



STRATEGIC REPORT 2012

EEA FINANCIAL MECHANISM 2009-2014

MALTA

15 January 2013

EXECUTIVE SUMMARY

This Strategic Report has been drawn up by the National Focal Point for Malta in pursuance of Article 2.2 of the Regulation on the implementation of the EEA Financial Mechanism 2009-2014.

It is the first Strategic Report to be delivered by the National Focal Point for Malta with the aim of providing an overall indication of the stage reached in programme implementation under the EEA Financial Mechanism 2009-14. Since programme implementation on the ground has not started yet, this Report looks at how the national priorities will be addressed through the selected programme areas under the EEA Financial Mechanism for the country.

The programme areas under the EEA Financial Mechanism 2009-14 that shall be implemented in Malta consist solely of projects that have been pre-defined in the Memorandum of Understanding between Malta and the Donor States signed on 10 October 2011. There shall be no calls for project proposals and no selection procedure. Upon the approval of each project, a project contract shall be signed between the Project Operator and the Project Promoter.

1. ASSESSMENT OF IMPACT AT NATIONAL LEVEL

In accordance with the Memorandum of Understanding between Malta and the Donor States signed on 10 October 2011, Malta agreed to focus the EEA Grant on four programme areas. These four programme areas are:

Programme Area 6	Renewable Energy
Programme Area 7	Adaptation to Climate Change
Programme Area 10	Funds for Non-Governmental Organisations ¹
Programme Area 16	Conservation and Revitalisation of Cultural and Natural Heritage

Through the production of renewable energy, adaptation to climate change, support to Non-Governmental Organisations and the protection of cultural heritage, this Financial Mechanism aims to contribute to socio-economic development of less developed Beneficiary States.

The projects to be implemented under EEA Financial Mechanism will seek to produce bio-fuel and reduce CO₂ emissions in the atmosphere that contribute to global warming. The marine environment will be further protected and vulnerability to climate change shall be minimised, while an archaeological site of international importance will be safeguarded from deterioration for continued access and appreciation of future generations.

The Programme shall also help to strengthen bilateral relations at multiple levels. To this end 0.5% of the total allocation for Malta under the EEA Financial Mechanism has been set aside in a fund for bilateral relations at national level. This Work Plan for the proposed activities under this fund identifies three aspects:

- i. participation of officials from Malta at workshops, conferences and seminars organised by the Donor States and/or other Beneficiary States which are of relevance to the Maltese context. These could include workshops, such as on gender issues and seminars such as on Governance/Risk Prevention which the FMO/Donor States hold annually;
- ii. preparatory meetings between Project Promoters and Donor Project Partners;
- iii. strengthening bilateral relations between the Donor States and Malta within the Programme Areas of the EEA and the Norwegian Financial Mechanisms 2009-14.

In this regard, the Maltese Focal Point has already started working on the implementation of the Work Plan and encouraged relevant Project Promoters to meet with their Donor Partner during 2012 in order to develop their partnerships and to prepare for the implementation of their Donor Partnership Project.

¹ The FMO is the Programme Operator for this Fund

Furthermore, in accordance with Article 3.6 of the Regulation, the Programme Operator will be managing separate funds for bilateral relations at programme level to facilitate partner networking. 1.5% of the allocation under the EEA Financial Mechanism has been reserved for this purpose.

1.1 Cohesion

Programme Area 6 – Renewable Energy

As an EU member state, Malta is committed to contribute to the targets set by the European Council in 2007 to tackle climate change, reduce greenhouse gases and promote renewable energy in EU energy consumption by 2020. Malta has set itself to attain 10% of the gross final energy consumption that is derived from renewable energy sources by this date. The Maltese Islands are currently almost totally reliant on fossil fuels for energy. In 2010, Eurostat estimated Malta's current share from renewable energy to be a mere 0.4%. An increase of 9.6% is therefore needed to reach the target.

A local demand analysis has indicated four fundamental sustainable development needs for Malta. These are the increase in renewable energy production, the reduction in carbon emissions, the reduction in the dependence on imported fuels, and the rehabilitation of contaminated land to public and productive use. Within the National Renewable Energy Action Plan, there is a commitment to have 7 kilo tonne equivalent of bio-diesel generated from, or else originating from, a renewable energy source. This plan also establishes a target of 433 Gigawatt Hour (GWh) a year of electricity originating from renewable energy sources (solar, wind and waste) of which 12% is planned to be derived from waste to energy projects. The project entitled 'CO₂ Energy – Development of Algae-Derived Bio-Fuel Production Plant for CO₂ Sequestration from Waste Management Activities in Malta' will contribute towards this objective through the generation of up to 20 tonnes of bio-fuel per annum, which has a potential energy equivalent of 200 Megawatt Hour (MWh). If this bio-fuel were to be used for the generation of electricity this may result in the generation of up to 75 MWh per year.

Currently, the local power generation plants annually contribute to almost 2 million tonnes of CO₂. This project will aim to reduce carbon emissions by 95 tonnes and will serve as a pathfinder to help develop process optimisation parameters that might scale up similar plants to address carbon sequestration in other CO₂ generation plants.

The project will develop an algae-derived bio-fuel production plant which uses the CO₂ sequestered from the flue gas emissions of a local landfill gas treatment plant as feedstock for growing microalgae from which bio-fuel can be produced.

The primary objectives of the project are to contribute to the national target of a reduction of at least 20% in greenhouse gases and support the achievement of 10%

share of renewable energy production. In this manner, it should reduce Malta's dependency on fossil fuel for energy generation as well as reduce flue gas pollutant emissions in the atmosphere and improve air quality.

Malta's economy is susceptible to European and global economic developments. Any climate change and instability in the energy market could filter down and adversely affect the Maltese economy. The project will also help in reducing the impact of climate change which will be reflected as reduced economic and social adaptation cost in the future. Through the algae-growing plant, it offers an alternative to Malta's reliance on fossil fuel and hence contributes towards a sustainable economy. The benefits associated with green energy also include improved security of supply, the availability of an energy source which is immune from price volatility, enhanced competitiveness for renewable energies technology industries and job creation. Given that Malta's scarcity of land with cultivation of crops for bio-fuel production is not sustainable, the proposed project offers a viable and sustainable option for bio-fuel production. Access to education in bio-fuel production would serve as a valuable resource for additional study and research in this area. The heightened environmental awareness that will result from this project will benefit the economy and society and will support the generation of green jobs in terms of higher demand for green products and services.

The National Strategic Reference Framework 2007-13 recognises energy as an essential resource for industry and contributes significantly to quality of life. This recognition will be reinforced in the 2014-2020 period.

Programme Area 7 – Adaptation to Climate Change

One of the impacts of climate change is extreme or unpredictable weather phenomena which may impact adversely on shipping operations and movements. Such weather phenomena may put ships in difficult and dangerous situations with potential pollution threats. The project entitled 'Oil/HNS spill response capability building for the protection of Malta's seas' shall prepare Malta in such eventuality through capacity building, increased awareness of possible related risks and incidents at sea and their better handling.

This project is a continuation of previous project co-financed under the EEA Financial Mechanism 2004-2009 and will take Malta's capacity to respond to oil/HNS spills a step further. The first project consisted in preparing necessary studies, procuring equipment identified as necessary as well as the rewriting the National Marine Pollution Contingency Plan (NMPCP). This NMPCP rewritten in 2009 identified a number of individuals that would benefit from training on oil spill response at national level, thus empowering handlers of the procured equipment through professional training and designating to them roles in combating an eventuality of this nature.

Oil spill response in Malta dates back to the 1990s when a national effort was carried out to respond to the threat of oil spills through the drafting of the NMPCP in 1999. A number of personnel from Government agencies and departments underwent training while some vessels and equipment were obtained. By the time Malta received support from the EEA Financial Mechanism in the 2004-09 period, training given in the 1990s needed updating, many of the trained staff were no longer in the public service whilst the equipment became outdated.

Malta does not yet have an operational oil spill response plan to deal with incidents resulting from major oil spills. The total annual number of vessels within 20 nautical miles from Malta is estimated to be 65,668. Harbour areas bear the most significant risk of an oil spill with 55% of spills reported in three main harbours in Malta.

Maritime and coastal incidents can be considered as operational or accidental releases. Operation incidents occur as a result of routine actions such as bunkering and cargo transfer and tend to occur in inshore areas such as ports and harbours. There are also a good number of dedicated offshore ship-to-ship transfer zones where fuel cargoes are transferred between vessels.

In addition, the project under the 2009-2014 EEA Financial Mechanism will produce a study that addresses risks from oil offshore operations within and outside of Malta's territorial waters. The current NCPMP does not include offshore oil operations and drilling. Possible future events involving oil operations and drilling of the continental shelf in the proximity and within the territorial waters of Malta have raised a basis for awareness. Concurrent with this, draft and official communications concerning adequate standards in the European offshore oil and gas activities have been circulated at EU level.

[Programme Area 16 – Conservation and Revitalisation of Cultural and Natural Heritage](#)

The Economic Impact of Tourism in Malta states that when all impacts related to tourism expenditure are taken into account, tourism contributes to 29% of Gross National Product, 33% of government income, 29% of employment and 16% of imports and outflows. Protecting Malta's cultural heritage is paramount to securing a continued quality product in the tourism sector. In spite of the restricted visitor number, the Hal Saflieni Hypogeum remains one of the most sought after tourist attraction sites and contributes significantly to Malta's tourism industry.

The Hal Saflieni Hypogeum is one of the most extraordinary archaeological sites in the world. This visitor attraction is renowned for its proper visitor management framework which framework is backed up by appropriate pre-booking facilities and an established threshold of visitors that can be hosted at the site on a day-to-day basis. Its outstanding universal value led to its inscription in the UNESCO World Heritage List in 1980 as a commitment to preserve the site on behalf of the international community. UNESCO

missions to assist the Maltese Government in the safeguarding of the site underlined the importance of maintaining stable climatic conditions within the site to ensure preservation. The project being funded in this new mechanism period, 'A New Environmental Management System for the Hal Saflieni Hypogeum World Heritage Site', will contribute further to the preservation and promotion of the site in accordance with the UNESCO World Heritage Convention (1972). It will also ensure that the site is preserved for the enjoyment of future generations in accordance with the Cultural Heritage Act and in part fulfilment of the policy responses laid out in the Tourism Policy for the Maltese Islands (2012-2016).

The Tourism Policy for the Maltese Islands 2012-16 indicates that as part of the vision for tourism during this period and in line with the upgrading of Malta's tourism product offer, Malta's cultural heritage, which includes the invaluable World Heritage Sites, shall remain conserved for public appreciation and enjoyment. The marketing tasks which are driven by the said policy shall contribute to promote the Hal Saflieni Hypogeum as a unique site in the Mediterranean. The project will contribute to the implementation of this policy by protecting and preserving this important heritage site. Its main objective is the preservation of the site with the view of keeping it accessible. The long-term conservation of the site shall be primarily addressed through the installation of a proper environmental control system which would stabilise the climatic conditions within the site. With this action being implemented, access to the site is sustained, allowing access to visitors for continued heritage appreciation.

Risks

A number of risks could impede the efficient implementation of the programme. For example, offers submitted in response to public calls for tenders may exceed the available budget. A realistic financial provision is being made to minimise the risk of such an eventuality but it cannot be ruled out altogether because it is in the nature of public procurement. Similarly, the risk of appeals being lodged following publication of results cannot be overlooked either. This would have an adverse impact on contract awards and lead to delays in project implementation.

Issues regarding staff resignations and retention may also arise during implementation, hindering efficiency until replacements are in place. In the case of the National Focal Point this risk is being mitigated by reinforcing capacity. One officer is already performing the tasks of the National Focal Point while another officer is carrying out the functions of Programme Operator. Two additional officers have been assigned to actively support the National Focal Point and the Programme Operator throughout programme implementation.

In terms of financial reporting, the computerised payment and accounting system used to process payments on a national level during the 2004-09 Financial Mechanisms period took a long time to be developed. That, in turn, delayed reporting to the FMO.

As an interim measure in order to prevent that happening again, the 2004-09 system will remain in use until the 2009-14 system comes on stream. For reasons of eligibility of expenditure, work to implement the 2009-14 system will be commissioned once the Programme Agreements are signed.

This way costs will be reported to the FMO in the reporting period in which they are incurred.

The non-timely cooperation between all stakeholders involved has been identified as a risk. Consistent and vigilant monitoring and follow up action with the Project Promoters shall ensure smooth and well-timed coordination.

The Monitoring Plan prepared by the Programme Operator presents a risk tracing system as part of risk assessment and risk management. The plan also devises a tool to assess the probability and impact of identified risks which helps the Programme Operator to evaluate the level of the risk. The risks identified within each project will be monitored by the PO through periodical progress reports and on-the-spot checks. The Monitoring Plan is to be updated each year.

No systematic risks are currently foreseen but a systems audit is envisaged for mid-2013.

1.2 Bilateral relations

In November 2011, Transport Malta, the promoter of the project entitled 'Oil/HNS spill response capability building for the protection of Malta's seas' took part in a meeting in Norway with their partners, the Norwegian Coastal Administration (Kystverket). Kystverket were identified as Donor Project Partners in the Memorandum of Understanding between Malta and the Donor States signed on 10 October 2011.

During the meeting, the Maltese and Norwegian partners discussed the application for funding; Transport Malta's training proposal; tenders and the results to be achieved by the project.

In May 2012, the Financial Mechanism Office organised a workshop on Gender Equality and Gender-based Violence for Programme Operators and Donor Programme Partners where it provided further networking among the participants. The Programme Operator of the Financial Mechanism in Malta actively participated in the seminars' work sessions.

Funds are available for further bilateral cooperation between the Donor States and Malta. The National Focal Point for Malta, in collaboration with the Maltese Ministry of Foreign Affairs (MFA) and the Mediterranean Academy of Diplomatic Studies (MEDAC)

within the University of Malta, intends to organise a seminar on a theme of common interest. Themes could include Renewable Energy with a focus on the Mediterranean, Regional Cooperation Initiatives, Human Rights, Education, Management of Irregular Migration and/or Management of Maritime Resources. This seminar is foreseen to take place mid-way through the implementation of the EEA and Norway Financial Mechanisms 2009-14.

Beyond the framework of the Financial Mechanism, the following key events/meetings at national level between Norway and Malta have also contributed to strengthened bilateral relations:

Liechtenstein

Malta and Liechtenstein held discussions in October and November 2012 on the possibility of concluding an avoidance of double taxation treaty. Further to the agreement of both sides, it is expected that a Maltese technical delegation will be travelling to Liechtenstein in January 2013 to negotiate and initial this draft agreement.

A further important development was the token gesture of solidarity by Liechtenstein in relocating 1 migrant from Malta notwithstanding its physical size and population. The Eritrean migrant left Malta on 25 April 2012.

Norway

H.E. Bjørn T. Grydeland, Ambassador of the Kingdom of Norway, paid his first visit to Malta from 28 to 30 March 2012. The Norwegian Ambassador was in Malta on the occasion of the presentation of His Letters of Credentials to the President of Malta. Separate meetings were held with the Hon. Dr Tonio Borg, Deputy Prime Minister and Minister of Foreign Affairs, and with Dr. John Paul Grech, Permanent Secretary, Ministry of Foreign Affairs.

On 30 March, an Agreement on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income was signed by Dr. Grech and Ambassador Grydeland, on behalf of Malta and Norway respectively, in the presence of Deputy Prime Minister Borg.

Both sides expressed satisfaction about the excellent ties and Minister Borg expressed Malta's gratitude for the Norwegian financial contribution and for the relocation of 31 migrants mainly hailing from Somalia to Norway.

On 22 May 2012, Ambassador Martin Valentino presented his Letters of Credentials as non-resident Ambassador of Malta to His Majesty Harald V, King of Norway. In line with the State Protocol, Ambassador Valentino had a private audience with His Majesty.

During his stay in Oslo, Ambassador Valentino held a number of meetings at the Ministry of Foreign Affairs.

Iceland

Between 11 and 13 March 2012, the Hon. Dr. Michael Frendo, Speaker of the House of Representatives, visited Iceland, where he held meetings, amongst others with H.E. Ásta R. Jóhannesdóttir, Speaker of Parliament of Iceland. Hon. Michael Frendo visited Iceland upon an invitation of H.E. Jóhannesdóttir.

The Maltese Delegation comprised of Speaker Michael Frendo, Government Parliamentary Whip Hon David Agius, Opposition Parliamentary Whip Hon Joe Mizzi, and Ambassador Gaetan Naudi, Diplomatic Advisor at the Office of the Speaker. Hon Frendo also had meetings with: the Foreign Affairs Committee's Working Group on European Affairs; and Mr Robert Wessman, Consul of the Republic of Malta in Reykjavik. The delegation also paid a courtesy call on H.E. the President of Iceland, Dr Ólafur Ragnar Grímsson at the Bessastadir, the Official Residence of the President. A courtesy call was also made on Mr Össur Skarphéðinsson, Minister for Foreign Affairs and External Trade.

2. MANAGEMENT AND IMPLEMENTATION

2.1 Management and control systems

The National Focal Point submitted the detailed Description of Management and Control Systems (DMCS) together with the Audit Authority's opinion in November 2012. There have been no changes to the management and control system since. The elements in the DMCS are in place and the system is functioning as planned.

2.2 Compliance with EU legislation, national legislation and the MoU

Public procurement in Malta is governed by the Public Procurement Regulations (Legal Notice 296 of 2010, Chapter 174 of the Laws of Malta).

State aid is governed by Legal Notice 210 of 2004 (Chapter 325 of the Laws of Malta), equal opportunities by Chapter 456 of the Laws of Malta and protection of the Environment by Chapter 435 of the Laws of Malta.

Project Promoters have been made aware of their obligations with regard to public procurement, state aid, the environment and promoting equality of opportunity for all people irrespective of gender, age, race or disability.

In the case of public procurement, it should be noted that for most public entities, public procurement above the threshold of €47,000 is co-ordinated by a central unit (Department of Contracts) within the Ministry of Finance, the Economy and Investment. In such cases, templates are standard and the Department of Contracts oversees the procurement process and provides guidance to all organisations carrying out public procurement. This guarantees a degree of quality assurance across all public entities. In the case of procurement below the €47,000 threshold, departments and public entities can carry out their own procurement in line with the Public Procurement Regulations; however guidance can be sought from the Department of Contracts. The Ministry of Finance, the Economy and Investment issues circulars from time to time to all Ministries and agencies carrying out their own procurement.

2.3 Status of Programme

On 5 December 2012, the FMO informed the National Focal Point that the Donor States had approved the EEA Programme for Malta 2009-2014. As at 31 December 2012, the Programme Agreement was still in the process of being signed between the Financial Mechanism Committee and the National Focal Point. Implementation on the ground will start following signature of the Programme Agreement.

2.4 Irregularities

No irregularities were detected during 2012 in relation to the projects under the EEA Programme 2009-2014.

2.5 Audit, monitoring, review and evaluation

The Programme was approved by the Donor States in December 2012. Accordingly, 2013 shall be the first year of implementation and based on past experience with similar projects, it is likely that tendering and contracting will take up most of year one. It would therefore still be early to undertake review and evaluation activities during 2013.

The Audit Plan for 2013 and an updated Monitoring Plan are being forwarded together with this Report.

2.6 Information and publicity

In pursuit of the principle of transparency, a press release was issued through the Department of Information announcing the signing of the Memorandum of Understanding on the implementation of the EEA Financial Mechanism 2009-2014. The press release and photographs of the event are published on the National Focal Point's website.

In accordance with Article 4.3 (4)(b), the National Focal Point will, throughout the course of the programme period, be organising three major information activities on the implementation of the EEA and the Norwegian Financial Mechanisms 2009-14. These are the launch event (foreseen for April 2013), a mid-way activity and a closing event.

The aim of these activities would be to connect with the target audience and to allow for active engagement. The main aspects of these events would be to keep the public informed, to deliver transparent information, to heighten awareness, and to highlight success stories. These events may be enhanced through the participation of key stakeholders and the Project Promoters, together with high profile guests and speakers.

As stated above, the National Focal Point foresees to hold the launch event in April 2013. The event, which is likely to take the form of a press conference, will involve the participation of a high ranking member of the Government of Malta. Representatives of the Donor States and/or the FMO will also be invited to take part. National media organisations, together with the key stakeholders and Project Promoters, shall be invited to attend. The launch event will present the objectives of the Financial

Mechanisms, the selected Programme Areas, the projects to be financed, and the importance of bilateral relations between Malta and the Donor States.

As the programme starts to progress, the National Focal Point will report on the status of the implementation of the Communication Strategy.

Pages dedicated to the Grants in Malta on the website of National Focal Point/ Programme Operator (www.eeagrants.gov.mt) provide information on the relevant priority sectors, programme, and projects. The MoU reports and other relevant documentation of public interest are also uploaded.

The National Focal Point ensures that the EEA Grants logo features on all information and promotional material, including power point presentations and reports.

Although no studies have been carried out, the National Focal Point expects that the impact of the Grants on the visibility and image of the Donor States on a local level to be proportionate to the size and number of projects in Malta.

2.7 Work plan

The work plan outlining the milestones for the implementation of the EEA Financial Mechanism over the next year is provided as a separate document to this Report.

3. REPORTING ON PROGRAMME

Following signature of the Memorandum of Understanding in October 2011, the Programme proposal for the 2009-2014 period was submitted to the Donor States in May 2012. A Donor State request for additional information received in July 2012 was answered by September. The Donor States requested further clarifications and replies were provided in October and November 2012 and subsequently the programme was approved in early December 2012.

It is expected that the Programme Agreement will be signed during the first quarter of 2013, with the Project Contracts between the Programme Operator and the Project Promoters being in place by April 2013.

The projects to be implemented have been pre-defined and, as described earlier in this Report, shall target areas such as renewable energy, adaptation to climate change and conservation and revitalisation of cultural heritage. Funds have also been set aside for Non-Governmental Organisations. These are being managed by the FMO and operated by a local NGO (the Fund Operator) and shall address the specific needs of migrants, gender-related issues and combating domestic violence.

The first meeting of the Monitoring Committee for the 2009-2014 programme period took place in March 2012. The Annual Meeting with the Donors was also held in March 2012.

4. SUMMARY LISTING OF ISSUES AND RECOMMENDATIONS

In the process leading to the approval of the Programme, the National Focal Point delivered a number of tasks as required by the Regulation. It has prepared a work plan for the Fund for Bilateral Relations at National Level and delineated a Communication Strategy for the Financial Mechanisms. It has elaborated a Manual of Procedures and also set up the Management and Control System for the proper implementation of the Financial Mechanism by defining the functions of designated authorities and outlining the operational and financial process.

Meanwhile, the Programme Operator has prepared and submitted the programme proposal for the Financial Mechanism and prepared a Monitoring Plan as well as a Communication Plan².

Preparations are underway to have the Programme Agreement signed and the Project Contracts in place to commence the official implementation of the Financial Mechanism.

A good working relationship exists among all stakeholders. The National Focal Point is grateful for all the support provided by the FMO during this important preparatory phase and looks forward to further collaboration over the next year in order to ensure smooth and successful programme implementation.

5. ATTACHMENT TO THE STRATEGIC REPORT

This Report also includes the following attachment:

A table providing information in respect of donor partnership projects on the Beneficiary State level (names of Donor State entities, number and proportion of partnership projects).

² Submitted to Donors via DORIS in May 2012