Swiss-Maltese Co-operation Programme

Minutes of Annual Meeting held on 17 June 2011

The third Annual Meeting of the Swiss-Maltese Co-operation Programme was held at the Funds and Programmes Division within the Office of the Prime Minister, Valletta, Malta on Friday, 17 June 2011.

Mr Stephen Calleja, who was chairing, opened the meeting at 9.30 am.

<u>Adoption of the Agenda</u>

The agenda was approved and adopted.

<u>Introduction</u>

Mr Calleja welcomed the participants and commenced the meeting by remarking that the programme was moving at a steady pace, with significant progress being registered since the previous Annual Meeting. He expressed the NCU's gratitude to SDC as well as to IAID, the Paying Authority and Treasury for their support over the past 12 months.

Mr Manzoni thanked the Maltese NCU and the other stakeholders for the warm welcome and for organizing the meeting, adding that SDC was satisfied at the way the implementation of the programme was being managed in Malta. He added that the working relationship with the Maltese NCU was among the best his Division had.

Mr Manzoni announced that this would his last Annual Meeting of the Programme as he was being assigned other duties. He informed the meeting that his replacement would be Ms Maryline Dafflon. Official correspondence and a visit would follow to introduce Ms Dafflon.

Mr Manzoni noted that the 5-year commitment period of the current programme would close on 13 June 2012. However, this was not an issue for Malta as its allocation was already fully committed. He added that negotiations between Switzerland and the EU on a second Swiss Contribution had commenced and that the likelihood was that it would be larger than the first.

<u>Discussion on the Annual Report for the period 1 May 2010 to 30 April 2011 and on a modification to the Technical Assistance Fund budget</u>

Mr Calleja explained that the Annual Report, which had been circulated with the invitation and the agenda to this meeting, provided an account of the progress achieved in the 12 months up to 30 April 2011. However he wished to highlight some of the points in the Report.

The procurement procedure under the project 'Establishing PET/CT scanning in the Maltese Islands' had been launched on 4 February 2011, with the offer period closing on 29 March 2011. Four bidders submitted offers on Lot N$^{o.}$ 1 (PET/CT scanner), while a single offer was received on Lot N$^{o.}$ 2 (Fractionator Unit). Up to the time of the Annual Meeting, the adjudication process was still underway.

Referring to the disbursement plan as outlined in the Project Agreement, Mr Calleja noted that the Interim Report which was due to SDC by 31 July 2011 would not be submitted as there would be no payment claim to make. The same applied to audit: IAID was approached in April 2011 in view of Switzerland's request that an audit be carried out at project mid-term but at that juncture there was still no expenditure to audit. At this point, IAID intervened to state that the mid-term audit was now planned for September/October 2011. Mr Manzoni agreed that audit should work in a pragmatic way.

Mr Calleja asked Mr Manzoni about the possibility of extending the implementation period beyond 30 June 2012 (the current final eligibility date for the PET/CT project) in case the project would not be fully implemented by that date. Mr Manzoni replied that extensions in duly justified cases were possible but they would have to be formalised through an exchange of letters. This could be done either via the Swiss Embassy in Rome or directly with SDC, as preferred by Malta.

Mr Manzoni asked whether it would be possible for the NCU to provide a short write up on the collaboration between the Istituto Oncologico della Svizzera Italiana – Belinzona (IOSI) and Mater Dei Hospital as SDC wished to use it as an example of best practice in promoting bilateral relations between the two countries. Mr Calleja promised Mr Manzoni that the NCU would provide the requested brief.

In terms of the project 'Support to the Mediterranean Academy of Diplomatic Studies (MEDAC)' one payment claim had been submitted to SDC thus far, with a second payment claim being expected to follow later in Q2 of 2011. Mr Calleja noted that the NCU would be inviting the Paying Authority to accompany it and the Treasury during the on-site verification check of expenditure in connection with the second Interim Report.

Mr Calleja explained that as fewer students than anticipated had enrolled on the course during academic year 2010/11, it was likely that actual expenditure would be lower than budgeted. If this trend continued going forward, substantial savings would result. Accordingly, Mr Calleja raised the prospect of having the Project Agreement extended to a fifth academic year (2014/15). In the NCU's view it should be possible as the 10-year disbursement period closed in June 2017.

Mr Manzoni enquired whether publicity was given to this project and Mr Calleja replied that in 2010 invitations to nominate students had been sent out to foreign governments as in previous years but this year fewer had enrolled. Although this was probably due to the Arab Spring in several North African countries, Mr Calleja expressed his concern that this could happen again in 2011 and possibly in academic years three and four. He conceded that it might have been a little too early to consider the issue of an extension, adding that the NCU would raise the matter again when the amount of any actual or potential savings became clear enough to enable a more concrete discussion.

Mr Calleja then proposed a revision of the TA budget that had been agreed between the NCU and SDC on 30 June 2010. Presenting the amended budget, he pointed out that adjustments concerned three headings:

- In 2010, actual expenditure for participation in meetings outside Malta was SFr 1,276, leaving savings of SFr 224 on the amount budgeted;

- Expenditure on the 2010 Annual Meeting was SFr 81, a reduction of SFr 342 on the amount budgeted. At the same time, provision had to be introduced for Annual Meetings in 2013 and 2014. These amendments would result in the overall allocation under the budget heading 'Expenditure for Annual Meetings' dropping to SFr 1,498 from SFr 1,800.

- As against the above, the 'General Publicity Measures' heading would rise to SFr 5,726, giving the possibility of having more effective publicity in due course.

Separately, the amount of SFr 21,000 under 'Hiring for Consultants for project preparation' was to shift from 2010 to 2011, this being the year when the expenditure would be incurred.

Mr Manzoni suggested that the Maltese NCU should increase the 2012 allocation under the heading 'Expenditure for Annual Meetings' in view of an event that would be organised by SDC to mark the end of the commitment period. Funds should cover the participation of between 2 and 4 persons from Malta.

Mr Calleja took note of Mr Manzoni's information and suggested that the revised TA budget would be submitted to SDC for its approval in the coming weeks.

Audit

After a brief introduction on IAID, Mr Debono reported that the interim financial audit on the PET/CT scanner project had been planned for May-June 2011. However, no expenditure had been made and therefore following an informal meeting with the NCU, the audit would instead take place in September-October 2011 (provided there was expenditure to be audited). A final financial audit was planned for 2012.

With regard to the MEDAC project, an interim financial audit was planned for October 2012 with the final financial audit in September 2014. The situation would be assessed on a regular basis according to the implementation phases of the project.

Any Other Business

Swiss Franc – Euro Exchange Rate:

Mr Calleja referred to the discussion during the previous year's Annual Meeting about the scope for adjusting the co-financing rates in order for Malta to utilise gains due to the strengthening of the Swiss Franc against the Euro. Mr Manzoni acknowledged that the exchange rate had changed from the one applied during the projects' design phase and he confirmed that the rate to be used for disbursements by Switzerland would be the one current at the time of disbursement. Thus, it seemed inevitable that there would be substantial savings in terms of the Swiss co-financing share purely because of exchange rate fluctuations.

Mr Manzoni added that the previous year's discussion remained valid. SDC was still evaluating the position to take with regard to the exchange rate. He stressed that Switzerland had no intention of making savings on exchange. The extent of the slide in the value of the Euro against the Swiss Franc was unforeseen and it had created a problem for SDC too because the Swiss Parliament had legislated in a way that the full SFr 1 billion had to be disbursed.

Different options were then considered by the participants of the Annual Meeting, ranging from establishing the Agreements in Euro to SDC converting in one lump sum (e.g. upon signature of the Bilateral Framework Agreement) the total allocation of a Beneficiary State using the Euro. SDC would keep the funds in Switzerland and gradually disburse them to the Beneficiary States as expenditure was certified. Mr Manzoni said that SDC was aware that the EEA and Norwegian Grants were established in Euro and it planned to approach the Norwegian authorities in order to find out what procedure they used at national level. Mr Manzoni assured the Maltese side that he would be discussing internally the whole issue of potential savings on exchange. At the request of the Paying Authority he would also check about what should happen to interest on advance payments.

IAID enquired about the exchange rate to be used in the final declaration. Mr Calleja suggested that IAID should use the rate which would have been applied on certification of the expenditure. In the case of Technical Assistance, it was clarified that whenever the Paying Authority authorises 'Transfer to Revenue' from the Central Bank of Malta account, the rate of exchange of 1.4367 was to be applied throughout, i.e. the rate of 20 April 2010 when 80% of TA Advance Payment was deposited at CBM as per TA Fund Agreement and converted into Euro. It was also agreed that a rectification was to ensue in TA Certification N°·4 since certifications 2 and 3 did not reflect the rate of exchange of 1.4367, but instead daily ECB conversion rates were applied as per respective dates of certification.

Conclusion

To conclude, Mr Calleja thanked everyone present and hoped to continue with this fruitful cooperation in the coming twelve months and through to the closure of the current programme.

Stephen Calleja
Chairman

Antonella Seguna
Secretary

Date

Annex A – List of Participants

Mr Mirko Manzoni, Programme Manager, Division New EU Member States, Swiss Agency for Development and Cooperation (SDC)

Mr Stephen Calleja, Director (Programmes and Projects), Funds and Programmes Division, Office of the Prime Minister (OPM)

Ms Antonella Seguna, Senior Manager (Bilateral Programmes), Funds and Programmes Division, OPM

Mr Emanuel Borg, EU Paying Authority

Mr Albert Zahra, Treasury Department

Mr Mario Debono, Internal Audit and Investigations Department

Ms Maria Camilleri, Internal Audit and Investigations Department