



ANNUAL REPORT

for the

**NORWEGIAN
FINANCIAL MECHANISM**

MALTA

1 June 2006 – 14 September 2007

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TABLE OF CONTENTS

EXECUTIVE SUMMARY

1. AN OVERVIEW OF THE FINANCIAL MECHANISMS

- 1.1. EEA Enlargement
- 1.2. Aims
- 1.3. Objectives
- 1.4. The Grants in Malta

2. SUMMARY OF PREVIOUS ANNUAL MEETING AND REPORT

- 2.1. The Annual Meeting between the Maltese NFP and the Donor states
- 2.2. Main points raised in the Annual Report
- 2.3. Conclusions drawn from the Annual Report

3. LEGAL AND CROSS-CUTTING ISSUES

- 3.1. Amendments to the MoU
- 3.2. Cross-Cutting Issues

4. THE APPRAISAL PROCESS

- 4.1. The 5 stages of Appraisal
 - 4.1.1. Administrative and Eligibility Check
 - 4.1.2. Detailed Appraisal Report (DAR)
 - 4.1.3. Screening from the Commission
 - 4.1.4. Request for Additional Information (RAI)
 - 4.1.5. Issue of Grant Offer Letters (GOL)

5. THE PROJECTS' PROGRESS

- 5.1. MT0006 Implementation of Schengen Acquis Requirements at the Malta International Airport
- 5.2. MT0008 Procurement and Installation of Security/Safety equipment for building sites housing SIS equipment
- 5.3. MT0009 Procurement and Installation of Biometric Equipment re VIS at Border Control Points and G.H.Q.

5.4. MT0011 Xrobb l-Ghagin Nature Park and Sustainable Development Centre

5.5. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

6. HIGHEST LEVEL OF MONITORING

6.1. Monitoring Committee Meeting

6.2. Main points raised in the MC Meeting

6.3. Conclusions drawn from the MC Meeting

7. MANAGEMENT

7.1. Manual of Procedures

7.2. Training to all Stakeholders

7.3. The Implementation Agreement Template

7.4. Electronic Database

8. PUBLICITY

8.1. Publicity carried out by the individual Projects

8.2. General publicity of the Financial Mechanism

9. WORK PLAN FOR THE NEXT YEAR

9.1. Work Plan

10. AUDIT

10.1. Systems Audit

10.2. Audit Plan

10.3. Audit Trail

11. CONCLUSION

ANNEXES

Annex 1 Chart denoting Projects co-financed by the Norwegian Financial Mechanism

Annex 2 Table of Project Progress

Annex 3 Images of Publicity actions for Individual Projects

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 Norwegian 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 Norwegian 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. It should be noted that one of the projects (MT0009 – Procurement and Installation of Biometric Equipment re VIS at Border Control Points and GHQ) originally identified for selection by the Maltese Government was withdrawn (by the Government) and replaced by a new project².

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

² Vide section 5.3 of this report.

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

Norwegian Financial Mechanism:

“To reduce social and economic disparities within the EEA and to enable 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 Norwegian Financial Mechanism.”

1.3. Objectives

Through the Norwegian Financial Mechanism, Norway will contribute towards:

- **Solidarity**, by reducing the social and economic disparities in the newly enlarged EEA.
- **Opportunity**, by helping new EEA members become fully integrated in the Internal Market.
- **Cooperation**, by bringing old and new EEA members together and opening new arenas for political and economic relations.

1.4. The Grants in Malta

Following its accession to the European Union on 1 May 2004, Malta also became a party to the EEA Agreement. Furthermore, the agreement between the Kingdom of Norway and the European Community on a Norwegian Financial Mechanism for the period 2004 – 2009 is applicable as of 1 May 2004. Consequently, Malta became eligible for funding under the Norwegian Financial Mechanism. On 27 June 2005, the Memorandum of

Understanding (MoU) on the implementation of the Norwegian Financial Mechanism was signed by Malta and Norway.

As a result, a total of € 1.701 million 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:

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

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. This report covers the main issues for the following projects:

NORWEGIAN FINANCIAL MECHANISM PROJECTS ³						
Code MT	Project Title	EEA / Norway Grant	Project Promoter Co- financing	Total Project Value	Mechanism	Beneficiary
0006	Implementation of Schengen Acquis Requirements at MIA by April 2007	€ 517,863.00	€ 528,959.00	€ 1,045,822.00	NFM	Malta International Airport PLC
0008	Procurement and Installation of Security/Safety Equipment for Building Sites Housing the SIS Equipment	€ 250,678.00	€ 44,237.00	€ 294,915.00	NFM	Malta Police Force
0009	Procurement and Installation of Biometric Equipment re VIS at Border Control points and G.H.Q. ⁴	€ 280,932.00	€ 49,596.00	€ 330,508.00	NFM	Malta Police Force
0011	Xrobb I-Ghagin Nature Park and Sustainable Development Centre	€ 263,389.00	€ 88,916.00	€ 724,641.00	EEA	Nature Trust Malta
		€ 372,336.00			NFM	
0013	Technical Assistance	€ 43,240.00	€ 15,260.00	€ 101,740.00	EEA	Office of the Prime Minister (OPM), Planning and Priorities Coordination Division (PPCD)
		€ 43,240.00			NFM	
0014	Conservation of Hal Saffieni Hypogeum World Heritage Site	€ 383,350.00	€ 67,650.00	€ 451,000.00	NFM	Heritage Malta

³ Projects MT0011 (Xrobb I-Ghagin) and MT0013 (TA) are co-financed by both the EEA Financial Mechanism and the Norwegian Financial Mechanism. In the case of MT0011, this was done following a recommendation by the FMO after the application was submitted.

⁴ This project was later withdrawn following a cabinet decision as described in section 5.3 of this report. It was replaced by project MT0014 which was first on the reserve list.

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 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 Norwegian Financial Mechanism (NFM) wherein an overview of the implementation of the NFM 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. The fact that there were a large number of Schengen related projects was mentioned. The Maltese authorities recalled that Malta was not eligible for the Schengen facility. To conclude the High-level session, it was agreed to explore the possibility of bilateral exchange of experiences in the areas of Schengen, tourism and culture and maritime affairs.

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 Norwegian 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 NFM 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 EEAFM).
- **Overview of Project Proposals** gave a snapshot of the proposals received which could target the priority areas set out for the EEA Financial Mechanism.
- **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 NFM. 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 Norwegian Financial Mechanism and Maltese Government Objectives** discussed Malta's requirements in becoming a Schengen state and the selected project's contribution in the achievement of this together with the World Heritage Site-worthiness of Mdina and the related project selected.
- **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 NFM. 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.

Despite staff limitations the process moved in terms of the action plan prepared the previous May 2005. Most of the work done up till then was still on paper mainly consisting of the launch for calls for projects and an elaborate selection process amongst 41 project proposals. It was expected that the projects selected would start to become visible on the ground during the next period following FMO's approval.

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 NFM have ensured that the environment would be safeguarded in their implementation.

MT0006 Implementation of Schengen Acquis requirements at the Malta International Airport identified no adverse environmental issue while project MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS equipment's tendering requirements stipulated that environmental regulation standards must be respected. In fact apart from not requiring any special permits for works being carried out, the automated fire extinguishing system was conceived in a way that it would use a special type of gas which is not harmful to humans or to the environment. This has helped to meet both the security and environmental requirements envisaged in the project.

The Nature Trust (Malta) project 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. On the other hand, MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site will

contribute to a better understanding of the various characteristics of an underground environment and how this environment affects the preservation of a World Heritage Site. The project also seeks to acquire detailed information to prevent further damage to the site by using passive measures for environmental control rather than active interventions to address problems created by unfavourable conditions.

3.2.1.2. Economic

The MT0006 Schengen at MIA project envisaged the minor expansion of the footprint to an existing air passenger terminal which when completed has had minimal effect on the operating and maintenance costs of the infrastructure. Any extra costs incurred are easily absorbed within its operating expenditure budget and forecasted growth in passenger throughput (also because of Malta being part of Schengen) is foreseen to mitigate such increases.

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.

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.

MT0014 sees tourism as a main pillar of Maltese economy and invests in cultural heritage as a niche market and therefore one of the factors that help counter-balance the seasonal aspect of tourism. The economic benefits are, therefore, clear.

3.2.1.3. Social

The consultation process for the Schengen at MIA project (MT0006) was a very lengthy one which kicked off prior to Malta's accession in the EU. A variety of stakeholders⁵ were involved in the consultation process on the works planned for

⁵ The planning phase of this project was quite a complex one, starting with preliminary plans during Malta's pre-accessions discussions involving the implementation of the Schengen Treaty, when MIA carried out preliminary modification plans to comply with Schengen Treaty requirements, involving expert advice/consultancy from Vienna International Airport and presentation of these plans to stakeholders for information and comments. Once Malta joined the EU, the initial plans were updated as part of a Master Plan for operational expansion and development (2006-2025) with the involvement/consultancy of MIA shareholders (Vienna International Airport and SNC-Lavalin Inc) under a Technical Services Agreement. This phase, especially the development of a traffic forecast module, included a consultative process that included numerous meetings with airport management, airport clients and operators and other industry relevant groups (such as Ministry of Tourism, Malta Tourism Authority, Hotel operators and airlines). The MIA Schengen implementation plan was subsequently developed further after presentations and further consulting with MIA's stakeholders, which included the MIA Departments/Sections (Operations, Security, Marketing, Communications, IT, HR and Finance); Schengen National Project Manager (Management Efficiency Unit); OMAS (Office of the Manager Airport Security); Police; Ministry of the Interior; Customs; Health; DCA; Airlines; Airport Commercial outlets; Airport Users; MEPA. Consultations/discussions continued even during implementation stage, especially with stakeholders directly involved with the Schengen agreement implementation and operations of the are/facilities under consideration, such as Police, Customs, Health and Ground Handling service providers, besides MIA operational departments. In addition, during planning and implementation phases a number of presentations / discussions were also held with visiting delegations from EU countries on fact finding missions, such as delegation from France (Sept 2006) and an official evaluation visit by EU Schengen evaluation teams carried out in February 2007 (with follow-up visit carried out in September 2007).

this project and their suggestions were ultimately incorporated in the final design. Moreover, there are also social benefits of being part of a larger community, namely the Schengen community. MT0008 seeks the enhancement of security at the designated sites for this project and for the protection of personal data.

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.

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.

The Hal Saflieni project (MT0014) taps on the fact that the Hypogeum, together with the Megalithic Temples attributed to Malta's unique prehistoric culture, is an integral part of the Maltese Islands' unique cultural identity and has a significant educational value, and can be used to inform the general public on various aspects of Malta's prehistoric culture. The opening of this site to the general public also provides employment opportunities for a number of licensed tourists guides, as well as front office staff who manage the ticketing system at the site. In addition, one of the benefits of a 3D record of the site (as envisaged in the project) would be in making the site accessible to physically impaired individuals utilising the latest technology.

3.2.1.4. Gender Equality

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

Both in their application and in the appraisal stage, the two Schengen related projects (MT0006 and MT0008) have resulted as having no particular impact on gender issues.

On the other hand, MT0011 (Xrobb I-Ghagin) and MT0014 (Hal Saflieni) have gender balanced teams which will take care of the implementation of the individual projects. During the appraisal process, both projects were deemed to be of appeal and benefit to both sexes. Furthermore, the Xrobb I-Ghagin project

was deemed appealing to a wide audience even across age groups. The MT0014 appraisal report also mentioned that women will participate in the project and the values at stake are of equal importance to both sexes.

3.2.1.5. Good Governance

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

A number of projects as MT0006, MT0011 and MT0014 have undergone or will undergo a number of consultations to ensure that the project is implemented correctly and in the best interest of all.

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. However, the Schengen at MIA project (MT0006) concluded its implementation with the inauguration of the new facilities at the Malta International Airport departures lounge. This took place on 11 June 2007 under the auspices of the Prime Minister of Malta and the Ambassador of Norway to Malta. The Schengen at MIA project will facilitate further free movement of people between Schengen States including Norway .

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 letters⁶ could be sent out to applicants informing them that the projects were being considered.

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 5 appraisal agents visited Malta for the projects under the Norwegian Financial Mechanism⁷. On different missions, the same appraisal agent from Cross Czech visited the MT0006 and MT0008 projects. The same appraisal agent was earmarked to appraise project MT0009 but this was withdrawn prior to the appraisal mission. These three projects all targeted the *Implementation of the Schengen Acquis* priority. Two appraisal agents from Norconsult visited project MT0011 which targets the *Protection of the environment* priority. Another two appraisal agents from Norconsult were mobilised for the appraisal of project MT0014 once this was chosen to replace project MT0009. MT0014 addresses 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 Schengen at MIA, Security/Safety Equipment, Biometrics and Xrobb I-Ghagin Nature Park projects were received by the FMO on 13 April 2006 and acknowledgement of receipt was sent to NFP on 24 April 2006. Following the withdrawal of the Biometrics project, the Hal Saflieni application was received by the FMO on 15 November 2006 and acknowledged on 21 November 2006.

The projects selected to be co-financed by the Norwegian Financial Mechanism underwent an administrative and eligibility check⁸ wherein they were deemed compliant and therefore the FMO pursued the appraisal exercise. Results of these checks were received by the NFP as follows:

● MT0006 (Schengen at MIA)	25 September 2006
● MT0009 (Biometrics)	11 August 2006
● MT0011 (Xrobb I-Ghagin Nature Park)	06 June 2006
● MT0014 (Hal Saflieni)	17 January 2007

⁶ Interim Notification letters were sent out by the NFP on 11th July.

⁷ This number takes into consideration also the two appraisal agents who appraised project MT0011 (Xrobb I-Ghagin) which is being financed by both the EEA and the Norwegian Financial Mechanism. Reference to these experts has also been made in the report treating the EEA Financial Mechanism.

⁸ 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.

The only exception was project MT0008 where the FMO requested further clarifications on a number of issues. These were settled by 24 July 2006 (request was made on 12 July 2007) and the project was forwarded for the next step in the appraisal process – the external appraisal and the Detailed Appraisal Report (DAR).

4.1.2. Detailed Appraisal Report (DAR)

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

4.1.2.1. MT0006 Implementation of Schengen Acquis requirements at Malta International Airport (MIA)

The visits by the Cross Czech appraisal agent took place during the last half of November 2006 and meetings were held with the MIA personnel, architects as well as officers from the Management and Efficiency Unit within the Office of the Prime Minister and the Malta Police Force in view of their knowledge on the state of preparedness regarding the SISone4ALL and SIS II projects. The visits were supplemented by correspondence between the consultants, the PP and the NFP which led to the final version of the Detailed Appraisal Report (DAR), dated 29 November 2006. The FMO forwarded the report to the NFP on 1 December 2006.

Comments on the DAR for this project were sent to the FMO on 7 December 2006 from both the PP and the NFP and related mainly to financial and timing matters.

4.1.2.2. MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment

The appraisal mission by the Cross Czech appraisal agent took place in late November 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 consultant and the report was drawn up by end of November 2006. The DAR was transmitted to the NFP on 1 December 2006.

In this regard, the Malta Police Force as well as the NFP sent comments on the report on 11 December 2006. These were mainly related to the risks the project constitutes as well as the budget and time allocated to its implementation.

4.1.2.3. MT0009 Procurement and Installation of Biometric Equipment re VIS at Border Control point and G.H.Q.

Just before the FMO informed the NFP of the upcoming appraisal mission for the MT0009 (Biometrics) project, the various stakeholders involved in the project were holding meetings discussing the implementation of the project. This project formed part of the strategic plan to a National Identity Management System (NIDMS), which aims to have a secure and integrated NIDMS under one umbrella. It was deemed more efficient to finance the whole project from one source given the potential risk of interoperability and contract management.

The decision to withdraw the project was taken by Cabinet on 30 October 2006 and the FMO were informed of this withdrawal on the very next day.

For this reason, this project did not undergo an appraisal visit. The project was replaced by the next project on the reserve list, namely the Conservation of Hal Saflieni Hypogeum – World Heritage Site.

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

The appraisal mission 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 agents and that it was interpreted correctly. The report was drawn up by end of August 2006. The DAR for MT0011 was also 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.

4.1.2.5. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

The visits by the Norconsult appraisal agents took place in late February 2007 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 March 2007 and the FMO forwarded the report to the NFP during the same month.

Comments on the report were sent by the NFP and the PP on 3 April 2007 to the FMO. The main issues related to the nature and cost of the equipment required and some technicalities on the report which needed fine tuning.

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. MT0006 Implementation of Schengen Acquis requirements at Malta International Airport (MIA)

Further to the appraisal exercise, additional negotiations were carried out between the NFP and the FMO which determined the final figure of the Grant rate.

4.1.4.2. MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment

There was no RAI for project MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment. Any matters which arose during the appraisal process were settled within the appraisal period.

4.1.4.3. MT0009 Procurement and Installation of Biometric Equipment re VIS at Border Control point and G.H.Q.

As explained earlier, this project was withdrawn before it got to this stage of appraisal.

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

Project MT0011 Xrobb I-Ghagin Nature Park and Sustainable Development Centre did not require any RAI. Any matters which arose during the appraisal process were settled within the appraisal period.

4.1.4.5. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

The FMO required further information on the Cooperation Agreement between Heritage Malta and the Malta Standards Authority. Heritage Malta has roped in MSA on this project in order to give the former professional and specialist advice on the best equipment to procure as well as ensure its calibration once it is up and running. This explanation was to the FMO's satisfaction and the Grant Offer Letter (GOL) for this project was issued.

4.1.5. Issue of Grant Offer Letters (GOL)

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 Norwegian 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 Promoter⁹.

4.1.5.1. MT0006 Implementation of Schengen Acquis requirements at Malta International Airport (MIA)

Project MT0006 Implementation of Schengen Acquis Requirements at the Malta International Airport received its Grant Offer Letter on 23 January 2007. Conditions relating to ownership and use of the results of the project retained by the PP and grant rate adjustments were included in the GOL. The GOL was accepted by the PP under a cover letter from the NFP on 22 February 2007. The Grant Agreement was signed on 15 June 2007.

⁹ See section 7.3 of this report.

4.1.5.2. MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment

The GOL for project MT0008 was forwarded to the NFP for onward transmission to the PP on 21 December 2006. The GOL included conditions which related to retention and use of equipment procured for at least 5 years from the Project Completion Report (PCR), as well as VAT issues. The Letter of Acceptance from the PP under a cover letter of the NFP was forwarded to the FMO on 26 January 2007. The Grant Agreement was subsequently endorsed on 15 June 2007.

4.1.5.3. MT0009 Procurement and Installation of Biometric Equipment re VIS at Border Control point and G.H.Q.

As explained earlier, this project was withdrawn before it got to this stage of appraisal.

4.1.5.4. 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 2007¹⁰. 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.

4.1.5.5. MT0013 Technical Assistance Fund for Malta

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

¹⁰ This was communicated to the FMO on 12 September 2007.

NFP was sent to the FMO on 27 October 2006. The GA between the FMO and the NFP was signed on 12 February 2007.

4.1.5.6. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

The GOL for the Hypogeum project (MT0014) was last to be received on 21 August 2007. The conditions for approval related to the maintenance and operation of the procured equipment by the Project Promoter during project implementation, insurance of equipment procured and that the site is used for the cultural purpose for at least 5 years following the approval of the PCR. The GOL also obliges the PP to properly maintain the site after project conclusion and dedicate a fund purposely for this matter. The Letter of Acceptance is currently being finalised and the Grant Agreement is envisaged to be signed by the end of 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. 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. MT0006 Implementation of Schengen Acquis Requirements at the Malta International Airport

This project targets the *Implementation of the Schengen Acquis* priority. The Final Beneficiary is the Malta International Airport PLC. The Total Eligible Cost for this project is € 1,046,822.00 with a Grant Rate of 49.47% (€517,863.00).

This is the first project from the entire EEA Grants to have been completed. All envisaged activities and results have been achieved, namely,

- Construction works converting the existing arrivals hall into a non-Schengen departures hall;
- Construction works converting the existing departures into a departures hall for departures to the Schengen area;
- Construction works for flexible gates for both Schengen and non-Schengen departures to be used in either configuration according to demand.

All invoices for work carried out have all been received, certified and payment (by MIA plc) has been effected. The Grant Agreement was signed on 15 June 2007 and the premises were officially inaugurated during the same month.

The next six months see the submission and verification of project invoices for reimbursement of grant value and subsequently the submission of the project completion report.

5.2. MT0008 Procurement and Installation of Security/Safety Equipment for building sites housing SIS equipment

This project also targets the *Implementation of the Schengen Acquis* priority and the Final Beneficiary is the Malta Police Force. The Total Eligible Cost for this project is €294,915.00 with a Grant Rate of 85% (€250,678.00).

Since the signature of the Grant Agreement on 15 June 2007, the PP, has started the procurement process. Given the nature of the equipment (security sensitive), it is predicted that actual procurement and installation of equipment, as well as equipment testing and certification will take place over the next 6 months.

5.3. MT0009 Procurement and Installation of Biometric Equipment re VIS at Border Control points and G.H.Q

This was one of the projects originally envisaged to be co-financed by the NFM and it was meant to target the *Implementation of the Schengen Acquis* priority. The Final Beneficiary was, in this case, also the Malta Police Force. The Total Eligible Cost for this project was €330,508.00 with a Grant Rate of 85% (€280,932.00).

However, on 30 October 2006, the Maltese Government decided to withdraw the project in view of the strategic plan to a National Identity Management System (NIDMS), which aims to have a secure and integrated NIDMS under one umbrella. It was deemed more efficient to finance the whole project from one source given the potential risk of interoperability and contract management.

This decision by the Maltese Government did not result in loss of funds to the country. A proposal was made by the NFP to take into consideration the next project in line, which was the first of the reserve projects, project MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site.¹¹ The NFP communicated this proposal officially to the FMO on 15 November 2006 and final approval by the donors was received 8 August 2007.

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

This project targets the *Protection of the Environment, including the human 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 in the project which Nature Trust wanted to contract itself. For this reason a Direct Order was entered into with one of the officers who resigned from his

¹¹ This issue was communicated informally to the FMO on 31 October 2006.

original post at Nature Trust to be entirely dedicated and financed by the project. This ensured that the knowledge and experience which was gathered prior to project kick off was not lost.

5.5. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

This is another project which targets the *Conservation of European Cultural Heritage*, priority. As mentioned earlier, this project was actually the first rated on the reserve list and was therefore selected to replace MT0009 which was withdrawn. The Total Eligible Cost for this project is €451,000.00 with a Grant Rate of 85% (€383,350.00).

The Grant Offer Letter has recently been received for this project¹²; however preparatory work for the implementation of the project has already started. Currently Heritage Malta is re-thinking the structure of some of the activities however this issue is being evaluated by the NFP. In the meantime, Heritage Malta is in the process of setting up a multidisciplinary task group for the Hypogeum and is preparing the tenders for the 3D Documentation and project management services. It is envisaged that the tenders for the 3D Documentation, Project Management and Conservator Services are published in the next 6 months. The next half year will also see the preparations for the purchase and installation of equipment tender kicking off.

¹² Grant Offer Letter received electronically 21 August 2007; letter dated 8 August 2007.

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, representatives of the socio-economic partners and 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. The FMO and the Donors had also been made aware of this decision during the annual meeting which had taken place the previous May.

During the meeting, the Annual Report, which had been presented to the Donors at the previous Annual Meeting held on 29 May 2006, was 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 Chairperson 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 guidelines¹³, changes to the Grant Offer Letter¹⁴, revisions in reporting requirements¹⁵, and Irregularities Reporting Templates¹⁶. 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 taken care of 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

¹³ Email from FMO dated 13 July 2007

¹⁴ Email from FMO dated 3 August 2007

¹⁵ Email from FMO dated 6 August 2007

¹⁶ 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 in Article 3.7 of the General Terms and Conditions attached to the Grant Agreement, a standard template of the Implementation Agreement is to be signed by Project Promoters (PP) and the NFP. 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. MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport

As the very first project to be concluded under EEA Grants, MT0006 has had the largest amount of publicity amongst all the projects being financed by the two financial mechanisms. Billboards were set up in strategic locations around the Malta International Airport (MIA) to indicate that the project was on-going and its financing sources. The billboards clearly indicated that the project was being co-financed by the NFM. On completion of the works in the departures hall, an official launch took place, wherein a commemorative plaque was unveiled. Media coverage of this event was quite extensive. The Prime Minister made the inaugural address and the premises were blessed by the MIA Chaplain. The event was attended also by the Ambassador for Norway to Malta as well as other officers from the Donor state, the FMO, the NFP and other authorities.

8.1.2. MT0008 Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment

With regard to MT0008 where security/safety equipment is to be procured and installed in building sites housing central elements of the Schengen Information System, the PP is being prudent (due to the sensitive nature of the project) and therefore it is not foreseen that major publicity actions will be undertaken prior to conclusion of the project.

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 publicity plan will be in Nature Trust (Malta)'s hands by the end of September/beginning of October 2007. .

8.1.4. MT0014 Conservation of Hal Saflieni Hypogeum – World Heritage Site

In terms of the MT0014 Hypogeum project, publicity is planned to take place at a later stage. Heritage Malta is currently designing a publicity plan for the Hypogeum project to kick off once implementation is underway.

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.

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 they could use (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 EFTA 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>
<p>January – August 2008</p>	<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 IAID has concluded 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.

As a result of the systems audit performed so far, IAID have concluded that the management and control systems in place to ensure the sound financial management of the EEA and Norwegian Financial Mechanisms with respect to the areas identified in this report, are adequate and operating effectively¹⁷. 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:

¹⁷ 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. The 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 at 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

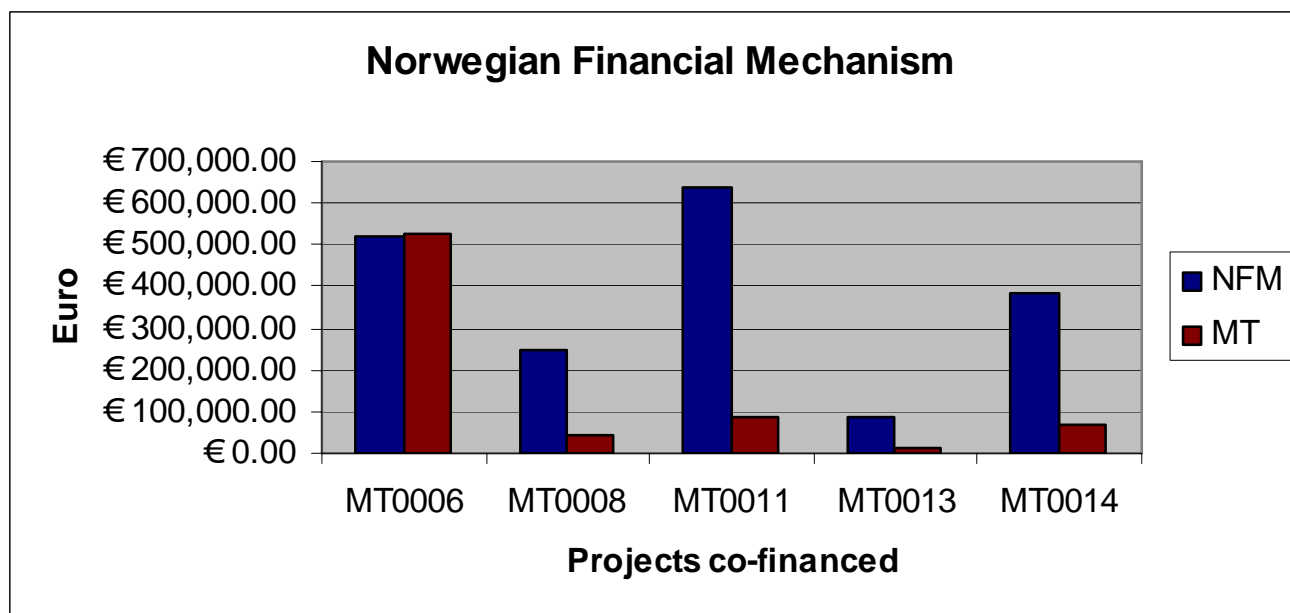
An Audit Trail is currently being finalised. IAID's advice will be sought and it is envisaged that the final version will be presented to the FMO in November 2007.

11. CONCLUSION

This has been the second year of implementation for the Norwegian 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. Following the entire selection, appraisal and approval process, one project has already been started and completed, thus making it the first to be completed under the Grants. MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport has certainly set a milestone for Malta.

Despite difficulties and also unforeseen delays, good progress has been registered, due largely to the good cooperation 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 NORWEGIAN 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
0006	Implementation of Schengen Acquis Requirements at Malta International Airport	24 April 2006	11 July 2006	November 2006/November 2006	23 January 2007	15 June 2007
0008	Procurement and Installation of Security/Safety Equipment for Building Sites housing SIS Equipment	24 April 2006	11 July 2006	November 2006/November 2006	21 December 2006	15 June 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
0013	Technical Assistance Fund for Malta	N/A	N/A	N/A	17 October 2006	12 February 2007
0014	Conservation of Hal Saflieni Hypogeum – World Heritage Site	21 November 2006	10 July 2006 ¹⁸	February 2007/March 2007	8 August 2007	N/A

¹⁸ This project was initially selected as a reserve project and the Interim Notification Letter indicated this fact.

ANNEX 3

IMAGES OF PUBLICITY ACTIONS FOR INDIVIDUAL PROJECTS



Figure 1 The Maltese Prime Minister unveiling the commemorative plaque in the presence of the CEO of MIA (centre) and the Minister for Tourism and Culture (left) during the inauguration of the new Schengen wing co-financed by the Norwegian Financial Mechanism through project MT0006 Implementation of Schengen Acquis Requirements at Malta International Airport [11 June 2007]



Figure 2 The Minister for Rural Affairs and the Environment (second from right) addressing a Press Conference on the launch of the MT0011 Xrobb l-Ghagin Nature Park and Sustainable Development Centre project [28 March 2007]