

MFIN No 4/2014 - EU Direct Centrally Managed Funds – National Financial Procedures

MFIN Circular No 4/2014

Permanent Secretaries Directors General Directors

MINISTRY FOR FINANCE South Street Valletta VLT 2000

7th July, 2014

**EU Direct Centrally Managed Funds –
National Financial Procedures**

Apart from EU funds which are pre-allocated to each Member State (such as mainstream Structural and Cohesion Funds, and Home Affairs funding), there are a large number of other EU funded programmes, known as **direct centrally managed funds**, such as the Programme for the Environment and Climate Action (LIFE) and Creative Europe Programme. These EU funds are managed directly by the Commission, which receives the applications for projects, carries the selection process and awards grants directly to the beneficiaries. Thus, the Commission is in direct contact with the beneficiaries and makes payments directly to them.

Apart from their responsibility to verify that all EU procedures and processes are abided by without fail, Ministries and Departments are also reminded of their responsibilities towards observance of the national accounting processes applicable in such cases. Thus, Ministries and Departments, are to ensure that requests for all EU funded projects, including the above- mentioned funds, are captured through the budget process, in order to enable necessary financial allocations covering both EU as well as the national co-financing elements, (where applicable), as well as apposite expenditure and revenue items.

If by the deadline to submit the annual budgetary projections to the Ministry for Finance the Ministries and Departments are informed of applications which had been selected for EU funding by the Commission, they are requested to include the related requests for funding, distinguishing between EU and national co-financing elements (where applicable). Funding provision will then be granted due consideration as part of the budget process, through dedicated line items under the respective vote in the Financial Estimates.

With regards to Commission's notifications of successful applications after the above- mentioned deadline for submission to the Ministry

for Finance, Ministries and Departments are requested to invariably inform the Ministry for Finance within 10 working days, clearly specifying the requests for funding, distinguishing between EU and national co-financing elements (where applicable). Concurrently, they should request approval from the Ministry for Finance to open a bank account at the Central Bank of Malta, in terms of the Financial Administration and Audit Act.

Any pre-financing amount which may be paid by the Commission, wherever this is the case, is to be deposited into a dedicated bank account at the Central Bank of Malta. This pre-financing amount received from the EU Commission and reflecting the sum to be paid by the Treasury on behalf of the beneficiary out of the EU Funds' item in the Financial Estimates, (as may subsequently be revised during the year), is to be transferred from the dedicated Central Bank Account to the Public Account in the name of the Treasury as soon as possible. Any further reimbursements, which may be received from the Commission in response to

claims made as the project progresses, should also be transferred from the Central Bank of Malta specific account to the Public Account in the name of the Treasury as soon as possible. Any accruals adjustments which may be necessary will be carried out separately. The Treasury should be copied in correspondence authorising transfer of funds to the Public Account for ultimate transfer to Government Revenue.

It is reiterated that as the project progresses in line with EU and national regulations, any payments falling due are to be defrayed, in the first instance, out of the approved budgetary allocation/s featuring in the Financial Estimates, as may subsequently be revised during the year, in the EU and national funding proportions applicable. Furthermore, when all bank transactions are effected and duly accounted for, the bank account is to be closed off

immediately, simultaneously informing the Ministry for Finance in the process.

Alfred Camilleri

Permanent Secretary