved through the EEA and Norwegian Financial Mechanisms in the priority areas being targeted by these mechanisms. The approach the FP plans to take is to hold press conferences and set up street banners or similar which will be visible to all, locals and foreigners alike.

It is nevertheless planned that the tender will be launched as a departmental tender in Q4 2008 and that the implementation will reach its peak during April / May 2009 to coincide with the end of commitment events being planned by the FMO and the Donor States.

### 6.2.2. Dedicated webpage

A dedicated webpage which deals solely with the EEA and Norwegian Financial Mechanisms within its website has been set up by the FP. The webpage can be accessed either through [www.eeagrants.gov.mt](http://www.eeagrants.gov.mt) or <http://ppcd.gov.mt/eeanorwegian>. This webpage contains general information on the Financial Mechanisms, as well as a number of downloadable documents such as, *inter alia*, MoUs, Annual Implementation Reports, Manual of Procedures and other guidelines. The webpage is updated regularly with new downloads and links.

## 7. WORK PLAN FOR THE NEXT YEAR

### 7.1. Work Plan

October 2008	November 2008	December 2008
<ul style="list-style-type: none"> <li>• Publish Publicity Tender</li> <li>• Forward PIRs to PA for certification</li> <li>• Roll out electronic database to all stakeholders &amp; process payments</li> <li>• Holding of Monitoring Committee meeting</li> </ul>	<ul style="list-style-type: none"> <li>• Annual Meeting in Brussels</li> <li>• Evaluate publicity tender offers</li> <li>• Submission of PIRs and first claim for reimbursement by PA to FMO</li> </ul>	<ul style="list-style-type: none"> <li>• Publicity Tender kick off</li> </ul>
<ul style="list-style-type: none"> <li>• Carry out on-the-spot checks</li> <li>• Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
January 2009	February 2009	March 2009
	<ul style="list-style-type: none"> <li>• Kick-off round 2 of the on-the-spot checks</li> </ul>	<ul style="list-style-type: none"> <li>• Forward PIRs to PA for certification</li> </ul>
<ul style="list-style-type: none"> <li>• Carry out on-the-spot checks</li> <li>• Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
April 2009	May 2009	June 2009
<ul style="list-style-type: none"> <li>• Publicity Campaign reaches peak</li> <li>• Submission of PIRs and payment claim for reimbursement by PA to FMO</li> </ul>		
<ul style="list-style-type: none"> <li>• Carry out on-the-spot checks</li> <li>• Day-to-day implementation of projects including ad hoc meetings</li> </ul>		
July 2009	August 2009	September 2009
		<ul style="list-style-type: none"> <li>• Hold Monitoring Committee</li> </ul>
<ul style="list-style-type: none"> <li>• Carry out on-the-spot checks</li> <li>• Day-to-day implementation of projects including ad hoc meetings</li> </ul>		

## 8. AUDIT

### 8.1. Systems Audit and Sample Checks

During the year under review, the Internal Audit and Investigations Directorate (IAID) followed up the systems audit it had conducted in the preceding year for both Mechanisms. The IAID had concluded that the management and control systems in place ensure the sound financial management of the EEA and Norwegian Financial Mechanisms and are adequate and operating effectively. No problems of a systemic character had been identified and thus no financial corrections resulting from this audit were necessary. It is to be noted that the system used for the EEA and Norwegian Financial Mechanisms is very similar to that adopted by the Maltese Authorities for other financial instruments, including the EU Structural Funds.

Since no expenditure has as yet been claimed from the Financial Mechanism Office by the PA, the IAID has not yet conducted sample checks on expenditure. Sample checks shall start being conducted next year as explained below.

### 8.2. Audit Plan

The IAID is responsible for drawing 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.

#### *Systems audits:*

During the forthcoming year the IAID will proceed with following up the systems audits it has carried out with respect to the FP, the PA, the DoC and the Treasury Department.

There are seven (7) Project Promoters in all for both the Norwegian and the EEA Financial Mechanism<sup>9</sup>. During the year October 2008 – September 2009, the IAID will conduct audits on 3 Project Promoters. These 3 Project Promoters will be chosen on the basis of a risk assessment. It is envisaged that out of the 3 projects selected for auditing, there would be at least one from each Financial Mechanism.

This Risk Assessment will be based on both historical and factual information about the Project Promoters available to the IAID. Amongst the risk factors that will be taken into consideration there will be the following:

- A. Type of Project Promoter;
- B. Previously Reported Irregularities or Errors;
- C. Complexity of the Project.

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.

<sup>9</sup> This Audit Plan does not take into consideration MT0013 as an Individual Project.

*Sample checks on Expenditure*

The IAID is also responsible for conducting sample checks on expenditure. During the forthcoming year, depending on materiality, it will conduct checks on a sample of expenditure declared to the Financial Mechanisms Office by the Paying Authority.

The expenditure to be audited, including that in the years following 2009, will be chosen on the basis of a risk assessment similar to the one used for choosing which of the Project Promoters are to undergo a systems audit.

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.

*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).

## 9. CONCLUSION

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

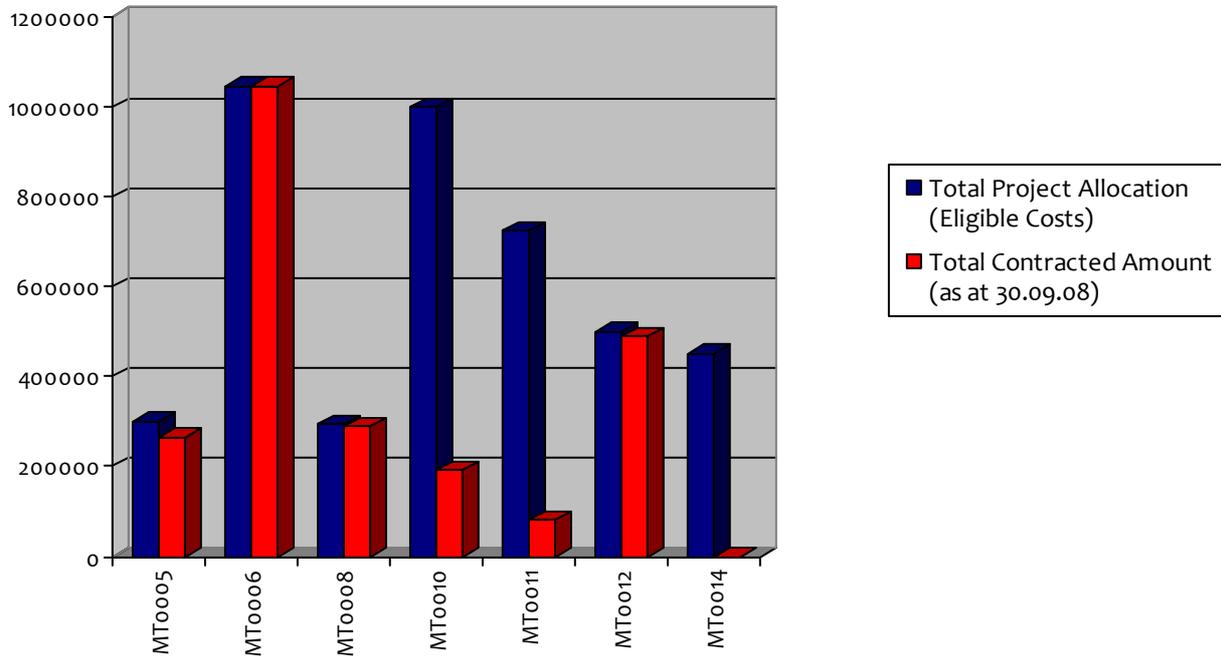
By the end of the year all individual projects would have undergone an on-the-spot check and addressed any findings which would have emerged. The fact that the tendering is moving at a good speed is also a positive, especially when one considers that, across both mechanisms, there is 1 project completed, 1 which is almost complete and 2 which have concluded all the tendering envisaged in their plans.

It is however rather early to determine the overall impact the projects are having on cross-cutting issues and priority areas they target since, as mentioned earlier there is only one project which is complete and the others are still at a ‘works in progress’ stage. Nevertheless, it has already been evident that the work carried out under the projects targeting the Implementation of the Schengen Acquis have contributed to Malta’s successful entry in the Schengen Zone. All Project Promoters had submitted their intended approach towards addressing cross-cutting issues in their application forms. These are still being adhered to by all promoters. A case in point is that, where PPs are not public entities, and therefore not obliged to follow the Public Procurement Regulations, these are still applying the key principles of these regulations (transparency, fair competition etc) in an effort to ensure good governance.

There have admittedly been delays in acquiring MEPA permits and in the definition of project activities in one case, however, the modifications being proposed together with the reallocations suggested will ensure that the funds available for Malta are maximised and used in the most effective and efficient manner.

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

**ANNEX 1: PROJECT CONTRACTING PROGRESS AS AT 30 SEPTEMBER 2008**



Project	Total Project Value (Eligible Costs)	Total Contracted Amount (as at 30.09.08)
MT0005 Master plan for the Ċittadella – the Old Fortified City of the Island of Gozo <sup>10</sup> (EEAFM)	€301,500.00	€264,116.00
MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport (NFM)	€1,045,822.00	€1,045,822.00 <sup>11</sup>
MT0008 Procurement and Installation of Security / Safety Equipment for Building Sites housing the SIS Equipment (NFM)	€294,915.00	€290,185.00
MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas (EEAFM)	€1,000,000.00	€191,000.00
MT0011 Xrobb l-Għagin Nature Park and Sustainable Development Centre (EEA & NFM)	€724,641.00	€80,875.35
MT0012 Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina (EEAFM)	€500,000.00	€488,936.64
MT0014 Conservation of Hal Saflieni Hypogeum World Heritage Site <sup>12</sup> (NFM)	€451,000.00	€0.00

<sup>10</sup> As reported in Section 3.1, the contract for the Masterplan for €264,000 exclusive of VAT was being drafted while this report was being compiled. The additional €116 refer to the expenditure related to publicity incurred so far.

<sup>11</sup> In addition to this amount the Project Promoter financed €16,905.60 as additional costs.

<sup>12</sup> Contracting for this project has not yet started in view of the delays in determining the exact project activities following the request for modification by the Project Promoter.

**ANNEX 2: PUBLICITY**



1 Commemorative Plaque (top) and the transit points which were part of the constructions co-financed by the project (right; bottom left)



2 Heritage Malta and the Malta Standards Authority signing the Management Agreement (left) and the Annual Meeting delegation after the site visit at the Hypogeum (right)