

STRATEGIC AND ANNUAL PROGRAMME REPORT 2014

EEA FINANCIAL MECHANISM 2009-14

MALTA

5 May 2015

1 EXECUTIVE SUMMARY

A combined Strategic and Annual Programme Report is being presented for the second time in this programme period, EEA Financial Mechanism 2009-14, and captures progress registered in the first full year of implementation at project level.

The National Focal Point/ Programme Operator is currently overseeing two pre-defined projects under the EEA Programme. These projects had their contracts signed in 2013 and a number of tenders have been issued, adjudicated and contracted since then. Another project, entitled 'Malta Water Conservation Awareness Centre' that until the end of 2014 was awaiting official Donor approval, is expected to absorb the Grant allocation of €806,288 reserved for Project MT02/1 'CO² Energy: Development of an algae-derived bio-fuel production plant'. The latter had its project signed in 2013 but had to be officially dropped in 2014 following the adoption of a national waste-to-energy strategy in December 2013 that opted out the need for such project. The 'Malta Water Conservation Awareness Centre' will, on the other hand, form an integral part of the National Water Conservation Campaign, which is currently being developed by the Maltese government, and will become a hub on water conservation practices in the Maltese Islands.

The Grants received public exposure through a number of information and publicity events, such as a project launch, popular national festivals and a bilateral seminar that brought together Norwegian and Maltese expertise to formulate a much needed positive parenting policy.

Various risks exist that could impede the timely implementation of certain project activities; lengthy development permit processes, unearthing unexpected discoveries such as archaeological remains on a project site, and public procurement difficulties in finding offers that meet technical requirements within the available budgets.

2 ASSESSMENT OF THE EFFECT OF THE GRANTS

The Memorandum of Understanding between Malta, Norway, Iceland and Liechtenstein that was signed on 10 October 2011 and the Programme Agreement for the financing of the EEA Financial Mechanism Programme signed on 9 April 2013 list the following four programme areas that are receiving financing from the EEA Grants:

| | |
|-------------------|--|
| 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 |

In May 2014, the National Focal Point/ Programme Operator received official declaration that Project MT02/1 – ‘CO₂ Energy: Development of an algae-derived bio-fuel production plant’ was dropped on the premise that it did not fit in the national waste-to-energy strategy that was adopted in December 2013.

Another project that would address a priority of national concern under Programme Area 1 ‘Integrated Marine and Inland Water Management’ was in the meantime identified. Expecting official Donor approval in 2015, this project would absorb the Grant allocation reserved for Project MT02/1.

Through the adaptation to a changing climate, support to NGOs, the protection of cultural heritage and increased conservation awareness of inland water management, the EEA Financial Mechanism aims to contribute to socio-economic development in Malta in an attempt of streamlining it with the socio-economic situation of other EU member states.

The main thrust of one of the projects under this programme is its contribution towards enhancing and strengthening bilateral relations with Norway. To this effect, Project MT02/2 entitled ‘Oil/HNS Spill Response Capacity Building for the Protection of Malta’s Seas’ has partnered with the Norwegian Coastal Administration ((NCA), also known as Kystverket) and together, they share good practices and expertise, notably in the training programmes.

¹ The Financial Mechanism Office is the Programme Operator for this Fund. The FMO designated SOS Malta as NGO Fund Operator following a call for expressions of interest in 2012.

2.1 Cohesion

2.1.1 Programme Area 1 – Integrated Marine and Inland Water Management - Project MT02/7 - Malta Water Conservation Awareness Centre

Securing Malta's water supply is a key challenge, particularly in view of the emerging impacts related to climate change. Malta is densely populated and poorly endowed with freshwater resources. Meeting the high demand for water whilst protecting and conserving the naturally renewable resource base and the environment is a major challenge.

The climate of the Maltese Islands is typically semi-arid Mediterranean, characterised by hot, dry summers and mild, wet winters. The mean annual rainfall was about 550 mm for the period 1900–2000 but with high seasonal and inter-annual variability, with some years being excessively wet and other years being extremely dry. The highest precipitation rates generally occur between October and February. Rainfall is characterised by storms of high intensity but of relatively short duration. The hydro morphological structure of the islands does not support the development of surface waters that can be exploited economically. The islands' only naturally renewable water resources are their groundwater resources, which are subject to increasing pressures from competing users. As a result, the Water Exploitation Index of the Maltese islands is extremely high, reflecting the semi-arid climatic conditions prevalent on the islands.

The reduction in the national system water demand has also been reflected in both a reduction in desalinated water production and groundwater abstraction. As a matter of fact, abstraction of groundwater was reduced from around 20 million cubic metres in 1995 to 13.8 million cubic metres in 2013. Malta's first River Basin Management Plan (2011) (RBMP) identifies over abstraction as one of the principal pressures on Malta's groundwater resources².

Within this context, Government intends to undertake a multi-faceted approach with a view to strengthen long-term sustainability, efficiency and security of supply through the implementation of water demand management and water supply augmentation measures. The National Water Conservation Campaign will include interventions aimed at ensuring an effective management of all available water resources by improving public infrastructure with a view to maximising the efficiency and long term sustainability and security of supply within the water sector as well as interventions aimed to instil a culture change towards water conservation at a national level. The sustainable management of water resources is vital for the Islands' prosperity as it is essential for human consumption and for the development of the various sectors within the economy including agriculture.

² Partnership Agreement of Malta 2014-2020.

The Water Catchment Management Plan for the Maltese Islands³ indicates that there is limited understanding of the nature and magnitude of current water management problems in the Maltese Islands.

Malta's National Biodiversity Strategy and Action Plan 2012-2020 calls for the appropriate and cost effective rainwater harvest technologies to be adopted, in both urban and rural areas as an environmentally sound approach to address imbalances between water supply and demand, and thus ensure long term water security in Malta.

The Government of Malta is committed to secure sustainable use and better management of Malta's natural water resources. This is in fact one of Malta's commitments in reaching EU 2020 targets and a National Water Management Plan, through the aforementioned Campaign is expected to be launched and adopted in 2015⁴.

The main idea behind Project MT02/7 'Malta Water Conservation Awareness Centre' is to generate awareness and appreciation, through education, of preserving natural inland water. The harvesting of runoff rainwater will be one of the key elements of this project. The Centre, which will be a first for the island, aims to partially counteract the threatening reality of a depleted, scarce water resource.

The message will be delivered through the experience gained in visiting the Centre. The social impact following the reception of educational messages and awareness is profound. This increased awareness will contribute to culture change.

2.1.2 Programme Area 7 – Adaptation to Climate Change

- Project MT02/2 – 'Oil/HNS Spill Response Capacity Building for the Protection of Malta's Seas'

One of the impacts of climate change is extreme or unpredictable weather phenomena which may impact adversely on shipping operations and movements. Inclement weather conditions could put ships in difficult and dangerous situations and increase potential pollution threats to the marine environment. Project MT02/2 - 'Oil/HNS spill response capability building for the protection of Malta's seas' aims at reinforcing Malta's capability in the handling of such an eventuality through capacity building and increased awareness of possible related risks and incidents at sea.

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 National Marine

³ The Water Catchment Management Plan for the Maltese Islands, 2011.

⁴ Budget Document 2015

Pollution Contingency Plan (NMPCP) in 1999. Personnel from Government agencies and departments underwent training while some vessels and equipment were obtained. By the time Malta received support from the EEA Grants 2004-09, training given in the 1990s needed updating, many of the trained staff were no longer in the public service whilst the equipment became outdated.

Accordingly, the present project builds upon the achievements of a previous project that was also co-financed by the EEA Grants 2004-09. It plans to follow on the studies carried out in the previous period and the recommendations set in the 2009 NMPCP. This Plan identified a number of individuals to fulfil designated roles, who would benefit from training on oil spill response at national level. Such training would empower these individuals in the proper deployment of the equipment procured in the previous period in case they are mobilised for an emergency at sea.

In addition, the project will be producing a study that addresses risks from oil offshore operations within and outside of Malta's territorial waters. The 2009 NCPMP does not mention 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 require awareness. Concurrent with this, communications concerning adequate standards in the European offshore oil and gas activities have been circulated at EU level.

Dense maritime traffic in the Mediterranean flows between the Strait of Gibraltar and the Suez Canal, sailing across or in the proximity of Malta's territorial waters. The total annual number of vessels within 20 nautical miles from Malta is estimated to be 65,668⁵. 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. Operational 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.

Poorly endowed with freshwater resources, Malta primarily gets its water supply from sea water desalination through reverse osmosis plants. Therefore, as an island that is 93km distant from mainland Europe, Malta is economically and socially dependant on its marine resource. An oil spill incident at sea would have detrimental effects on the Maltese economy in general and public health. Malta's sea is also a top tourist attraction. Marine pollution is detrimental to the Maltese tourism industry and the economy in this sector.

⁵ *'Incident Risk Assessment for the National Marine Pollution Contingency Plan for the Maltese Islands'*, Alpha Briggs, 2008.

2.1.3 Programme Area 16 – Conservation and Revitalisation of Cultural and Natural Heritage

- Project MT02/3 - A New Environmental Management System for the Hal Saflieni Hypogeum World Heritage Site

The protection, promotion and development of cultural heritage contribute towards economic development and job creation. It is the Maltese Government's intention to continue to invest in this national priority.

In a 2013 survey requested by the European Commission, Malta was the only EU country where culture was the most mentioned reason for a holiday in 2012⁶. Another survey carried out by the Malta Tourism Authority in 2014⁷ reports that in 2013 'history and culture' were among the three prime motivators to visit Malta for 39.2% of interviewed tourists. This result was consistent with that of the survey held on the previous year. In fact, 92.7% of respondents ranked 'history and culture' as the second reason, after people hospitality, to recommended travelling to Malta for. The survey also shows that 76.5% of the tourists interviewed visited historical sites during their stay, ranking this activity second to sightseeing.

Economic impact studies indicated that the expenditure incurred by tourists results in a direct impact on GNP of about 10%, government income of 14%, employment of 10% and imports and outflows of 6%⁸. In 2013, travel and tourism in Malta contributed to a total of 25.5% of GDP (13.6% of which was direct contribution) and directly supported 25,500 jobs (14.8% of total employment)⁹.

Protecting Malta's cultural heritage is paramount to securing a continued quality product in the tourism sector. In spite of the restrictions on visitor numbers, the Hal Saflieni Hypogeum, in Tarxien, 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 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

⁶ 'Attitudes of Europeans towards Tourism', Flash Eurobarometer 370 Report 2013 http://ec.europa.eu/public_opinion/flash/fl_370_en.pdf

⁷ 'Profile of the Tourist visiting Malta' for 2013, Malta Tourism Authority, 2014 [file:///C:/Users/aquil012/Downloads/Profile of the Tourist Visiting Malta in Year 2013 A\[3\].pdf](file:///C:/Users/aquil012/Downloads/Profile_of_the_Tourist_Visiting_Malta_in_Year_2013_A[3].pdf)

⁸ Tourism Policy for the Maltese Islands 2012-2016.

⁹ 'Travel & Tourism Economic Impact 2014 – Malta', World Travel & Tourism Council.

preservation. Project MT02/3 - '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 three 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.

2.1.4 Seminar on national draft '*Positive Parenting Policy*'

The seminar that was co-financed by the Funds for Bilateral Relations at National Level, which is reported in more detail under section 2.2 below, contributed also to some extent to the social and economic enhancement of Maltese society. The draft policy¹⁰ that was launched at the seminar intends to promote, build and sustain a positive culture towards raising children into responsible and productive citizens. This is a major contribution that parents and guardians make to society at large, particularly in terms of economic growth and social development.

2.1.5 Risks

A number of risks could impede the efficient and timely implementation of the programme. Most common risks of implementation are related to procurement, such as tender offers exceeding the available budget, or found not technically compliant, or the eventuality of appeals lodged following the publication of tender results causing further delays in awarding a contract. Other high-risk issues involve development permit procedures, often resulting in projects falling behind schedule. The National Focal Point/ Programme Operator maintains regular contact with case officers at the Malta Environment and Planning Authority (MEPA), which is the national agency responsible for land use planning and environmental regulation in Malta, to ensure that timelines

¹⁰ 'A Positive Parenting Policy for Malta 2014-2018', Draft Copy for Public Consultation: <http://mfss.gov.mt/en/public-consultations/Documents/English%20Booklet%20A4.pdf>

indicated for required follow up action throughout the application process are respected, e.g. checking that an environmental impact assessment report requested by MEPA from an applicant (e.g. Project Promoter) is submitted at the earliest so that the planning application could be further assessed. With regard to procurement processes, the National Focal Point keeps tenders that are issued by the Department of Contracts in check through contacts with the Department and follows tenders' progress from launch till contract signature. The National Focal Point/ Programme Operator also insist on having tender adjudicating boards set up by the tender closing dates so tender evaluations can start immediately after.

Delay in project implementation, due to tendering procedures, is a concern that is mostly felt by Project MT02/2. The first tender issued for the first activity under this project resulted in an offer that was exceedingly higher than the available budget. Towards the end of the period under review, this tender was in the process of being reissued. If the tendering process turns out to be unsuccessful yet again, other project activities that are dependent on the results of the first activity, risk not being implemented within the project timeframe¹¹.

Human resource capacity is another cause for concern for Project MT02/2. The project manager, who assisted the Project Leader in general and administrative duties, including the processing of payments through the dedicated Computerised Accounting Records System (CARS) and tender drafting, terminated her employment with Transport Malta in summer. Such duties are being handled by the Project Leader and the Assistant Project Leader, who both have other major responsibilities within their Unit. The Project Leader raised this concern and possible options are being explored to settle this matter.¹²

Project MT02/3 raises particular concerns due to the sensitivity of the site. Finding an offer that is the cheapest technically compliant amongst the other bids whilst also providing the specialisation required for such site has proved difficult. The Project Promoter has been in consultation with the National Focal Point/ Programme Operator when issuing such tenders for the first time or repeatedly, and depending on the issue at hand, advice from other departments that specialise in contracting matters has been sought.

The formal debate that ensued between the Donors, the Financial Mechanism Office (FMO) and the Maltese Focal Point/ Programme Operator following the Annual Meeting in March 2014 on the interpretation of the final eligibility date for projects, with instructions to treat 30 April 2016 as the definite deadline, posed a new, highly probable risk for the completion of projects. The resultant compressed implementation and

¹¹ Following the cut-off date of this Report, the tendering process for this activity turned out successful and was awarded in March 2015. Nevertheless, given the activity's importance in relation to the later activities that will depend upon it, the activity's progress will be closely monitored by the National Focal Point/ Programme Operator.

¹² This issue has been settled with the appointment of a project manager since the Report's cut-off date.

disbursement project schedules allow no time contingency for any eventuality that might hinder the timely execution of project activities.

This would mostly impact on projects that cannot afford to have tenders reissued a second time or wait until appeals to tender results are processed. From a planning permit point of view, projects that may require additional studies following the submission and screening of planning applications, such as environmental impact assessments, or redesigning of development plans due to certain findings on project site beyond one's control such as archaeological remains, may risk incompleteness by the imposed deadline.

As a measure of keeping vigilant track of progress and compliance to the established activity timeframes, each Project Promoter was asked to present a Gantt chart of their project that may be revised subject to providing reasonable justification.

In preventing financial reporting delays encountered during the 2004-09 period, and given that an IT system for the 2009-14 period could not be commissioned by the Programme Operator for reasons of eligibility of expenditure prior to signature of the Programme Agreements, an interim measure was adopted whereby the 2004-09 system was used to process payments in the year under review. In view that expenditure started to be incurred in some projects, training on the processing of payments through the 2004-09 system was given to end users by the Funds and Programmes Division in March 2014. The trainees were also supplied with step-by-step tutorials¹³ for processing payments on the system.

Following the launch of the Programme Agreements on 9 April 2013 the Programme Operator commissioned the Malta Information Technology Agency (MITA) to assess and propose the enhancements deemed necessary to the system, henceforth to become known as the Computerised Accounting Records System (CARS). The necessary enhancements are expected to be carried out in the first months of 2015.

In its quest for consistent and vigilant monitoring of project implementation, the National Focal Point/ Programme Operator has over the past two reporting periods carried out bilateral meetings with Project Promoters and Departments responsible for Programme Implementation in the respective line Ministries. These meetings were called every two months or even more frequently depending on issues demanding immediate discussion. Project briefs carrying the latest updates on each activity were used as basis for discussion, and minutes of such meetings were recorded on these briefs. Such gatherings served as a platform for problem sharing and brainstorming for solutions, following up on results towards the achievement of outcomes and outputs, whilst also consolidating further working relationships between all parties involved. In

¹³ The CARS Tutorials are available on: <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Bilateral%20Programmes/Pages/CARS-TUTORIALS.aspx>

addition, these meetings provided an extra layer of regular project monitoring, significantly reducing the risk of projects falling behind or appreciably deviating from their implementation schedules.

There have instances where the National Focal Point escalated delays that were not duly addressed, despite several reminders, to the relevant authorities.

The Monitoring Plan, prepared and updated each year 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 risk. The risks identified within each project are monitored by the Programme Operator through periodical progress reports, desk-based expenditure verification checks and on-the-spot checks.

2.2 Bilateral relations

Project MT02/2 - 'Oil/HNS Spill Response Capacity Building for the Protection of Malta's Seas' is the only project under the EEA Financial Mechanism Programme that enjoys a partnership arrangement with a Donor entity, the Norwegian Coastal Administration (Kystverket or NCA). The NCA is deemed to be the Norwegian counterpart of the Maltese Project Promoter, Transport Malta. Through their expertise and knowledge, the NCA is guiding Transport Malta throughout the execution of the project by attending meetings and providing advice on the selection of training programmes.

The Project was jointly launched by the partners on 22 January 2014 following the signature of the partnership agreement and project contract in November and December 2013, respectively.

The Maltese National Focal Point and Programme Operator actively participated in three workshops organised by the Financial Mechanism Office in 2014 notably the communication workshop, which was held in Bucharest in March, the seminar on Risk Management and Good Governance held in Tallinn in September and the annual workshop for National Focal Points in Brussels in November. These seminars provided valuable opportunities for networking and establishing new contacts.

On 10 October 2014, two experts from Norway and one from the UK were invited to Malta to give a presentation about the importance of constructive parenting at a seminar that launched the first Maltese draft policy on this subject. Jointly organised with the Ministry for the Family and Social Solidarity and co-financed by the Funds for Bilateral Relations at National Level the seminar brought together the expertise of Mr. Terje Christensen and Ms. Elisabeth Askeland from the Norwegian Centre for Child Behavioural Development, an affiliate of the University of Oslo, Prof. Frances Gardner from the Department of Social Policy and Intervention at the University of Oxford, and

Prof. Angela Abela and Ms. Ingrid Grech Lanfranco from the Department of Family Studies at the University of Malta to express their thoughts on such an important social matter. Representatives from the FMO and officials from the Royal Norwegian Embassy were invited to attend. The Norwegian and Maltese experts extended their networking over dinner. This event augurs for further bilateral relations with Norway as the Ministry for the Family and Social Solidarity plans to seek further support from the Norwegian experts in the application of good practices following adoption of the policy.

In August 2014, the Programme Operator issued a call for expression of interest under the Funds for Bilateral Relations at Programme Level among Project Promoters that have project contracts signed to facilitate partner networking on themes based on the Programme Areas where Malta has projects. 1.5% of the allocation under the EEA Financial Mechanism Programme, amounting to €37,747, has been reserved for this purpose. Despite several attempts at reminding eligible applicants about this call, no applications were received by the deadline of 30 September 2014. Upon taking up this matter with the FMO, the latter proposed to discuss in more detail with the Programme Operator in 2015 the utilisation of this Fund for activities of mutual interest. It is to be noted that the Funds for Bilateral Relations at Programme Level are eligible until 30 April 2017.

The Funds for Bilateral Relations at both national and programme level present further opportunities for Malta to invest in strengthening relations with the Donor States through various aspects of collaboration. Nevertheless, due to the limited funds available, events planned to promote bilateral relations have to be contained to certain limitations. Careful planning and prioritising of bilateral opportunities according to importance can mitigate this risk to fulfil the Funds' maximum potential.

Beyond the framework of the Financial Mechanisms, the following key events and meetings at national level with Norway and Liechtenstein have also contributed to strengthen bilateral relations.

In the margins of the UN General Assembly, which took place in September 2014, a meeting between Hon. Dr. George Vella, Minister for Foreign Affairs of the Republic of Malta, and Hon. Vidar Helgesen, Minister for the EEA and European Affairs of the Kingdom of Norway, was convened during which migration and ongoing events in Libya were the main focus of the discussion.

On 26 February 2014, his Excellency Saviour Borg, Malta's new Ambassador to Liechtenstein, presented his Letters of Credence to Hereditary Prince Alois. The Agreement for the Avoidance of Double Taxation between Malta and Liechtenstein that was signed on 27 September 2013 entered into force on 1 July 2014.

The Minister for Foreign Affairs, the Hon. Dr George Vella, paid an official visit to Vaduz in Liechtenstein on 3 November 2014 for official talks with H.E. Aurelia Frick, Minister of

Foreign Affairs, Education and Cultural Affairs of the Principality of Liechtenstein. Among the topics discussed, the two ministers exchanged views for further cooperation in culture and education.



**The two Foreign Ministers, Hon. Dr George Vella and H.E. Aurelia Frick in Liechtenstein
on 3 November 2014**

(Source: Official website of the Government of the Principality of Liechtenstein)

3 REPORTING ON PROGRAMME

3.1 Overview of Programme Status

The Programme Agreement for the EEA Financial Mechanism 2009-14 was signed on 9 April 2013. Heritage Malta's project contract was the first to be signed on 10 July 2013. The project contract with WasteServ Malta was signed a few days later on 24 July 2013. Transport Malta was in the meantime working on its partnership agreement with the project's Norwegian partner. Following the signature of the partnership agreement on 27 November 2013, Transport Malta's project contract was concluded on 19 December 2013.

Late in March 2014, the National Focal Point was informed that the WasteServ Malta project was to be dropped as it was deemed to no longer fit within government's plans for a national waste-to-energy strategy. The official termination was received the following May, with the Project Promoter stating that it had reconsidered its position with regard to this project following a review and adoption of the national waste-to-

energy strategy in December 2013 and that as a consequence it opted out of the project as it no longer fitted in WasteServ Malta's new plan.

The National Focal Point immediately consulted about projects that were considered to be high on the national agenda. In reaching its obligations towards the EU 2020 targets, Malta is committed to secure sustainable use and better management of its scarce natural water resources. Nationwide awareness of natural water conservation is one measure towards this achievement. Hence, the concept behind project 'Malta Water Conservation Awareness Centre' was developed and an appropriate rainwater catchment site that would demonstrate water conservation practices was identified. This project will address the objective and one of the related expected outcomes of Programme Area 1, whereas the financial allocation under the EEA Grants for the WasteServ Malta project could be utilised by this new project.

On another note, funds amounting to €500,000 set aside for Non-Governmental Organisations under Programme Area 10 are being managed by the FMO and operated by SOS Malta, a local NGO as the Fund Operator. Through two separate calls for proposals, the local NGO Programme selected a total of twelve projects¹⁴ that address a number of horizontal concerns such as hate-speech, extremism and hate crime, racism and xenophobia, homophobia, tolerance and multicultural understanding, sexual harassment, violence against women and trafficking. Roma minorities are not a significant issue in Malta. From the €500,000 allocation, the Fund contracted €480,093.56 till end 2014.

The Council of Europe proposes that the internet is a public space that should be governed by human rights principles and values and should contribute to the development of a culture that nurtures and protects human rights. In September 2014, SOS Malta, in collaboration with Aġenzija Żgħażaġħ, offered a training course to young national citizens to develop knowledge skills and attitudes in human rights, supporting them with skills to recognise and act against racism and discrimination in their online form of expression.

The third meeting of the Monitoring Committee for the 2009-14 programme period took place in January 2014. The Annual Meeting with the Donors was held in March 2014.

A total of €2,516,471 in eligible expenditure has been committed by means of the Programme. Out of this amount, an eligible value of €262,479 was contracted and a total eligible sum of €57,144 was disbursed by end 2014¹⁵. Three Interim Financial Reports submitted in 2014 covering incurred expenditure between 1 September 2013

¹⁴ More details about the selected projects can be found on the following links:

<http://www.sosmalta.org/firstcallngomaltaprogrammay2013/>

<http://www.sosmalta.org/secondcallngoprogrammeapril2014>

¹⁵ Total eligible expenditure incurred and paid in 2014 under this Programme amounted to €25,321.

and 31 August 2014 declared €24,039 in eligible expenditure incurred under the EEA programme. Expenditure effected in 2014 consisted of reimbursements of salary of one officer carrying out full time duties as Programme Operator and the enhancement of the CARS, both under the category 'Programme Management' and payments throughout the implementation of Project MT02/3.

| Budget Heading | Allocated Eligible Expenditure | Contracted Eligible Expenditure till end of 2014 | Incurred Eligible Expenditure till end of 2014 |
|--|---------------------------------------|---|---|
| Programme management | €114,412 | €97,468 | €41,353 |
| Developed strategies and measures for adapting to a changing climate | €520,238 | €64,627 | €0 |
| Cultural heritage restored, renovated and protected | €880,500 | €85,384 | €791 |
| Fund for bilateral relations | €37,747 | €0 | €0 |
| Preparation of programme proposal | €15,000 | €15,000 | €15,000 |
| Total | €1,567,897¹⁶ | €262,479 | €57,144 |

Table 1 – Allocated versus incurred expenditure in the Programme from 5 December 2012 till 31 December 2014

¹⁶ This total does not include the €948,574 in total eligible costs that were allocated to Programme Area 6 'Renewable Energy' and proposed to be shifted to Programme Area 1 'Integrated Marine and Inland Water Management'.

3.2 Individual Programme Reporting

3.2.1 Overall progress as regards implementation of the Programmes and their sub-projects

With project contracts signed in 2013, the year under review was the first for project implementation. Upon instructions from the Financial Mechanism Office to treat 30 April 2016 as the final eligibility date for project costs, addenda to signed project contracts were drawn up to bring forward and limit physical and financial execution of projects to this date. In this regard too, the projects' implementation and disbursement plans were revised into more compressed schedules to fit within this eligibility period.

Transport Malta launched its Project MT02/2 in joint collaboration with its partner, the Norwegian Coastal Administration (NCA) on 22 January 2014. The Minister for Transport and Infrastructure, Hon. Joe Mizzi and Hon. Dr. Ian Borg, Parliamentary Secretary for the EU Presidency 2017 and EU Funds, addressed those present. On their part, the NCA representatives shared good practices of emergency pollution response and related training in Norway.

A tender for the procurement of the services of a consultant to document a training needs assessment for Oil/HNS pollution response and devise a training programme thereupon was issued in September. The two offers received were not accepted. One offer quoted an exorbitant value for its service. The other was deemed by the evaluation committee board as having potential conflict of interest. The reissue of this tender is in process.

Training on Oil/HNS pollution response may risk non-completion given that this depends on the award of the training needs analysis tender.

On a positive note, the contract for studies on pollution risks associated with offshore drilling has been awarded and is in progress.

Heritage Malta's Project MT02/3 involves the issue of a good number of tenders. One particular contract that will assess the condition of the site is expected to take a full year to perform, so as to examine any seasonal effects. Given the assessment's lengthy duration, the Project Promoter decided to launch this tender first. To win some time, the Project Promoter issued the tender in June 2013, a month before the signature of the project contract. Only one offer was submitted and this was found to be not technically compliant.

The tender was reissued with some modifications in May 2014. One bid from the three offers received was within budget and the contract was awarded and signed in October 2014. Following that, the 'Organisation and Methodology' report, which is the first

milestone under this contract, was submitted for the Project Promoter's consideration and approval. Works on site have also started.

In the meantime, after obtaining all necessary approvals, Heritage Malta entered into an agreement with its consultant architect for provision of architectural services in February 2014. Heritage Malta also engaged the services of a project manager in September 2014, who is coordinating all elements of the project.

Two more tenders were issued for this project in 2014. In view that no offers were received for the biological survey tender when this was issued in September 2014, the Project Promoter sought and received approval for a direct order. Another tender for the assessment of the deterioration rate of the Hypogeum was launched in December 2014. A call for quotations for works was also issued to replace mains and sewers of an overlying private residence. In the meantime, proposals for the environmental control system are also being discussed in the relevant technical fora.

3.2.2 Cross-cutting issues

As a Beneficiary State, Malta is expected to adhere to the principles of good governance, sustainable development and gender equality which are of major importance to the EEA Financial Mechanism.

3.2.2.1 Principles of Good Governance

The National Focal Point/ Programme Operator is obliged to adhere to the six main principles of good governance, namely understanding its role, ensuring timely delivery of objectives, working effectively individually and as a team, exercising effective control, performing with integrity, and being open and accountable. The National Focal Point/ Programme Operator ensures that these principles are observed throughout programme implementation through the measures taken by the projects under support, in accordance with Article 1.6 of the Regulation.

The Programme adopts zero-tolerance to corruption. In accordance with Article 11.1 of the Regulation, the National Focal Point/ Programme Operator invests every possible effort to prevent, detect, and nullify the effect of any irregularity case. To this end, an irregularity that was investigated upon promptly and efficiently at verification stage in 2014 was properly remedied by applying the necessary financial correction before claiming reimbursement through the respective Interim Financial Report.

Project promoters are strongly advised to instantly report to the National Focal Point/ Programme Operator any irregularity and corrupt practices that may come to their knowledge during implementation of projects.

Good governance is also emphasised and applied in practices of public procurement and in the financial management of projects. Procurement of goods and services is carried out according to the Public Procurement Regulations, Legal Notice 296/2010 (Laws of Malta). To further reinforce adherence to good practice, the National Focal Point/ Programme Operator produced a Manual of Procedures (MoP) and annexes¹⁷ to serve as guidance for Project Promoters during the implementation of projects that is in line with relevant rules, regulations and applicable procedures.

Accountability and transparency are also ensured at every phase of the project cycle.

3.2.2.2 Sustainable development – Environmental

At Programme level, the National Focal Point/ Programme Operator is making every effort to achieve measures that are favourable to the environment.

Project MT02/2 will provide the necessary national preparedness to contain an oil spill at sea should this happen. Malta's coastline has environmental designations of local, national and international importance. Considering that the project shall enhance Malta's capacity to respond to Oil/HNS pollution through an improved emergency response, this would result in reduced impact on the environment in the event of an incident at sea.

Project MT02/3 involves the design and implementation of an environmental control system to preserve a UNESCO World Heritage site. Through such system, less electricity is consumed. This lowers and partially offsets the site's carbon footprint.

If approved, Project MT02/7 will store rain water in underground reservoirs and cisterns, as a water conservation measure and for eventual reuse. Greywater will be treated in the Centre's constructed wetland, which will be one of the first examples of natural water treatment methods in the Maltese Islands. In addition, sound water conservation practices taught to school children at the Centre could be passed on to their families with the hope of a more widespread adoption of water conservation.

3.2.2.3 Sustainable development – Economic

Being an island, Malta is particularly vulnerable to marine and coastal pollution. The negative impact resulting from an oil/HNS incident at sea would beyond doubt have a devastating ripple effect on tourism, which Malta's economy depends heavily upon, and other economic marine activities such as fishing and aquaculture. Good quality vigilance and proactive response achieved through Project MT02/2 would render, to a degree, the national economy sustainable in this respect.

¹⁷ The MoP and annexes are available on <http://www.eeagrants.gov.mt>

Project MT02/3 strives to keep the Hal Saflieni Hypogeum accessible to the public for future generations. The site is one of the most sought after visitor destinations in Malta and significantly contributes to Malta's tourism industry.

On the other hand, Project MT02/7 will raise awareness and appreciation, especially among the younger generation, of water as a scarce yet fundamental resource. In the long term, this will reduce the demand for the production of treated water.

3.2.2.4 Sustainable development – Social

Project MT02/7 will promote water conservation awareness and responsible water use among the general public, in particular school children with the hope of nurturing and fostering such conscientious practices that could increase with time. . This project will also offer various modes of connecting people from all walks of life with this precious resource.

Project MT02/2 will provide access to education and skills to those who are interested in receiving training on combating oil/HNS pollution at sea. Should a nationwide operation to fight marine pollution be needed, trained people and organisations would be better prepared in carrying out their assigned roles.

By ensuring the accessibility of the Hal Saflieni Hypogeum to the public for many years to come, Project MT02/3 preserves the right of individuals to enjoy this World Heritage Site.

3.2.2.5 Gender equality

Gender equality is a much respected policy in the Programme. It is ensured that all actions undertaken by the projects shall not discriminate between genders. Project teams comprise of both male and female staff.

The Terms and Conditions of tender documents require bidders to incorporate equal opportunity policies within their organisations and to report about such policies in their offers. Policies and procedures that uphold non-discriminatory practices in the employ of contractors and sub-contractors are also favourably considered.

In addition, any publicity made for the Programme is gender sensitive. Gender stereotyping is avoided at any level whilst information and promotional material is socially inclusive.

The scope of all three projects under this Programme is ultimately for the benefit of the entire nation, irrespective of age, gender or nationality. The nature of Project MT02/2, primarily the provision of training, is open to both genders. Both the national and

international community shall benefit from the success of Project MT02/3, keeping in perspective the fact that all human beings have a right to enjoy their cultural heritage.

4 MANAGEMENT AND IMPLEMENTATION

4.1 Management and control systems

There have been a few changes in the HR set up of the National Focal Point/ Programme Operator since the submission of the Description of Management and Control Systems (DMCS) in November 2012.

The Bilateral, Other Funds and Programmes Unit currently has a staff complement of a Senior Manager and two desk officers that carry out Programme Operator duties. A third officer performing the Programme Operator's verification of payment claims was not replaced following his release from the Unit early in 2014. Instead, a desk officer from the Financial Control Unit within the Funds and Programmes Division, who reports directly to the Director General in his capacity as Head of the National Focal Point/ Programme Operator, was assigned that task.

The 2012 DMCS also lists two Programme Managers that directly report to the Senior Manager at the Certifying Authority. Until the end of this reporting period, the Certifying Authority had only one Programme Manager. Despite this, the functions of the Certifying Authority in relation to the Programmes have remained operationally satisfactory.

Despite the above changes, all the elements in the DMCS are in place and the system functioned as planned during the reporting period.

4.1.1 The Computerised Accounting Records System (CARS)

Paragraph 1(h) of article 4.7 of the Regulation stipulates that the Programme Operator shall ensure that *'there is a system for recording and storing in computerised form accounting records for each project under the programmes and that the data on implementation necessary for financial management, reporting, monitoring, verifications, audits and evaluation are collected'*.

In this regard, the Funds and Programmes Division, in its role as Programme Operator, commissioned the Malta Information Technology Agency (MITA) in 2013 to perform an analysis of existing software that was used to fulfil similar obligations in respect of projects under the 2004-09 programming period. Such an exercise was intended to

identify gaps in the present software in relation to the accounting requirements of the 2009-14 Regulations.

MITA concluded the gap analysis, delivering its final report on 30 January 2014. The report proposed a series of enhancements to improve the system's functionality, placing the Programme Operator in a better position to meet its obligations.

As a result of this gap analysis for the proper functionality of the system, the Programme Operator required MITA to provide consultancy services for the design and development, as well as for testing and implementing the new business requirements. In addition, MITA is required to assist the Division with the training of end users on the developed new system's functionality. A contract for these services was signed and the Programme Operator concluded its testing in December 2014. Enhancement on the system is expected to be carried out in the first months of 2015.

4.2 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 their project contracts, 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 government unit (Department of Contracts) within the Ministry for Finance. 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 still be sought from the Department of Contracts. The Ministry for Finance issues circulars from time to time to all Ministries and agencies carrying out their own procurement. Detailed information is also provided in chapter 6 of the Manual of Procedures, which is available on the website: <http://www.eeagrants.gov.mt> of the National Focal Point/ Programme Operator.

4.3 Irregularities

A desk-based check carried out at Programme Operator level on expenditure incurred under Project MT02/3 detected a specifications mismatch of the delivered product against what was requested in the pertinent request for quotations. The payment of the delivered product had already been effected by Treasury and hence an irregularity report was drawn up. The incurred amount was however not claimed in the corresponding Interim Financial Report and the entire expenditure was borne by national funds.

Experience has shown that irregularities tend to mainly concern awarding contracts in relation to offers that do not meet the requested specifications, as can be seen in the above example.

4.4 Audit, monitoring, review and evaluation

A systems audit carried out by the Audit Authority in mid-2013 on the management controls performed by the National Focal Point/ Programme Operator did not report any systemic risks. The Audit Authority made two recommendations though and these recommendations were taken on board and duly adopted the National Focal Point/ Programme Operator.

The National Focal Point/ Programme Operator closely adhered to the Monitoring Plan for 2014.

The Audit Plan for 2015 and an updated Monitoring Plan are being forwarded together with this Report.

The National Focal Point/ Programme Operator introduced an additional means of monitoring progress a couple of months before the signing of the Programme Agreements. Bilateral meetings held regularly with Project Promoters and Programme Implementation Departments of the respective line Ministries, iron out many concerns arising at project level in the course of implementation. Additional to these meetings, which so far have proved a success in settling most issues, the National Focal Point/Programme Operator also attends Steering Committee meetings held by a number of respective line Ministries to discuss any updates on the funded projects.

One on-the-spot check supplemented by administrative checks was performed on Project MT02/3 in 2014. These checks examined the correctness of the procurement process of five awarded contracts and ensured that the filing system for project-related documentary records was in good order in preparation of any inspection or audit.

At this point of Programme implementation, the National Focal Point/ Programme Operator believes it is still early to undertake review and evaluation activities.

4.5 Information and publicity

The year under review opened with a third project launch under this Programme. In joint collaboration with the Norwegian Coastal Administration, Transport Malta launched its project on 22 January 2014. The Minister for Transport and Infrastructure, Hon. Joe Mizzi and Hon. Dr. Ian Borg, Parliamentary Secretary for the EU Presidency 2017 and EU Funds were the key high-ranking speakers at this event. The launch was well attended by various stakeholders in the maritime field and was widely publicised in the local media.



Mr. Johan Marius Ly, Director for Emergency Response for the Norwegian Coastal Administration, addressing the audience during the launch of Project MT02/2, 22 January 2014
(Source: Transport Malta)



Launch of Project MT02/2: 'Oil/HNS Spill Response Capacity Building for the Protection of Malta's Seas', 22 January 2014
(Source: Transport Malta)

Following the launch, the Financial Mechanism Office communication team prepared an interesting article on the project which is available on their website (<http://eeagrants.org/News/2014/Keeping-oil-away-from-Maltese-shores>).

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NEWS




Photo: © Transport Malta

KEEPING OIL AWAY FROM MALTESE SHORES

"A large scale oil spill would cause severe damage to the Maltese economy and environment," explains Captain Richard Gabriele, the Head of Pollution and Incident Response Unit at Transport Malta (TM).

20.2.2014

With approximately one-fourth of the world's oil tankers plying close to its waters, Malta's Mediterranean coastline runs a daily risk of oil spills and pollution from other hazardous and noxious substances. The number of tankers sailing close to Malta's shore is increasing. So too are extreme weather conditions related to climate change, which pose a potential threat to the ocean and shores. In addition, oil drilling will soon be underway in one of the four zones in Maltese continental shelf area. Funds from Iceland, Liechtenstein and Norway aim to address Malta's training needs and preparedness in the event of an oil spill and will also include a study to address the risks from offshore drilling and amend the contingency plan as necessary.

A large scale oil spill would have a potentially devastating impact not only on the coastal ecosystem and biodiversity, but also on the local economy, heavily dependent on tourism and fisheries. Without a strong

Web article: 'Keeping Oil away from Maltese Shores' produced by the Financial Mechanism Office

In its endeavour to promote its project, Heritage Malta participated in the national event, 'Science in the City' on 27 September 2014, which is Malta's Science and Art Festival held annually in Valletta. This was an opportunity for the public to learn about Project MT02/3, its importance in both local and international contexts, and the EEA Grants. Leaflets containing information about this project and the EEA Grants 2009-14 were also distributed during this event.



Ms. Maria Elena Zammit, Project Leader of MT02/3: 'A New Environmental Management System for the Hal Saflieni Hypogeum' presenting the project to the public at the National Museum of Archaeology, Valletta during 'Science in the City', 27 September 2014 (Source: Heritage Malta)

In conformity with the objectives of the Communication Strategy, the National Focal Point/ Programme Operator publicly promoted the Programmes during the 'Notte Bianca' 2014 edition held on 4 October in Valletta. 'Notte Bianca' is an annual arts and culture festival that takes place in October and lights up the capital city with various spectacles. Hundreds visited the stand dedicated to the Grants within the historic Auberge d'Aragon which houses the Office of the Deputy Prime Minister and the Ministry for European Affairs and Implementation of the Electoral Manifesto. Representatives from the National Focal Point/ Programme Operator explained about the objectives of the Grants, their support to Malta and the projects that are underway. Promotional items bearing the Grants' logos, which were provided by the Financial Mechanism Office, including key chains, pens, lanyards, fluorescent cycling vests, polo shirts and shopping bags, as well as the latest Donor countries' annual reports and project information flyers were distributed.



Members of the public receiving information about the 2009-14 Grants during 'Notte Bianca' at the Auberge d'Aragon, Valletta, 4 October 2014
(Source: The Funds and Programmes Division)

On 10 October 2014, the Minister for the Family and Social Solidarity, Hon. Dr. Michael Farrugia launched the first ever Maltese draft policy on constructive parenting through a seminar that was supported by the Funds for Bilateral Relations at National Level. Experts from Norway, the UK and Malta brought forward studies and examples on parenting methods and styles, illustrating the current situation and system of parenting in Norway and across the rest of Europe. The seminar targeted associations that deal with child welfare such as the Office of the Commissioner for Children, the National Agency for Children, Families and the Community (APPOGG), the Child Guidance Clinic, the Adoption Board, the Department of Paediatrics at Mater Dei Hospital, foster care institutions and children's homes, as well as principals and teachers from various state and church schools. The seminar was another opportunity to promote the Grants with the general public.

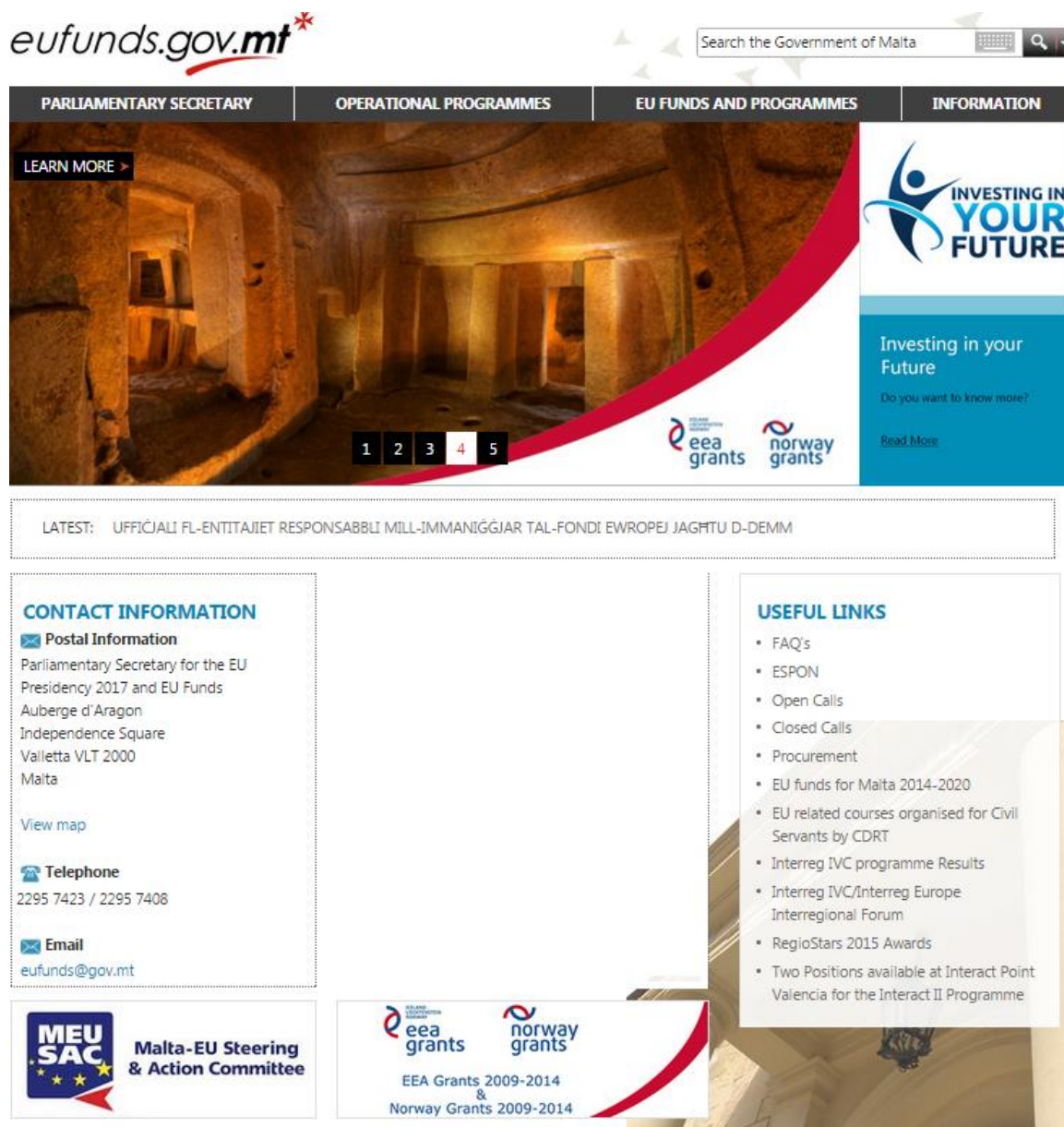
An article about the seminar was prepared by the National Focal Point/ Programme Operator and uploaded on the webpage dedicated to the Grants in Malta (www.eeagrants.gov.mt). The webpage also provides information on the relevant priority sectors, programmes and projects. Other important documents of public

interest, such as the MoUs, the Manual of Procedures, reports and press releases are also uploaded on this website.

In addition, the two projects implemented under this Programme are featured on dedicated webpages on respective Project Promoter websites¹⁸. An interesting interactive feature that Heritage Malta added on their website towards the end of the year was a virtual tour of the Hal Saflieni Hypogeum <http://heritagemalta.org/museums-sites/hal-saflieni-hypogeum/>. This is expected to be well received by visitors of the Heritage Malta website when considering the limited physical access to this extraordinary archaeological place. A link to the project's webpage has also been included on this same page that gives access to the virtual tour and subsequently draws visitors to information about the ongoing project and the EEA Grants.

The National Focal Point/ Programme Operator also made arrangements with the communications office of the Ministry for European Affairs and Implementation of the Electoral Manifesto to promote the Grants on the Ministry's front webpage (www.eufunds.gov.mt). By clicking on either the rotating top banner featuring an image of the Hypogeum, or the link box containing the names and logos of the Grants at the bottom of the Ministry's front page, one is directed to the webpage dedicated to the Grants in Malta.

¹⁸ <http://www.transport.gov.mt/ports-marinas/maritime-pollution-prevention-control/oilhns-spill-response-capacity-building> and <http://heritagemalta.org/index.php/projects/other-projects/>



The front page of the Ministry's website

With every official and public document or visual material that is prepared, the National Focal Point/ Programme Operator makes sure that acknowledgement is made to the support received from the Grants. Project Promoters are obliged to affix the applicable Grants logos and text that acknowledges support on all information and promotional material, invitations, adverts and calls, power point presentations, reports, tender documents, etc.

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 is proportionate to the size and number of projects in Malta.

4.6 Workplan

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

5 SUMMARY LIST OF ISSUES AND RECOMMENDATIONS

The year under review marked the first full year of implementation for Projects MT02/2 and MT02/3. The first major tenders under these projects were launched throughout the year, with some to be reissued in 2015 together with the remaining project tenders. In view of this, disbursement levels in 2014 were relatively low.

With Project MT02/1 dropped, preparations for a new project that would absorb the earlier project's Grant allocation were underway in the last months of the year.

The third component in the 'Workplan for the Proposed Activities under the Fund for Bilateral Relations at National Level' consisting of a seminar that would strengthen bilateral relations with the Donor countries was implemented in 2014.

The overarching concern is the risk of project non-completion until the final eligibility deadline. This is mainly due to having a shorter project implementation period from what was originally understood. Another reality that impinges on the time factor is the duration of procurement procedures. The situation is further exacerbated when tenders need to be reissued. Where possible, Project Promoters are carrying out certain elements in their projects sooner than they had originally planned to make up for lost time.

The National Focal Point/ Programme Operator is pleased with the excellent working relationship among all stakeholders. Regular contact, follow up and availability have proven beneficial to all parties concerned. The efforts invested by the National Focal Point/ Programme Operator to monitor closely the implementation and financial execution of projects in line with the Regulation and all applicable rules and procedures have kept irregularities to a minimum.

Bilateral meetings were an initiative taken by the National Focal Point/ Programme Operator in 2013 and are an ideal way of keeping track of project progress and any issue concerning a project whilst keeping in touch with the project implementers for any support they might need. Given their many advantages, the National Focal Point/ Programme Operator plans to continue holding these bilateral meetings in the coming years.

In keeping the Financial Mechanism Office informed about project developments, the National Focal Point/ Programme Operator plans to share project briefs that contain the latest updates and provide basis for bilateral meetings discussions. In addition to this, it is being proposed that a teleconference between the Financial Mechanism Office and the National Focal Point/ Programme Operator is held as often as required, but at least once a month. Other parties involved in project implementation, such as Project Promoter team members, may be invited to participate if necessary. This would keep the Financial Mechanism Office up to date with the Grants scenario in Malta and in turn be in a better position to provide appropriate guidance to the National Focal Point/ Programme Operator on any issues of concern and on actions to be taken.

The roles of the National Focal Point and Programme Operator have worked interchangeably since the start of the Programmes in Malta. Administrative duties, in particular those related to implementation of the programmes and projects, have been shared between staff members under the two designations and this arrangement has worked very well so far. Verifications of payment claims are however exclusively handled by an officer from a separate and independent unit within the Funds and Programmes Division that is responsible for the Division's financial control. This officer reports directly to the Head of the National Focal Point/ Programme Operator.

The combination of the roles of the National Focal Point and Programme Operator is also reflected in the submission of these combined Strategic and Annual Programme Reports as well as in the preparation of the activities mentioned in the Communication Strategy and Communication Plan, where the nature of such activities as well as the budget allocated for Technical Assistance and Programme Operator costs are shared to secure more impact of the activities' results.

This duality has caused many to question the actual separation and distinction of the roles. The staff members have put themselves in the flexible disposition of carrying out the duties under both configurations according to necessity and workload, rather than in accordance to designated roles. It is also worth noting that the role of Programme Operator carries a heavier load and thus calls for more hands on deck.

In order to avoid confusion and question on whose role is what, it is proposed that the two roles are combined as long as the verification of payments are kept independently managed by officers that are not in any way involved in the management and implementation of the programmes and projects.

The National Focal Point/ Programme Operator is grateful for the support provided by the Financial Mechanism Office, as well as the Embassy in the past year and looks forward to further collaboration over the next year in order to ensure smooth and successful programme implementation.

6 ATTACHMENTS TO THE STRATEGIC REPORT

This Report also includes the following attachments:

1. 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. A plan setting out the monitoring and audit activities in the Beneficiary State for the coming reporting period.
3. A list of irregularities detected at project level during the reporting period and financial corrections made.
4. A risk assessment at national level.
5. A risk assessment at programme level.
6. The workplan outlining the milestones for the implementation of the EEA Financial Mechanism over the next year.