



STRATEGIC AND ANNUAL PROGRAMME REPORT 2014

NORWEGIAN 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, the Norwegian 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 Norwegian Programme. One of these projects had its contract signed in 2013 and is progressing as planned. The second pre-defined project is still awaiting a development permit to be issued by the Malta Environment and Planning Authority (MEPA) and hence its contract cannot be signed yet.

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

In accordance with the Memorandum of Understanding between Malta and Norway that was signed on 27 September 2011 and the Programme Agreement for the financing of the Norwegian Financial Mechanism Programme signed on 9 April 2013, the following three programme areas are receiving financing from the Norway Grants:

- Programme Area 22 Global Fund for Decent Work and Tripartite Dialogue¹
- Programme Area 25 Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities
- Programme Area 32 Correctional Services, including Non-custodial Sanctions

The Programme under the Norway Financial Mechanism 2009-14 seeks to contribute to the reduction of economic and social disparities within the EEA while enhancing bilateral cooperation between Malta and Norway through two pre-defined projects under Programme Areas 25 and 32. Project MT04/1 entitled 'A Partnership for Creative Governance' is partnering with the Norwegian Association of Local Municipalities (KS) while Project MT04/2 'Renewing the Centre of Residential Restorative Services (CoRRS)²', which formally has no Donor State partner, plans to draw best practices from similar correctional institutions in Norway.

Through strengthened tripartism and social dialogue in Malta, enhanced quality services offered to the community by an empowered local Government, and improved correctional services in compliance with relevant International Human Rights Instruments, the Norwegian 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.

2.1 Cohesion

2.1.1 Programme Area 25 – Capacity-building and Institutional Cooperation between Beneficiary State and Norwegian Public Institutions, Local and Regional Authorities

- Project MT04/1 - 'A Partnership for Creative Governance'

The evolving global scenario is presenting various challenges to governance at regional and local level. Globalisation, global economic turmoil, proliferation in the use of ICT and environmental dynamics are some of the main drivers to which local governance

¹ Innovation Norway is the Programme Operator for this Programme Area.

² The Centre was previously known as the 'Young Offenders' Unit of Rehabilitation Services (YOURS)'.

has to respond. Austerity policies throughout Europe necessitate that politicians and executives at local council level do more with less. Creative thinking and innovation play a crucial part if sustainable communities are to be developed.

The development of effective, democratic local government is a fundamental change from the old ways of governing. Local authorities need the capacity to attract committed elected representatives and a set up of competent staff. By training them to deliver good local public services they will become organisations that foster sound leadership and management, engage local people and meet high standards of public service to better serve the community.

Effective local government calls for a pertinent and well planned strategy that requires local initiative and increased and strengthened cooperation in the respective European public institutions and in regional and local government.

In this regard, 'A Partnership for Creative Governance' has undertaken a comprehensive training needs analysis leading to a National Training Strategy as a key factor for change in the economic and social situation in local communities.

A study in 2008 by the Council of Europe's Centre of Expertise for Local Government Reform showed that local government in Malta remained centralised and that little changed since its inception in 1993. Training programmes for local council staff and elected representatives, indispensable in fostering the international experience of foreign local government systems, were not available. Newly elected representatives received little training for their important role. Most of the 68 Maltese local councils are short of budget and professional capacity with fewer than five councils having a training budget.

The year 2010 saw a reform in local government. The Department for Local Government (DLG) set up a training unit and several training initiatives to bring about the needed change. DLG embarked on the identification of gaps in the system by launching a skills' profiling exercise on individual and local council requirements. This was the first step towards confirming the need for a full training requirements assessment to establish all the possible gaps in the local government system. The second step consists of an assessment of the actual performance of local authorities against existing standards.

Local councils play an important role in implementing national priorities. Many Maltese local councils have good work practices which cannot be shared with other local councils as there are no identified mechanisms for exchange yet.

'A Partnership for Creative Governance' is expected to bring about the much needed culture change in the Maltese local government scenario. Through a stronger local government system the long-term benefits for the Maltese community shall include an

improved standard of living, a change in mentality, and a local government system that operates more closely to that expected at a European level. This should ameliorate Malta's position in the Human Development Index, which currently stands slightly above the EEA average, particularly with regard to an improved standard of living.

The adoption of strategies and performance indicators are expected to create the necessary tools for economic sustainability of the system. The performance indicators will also entail the establishment of a faster process of service delivery, both at counter-level in council offices and more so in an ICT strategy to deliver more e-government services.

The project actions are designed to meet the present shortcomings of the system and to overcome challenges. They are being delivered with the additional comfort of expertise through Donor project partnership and the Council of Europe.

The National Training Strategy that is being developed and implemented under this Programme will also make provisions for an academic course that will be receiving funding under an ESF project³. The Norway Grants are therefore a crucial instrument in empowering local government with sustainable capacity building.

2.1.2 Programme Area 32 – Correctional Services, including Non-custodial Sanctions

- Project MT04/2 – ‘Renewing the Centre of Residential Restorative Services (CoRRS)’

Young inmate capacity is an issue of national concern from both a spatial and operational perspective. The all-male young prisoner population in Malta has grown since the establishment of the Young Offenders' Unit of Rehabilitation Services (YOURS) within Malta's Correctional Facility in 1994. Up till present, young female offenders have not been catered for.

In 2013, the juvenile prison population in Malta marked 0.7% of the total prison population⁴. This is relatively lower than the Beneficiary States' average at 1% and is

³ Project 4.181 'Improving Public Governance and Management at Local Level' under Priority Axis 4 aims to research, develop, accredit and deliver the first academic qualification in public management at local level. The diploma level course is accredited at Level 5 of the Malta Qualifications Framework and will be delivered to Executive Secretaries working in local councils around Malta and Gozo, in Regional Committees and at the Local Councils' Association and to staff of the Department for Local Government. This project will provide complimentary action to project MT04/1 and will not constitute project overlap.

⁴ Macro-level Indicators - Prison Population: <http://eeagrants.org/Media/Files/Macro-indicators-December-2014>

comparable to that of the Czech Republic, Poland and Slovenia. The Maltese juvenile prison population rate is however higher than that of Portugal and Cyprus by 0.1%.

As things stand, the only national correctional facility available in Malta does not address the needs and rehabilitation requirements of young residents. A structure that includes a maximum security wing and a highly restrictive floor-plan mean that a dedicated space for the educational, recreational and psychological needs of a young population is difficult to materialise. Better premises to accommodate the growing population, with a section reserved for female offenders, coupled with a renewed programme to help sentenced inmates earn their parole are essential for successful correction in the coming years.

Additionally, to date correctional officers are primarily custodial in orientation and have had little training in dealing with young offenders.

The project plans to address such shortcomings by designing more accommodating premises and introduce a renewed programme of activities aimed at the age and gender requirements of the population to incentivise desirable behaviours and facilitate seamless reintegration and assimilation of these residents into society.

The project aims to satisfy the needs of the most vulnerable strata of society. Social inclusion is one of the cornerstones of Government's actions in favour of a just society. Government's strategy in active inclusion enables individuals to live up their full potential by taking active part in economic and social life through appropriate support at critical junctions in their lives.

The issue of training and ongoing personal development of the inmates and the correctional officers assigned to the Centre of Residential Restorative Services (CoRRS) is in line with Malta's National Reform Programme, which has as one of its main thrusts the issue of Education and Training. Project MT04/2 will also secure the explicit provision for young offenders to spend their time of imprisonment 'in a young offenders rehabilitation institution or in a similar facility' in terms of Regulation 61 (e) (ii) of the Prisons Regulations (Subsidiary Legislation 260.03) issued by virtue of the Prisons Act.

Correctional staff will also undergo formalised training on current best practices in the adolescent correctional field as well as receive firsthand experience in the way a correctional facility is operated in Norway and in line with international practices and human rights standards.

Upon project completion, Malta will be in a better position to honour international regulatory frameworks for the treatment of young offenders in detention.

2.1.3 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 policy⁵ 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.

2.1.4 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 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.

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

⁵ '*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>

applications, such as environmental impact assessments, 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.

Procurement-related risks have been mitigated to a large extent with regard to Project MT04/1. By means of a service agreement reached in November 2013 between the Department for Local Government and the Council of Europe, the latter has been directly entrusted to deliver the majority of the project's activities.

A Donor-imposed condition that precludes the signing of contracts before the required building and planning permits have been obtained is a crucial concern for Project MT04/2. The National Focal Point/ Programme Operator held several meetings with the Project Promoter and the Ministry for Home Affairs and National Security in 2014 on the development of an identified site but as at the cut-off date of this report, the full development permit for the demolition of an already existing building and the construction of the CoRRS complex was still in process. With the construction of premises for the CoRRS Unit being an integral project deliverable, Project MT04/2 might risk non-completion by April 2016.⁶

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 tutorials⁷ 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

⁶ Since the cut-off date of this Report, this risk has been lifted to some degree as the project will focus on correctional staff training and inmate rehabilitation programmes rather than on the physical aspects of constructing the facility. Plans for the latter have also been revised and the current premises will not be demolished and reconstructed but will only be refurbished and extended by a new wing. This should hasten the planning application process, and save time and money without compromising on the original idea of rehabilitating young inmates into society.

⁷ The CARS Tutorials are available on: <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Bilateral%20Programmes/Pages/CARS-TUTORIALS.aspx>

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 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.

The National Focal Point escalates delays that are not duly addressed to the relevant authorities, if necessary.

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 the risk. The risks identified within each project will be monitored by the Programme Operator through periodical progress reports, desk-based expenditure verification checks and on-the-spot checks.

2.2 Bilateral relations

Project MT04/1 - 'A Partnership for Creative Governance' enjoys a partnership with a Donor entity, the Norwegian Association of Local Municipalities (KS). With its international experience in project management, KS has a vital contribution towards the success of this project and is an ideal partner to assist the Department for Local Government. KS is deemed to be the Norwegian counterpart of the Maltese Local Council Association, which is also a partner in this project along with the Council of Europe. KS actively participates in steering committee meetings with the Project Promoter and the other partners throughout the implementation of the project.



MT04/1: Project Partners in a Steering Committee meeting held in Malta on the Performance Management Programme (PMP) on 1st June, 2014,
Left to right: Ms. Aina Simonsen, Director of the Association of Local and Regional Authorities in Norway (proposed as Norwegian expert on PMP by KS), Ms. Alina Tatarenko, Deputy Head of the Centre for Expertise for Local Government Reform (Council of Europe), Mr. Jon Barber, appointed expert for PMP, Dr. Marc Sant, President of Local Councils Association, and Mr. Adrian Mifsud, Project Leader for Project MT04/1
(Source: The Department for Local Government)

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 Norwegian Financial Mechanism Programme, amounting to €25,411, 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 and 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.

3 REPORTING ON PROGRAMME

3.1 Overview of Programme Status

The Programme Agreement for the Norwegian Financial Mechanism 2009-14 was signed on 9 April 2013. Since then, only the project contract with the Department for Local Government was signed.

Funds amounting to €16,000 were set aside for the Global Fund for Decent Work and Tripartite Dialogue under Programme Area 22. Innovation Norway, an entity designated by Norway, operated this Fund. Two proposals were submitted by Malta in response to

the call published by Innovation Norway of which the one by the Department of Industrial and Employment Relations was selected. The implemented project under this Programme Area, entitled 'Enhancing Social Dialogue and Labour Institutions', delivered an analysis of the current labour market situation particularly with regard to flexible employment and the current regulatory provisions. Flexible employment arrangements help enhance Malta's competitiveness and employee well-being while promoting an improved work-life balance. The need to strengthen tripartism and social dialogue in Malta is required to support trade unions in attaining such benefits and to prevent abuse related to flexible employment arrangements.

Successful economies in the 21st century will not be possible without a modern system of labour relations and efficient strategies for managing change proactively. A research paper on changes in the Maltese labour market delivered under this project has shown that stakeholders' perceptions on Malta's tripartite model of social dialogue structure is indeed very positive.

The project marked its closure at a conference held on 5 December 2013 that was addressed by Hon. Dr. Helena Dalli, Minister for Social Dialogue, Consumer Affairs and Civil Liberties and H.E. Bjørn T. Grydeland, Ambassador of the Kingdom of Norway. Ambassador Grydeland expressed his satisfaction with efforts being made to enhance bilateral relations between Norway and Malta and with the way his government was paving the way for successes emanating from the Nordic economic model to be shared with and emulated by other countries. Among the various speakers from trade unions, employers' associations and other bodies for social dialogue, two Norwegian experts from LO (The Norwegian Confederation of Trade Unions) and from FAFO (Institute for Social and Labour Research) gave presentations highlighting best-practices from the Norwegian economy.

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 €1,694,118 in eligible expenditure has been committed by means of the Programme. Out of this amount, an eligible value of €135,346 was contracted and a total eligible sum of €72,809 was disbursed by end 2014⁸ (*vide* Table 1 below). Three Interim Financial Reports submitted in 2014 covering incurred expenditure between 1 September 2013 and 31 August 2014 declared €62,209.60 in eligible expenditure incurred under the Norwegian 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 MT04/1.

⁸ Total eligible expenditure incurred and paid in 2014 under this Programme amounted to €63,822

Budget Heading	Allocated Eligible Expenditure	Contracted Eligible Expenditure till end of 2014	Incurred Eligible Expenditure till end of 2014
Programme management	€61,177	€52,030	€22,103
Increased and strengthened cooperation between public institutions, local and regional authorities in the Beneficiary states and similar institutions and authorities in Norway	€321,976	€83,316	€50,706
Increased focus on vulnerable groups in prison	€1,285,553	€0	€0
Fund for bilateral relations	€25,412	€0	€0
Total	€1,694,118	€135,346	€72,809

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

3.2 Individual Programme Reporting

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

As stated earlier in this Report, only the project contract for MT04/1 was signed under the Norwegian Financial Mechanism Programme on 12 December 2013. This was enabled following finalisation and signature of the project partnership agreements between the Department for Local Government and its three respective partners, namely the Local Councils Association in Malta, the Norwegian Association of Local Municipalities (KS) and the Centre of Expertise for Local Democracy Reform within the Council of Europe (CoE).

Originally, this project had a fourth partner, the Royal Ministry of Local Government and Regional Development Norway. However, this partner withdrew from the partnership. An amendment was made to the Programme Agreement as the Royal Ministry of Local Government and Regional Development Norway was listed as one of the partners under Project MT04/1 in that document.

The project was launched on 20 February 2014. The Project Promoter also convened its first Steering Committee meeting the previous day, taking advantage of the presence of all project partners for the launch.

The project entails the development of a national strategy for innovation and good governance at local level. A comprehensive training needs analysis/ assessment (TNA) has been conducted to identify gaps in the current local government system. The identified training requirements are being fed into the design and development of a national training strategy (NTS) for local government. A training academy for leadership at all levels of local government is also being formed. To secure quality standards, a set of performance indicators are being developed for the first time to which local government shall be required to adhere.

Besides being an active partner in the project, the CoE is delivering the majority of services required in the project's activities, such as the TNA as well as the preparation of the NTS, the Leadership Academy Programme, a Performance Management Programme (PMP) and the Strategy for Innovation and Good Governance at Local Level. All applicable approvals at a local level were sought and obtained for a direct agreement for services with the CoE. The fact that the majority of this project's activities have been entrusted to this highly reputable institution has also reduced the risk of having multiple tenders on the market, each possibly presenting procurement-related difficulties along the course of the project timeline.

The contract with the CoE stipulates payment in two instalments, the first upon signature and the second following the first service provider report. The first instalment was paid in accordance with the established timeframe in the Partnership Agreement.

To this end, the CoE has appointed two experts on the TNA and the PMP. The TNA expert, Dr Cezary Trutkowsky, has been on board since the beginning of the project. At the project's launch event in February, he presented the way forward for the TNA as the first component of the project. In April 2014, Dr Trutkowsky presented the Project Promoter with a draft quantitative questionnaire to assess the training needs of Local Council staff. The Project Leader and an assistant coded the data of 298 filled questionnaires before passing on to the expert for his evaluation. To complete his analysis from both quantitative and qualitative aspects, the TNA expert visited Malta again in May 2014 to deliver fifteen interviews and five focus groups with Local Council

staff, including Mayors and Executive Secretaries. Transcripts for these interviews and focus groups were also carried out by Dr Trutkowsky.

In the meantime, the Department for Local Government commissioned the National Statistics Office (NSO) through a direct agreement to carry out a national survey on its behalf. The survey sought to understand the general public opinion on local councils in terms of quality service delivered and their general performance within communities. NSO compiled the survey results and delivered the data to Dr Trutkowsky in July 2014. The information collected from the questionnaires, the transcripts and the national survey formed the basis of the TNA report that was presented to the Local Councils in a specially held event on 1 December 2014. This event also served to launch the consultation process for the NTS.



MT04/1: Project Leader Mr. Adrian Mifsud presenting the Training Needs Analysis Report and its findings, 1 December 2014

(Source: The Department for Local Government)

The recommendations of the TNA report will feed into the NTS. An NTS Committee, consisting of the Project Promoter, the Local Councils Association, the National Association for Local Council and Regional Executive Secretaries, and the Parliamentary Secretariat for Local Government in Malta has been formed. The NTS Committee has put forward the first set of proposals from the TNA report that will be carried out in the NTS.

The PMP was launched on 30 June 2014. The event was well attended by the majority of local councils who were informed about the PMP initiative and invited to participate in the PMP process for the establishment of performance indicators. A questionnaire was sent to all local councils and the results were incorporated in the PMP expert's report. A call with a target of twelve local councils was launched in August 2014 for the participation in a pilot project that would establish performance indicators.

Training to thirteen local councils that registered interest in the pilot project was provided in September 2014 by PMP expert Mr. Jon Barber and the Project Leader. A second phase of training was conducted with the same participating local councils in December 2014. Each council was asked to propose three performance management indicators that would address local community expectations. Mr. Barber will collate these indicators into an official document.



MT04/1: CoE-appointed expert Mr. Jon Barber (standing left) and Project Leader Mr. Adrian Mifsud giving a presentation on the Performance Management Pilot Project – Training Phase 2, 2 December 2014

(Source: The Department for Local Government)

At the cut-off date of this report, arrangements were being made with KS for a study visit by the participating local councils to Oslo. The visit will enable the participants to share and discuss the selected indicators with their Norwegian counterparts who in turn shall provide information about Norway's best practices in performance management.

The Maltese Government will eventually set these performance management indicators in the 'Local Councils (Association) Regulations' and thereby honour the Regulations' requirement of auditing annually the performance management of local councils.

The CoE organised and financed the participation of the Project Leader and a Mayor in a train-the-trainers course on Leadership Academy. Together with the CoE-appointed expert, the two trainees will conduct the training programme for the Leadership Academy to administrative and elected local council staff.

A number of Steering Committee meetings were held in 2014. The guidance and support of all project partners and their dedication to work against the established project action plan is proving to be the driving force behind the achievement of targets in 2014.

The services of a full-time project manager were felt to be required when the project was being proposed. A departmental call for tenders for project management services was issued in December 2013. By the closing date of 8 January 2014, two offers were submitted. Both were however found to be not technically compliant in terms of the proposed key experts not having the requisites established in the tender. The procedure to withdraw the contract took some time given the legal implications involved. Until this issue was settled, project management duties were being carried out in-house by the Project Promoter. Given that the Project Promoter eventually decided to continue performing these duties in-house, it was agreed that some of the budget allocated for project management services would be spent on covering Project Promoter staff costs whilst the remaining allocation would be added to the budget reserved for travel and subsistence to further support the study visit of local councils to Oslo.

Upon instructions from the Financial Mechanism Office to treat 30 April 2016 as the final eligibility date for project costs, an addendum to the signed project contract was drawn up to bring forward the physical and financial execution of the project to this date and to compress the project's implementation and disbursement plans accordingly.

The robust action plan that the Steering Committee devised assures that the project deliverables are on track. The TNA target was achieved at the end of 2014. The Project Promoter envisages the conclusion of the NTS, PMP and Leadership Academy in 2015 with the final event in Q1 2016 being the award of the European Label of Governance Excellence to at least twelve local councils that participated in the project activities. The project will round off with a survey to measure the increased satisfaction of local council performance.

In early 2014, the Ministry for Home Affairs and National Security (MHAS) informed the National Focal Point/ Programme Operator that it identified a site for Project MT04/2 in Mtahleb, a remote hamlet in the west of Malta. Until a couple of years back the existing structure on this site housed the 'Substance Abuse Therapeutic Unit' facility. An

application for a full development permit that entails the demolition of the existing structure and the construction of a new corrective facility was submitted to the Malta Environment and Planning Authority (MEPA) on 21 March 2014. In its screening process of the application in April 2014, MEPA requested the Ministry to submit a Cultural Heritage Assessment and an Appropriate Assessment that studies impact on the integrity of the protected site, or on its habitats species and ecosystems. Both assessments were submitted to MEPA in August 2014, however MEPA required the resubmission of the Appropriate Assessment as it did not satisfy the required Terms of Reference. An engineer-endorsed Fire Safety and Ventilation Report, revised drawings incorporating access for the physically impaired as well as designs of the mechanical and electrical layout were also required during the screening process.

In the meantime, the Ministry devised a new time plan for the project to meet its objectives by the eligibility deadline, once the approval of the MEPA permit is obtained. The Ministry expressed its intention to finish all excavation works and most of the construction works by 30 April 2016 so that these could be covered by the Norway Grants. The remaining construction works, the services and finishes and other measures of the project would be completed until 30 April 2017 and be covered by national funds. This plan follows the Financial Mechanism Office's suggestion, as communicated by letter dated 12 June 2014, to split the project in two components whereby the activities to be implemented first could be financed by the Norwegian Financial Mechanism at a grant rate of 85% by not later than 30 April 2016 on condition that the remaining parts of the project are completed by 30 April 2017.

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 Norwegian 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 annexes⁹ 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.

The principles of good governance have been taken a step further with Project MT04/1. It shall reinforce local government with a national strategy for innovation and good governance. In addition, local councils that participate in all the project's activities will be awarded the European Label of Governance Excellence, thus encouraging the participation of other local councils in similar good governance schemes.

3.2.2.2 Sustainable development – Environmental

Although Project MT04/1 does not directly target environmental issues, it is foreseen that the general environment of localities shall stand to benefit from improved quality standards set by the established performance management indicators.

On the other hand, Project MT04/2 is taking all necessary steps to respect the environment and cultural heritage of the site designated for the development of a new correctional facility. The finished complex is required to visually blend in with the surrounding natural environment.

3.2.2.3 Sustainable development – Economic

The Performance Management Steering Committee for Project MT04/1 has selected policy areas for local finance management and local economic development. The adoption of strategies and performance indicators will create the necessary tools for economic sustainability of the local government system.

⁹ The MoP and annexes are available on <http://www.norwaygrants.gov.mt>

Project MT04/2 shall be ensuring that the correctional facility will operate on a cost-efficiency system with proper deployment of staff.

3.2.2.4 Sustainable development – Social

The Maltese local government is being supported by a team of experts from its Norwegian counterpart and the Council of Europe. Through the performance management plan and the Leadership Academy, Project MT04/1 shall establish performance benchmarks and provide the necessary training to local councils in delivering improved quality services for a better livelihood for their communities.

Project MT04/2 will ensure that the standard living requirements are met for the safety of inmates and staff, and shall bring correctional services in compliance with relevant International Human Rights Instruments. Social integration within the community is one of the foundations upon which the principles of restorative justice are built. It is expected that through this project, the inmates will have more opportunities for restorative assimilation within their community.

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 two projects under this programme promote equal participation opportunities both at activity level as well as within their management structure. Project MT04/1 is providing training to all local council staff, irrespective of gender type. All activities involve the participation of both male and female elected and administrative staff.

Presently, young female inmates do not have dedicated premises within the national correctional facility and neither do they have a specific programme that caters for their needs. Project MT04/2 shall provide segregated accommodation for males and females. All inmates, irrespective of gender or nationality, shall be able to benefit from the

services and opportunities offered. Cultural integration shall be promoted for the inmates' security and personal development.

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). In the case of local councils public procurement is governed by the Local Councils (Tendering) Regulations (Subsidiary Legislation 363.03).

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.norwaygrants.gov.mt> of the National Focal Point/ Programme Operator.

4.3 Irregularities

An administrative check carried out on expenditure incurred for Project MT04/1 detected that the service provider of the launch event invoiced charges for beverage items that were additional to those listed in the quotation. Given that at the time of the check the invoice had already been paid by Treasury an irregularity report was drawn up. The irregular part of the incurred amount was not claimed in the corresponding Interim Financial Report and was therefore borne by national funds.

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 MT04/1 in 2014. These checks examined the correctness of the procurement process of four 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 in 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 Department for Local Government launched its project on 20 February 2014 with a series of presentations from the Project Leader, the project partners and the appointed expert on the first project activity, the Training Needs Analysis. Hon. Dr. Ian Borg, Parliamentary Secretary for the EU Presidency 2017 and EU Funds and Hon. Dr. Jose Herrera, Parliamentary Secretary for Culture and Local Government were among the key high-ranking speakers at this event and this secured extensive press coverage. The launch was well attended by Regional Committee members, Mayors and Executive Secretaries from various local councils.

The local councils of Malta and Gozo have learnt more about the Norway Grants through the various events held in connection with the Training Needs Analysis and the Performance Management Programme.

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.norwaygrants.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.

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.

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USEFUL LINKS

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- EU related courses organised for Civil Servants by CDRT
- Interreg IVC programme Results
- Interreg IVC/Interreg Europe Interregional Forum
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- Two Positions available at Interact Point Valencia for the Interact II Programme

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EEA Grants 2009-2014
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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 Norwegian 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 Project MT04/1. Components within this project are progressing according to plan. Disbursement levels were still low in 2014 given that the remaining balance payment for CoE's services and activities that carry substantial values will be effected in 2015.

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 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 Norwegian Financial Mechanism over the next year.