



ANNUAL REPORT

for the

**EUROPEAN ECONOMIC AREA (EEA)
FINANCIAL MECHANISM**

MALTA

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LIST OF ACRONYMS

APR	Annual Progress Report
DAR	Detailed Appraisal Report
DoC	Department of Contracts
EEA	European Economic Area
EEAFM	EEA Financial Mechanism
EU	European Union
FMO	Financial Mechanism Office
GA	Grant Agreement
GOL	Grant Offer Letter
IAID	Internal Audit and Investigations Directorate
LCA	Local Councils' Association
MEPA	Malta Environment and Planning Authority
MC	Monitoring Committee
MOP	Manual of Procedures
MoU	Memorandum of Understanding
MRAE	Ministry for Rural Affairs and the Environment
MRES	Ministry for Resources and Infrastructure
NGO	Non-Governmental Organisation
NFP	National Focal Point
NFM	Norwegian Financial Mechanism
NSRF	National Strategic Reference Framework
PA	Paying Authority
PCR	Project Completion Report
PIP	Project Implementation Plan
PP	Project Promoter
PPCD	Planning and Priorities Coordination Division
PSC	Project Selection Committee
RAI	Request for Additional Information
TA	Technical Assistance

EXECUTIVE SUMMARY

This annual report gives an analysis of the implementation of the EEA Financial Mechanism between June 2006 and September 2007¹ 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 were:

- (a) the assessment and final approval (by the donors) of the projects identified by Malta for co-funding under the Mechanism;
- (b) the administrative and management preparations by the NFP;
- (c) the start of implementation of the projects.

In principle most of the activities concerned the appraisal and approval process of the projects by the donors; the setting up of procedures and guidelines and provision of training by the NFP; and the start of implementation of projects by the Project Promoters. Some delays were encountered in the first year, particularly with regard to the actual approval of the projects which was originally foreseen for end of August 2006 and which went well into 2007, in some cases. Other factors were delays caused by the approval process of regulatory issues such as planning permits.

During this second year of implementation of the EEA Financial Mechanism, the NFP has become more conversant with the Financial Mechanism and is coordinating with the Project Promoters (PP) and the Horizontal Stakeholders more efficiently and effectively. During the last 15 months, the Maltese NFP (with the support of other horizontal stakeholders) developed management documents and structures including the internal implementing agreements (to be signed between the NFP and the Project Promoters) and the manual of procedures (which had to be co-ordinated amongst all stakeholders); set up an electronic management database; and provided training on the implementation process for stakeholders. During this period the NFP also provided support to the promoters as well as to the donors' experts during the appraisal process with the aim of concluding the process at the earliest time possible.

Despite delays in the approval process, Project Promoters have used this time to finalise preparations for the first phase of implementation, namely the drafting of tender documents. Most projects were also officially launched through a publicity event.

¹ Given that the last annual meeting (for which the last annual report was prepared took place in May 2006 and this year's annual meeting is foreseen for October 2007, the reporting period of this document covers over 15 months of implementation

1. AN OVERVIEW OF THE FINANCIAL MECHANISMS

1.1. EEA Enlargement

In May 2004, the European Economic Area (EEA) was expanded by the ten new European (EU) countries, totalling to 28 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) to support social and economic cohesion within the enlarged EEA.

1.2. Aims

EEA Financial Mechanism:

“To reduce social and economic disparities within the EEA and to enable Iceland, Liechtenstein 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 National Focal Point (NFP):

“To ensure the effective implementation of the EEA Financial Mechanism.”

1.3. Objectives

Through the EEA Financial Mechanism, EEA EFTA states 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 is applicable as of 1 May 2004. Consequently, Malta became eligible for funding under the EEA Financial Mechanism. On 28 April 2005, the Memorandum of Understanding (MoU) on the implementation of the EEA Financial Mechanism was signed by Malta and the donor countries, namely Iceland, Liechtenstein and Norway.

As a result, a total of € 1.92 million has been made available to Malta over the period running from 1 May 2004 to 30 April 2009. The specific target areas agreed to in the MoU are:

- Protection of the environment, including the human environment
- Conservation of the European cultural heritage, including public transport, and urban renewal
- Health and childcare
- Academic research (as long as it is targeted at one or more of the selected priorities for Malta)

The Planning and Priorities Co-ordination Division (PPCD) within the Office of the Prime Minister (OPM) has been designated the Maltese National Focal Point (NFP).

Following a call for proposal, 8 projects were selected. Following the donors' approval, the projects which were ultimately selected and which are now being implemented through co-financing by the EEA Financial Mechanism are:

EEA FINANCIAL MECHANISM PROJECTS ²						
Code MT	Project Title	EEA / Norway Grant	Project Promoter Co- financing	Total Project Value	Mechanism	Beneficiary
0005	Masterplan for the Cittadella - the Old Fortified City of the Island of Gozo	€ 256,275.00	€ 45,225.00	€ 301,500.00	EEA	Ministry for Gozo (MGOZ)
0010	Setting up an Oil Spill Response Capability for the Protection of our Seas	€ 800,000.00	€ 200,000.00	€ 1,000,000.00	EEA	Malta Maritime Authority (MMA)
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	
0012	Consolidation of Terrain and Historic Ramparts Underlying Council Square Mdina	€ 425,000.00	€ 75,000.00	€ 500,000.00	EEA	Ministry for Resources and Infrastructure (MRES) (Restoration Unit)
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	

² 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 Financial Mechanism Office (FMO) after the application was submitted.

2. SUMMARY OF PREVIOUS ANNUAL MEETING AND REPORT

2.1. The Annual Meeting between the Maltese NFP and the Donor states

The previous Annual Meeting took place in Malta on 29th May 2006. The meeting was addressed by the Head of the National Focal Point (NFP), the Deputy Director General, Royal Norwegian Ministry of Foreign Affairs as well as by the Ambassador of Norway to Malta. Officers from the Royal Norwegian Ministry of Foreign Affairs, the Icelandic Ministry for Foreign Affairs as well as the Director, Country Portfolio Officer and Legal Officer from the Financial Mechanism Office (FMO) were present on the part of the Donors. Apart from the NFP, Malta was represented by Director Corporate Services, Ministry of Foreign Affairs, Director EU Paying Authority, Ministry of Finance, and senior officers from the Department of Contracts (DoC) and the Internal Audit and Investigations Directorate (IAID)

The agenda for the meeting comprised a High-level Session of the EEA Financial Mechanism wherein an overview of the implementation of the EEA Financial Mechanism between April 2005 and May 2006 was given. Following the presentation, a discussion ensued on the selection of projects. The donors were pleased to have received so many proposals from Malta.

A Joint Technical Meeting for both Mechanisms followed the High-level Session wherein matters common to both the NFM and the EEA Financial Mechanism were discussed. One of the common issues raised was related to the frequency of payment requests. The Head of the NFP informed the meeting that the system which will be utilised for these funds will mirror that used for Structural Funds. For this reason, the same principle of requests every trimester or quarter will apply. Another issue which was raised by the FMO related to the various public procurement thresholds. The officer from DoC gave a brief overview of the different thresholds and the relevant procedures used for each threshold. He added that most public contracts go through a central department, namely DoC within the Ministry of Finance. The NFP remarked that in the case of private-sector/Non-Governmental Organizations (NGO), these are still encouraged to follow the spirit of the public procurement legislation given that the Grants are considered to be public funds.

With regard to the communication of the final selection by the donors to the NFP, the FMO indicated, during the meeting, that the estimated final approval date would be end of August 2006.

2.2. Main points raised in the Annual Report

The previous report was the first Annual Report for the EEA Financial Mechanism and covered the period June 2005 to May 2006. In view of the fact that the projects were still at a preliminary stage, the report dealt with a number of issues pertaining to the selection of projects to be financed by this financial mechanism.

The main sections of the first Annual Report were:

- **Initiation of the Implementation Process** where background on the signature of the Memorandum of Understanding (MOU), PPCD's designation as NFP and the Priority Areas was given;
- **The Managerial Set-up** discussed the main implementing structures and went into the individual horizontal stakeholders' role as well as the function of Additional Implementing Structures such as the Monitoring Committee and Project Selection Committee (PSC);
- **Publicity: Making the Public aware of the Financial Mechanism** related information about Information Seminars which were held in June and August 2005, as well as coverage of the EEA Financial Mechanism which was given on the PPCD website as well as other media.
- **Call and Submission of Individual Project Proposals** referred to the call for proposals which was issued on 25th August 2005 with a deadline of 7th September 2005, as well as to the target applicants and the Total number of submissions received (41 in total for both NFM and EEA FM).
- **Overview of Project Proposals** gave a snapshot of the proposals received which could target the priority areas set out for the EEAFM.
- **Project Selection Process** gave a detailed description of the proceedings of the PSC meetings (8 in all) and the Cabinet decision which was given on 20th March 2006.
- **Selected Projects** described, in summary, the selected as well as reserve projects to be co-financed by the EEA Financial Mechanism. The Reasoned Opinion which was based on criteria such as focus areas, national priority, readiness of project proposal for implementation, contents of the application and capacity of the organisation was also given.
- **The Contribution of the Final Beneficiaries (Project Promoters) for achieving the EEA Financial Mechanism and Maltese Government Objectives** treated the importance of environmental management and cultural heritage and gave a further insight to the final beneficiaries of the projects selected for co-financing under EEA Financial Mechanism.
- **Work Plan (June 2006 – June 2007)** described the NFP activities foreseen for the following year
- **Audit Plan (June 2006 – June 2007)** described the Systems Audit and On-the-spot-checks planned for the following year.

2.3. Conclusions drawn from the Annual Report

The period covered by the first annual report was described as the first full year of operation for the EEAFM. Despite a steep learning curve, a lot of work was done to inform the general public and to guide project leaders in submitting correct and relevant applications.

Interestingly, the Financial Mechanism gave the opportunity to a continuum of organisations to submit project proposals serving for the common good, including NGOs.

The process moved in terms of the action plan prepared the previous May 2005. Most of the work done up till then was related mainly to the launch for calls for projects and the elaborate selection process amongst 41 project proposals.

3. LEGAL ISSUES

3.1. Amendments to the MoU

During the first Annual Meeting held in May 2006, the NFP made reference to Annex A of the Memorandum of Understanding (MoU) for both Mechanisms, more specifically to the section on Payment Arrangements.

The role of the Paying Authority (PA) was explained to the Donors and FMO, namely that the PA does not authorise any payments, but certifies expenditure made and makes requests for payments to the donors. Payments are authorised by the Treasury. This has led to the need to amend the MoU for both the EEAFM as well as the NFM so that the payment process is illustrated more clearly.

Other changes to the MoUs recommended that Annex A may be subject to review during annual meetings; and that the audit trail is prepared by the NFP in collaboration with the Internal Audit and Investigations Directorate (IAID).

To date these amendments are still moving through the formal channels and have thus not yet been formally approved by the Donors.

3.2. Cross-Cutting Issues

During its evaluation meetings, the Project Selection Committee gave weight (in line with the criteria) to the Cross-Cutting issues which target Sustainable Development (Environmental, Economic and Social), Gender Equality, Good Governance and Bilateral Relations, all of which are high on the agenda of both the EEA Financial Mechanism and the Norwegian Financial Mechanism.

3.2.1. Sustainable Development

3.2.1.1. Environmental

The majority of the projects co-financed by the EEA Financial Mechanism have ensured that the environment would be safeguarded in their implementation.

MT0005 Master Plan for the Cittadella – the old fortified city of Gozo seeks to safeguard its historical aspect and natural setting yet at the same time promote and develop its cultural and economic life. Through MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas, Malta will be better equipped to prevent and mitigate major pollution accidents which could be detrimental to Malta's marine environment and coastal areas. On the other hand, MT0012 Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina will greatly enhance the aesthetic environment of the area and will ensure the conservation of the cultural environment for future generations while MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre will be using sources of renewable energy for its energy consumption, reusing water for irrigation purposes and the part of the project which focuses on afforestation, apart from creating natural park, will also be contributing to the reduction of greenhouse gases.

Furthermore, a seminar which was organized to launch the MMA project MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas had the dual function of discussing the area of environmental impacts of oil spillage, particularly in the context of highly trafficked seas, such as the Mediterranean.

3.2.1.2. Economic

The MT0005 Cittadella will lay the grounds for the further strategic development of the Cittadella (a key touristic landmark in Gozo which depends strongly on tourism). Similarly MT 0012 will bring economic benefits given the huge potential fortifications (as part of Malta's unique cultural heritage) have for tourism purposes.

The MT0010 Oil Spill Response project which is being managed by the Malta Maritime Authority safeguards against pollution accidents which could negatively effect Malta's economy which is heavily dependant on tourism and water supply from the desalination of sea water.

Project MT0011 is expected to contribute not only to a better environment which in the case of Malta also has implications on key economic sectors such as tourism, but will also be a demonstration project on the use of renewable energy which also has economic and financial implications.

MT0013 aims at supporting the smooth implementation of the projects co-funded under the Mechanism. In this regard, it will support Malta's objective of full absorption of the Funds and hence the economic impact.

3.2.1.3. Social

The Cittadella project will be targeting, amongst other issues, the issue of accessibility since most of the historical buildings and part of the Cittadella are not accessible to people with special needs. Similarly, Nature Trust (Malta) is ensuring full accessibility to the whole project area of Xrobb I-Ghagin including the park and the building. The project will benefit Maltese society at large, creating recreational space and a place where environmental enthusiasts can learn more about various aspects of the environment. The nature park and building will be situated at the Delimara Peninsula and it will be the first nature park in this area in the south of Malta which is very densely populated. The building will house an environmental education centre to be used to organise talks, seminars, lectures etc for school children who would have the opportunity also to visit the afforestation area, the garigue park and the renewable energy centre. The site is also ideal for countryside walks within the Delimara Peninsula and the Munxar Area. School children will also have the possibility of extending their stay for more than 1 day at the dormitory which will also be open to be used by University students, youths and other organisations and to organise youth exchanges.

On the other hand, MMA's MT0010 Oil Spill Response project promotes social dialogue between different government entities involved in oil spill response and private companies that could benefit from the implementation of the project while the Mdina project (MT0012) taps on Malta's historical remains which are

evidence of a rich history. Restoration of bastions could pave the way for further education on cultural heritage preservation. A restored fortification is more accessible to the public.

Through the development of a website dedicated to the EEA and Norwegian Financial Mechanisms, MT0013 ensures that information concerning the projects is widely disseminated. This will be part of a publicity tender which will be implemented during the lifetime of the programme and which will target a vast audience.

3.2.1.4. Gender Equality

All Project Promoters respect the gender equality policy and are equal employers.

In the application form for the MT0005 Cittadella project, it was stated that the project does not discriminate between genders. In fact, the appraisal mission supported this argument by stating that the planning exercise is gender neutral and that equal opportunity will be given to both genders.

The equipment purchased by the Malta Maritime Authority in the ambit of the MT0010 Oil Spill Response project will be manned by diverse government entities, all of which are equal opportunity employers. It is in fact envisaged that the project team will be comprised of both males and females. Moreover, the positive impacts brought about through the implementation of this project will contribute to an improved quality of life for all.

On the other hand, MT0011 (Xrobb l-Ghagin) will be led by a gender balanced team which will take care of the implementation of the project. During the appraisal process, this project was deemed to be of appeal and benefit to both sexes even across age groups.

The appraisal report for the MT0012 Mdina project referred to fact that the project is a purely technical intervention and therefore cross-cutting issues are of no relevance to the implementation; however, once implemented the project will give equal opportunities to both genders. Moreover, Malta's tourist industry offers ample opportunities to women.

3.2.1.5. Good Governance

Malta insists on good governance in the implementation of all projects.

For instance, as part of a Good Governance policy, the Project Promoter for the MT0005 Cittadella project is ensuring that consultation with all stakeholders is carried out. Furthermore, the manual of procedures is used as guidelines to ensure that projects are implemented in the spirit of good governance. Moreover, in the case of public procurement, the NFP encourages project promoters that do not fall within the scope of the public procurement regulations to carry out procurement in the spirit of the same regulations.

3.2.1.6. Bilateral Relations

All projects are obliged to acknowledge the assistance being received under the EEA Financial Mechanism and therefore all projects have publicity measures on their agenda.

Notably, the project which has the closest liaison with the donors is MT0013. Nevertheless, the Oil Spill Response project (MT0010) kicked off with a high level seminar held on 5 March 2007 entitled “*Oil Spill Control, Malta & Norway: shared challenges, exchange of experiences*”, which was addressed by both the Ambassador of Norway to Malta as well as the Maltese Minister for Competitiveness and Communications. The seminar was also addressed by the Head of Section of the Norwegian Coastal Administration, officials from the Malta Maritime Authority as well as representatives from 3 Norwegian companies, namely Frank Mohn AS, Norlense AS and Abtek AS. This seminar had a twofold objective, namely that of launching the MMA project and also to discuss and perhaps develop further bilateral co-operation in the area of environmental impacts of oil Spillage, particularly in the context of highly trafficked seas, such as the Mediterranean.

4. THE APPRAISAL PROCESS

During the annual meeting the NFP was informed that the donors had no objection in principle to the projects submitted and both sides agreed that interim notification letters could be sent out to applicants informing them that the projects were being considered³.

During the reporting period, most of the work carried out concerned the appraisal process. The Maltese side supported the appraisal process by holding meetings with the experts and providing additional information to ensure a timely conclusion of the appraisal process.

During the reporting period 4 appraisal agents visited Malta for the projects under the EEAFM. Two same appraisal agents came to appraise projects MT0010 and MT0011 in view of the fact that the two projects target the *Protection of the environment*, priority, whereas another two same appraisal agents came to appraise projects MT0005 and MT0012 both of which target the *Conservation of European cultural heritage*, priority. In general appraisal missions were announced a number of weeks prior to commencement.

4.1. The 5 stages of Appraisal

4.1.1. Administrative and Eligibility Check

Application forms for the Cittadella, Oil Spill Response Capability, Xrobb I-Ghagin Nature Park and Mdina projects were received by the FMO on 13 April 2006 and acknowledgement of receipt was sent to NFP on 24 April 2006.

All projects selected to be co-financed by the EEAFM underwent an administrative and eligibility check⁴ wherein they were deemed compliant and therefore the FMO pursued the appraisal exercise. Results of these checks were received by the NFP as follows:

● MT0005 (Cittadella)	22 August 2006
● MT0010 (Oil Spill Response Capability)	15 May 2006
● MT0011 (Xrobb I-Ghagin Nature Park)	06 June 2006
● MT0012 (Mdina)	22 August 2006

4.1.2. Detailed Appraisal Report (DAR)

Following the conclusion of the administrative and eligibility check, the projects underwent an external appraisal by Norconsult which were subcontracted by the FMO to carry out the appraisal.

4.1.2.1. MT0005 Master Plan for the Cittadella, the old fortified city of the island of Gozo

The visits by the Norconsult appraisal agents took place during the last week of September 2006 and meetings were held with the Project Promoter (PP) as well

³ Interim Notification letters were sent out by the NFP on 11th July 2006.

⁴ The Technical Assistance project (MT0013) which is being financed by both the EEA and the Norwegian Financial Mechanisms did not undergo internal appraisal at the FMO.

as with the NFP. The visits were supplemented by correspondence between the appraisal agents, the PP and the NFP which led to the final version of the Detailed Appraisal Report (DAR) drawn up in October 2006. The FMO forwarded the report to the NFP late October 2006. However, due to a system failure from the FMO's side, the Cittadella DAR was not received immediately and was thus re-forwarded to the NFP on 08 November 2006. This technical hitch led to some inevitable delays.

Comments on the DAR of this project were sent to the FMO on 17 November 2006 and 29 November 2006.

4.1.2.2. MT0010 Setting Up an Oil Spill Response Capability for the Protection of Our Seas

The appraisal mission took place during August 2006 and meetings were held with representatives from the PP and the NFP. A series of correspondence ensued in order to ensure correct interpretation of information or to supply further details to the appraisal consultants and the reports were drawn up by end of August 2006. The DAR was transmitted to the NFP on 22 September 2006.

In this regard, Malta Maritime Authority had no comment to the DAR; however, on 3 October 2006, the NFP requested some clarification from the FMO on the contribution rate.

4.1.2.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre

The appraisal mission also took place during August 2006 and meetings were held with representatives from both the PP and the NFP. Correspondence was exchanged in order to ensure all information required was supplied to the appraisal consultants and that it was interpreted correctly. The report was drawn up by end of August 2006. The DAR for MT0011 was transmitted to the NFP on 22 September 2006.

Nature Trust (Malta) provided a rather extensive reaction to the appraisal report with substantial scientific data which was required by the consultants. Some technical comments were also raised by the NFP. The reactions from both Nature Trust (Malta) and the NFP were forwarded to the FMO on 3 October 2006.

4.1.2.4. MT0012 Consolidation of terrain and Historic Ramparts Underlying Council Square, Mdina

The visits by the Norconsult appraisal agents took place during the last week of September 2006 and meetings were held with the PP as well as with the NFP. These visits also required an exchange of correspondence between the consultants, the PP and the NFP. The final version of the DAR was drawn up in October 2006. The FMO forwarded the report to the NFP on 19 October 2006.

Reactions from the Ministry for Resources and Infrastructure (MRES) and the NFP on the Mdina (MT0012) project were forwarded to the FMO on 26 October 2006. The comments mainly related to the fact that the project is part of a larger application coordinated by the authorities under the National Strategic Reference Framework (NSRF), emphasising the fact that the 25m pilot study would not be duplicated under Structural Funds.

4.1.3. Screening from the Commission

Further to the FMO and its contracted appraisers' feedback, the project proposals were sent by the FMO to the European Commission for its screening for compatibility with Community objectives. No negative feedback was received on any of the projects.

4.1.4. Request for Additional Information (RAI)

4.1.4.1. MT0005 Master Plan for the Cittadella, the old fortified city of the island of Gozo

In view of the comments and recommendations which emerged during the appraisal process⁵, the PP for the MT0005 Cittadella project revised the application form so that the scope of the application would match better the budget available for the project, in light of the fact that according to the experts only the GIS database and the Master Plan are feasible within the budget that was proposed by the Project Promoters. After a series of revisions, a new application form for this project was submitted to the FMO on 25 January 2007.

4.1.4.2. MT0010 Setting Up an Oil Spill Response Capability for the Protection of Our Seas

There was no RAI for project MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas. Any matters which arose during the appraisal process were settled within the appraisal period.

4.1.4.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre

The same applies for project MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre. Any matters which arose during the appraisal process were settled within the appraisal period.

4.1.4.4. MT0012 Consolidation of terrain and Historic Ramparts Underlying Council Square, Mdina

No RAI was received in terms of project MT0012 (Mdina) either, except for a proposal made by the FMO to change the objectives and indicators in view of the outcome of the DAR and the rephrasing of the project. MRES as PP accepted the proposed changes.

4.1.5. Issue of Grant Offer Letters (GOL)

⁵ The project MT0005 Master Plan for the Cittadella received the full support of the appraisal agents in their October 2006 report. The consultants found that the project struck "the right balance between the three pillars of sustainability, namely economic growth (tourism), environmental protection (world heritage) and its social contribution (educational)." It is important to note however that following the appraisal agents' recommendation, this project was downsized to focus all requested budget allocation towards the compilation of the GIS database and the drawing up of the Master Plan itself. This emerged from the fact that the budget figure was deemed too little for the formulation of the Master Plan *and* part of its implementation as originally envisaged.

Following the appraisal exercise, the Projects selected for funding receive a Grant Offer Letter (GOL). The GOL is sent by the FMO to the NFP. The NFP notifies the PP and the latter draws up a Letter of Acceptance, wherein conditions set for granting of funds are accepted. This is then forwarded to the FMO under cover letter by the NFP. Once this is done, the FMO generates a tailor-made Project Implementation Plan (PIP) for the PP to compile. Following this step, the FMO draws up a Grant Agreement (GA), having the Terms and Conditions for Individual projects financed by the EEA Financial Mechanism 2004 – 2009 and the PIP as annexes. This is sent to the NFP for its endorsement. The NFP then draws up an Implementation Agreement which it enters into together with the Project Promoter⁶.

4.1.5.1. MT0005 Master Plan for the Cittadella, the old fortified city of the island of Gozo

The GOL for the Cittadella MT0005 project was in fact the last to be received from the FMO on 23 February 2007. No conditions were set out in the GOL, apart from the common condition that the project shall be subject to the Rules and Procedures for the implementation of the EEA Financial Mechanism 2004 – 2009, the Grant Agreement entered into between the parties and all Guidelines and Guides published by the Financial Mechanism Office. The Letter of Acceptance by the Ministry for Gozo, under cover letter by the NFP was sent on 20 March 2007. A technical issue regarding wording was raised by the NFP. The issue related to the fact that reference was made to the implementation of prioritised conservation interventions which are envisaged to take place after the completion of this project and will not be financed by the EEAFM. The NFP feared this might raise misinterpretations later in the day. In view of this issue, the Grant Agreement (GA) which was originally signed in July 2007 but withheld until settlement of the above issue, was forwarded to the FMO in early September 2007.

4.1.5.2. MT0010 Setting Up an Oil Spill Response Capability for the Protection of Our Sea

The GOL for the MMA project (MT0010) was received on 21 December 2006. Besides describing the objective and purpose to be achieved, as well as the activities to be delivered, the GOL also indicated a number of conditions:

- Equipment tendering specification is based on the outcome of the equipment compatibility study, using an independent and adequately experienced consultant for preparation of the equipment tendering specification;
- Procurement of the preparatory studies including the equipment compatibility study is separated from the procurement of the equipment (to be fulfilled prior to first disbursement);
- Proper maintenance of the property and the establishment of a fund dedicated to the maintenance of the results of the project and an

⁶ Vide section 7.3 of this report.

evaluation of the investment after 3 years with respect to maintenance, operation handling and infrastructure to be submitted to the FMO.

The Letter of Acceptance by MMA, under cover letter by the NFP was sent on 21 February 2007. The GA between the FMO and the NFP was signed on 23 July 2007.

4.1.5.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre

The NFP received the GOL for the Xrobb I-Ghagin project MT0011 on 10 January 2007. A number of general conditions for approval such as insurance against fire and theft, and retention of the land and real estate for utilisation for the benefit of the project purpose and overall objective for at least 10 years were made. Moreover, two further conditions were set out to be fulfilled prior to the first disbursement:

- A statement to the FMO that the co-financing is available for the entire project and not restricted to the afforestation.
- A statement to the FMO, assuring it has obtained the relevant Malta Environment and Planning Authority (MEPA) permits, expected to be granted by the end of December 2006.

The Letter of Acceptance by Nature Trust (Malta), under cover by the NFP was sent to the FMO on 12 February 2007. In this cover note, the NFP requested the Grant amount is increased from €632,901 to €635,725 in order to absorb remaining funds following the decision of the FMO to recalculate the 2.5% Technical Assistance (TA). This resulted in an amendment in the co-financing rate from 87.34% to 87.73%, given that the Total Eligible Cost is €724,641. The Government had decided to request the increase for this project in order to facilitate matters for the only NGO involved in both the EEA and Norwegian Mechanisms. The MEPA permit for the Xrobb I-Ghagin project has since been granted on 3 September 2007⁷. The GA for this project has not yet been received by the NFP since one of the pre-disbursement conditions was in fact the MEPA permit which has only recently been granted.

4.1.5.4. MT0012 Consolidation of terrain and Historic Ramparts Underlying Council Square, Mdina

The GOL for the Mdina project (MT0012), was also received on 21 December 2006 and set one condition to be fulfilled prior to the first disbursement (attainment of the necessary MEPA permits) and one obligation to be fulfilled post completion (reporting to the FMO on reaching the purpose indicator on the accurate monitoring measurements six months after the completion of the project). The Letter of Acceptance by MRES, under cover by the NFP was sent on 22 January 2007. The GA for this project was received by the NFP on 14th September, 2007, the cut-off date for this report.

4.1.5.5. MT0013 Technical Assistance Fund for Malta

⁷ This was communicated to the FMO on 12 September 2007.

The GOL relating to MT0013 Technical Assistance Fund for Malta was actually the first one received dated 17 October 2006. The Letter of Acceptance from the NFP was sent to the FMO on 27 October 2006. The GA between the FMO and the NFP was signed on 12 February 2007.

5. THE PROJECTS' PROGRESS

Following the conclusion of the appraisal process and also the acceptance of the Grant Offer Letter, the projects went into implementation, in most cases preparing tenders etc despite the fact that the Grant Agreements were signed at a later stage or are still to be signed. Publicity actions undertaken as part of the start of the implementation of the project are not reported here but under section 8 of this report.

5.1. MT0005 Master Plan for the Cittadella, the old fortified city of the island of Gozo

This project targets the *Conservation of European cultural heritage, including public transport and urban renewal and academic research* priority. The Final Beneficiary is the Ministry for Gozo. The Total Eligible Cost for this project is €301,500.00 with a Grant Rate of 85% (€256,272.00). As explained earlier, the Grant Agreement was signed in July 2007 but forwarded for the FMO's counter-endorsement in September 2007 after settlement of potential misinterpreted phrasing between the NFP and the FMO.

The PP has set up a working group to draw up the terms of reference and the tender document. Consultation meetings were also held with stakeholders, which included the residents and shop owners of the Cittadella, the Cathedral, the Association of Tourist Guides and the Victoria Local Council in August. The next six months foresee the working group concluding the terms of reference and the tender dossier, obtaining approval by the DoC for launching the tender and contracting. According to Project Implementation Plan, contracting has to be completed by March 2008.

5.2. MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas

This project targets the *Protection of the environment* priority. The Final Beneficiary is the Malta Maritime Authority and the Total Eligible Cost for this project is €1,000,000 with a Grant Rate of 80% (€800,000.00). The Grant Agreement for this project was signed on 23 July 2007.

A project launch seminar was held on 5th March 2007. The seminar was organised by the Royal Norwegian Embassy in collaboration with the Malta Maritime Authority and the Ministry for Competitiveness and Communications through the EEA Financial Mechanism. The seminar discussed the shared challenges Malta and Norway have in the field of oil spills. Norway's preparedness in this sector was also discussed and used as an example. 30 participants from various entities attended the seminar⁸.

In terms of implementation, the tender document for technical consultancy and project management services has also been drafted. The tender is planned to be forwarded to DoC by mid-September 2007. It is envisaged that these will be launched and concluded over the upcoming half year period.

⁸ The attendees emanated from Malta Maritime Authority, Armed Forces of Malta, PPCD (OPM), Medoffshore, Ministry for Competitiveness & Communications, Ministry of Foreign Affairs, Civil Protection, AOST, Norwegian Embassy, Norwegian Coastal Administration, Norwegian companies operating in the oil spill industry (Abtek AS, Norlense AS, Frank Mohn AS)

5.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre

This project also targets the *Protection of the Environment* priority. The Final Beneficiary 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). Despite the fact that the grant agreement is still not signed, the promoters have been busy finalising the preparatory work for implementation.

In view of the fact that the required MEPA permit was late in being granted (September 2007) most of the activities could not kick off. The Management Agreement between Nature Trust (Malta) as managers of the site on one side and the Ministry for Rural Affairs and the Environment (MRAE) as owners of the site on the other is in the process of being signed as the MEPA Permit was the remaining stumbling block. Despite the restriction imposed through the condition of requiring the MEPA Permit before the funds could be utilised, a lot of groundwork has been done with regards to the costs of the restoration of the dilapidated building which required various tests by specialised architects to calculate the level of repairs required. Work has also been carried out on the re-introduction of the supply of electricity to the area which was a difficult and delicate stage due to the location of the site. Besides the signature of the Grant Agreement and the Implementation Agreement, over the next six months, Nature Trust (Malta) plans to continue the afforestation project with the intention to plant between 6,000 to 7,000 trees and shrubs. Following the completion of the publicity plan, publicity measures will be duly undertaken. Two engineers who will be working on the setting up of the renewable energy installations including the tender writing of the required equipment and any preparatory work will be engaged. Nature Trust (Malta) also intends to issue the tender documents with regards to the restoration and conversion of the dilapidated building to a dormitory, classrooms and visitors in the next two quarters.

An implementation issue which took some time to resolve concerned the project management component which Nature Trust wanted to carry out itself to ensure that the knowledge and experience which was gathered prior to project kick off was not lost.

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

The Mdina project, lead by the Ministry for Resources and Infrastructure (MRES) targets the *Conservation of European Cultural Heritage* priority. The Total Eligible Cost for this project is €500,000.00 with a Grant Rate of 85% (€425,000.00).

The Grant Agreement (GA) has not been signed yet since one of the pre-disbursement conditions for this project was the acquisition of a MEPA permit⁹. In line with the Project Activities set in the Project Implementation Plan (PIP), a Design and Build tender has been drawn up and published on 17 July 2007. The relevant MEPA permit has also been issued.

Apart from the signature of the GA, the next six months should see the tender adjudication and award which are planned to be taken up immediately, to ensure project start-up and site mobilisation by the end of February 2008, in line with the PIP set target.

⁹ Received by the NFP on 14 September 2007 but still to be signed.

6. HIGHEST LEVEL OF MONITORING

6.1. Monitoring Committee (MC) Meeting

The second Monitoring Committee Meeting was held on 20 September 2006, chaired by the Principal Permanent Secretary and Head of the Public Service. Permanent Secretaries from other ministries, socio-economic partners and representatives of the Civil Society as well as a representative from the Royal Norwegian Embassy for Malta participated in the meeting.

6.2. Main points raised in the MC Meeting

An overview of the project selection process as well as a presentation of the Implementation process until September 2006 was given by the NFP to those present. The presentation gave a comprehensive overview of the project selection process, the nature of project proposals submitted, the appraisal process of the FMO, Technical Assistance (TA) requested from the Financial Mechanisms, the work plan and the systems audit planned for the following year. It was also pointed out that given the significant number of proposals stemming from NGOs and given the difficulty of such projects to compete with projects of national priority and importance, the highest ranking proposal was recommended as a 'special case' by the PSC for funding from both EEA and Norwegian Financial Mechanisms..

During the meeting, the Annual Report, which had been presented to the Donors during the previous Annual Meeting held on 29 May 2006 was also adopted by the members.

A decision was also taken to nominate a representative from Local Councils' Association (LCA) on the MC and therefore amend the MC Terms of Reference accordingly. The LCA has been invited to take part in the 3rd MC taking place on 20 September 2007.

6.3. Conclusions drawn from the MC Meeting

The representative from the Royal Norwegian Embassy expressed his satisfaction on the overall proceedings of both Financial Mechanisms. He also welcomed the fact that an NGO project is included in the list of 'pre-selected' projects. He explained that the donor countries were impressed by the list of project proposals coming from Malta as opposed to other countries who find it difficult to have enough project proposals for a full absorption of the total allocation.

Brief concluding remarks were made by the Chairman of the Committee.

7. MANAGEMENT

7.1. Manual of Procedures

A Manual of Procedures (MOP) has been drafted by the NFP and disseminated to all stakeholders for comments.

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. The dissemination of the MOP was complemented by a Training Programme which dwelt on all topics included in the MOP.

Given that the MOP incorporates both national procedures as well as obligations and circulars from the FMO, the MOP is currently undergoing revision in light of the recent communications from the FMO detailing amendments to the disbursement guidelines¹⁰, changes to the Grant Offer Letter¹¹, revisions in reporting requirements¹², and Irregularities Reporting Templates¹³. A final version is expected to be circulated among all stakeholders by beginning Q4 2007.

7.2. Training to all Stakeholders

A Training Programme on the EEA and Norwegian Financial Mechanisms 2004 – 2009 was organised by PPCD, OPM as the Maltese NFP, for all Project Promoters, as well as horizontal stakeholders such as representatives from the Paying Authority (PA), the Internal Audit and Investigations Directorate (IAID), Treasury and Line Ministries. The horizontal stakeholders were present for the entire duration of the programme to assist the participants in all horizontal issues as they were raised.

The Training Programme was envisaged as one of the activities in the Technical Assistance (TA) Project Implementation Plan (PIP) which is being implemented by the NFP. The Training Programme was held over 3 half days. A total of 16 participants hailing from the Project Promoters and the Line Ministries attended the programme. By the end of the Training Programme, participants learnt about:

- the main aims of the Financial Mechanisms
- the key players and their role in the Financial Mechanisms
- the importance of monitoring and evaluation [Project Interim Reports, Annual Progress Reports and Project Completion Reports]
- the different types of publicity tools and the requirements of the Publicity Guidelines
- what expenditure is eligible

¹⁰ Email from FMO dated 13 July 2007

¹¹ Email from FMO dated 3 August 2007

¹² Email from FMO dated 6 August 2007

¹³ Email from FMO dated 14 August 2007

- the local payment processes
- how payments are processed and authorised through the Government system
- payment documents such as invoices
- reimbursement process from the FMO
- public procurement regulations
- the purpose and the checks made by the NFP during on-the-spot-checks
- what documents are needed to be retained during implementation
- the lines of communication that must be followed
- the different forms of irregularity and the procedure to report an irregularity
- the checks made during an audit

Presentations were given by officers from the NFP, the PA, the Department of Contracts (DoC), IAID and Treasury on the various topics. The PowerPoint presentations used were disseminated among the participants for future reference and guidance.

Evaluation sheets were handed to the participants on the second day to be submitted back to the organisers on the third and final day of the training. Participants were asked to provide feedback on both the general aspect of the training as well as the specific module and presentation techniques of the trainers. Participants had to assign scores according to a set scale (1 – Very Poor; 2 – Not very good; 3 – Satisfactory; 4 – Good; 5 – Very Good and 6 – Excellent) to the various statements and had the opportunity to make comments on the individual modules and the training at large.

Summarily, almost half of the participants gave a 'Very Good' score to the statement relating to "Applicability of new knowledge and skills". The module which received the most positive feedback overall was that relating to On-the-Spot Checks with an average 40% of the respondents scoring 6 – Excellent. No 'Very Poor' scores were given by any of the respondents to any of the modules or the general questions.

7.3. 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 NFP as a commitment to the successful implementation of the activity was drawn up. This template was drawn up in-house by the NFP and circulated among Monitoring Committee members and the FMO for comments. It is currently being revised following the comments received.

7.4. Electronic Database

One of the results of the Technical Assistance Fund for Malta (MT0013) envisages the "modification of 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. This system will form part of a larger system which

will be used to monitor projects being financed by other funds. Work on an electronic database is well underway and is expected to be concluded by end of 2007.

8. PUBLICITY

8.1. Publicity carried out by the individual Projects

8.1.1. MT0005 Master Plan for the Cittadella, the old fortified city of the island of Gozo

The Cittadella project (MT0005) saw its launch early in May 2007 where a press conference was given by the Minister for Gozo. Wide coverage was given on all newspapers and other media. A radio programme on the project was even aired on one of the local radio stations in July 2007. A strategically placed billboard has been set up to give further prominence to the project.

8.1.2. MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas

On 5 March 2007, a seminar was held as part of the activities envisaged in the MT0010 MMA project. The seminar, entitled "*Oil Spill Control, Malta & Norway: shared challenges, exchange of experiences*", envisaged as one of the activities in the PIP, was addressed by both the Ambassador of Norway to Malta as well as the Maltese Minister for Competitiveness and Communications. The seminar was widely reported in the local media and great prominence was given to the Grants. 30 participants from various entities including MMA staff and the speakers attended the seminar¹⁴.

8.1.3. MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre

Coverage on the Xrobb I-Ghagin project MT0011 was given in the news when the Minister for Rural Affairs and the Environment launched the project during an activity on site on 28 March 2007. Furthermore, following a call for quotations, Nature Trust (Malta) have selected a marketing consultancy firm to prepare a detailed publicity plan for the project based on the original publicity plan within the application but taking into consideration the views of the Appraisal Report prepared by the Task Manager. It is planned that the first draft of the publicity plan will be available by the end of September/beginning of October 2007.

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

With regard to the Mdina project (MT0012), no publicity has yet taken place since press conferences are planned to coincide with the tender award and project start-up.

8.2. General publicity of the Financial Mechanism

The NFP has so far drafted a set of terms of reference for an Information and Publicity Tender as one of the deliverables envisaged in the Technical Assistance project for which it acts as PP.

¹⁴ The attendees emanated from Malta Maritime Authority, Armed Forces of Malta, PPCD (OPM), Medoffshore, Ministry for Competitiveness & Communications, Ministry of Foreign Affairs, Civil Protection, AOST, Norwegian Embassy, Norwegian Coastal Administration, Norwegian companies operating in the oil spill industry (Abtek AS, Norlense AS, Frank Mohn AS)

In terms of information and publicity on the financial mechanisms, the aims of the NFP are:

- To increase public awareness of the projects being co-financed by the EEA and Norwegian Financial Mechanisms (through grants from the EFTA states; Norway, Iceland and Liechtenstein) in collaboration with Malta as a Beneficiary State;
- To increase and ensure transparency in the use of public funds;
- To create a coherent picture of the contribution of the EEA and Norwegian Financial Mechanisms in Malta.

The NFP has decided to delay the issuance of the Information and Publicity Tender until more individual projects are well advanced in their implementation so that the selected contractor would have more resources which could be used (images of ongoing works, testimonials from Project Promoters and others involved in the projects etc).

9. WORK PLAN FOR THE NEXT YEAR

9.1. Work Plan

PERIOD	ACTIVITY
September 2007	<p>Drawing up of Annual Report.</p> <p>Finalisation of annual report to be presented to Monitoring Committee in September and subsequently forwarded to donors and discussed during annual meeting in October</p> <p>Monitoring Committee Meeting</p> <p>A MC will be held to endorse the annual reports to be presented to the donors at the annual meeting and to discuss the overall proceedings of the second year of the EEA FM and the NFM implementation.</p> <p>Project Interim Report (PIR)</p> <p>The first PIR for the Technical Assistance project will be submitted to the FMO.</p> <p>Annual Progress Report (APR)</p> <p>The first APR for the Technical Assistance project will be submitted to the FMO together with the PIR.</p> <p>Database</p> <p>Launch of the electronic database (part of the new SFD) and processing of the first payments.</p>
October 2007	<p>Annual Meeting for the European Economic Area (EEA) Financial Mechanism & the Norwegian Financial Mechanism</p> <p>Annual Meeting with the Donor States to formally approve the annual reports presented and to discuss the overall proceedings of the second year of the EEA FM and the NFM implementation.</p> <p>Manual of Procedures (MOP)</p> <p>Circulation of revised MOP among all stakeholders.</p>
November 2007	<p>Project Interim Reports (PIR)</p> <p>The first PIR for all other projects (except MT0014) will be submitted to the FMO.</p>
December 2007	<p>Steering Committee Meetings with Project Promoters (PP)</p> <p>A series of meetings organised by the NFP will be held with the PPs to monitor the implementation of the individual projects.</p> <p>Publicity Tender</p>

	<p>A publicity tender shall be drawn up for the entire implementation period. Tender will be covering activities on the lines of:</p> <ul style="list-style-type: none"> ● TV documentaries ● Press commercials ● Radio commercials ● Dedicated website ● Printed material (folders) <p>Webpage</p> <p>The NFP intends to migrate its present webpage on the mechanisms (located under the PPCD homepage www.ppcd.gov.mt) to a dedicated web-address providing up-to-date information and other related news on the mechanism</p>
January – August 2008	<p>Annual Progress Reports (APR)</p> <p>The first APR for all other projects (except MT0014) will be submitted to the FMO.</p> <p>Implementation of projects</p> <p>Day to day monitoring and financial and publicity coordination of individual projects.</p> <p>Implementation of Publicity tender</p> <p>Kick-off of the general publicity campaign on the projects as per publicity plan designed by the selected contractor.</p> <p>On-the-spot-checks</p> <p>A number of regular checks to be held for all ongoing projects. Timing will depend on expenditure declared by the PPs</p> <p>Other meetings</p> <p>Attendance at workshops and/or meetings organised by the FMO as well as other ad hoc meetings required for the successful implementation of individual projects.</p>

10. AUDIT

10.1. Systems Audit

The Internal Audit and Investigations Directorate (IAID) carried out a systems audit for both Mechanisms between July 2006 and July 2007. The Systems Audit covered the period 1 July 2006 to 30 June 2007.

From a first indicative draft of the report, the main findings are that:

- The roles and responsibilities related to the management, control and implementation of projects financed under the EEA and Norwegian Financial Mechanisms have been properly allocated amongst the relevant stakeholders and in such a way to ensure clear segregation of duties.

These roles and responsibilities have been comprehensively described in the 'Manual of Procedures for the EEA and Norwegian Financial Mechanisms 2004-2009' drawn up by the National Focal Point.

- Adequate procedures are in place that ensure that systems/operations descriptions are regularly reviewed and updated where necessary.
- Adequate procedures are in place and have actually been applied in ensuring that applications for grant and the related decisions reached on those applications comply with the relevant rules and that the decisions have been fully documented.

Without prejudice to the final report, the IAID's preliminary conclusion is that the management and control systems in place ensure the sound financial management of the EEA and Norwegian Financial Mechanisms and with respect to the areas identified in this report are adequate and operating effectively¹⁵. No problems of a systemic character were identified and thus no financial corrections resulting from this audit are necessary.

The final draft of the audit is due to be concluded in mid October and will be sent to the FMO prior to the annual meeting of October. 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 Structural Funds.

10.2. 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 NFP and the PA. The following plan was submitted to the NFP in early September 2007.

Systems audits:

¹⁵ The areas covered in this systems audit conducted during the year 1st July 2006 till 30th June 2007 were:

- Clear definition of the roles and responsibilities of the stakeholders involved in the management, control and implementation of funds *and* adequate segregation of duties amongst same stakeholders.
- Adequate procedures that ensure that systems/operations descriptions are regularly reviewed and updated where necessary.
- Adequate procedures that ensure that applications for grant and the decisions reached on those applications comply with the relevant rules and are fully documented.

By mid-October the IAID would have finalized the systems audits with respect to the NFP, 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. During the year July 2007 – June 2008, the IAID will conduct systems audits with respect to 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 of each financial mechanism. This exercise is envisaged to be completed by January 2008.

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.

Follow up of Systems Audits

During 2007/2008, the IAID will carry out follow up assignments with respect to the systems audits concluded by mid-October 2007 to ensure that any relevant recommendations have been implemented by the stakeholders involved. Follow-ups are planned to continue till June 2008; however if some issues would not have been resolved then these would be pursued even after June 2008.

Sample checks on Expenditure

The IAID is also responsible for conducting sample checks on expenditure. However, due to the fact that most of the projects are still in an early stage and that not so much expenditure would have been claimed to the Financial Mechanism Office by the PA, the IAID deems that the sample checks, if any, to be conducted by the IAID during the year July 2007 – June 2008 would be very limited.

Nonetheless the IAID does not exclude the fact that during the period February 2008 – June 2008, depending on materiality, it will conduct sample checks on a sample of expenditure declared to the Financial Mechanism Office by that time.

The expenditure to be audited, including that in the years following 2008, will be chosen on the basis of a risk assessment similar to the one used for choosing which of the projects 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 NFP 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).

10.3. Audit Trail

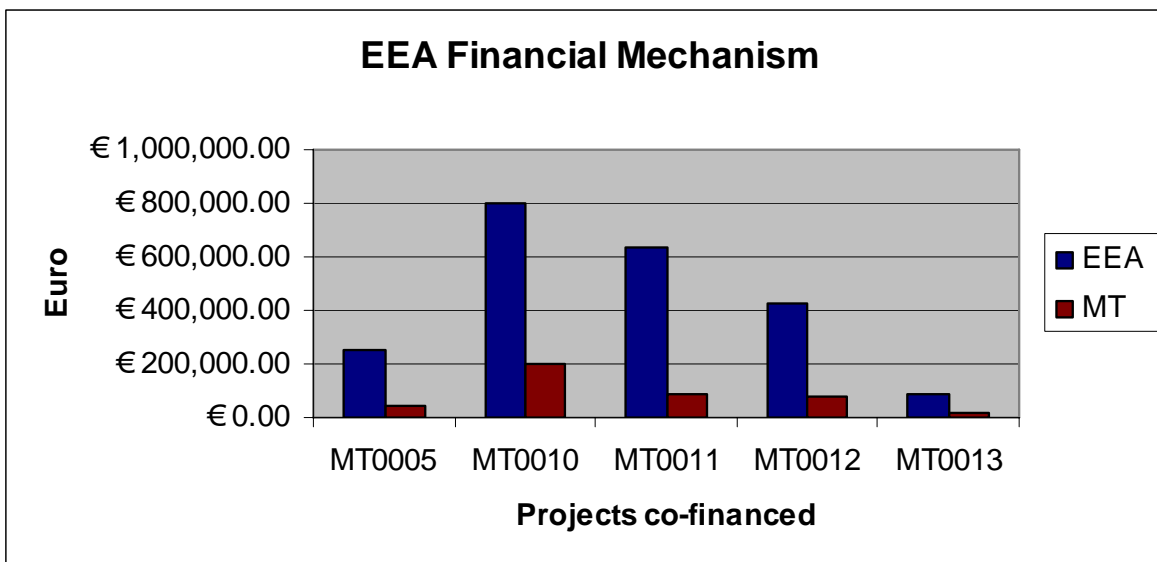
An Audit Trail is currently being finalised. IAID's advice will be sought and it is envisaged that the final version will be presented to the FMO in November 2007.

11. CONCLUSION

This has been the second year of implementation for the EEA Financial Mechanism. All stakeholders have received sound training on the Financial Mechanism and already the seeds sown are bearing fruit.

It has been a long year, particularly with regard to the approval process of the projects. There has been a steep learning curve for all stakeholders in the Maltese administration, particularly the NFP and the Project Promoters. Most management structures are now in place and projects have started the first phase of the project implementation.

Despite difficulties and also unforeseen delays, good progress has been registered, due largely to the good co-operation that exists between the FMO and the NFP. One augurs that the implementation pace will continue to accelerate with physical results on the ground in the coming year.

ANNEX 1**CHART DENOTING PROJECTS CO-FINANCED BY THE EEA FINANCIAL MECHANISM**

ANNEX 2

TABLE OF PROJECT PROGRESS

Code MT	Project Title	Acknowledgement received from FMO	Interim Notification by NFP	External Appraisal Mission/Report	Grant Offer Letter Rec'd	Grant Agreement Signed
0005	Master Plan for Cittadella, the Old Fortified City of the island of Gozo	24 April 2006	11 July 2006	September 2006/ October 2006	23 February 2007	23 July 2007
0010	Setting up an Oil Spill Response Capability for the Protection of Our Seas	24 April 2006	11 July 2006	August 2006/August 2006	21 December 2006	23 July 2007
0011	Xrobb I-Ghagin Nature Park and Sustainable Development Centre	24 April 2006	11 July 2006	August 2006/August 2006	10 January 2007	N/A
0012	Consolidation of Terrain and Historic Ramparts Underlying Council Square, Mdina	24 April 2006	11 July 2006	September 2006/ October 2006	21 December 2006	N/A ¹⁶
0013	Technical Assistance Fund for Malta	N/A	N/A	N/A	17 October 2006	12 February 2007

¹⁶ Grant Agreement received by the NFP on 14th September 2007.

ANNEX 3

IMAGES OF PUBLICITY ACTIONS FOR INDIVIDUAL PROJECTS



Figure 1 The Maltese Minister for Gozo (fourth from left) addresses a Press Conference held to launch MT0005 Master Plan for the Cittadella, the Old Fortified City of the Island of Gozo [10 May 2007]



Figure 2 The Maltese Minister for Competitiveness and Communications (second from right) addressing the MT0010 Setting up an Oil Spill Response Capability for the Protection of Our Seas launch seminar [5 March 2007]



Figure 3 The Minister for Rural Affairs and the Environment (second from right) addressing a Press Conference on the launch of the MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre project [28 March 2007]