

# MANUAL OF PROCEDURES

for the implementation of projects funded under the  
EEA Grants 2014-2021 and the Norway Grants 2014-2021

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Malta

Fourth Edition

May2022



*Supported by the peoples of  
Iceland, Liechtenstein and Norway  
through the EEA and Norway Grants*

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## LIST OF ABBREVIATIONS

AA	Audit Authority
AG	Accountant General
APR(s)	Annual Programme Report(s)
CA	Certifying Authority
CAO	Compliance and Assurance Officer
CARS II	Computerised Accounting Records System
CAU	Compliance and Assurance Unit
CBM	Central Bank of Malta
DAS	Departmental Accounting System
DCS	Director(s) Corporate Services
DoC	Department of Contracts
DPDPI(s)	Director(s) Policy Development and Programme Implementation
DPP(s)	Donor Project Partner(s)
e-PPS	Electronic Public Procurement System
EEA	European Economic Area
EFTA	European Free Trade Association
EFTA BoA	EFTA Board of Auditors
ERA	Environment and Resources Authority
EU	European Union
FCU	Financial Control Unit within the Funds and Programmes Division
FM	Financial Mechanism
FMO	Financial Mechanism Office
FMC	Financial Mechanism Committee
FPD	Funds and Programmes Division
FPR	Final Programme Report
GCC	General Contracts Committee
IAID	Internal Audit and Investigations Department
IAIB	Internal Audit Investigations Board
IFR(s)	Interim Financial Report(s)
JCBF	Joint Committee for Bilateral Funds
LN	Legal Notice
MFEA	Ministry for Foreign and European Affairs
MFIN	Ministry for Finance
MoP	Manual of Procedures
MoU	Memorandum / Memoranda of Understanding
MECP	Ministry for the Environment, Climate Change and Planning
NAO	National Audit Office
NAG	Norwegian Auditor General
NFP	National Focal Point
NGO(s)	Non-Governmental Organisation(s)
NMFA	Norwegian Ministry of Foreign Affairs
OPM	Office of the Prime Minister
OTS	On-the-Spot
PCAB	Public Contracts Appeal Board
PCR	Project Completion Report
PNSD	People and Standards Division, OPM
PO	Programme Operator
PP	Project Promoter

PPR	Project Progress Report
SAMB	State Aid Monitoring Board
SCC	Special Contracts Committee
SoE	Statement of Expenditure
SR	Strategic Report
TA	Technical Assistance
TORs	Terms of Reference
VAT	Value Added Tax

# 1. GENERAL INTRODUCTION

- (1) This Manual of Procedures (MoP) has been designed as a guide for all key players involved in the management and implementation of projects co-financed under the EEA and Norwegian Financial Mechanisms 2014-2021.
- (2) This Manual is not intended to replace in anyway the Regulations and Guidelines of the EEA and/or Norwegian Financial Mechanisms – **those take precedence**. Rather, this Manual is intended to be an aid tool for all key players in relation to the *Regulation for the implementation of the EEA Financial Mechanism 2014-2021* and the *Regulation for the implementation of the Norwegian Mechanism 2014-2021* (henceforth referred to as the 'Regulations'), and all Guidelines issued by the FMO.

These documents can be accessed from the website: <http://eeagrants.org/>

- (3) In Malta, the Funds and Programmes Division (FPD) within MFEA has been designated as the National Focal Point (NFP) in accordance with Annex A of the Memoranda of Understanding (MoU) for both Financial Mechanisms.
- (4) The NFP shall manage and co-ordinate two funds: The EEA Financial Mechanism and the Norwegian Financial Mechanism.
- (5) Malta has signed two MoU for the period 2014-2021: one on the implementation of the EEA FM with Iceland, Liechtenstein and Norway and the other on the implementation of Norwegian FM with Norway (both may be downloaded from [eeanorway2014-2021.gov.mt](http://eeanorway2014-2021.gov.mt)). These two documents identify the national management and control structures and the implementation framework.
- (6) A Programme sets out the programme areas in which the FMs will be utilised. This is referred to as the EEA and Norway Programme. Further detailed information on the MoU and the Programme can be found under Chapter 3 of this MoP.
- (7) The Funds and Programmes Division within MFEA has also been designated as the Programme Operator (PO) for the Programme.
- (8) It is important to note that projects (including grant schemes) implemented through the above-mentioned Funds always require an element of co-financing from the entity receiving the Grant and implementing the project, also known as the Project Promoter (PP).
- (9) All the programmed projects that are pre-defined fall under either Departments of Government or public entities and consequently this MoP reflects processes and procedures for the public sector only.
- (10) This MoP does not describe the procedures which local councils must follow in the implementation of projects under the grant scheme that will be operated by the Local Government Division. Such procedures shall be defined by the Local Government Division.

**Note: All stakeholders will be notified immediately should any changes to the MoP be required. It is advisable to always consult the latest version available on [eeanorway2014-2021.gov.mt](http://eeanorway2014-2021.gov.mt) to ensure that the latest version is being consulted.**

## 2. ROLES AND RESPONSIBILITIES

The following section is divided into two main parts: local stakeholders and foreign stakeholders. This section is intended to provide an overview of the main responsibilities for all stakeholders involved in the management and implementation of both EEA and Norwegian FMs. Further details can be obtained from the contact details indicated below.

### 2.1 LOCAL STAKEHOLDERS

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#### 2.1.1 National Focal Point (NFP)

- (1) The Funds and Programmes Division, within the MFEA, has been designated as the NFP for the EEA and Norwegian Financial Mechanisms 2014-2021. The NFP shall act as the main contact point between the Financial Mechanism Office (FMO), the PPs and all local stakeholders in the management and implementation of both EEA and Norwegian FMs.
- (2) Specifically, it shall carry out the tasks as defined in Annex A of the MoU and Article 3.2 of the Regulations. Mainly it shall have the overall responsibility for reaching the objectives of the FMs 2014-2021 as well as their implementation in Malta, and shall be responsible and accountable for the implementation of the MoU.
- (3) Other key responsibilities include:
  - i. Coordination with the FMO, the FMC, the NMFA and the national stakeholders
  - ii. Regular monitoring of the programme with regard to its progress towards the programme outputs, outcomes and objectives according to the agreed indicators and financial requirements specified for the programme
  - iii. Carrying out publicity at national level in accordance with the Communication Strategy
  - iv. Ensuring that all entities involved in the preparation and / or implementation of the EEA and Norwegian FM 2014-2021 in Malta, contribute to the dissemination of information referred to in (iii) above
  - v. Managing the use of the fund for bilateral relations
- (4) The Head of the NFP entrusts the day-to-day management of the Technical Assistance budget to the officers within the 'Bilateral Funds Unit'. The officers will work closely with the Senior Manager who acts as the overall coordinator for Technical Assistance.

*Contact Details:*

Funds and Programmes Division  
Ministry for Foreign and European Affairs  
Telephone: (+356) 2200 1476  
E-mail: [fpd.mfea@gov.mt](mailto:fpd.mfea@gov.mt)

#### 2.1.2 Programme Operator (PO)

- (1) In terms of paragraph 4 of article 5.2 of the Regulations, the FPD, as NFP, has taken on the role of Programme Operator (PO) for the EEA and Norwegian Financial Mechanisms 2014-2021.

- (2) The FPD shall be responsible for preparing and implementing the Programmes in accordance with the principles of economy, efficiency and effectiveness. Specifically, it shall carry out the functions and tasks of the PO as defined under Article 3.3 of the Regulations and any other articles and annexes thereof.
- (3) The tasks and responsibilities of the PO include:
  - i. Coordinating with the PPs, the DPPs (if any) and the national stakeholders
  - ii. Monitoring and guiding the PPs
  - iii. Programme preparation and implementation
  - iv. Programme reporting and monitoring
  - v. Carrying out publicity at programme level in accordance with to the Communication Plan
- (4) The FPD is the main contact with the PPs throughout the implementation of the projects.
- (5) The Head of the FPD entrusts the day-to-day management of the Programme Management Costs to the officers within the 'Bilateral Funds Unit'. The officers will work closely with the Senior Manager who acts as the overall coordinator for Programme Management Costs.

*Contact Details:*

Director (Programmes and Projects)  
Funds and Programmes Division  
Ministry for Foreign and European Affairs  
Telephone: (+356) 2200 1862  
E-mail: [carmen.dalli@gov.mt](mailto:carmen.dalli@gov.mt)

### **2.1.3 Certifying Authority (CA)**

- (1) The Strategy and Implementation Division within MFEA shall act as the CA for both EEA and Norwegian FMs in accordance with paragraph 2 of Annex A of the MoU and shall mainly certify financial information.
- (2) Its main responsibilities are:
  - i. certifying the correctness and accuracy of all payment requests made to the FMO;
  - ii. submitting payment claims to the FMO and receiving payments made by the FMO to the Government of Malta;
  - iii. keeping record of financial corrections (debtors' ledger) and ensuring that any funds owed to the Government of Malta or to the FMO are collected and reimbursed;
  - iv. liaising with the NFP in developing sound financial management procedures.

*Contact Details:*

Head (Certifying Authority)  
Strategy and Implementation Division  
Ministry for Foreign and European Affairs  
Telephone: (+356) 2295 7603  
Email: [sid.mfea@gov.mt](mailto:sid.mfea@gov.mt)



### **2.1.4 Audit Authority (AA)**

- (1) The EU Funds Audits Directorate at the Internal Audit and Investigations Department (IAID) shall act as the Audit Authority under Section 3 of Annex A of the MoU. The IAID is the executive branch of the Internal Audit Investigations Board (IAIB) within the Office of the Prime Minister and is regulated by the Internal Audit and Financial Investigations Act 2003 (Chapter 461, Laws of Malta).
- (2) The AA is functionally independent of the NFP, the NFP as PO and the CA.

*Contact Details:*

Director General  
Internal Audit and Investigations Department  
Telephone: (+356) 2123 7737  
Fax: (+356) 2123 7681  
Email: [info.iaid@gov.mt](mailto:info.iaid@gov.mt)

### **2.1.5 Irregularities Authority**

- (1) The Financial Investigations Directorate within the Internal Audit and Investigations Department (IAID) shall act as the Irregularities Authority under Section 4 of Annex A of the MoU. The IAID is the executive branch of the Internal Audit Investigations Board (IAIB) within the Office of the Prime Minister and is regulated by the Internal Audit and Financial Investigations Act 2003 (Chapter 461, Laws of Malta).
- (2) The Irregularities Authority is functionally independent of the NFP, the NFP as PO and the CA.

*Contact Details:*

Director General  
Internal Audit and Investigations Department  
Telephone: (+356) 2123 7737  
Fax: (+356) 2123 7681  
Email: [info.iaid@gov.mt](mailto:info.iaid@gov.mt)

### **2.1.6 Department of Contracts (DoC)<sup>1</sup>**

- (1) The Department of Contracts (DoC) within MFIN is responsible for the administration of the procurement procedures as laid down in the Public Procurement Regulations 2010 (L.N. 352 of 2016 and subsequent amendments), which came into force on 28 October 2016. The DoC provides guidance and advice to PPs on all issues pertaining to public contracts. Within the legal framework, the DoC is known as the Central Government Authority whereas the agency procuring the supplies / services / works is known as the Contracting Authority.

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<sup>1</sup> As of 28 October 2016, the Department of Contracts is involved in tenders whose value exceeds €144,000 (excluding VAT).

- (2) The DoC ensures that the relevant tenders are launched and published in accordance with the above-mentioned regulations and that contracts are awarded in conformity with the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality, open competition, sound financial management and good governance.
- (3) The main functions of the Department of Contracts are outlined in Article 12 of L.N. 352 of 2016.
- (4) It is the responsibility of all PPs to seek the advice of the DoC on procurement issues.

*Contact Details:*

Director General  
Department of Contracts  
Telephone: (+356) 2122 0212 or (+356) 2124 7686  
Website: [www.contracts.gov.mt](http://www.contracts.gov.mt)  
Email: [info.contracts@gov.mt](mailto:info.contracts@gov.mt)

### *2.1.6 (1) General Contracts Committee (GCC)*

- i. The role of the General Contracts Committee (GCC) is, amongst other, to advise on matters relating to public contracts and procurement, to open tenders, to evaluate the recommendations submitted by tender evaluation committees and to make definite recommendations for the award of contracts and to approve justified deviations from the original conditions of a contract when and as required by Public Procurement Regulations.
- ii. Therefore, PPs are to take into consideration the role of the GCC in the tender adjudication and variation approval processes in their tendering, contracting and disbursement time-planning.
- iii. Information on the GCC can be obtained from the Department of Contracts.

### *2.1.6 (2) Special Contracts Committee (SCC)*

- i. A Special Contracts Committee (SCC) is appointed whenever the Prime Minister determines that the adjudication of a tender requires special expertise, skills or other specialist knowledge. A SCC will remain in operation throughout the adjudication process of a tender or else until the Director of Contracts declares that the adjudication of the public contract is withdrawn.
- ii. Information on the SCC can be obtained from the Department of Contracts.

### *2.1.6 (3) Public Contracts Review Board (PCRB)*

- i. The Public Contracts Review Board (PCRB)<sup>2</sup> is an independent and autonomous board (composed of a chairman and two members) appointed by the Prime Minister for a period of three years<sup>3</sup>. The PCRB is responsible for determining complaints lodged by aggrieved bidders on all tenders issued by the DoC, all departmental tenders, and all tenders issued by Schedule 3 entities.

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<sup>2</sup> As per L.N 352 of 2016, Public Procurement Regulations, 2016 and Contracts Circular No.19/2016

<sup>3</sup> Members may be re-appointed

- ii. The PCRB can be contacted by writing to:

The Secretary  
Public Contracts Review Board  
c/o Department of Contracts  
Notre Dame Ravelin  
Floriana

*Contact Details:*

Secretary  
Public Contracts Review Board  
Telephone: (+356) 2123 9095  
E-mail: [carmel.c.falzon@gov.mt](mailto:carmel.c.falzon@gov.mt)

#### **2.1.6 (4) Departmental Adjudication Boards**

- i. Departmental Adjudication Boards are boards or committees appointed by contracting authorities with the purpose of evaluating offers received in response to departmental tenders and for making recommendations thereon.
- ii. Taking into account the principle of proportionality, it is recommended that Departmental Adjudication Boards use templates and procedures available on the DoC website (with applicable amendments that have to be undertaken by the relevant contracting authority) and consult the DoC where further information on the procedure is required. It is also highly recommended that the Boards refer to the Standard Operating Procedures/Guidelines for Tender Evaluation Committees, issued by the DoC and available at <http://contracts.gov.mt/en/Resources/Pages/Resources.aspx>

#### **2.1.6 (5) Departmental Contracts Committee**

For the purpose of the EEA and Norwegian Financial Mechanisms' implementation, this refers to the Committee set up in terms of Regulations 73 to 75 of the Public Procurement Regulations with the purpose of making definite recommendations for the award of public contracts whose value is less than €144,000 (exclusive of VAT).

### **2.1.7 EU Payments Unit**

The EU Payments Unit within the Strategy and Implementation Division, MFEA, is responsible for effecting payments to beneficiaries or their suppliers. Within the context of implementation of the EEA and Norwegian FMs, the EU Payments Unit is responsible for:

- (1) Receiving requests (from the LM) for payment to contractors / reimbursement to PPs (as the case may be);
- (2) Carrying out relevant checks, particularly that the expenditure and supporting documentation are correct; and
- (3) Effecting payments/reimbursements to contractors/PPs in respect of eligible expenditure for approved projects.

*Contact Details:*

Chief Coordinator (EU Payments)  
Strategy and Implementation Division  
Ministry for Foreign and European Affairs  
Telephone: (+356) 2295 7601  
Email: eupayinfo.mfea@gov.mt

## **2.1.8 Central Bank of Malta (CBM)**

The CBM is banker to the Government of Malta and to a number of public sector institutions. The CBM will maintain and operate the accounts opened by the CA to receive funds paid by the FMO as the EEA and/or Norwegian part-financing of programmes/projects under the FM.

The CBM will also transfer funds as payment into a supplier's or service provider's bank account on instructions from the EU Payments Unit. Once the transfer is affected, the CBM will issue a Debit Advice to the EU Payments Unit.

## **2.1.9 Budget Office**

The Budget Office within the Ministry for Finance (MFIN) is responsible for ensuring that Malta respects all its national public co-financing obligations and its commitments. At a management level, the Budget Office will be assisted by the NFP and the CA (in their respective roles) to manage the national public co-financing. This co-financing will feature as a separate and distinct amount within the national budget allocation of the respective line ministries.

The Budget Office shall also allocate the necessary funds in the relevant line ministry's financial allocation to pre-finance the EEA and/or Norwegian co-financing share of projects under the EEA and Norwegian Financial Mechanisms in accordance with current policy. This pre-financing will feature as a separate and distinct amount within the national budget allocation of the respective line ministries.

## **2.1.10 Line Ministry (LM)**

- (1) In most cases the Director Policy Development and Programme Implementation (DPDPI) is responsible for the Line Ministry function. The DPDPI has to ensure that the full LM function (including raising the commitment in the Departmental Accounting System) is carried out efficiently by the relevant officers within the LM.
- (2) The Line Ministry is primarily responsible for the inter-agency co-ordination for all projects implemented by any Department/public organisation forming part of the Ministry's portfolio. The co-ordination function is applicable from the very start, including providing Ministerial input at programming stage; supporting agencies at the moment of submission of proposals; providing support to PPs during implementation – including liaison with NFP and other horizontal stakeholders; performing the second stage of the payment process (including CARS II input) and submission to EU Payments Unit once documentation is correct; monitoring of projects falling within the Ministry's portfolio; and following up any issues arising from management checks and audits.

### **2.1.11 Project Promoter (PP)**

- (1) In accordance with Article 1.6(x) of the Regulations, a Project Promoter is 'a natural or legal person having the responsibility for initiating, preparing and implementing a project'.
- (2) For the 2014-21 period, as mentioned earlier, four projects<sup>4</sup> have been pre-defined in the MoU. Each of these pre-defined projects has its own PP.
- (3) The PO signs a Project Contract with the PP before the start of project implementation. All projects are to be implemented in accordance with that Project Contract, as well as with this MoP.
- (4) The Project Contract gives the relevant details on the objective, targets and financial allocation of the project. The contract binds the PP to implement the project in accordance with its terms and conditions. The PP shall notify in writing any modification request to the PO in good time to enable the PO to adequately consider and assess the request before giving its decision (approval or rejection). Decisions are sent to the PP in writing and in the case of approvals, will then generally be followed up with an addendum to the Project Contract. Although the PO shall approve all changes in writing, there is no need to sign an addendum each time there is a change. In the spirit of proportionality and also to reduce the administrative burden, an addendum may incorporate several changes that have taken place over a span of time. No unilateral changes (by the PP) to the Project Contract shall be accepted by the PO.
- (5) The PPs must:
  - a. liaise with the NFP and all other horizontal stakeholders to ensure the smooth implementation of their project;
  - b. adhere to the terms and conditions set out in the Project Contract, addenda thereto and any other agreements pertaining to the EEA or Norway grant and their project;
  - c. follow the procedures outlined in this MoP issued by the NFP;
  - d. ensure compliance with the Regulations and guidelines issued by the FMO;
  - e. implement sound financial practices respecting the principles of transparency and fair competition;
  - f. fulfil the publicity requirements stated under Section 2.3 of Annex 3 of the Regulations;
  - g. ensure compliance with the Public Contracts Regulation (L.N. 352 of 2016 and any subsequent amendments);
  - h. retain all documents as specified in Chapter 13 'Retention of Documents' of this MoP;
  - i. stamp all invoices with an EEA/Norway Grants stamp before uploading in CARS II;
  - j. perform the relevant invoice certification in CARS II in relation to payments to be made to contractors;
  - k. fill-in and submit to the PO a Project Progress Report (PPR) every six months, as explained under Section 7.2.2;
  - l. Acquire prior written approval from the PO for any foreseen alterations and deviations from the Project Contract;
  - m. support and adhere to the checks required by national and EEA/Norway Regulations;
  - n. supply promptly any information relative to errors or omissions which may lead to recovery of funds;
  - o. report immediately any irregularities detected in relation to the co-financed project when the conditions of paragraph 1 of Article 12.5 of the Regulations apply. The PP must also report to the NFP at quarterly intervals (in the format of Annexes 6 and 7 of this MoP) on irregularities other than those referred to in paragraph 1 of Article 12.5 of the Regulations;

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<sup>4</sup> In addition to the four pre-defined projects, there is also a Small Grants Scheme operated by the Local Government Division

- p. inform the NFP on any possible civil, penal or administrative judicial procedures which might have repercussions on the co-financed project.

**PPs should note that failure to follow the above-mentioned procedures and terms and conditions can lead to recovery (partial or in full) of the grant.**

### **2.1.12 Contractor**

The contractor is the provider of works, supplies or services that has been awarded a contract following the launch and adjudication of a public procurement procedure (e.g. tender, call for quotations). The PP is responsible for ensuring (through supervision and certification of works, services and/or supplies) that the contractor delivers the works/supplies/services in accordance with the terms and conditions stipulated in the respective contract and in accordance with Public Procurement Regulations.

### **2.1.13 Malta Information Technology Agency (MITA)**

The Malta Information Technology Agency (MITA) is the central driver of Government's Information and Communications Technology (ICT) policy, programmes and initiatives in Malta. MITA's responsibility is that of formulating new and updating previously established information society policies, executing strategy and providing efficient and effective ICT infrastructure services to Government.

*Contact Details:*

Mr Paul Tabone  
Telephone: (+356) 2599 2526  
Website: [www.mita.gov.mt](http://www.mita.gov.mt)  
Email: [info.mita@gov.mt](mailto:info.mita@gov.mt)

### **2.1.14 National Audit Office (NAO)**

- (1) The NAO is the external auditor of the Government of Malta and is completely independent of the executive arm of the Government.
- (2) Since projects co-financed through the EEA and the Norwegian FMs are considered to be public funds, the NAO may carry out audits on the projects as the external auditor of Government.

*Contact Details:*

National Audit Office  
Telephone: (+356) 2205 5056  
Fax: (+356) 2123 8918  
Email: [nao.malta@gov.mt](mailto:nao.malta@gov.mt)

## **2.2 DONOR STATES STAKEHOLDERS**

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### **2.2.1 The Norwegian Ministry of Foreign Affairs (NMFA) and the EEA Financial Mechanism Committee (FMC)**

- (1) The EEA Financial Mechanism Committee (FMC) is the decision-making authority for the EEA Grants. The committee consists of representatives of the ministries of foreign affairs of Iceland, Liechtenstein and Norway. The Norwegian Ministry of Foreign Affairs (NMFA) is the decision-making authority for the Norway Grants.
- (2) Both NMFA and EEA FMC will be assisted by the FMO. The FMO is responsible for the day-to-day implementation of both EEA and Norwegian FMs and serves as a contact point.

### **2.2.2 The Financial Mechanism Office (FMO)**

The main duties of the FMO are:

- (1) The FMO handles the day-to-day operations of the EEA and the Norwegian FMs.
- (2) The FMO also serves as the main contact point between the Beneficiary States (through the NFP) and the EEA EFTA States (the Donor States).

### **2.2.3 Donor Project Partner (DPP)**

- (1) A project can be implemented in cooperation with a project partner from the Donor States. In line with Article 1.6 (c) and (w) and Article 7.2 (2) of the Regulation, a project partner is a natural person or a public or private entity, commercial or non-commercial, as well as non-governmental organisations established as a legal person whose primary location is in a Donor State, actively involved in, and effectively contributing to, the implementation of a project. It shares with the Project Promoter a common economic or social goal which is to be realised through the implementation of that project.
- (2) Further details regarding DPPs are provided on the FMO's website <http://eeagrants.org/Partnerships>
- (3) In order to be considered as a "partnership project", it is necessary that the project is implemented in close co-operation with the project partner. Use of the bilateral fund to facilitate *ad hoc* exchange and expert inputs to a project promoter is not sufficient to qualify the project as a partnership project. Partnership projects are joint projects where the inputs from both partners are necessary to achieve the objectives of the project. But the degree of involvement and the content of the partner's contribution will of course vary from one project to another.
- (4) The DPP can incur costs to be funded by the project in the same manner as the PP. There is a requirement for a partnership agreement.

**The NFP has made every effort to provide accurate and complete information in one whole document for ease of reference by users. Nevertheless, the NFP will not be**

**held responsible if data such as names, email addresses, telephone numbers. and/or regulations change prior to being notified to the NFP to enable updating of this MoP. As a result, all users of this MoP should consult the respective websites and if need be contact the stakeholders mentioned above for the latest information.**

## **2.3 CHANNELS OF COMMUNICATION**

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The following lines of communication shall be adhered to:

- (1) Only the NFP and the CA (the latter regarding issues related to requests for reimbursement) will directly communicate with the FMO on all issues concerning the EEA and/or Norwegian FMs.
- (2) In terms of project implementation, the NFP will communicate with the PP and the LM (DPDPI) on issues pertaining to the project. Communication between the PP and the NFP shall be copied to the LM.
- (3) It is the responsibility of the PP to consult with the relevant national authorities on issues pertaining to the project being implemented by that PP (e.g. DoC on procurement; EU Payments Unit on payments; PA on planning; ERA on environmental permits; SAMB on state aid; KNPD and NCPE on equal opportunities; the VAT Department on issues related to VAT).
- (4) Any queries sent to the NFP must be in writing. Clarifications to these queries must be made in writing and should be filed in the related project file(s).
- (5) The PP and the LM shall maintain continuous communication to ensure that the payment process is moving ahead according to the respective contract payment schedule and within acceptable timeframes.
- (6) Any changes affecting project implementation (including changes in Project Leader and/or contact persons) shall be communicated immediately and ex-ante to the NFP as PO. Changes, registered with the NFP as PO after they were effected, may not be approved.
- (7) Any other queries pertaining to implementation in general can be addressed to the NFP.
- (8) PPs and LMs should note in particular that they are to inform the NFP as PO immediately in case of CARS II users, who are transferred to another organisation or have left the project. This information should be sent to the ICT Unit and the NFP. It is the responsibility of the PP to inform the stakeholders accordingly.



## 3. PROGRAMMING

### 3.1 THE REGULATIONS AND THE MOU

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#### 3.1.1 The Regulations

- (1) The Donor States have adopted two separate Regulations for the implementation of the two FMs:
  - i. The Regulation on the implementation of the EEA FM 2014-2021
  - ii. The Regulation on the implementation of the Norwegian FM 2014-2021
- (2) These Regulations provide the overall legal framework for the EEA and Norwegian Financial Mechanisms complete with relevant annexes. These are available for download at <https://eeagrants.org/resources/regulation-implementation-eea-grants-2009-2014> and <https://eeagrants.org/resources/regulation-implementation-norway-grants-2009-2014>.

#### 3.1.2 Overall objectives of the EEA and the Norwegian FMs 2014-2021

All programmes and projects being financed by these FMs are to contribute towards the following objectives:

- (1) **the reduction of economic and social disparities in the European Economic Area**
- (2) **the strengthening of bilateral relations between the Donor States and the Beneficiary States**

#### 3.1.3 The Memoranda of Understanding (MoU)

- (1) In order to ensure efficient and targeted implementation, two MoU were concluded between the Donor States and Malta:
  - i. The Memorandum of Understanding on the implementation of the *EEA FM 2014-2021* between the Republic of Malta and Iceland, the Principality of Liechtenstein and the Kingdom of Norway – signed on 1 February 2017, and
  - ii. The Memorandum of Understanding on the implementation of the *Norwegian FM 2009-2014* between the Republic of Malta and the Kingdom of Norway – signed on 1 February 2017.
- (2) The MoU act as the framework for cooperation and are further defined under Article 2.5 of the Regulations. Article 4 'Roles and responsibilities' and Annex A 'National management and control structures' of both MoU's define the set-up, outlining the different roles and responsibilities of the key stakeholders (NFP, CA, AA and Irregularities Authority) which should provide for an efficient and effective implementation of the FMs.

### 3.1.4 The Programme Areas and Pre-defined Projects

- (1) Three Programme Areas are identified in the MoU to be addressed through the programmes and the projects funded during the 2014-2021 period:

EEA FM	Norwegian FM
Local Development and Poverty Reduction [Programme Area 10]	
Civil Society <sup>5</sup> [Programme Area 15]	Social Dialogue - Decent Work <sup>6</sup> [Programme Area 5]

- (2) The MoU identifies four pre-defined projects under Programme Area 10. These are listed in Annex B of the respective MoU. No calls for proposals shall be launched by the NFP under this Programme Area as the funds have been fully allocated to the pre-defined projects.
- (3) For Programme Areas 5 and 15, which will not be managed by the NFP, calls will be launched directly by the Programme Operator at footnotes 4 and 5. The calls shall be published in the local media, the NFP website, and the Operator's website.
- (4) In addition, Programme Area 16 'Good Governance, Accountable Institutions, Transparency' is mandatory in each Beneficiary State. It shall be implemented either as an individual programme or within other programmes. Malta has opted to implement Programme Area 16 within Programme Area 10.

## 3.2 THE PROGRAMMES

- (1) On the basis of the approved MoU and within the Programme Area 10, the NFP drew up a Concept Note for both FM. This document sets out the development strategy with a coherent set of measures to be carried out through projects to be supported by the EEA or Norwegian FMs 2014-2021 with the aim to achieve agreed objectives and outcomes.
- (2) Following approval of the Concept Note, a programme agreement was signed between the Donor State(s) and Malta in order to regulate implementation.
- (3) The programme is available for download at [eeanorway2014-2021.gov.mt](http://eeanorway2014-2021.gov.mt).

<sup>5</sup> The FMO is entrusted with operating this programme in line with Article 6.13 of the Regulation.

<sup>6</sup> The FMO is entrusted with operating this programme in line with Article 6.13 of the Regulation. Innovation Norway is appointed Fund Operator in accordance with paragraph 4 of Article 6.13 of the Regulation.

## 4. PROJECT IMPLEMENTATION

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**All PPs and national stakeholders are urged to read and refer to the Regulations, FMO Guidelines and this MoP to ensure the correct implementation of their project.  
This MoP complements but does not substitute the Regulations and FMO Guidelines.**

### 4.1 THE PROJECT CONTRACTS

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- (1) For each pre-defined project, a project contract is to be concluded between the NFP and the PP. The project contract sets out the terms and conditions of grant assistance as well as the roles and responsibilities of the parties. It shall in particular include provisions that ensure that the PP undertakes to comply fully with the provisions of the legal framework of the EEA or Norwegian FMs 2014-2021. Article 7.6 of the Regulations elaborates the provisions to be contained in a project contract.
- (2) Both parties (NFP and the PPs) shall take all appropriate and necessary measures to ensure fulfilment of the obligations and attainment of the objectives arising from the project contract.
- (3) The parties shall promptly inform each other of any circumstances that interfere or threaten to interfere with the successful implementation of the project.
- (4) Both parties shall provide all necessary information for the good performance of the project contract and apply the highest degree of transparency and accountability as well as the principles of good governance, sustainable development, gender equality and equal opportunities as established under Chapter 5 of this MoP.

#### 4.1.1 Rate of Grant Assistance and Co-financing

- (1) The contribution from the EEA or Norwegian FM 2014-2020 to each project shall not exceed 85% of eligible expenditure of the project.
- (2) The respective co-financing rate of each project shall be stated in the project contract signed between the NFP and the PP.

#### 4.1.2 First and final dates of the eligibility period

- (1) According to paragraph 3 of Article 8.13 of the Regulations, expenditures incurred after 30 April 2024 shall not be eligible.
- (2) The first and final dates of eligibility of expenditure of each project shall be stated in the Project Contract.

**No payments through the Computerised Accounting and Records System (CARS II) may be effected after the final date for eligibility of the project.**

- (3) Only in duly justified, exceptional cases can a project's period of eligibility of expenditure be extended. In such a case, the PP may submit a request for extension substantiated by a valid and reasoned justification to the NFP at least one month before the current final date for eligibility of the project. In no case may the project's final date of eligibility surpass the final date of the programme's eligibility period (i.e. 30 April 2024).
- (4) If a project is, on the end date of eligibility of expenditure, subject to judicial procedures or administrative appeal with suspensory effects, the EEA Financial Mechanism Committee and/or the NMFA can give further extensions if they deem that such extension is in the interests of the EEA and Norwegian FMs.
- (5) If a project has not been completed on its final date of eligibility, the NFP shall ensure that funds are made available to complete the project in a timely manner. If such funds cannot be guaranteed, the NFP shall reimburse to the Donor States their financial contribution to the project. If, at the end of the final date of eligibility, clearly identifiable and viable components of the projects have been completed, the Donor States may waive, in full or in part, their right to reimbursement.

### **4.1.3 Modifications to the Project Contract**

- (1) The NFP as PO shall be informed, in advance, in writing, of any modifications required to the Project Contract prior to them taking effect. The PP shall propose the required modifications to the PO, in writing, with a good and valid justification. The PO may approve them and confirm that they are necessary and/or suitable for the effectiveness of the project. The NFP as PO reserves the right not to approve the change request in part or in full. Extensions of the project contract is also considered as a modification of the project contract. However the same as defined above should be followed.
- (2) Modification requests must be endorsed by the PP's Permanent Secretary prior to submission to the PO.
- (3) Modifications may require a new appraisal prior to being accepted or rejected.
- (4) In certain cases SAMB approval may be required before the request is considered further.

### **4.1.4 Types of Modifications allowed**

- (1) The PO shall make decisions on changes requested by the PP and which do not affect the objectives, outcomes, outputs, indicators or targets of the project in the following situations:
  - (i) Changes to the project's final date of eligibility (up to the final date of eligibility at programme level). Refer to 4.1.2 (3) above;
  - (ii) Cumulative financial transfers between budget headings.
  - (iii) Other changes which may not affect the project objectives.

**All project contract modifications must be approved by the PO prior to taking effect.**

## **4.2 PARTNERSHIP AGREEMENTS**

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- (1) A project may be implemented in partnership with DPPs as defined in section 2.2.3 above. If a project is implemented in such a partnership, the PP is to sign a partnership agreement with the DPP.
- (2) It is important to note that the eligibility of expenditures incurred by a DPP is subject to the same limitations as would apply if the expenditures were incurred by the PP.
- (3) Partnership agreements are to be submitted to the NFP before the signing of the Project Contract. The NFP will then verify the compliance of the partnership agreement.
- (4) Chapter 5 of the 'Bilateral Guideline' provides more details on these partnerships, including the financial aspects involved. PPs involved in Partnership Agreements are to make reference to that guideline.

## 5. COMPLIANCE WITH HORIZONTAL ISSUES

### 5.1 INTRODUCTION

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The PP shall ensure coherence with horizontal issues, including in particular (although not exclusively) public procurement, state aid, environment, good governance, gender equality, equal opportunities and sustainable development. The latter four are identified as horizontal implementation principles under Article 1.3 of the Regulations and all efforts shall be made by PPs to incorporate them into their respective projects.

PPs must ensure that they respect the commitments they give as reflected in the Project Contract.

**Zero tolerance is exercised towards corruption.**

#### 5.1.1 Public Procurement

- (1) All PPs should ensure that any procurement is carried out in line with the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality and good governance.
- (2) Procurement is to be carried out in line with the public procurement regulations applicable at the time of implementation. In this regard, L.N.352/2016 (Public Procurement Regulations) applies as from 28 October 2016. PPs should note that there may be subsequent amendments to the Regulations that are not referred to in this manual and are therefore advised to **ALWAYS** consult the DoC for the latest legislation and templates.
- (3) Tender documents should be drafted in a manner that clearly sets the specifications / terms of reference of the contract and also the way that bids are to be adjudicated.
- (4) The DoC has put online tender templates to guide Contracting Authorities when drafting new tenders. It is recommended that Contracting Authorities always draft tenders on the basis of the latest templates being provided on the e-tenders website –<https://www.etenders.gov.mt/> Other useful resources and guidelines are also available there. Given that tender drafting is a very costly and time consuming process, prior to initiating the drafting of a tender, it is recommended to consult the DoC to make sure that there are no administrative (templates) and / or legal changes foreseen in the immediate future that could impact the effort about to be undertaken by the PP.
- (5) It is recommended that Contracting Authorities obtain the assurance that bidders have the necessary experience and capacity to perform the services or to carry out the works that are being requested. Tender Evaluation Committees are to ensure that bids are administratively, technically and financially compliant with the tender conditions.
- (6) It is strongly recommended that the PP takes note of the instructions issued by the DoC in circulars from time to time.
- (7) It is important to note that failure to comply with Public Procurement Regulations could lead to the recovery of funds.

*Contact Details:*

Director General  
Department of Contracts  
Telephone: (+356) 2124 7686  
Email: [info.contracts@gov.mt](mailto:info.contracts@gov.mt)

## 5.1.2 State Aid Requirements

- (1) EU State Aid legislation applies to projects which involve any direct (or indirect) financial support from the public sector to commercial enterprises or organizations carrying out an economic activity or if in some way the assistance involved distorts trade or threatens to distort competition within the European Economic Area (i.e. the EU, Iceland, Liechtenstein, Norway).
- (2) All PPs should ensure that their pre-defined project is in compliance with State Aid rules. This compliance shall be registered on the Project Contract.

*Contact Details:*

Secretary  
State Aid Monitoring Board  
Telephone: (+356) 21252757  
E-mail: [sambnotif@gov.mt](mailto:sambnotif@gov.mt)

## 5.1.3 Good Governance

- (1) Good governance has six (6) main principles: it is participatory and inclusive, accountable, transparent, responsive, effective and efficient, and follows the rule of law. Implicit in this is zero tolerance towards corruption, that the views of minorities are taken into account, and that the voices of the most vulnerable in society are heard in decision-making.
- (2) The above-mentioned principles have the following characteristics:
  - i. *Participation and inclusiveness* – participation of all relevant stakeholders, which includes both men and women, directly or through institutions (public and private).
  - ii. *Accountability* – in general organisations and institutions should be accountable to those who will be affected by their decisions or actions.
  - iii. *Transparency* – decisions and enforcement are done in a manner that follows rules and regulations; information is freely available and directly accessible.
  - iv. *Effectiveness and efficiency* – institutions and processes produce results that meet the needs of society while making the best use of resources at their disposal.
  - v. *Rule of law* – a fair legal framework that is enforced impartially, including respect of human rights, and without corruption.
- (3) The implementation of the projects shall be characterised by transparency and openness at all phases of the project cycle and there is an absolute requirement that no projects are in any way

contradictory to the principles of good governance. The Donor States adhere to a strict zero-tolerance policy on corruption.

#### **5.1.4 Gender Equality and Equal Opportunities**

- (1) In accordance with Articles 1.3 and 7.4 of the Regulations, PPs must ensure the highest degree of equality between men and women and the integration of the gender perspective is promoted during all stages of the implementation of the project.
- (2) Equal opportunities is a cross cutting theme and all efforts should be made by the PP to include this element within the project and the effort undertaken needs to go beyond legal obligations. In accordance with Articles 1.3 and 7.4 of the Regulations, PPs must take into consideration equal opportunities at all stages of the project implementation and necessary steps should be taken to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. In particular, accessibility for disabled people to projects co-financed through the EEA / Norwegian FMs should be ensured.
- (3) The PP must ensure that gender equality and equal opportunities are mainstreamed throughout the project's aims and operation (i.e. in planning, implementation and evaluation of activities).
- (4) PPs are encouraged to identify possible specific initiatives that promote gender equality and equal opportunities. PPs should identify needs for their target audiences which are, for example, gender disaggregated, so that differences are addressed and monitored throughout the progress of the project. In this regard, advice from the Commission for the Rights of Persons with Disability (CRPD) and the National Commission for the Promotion of Equality (NCPE) for advice on Gender Equality and Equal Opportunities legislation is recommended in order to determine how to integrate equal opportunities in a project co-financed through the EEA / Norwegian FMs.
- (5) PPs should ensure that any advertising and/or publicity of any sort within the project and by the PP should be free from stereotypes or any form of discrimination.

*Contact Details:*

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Equality Commissioner  
Telephone: (+356) 2590 3582  
Email: [equality@gov.mt](mailto:equality@gov.mt)

Oliver Scicluna  
Chairman (CRPD)  
Telephone: (+356) 22788555  
Email: [helpdesk@crpd.org.mt](mailto:helpdesk@crpd.org.mt)

#### **5.1.5 Sustainable Development**

- (1) All projects should respect the Sustainable Development principle as defined in the Regulation – Art 1.3, para.3. Sustainable development is a framework for a long-term vision of sustainability in which economic growth, social cohesion and environmental protection go hand in hand and are mutually supporting.



- (2) The term “sustainable development” is defined as “...development that meets the needs of the present without compromising the ability of future generations to meet their needs.”
- (3) Sustainable development aims to provide a long-term vision for society. Activities to meet present needs may still have short-term horizons, but they must in addition always include a long-term perspective. Sustainable development is an integrated concept involving all human actions down to the local level, and:
  - i. aims to improve the quality of life of both current and future generations, while safeguarding the earth’s capacity to support life in all its diversity;
  - ii. is based on democracy, the rule of law and respect for fundamental rights including freedom, equal opportunities and cultural diversity;
  - iii. promotes high levels of employment in an economy whose strength is based on education, innovation, social and territorial cohesion and the protection of human health and the environment.
- (4) PPs should refer to the National Sustainable Development Strategy which can be downloaded from [https://meae.gov.mt/en/Public\\_Consultations/MSDEC/Documents/Malta%27s%20Sustainable%20Development%20Vision%20for%202050.pdf](https://meae.gov.mt/en/Public_Consultations/MSDEC/Documents/Malta%27s%20Sustainable%20Development%20Vision%20for%202050.pdf)
- (5) All projects must address environmental, economic and social sustainable development considerations throughout their aims and life-time, and PPs should integrate measures to limit any negative impacts resulting from the projects in implementation.
- (6) The PP should have a solid implementation plan and system in place that will enable the monitoring of environmental results.
- (7) Carbon neutrality is an important element for projects co-financed under the EEA / Norwegian FMs. In this regard, the PP must take into consideration the total climate-damaging carbon emissions generated and reduce them where possible.
- (8) PPs are also to take the necessary steps to ensure that environment is also incorporated into the procurement process (see Article 232 (g) of the Public Procurement Regulations, 2016). In this regard, the Ministry for the Environment, Climate Change and Planning (MECP) is supporting this process.

### **5.1.6 Environment and Planning**

As explained above, PPs must ensure that Planning Regulations and obligations are followed and that environmental issues are taken into consideration throughout the project life cycle. Projects should be structured to ensure minimum environmental damage and maximum benefits. PPs should also factor in timeframes stipulated by national law and procedures (for planning permits) in order to ensure an adequate project implementation timeframe. Officials within the Planning Authority and the Environment and Resources Authority may provide advice on the planning and environment permits.

*Contact Details:*

Planning Authority  
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Email: [customercare@pa.org.mt](mailto:customercare@pa.org.mt)

Environment and Resources Authority  
Telephone: (+356) 2292 3500  
Email: [info@era.org.mt](mailto:info@era.org.mt)

## 6. CONTRACTING

### 6.1 INTRODUCTION

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- (1) PPs should note that the EEA and the Norway Grants are public funds. Accordingly, they must be contracted in a transparent and competitive manner. In this regard PPs must be guided by the principles of non-discrimination, equality of treatment, transparency, mutual recognition, proportionality, open competition, sound financial management and good governance.
- (2) It is important to note that the following points are only guidelines which are not intended to substitute in any way the relevant regulations or guidance issued by the Department of Contracts (DoC). The NFP insists that advice should be sought from the DoC on ALL ISSUES pertaining to contracting.
- (3) When preparing the tender dossier, the PP must refer to the Public Procurement Regulations 2016 (L.N. 352 of 2016) and any subsequent amendments thereto.
- (4) In accordance with Article 9 (1) (b) of the Public Procurement Regulations 2016 tenders related to the EEA and Norwegian Financial Mechanisms the estimated value of which equals or exceeds €144,000 (excluding VAT) shall continue to be issued, administered and determined by DoC.
- (5) For the purpose of the EEA/N FMs 2014-2021 (likewise as for the EU funds), public contracts with an estimated value of less than €144,000 excluding VAT are not administered by the DoC and the responsibility of the tendering process lies with the contracting authority, in compliance with the Public Procurement Regulations.
- (6) The relevant tendering templates are available from the e-tenders website (Refer to Section 5.1.1 of Chapter 5 of this MoP). Given that tender drafting is a very complex, time consuming and expensive process, it is highly recommended that PPs check with the DoC whether there are any changes (administrative or legal) planned in the near future **PRIOR** to the commencement of the drafting of the tender so that there is no unnecessary waste of resources and time.
- (7) Since the PPs responsible for the implementation of the pre-defined projects as established in the MoU are listed under Schedule 2 of the Public Procurement Regulations, the following will only take into consideration the respective administration procedures. However, PPs should consult the latest version of the Public Procurement Regulations on the DoC website as there could be changes to the schedules from time to time. The PP is to use the schedule applicable to it at the time of launching the tender.

### 6.2 GENERAL PRINCIPLES

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- (1) PPs should note that irregularities in the contracting process may render the project (or parts thereof) ineligible for funding.
- (2) The following principles must be observed for all contracts.

**General issues:**

- (1) Tenders are initiated by the PP as the Contracting Authority. The PP is also responsible for the management of the contract.
- (2) The internal (approval) procedure of a departmental tender is regulated by the PP's Directorate of Corporate Services (or equivalent). When initiating a DoC tender, the PP must present the DoC with a draft version of the tender dossier accompanied by the Commitment Form (Annex 1), Tender Originator's Form, and the CVs of the Evaluation Committee.
- (3) Tenders must be evaluated by an evaluation committee (see section 6.5 below). The Evaluation Committee must be composed of 1 Chairperson (non-voting), 1 Secretary (non-voting), and a minimum of 3 evaluators (voting members – must always be an odd number). In the case of DoC tenders, the Evaluation Committee is approved by DoC upon recommendation of the Line Ministry. It is highly recommended that the Boards refer to the Standard Operating Procedures/Guidelines for Tender Evaluation Committees, issued by the DoC.
- (4) Selection and award criteria must be stipulated in advance and tenders are to be evaluated only on those pre-established criteria. No other criteria can be used for the evaluation of the tender. Experience cannot be used as an award criterion.
- (5) PPs are to ensure that contracting is in line with the Project Description Form as attached to the signed Project Contract.
- (6) The tender dossier must stipulate all items in sufficient detail in order to determine eligibility of costs under the EEA / Norwegian FMs 2014-2021.
- (7) Items which are not included in the Project Contract should either not be included in the same tender/lot of the eligible items or be clearly identifiable (also in terms of costs), ideally by having a separate lot within the same tender for the ineligible items. This is particularly important for PPs issuing works tenders. In addition, extra works which are not paid out of the EEA / Norwegian FMs 2014-2021, should be settled in a separate contractual arrangement.
- (8) When preparing the tender dossier, the PP must observe the horizontal issues detailed under Chapter 5. In executing the contract, the PP must ensure that the contractor observes EU and national legislation in relation to environment and equal opportunities and may recommend ways in which these requirements are to be met.
- (9) It is important to ensure transparency and fair competition e.g. request for quotations from different providers to choose the cheapest technically compliant option. Quotations and bids should be comparable on a like-with-like basis.
- (10) The PP should seek to consolidate the number of tenders. In the first instance this reduces administrative burden. Moreover, unjustifiable splitting of tenders is not in line with Public Procurement Regulations and the EU Directives on Public Procurement and splitting of tenders so as to circumvent thresholds may render a whole project ineligible.
- (11) EU Official Journal publication is compulsory for services and supply tenders whose value exceeds €144,000 excluding VAT, and for works tenders whose value equals or exceeds €5,548,000 (excluding VAT)<sup>7</sup>. The DoC should be consulted in this regard.

#### **Taxes:**

<sup>7</sup> Directive 2014/24/EU: <http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32014L0024&from=EN>.

These may change from time to time. It is advisable to consult the relative EU Directives on public procurement or the DoC for any possible revisions to these thresholds.

- (1) It is important to note that in the case of international tenders, non-EU providers may also bid. It is important to note that purchases outside the EU may be subject to special procedures. In this regard, it is recommended that clarifications are sought from the relevant tax authorities (e.g. Customs and VAT Department).
- (2) VAT and all other taxes must be included in the final price that is written in the Tender Form. When a contract is signed, the PPs must contact the VAT Department to make the necessary arrangements for the payment of VAT. Please refer to Section 8.3 of this MoP.

**Currency and payment schedule:**

- (1) All tenders must be issued in Euro and any indicative budgets are to be shown exclusive of VAT. All contracts must be signed in Euro.
- (2) Payments will be disbursed in Euro currency only due to the work process adopted under the EEA and the Norwegian FMs 2014-2021.
- (3) The PP is advised to prepare a payment schedule which must be included in the special conditions of the tender dossier. Any changes to the payment schedule during the implementation of a DoC contract is to be brought to the attention of the DoC. For departmental contracts, changes in payment schedules are to be formally agreed to by all signatories to the contract.
- (4) When deciding on the payment schedule, PPs should be guided (where possible) by the disbursement schedule in the Project Contract signed with the NFP.
- (5) Invoices should be addressed to the PP. Contractors are to note that invoices must be issued by the company that was awarded the contract. Payments are to be made via bank credit transfers only.

**Contract requirements:**

- (1) The contract shall clearly indicate that it is co-financed by the EEA or the Norwegian FMs 2014-2021 (as relevant). Information on publicity can be found under Chapter 14 of this manual or by contacting the NFP.
- (2) It is important that the contractor is not only aware of the source of funding of the contract but also that the contract is bound by requirements of the EEA and the Norwegian FMs 2014-2021.
- (3) PPs should insert the contract details, including the financial component in 'CARS II' as soon as the contract is awarded, to ensure data accuracy in the system.
- (4) The contract shall clearly indicate the contractor's name. The contractor must provide the Financial Identification Form (see below) which should contain the name of the contractor's bank and bank address, the account number and any other relevant information, where remittance should be affected. In the case of a joint venture or consortium, it is important to

inform the contractor that remittance will be made only against an invoice of the joint venture or consortium. The Contractor must also provide the relevant Performance Guarantee<sup>8</sup> and the relevant Pre-Financing Guarantee where applicable.

- (5) The PP's relationship/obligations rest solely with the contractor indicated in the contract (and not with any sub-contractors {if there are any}).
- (6) In order to fulfil the principle of mutual recognition, the contract shall be signed by all contracting parties (which may be DoC on behalf of a Contracting Authority), thus implying that all agree with the terms and conditions set in the contract. Each page of the contract shall be initialled by all parties.

#### **Financial Identification Form:**

- (1) Whenever a PP receives an invoice for the first time from a contractor, the EU Payments Unit requests that PP to provide a Financial Identification Form (Annex 2) filled in by the contractor. By means of this form, the EU Payments Unit will have the necessary information on the contractor enabling the proper execution of bank credit transfers. This form needs to be sent to the EU Payments Unit prior to insertion of invoice in the CARS II Database.
- (2) It is important for PPs to note that should a contractor's financial details change during the execution of a contract, the PP is to inform the EU Payments Unit in order to make sure that contractor fills in a new Financial Identification Form and submits it to the EU Payments Unit to insert that contractor's new details.
- (3) The EU Payments Unit will issue payment against the details of the latest Financial Identification Form.

#### **Bank Guarantees and Retention Money:**

- (1) Safeguards such as bank guarantees must be put in place to enable recovery of funds in the case of misspent advance / pre-financing payments or termination of contract. Subject to the applicable threshold stipulated in the Public Procurement Regulations, a pre-financing guarantee to cover the full amount of the pre-financing payment shall be issued by the contractor.
- (2) It is important to note that PPs **ARE NOT TO RETAIN MONEY AT THE END OF A CONTRACT**. Retention of money during the implementation of a contract is allowed, however all money must be released upon completion of a contract.

In this regard, if a PP feels the need to have some money retained for specific safeguards, it is to insert a clause in the tender dossier whereby the Contractor will be paid all funds due upon completion of the contract (i.e. at provisional acceptance stage). Should retention of money be deemed necessary (e.g. if the PP generally retains 10% of the money until final acceptance), the tender and the contract should stipulate that the final 10% will be paid to the Contractor upon completion (i.e. at provisional acceptance stage) but against a bank guarantee (to be renewed until final acceptance stage) of an amount equivalent to the value

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<sup>8</sup> The amount of the Performance Guarantee shall be 4% where the amount of the total contract value is between €10,000 and €500,000 exclusive of VAT, and 10% where the amount of the total contract value is €500,000 or above. In the case that the value of the contract does not exceed €10,000, no Performance Guarantee is required.

of the retention money. For projects funded through the EEA and Norwegian Financial Mechanisms, this guarantee is NOT OPTIONAL, so if there is a need for retention money, it must be included as a condition in the special conditions within the tender document. This is necessary to safeguard public funds. Further advice can be sought from the DoC.

- (3) Apart from the retention guarantee, the performance guarantee must be kept valid until final acceptance.
- (4)

### **6.3 CONTRACTS WHOSE VALUE IS LESS THAN THE €144,000 THRESHOLD (EXCLUDING VAT)**

- (1) PPs should consult their Director (Corporate Services) / Financial Control Department prior to publishing a departmental tender. DoC procedures should be adapted for such tenders. With regard to a documentation checklist (i.e. which documents will be required for the purpose of controls), these organisations should refer the table at the end of Chapter 13 of this MoP.
- (2) Public contracts with an estimated value that does not exceed €144,000 (excluding VAT) are administered directly by the implementing department and/or the authority (listed under Schedule 2). It is important to note that although such contracts are not processed by DoC, the Head of the relevant organisation (legal representative) is responsible to ensure that procurement has taken place in line with the Public Procurement Regulations.
- (3) In accordance with Article 73 of the Public Procurement Regulations 2016 (L.N. 352/2016), each Ministry shall appoint a Departmental Contracts Committee (DCC). This shall be composed of the Director (Corporate Services) of the Ministry (who shall chair the committee), a representative of the Permanent Secretary of the Ministry and a representative of the Department of Contracts, supported by a secretariat. The DCC shall approve or otherwise the recommendations on tender awards submitted by the Evaluation Committees (see next point) appointed by the Ministry and departments, entities, agencies and authorities within its remit.
- (4) In the first instance, tender bids (for tenders with an estimated value that meets or exceeds €10,000 but is less than €144,000) shall be evaluated by a Tender Evaluation Committee appointed for the specific purpose of evaluating tender bids administratively, technically and financially. This Committee shall be composed of a non-voting Chairperson, secretary and at least three voting members and shall be guided by the Public Procurement Regulations, particularly Articles 73, 74 and 75. PPs may also refer to Section 6.5 of this Chapter for further guidance.

Also refer to the Standard Operating Procedures/Guidelines for Tender Evaluation Committees, issued by the DoC and available at <http://contracts.gov.mt/en/Resources/Documents/Manual%20for%20Evaluation%20Committees.pdf>

- (5) The Tender Evaluation Committee submits its recommendations to the Departmental Contracts Committee for approval. The decision of the DCC is final but subject to Articles 270 to 276 (Remedies) of the Public Procurement Regulations.
- (6) PPs are to ensure that publications of calls for quotations and/or tenders also contain the required EEA / Norwegian FMs' publicity notifications as specified in Chapter 14 (Publicity and Information) of this MoP.

- (7) The PP must update the contract information in the Computerised Accounting Records System II (CARS II) and must also upload a copy of the contract and/or letter of award of the departmental tender and/or quotation as well as addenda to the contract where applicable, on the CARS II. Timely updating of contract details in the database is essential for all stakeholders.

### **6.3.1 Procurement procedures for Public Contracts whose value is less than the €144,000 threshold**

When the estimated value of the contract does not exceed the €144,000 threshold, PP should consult Part III of LN 352/16 with specific reference to Articles 100 to 104.

## **6.4 CONTRACTS WHOSE VALUE MEETS OR EXCEEDS THE €144,000 THRESHOLD (EXCLUDING VAT)**

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### **6.4.1 Administrative steps**

- (1) Contracts are administered through the DoC (for PPs listed under Schedule 2 of the Public Procurement Regulations). If the PP is a contracting authority listed under Schedule 3, then the PP itself will issue, administer and determine the public contract/s in accordance with the provisions of the Public Procurement Regulations L.N. 352/2016.
- (2) The following sections describe the steps to be followed by the relevant PP falling under Schedule 2.

### **6.4.2 Preparation and launching of a tender**

- (1) The PP must set in motion the tender process and compile the e-tender dossier in accordance with the Public Procurement Regulations (L.N. 352/2016) and in accordance with the requirements set out in Department of Contracts Circulars, in particular 13/2015 and 19/2016.
- (2) The PP shall compile the relevant forms for publication on the EU Official Journal if the tender value exceeds the EU thresholds (see next point). The forms may be downloaded from <http://simap.ted.europa.eu/web/simap/standard-forms-for-public-procurement>. The PP must forward the publication forms (if applicable), in soft copy and ideally one hard copy (for filing purposes) to the EU Unit within the Department of Contracts, for vetting.
- (3) Works tenders whose value meets or exceeds €5,548,000 (excluding VAT) shall be published on the Official Journal of the European Union by means of a contract notice which must be compiled by the PP. The same applies to services and supplies tenders whose value meets or exceeds €144,000 (excluding VAT)<sup>9</sup>.
- (4) The PP submits the Commitment Form which can be found at Annex 1 of this MoP. It is important to note that the Commitment Form must be submitted immediately as the tender cannot be launched if the Commitment Form is not submitted to DoC. The PP submits the original Commitment Form to the DoC, retains a copy for itself, and submits a copy to the NFP, a copy to the Assistant Director (Capital Expenditure) MFIN and a copy to the Accounting Office

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<sup>9</sup> L.N. 352/2016, Schedule 5. Some exceptions apply. These are subject to revision from time to time. It is advisable to consult the DoC as to any changes to these thresholds.



and Director (Policy Development and Programme Implementation) of the respective line ministry. It is pertinent to note that before a tender is published, the PP will also need to submit an original copy of the Tender Originator's Form, the Green Public Procurement approval and priced budget estimates. The Civil Works Form and PA permits for works tenders as per Contracts Circular N<sup>o</sup>. 18/2008 are to be submitted, if applicable.

- (5) The DoC vets the dossier and advises the PP on any amendments, if necessary. The PP will incorporate these amendments and re-submit the e-tender to DoC for further vetting as early as possible.
- (6) Once the tender vetting is completed by DoC and approval on the final text is granted, the DoC will take the necessary steps to forward the publication forms to the EU Official Journal (where applicable) and also to publish the tender on the e-PPS. The PP is responsible for following up matters with the DoC in this regard to ensure timely publication. Any PPs wishing to give further publicity to tenders on other media must allow for publication by the DoC prior to publishing such adverts. Costs relating to these adverts are borne by the PP.
- (7) A PP is responsible for following up matters with the DoC at all stages of the procurement and contracting procedure including publication of clarifications during the publication period, evaluation of tenders, requests for clarifications / rectifications during evaluation, adjudication and publication of results, contracting, approval of additional costs, addenda to contracts, non-compliance with contractual obligations by contractors, release of financial guarantees, etc.

### **6.4.3 Tender Evaluation and Adjudication**

- (1) Once the deadline for the submission of offers elapses, the tender bids are opened and scheduled in public by the General Contracts Committee. Tender opening sessions are held every Tuesday and Thursday at 10.00 a.m. unless otherwise directed by the DoC.
- (2) For further guidance on the composition and roles of members on evaluation committees, it is recommended to consult the *Standard Operating Procedures/Guidelines for Tender Evaluation Committees* issued by the Department of Contracts ([www.contracts.gov.mt](http://www.contracts.gov.mt)).
- (3) The tender bids are forwarded to the evaluation committee for evaluation.
- (4) The person chairing the evaluation committee shall submit an evaluation report – signed by all the evaluators – to the Director General (Contracts) for the consideration of the General Contracts Committee.
- (5) The DoC shall vet the report and publish the results of the adjudication process on the DoC notice board and website.
- (6) Upon award of the tender, and where applicable, the EU Unit within the DoC publishes the Contract Award Notice in the OJEU.
- (7) The DoC issues a letter to the successful bidder recommended for award.
- (8) The DoC also issues a letter to non-successful bidders, informing them of the outcome of the adjudication of the tender and the deadline and deposit required for the submission of appeals.
- (9) Subject to no appeals being lodged, the DoC then proceeds to issue a Letter of Intent (where required) and subsequently a contract to the successful bidder. Contracts are signed by the DoC (on behalf of the PP) and the Contractor (successful bidder).

## **6.5 TENDER EVALUATION COMMITTEES**

- (1) Tenders (including Departmental Tenders) are evaluated by an evaluation committee. In the case of public entities, the composition of an Evaluation Committee for a tender at or above the €144,000 threshold is recommended by the PP, through the Director (Policy Development and Programme Implementation) of the respective line ministry and approved by the DoC. The CV's of the members must be submitted to the DoC in good time (ideally with the recommendation letter), before the closing date for the submission of offers to enable the DoC to approve the nominees or otherwise.
- (2) In the case of tenders below the €144,000 threshold, the Evaluation Committee is set up by the PP responsible for the contract. It is highly recommended that the Head of Finance (or his / her representative) of the public organisation participates in the evaluation committee to ensure that correct procedures are followed in the procurement process. Departmental tenders must be adjudicated by an Evaluation Committee which then forwards its Evaluation Report to the Departmental Contracts Committee of the Ministry concerned. Apart from the chairman and secretary (both non-voting), evaluation committees must be composed of at least 3 senior public (in the case of public entities) officers who shall be selected on the merits of their knowledge of the tender subject.
- (3) It is important that the structure of the Evaluation Committee and the procedure followed to evaluate tenders is in line with the applicable procedures established in the Public Procurement Regulations of L.N. 352/2016 and subsequent amendments.
- (4) A Curriculum Vitae in the appropriate format [see Annex I to the *Standard Operating Procedures/Guidelines for Tender Evaluation Committees* issued by the Department of Contracts (<http://contracts.gov.mt/en/Resources/Documents/Manual%20for%20Evaluation%20Committees.pdf>)] of all Evaluation Committee members is to be submitted to the DoC by the Head of the organisation together with the recommendation to approve the members for the committee. Nominations must be sent to the DoC through the Director (Policy Development and Programme Implementation) of the line ministry, and must be submitted as soon as possible for the DoC to approve such nominations or otherwise. Tenders whose deadline elapses before the Evaluation Committee is approved by the DoC will be scheduled as per deadline, but will be kept at the DoC until the Evaluation Committee is approved.
- (5) All documentation related to the evaluation process must be retained as an integral part of the project documentation (please refer to Chapter 13 of this MoP for Retention of Documents).
- (6) Evaluation Committees may feel the need to clarify any of the information submitted by a bidder in a proposal. In this case, the chairman shall write to the Director General (Contracts), seeking permission for the Committee to contact the bidder with the queries detailed in the request. Clarifications may only be requested on the documentation submitted by the bidder and cannot generally be used to rectify any missing or incorrect documentation.
- (7) It is important that following the adjudication of a tender, the Evaluation Committee sends all the documentation to the DoC. However, the PP must also ensure to retain a copy of the evaluation report/s for its records in accordance with the documentation retention requirements indicated in Chapter 13 of this MoP. The NFP may also request a copy of the evaluation report directly from the DoC.
- (8) Also in the case of departmental tenders, a copy of the evaluation report shall be kept in the PP's project file.

## **6.6 PAYMENTS SCHEDULE AND LATE PAYMENTS [MFEI CIRCULAR 8/2012]**

- (1) Prior to the signing of a works, supply or service contract, the PP must comply with MF Circular 8/2012 to ensure that payments are effected within 30 days. Alternatively, in the 'Special Conditions' section within the tender documents, the PP should explicitly indicate the period of payment, as well as the rate of interest payable in the event of late payments. Therefore, the PP should liaise closely with the DoC for the inclusion of appropriate clauses during the preparation of the tender documents. **Penalties arising from late payments are not eligible for co-financing.**
- (2) LN 272 of 2012 transposing Directive 2011/7/EU provides that in commercial transactions where the debtor is a public authority, the creditor is entitled to interest at the European Central Bank reference rate plus eight per cent (8%) upon expiry of the credit period allowed by law (30 days). Unless the period of payment and rate of interest are specified in the contract, interest at the ECB reference rate plus 8% shall become payable automatically after 30 days following receipt of invoice or receipt of goods or services.

## **6.7 APPROVAL OF MODIFICATIONS**

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When a PP encounters additional costs in the implementation of a contract, the PP must inform the PO immediately in view of budgetary constraints within the allocation to the project as stipulated in the Project Contract between the PO and PP.

### **6.7.1 For contracts whose value is below €144,000 excluding VAT (Departmental Tenders)**

The Minister for Finance may allow that variations in respect of such contracts be approved by the Minister charged with responsibility for that PP, who may delegate his authority in writing to the Parliamentary Secretary, the Permanent Secretary or the Head of the PP.

### **6.7.2 For contracts whose value meets or exceeds €144,000 excluding VAT (Contracting Authorities listed under Schedule 2<sup>10</sup>)**

PPs should consult Part VIII of the Public Procurement Regulations 2016 (LN 352/2016) and any subsequent modifications.

### **6.7.3 In all cases**

In all cases outlined under sections 6.7.1 and 6.7.2 above, additional costs shall be considered eligible under the EEA and Norwegian Financial Mechanisms 2014-2021 only if funds are available. The NFP reserves the right to refuse awarding further funds, even in justifiable cases.

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<sup>10</sup> L.N. 352/2016 – Public Procurement Regulations, 2016

## **6.8 ADDENDA TO A CONTRACT**

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Some changes in the contract may necessitate an addendum (formal change recorded in a contractual manner) to the original contract. A public sector PP should seek the advice of the DoC in this regard. The mutual agreements to other changes which are not reflected in an addendum are to be thoroughly documented with the necessary authorisation given from the relevant bodies.

## **6.9 NON-COMPLIANCE BY CONTRACTORS WITH CONTRACTUAL OBLIGATIONS**

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- (1) The DoC stresses the importance that has to be placed on the responsibility of the PP, more specifically of the project leader, to ensure that a contractor is abiding by the obligations stipulated in the contract. Should a contractor fail to meet its contractual obligations, the project leader should bring this to the attention of the contractor, in writing, and should also copy the correspondence to the DoC.
- (2) Should the contractor continue to fail to meet the contractual obligations, the PP may, in the first instance, request the DoC to caution the contractor. Should the contractor persist in failing to abide by the contract despite being cautioned by the DoC, the project leader can initiate the procedure to implement the necessary penalties as stipulated in the contract. It is important to note that it is the PP organisation and not the DoC that initiates this procedure. Penalty payments notified and recorded are to be deducted accordingly when processing payment claims and the contractor must be notified accordingly of all procedures taken.
- (3) The project leader is responsible to alert all concerned that a contractor is not abiding by the terms and conditions stipulated in the contract. The PP must inform the DoC and the NFP immediately in order to limit any undesirable consequences to the project. Failure by the PP to raise such concerns could result in funds being lost.

## **6.10 RELEASE OF RETENTION MONEY AND FINANCIAL GUARANTEES**

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As explained in Section 6.2 of this Chapter, it is important to note that the PP **IS NOT TO RETAIN MONEY AT THE END OF A CONTRACT**, but ensure that any retention monies are transformed into bank guarantees (by the contractor in favour of the PP/Director of Contracts – as the case may be) at the end of the contract. PPs are to insert a clause in the tender dossier whereby the Contractor will be paid all funds due upon completion of the contract (i.e. at provisional acceptance stage). Should retention money be deemed necessary (e.g. if the PP generally applies 10% retention money until final acceptance), the tender and the contract should stipulate that the 10% will be paid to the Contractor upon completion (i.e. at provisional acceptance stage) but against a bank guarantee of an amount equivalent to the value of the retention money. The guarantee shall then be released upon final acceptance. This instruction is to ensure that no funds are left to be paid beyond the eligibility period.

## **6.11 RELEASE OF PERFORMANCE GUARANTEES**

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- (1) In the case of the performance guarantee, it is important to note that such a guarantee can only be released following confirmation that all contractual obligations have been fulfilled and the

project leader submits the contract completion report to the DoC, unless otherwise stipulated in the contract. In the case of contracts below the €144,000 threshold, the PP, is responsible for the release of any financial guarantees (where applicable).

- (2) In the case of tenders equal to or above the threshold of €144,000 and which fall within the responsibility of the DoC, the performance guarantee is made payable to the DoC and is retained by the DoC throughout the implementation of the contract and until an acceptance letter or contract completion report is submitted by the PP to the DoC.
- (3) Upon completion of a contract, the PP informs the DoC that the contract has been completed and that all obligations have been fulfilled accordingly. The PP cannot undertake any other arrangements with the contractor on the release of a bank guarantee without the authorization of the DoC. The bank guarantee is released by the DoC in accordance with the conditions stipulated in the contract and only if it results that all contractual obligations have been fulfilled.

## **6.12 PROCUREMENT OF EQUIPMENT THROUGH THE EEA AND NORWEGIAN FINANCIAL MECHANISMS 2014-2021**

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- (1) **Documentation:** When purchasing equipment through EEA and Norwegian Financial Mechanisms 2014-2021, it is important that the item is used for the specific purpose for which it is bought and in accordance with the conditions in the Project Contract. All documentation in relation to purchase and use of equipment (including guarantees), has to be retained in the project file. The Project Leader should ensure that all relevant documents are handed over by the supplier and filed for ease of reference, in line with the principle of sound financial management.
- (2) **Inventory:** It is obligatory to keep in file a separate inventory of assets financed through the project and their location, regardless of the inventory list required by MF Circular No. 14/99. Annex 10 provides an inventory template to be utilised by all projects procuring assets financed by EEA and Norwegian Financial Mechanisms 2014-2021.

MF Circular No. 14/99 issued by the Ministry of Finance stipulates that tangible fixed assets are non-trading business assets that have the following characteristics:

- a) a relatively permanent nature in that their useful life is expected to span over a number of years that is normally not less than three years, and
- b) a material cost that is €116.47 or more.

Nevertheless, the NFP has additionally ruled that:

- a) If a fixed asset financed through the EEA / Norway Grants has a life expectancy of three years or more, it should still be included in the inventory of the project regardless of whether its cost is more or less than €116.47;
- b) If a fixed asset financed through the EEA / Norway Grants has a life expectancy of less than three years but whose cost is €116.47 or more, it should be included in the inventory of the project.
- c) If a fixed asset financed through the EEA / Norway Grants has a life expectancy of less than three years and whose cost is less than €116.47, it should not be included in the inventory of the project.

- d) It may be appropriate to aggregate individually insignificant items, such as moulds, tools and dies, and to apply the recognition criteria set out above to the aggregate value. That is, if taken together, even if their life expectancy is less than three years, the value of the items exceeds €116.47, they would have to be included in the inventory.

The inventory shall be signed (and updated when necessary) by the Project Leader and endorsed by the responsible officer within the organisation. In the case of Government departments and all public entities, a copy of the inventory must also be sent to the Director (Corporate Services) of the Ministry concerned.

A record of non-inventory items financed through the EEA / Norway Grants should also be kept for audit trail purposes.

- (3) The PP must keep in mind that:
- The PP is to ensure that the equipment comes with the appropriate warranties.
  - If any fault results in the equipment, all documentation in relation to the repair must be kept and when the equipment needs to be replaced, it is important that all documentation is kept on file.
  - If the equipment is replaced, both the old and new serial numbers must be retained.
  - If the equipment is faulty and/or damaged and is replaced by the supplier/PP – whether under guarantee or not – the replacement must perform the same function and be of the same or higher specifications as that being replaced.
  - If the equipment is moved, such shifts need to be reflected in the Inventory.
  - The PP shall ensure that the relevant publicity appears on the equipment purchased as well as on the relevant documentation. Refer to Chapter 14 for further information.
- (4) Where the entire purchase price of equipment is eligible in accordance with Article 8.3 (1) (c), the PP shall:
- ensure that the equipment is exclusively used for the project's implementation;
  - keep the equipment in its ownership for a period of at least five years following the completion of the project and continues to use that equipment for the benefit of the overall objectives of the project for the same period;
  - keep the equipment properly insured against losses such as fire, theft or other normally insurable incidents both during project implementation and for at least five years following the completion of the project; and
  - set aside appropriate resources for the maintenance of the equipment for at least five years following the completion of the project.

The specific means for the implementation of this obligation shall be specified in the project contract. The NFP may release any PP from the above obligations with respect to any specifically identified equipment where the NFP is satisfied that, having regard to all relevant circumstances, continued use of that equipment for the overall objectives of the project would serve no useful economic purpose.

## **6.13 EMPLOYMENT CONTRACTS**

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- (1) Human resources may be engaged either through a service tender (processed in accordance with the Public Procurement Regulations) or through an employment contract. It is highly advisable that, prior to publication, the PP consults the DoC and the Department of Industrial and Employment Relations to identify which procedure to apply taking into consideration the PP's particular requirements. The choice between a contract *of* service (employment) as opposed to a contract *for* service (outsourcing) may depend, amongst others, on the nature of

the service required, level of autonomy allowed, the duration and frequency of delivery, and time (office hours or not) and location of delivery requested.

- (2) In the case of Government Departments/public sector entities, the People and Standards Division (PNSD) at OPM and Jobsplus (in terms of the Employment and Training Services Act paragraph 15) should be consulted prior to launching a call to fill a position, in line with established Government procedures. In the case of public entities that are not subject to the Public Service Commission process, any external call for recruitment should be first approved by the relevant internal procedure (also in conjunction with PNSD) and Jobsplus. The Jobsplus permit number should be quoted on all adverts<sup>11</sup>.
- (3) **Full-time or part-time employment, with tasks solely related to the project:** If a PP engages a person on an employment contract to work solely on a project funded through the EEA / Norwegian FMs 2014-2021, the PP shall ensure that the person being engaged works solely on the project and does not undertake any unrelated work within the PP organisation.
- (4) **Full-time or part-time trainers/employees:** Where an individual is employed on a project funded by the EEA / Norway Grants but also undertakes other tasks within the organisation which are related to other, EU funded projects or are part of his/her position description, the PP shall be entitled to claim only that part of the salary corresponding to tasks carried out on the project funded by the EEA / Norway Grants. This shall be calculated on the following formula:

**Eligible staff costs = hourly rate \* number of hours worked<sup>12</sup> on the project**

where hourly rate = Annual Salary<sup>13</sup> / Total number of hours worked in a year<sup>14</sup>

The number of hours claimed shall be supported by monthly timesheets that are signed by the employees performing the work and endorsed by the Project Leader. In case the Project Leader's salary costs are claimed, the timesheets must be endorsed by the respective Head of Unit. The timesheets must show the time in and out (not just record the total hours worked) on **all** projects and activities performed by the individual concerned (i.e. not just that spent working on the EEA / Norway Grants project) and a concise description of tasks carried out. This is intended as a safeguard against employees recording the same time on multiple projects, and therefore it is a measure to prevent double funding. In this regard the Project Leader should ensure that he / she is able to produce regular task-based reports on the person/s concerned.

The NFP has developed staff costs calculators, based on the formula and on different pay periods (e.g. monthly, four-weekly). These are available on request from the NFP.

The following documentation should be retained when claiming staff costs:

- a. Original and signed Letter of Assignment (and any extension thereto) of employee performing the work;
- b. A breakdown of salary for period of claim;
- c. Payslips in connection with period of claim (as proof of payment);
- d. The staff costs calculator;

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<sup>11</sup> It is advisable that, prior to publication, the PP also consults the Department of Industrial and Employment Relations to identify the appropriate procedure to apply in the particular case.

<sup>12</sup> In principle, the average number of hours which may be claimed per day should be 8, hence not exceeding 40 hours a week. Overtime hours, over and above this standard working week, will not be considered eligible for reimbursement of salary or calculations of the hourly rate, whichever method is being used.

<sup>13</sup> Annual Salary includes the gross wage (before tax) plus the employer's national insurance contribution and statutory bonuses

<sup>14</sup> Number of weeks in a year \* number of working days in a week – (vacation leave + public and national holidays not falling either on Saturday or Sunday) \* number of hours worked each day, e.g. (52 weeks \* 5 days) – (24 days leave + xx days public holidays) \* 8 hours = xxxx hours worked in a year.

- e. Detailed monthly timesheets as described above (co-signed as prescribed above);
- f. Documentary evidence of fixed allowances being claimed;
- g. For reimbursement of Social Security Contribution (SCC), declaration that the employer's and employee's shares of SSC in respect of the employee being claimed is included in the monthly statement (FS5) sent to the Inland Revenue Department (FS5 shall not be uploaded)

The eligibility of staff costs shall be determined in the Project Contract.

- (5) If a PP employs a person through an employment contract, a clause should be inserted in the contract that the employment of that person is only for a specified period (in line with the completion of the project). The PP should seek advice from the PNSD within OPM in the drafting of employment contracts. Entities in the Public Service shall be guided by the conditions provided for in Section 4.2 of the Manual on Resourcing Policies and Procedures and L.N.51 of 2007 (and any amendments thereto). The PP must also ensure compliance with other relevant legislation. The NFP and the FMO/Donors are not responsible for any employment-related disputes that may arise during and after project implementation.
- (6) Terms and conditions of an employment contract should strictly conform to those issued in the respective Terms of Reference (ToRs) and Call for Applications. PPs should also consult Chapter 8 'Eligible Expenditure' of this MoP and Chapter 8 of the Regulations before drafting the call and/or the contract.
- (7) Recruitment and selection procedures shall be transparent, based on national legislation and on the principles of good governance and sound financial management. The PP shall retain the necessary documentation recording the employment procedure utilised by the organisation (including the call, selection criteria, reports of the selection board, evidence of publication of results, etc). Further detail on document retention is available in Chapter 13.
- (8) The PP must ensure that relevant documentation, such as progress / performance reports and lesson/course plans (in case of trainers) are retained in file.
- (9) For further detail on the payment process in relation to salaries of persons engaged in employment refer to Section 9.5 of this MoP.



## 7. MONITORING, REPORTING AND EVALUATION

### 7.1 MONITORING

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#### 7.1.1 Defining Monitoring

- (1) Article 1.6(l) of the Regulations defines *monitoring* as ‘the observation of programme and project implementation in order to ensure that agreed procedures are followed, to verify progress towards agreed outcomes and outputs, and to identify potential problems in a timely manner so as to allow for corrective action’.
- (2) A monitoring system focusing on results will offer an evidence-based foundation for decision-making. Thus, results-based monitoring is vital to measure performance at project level through ensuring availability of required data resources, agreeing on frequency of monitoring, and competently collecting information and assessing whether desired results are being achieved according to plan and budget.

#### 7.1.2 Monitoring structures and tools

##### 7.1.2 (1) Monitoring roles - NFP, CA and AA

- (1) In terms of Article 5.3 of the Regulations, the NFP has the responsibility for regular monitoring of the projects under the Programme.
- (2) The CA certifies payments made through an NFP desk-based checklist on expenditure and OTS check reports. Risks of financial mismanagement or fraud may be picked up through OTS and desk-based checks. If financial mismanagement is suspected, the NFP will take the relevant control measures in respect of the project in question, possibly with the help of the AA. The AA carries out its own checks on projects to ensure that they are in line with the relevant regulations and legislation (Financial control and audit are dealt with under Chapter 11 in the MoP).

##### 7.1.2 (2) On-the-spot monitoring

- (1) On-the-spot checks (OTS) are on-site monitoring visits carried out by the NFP on the projects during their implementation period. They are preferably carried out at the site of the project.
- (2) The NFP shall inform the PP that an OTS will take place at least one day in advance. The on-the spot check report template (Refer to Annex 4) will be sent to the PP with the OTS notification in order to help the PP prepare for the visit. The OTS will be carried out in the presence of the PP. The NFP will record and report all discussions and findings in the On-the-Spot Check Report.
- (3) OTS checks are further explained under Chapter 11 ‘Financial Control and Audit’

##### 7.1.2 (3) Bilateral meetings (all projects)

From time to time the NFP may organise bilateral meetings or otherwise discuss with PPs issues emerging from the project briefs, Project Progress Reports, the monitoring conducted through the Computerised Accounting Records System and/or other, informal monitoring. The outcomes of these meetings / discussions will be recorded and shared between the relevant stakeholders by email and will be followed up to ensure the necessary action has been taken in a timely manner. Projects requiring changes will be obliged to obtain prior approval from the NFP. The NFP will then monitor these projects during the implementation more closely.

#### *7.1.2 (4) Monitoring by the PP*

- (1) The PP, through the appointed project leader, has the responsibility of ensuring effective monitoring of the project. The responsibility of the project leader extends beyond the achievement of results and entails also a financial monitoring (and forecasting) function as well as monitoring of physical implementation. It is up to the PP to choose the most appropriate tool to ensure effective and timely monitoring of the project, however continuous monitoring activities by the project leader must be well documented, dated and signed. Such activities may take the form of on-site visits, reports of coursework done (in the case of training), reconciliation prior to payments, controls over timesheets, minutes of meetings, etc.
- (2) The PP will also be requested to submit to the NFP periodically a Project Progress Report (refer to section 7.2.2 for further details). The PPR will also be reviewed by the relevant Line Ministries before submission to the NFP.
- (3) PPs will be required to provide information to the NFP and the Donors for monitoring purposes without delay.

#### *7.1.2 (5) Monitoring at Ministerial level*

Since all the pre-defined projects fall under the public sector domain, coordination with the relevant Ministry is very important for monitoring purposes. Each Ministry has a directorate that is responsible of Policy Development and Programme Implementation (DPDPI). This directorate acts as the co-ordinating cell within the respective line Ministry and is responsible for monitoring projects on behalf of the Ministry concerned and to alert any of the horizontal stakeholders if and when required. The DPDPI is also responsible for endorsing the quality of the Project Progress Reports before these are forwarded to the NFP (or sent to the MPSC members). The DPDPI also reports to the NFP with regard to any project issues that might arise.

#### *7.1.2 (6) Monitoring through indicators*

- (1) The attainment of the targets of the project, as agreed in the Project Contract, is an essential condition of the grant. Monitoring of the EEA/Norwegian FMs is facilitated through the use of indicators.
- (2) These indicators shall form part of the PPR, the project briefs and PCR.
- (3) Monitoring will detect and collect information on:
  - i. progress in accordance with plans and budgets;
  - ii. deviations from the project schedule and possible repercussions for the project;
  - iii. tendering and procurement, and
  - iv. project completion.

### 7.1.2 (7) *The Computerised Accounting Records System II (CARS II)*

- (1) In accordance with Article 5.6(1)(k), a computerised accounting records system (CARS II) has been developed to maintain and store accounting records for each project financed under the EEA / Norwegian FMs 2014-2021. Apart from accounting records, CARS II contains data on implementation necessary for financial management, reporting, monitoring, verification, audits and evaluation.
- (2) This database will be accessible by all the relevant stakeholders (mainly NFP, PP, CA, AA) who will have viewing / editing rights according to the role of the user in respect of each project.
- (3) Although the NFP is in touch informally with PPs almost on a daily basis, most effective monitoring depends on information being uploaded or inputted into the CARS II database by all the relevant stakeholders – including the PPs as well as horizontal players – in a timely manner. The information on this database shall be used by the PO to keep track of and deal with issues regarding implementation.
- (4) Day-to-day monitoring is based on a bottom-up approach and by regularly updating the status of projects through the EEA/Norwegian Financial Mechanisms Computerised Accounting Records System (CARS II).
- (5) The PP will undertake day-to-day monitoring of the individual projects through the CARS II by updating the financial commitments (both the contracting and disbursements) and the indicators. It is very important that the PP continuously updates the financial and implementation status of the project.
- (6) Through the information inputted in the CARS II, the NFP will monitor the implementation schedule of each project. The NFP will compare the progress of the project with the forecasted implementation schedule and indicators.

### **7.1.3 External Project Monitoring by the FMO**

In addition to the monitoring of projects by the NFP, and in line with Article 11.1 of the Regulations, the FMO may select programmes for external monitoring. The FMO shall inform the NFP about any planned monitoring two weeks in advance. The NFP will then alert the PP and/or any other national stakeholders should their intervention be required.

### **7.1.4. Post-Closure Project Monitoring and Durability of Projects**

- (1) The PP is to note that projects and relevant documentation can be monitored even after the closure of the project.
- (2) Projects that involve *investment in real estate and/or land* (including renovation) are to remain operational for at least five (5) years after the PO's approval of the PCR and that the real estate and/or land is used for the purpose of the project as described in the Project Contract.
- (3) *For other projects*, the period of minimum post-completion operation shall be determined by the NFP and included in the Project Contract.
- (4) Non-compliance with the above durability provision can lead to recovery of funds.

## **7.2 REPORTING**

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### **7.2.1 Reporting by the NFP**

The NFP will report the activities and findings of the monitoring carried out, and any follow-up measures performed, through:

- i. the combined Strategic and Annual Programme Report to be submitted to the FMO (Articles 2.6, 6.11 and 6.12 of the Regulations),
- ii. the Annual Meetings with the Donor States (Article 2.7 of the Regulations)

### **7.2.2 Reporting by the PP**

#### *7.2.2 (1) The Project Progress Report (PPR)*

- (1) Periodically throughout the implementation of a project, the NFP shall request the PP to compile a PPR (refer to template at Annex 8). The report is to be submitted to the NFP not later than a month from the date of the NFP's request to the PP.
- (2) The PPR contributes to the NFP's preparation of the combined Strategic and Annual Programme Report which is submitted to the FMO.
- (3) The PPR is intended to give a snapshot on the progress (physical and financial) and any risks or issues needing mitigation and/or resolution.
- (4) The co-ordinating cells (DPDPI) within the Line Ministries shall validate the PPRs before they are submitted to the NFP. The NFP may request clarifications on the report. It is important that the PP and the Ministry ensure that any data is validated as errors could lead to financial recoveries on the project.

#### *7.2.2 (2) Project Briefs*

Project briefs containing information about the project, its activities, expenditure and deliverables are updated by the PP upon the request of the NFP in time for bilateral meetings between the NFP, the PP and the DPDPI, where they are used as basis for discussion and to register progress on implementation and expenditure at project level. The NFP incorporates minutes of bilateral meetings within these project briefs and lists course of action required. The updated briefs may be submitted to the FMO.

#### *7.2.2 (3) Regular updating on CARS II*

The PP and other stakeholders (e.g. EU Payments Unit) shall regularly update the project implementation status in the CARS II. It is important that the PP regularly inputs updates on both physical and financial progress. In relation to the latter, it is important that the PP and other stakeholders update the CARS II both in terms of contracting as well as in terms of disbursements. This enables the NFP to monitor progress on a daily basis.

#### *7.2.2 (4) The Project Completion Report (PCR)*

- (1) Upon completion of the project, the PP compiles a Project Completion Report (Annex 9). The PP submits the signed report within two months from the PO's request or as otherwise instructed by PO. The report must be reviewed by the DPDPI and endorsed by the Permanent Secretary.
- (2) In cases where the final financial figures cannot be determined by the two-month deadline, the relevant section of the Project Completion Report may be left blank to be filled in at a later stage by the PO.
- (3) The original report is submitted to the PO. A copy of the signed report is kept in the project file of the PP as well as that of the Line Ministry.

## **7.3 EVALUATION**

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### **7.3.1 Defining Evaluation**

Article 1.6(g) of the Regulations define evaluation as 'a systematic, objective and independent assessment of the design, implementation and/or results achieved in programmes and projects with the aim of determining the relevance, effectiveness, efficiency, economy, impacts and sustainability of the financial contribution'.

### **7.3.2 Evaluation by the NFP**

- (1) The NFP shall carry out evaluations to assess actual and/or expected effects at the outcome level. The NFP shall present its evaluation plan in the first Strategic Report submitted to the FMO.
- (2) PPs will be required to provide information to the NFP and the Donors for evaluations purposes without delay.
- (3) The results of the evaluations shall be sent to the Donors and the NFP and made public. Prior to publication, the Donors and the NFP shall be given the opportunity to provide comments.

### **7.3.3 Evaluation by the Donor States**

- (1) The Donor States may carry out evaluations related to the overall objectives of the EEA / Norwegian FMs, the objectives of the programme areas or specific evaluations of the overall contribution of the EEA / Norwegian FMs to Malta.
- (2) The Donors may, in consultation with the NFP, carry out evaluations of on-going or completed projects to assess actual and/or expected effects at outcome level.
- (3) A draft evaluation report shall be submitted to the Donors, NFP and the FMO for comments. Other relevant stakeholders may also be invited to comment on the report.
- (4) The final version of the evaluation report shall be sent to the Donors and the NFP and made public. The evaluators have overall responsibility for the contents of the final version of the evaluation report.

## 8. ELIGIBLE EXPENDITURE

### 8.1 ELIGIBLE COSTS AND PERIODS OF ELIGIBILITY

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#### 8.1.1 Eligible and non-eligible expenditure of a project

This chapter of the MoP relates to Chapter 8 of the Regulations establishing rules in terms of 'eligibility of expenditure'. PPs are advised to always consult the Regulations.

- (1) Eligible expenditures of a programme are:
  - i management costs in accordance with Article 8.10;
  - ii payments related to projects within the programme in accordance with the Regulations, the programme agreement and the project contract; and
  - iii expenditure of funds for bilateral relations in accordance with Article 8.8
- (2) Eligible expenditure related to projects is that actually incurred by the Project Promoter which meets the criteria listed hereunder (as stated under Article 8.2 (2) of the Regulations):
  - i. It is incurred between the first and final dates of eligibility of a project as specified in the Project Contract;
  - ii. It is connected with the subject of the Project Contract and it is indicated in the estimated overall budget of the project;
  - iii. It is proportionate and necessary for the implementation of the project;
  - iv. It must be used for the sole purpose of achieving the objective(s) of the project and its expected outcome(s), in a manner consistent with the principles of economy, efficiency and effectiveness;
  - v. It is identifiable and verifiable, in particular through being recorded in the accounting records of the PP and determined according to Malta's applicable accounting standards and according to generally accepted accounting principles; and
  - vi. It complies with the requirements of applicable tax and social legislation.
- (3) Eligible *direct* expenditure of a project is that expenditure which is identified by the PP and/or DPP, in accordance with its accounting principles and usual internal rules, as specified expenditures directly linked to the implementation of the project and which can therefore be booked to it directly. In particular, Article 8.3 of the Regulations provides a detailed list of the eligible direct expenditures (provided that they satisfy Article 8.2 of the Regulations as stated above) which mainly relate to:
  - i. costs of staff assigned to the project;
  - ii. travel and subsistence allowance for staff taking part in the project;
  - iii. cost of new or second hand equipment;
  - iv. purchase of land and real estate;
  - v. costs of consumables and supplies;
  - vi. costs entailed by other contracts awarded by the PP for purposes of carrying out the project; and
  - vii. costs arising directly from requirements imposed by the Project Contract

By way of exception from the main rule that only depreciation of equipment is eligible (Article 8.2 (4) and Article 8.3.1(c)), the NFP will treat equipment in the following manner:

The full cost of equipment is eligible only if the purchase is deemed to be core equipment, i.e. such equipment would constitute a core, deliverable element of the project. Hence, the procurement of the equipment would be absolutely necessary for the successful implementation of the project. In such cases of core equipment, the full cost may be claimed.

The cost of supplementary equipment (e.g. required for project management but not constituting a project deliverable) is also eligible however depreciation in line with Legal Notice 291/2010 would be applied. In such cases, only the portion of the depreciation corresponding to the duration of the project and the rate of actual use for the purposes of the project shall be taken into account by the NFP.

Maintenance / repair costs, including those related to items procured through a project, shall not be considered eligible.

- (4) *Indirect costs* (overheads) are all eligible costs that cannot be identified by the PP and/or DPP as being directly attributed to the project but which can be identified and justified by its accounting system as being incurred in direct relationship with the eligible direct costs attributed to the project. They may not include any eligible direct costs. Indirect costs of the project shall represent a fair apportionment of the overall overheads of the PP or DPP. Article 8.5 of the Regulations establishes the methods as to how indirect costs can be identified.
- (5) The following costs shall *not be considered eligible* (in accordance with Article 8.7 of the Regulations):
  - i. interest on debt, debt service charges and late payment charges;
  - ii. charges for financial transactions and other purely financial costs related to accounts required by the FMC/NMFA, the NFP or the applicable law and costs of financial services imposed by the Project Contract;
  - iii. provisions for losses or potential future liabilities;
  - iv. exchange losses, except losses covered by a provision explicitly approved by the FMC/NMFA for each programme;
  - v. VAT;
  - vi. costs that are covered by other sources;
  - vii. fines, penalties and costs of litigation;
  - viii. excessive or reckless expenditure;
  - ix. replacement of assets; and
  - x. second hand items/equipment.
- (6) Costs will be eligible if related works, supplies and services have been procured in line with the relevant national legislation (including Public Procurement Regulations).
- (7) If in doubt, the PP should immediately contact the NFP.

### **8.1.2 Period of eligibility**

- (1) The period of eligibility of a project is determined in the Project Contract in terms of Article 8.13 (2) of the Regulations. All expenditure must be incurred during this period. Only in exceptional well-justified cases can the period of eligibility of a project be extended (PPs are to immediately alert the NFP should the necessity of extensions be foreseen).
- (2) The final date of eligibility of a pre-defined project shall be no later than either one year after the scheduled completion of the project or 30 April 2024, whichever is earlier (Article 8.13 of the Regulations).

- (3) Notwithstanding point (1) above, tenders can be drafted and published before the official start date of a project.
- (4) All expenditure incurred by the body responsible for implementation must be supported by documentary evidence (Refer to Article 8.12 of the Regulations for further guidance).
- (5) Costs are considered to have been incurred when the cost has been **invoiced, paid** and the subject matter **delivered** (in case of goods) or **performed** (in case of service and works). In case of works, certification of an architect or engineer (if applicable) would be required before the cost is certified to the donors. Costs may only be reported in the relevant PPR if payments have been processed through CARS II.

Overheads and depreciation of equipment are considered to have been incurred when they are recorded on the accounts of the Project Promoter and/or project partner.

Exceptionally, costs in respect of which an invoice has been issued in the final month of eligibility are also deemed to be incurred within the dates of eligibility if the costs are paid within 30 days of the final date for eligibility (Article 8.2 (3) of the Regulations).

- (6) Expenditure incurred outside the period of eligibility will not be included in Interim Financial Reports which form the basis of reimbursement requests to the Donors.
- (7) If a project is, on the end date of eligibility of expenditure, subject to judicial procedures or administrative appeal with suspensory effects, the NFP in consultation with the Donors can give further extensions if they deem that such extension is in the interest of the EEA/Norwegian Financial Mechanisms.

## **8.2 COST OVERRUNS AND SAVINGS**

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- (1) In case that the actual project costs exceed the budgeted cost in the Project Contract, the PP shall make additional funding available from its own resources to complete the project, unless a request for additional funding is submitted to the NFP before the additional costs are incurred (subject to availability of funds and due justification).
- (2) If the final cost of the project is below the total cost stipulated in the Project Contract, the overall sum of grant paid will be reduced accordingly.
- (3) The PP cannot utilise any savings without prior authorisation from the NFP. If the PP needs to utilise the savings, the PP should first inform the NFP in writing that there are savings from the project and make a request to utilise the savings, giving justifiable reasons. Request should be sent in line with the set procedures as defined in this MOP.
- (4) Project grants that have upon project closure not been fully utilised, as well as project grants that have been cancelled due to irregularities or for other reasons, may, subject to Article 13.2 (2), be reallocated to future projects within the same programme or to additional activities of already approved projects, provided that these additional activities contribute to the objectives of the projects receiving the additional funds.
- (5) When a financial correction is made on a project, the financial contribution may not be used for that project.
- (6) Applications for the recommitment of funds shall be processed in the same way as applications for other projects.



## **8.3 VAT AND OTHER TAXES AND CHARGES**

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- (1) The expenditure related to VAT and other taxes, levies or charges of whatever nature are not eligible for financing.
- (2) Other taxes and charges (in particular direct taxes and social security contributions on wages and salaries) which arise from co-financing from the EEA/Norwegian Financial Mechanisms do not constitute eligible expenditure, except when they are genuinely and definitely borne by the PP.
- (3) It is highly recommended that the PP contacts the VAT Department to seek clarifications on issues related to VAT, to make the necessary arrangements for the payment of VAT and to ensure the way-forward for the treatment of VAT for the specific activity. Guidance notes on VAT issues can be downloaded from [www.vat.gov.mt](http://www.vat.gov.mt).
- (4) The PPs are to ensure that foreign contractors that should be registered in Malta have in fact registered and have a VAT certificate.
- (5) Any clarifications should be submitted in writing (even e-mail) and should be copied to the relevant desks at the NFP, CA, the DoC and Assistant Director (Capital Expenditure) MFIN.

## 9. PAYMENT PROCESS

### 9.1 COMMON RULES FOR PAYMENTS

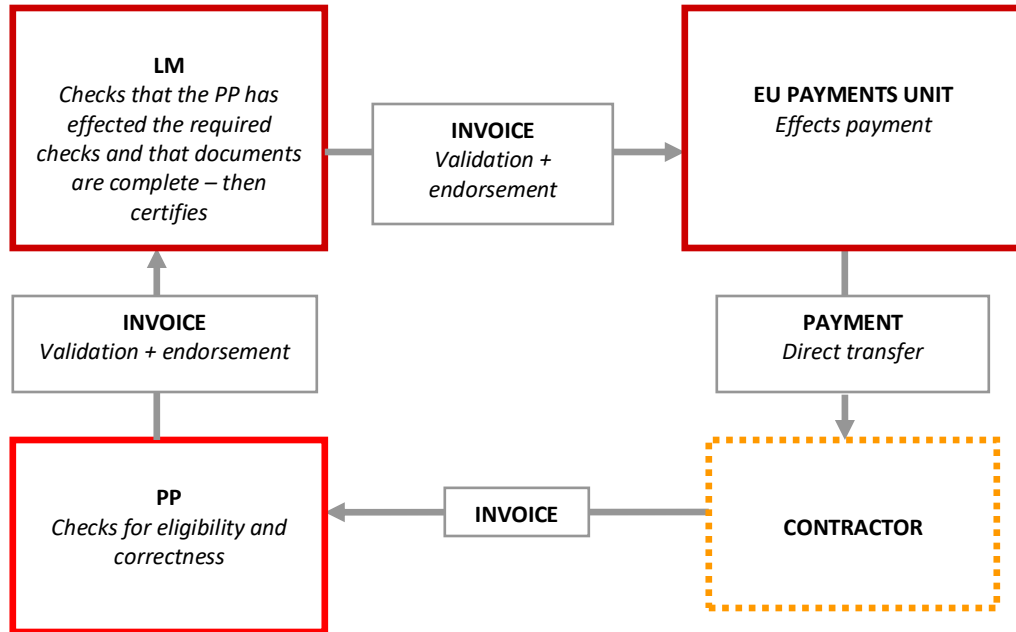
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- (1) All stakeholders are reminded that the EEA and Norwegian FMs line items in the Budgetary Estimates cannot be accessed for any reason/operation other than those activities approved and stated in the Project Contract for each project.
- (2) Reimbursement of the project grant by the FMO shall take the form of interim payments and payment of the final balance.
- (3) Payments by the FMO shall be made when all relevant conditions for payments stipulated in the Regulations and the Project Contract have been fulfilled.
- (4) As a general rule, costs incurred by the PP shall be supported by invoices and documents proving that payment has been effected. Such documents can be one of the following, depending on the situation:
  - (i) VAT fiscal receipt  
A VAT fiscal receipt, as it is evidence that the PP has settled its dues with a contractor and the NFP considers it as proof of payment.
  - (ii) Bank statement / Debit Advice issued by the Central Bank of Malta  
Where a contractor issues a tax invoice to the PP, the PP should provide to the NFP a bank statement or a Debit Advice issued by the Central Bank of Malta showing that the funds have been transferred from its own account to that contractor's account.  
  
The bank statement / Debit Advice would be required because a tax invoice does not necessarily prove that the PP has actually effected payment. It could be that the tax invoice has been released by the contractor only on account of the fact that supplies were delivered or services performed.
- (5) In accordance with Article 5.6 (1) (n) of the Regulations, each PP is requested to maintain an accounting system or an adequate accounting code, separate from 'CARS II', for all transactions relating to the project without prejudice to national accounting rules.

### 9.2 PRE-FINANCING AND THE PAYMENT PROCESS

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- (1) All projects will be fully pre-financed by Government through allocations in the national Budgetary Estimates. Each project will be specifically mentioned in the Estimates.
- (2) There will be two sub-items within the project allocation: sub-item 1 will contain the EEA/Norway share and sub-item 2 will show the Malta funds allocation, which will also cover the VAT element and other non-eligible / extra costs over and above the EEA / Norway grant. PPs and line ministries are to ensure that the correct sub-line and item is debited when raising commitments.
- (3) The following section provides a detailed step-by-step description of the three-staged payment process:



- (1) **First stage:** The PP receives the request for payment from the Contractor (or the finance unit within the PP in the case of reimbursement requests). Following vetting of the request (to ensure the necessary compliance) and confirmation of its adequacy, the PP uploads the invoice on 'CARS II'. The PP will then send the necessary documents to its respective Line Ministry, for the second stage.
- (2) **Second stage:** The LM will then access 'CARS II' to confirm the checks carried out by the PP and, if all is deemed in order, it will authorise the payment. Both PP and LM are to monitor the invoice until it is paid.
- (3) **Third stage:** The LM then sends the request for payment to the EU Payments Unit within the Ministry for Foreign and European Affairs. The EU Payments Unit will check again all documentation, and, on behalf of the PP, will then pay to the Contractor both the EEA/Norwegian FM share and the Malta share of the invoice. Payments will be made by means of a bank credit transfer only through the Central Bank of Malta. No cheques will be issued to Contractors.
- (4) In the case of payments due to the contractor which have been paid in the first instance by the PP / LM outside of the 'CARS II' process, a **Request for Reimbursement** has to be raised by the entity which would have made the payments. The request for reimbursement should be raised by the Accounts section of the entity having effected the payment on the entity's letter head and contain at least the following information:
  - i. Request for Reimbursement number (following the convention: *project code/RR/nn*, e.g. MT01/RR/01);
  - ii. Date;
  - iii. List of items to claim;
  - iv. Name of fund and budget vote line, always quoting the item number of the **'EEA/Norwegian Financial Mechanisms 2014-2021'** of the LM's vote in the Budgetary Estimates;
  - v. Documents needed for verification e.g. quotes, certified true copies of invoice and receipt, copy of contract etc.; and
  - vi. Name of the ministry the expenses should be refunded to.

The Request for Reimbursement will be treated as an invoice and therefore the same procedure as for the uploading and processing of invoices through 'CARS II' would then apply.

**All stakeholders involved in the disbursement process (PP, LMs and EU Payments Unit) are to ensure that the disbursement process moves in the shortest time possible since Malta will only be able to draw down funds from the EEA/Norwegian FM on the basis of payments effected.**

**It is the responsibility of the PP to ensure that invoices and the relevant documentation are sent in time and correctly (i.e. first time round) in order not to slow down the process.**

## **9.3 DETAILED PAYMENT PROCESS**

	<b>FUNCTION</b>	<b>Responsible Body</b>
1	<p><b>Issuing/ Receiving Invoices</b></p> <p>In principle, all contracts/invoices/payments must be quantified in the EURO. <b>Contracts/invoices/payments must be issued in EURO only.</b></p> <p>The contractor shall issue the invoice according to stipulations in the contract and deliver it to the PP. <b>In particular, where tenders have been divided into lots, Contractors awarded more than one lot must invoice each lot separately. This is required in order to ensure that the respective payments may be distinguished and individually accounted for.</b></p> <p>Whenever the PP receives an invoice for the first time from a contractor/final recipient, the EU Payments Unit requires that the PP should request that the contractor/final recipient fills in a Financial Identification Form (FIF), wherein the PP will provide the EU Payments Unit with adequate information on the contractor for the proper execution of a bank credit transfer. This solution is applicable to both local and cross-border payments i.e. international payments. The EU Payments Unit reserves the right to contact directly the contractor to obtain the information required in the FIF template.</p> <p>In every invoice, the VAT element is to be presented separately.</p> <p>The Project Promoter must ensure that the contractor includes in the invoice:</p> <ul style="list-style-type: none"> <li>▪ the issue date</li> <li>▪ the invoice number (which has to be unique)</li> <li>▪ Name, address and VAT number of vendor</li> <li>▪ Name, address and VAT number of buyer (if applicable)</li> <li>▪ Sales category (e.g. 'Sales Invoice')</li> <li>▪ Description indicating:                             <ul style="list-style-type: none"> <li>– Quantity and nature of each product (e.g. 50 bags of cement) for purchase / sale of products</li> </ul> </li> </ul>	<p>Contractor (sending)/</p> <p>Project Promoter (receiving)</p>

	<ul style="list-style-type: none"> <li>- Nature of the service provided (e.g. services provided by an architect testing and measurement of a rubble wall) for the provision of services</li> <li>▪ Date of provision of service / delivery of products</li> <li>▪ Net Value of products bought / sold i.e. value EXCLUSIVE OF VAT (e.g. 50 bags of black cement – value per item €10 – total €500)</li> <li>▪ The total VAT amount (€500 at the rate of 18% VAT = €90). The VAT rate has to be included at all times</li> <li>▪ The total sum of products / services bought or sold including currency used (total value exclusive of VAT + VAT amount)</li> </ul>	
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2	<p><b>Regular Payments</b></p> <p>The PP and the line ministry are to ensure that invoices are received, and payments processed in the shortest time possible as the NFP would wish to request the reimbursement of the EEA/Norwegian FM share from the FMO in the first Interim Financial Report following execution of payment.</p> <p>Invoices are to be processed through the Computerised Accounting Records Systems (CARS II).</p>	Project Promoter
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3	<p><b>Certifying Works/Services/Supplies</b></p> <p>Prior to physically forwarding the invoice in original hard copy to the EU Payments Unit, the PP shall confirm the payment claim details through CARS II to the DPDPI within the Line Ministry.</p> <p>The payment claim consists of entering the invoice details, uploading supporting documentation including the invoice, performing the checklist and finally confirming all the details in the payment claim. In this regard, the PP shall:</p> <p>(a) Validate/certify the invoice – validation implies that the data on the invoice is correct. The PP shall ensure that the following data items are included in the invoice raised and that the information is accurate and correct:</p> <ul style="list-style-type: none"> <li>▪ date (as agreed in contract);</li> <li>▪ line item;</li> <li>▪ quantity;</li> <li>▪ amount;</li> <li>▪ the VAT element is included in the bill as a distinct component of the total;</li> <li>▪ the invoice is addressed to the PP and issued by the company holding the contract. Invoices should not be issued by subsidiary companies. <b>The company that issues the invoice must be identical to the name of the company mentioned in the contract.</b></li> </ul> <p>(b) ensure that the invoice is based on and reflects the schedule of payments as stated in the respective contract;</p> <p>(c) verify the delivery (including quality) of the supplies, works and/or service (except where the invoice refers to an advance payment);</p>	Project Promoter
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	<p>(d) confirm compliance with relevant procedures and guidelines.</p> <p>The PP shall complete the online checklist [the checklist is a means of verifying that all the above checks (a-d) were carried out. The original invoice which must be certified correct, signed and stamped is transmitted to the Line Ministry (until further notice by the NFP).</p> <p>Before transmitting the original invoice to the Line Ministry, the PP shall confirm the payment claim in the relevant section on CARS II.</p>	
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<p>4</p>	<p><b>Authorising Payment</b></p> <p>The line ministry shall confirm the checks made by the PP <b>prior to submitting payment request to the EU Payments Unit.</b></p> <p>The validation by the Line Ministry entails that it:</p> <ul style="list-style-type: none"> <li>(a) confirms that the PP carried out the relevant checks;</li> <li>(b) confirms that adequate controls exist at the PP to ensure that the technical implementation of the project is being monitored;</li> <li>(c) confirm that the relevant supporting documentation has been uploaded correctly on CARS II.</li> <li>(d) completes and confirms the relevant online checklist on CARS II;</li> <li>(e) ensures that the commitment and debit advice are raised through DAS. This task shall be carried out by the Accounting Officer but the Director (Policy Development and Programme Implementation) shall ensure that the commitment has been made.</li> </ul> <p>Tasks and Responsibilities – Accounting Officer</p> <p><i>Step 1 - Request Commitment</i></p> <p>The commitment request routine is the first stage of the commitment cycle wherein Accounting Officers in line ministries must insert ample description of the goods or services required by the PP, the prospective contractor and the total cost involved.</p> <p>Although, in principle, a single commitment cannot accommodate more than one contractor, even if the supply or service may have similar characteristics, the Accountant General may direct otherwise in terms of Article 28 of Chapter 174 of the Laws of Malta.</p> <p>Accounting Officers must keep in mind that, whenever the final recipient is a non-VAT registered body, the vendor number must be replaced by 'CBM0001 (ADVANCES)'.</p> <p><i>Step 2 - Procure Commitment</i></p> <p>The procure commitment routine enables Accounting Officers to ascertain that the details of the commitment are correct before authorisation is granted for advancing the commitment to the next stage.</p> <p><i>Step 3 - Soft Commitment</i></p>	<p>Director (Policy Development and Programme Implementation) of the line ministry</p> <p>Accounting Officer of the line ministry</p>
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<p>The <i>soft commitment</i> shall be considered as a pivotal stage in the whole process of the commitment cycle. In this stage Accounting Officers must allocate the relative expenditure to the specific account – EEA/Norwegian Financial Mechanisms 2014-2021 account in the Estimates of the respective line ministry’s capital expenditure vote.</p> <p>Special attention needs to be paid whenever expenditure cannot be covered by existing provisions allocated under the Budgetary Estimates for that purpose. Any potential budgetary implications should be immediately brought to the attention of the competent authorities (NFP and copied to the Budget Office MFIN) for remedial action. Failure to properly manage EEA/Norwegian Financial Mechanisms-related spending may result in severe delays in payments.</p> <p><i>Step 4 - Hard Commitment</i></p> <p>This final routine sets the type of purchase document required and consolidates the commitment cycle. In order to prevent the misuse of EEA/Norwegian Financial Mechanisms budgetary allocations, the creation of a new transaction type was envisaged. As a result, a transaction code, specifically for EEA/Norwegian Financial Mechanisms related payments, was introduced within the system – 08. It is therefore recommended that, prior to proceeding to the ‘print document’ routine, Accounting Officers ascertain that the correct document type is selected.</p> <p>Accounting Officers are responsible for the propriety, regularity and accuracy of the payments they authorise. In this regard, desk instructions are laid out to give guidance on the principles to be observed prior to submitting documents to the EU Payments Unit for payment execution.</p> <p>Furthermore, Accounting Officers shall:</p> <ol style="list-style-type: none"> <li>(a) check that a valid invoice or similar demand for payment has been presented and that it corresponds to the commitment. Whenever significant disparities are recognised, Accounting Officers are responsible for taking remedial action, and if necessary, produce a fresh commitment at once.</li> <li>(b) ascertain that the provisions on the treatment of VAT have been thoroughly observed. Further guidance can be sought from the EU Payments Unit.</li> <li>(c) where a single commitment is created in order to accommodate more than one contractor, a detailed list, giving appropriate account of every individual payment, shall complement the commitment document.</li> <li>(d) debit the EEA/Norway Financial Mechanisms share of the net cost of the invoice under the EEA/Norway sub-item and the Malta share of the net cost, plus total VAT cost under the Malta sub-item. The respective EEA/Norway Financial Mechanisms and Malta shares are indicated in the Project Contract and the CARS II.</li> </ol> <p><i>Step 5 – Transmission of documents</i></p> <p>The line ministry will approve the payment online and upload the debit advice on the system. A copy of these documents shall be kept by the line ministry. The EU Payments Unit reserves the right to refer the payment back to the relevant Line Ministry for correction.</p>	<p>Director (Policy Development and Programme Implementation) of the line ministry</p>
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	<p>Once the line ministry confirms the relevant online checklist on CARS II, the system will automatically set the payment authorisation level “Confirmation_Line Ministry” as complete.</p> <p>The DPDPI is responsible for:</p> <ul style="list-style-type: none"> <li>(a) liaising with the Accounting Officer with regard to the preparation of the required documents;</li> <li>(b) complete and confirm the online checklist on CARS II.</li> <li>(c)</li> </ul>	
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<p>5</p>	<p><b>Executing Payment</b></p> <p>Following the approval of the payment by the line ministry, the EU Payments Unit shall:-</p> <ul style="list-style-type: none"> <li>(a) confirm that the details on the original invoice correspond with the details on the Invoice Details (Confirmation) tab on CARS II.</li> <li>(b) confirm that the relevant supporting documentation has been uploaded correctly on CARS II.</li> <li>(c) ensure that the expenditure has been approved by the Accounting Officer and the commitment is in accordance with any agreed contract or other documentation governing the transaction.</li> <li>(d) determine the correctness of the commitment. In this regard, the commitment and invoice must have common recipient names, similar VAT identification numbers and analogous amounts.</li> <li>(e) check that the claim and/or invoice is arithmetically correct.</li> <li>(f) ensure that the invoices comply appropriately with legal requirements particularly those contained in the Financial Administration and Audit Act <sup>(15)</sup> and the Value Added Tax Act <sup>(16)</sup>.</li> <li>(g) ensure that the commitment has been raised out of the appropriate incidence of charge – the budget line (Capital Expenditure of the respective Line Ministry) – and that the VAT treatment is correct.</li> <li>(h) ascertain that any VAT payable directly by the line Ministry on behalf of the contractor has in effect been settled. A sufficient proof of payment must be provided promptly.</li> </ul> <p>On completion of these checks and provided that the above conditions are fulfilled, the EU Payments Unit shall proceed with the relevant payment. The EU Payments Unit will:-</p> <ul style="list-style-type: none"> <li>▪ certify the payment electronically on CARS II;</li> <li>▪ create the required XML files for transferring funds from the Public Account to the ad-hoc CBM Funds account;</li> <li>▪ generate the necessary XML files for payment execution;</li> <li>▪ once payment transfer ‘Payment Authority Level 2’ has been completed, the CARS II system will automatically generate the SEPA files in XML format;</li> <li>▪ submit the XML files to the CBM, through an encrypted email.</li> </ul> <p>The EU Payments Unit, after making the relevant checks in line with the</p>	<p>EU Payments Unit</p>
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<sup>(15)</sup> Chapter 174 of the Laws of Malta and Subsidiary Legislation 174.01 laying down general provisions regulating the receipt, control and disbursement of public moneys, to provide for the audit of accounts in relation thereto, and to provide for other matters connected with or incidental to the purposes aforesaid.

<sup>(16)</sup> Chapter 406 of the Laws of Malta laying down general provisions for the imposition of a value added tax in place of an excise tax system on imports, products and services.



	national procedures, will <b>instruct</b> the CBM to debit the relevant account and issue a CB debit advice.	
6	<p><b>Post-Payment</b></p> <p>Following the receipt of the XML files from the CBM, the EU Payments Unit shall:</p> <ul style="list-style-type: none"> <li>▪ perform a bank reconciliation exercise as quickly as possible following the date of receipt of the statements of accounts;</li> <li>▪ ensure that all records and supporting documents are maintained appropriately and in an organised manner as to facilitate audit controls;</li> <li>▪ insert the relevant data in the CARS II immediately upon receipt of the debit advice issued by the CBM confirming payment. This information is available for review by all bodies and is particularly important in relation to the IFR. Each IFR printed from the CARS II shall only include expenditure for which the notification of issue of the CBM debit advice is inserted in the database.</li> </ul>	EU Payments Unit
7	<p><b>Role of the Central Bank of Malta</b></p> <p>The Central Bank shall <b>issue a CBM debit advice</b> for all relevant payments and forward it to the EU Payments Unit.</p>	CBM
8	<p><b>Suspension/Interruption/Withholding of Payment</b></p> <p>The responsibility for necessary corrections rests with line ministries and, should there be proposals for payment which do not meet these requirements or which depart from the normal rules or procedures, the EU Payments Unit reserves the right to reject and send back the payment – online - to the relevant line ministry for correction.</p> <p>Should an irregularity be detected funds may be suspended, interrupted or payments may be withheld.</p>	EU Payments Unit  PP/SGSO/LM/EU Payments Unit
9	<p><b>Bank Transfers</b></p> <p>Rather than effecting payments directly out of the Departmental Accounting System, the EU Payments Unit has opted to disburse and account for payments in <b>individual bank accounts of the contractors/recipients</b> by bank transfer.</p> <p>On the basis of the information available, the EU Payments Unit shall instruct the CBM to effect a bank credit transfer.</p> <p>It is important to note that it is highly recommended that PPs strongly encourage the use of bank credit transfers as this will ensure a smooth flow of funds and an efficient arrangement for the transmission of payments.</p> <p>In this respect, further guidance regarding banking matters can be specified at contracting stage. In practice, Special Conditions – Terms of</p>	EU Payments Unit

	Payment can specify the minimum requirements needed to ensure an adequate level of banking information for the execution of payments.	
<b>10.</b>	<p><b>Receipt</b></p> <p>It is important to note that once the EU Payments Unit instructs the CBM to issue payment via a bank credit transfer to the contractor, the EU Payments Unit will automatically generate (through CARS II) and submit the Remittance Advice to the contractor, informing that payment has been effected indicating:</p> <ul style="list-style-type: none"> <li>▪ the date;</li> <li>▪ the vendor's address;</li> <li>▪ the CBM reference number;</li> <li>▪ the payment reference;</li> <li>▪ the payment date;</li> <li>▪ the vendor's name;</li> <li>▪ the vendor's ID / VAT registration number;</li> <li>▪ the vendor's IBAN / account number;</li> <li>▪ the invoice number, date and amount.</li> </ul> <p>It is the responsibility of the PP to ensure that upon receipt of payment, the contractor issues a receipt or other accounting documents of equivalent probative value<sup>17</sup> confirming that payment has been effected. VAT should be included where applicable.</p> <p>It is important to note that the contractor must issue a receipt within 3 to 5 days of receiving payment.</p>	<p>EU Payments Unit</p> <p>Project Promoters</p> <p>Contractor</p>

## **9.4 LATE PAYMENTS MFEI CIRCULAR 8/2012**

- (1) LN 272 of 2012 transposing Directive 2011/7/EU provides that in commercial transactions where the debtor is a public authority, the creditor is entitled to interest at the European Central Bank reference rate plus eight per cent (8%) upon expiry of the credit period allowed by law (30 days). Unless the period of payment and rate of interest are specified in the contract, interest at the ECB reference rate plus 8% shall become payable automatically after 30 days following receipt of invoice or receipt of goods or services.
- (2) Prior to signing a contract, PPs must ensure that payments for procured goods and services are effected within 30 days. Alternatively, the conditions attached to public tenders should explicitly indicate the period for payment, as well as the rate of interest payable in the event of late payment. Close liaison should therefore be maintained with the DoC for the inclusion of appropriate clauses during the preparation of the tender documents. Penalties in general and also those arising from late payments are **not eligible** for co-financing.

It is up to the PP to ensure that payment documents are complete and correct and submitted to the next stage in good time for each control layer to take place.

<sup>17</sup> Please refer to section 9.1 (4) above.

## 9.5 PAYMENT PROCESS – PERSONS EMPLOYED ON DEFINITE CONTRACT AND ASSIGNED EXCLUSIVELY TO THE PROJECTS

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- (1) Payments consisting of salaries to persons engaged on a definite contract basis specifically to implement EEA/Norwegian FM projects (e.g. project managers) should in principle be processed in the normal manner (from the salaries vote of the organisation).
- (2) Every month or quarter (at the discretion of the PP) there should be a replenishment from the EEA/Norwegian FM vote of the project concerned (under which the person has been contracted) to the salaries vote of the organisation (from where the payment to the contractee was made) so that ultimate impact is on the EEA/Norwegian FM Fund item. For such reimbursement from the EU Payments Unit, the PP should prepare and upload on CARS II a Reimbursement Request, the proof of payment of salary and the calculation of staff costs. In the case of ministries/departments, the EU Payments Unit will only transfer money from the EEA/Norway vote to the salary vote of the PP concerned. In the case of a public entity, the EU Payments Unit will issue a reimbursement from the EEA/Norway vote to the entity's account. For ad hoc instructions, please refer to the EU Payments Unit contact details (section 2.1.7 of this MoP).

## 9.6 STAFF COSTS

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In terms of Article 8.3(1)(a) of the Regulations, the cost of staff assigned to the project, comprising actual salaries plus social security charges and other statutory costs included in the remuneration is eligible, provided that this corresponds to the PP's and project partner's usual policy on remuneration.

PPs are to note however that like other cost categories, such staff costs must have been mentioned in the Project Application and be explicitly agreed to in the Project Contract (with a corresponding allocation in the project budget) in order to be eligible.

In the case of staff not working on the project full-time, staff costs charged to the project shall be calculated in proportion to the time spent on the project in the relevant period, sufficiently substantiated by timesheets (as prescribed at paragraph 4 of section 6.13) signed by the employee and endorsed by the Project Leader, or Head of Unit in case the Project Leader's salary costs are claimed. The staff costs calculator may differ from one entity to another, depending mostly on the frequency of salary payments. Beneficiaries are encouraged to contact the NFP in order to determine which calculator to use.

**Eligible staff costs = hourly rate \* number of hours worked on the project**

Where, **hourly rate** =

$$\frac{\text{Annual Salary}^{18}}{\text{Total number of hours worked in a year}^{19}}$$

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<sup>18</sup> Please refer to footnote 16

<sup>19</sup> Please refer to footnote 17

## 10. REIMBURSEMENT FROM THE FMO

### 10.1 USE OF EURO

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- (1) Commitments and payments from the FMO will be denominated and executed in Euro.
- (2) Requests for reimbursement (Interim Financial Reports comprising certified payment claims) forwarded from the Certifying Authority to the FMO shall be in Euro.

### 10.2 INTEREST

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In terms of Article 9.7 of the Regulations, any interest generated on the bank accounts set up by the CA at the CBM on which funds from the Donors are kept until they are transferred to Revenue shall be regarded as a resource for the Donors.

If applicable and in the case of Technical Assistance only, the CA shall annually as part of the interim financial report for the period 1 July to 31 December, declare to the FMO any interest earned on the designated accounts set up by the CA at the CBM. The CA shall verify the correctness of the declared interest.

The interest earned shall be taken into account for the calculation of the final balance.

### 10.3 REIMBURSEMENT PROCESS FROM THE FMO

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#### 10.3.1 Common rules for payments

- (1) Payments shall be made when all relevant conditions for payments stipulated in the programme agreement and the Regulation have been fulfilled.
- (2) Payments shall take the form of reimbursements of incurred eligible costs and shall be made to the designated account managed by the CA.
- (3) The FMO may retain up to 10% of the management cost allocation to the programme. The retained amount shall not be paid until the final programme report has been approved by the Donors.
- (4) Payments shall be calculated by applying the co-financing rate laid down in the programme agreement.

#### 10.3.2 Interim Reimbursements

- (1) There shall be two reporting periods in each calendar year:
  - (a) 1 January – 30 June; and
  - (b) 1 July – 31 December
- (2) Reimbursements shall be paid based on an interim financial report (IFR) submitted by the NFP in a format provided by the Donors, certified by the Certifying Authority and approved by the FMO.

- (3) Without prejudice to point 9 (below) and subject to budgetary appropriations of the Donor States, reimbursements from the FMO shall be made on the following payment dates: 15 April and 15 October. Should a payment date land on a weekend or an EFTA public holiday, the payment shall be made on the next EFTA working day.
- (4) Interim financial reports shall be received by the FMO according to the following schedule:
  - (a) on, or before, 15 March for payments to be made by 15 April;
  - (b) on, or before, 15 September for payments to be made by 15 October.
- (5) Payment based on an interim financial report received after its due date but on, or before, the following due date referred to in point 4 shall be due as the report would have been received on its following due date. If an interim financial report has not been received within twelve months from the end of the reporting period in which expenditure has been incurred, the expenditure for that period shall be declared ineligible and cancelled.
- (6) Interim financial reports shall include:
  - (a) a statement of actual expenditure incurred during the reporting period preceding the payment date;
  - (b) a statement of proposed expenditure for the reporting period immediately following the payment date; and
  - (c) information on progress towards achieving outputs and outcomes, as appropriate.
- (7) The actual incurred expenditure for the last reporting period shall be reported in the final programme report.
- (8) When the interim financial report has been provided, the FMO shall verify that it is in the correct form and that the conditions for payment have been met. If that verification is positive, reimbursements shall be transferred no later than on the payment dates referred to in point 3.
- (9) Should verification according to point 8 be negative, the FMO and the NFP shall closely cooperate to remedy the deficiencies. The FMO may provisionally hold reimbursements until such deficiencies have been remedied. When the FMO, after receiving all necessary information, has positively verified interim financial report, it shall at the first possible payment date or when it deems it necessary following that verification release the payment due, unless the FMO decides to make use of remedies provided in Chapter 13 of the Regulations.

### **10.3.3 Certification of interim financial reports**

The CA shall have access to the Computerised Accounting Records System (CARS II) hosting the documentation concerning implementation. This shall include a detailed breakdown of payments made, reports of on-the-spot check undertaken by the NFP and summaries on irregularities. The CA can access this information at all times.

Two times a year the NFP shall issue notice to all relevant stakeholders regarding an upcoming IFR. The IFR will also include proposed expenditure for the following six-month period. The IFR process consists of the verification by the NFP of all the payments effected since the previous IFR. Once the NFP and the FCU undertake their respective verifications the IFR and relevant declarations are passed on to the CA.

The CA will receive the IFR compiled by the NFP and prior to submitting it to the FMO, it shall perform the certification process in line with Article 5.4 of the Regulations.

This process shall be undertaken in two stages:

**Stage I:** The team in charge of the programmes within the CA shall:

- (a) review all relevant documentation, namely:
  - the interim financial reports and final programme reports;
  - the supporting documents;
  - on-the-spot check and follow-up reports carried out by the NFP;
  - systems and expenditure audits carried out by the Audit Authority in line with Article 5.5, Article 11.2 and Article 11.3.
  - on-the-spot check reports carried out by the CA.
- (b) After conducting the above reviews to gather the necessary assurance that controls are effectively in place and are being implemented, an expenditure testing exercise on a sample basis through the CARS II shall be carried out to ensure:
  - that expenditure in the IFR is supported by the financial report at project level and the relevant Declarations provided by the NFP and Project Promoter;
  - that expenditure has been confirmed as paid by the EU Payments Unit through the CBM payment reference;
  - that expenditure was actually incurred within the eligibility period;
  - that expenditure was incurred as part of the implementation of the Programme in accordance with the programme agreement;
  - compliance with all relevant national and Community rules.

Following completion of document review and invoice testing, any queries arising from the checks done are reviewed and discussed internally. This will give rise to the classification of queries to be sent to the NFP. Once all pending clarifications are cleared, the review is considered complete and CA proceeds to Stage II of the certification process.

**Stage II:** Following Stage I, Stage II officials have the overall responsibility to prepare the IFR by FM, reconcile expenditure, account for any irregularities and reconcile the IFR. The IFR at programme level shall be sent to Donors through GRACE in accordance with article 5.4.1(a) of the Regulations. The CA shall also account for recoveries made and ensure that recoveries are deducted at IFR at FM level.

### **10.3.4 Payment of the final balance**

- (1) The final balance is the total reported eligible expenditure of the programme, taking into account any previous reimbursements and discrepancies in payments due to rounding errors and which cumulatively do not exceed €50, less the following amounts:
  - (i) the total interim reimbursements to the programme from the Donors;
  - (ii) any co-financing from sources other than the EEA Financial Mechanism 2014-2021; and
  - (iii) total interest earned until the date of the final programme report
- (2) The Donors' share of the final balance is the final balance according to point 1 multiplied by the programme grant rate.
- (3) The final balance shall be calculated and reported in the financial annex to the final programme report in accordance with guidelines adopted by the Donors.
- (4) Any final balance payable to Malta shall be transferred by the Donors no later than one month after the Donors' approval of the final programme report.
- (5) Any final balance payable to the Donors shall be reimbursed to the Donors within the same deadline.

### **10.3.5 Transfer to Central Government Revenue**

The CA shall be responsible to receive and account for funds transferred by the Donors including interim and final payments; transfer funds from the Central Bank of Malta accounts to the Public Account and account for any discrepancies between certified claims and fund transfers and inform the NFP accordingly.

In this regard the CA shall ensure that:

- it issues an official letter authorising the CBM, copying the Treasury Department, to debit the CBM Account and credit the Government's Revenue Account in the appropriate revenue line item;
- The official letter bears a double signature as a security requirement, of the persons authorised to perform such duty in relation to the CA Head and the Director General Budget Affairs or those Public Officers delegated with the authority to perform such tasks in the absence of the former two;
- the transfer of Funds through a "Transfer Schedule of Payments" is effected; and
- subsequent "Receiving Schedule of Payments" evidencing the above-mentioned transaction shall be kept recorded in the relevant CA file.

### **10.3.6 Forecast of likely payment applications**

At the latest by 20 February, 20 April, 20 September and 20 November each year, the Certifying Authority shall send to the Donors, in a format provided by the Donors (Annex 8 of the Regulation), a justified forecast of likely payment applications for the remainder of the current financial year and subsequent financial years.

# 11. FINANCIAL CONTROL, AUDIT AND RISK MANAGEMENT

## 11.1 INTRODUCTION

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- (1) Audits and verification checks are required to trace transactions and validate the declared outputs and expenditure of a project. This Chapter explains the checks carried out by the NFP, and the audits carried out by national and Donor State institutions.
- (2) The PP is the main actor responsible to put in place and to maintain control arrangements to ensure proper and sound financial management of the Grant and shall take all the necessary measures to prevent and detect irregular payments and fraud. All suspected and actual cases of irregularity and fraud as well as all measures related thereto, taken by competent national authorities, must be reported to the NFP without delay.
- (3) The NFP will report any matter related to audit and fraud to the Audit Authority, copying the Certifying Authority.
- (4) Correct implementation in line with the Project Contract, this MoP and other relevant regulations remains the responsibility of the PP. The financial regulations of Government apply to all public sector projects.

In accordance with Article 5.6 (1)(e) of the Regulations, the NFP is responsible to verify the legality and regularity of the expenditure declared by the PPs and that it has actually been incurred in compliance with the Regulations, the Programme Agreement as well as the applicable national and European Union law. Furthermore, the NFP is to verify the projects' progress towards expected outcomes, *inter alia* through reviews and/or on-the-spot checks of projects.

## 11.2 CHECKS

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### 11.2.1 Management Verifications (First Level of Control)

- (1) In accordance with Article 5.6 (1)(e) of the Regulations, the NFP as Programme Operator (or its delegated Small Grant Scheme Operator) shall carry out checks on the project expenditure declared by the PP.

The verifications carried out by the NFP include the following procedures:

- (a) administrative verifications;
  - (b) on-the-spot verifications of operations;
- (2) The **administrative verifications** carried out by the NFP are based on an examination of the expenditure claims and relevant supporting documentation. The NFP will undertake 100% administrative verifications checks aiming at ensuring that expenditure is carried out in line with the Project Contract, that the relevant procedures have been followed and that the operations and expenditure comply with Regulations and relevant EU and national rules. It should be noted that these checks are NOT audits but administrative verifications. Checks may be carried out desk based or at the PP's office. Any queries submitted to the Project Leader should be answered within the stipulated deadline to ensure that funds are not at risk. The NFP may use external expertise to support it to conduct the administrative verifications check.
  - (3) The NFP will also carry out **physical on-the-spot checks**. These checks focus on the physical deliverables of the project. In the case of projects involving training, OTS visits may



be organised while the project is still being implemented (e.g. during a training session) to verify the reality of expenditure. The NFP may use external expertise to support it during checks of the projects' physical implementation.

- (4) In the case of the Small Grant Scheme, these administrative and physical verifications are carried out by the Small Grant Scheme Operator (SGSO). The SGSO can also be supported by external technical expertise.
- (5) Administrative and physical verifications may be carried out throughout the project's lifetime. The checklist template, refer to Annex 4, is to be used during the verifications. NFP/SGSO shall inform the PP that a physical check will take place at least one day in advance. The Checklist template (refer to Annex 4) used during the visit is sent by the NFP/SGSO to the PP with the OTS check notification communication in order to help the PP prepare for the visit. The OTS check will be carried out in the presence of the PP.
- (6) The NFP shall record and report all discussions and findings in the OTS Report (refer to annex 4)
- (7) The NFP official conducting the check shall ensure that the project is being implemented in accordance with sound financial management principles and to ensure that works/supplies/services are being delivered in line with the relevant Donors/EU/national regulations, legislation, guidelines and rules.
- (8) The PP shall ensure that the Project Leader and any other relevant officials are present for the checks and that the relevant documentation is readily available.
- (9) Finally, the PP is to note that the objectives of the checks are not intended to offer the PP any comfort/guarantees with regard to audits but are merely management verifications in line with the relevant regulation.
- (10) Moreover, the Financial Control Unit which is independent in its functions from the NFP and reports directly to the Head of the FPD provides an added level of assurance to the Head of the FPD as it ensures that the processes for which the NFP is responsible are being properly carried out. The FCU shall perform its checks on the project expenditure declared by the PP on a sample basis as outline at <http://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Pages/Links-and-Downloads.aspx>.
- (11) Other organisations, such as the line ministry may carry out OTS checks on projects in order to gain the assurance required. In such a case the report should be forwarded to the NFP

### **11.2.2 Follow-up Action to the Management Verifications**

- (1) Following an on-the-spot check, the NFP shall send the draft report (outlining findings and follow-up/recommendations<sup>38</sup>) to the PP for signature /comments. If the Project Leader responsible for the project fails to sign the administrative check/on-the-spot check report within the stipulated deadlines, the final report may still be considered closed and the NFP may upload the final report unsigned on CARSII for the benefit of the relevant stakeholders. In case of non-compliance, the NFP as PO may decide to suspend the operation concerned and possibly initiate proceedings for recovery (partial or full).
- (2) Any follow-up action required is to be undertaken by the PP within a stipulated deadline. Failure to do so may result in the NFP taking action on the beneficiary. Follow-up action and response are to be recorded in the template provided (refer to Annex 5).
- (3) In the case of Small Grant Scheme, Follow-Up Checks are undertaken by the POSGS managing the scheme, as necessary..

### **11.2.3 Checks carried out by other stakeholders**

- (1) The CA may also carry out administrative or physical verifications, if it needs further clarifications to gain assurances that the system is sound. In such cases, the PP is informed by the CA and the relevant template is sent by the CA to the PP in advance. The PP is expected to co-operate fully with the CA during these checks.
- (2) Other organisations such as the SAMB or the VAT Department may carry out checks on the project in order to ensure that the project is being implemented in accordance with state aid or VAT regulations.
- (3) The project promoter is to present to the NFP information on any checks performed on the project by stakeholders other than the NFP itself. The NFP shall submit to the CA the reports on audits and other checks within 5 working days of their receipt by the NFP.

## **11.3 AUDITS**

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- (1) It is management's responsibility to put in place and maintain arrangements (systems and controls) to ensure the proper management of funds. The auditor is only responsible for providing an opinion on the systems and controls and recommending accordingly.
- (2) An audit is in fact an independent review and examination of records and activities to assess the adequacy of systems and controls, to ensure compliance with established policies and operational procedures and to recommend necessary changes in controls, policies or procedures.
- (3) A systems audit is carried out to verify the effective functioning of the management and control systems of the programmes.
- (4) Audits on projects are carried out on the basis of an appropriate sample to verify expenditure declarations. The sampling method to be used shall be set out in the audit strategy referred to in point (6) below.
- (5) An audit on a project usually includes:
  - reconciliation between the expenditure claimed and the supporting documents; and
  - verification of the execution of the project, the eligibility of the expenditure, the provision of co-financing and of compliance with relevant EU and national legislation, including, where applicable, public procurement, state aid, equal opportunities and the environment.
- (6) The Audit Authority is responsible for presenting to the Donors an audit strategy, an annual audit report and the closure declaration in terms of article 5.5 (1) of the Regulations.
- (7) Audits may be carried out by national as well as Donor States audit institutions, as indicated in the next section. The Internal Audit and Investigations Department (IAID) is the designated Audit Authority in terms of Annex A of the MoU and Article 5.5 of the Regulations and it is the main entity responsible for verifying the effective functioning of the management and control systems at programme and project level, including financial audits on projects. The audits shall be carried out on an on-going basis throughout the programme period.

### **11.3.1 Bodies conducting audits**

- (1) The following national bodies may, at any time, conduct the auditing of expenditure from the EEA / Norwegian FMs 2014-2021:

- i. The Internal Audit and Investigations Department (IAID), which is the designated Audit Authority;
- ii. The National Audit Office – has the right to carry out audits in line with national procedures.

Audits carried out by national audit institutions will follow the usual procedures outlined in the Government's General Financial Regulations.

- (2) PPs are to notify the NFP in good time when they are notified of an audit on their project funded by the EEA / Norwegian FMs 2014-2021. The NFP, on its part, shall seek to support the PP in the process.
- (3) The Audit Authority will inform the PP to be audited at least one day in advance.
- (4) The AA will send all audit reports to the NFP for onward transmission to the respective auditee as deemed necessary and will copy them concurrently to the CA.
- (5) The NFP shall be responsible to coordinate the replies to findings by the AA. These replies shall be submitted within the deadline set by the AA.
- (6) The following Donor States' institutions may, at any time, conduct the auditing of expenditure from the EEA / Norwegian FMs 2014-2021:
  - i. The *EFTA Board of Auditors* – acts as the relevant authority with regard to auditing on behalf of the EFTA States. It may conduct audits of all programmes and projects funded by the EEA FM 2014-2021 as well as the management of the EEA FM 2014-2021 in the Beneficiary State (Article 11.2 of the EEA FM Regulation);
  - ii. *EEA Financial Mechanism Committee* – may arrange audits and on-the-spot verifications of programmes and projects funded under the EEA FM 2014-2021, and to verify the effective functioning of the management and control systems in the Beneficiary State.
  - iii. The *Office of the Auditor General of Norway* – acts as the relevant authority with regard to auditing on behalf of Norway. It may conduct audits of all programmes and projects funded by the Norwegian FM 2014-2021 as well as the management of the Norwegian FM 2014-2021 in the Beneficiary State (Article 11.2 of the Norwegian FM Regulation);
  - iv. *Norwegian Ministry of Foreign Affairs* – may arrange audits and on-the-spot verifications of programmes and projects funded under the Norwegian FM 2014-2021, and to verify the effective functioning of the management and control systems in the Beneficiary State.
- (7) The Donor States' auditors shall enjoy the same rights as those extended to equivalent national authorities in Malta. The NFP shall, upon request, ensure that the authorised representatives are accompanied by relevant personnel and provide them with the necessary assistance. Except in urgent cases, requests shall be sent by the auditors to the NFP two weeks before the planned visit.
- (8) Audits carried out by the Donor States' audit institutions and/or their delegates will communicate the findings to the NFP. The NFP shall copy these audit reports to the IAID and other relevant stakeholders.
- (9) As required by Article 11.4 of the Regulations, all the bodies mentioned at points (1) and (6) above shall upon request be granted prompt, full and unimpeded access to all information, documents, persons, locations and facilities, public or private, relevant to the audit or the verification. Such access shall be subject to the applicable limitations under national legislation.
- (10) The PP is in the first instance responsible to follow up any recommendations in any audit report. The line ministry is to ensure that the PP has followed up the recommendations within the relevant time-line.

### 11.3.2 Preparing for audit visits

- (1) In general, auditors will want to spend a few days examining documentation held by the PP, the NFP, the DoC, the EU Payments Unit as well as the CA. Auditors may also ask to be taken on site of the project.
- (2) As part of their preparation for an audit mission, PPs should:
  - i. Ensure that all persons (including technical [possibly contracted] personnel) within the PP organisation involved in the implementation of the project being audited, are available during the audit mission. Priority must be given to the audit by all those involved in the project being audited. It is important that such persons are appropriately briefed by the Project Leader on the scope of the audit mission. The NFP shall also support the Project Leader in this regard.
  - ii. The Project Leader should ensure that the necessary support is provided to the auditors in carrying out their work.
  - iii. Ensure that all the project documentation is made available and filed in accordance with the Retention of Documents chapter of this MoP (Chapter 13) to facilitate easy access to the necessary documentation during the audit.
  - iv. Provide an adequate meeting room for the audit mission.
  - v. Ensure that photocopying facilities are readily available in view of the fact that auditors may ask for copies of documents that are on file. The PP will take note of any copies of documentation that is given to the auditors and will submit this list to the NFP upon completion of the audit.
  - vi. Ensure that the actual site where the project is being implemented is in accordance with the conditions stipulated in the Project Contract, particularly in relation to the publicity requirements. The technical supervisor should also be available for site visits. It is important to be aware that auditors may give no prior notice with regard to site visits and may ask the PP at short notice for an ad-hoc site visit.
- (3) As a general rule auditors will seek to examine the following documentation during an audit visit<sup>20</sup>:
  - i. **Project Documentation:**
    - Project Contract signed between NFP and PP, including annexes;
    - Addenda to the Project Contract and correspondence regarding any changes to the project;
    - Feasibility studies, cost/benefit analyses and technical studies (where applicable).
  - ii. **Procurement:**
    - Tender document launched on the market;
    - Advertisement of the tender (also in the Official Journal where applicable);
    - List of offers in response to the call for tenders;
    - The tendering opening report;
    - Any clarifications requested during the adjudication of the tender;
    - The evaluation report and relevant documentation such as minutes of meeting/s of the evaluation committee;
    - Copy of the publication of the results of the tender adjudication (and the Contract Award Notice where applicable);
    - Contract drawn up and signed by the DoC/beneficiary<sup>21</sup> and the contractor;
    - Any subsequent addenda to contract;
    - Any other relevant documents related to the contract.
  - iii. **Employment:**

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<sup>20</sup> This is only an indicative (not an exhaustive) list of documents which the auditors may ask to review. Other documents which should be part of sound financial management and therefore part-and-parcel of any beneficiary's obligations are not necessarily listed here.

<sup>21</sup> In the case of contracts administered by the PP

- Call for applications;
  - Advertisement of the call;
  - List of applicants in response to the call for applications;
  - Selection Board's report;
  - Copy of results published;
  - Employment contract drawn up and signed between the PP and the person engaged;
  - Any subsequent addenda to the employment contract;
  - Any other relevant documents.
- iv Other Horizontal issues / policies:**
- All relevant documentation related to other cross-cutting policies, including state aid, gender equality, equal opportunities, sustainable development, and bilateral relations with Donor States .
- v Payments:**
- Copies of the IFR for the project;
  - Copies of a sample of the invoices listed in the IFR (originals are retained at the Treasury);
  - Debit Advices raised through DAS;
  - Receipts obtained from the contractors;
  - Certification of works by technical supervisor, acceptance certificates / reports for supplies, services.
- vi Information and Publicity:**
- Photos or recordings evidencing information activities or publicity undertaken in relation to the project;
  - Original adverts, brochures, leaflets or any other publicity material and promotional items produced through the project;
  - Copies of handouts, documents, attendance sheets, certificates, agendas and other publications displaying the required information and publicity requirements;
  - Copies of press articles (where applicable);
  - Verification of compliance with information and publicity requirements during on-site visits (such as billboards, posters, permanent plaques and identification stickers or plaques on physical items/equipment).
- vii Monitoring reports:**
- Copies of the PPRs / PCR prepared by the PP;
  - Viewing of progress updates in the CARS II;
  - Record keeping of timesheets (particularly in the case of employment contracts).
- viii Others<sup>22</sup> (where training/seminars/meetings are involved as part of the project):**
- Lists of participants;
  - Selection of participants;
  - Progress / Performance Reports of contracted employees / trainers;
  - Documentation related to the work of trainers (lesson notes/plans, weekly/fortnightly/monthly<sup>23</sup> progress reports by the trainers);
  - Signed attendance sheets;
  - Evaluation sheets.

### 11.3.3 Follow-up to audits

- (1) Once the audit is complete, the auditors will draw up an audit report with findings and recommendations to improve the procedures and reduce the risks of irregularities. An opportunity is given for the stakeholders to agree or disagree with each recommendation in

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<sup>22</sup> As relevant

<sup>23</sup> As the case may be

the audit report. Normally, the NFP would ask the stakeholder/s in question and/or project leader to comment on the report. This allows the NFP's response to be co-ordinated.

- (2) On an annual basis, during the annual meeting, the NFP shall, in consultation with the FMO, review the outcomes of the various checks undertaken, comments and reports made by audit bodies and financial impact of any irregularities and how these have been dealt with.

### **11.3.4 Audits after project completion**

The PP should be aware that projects can be audited even after project implementation. In view of this, all project documentation must be retained by the PP for a period of at least **three years** following the approval of the Final Programme Report.

## **11.4 RISK MANAGEMENT AND RISK REGISTERS**

Risk management is a recently introduced management process within government departments and government entities. This process is to be applied also with respect to the management and implementation of EEA and Norwegian FM funded projects.

There are five key steps necessary to effectively manage and control risks; uncontrolled risks may hamper the development of a project *and* may also effect the achievement of a project's objectives. The principal tool used for recording and managing risks is the Risk Register which incorporates identified risks rated according to their importance.

The five key steps in the process of risk management are:

**i) Identification**

The first step is to determine the 'context' within which the project is being undertaken. The implementation and objectives of a project are also to be probed; follows the identification of the inherent risks which may impact on the fulfilment of the objectives. Inherent risks can be described as the exposure arising from a specific risk before any action has been taken to manage it.

**ii) Assessment**

Once the inherent risk has been identified and understood, the next step is to assess the 'likelihood' of its occurrence and its potential 'impact' on objectives. It is to be noted at this stage that when assessing risks, reference should be made to the 'risk appetite'. Risk appetite is the management's attitude towards risk taking, which in turn dictates the amount of risk that it considers acceptable.

**iii) Addressing**

At this stage one has to prepare and implement specific management responses to the threats and opportunities identified. Ideally this, given the risk appetite, will be to reduce or remove the threats and to maximise the opportunities.

In practical terms this means identification of the controlling actions or activities that will lessen the likelihood or impact of the risk materialising or remove the risk completely. Controls identified as already established and in place are classified as 'current controls'. 'Residual risk', which has to be identified at this point, is the assessment in terms of likelihood and impact of the risk taking account the controlling actions that are already in place. Where appropriate, actions to improve control are added to strengthen the risk response.

**iv) Presenting and escalating**

The principal tool used for recording risks is the risk register; its aim is to capture, maintain and monitor information on all of the identified threats and opportunities and the associated

controlling actions that have been identified. The technique used in the department / entity to present the assessments of the residual risks in summary format is a 5x5 grid (see below); this helps to visually communicate the range of severity of residual risks identified (representing a combination of likelihood and impact).

<b>Department Impact</b>	<b>High</b>	5	5	10	15	20	25
	<b>Medium / High</b>	4	4	8	12	16	20
	<b>Medium</b>	3	3	6	9	12	15
	<b>Low / Medium</b>	2	2	4	6	8	10
	<b>Low</b>	1	1	2	3	4	5
			1	2	3	4	5
			<b>Low</b>	<b>Low / Medium</b>	<b>Medium</b>	<b>Medium / High</b>	<b>High</b>
			<b>Probability</b>				

Should a risk assessment exceed the tolerance threshold after the controls have been put in place, it will be escalated to the Head of the department/entity for action.

v) **Reporting and reviewing**

All ensuing reports will be endorsed by the project leader and formally presented to the Head of the department / entity. Risk registers are living documents which should be kept in file and updated regularly. In fact, risk management is a continuous process with new risks being identified and controls in place changing the likelihood and impact assessments of the risks.



## 12. REPORTING OF IRREGULARITIES, RECOVERIES, SUSPENSION OF PAYMENTS BY THE DONORS AND FRAUD

### 12.1 RESPONSIBILITIES RELATED TO IRREGULARITIES

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- (1) The NFP shall make every effort possible to prevent, detect, and nullify the effect of any cases of irregularities. Similarly, any suspected and actual cases of irregularities shall be investigated promptly and efficiently, and properly remedied, including making any financial corrections that may be appropriate.
- (2) Unduly paid amounts shall be recovered and reimbursed in accordance with the programme agreements and the Regulations.

### 12.2 DEFINITION OF IRREGULARITIES

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- (1) According to article 12.2 of the Regulations, an irregularity means any infringement of:
  - i. the Regulations on the implementation of the EEA and the Norwegian FMs 2014-2021 (the Regulations) and their annexes;
  - ii. Protocol 38c to the EEA Agreement on the EEA FM 2014-2021;
  - iii. the Agreement between the Kingdom of Norway and the EU on the Norwegian Financial Mechanism 2014-2021;
  - iv. the MoU on the Implementation of the EEA FM 2014-2031 signed between Malta, Iceland, Liechtenstein and Norway, and the MoU on the Implementation of the Norwegian FM 2014-2021 signed between Malta and Norway;
  - v. The Programme Agreement signed between the NFP and the Donor States;
  - vi. Any guidelines adopted by the Donors and the NFP;
  - vii. any provision of the EU law;
  - viii. any provision of the national law,

which affects or prejudices any stage of the implementation of the EEA / Norwegian FM 2014-2021 in Malta, in particular, but not limited to, the implementation and/or the budget of the programme, any project or other activities financed by the EEA / Norwegian FM 2014-2021.

### 12.3 FORMS OF IRREGULARITY

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- (1) Irregularities can be individual or systemic in nature:
  - i. An *individual irregularity* is a one-off error which is independent of other errors in the population or deficiencies in the management and control systems.
  - ii. A *systemic irregularity* is an error, repeated or not, resulting from the existence of serious deficiencies in the management and control systems. Such systems aim at ensuring the correct accounting and compliance with the Regulations. Systemic irregularities may call for changes to the system, in which case all horizontal stakeholders shall be informed.
- (2) A **non-exhaustive** list of examples of irregularity includes:

*Accountability*

  - a. Absence of accounts;

- b. Incorrect forms;
- c. Falsified accounts;
- d. Other cases of irregular accounts

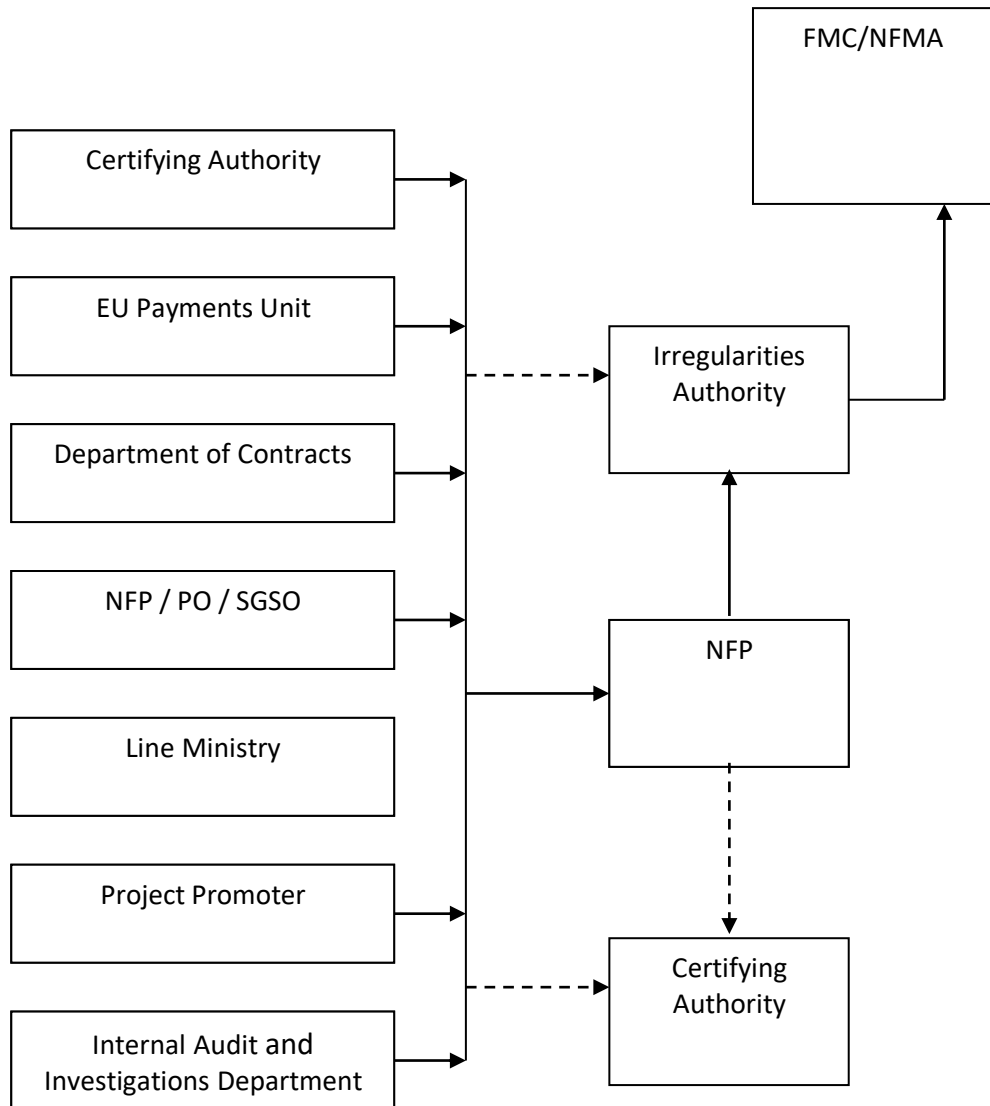
*Documents*

- a. Request for grant incorrect or incomplete;
- b. Request for grant false or falsified;
- c. Supporting documents missing or incomplete;
- d. Incorrect supporting documents;
- e. False or falsified supporting documents

## **12.4 HOW TO REPORT AN IRREGULARITY AT A LOCAL LEVEL**

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- (1) Anyone who at any stage of contracting, implementation and payment becomes aware of an irregularity (whether one-off or systemic) is duty bound to **IMMEDIATELY** report the irregularity in accordance with the procedures specified in this chapter.
- (2) The person/organisation detecting a NEW irregularity at any stage of the implementation of a project, shall prepare the EEA/Norwegian Financial Mechanisms Report on Irregularities (Annex 6). It is important to note that this irregularity report must be drawn up immediately and sent to the NFP (copying the Irregularities Authority and the CA) as soon as the irregularity is detected. One has the option to report via the usual hierarchy of the organisation (as long as it is timely) or directly to the NFP.
- (3) A follow-up report is to be compiled by the entity responsible to remedy on the measures taken following irregularities which would have been reported as outlined in point 2 above. The EEA/Norwegian Financial Mechanisms Report on Measures taken regarding Already Reported Irregularities (Annex 7) is to be used in this case.
- (4) At the end of each quarter, the NFP shall report to the Irregularities Authority, copying the CA, on any suspected and actual cases of new irregularities discovered during that quarter. The NFP's report (Annexes 6 and 7 combined) shall also include information on action taken on all irregularities of which the Irregularities Authority would have been notified in previous quarterly reports, until all the issues relating to each irregularity have been settled and the case is closed. Should there be no new irregularities and/or progress to report for a particular quarter of the year, the NFP shall still inform the Irregularities Authority of this fact at the end of the quarter.



## **12.5 REPORTING OF IRREGULARITIES TO THE FMO**

In terms of Article 12.3 of the Regulations, IAID is the designated Irregularities Authority. It shall be responsible to notify the FMO of irregularities in the format provided at Annex 5 of the Regulations.

### **12.5.1 Reporting on irregularities to the FMO**

The Irregularities Authority shall immediately report to the Donors all suspected and actual cases of irregularities when any of the following applies:

- (a) they involve allegations of an act or omission which constitutes a criminal offence under the national legislation of Malta, such as corruption, fraud, bribery or embezzlement;
- (b) they indicate the presence of serious mismanagement affecting the use of the financial contribution from the EEA / Norwegian Financial Mechanisms 2014-2021; or
- (c) they pose an immediate threat to the successful completion of the project, due to the amounts in proportion to the total project cost, their gravity or any other reason.

### **12.5.2 Regular reporting to the FMO on irregularities**

- (1) For irregularities other than those referred to in section 12.5.1 or section 12.5.3, the Irregularities Authority shall within two months of the end of each quarter, submit to the FMO a report, describing any suspected and actual cases of irregularities discovered during that quarter.

Should there be no new irregularities to report on during the quarter, the Irregularities Authority shall inform the FMO of this fact within two months of the end of each quarter.

- (2) Together with each report on new irregularities referred to in point 1 above, the Irregularities Authority shall report to the FMO on the progress made in the investigation and remedy of previously reported irregularities.

Should there be no progress to report on, the Irregularities Authority shall still inform the FMO of this fact within two months of the end of each quarter.

### **12.5.3 Irregularities that should be reported only upon request**

- (1) Unless requested by the Donors, the Irregularities Authority need not report the following cases of irregularities:
  - (a) cases where the irregularity consists solely in the failure to implement a project, in whole or in part, owing to the bankruptcy of the PP;
  - (b) cases which are detected and corrected by the NFP or the CA in the course of the verification of expenditure declared;
  - (c) cases which relate to an amount below €2,000 in contribution from the Norwegian and the EEA Financial Mechanisms. In the case of irregularities related to non-compliance with public procurement rules, this amount refers to the overall value of the contract which is affected by the irregularity.
- (2) Point 1 shall apply, mutatis mutandis, to activities financed from the fund for bilateral relations.
- (3) Point 1 does not apply to irregularities that shall be reported immediately according to section 12.5.1 or irregularities preceding a bankruptcy.
- (4) The Irregularities Authority shall keep a register of all irregularities, and shall, upon request from the Donors, provide information on irregularities within one month.

## **12.6 RECOVERIES**

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As described in section 12.4 above, the CA shall be copied with every irregularity report. Meanwhile, in accordance with section 13.4 on-the-spot check reports shall be uploaded on CARS II by the NFP. Every irregularity which entails recovery of funds shall be specifically marked in the report with the identification of who is responsible for which action to ensure that funds are recovered as quickly as possible.

The NFP is responsible to ensure that all necessary procedures are undertaken to secure the recovery of funds according to national law without unjustified delay. In cases where the amounts have not been certified to the FMO, no recovery of Donor assistance shall be required as the impact of the recovery at that point shall only be on the pre-financing allocation provided through the national budget. In this eventuality, a Funds Recovery Form (Annex 11) shall be duly filled in.

In cases where the irregularity is detected after the expenditure has been declared to the FMO, the CA shall ensure that the amount is deducted from the next interim payment request. The relative invoice will be flagged as irregular in CARS II and as a consequence the irregular amount is deducted from the Interim Financial Report.

The Certifying Authority shall ensure that amounts recovered and amounts withdrawn following cancellation of all or part of the financial contribution of the EEA/Norwegian Financial Mechanisms 2014-2021 for a programme or project in accordance with section 12.8 below are reimbursed to the Donors within the relevant timeline.

## **12.7 SUSPENSION OF PAYMENTS BY THE DONOR STATES**

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- (1) The Donor States may decide to suspend payments if:
  - a. the conditions for payment in accordance with Chapter 9 of the Regulations have not been met;
  - b. credible information indicates that the progress of a programme is not in accordance with the Programme Agreement;
  - c. reports or any other information requested have not been provided or include incomplete information;
  - d. access required for external monitoring and audit is restricted;
  - e. the financial management of the programme has not been in accordance with generally accepted accounting principles;
  - f. they become aware of suspected or actual cases of irregularities, or such cases have not been adequately reported, investigated or remedied;
  - g. the implementation of the programme is deemed to be in violation of EU law;
  - h. a fundamental change of circumstances occurs and said circumstances constitute an essential basis for the financial contribution from the EEA/Norwegian Financial Mechanisms 2014-2021 to the programme;
  - i. they become aware of any misrepresentation of facts in any information given by or on behalf of the NFP or the CA affecting, directly or indirectly the implementation of the Programme Agreement;
  - j. a financial correction procedure has been opened;
  - k. any other obligation stipulated in the programme is not complied with by the NFP, the CA and / or the PP.
  
- (2) Except for urgent cases, the NFP shall be given an opportunity to provide its views before the Donors take a decision to suspend payments. The decision to suspend payments shall be reasoned and immediately effective. The NFP shall be notified no later than seven working days from the date of the decision.

- (3) The NFP can at any time present documents or other relevant evidence and request that the Donors review their decision to suspend payments.
- (4) When the Donors find that the conditions for suspension no longer apply, they shall take a decision to continue payments.

## **12.8 FINANCIAL CORRECTIONS BY THE DONOR STATES**

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- (1) In addition to financial corrections made by the NFP, the Donor States may make financial corrections based on the criteria in point 6 below consisting of cancelling all or part of the financial contribution of the EEA/Norwegian Financial Mechanisms 2014-2021.
- (2) When a financial correction is made on a project in accordance with point 1 or with section 12.1 of this chapter, the financial contribution may be reused under the programme within which the irregularities occurred for projects other than those that were the subject of the correction.
- (3) When a financial correction is made for systemic irregularities or irregularities related to management or control systems within the programme, the financial contribution may not be reused for the programme. However, the NFP may allocate the amount that becomes available to the fund for bilateral relations and / or technical assistance, subject to prior approval of the FMO.
- (4) Financial contributions that may, according to point 2, be reused under the programme within which the irregularities occurred, shall be reallocated by the NFP within the relevant timeline subject to prior approval of the FMO.
- (5) Financial contributions cancelled and not reallocated according to points 2 and 3 shall be reimbursed to the Donor States. Any delay in reimbursement shall give rise to interest on account of late payment.
- (6) The Donors may make financial corrections if one or more of the following applies:
  - (a) a serious deficiency exists in the management and control systems for the EEA / Norwegian Financial Mechanisms 2014-2021 which puts at risk the financial contribution from the EEA/Norwegian Financial Mechanisms 2014-2021;
  - (b) a serious breach of the programme agreement has occurred;
  - (c) a serious deficiency exists in the management and control system of the programme which puts at risk the financial contribution from the EEA/Norwegian Financial Mechanisms 2014-2021;
  - (d) expenditure reported in a certified interim financial report or in a final programme report is irregular and has not been corrected by the NFP prior to the sending of the notification according to point 9 below; or
  - (e) the NFP has not complied with its obligations to investigate and/or remedy irregularities prior to the sending of the notification according to point 9 below.
- (7) The Donors shall base their financial corrections on individual cases of irregularity identified, taking account of the systemic nature of the irregularity to determine whether a flat-rate or extrapolated correction should be applied, or whether the corrected amount can be based on an actual amount detected as irregular.
- (8) The Donors shall, when deciding the amount of a correction, take account of the nature and gravity of the irregularity and the extent and financial implications of the deficiencies found.
- (9) Prior to making a decision referred to in point 1 above, the Donors shall notify the NFP of their intention to make such a decision. The notification shall outline the reasons for the decision and indicate the relevant amounts. The NFP can within two months from the

sending of the notification provide any comments and evidence relevant to the intended decision.

- (10) Where the Donors propose a financial correction on the basis of extrapolation or at a flat rate, the NFP shall be given the opportunity to demonstrate, through an examination of the documentation concerned, that the actual extent of the irregularity was less than the Donors' assessment. In agreement with the Donors, the NFP may limit the scope of this examination to an appropriate proportion or sample of the documentation concerned. Except in duly justified cases, the time allowed for this examination shall not exceed a further period of two months after the two-month period referred to in point 9 above.
- (11) The Donors shall take account of any evidence supplied by the NFP within the time limits referred in points 9 and 10. At any time prior to the decision on financial corrections, the NFP and the Donors can enter into a dialogue with a view to ensuring that the decision is based on accurate and correct facts.
- (12) The NFP shall be notified of a decision referred to in point 1 no later than seven working days from the date of the decision. The notification shall outline the reasons for the decision.

## **12.9 GENERAL SUSPENSION OF REIMBURSEMENTS FOR ALL PROJECTS**

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- (1) The Donors may, after having consulted with the NFP with a view of reaching a solution, suspend payments if:
- information or documents obtained by or provided to them indicate the presence of systematic or widespread shortcomings regarding the management of the financial contribution from the EEA/Norwegian Financial Mechanisms in Malta;
  - a demand for reimbursement related to any type of assistance to Malta financed by the EEA/Norwegian Financial Mechanisms 2004-2009, the EEA/Norwegian Financial Mechanisms 2009-2014 or the EEA/Norwegian Financial Mechanisms 2014-2021 has not been complied with by Malta.
- (1) The NFP can within two months from the sending of the notification of general suspension of payments provide any comments and evidence relevant to the intended decision.
- (3) In terms of paragraph 2 of Article 13.6, the NFP shall be notified of a decision of general suspension of payments no later than seven working days from the date of the decision. The notification shall outline the reasons for the decision.

## **12.10 FRAUD**

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The NFP shall put in place effective and proportionate anti-fraud measures taking into account any fraud risks identified. Accordingly, the NFP performs an exercise to assess the impact and likelihood of specific fraud scenarios occurring. The NFP utilises a fraud risk assessment tool provided by the European Commission which covers the likelihood and impact of specific and commonly recognised fraud risks, focusing on these two key processes:

- implementation of projects by Project Promoters, focusing on public procurement and staff costs; and
- certification of expenditure by the CA and payments.

The fraud risk assessment exercise is undertaken periodically or whenever a significant alteration to the management and control system is made.

This exercise enables the NFP to provide risk responses which are proportionate to the risks identified to its specific situations. However, although a well-targeted assessment of fraud risks is a requirement it cannot completely eliminate the risk of fraud occurring or remaining undetected. Additional mitigating controls are therefore called for and these are discussed further under sections 12.10.1 and 12.10.2 below.’

It is important at this point to distinguish between irregularities and fraud. Whilst irregularities involve breaches of certain conditions of funding and are often the result of genuine errors (e.g. not filling out a form correctly, or not respecting the proper tendering procedure) fraud is a deliberately committed irregularity constituting a criminal offence.

Meanwhile, fraud, in respect of expenditure under the EEA and Norwegian Financial Mechanisms, is defined, as any intentional act or omission relating to the:

- use or presentation of false, incorrect or incomplete statements or documents, which has as its effect the misappropriation or wrongful retention of Donor State funds;
- non-disclosure of information in violation of a specific obligation, with the same effect;
- misapplication of such funds for purposes other than those for which they were originally granted.

As from 2006 a new term, i.e. suspected fraud, has been introduced. Suspected fraud means an irregularity giving rise to the initiation of administrative and/or judicial proceedings at national level in order to establish the presence of intentional behaviour, such as fraud.<sup>24</sup>

A Beneficiary State shall take all necessary measures, including legislative, regulatory and administrative measures, namely by preventing, detecting and correcting irregularities and fraud. The last three elements and ‘prosecution’ constitute the four key elements of the anti-fraud cycle.

The NFP has a clear commitment to combat fraud and corruption both through preventive and detective control mechanisms and it is determined to transmit cases to the competent authorities for investigations and sanctions.

## **12.10.1 Preventive actions**

The NFP is determined to prevent fraudulent activities. For this purpose, the NFP encourages all PPs to put in place an effective internal control system with the aim of deterring potential fraudsters and also of maximising the commitment of staff to combat fraud.

For this purpose, PPs should:

- raise awareness through formal training of all staff complement involved in the management of EEA and Norwegian FM’s about preventative and detective control measures as well as the specific roles and responsibilities of all stakeholders and reporting mechanisms;
- put in place effective separation of duties, particularly with respect to financial and control units and rotate staff (when possible);
- promote an ethical culture among staff to act honestly and with integrity to safeguard all resources;
- make sure that staff involved in the management and implementation of the EEA and Norwegian FMs is aware of possible conflict of interest or fraudulent behaviour at every stage of implementation;
- encourage staff to report any case of suspected fraud concerning Donor State funds to the NFP, either through their respective hierarchy or directly if necessary;

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<sup>24</sup> Article 27c of Commission Regulation (EC) N° 1828/2006



- Conduct regular verifications ensuring that staff in charge is aware of guidance on fraud indicators.

## 12.10.2 Detective actions

Effectively implemented, robust control systems can considerably reduce the risk of fraud but cannot completely eliminate it occurring or remaining undetected. That is why the systems also have to make certain that procedures are in place to detect fraud and to take appropriate measures once a suspected case of fraud is detected.

The procedure below highlights the authority levels, responsibilities for action and reporting lines established in the event of suspicion of fraud.

- When any relevant authority or PP, or their members of staff, suspects that fraud has occurred, they must notify their immediate superior. If it is inappropriate to raise the matter with the immediate superior, the concern should be raised with the head of the PP / line ministry / NFP. The official with whom the report was filed must immediately relay the message to the head of the NFP.
- Timeliness plays a crucial role when addressing suspected cases of fraud. Consequently, when identifying cases of potential fraud, an officer's immediate action is to alert his / her direct superior verbally. The case, which is treated with confidentiality (subject to legal obligations), is followed up by a written report so that the relevant authorities can be informed and requested to investigate further.
- The body reporting the suspected fraud must act with caution in dubious situations which might lead to fraudulent transactions. In case of detection of possible forged documents, the EU Payments Unit Treasury is advised to temporarily stop all payments addressed to the supplier / contractor in question.
- The body identifying / reporting the irregularity / suspected fraud should inform in writing the Permanent Secretary and / or head of the PP, and the Internal Audit and Investigations Department in terms of Article 16 of the Internal Audit and Financial Investigations Act (chapter 461 of the Laws of Malta), which states that 'If an entity has reason to suspect any irregularity and, or a suspected case of fraud of public funds, it shall refer the matter forthwith to the Director (of IAID), and shall supply to the Director all information in his possession relating thereto'.
- In terms of Article 18 of the Internal Audit and Financial Investigations Act, 'whenever, and as soon as the Director firmly establishes the existence of suspected cases of irregularities and, or suspected cases of fraud concerning the responsibilities of the auditee under review, the Director shall, if he is of the opinion that the irregularity, if proved, would constitute a criminal offence immediately inform the Attorney General'.
- The Attorney General will evaluate the case in question and determine whether:
  - to forward the case to the Malta Police for criminal investigation; or
  - terminate proceedings of the case at that juncture.
- The Commissioner of Police forwards to the body reporting the case a copy of the report of the investigation including any court action to be taken by the Police.
- Where the investigation report concludes that no criminal proceedings are required (i.e. it is *prima facie* confirmed that the suspicion of fraud is not correct) the managing authority advises the EU Payments Unit to proceed with payment of pending invoices.
- On the other hand, where the investigation report concludes that criminal proceedings are required (i.e. it is confirmed that the suspicion of fraud is factual) the NFP recommends the withdrawal of any suspicious payments from certification already carried out.

### 12.10.3 Effective and proportionate anti-fraud measures<sup>25</sup>

The NFP will use a fraud risk self-assessment tool to assess the impact and likelihood of common fraud risks occurring. The tool identifies specific fraud risks in relation to two processes namely:

- i. Implementation and verification of the operations;
- ii. Certification and payments

For each of the specific risks, the first step is to quantify the risk that a given fraud type would occur by assessing impact and likelihood, ignoring the current mitigating internal controls (**gross risk**). The second step is to factor in the current controls in place and assess the effectiveness of these controls to mitigate the gross risk. The resulting risk (the **residual risk**) should then be assessed on whether it is tolerable or not; if it is not tolerable, additional controls would have to be introduced till the risk level is considered by the NFP to be tolerable (**target risk**).

Thus the output of the fraud risk assessment identifies those specific risks with respect to which not enough is in place to reduce the combined likelihood and impact of potentially fraudulent activity to an acceptable level. The team carrying out the assessment should then come up with further corresponding anti-fraud measures mostly in the form of mitigating internal controls.

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<sup>25</sup> The FPD anti-fraud policy and anti-fraud strategy may be viewed and downloaded from the website: <http://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Pages/Links-and-Downloads.aspx>

## 13. RETENTION OF DOCUMENTS

### 13.1 GENERAL REMARKS

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- (1) All documentation related to projects shall be kept available for control and audit purposes **three (3) years** from the closure of the programme. This applies to all organisations benefiting/or involved in the management of the EEA and the Norwegian FMs 2014-2021 in Malta.

#### 13.1.1 Protection of personal data

- (1) When processing information of a personal nature, all local stakeholders defined under Section 2.1 of this Manual are obliged to comply with the General Data Protection Regulation (EU) 2016/679, other related subsidiary legislation and the privacy policy of the respective organisations.
- (2) All PPs and stakeholders should keep in mind the following nine data protection principles. Personal data must be:
  - i. Fairly and lawfully processed;
  - ii. Processed in accordance with good practice;
  - iii. Collected for specific, explicitly stated and legitimate purposes;
  - iv. Processed strictly for the purpose it is collected;
  - v. Adequate and relevant in relation to the purpose of processing;
  - vi. Sufficient for the purpose of processing;
  - vii. Correct and up to date;
  - viii. Able to be corrected, blocked or erased if found incomplete and incorrect; and
  - ix. Kept no longer than necessary.
- (3) In view of the number of stakeholders involved in implementing and monitoring projects, each entity should take it upon itself to inform data subjects at collection stage that their data might also be shared with, and processed by, the NFP and other third parties (including other national and foreign stakeholders involved in implementation, monitoring and control as stipulated in this MoP), having regard to the purposes for which data is collected. This is applicable to personal data kept on any manual and/or electronic filing system, including but not limited to CARS II. Should there be any instances where the data subjects have not yet been informed that the data is being shared with and processed by other stakeholders, kindly notify these individuals immediately.
- (4) Documents kept for sound financial and technical management of a project should not contain unnecessary sensitive personal data. For example, payslips should not have information related to trade union affiliation or medical history. Sensitive personal data should always be obliterated from documents before they are filed away.
- (5) Data subjects have access rights to any personal data about them which is being processed and therefore an entity's data controller should be kept informed of any personal data which is being requested from individuals.

### 13.2 RECORDS TO BE RETAINED

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- (1) All the documents dealing with the project and related expenditure shall be made available during audit missions. The PP must ensure that the following are available:

- i. Documents relating to specific expenditure incurred, declared and payments made under the assistance and required for a sufficient audit trail including documents constituting proof of actual delivery of works/supplies/services co-financed through the EEA/Norwegian grants;
  - ii. Reports and documents relating to checks carried out through:
    - the verification of expenditure;
    - the certification of expenditure;
    - reports on audits carried out by the AA;
    - checks by the NFP
- (2) The tables in the following pages show which stakeholder must retain which documents in original or copy. Where indicated in the 'Upload on CARS II' column, the competent stakeholder must upload that document to the system.
- (3) It is the sole responsibility of the PP to ensure easy and quick access to project documentation also after the project closes. This is particularly the case when project management is contracted either outside the organisation or to persons on contracts which may terminate at the end of the project.
- (4) Where originals are required and these cannot be kept in files, copies of original documents must be certified as true copies of originals. The grade of the official certifying such copies depends on the documents being copied (i.e. which stakeholder in the implementation system), as follows:
- a PP --> Project Leader (or delegate);
  - b Line Ministry → DPDPI or DCS as appropriate (or delegate);
- (5) The responsible person to certify true copies of original must establish a procedure where in his / her absence such person will delegate the authority to sign to an official within the office. For further information, please refer to Chapter 15 'Delegation of Authority'.

### **13.3 WHO MAY CARRY OUT CHECKS?**

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- (1) Documents should be made available for inspection by the persons and bodies who would normally have the right to carry out checks/audits/control missions. These persons and bodies shall be:
- a. The NFP;
  - b. Other horizontal stakeholders;
  - c. IAID;
  - d. The National Audit Office;
  - e. The Financial Mechanisms Office;
  - f. EFTA Board of Auditors;
  - g. EEA Financial Mechanism Committee;
  - h. Office of the Norwegian Auditor General;
  - i. Norwegian Ministry of Foreign Affairs.

Extracts or copies of the documents or accounting records, **including bank accounts and bank statements in connection with the project**, are to be made available to the representatives of these organisations. Given the confidentiality of financial data, all PPs should set up a separate bank account or use a separate accounting code specifically for the project.

### **13.4 RECORDS TO BE UPLOADED IN THE COMPUTERISED ACCOUNTING RECORDS SYSTEM – CARS II**

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- (1) This section provides guidance on the documents to be uploaded to the Computerised Accounting Records System (CARS II).
- (2) This section is NOT intended to reduce the scope of the retention of documents outlined in other sections of this MoP. It is only intended to ensure consistency and availability of information in conducting first-level desk-based controls; provide clear guidance to eliminate unnecessary duplication of work; reduce administrative burden and mitigate the impact on the System's hardware capacity. PPs and stakeholders are reminded that all the obligations relating to retention of documents as stipulated in the Project Contract and this MoP shall remain valid and effective.
- (3) **Data Protection:** In all cases, including requests for quotations, invoices, payslips and service and / or employment contracts, it is the responsibility of the entity uploading the information / document on CARS II to ensure that the General Data Protection Regulation (EU) 2016/679 is being observed and that individuals / enterprises are informed that the data concerned will be accessible to national and foreign stakeholders (or their delegated bodies) for payment, control and audit purposes.

- The list of documents to be uploaded on to the CARS II under each project is available on <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Documents/Links%20and%20downloads/Retention%20of%20documents/documents%20to%20be%20retained%20and%20uploaded%20on%20computer%20system.pdf>.

## **13.5 FILING SYSTEM FOR PROJECT-RELATED DOCUMENTATION**

- (1) The NFP, CA, PP and Line Ministry should open a **file per project**. This file should contain the project-related documents which are identified in the table below and must be readily available for any inspection made by the bodies identified under section 13.3.
- (2) Each project file should be divided into the sections as identified below (with separators) and should strictly follow the same order, with Section I being the one on top and Section XI being at the very end:
  - Section I Project Application, Supporting Documents, Project Contract and any Addenda to the Project Contract;
  - Section II General correspondence related to the Project Contract;
  - Section III Payment Process (certification of invoices, fiscal receipts and other evidence of payment as applicable);
  - Section IV Procurement and employment procedures;
  - Section V Monitoring (including Project Progress Reports (PPRs), project briefs, administrative and physical on-the-spot check reports, etc.);
  - Section VI Irregularity Reports;
  - Section VII Project deliverables and inventory of fixed assets procured through the project;
  - Section VIII Publicity records;
  - Section IX Training records
- (3) The documents included under each of the above-mentioned sections should be filed in date order, with the most recent documents on top.
- (4) Whilst it is preferable that the PP retains a separate project file totally dedicated to matters related to the project, it is understandable that PPs might already have internal filing procedures to be adhered to (e.g. in relation to procurement, human resource recruitment

and selection). In order to avoid unnecessary duplication of documents and administrative burden, the PP may maintain its own filing system **AS LONG AS** all necessary documents may be retrieved through an easy tracking system (e.g. indexing).

- (5) Government departmental files must be kept in line with established procedures. The colour of the departmental file is to be the same as used by the organisation in its day-to-day business. The instructions with regard to such a file are the same as those applying for other departmental files of the organisation.

## **13.6 RETENTION OF DOCUMENTS TABLE**

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The purpose of this MoP is specifically focused on the requirements of the PP; however, for completeness the table provided at <https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Financial%20Control%20Unit/Documents/Links%20and%20downloads/Retention%20of%20documents/documents%20to%20be%20retained%20and%20uploaded%20on%20computer%20system.pdf> indicates (a) which documents need to be uploaded on CARS II by the pertinent stakeholder involved in the implementation of a project funded by the EEA / Norwegian FMs 2014-2021 and (b) which stakeholder should retain the printed original or a copy thereof. This is intended to give a complete picture of the requirements attached to the retention of documents process.

All stakeholders that have access to CARS II, are able to view uploaded project documents at all times. Accordingly, where the table places no obligation on a stakeholder to retain a printed version of a document, it is at the discretion of that stakeholder whether to do so.

# **14. INFORMATION AND COMMUNICATION**

## **14.1 INTRODUCTION**

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- (1) Information and communication about assistance provided through the EEA / Norwegian FMs are intended to increase transparency and to heighten visibility and public awareness about the contribution of the EEA / Norway Grants 2014-2021 to help reduce economic and social disparities in the European Economic Area and to further strengthen bilateral relations between Malta and the Donor State(s). All information and publicity measures from the NFP and PPs shall support these overall objectives of the EEA / Norway Grants 2014-2021.
- (2) This Chapter of the MoP incorporates and builds on the following regulations and guidelines:
  - i. Annex 3 of the Regulations 'Information and Communication Requirements', which outlines the obligatory requirements on communication activities for the NFP and the PP (*available for download at <https://eeagrants.org/resources/regulation-implementation-eea-grants-2014-2021-annex-3-information-and-communication> and/or <https://eeagrants.org/resources/regulation-implementation-norway-grants-2014-2021-annex-3-information-and-communication>*) The Communication and Design Manual issued by the FMO, which includes guidance and advice on how to best carry out information and publicity activities and provides the visual identity of the EEA Grants and Norway Grants (*available for download at <https://eeagrants.org/resources/2014-2021-communication-and-design-manual>.*)
  - ii. The information and publicity templates as explained in the Communication and Design Manual
  - iii. Relevant circulars and guidelines which the NFP may issue from time to time

- (3) All stakeholders are requested to refer and adhere to the above-mentioned documents during the planning and preparation stages of any communication activities. **Failure to comply may put the eligibility of expenditure or parts thereof at risk.**
- (4) The guidelines provided in this Chapter complement the documentation listed above and any other guidelines provided by the FMO. However, templates provided by the FMO should be tailored according to the requirements stated under section 14.4 of this Chapter.

## **14.2 INFORMATION AND COMMUNICATION MEASURES**

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- (1) In general, information and publicity measures are undertaken at two levels:
  - i. Programme level
  - ii. Project level
- (2) The PP or anybody concerned may carry out further information and publicity measures in addition to those listed below after consulting with the NFP.

### **14.2.1 Roles and responsibilities at programme level**

- (1) Information and publicity measures at programme level are the responsibility of the NFP which entails informing the general public about the existence and functioning of both the EEA and the Norway Grants 2014-2021.
- (2) In accordance with the Regulations, a Communication Strategy has been drawn up at NFP-level whilst a Communication Plan has been prepared at PO-level. Since in Malta the NFP shall also act as the PO, both documents adopt a joint collaborative approach in the implementation of information and communication measures at Programme level. The Communication Strategy and the Communication Plan can be viewed at [eeanorway2014-2021.gov.mt](http://eeanorway2014-2021.gov.mt)
- (3) In terms of Articles 3.2 and 3.3, the NFP is to ensure, through guidance and monitoring, that the PPs fulfil their information and communication obligations in accordance with the Regulations and guidelines listed at section 14.1 above. The NFP will be able to provide guidance to the PP in the preparation and implementation of information and communication measures.

### **14.2.2 Roles and responsibilities at project level**

- (1) The PP is to carry out adequate information and publicity measures for its project financed by the EEA / Norwegian Grants 2014-2021, in line with its Project Contract.
- (2) In line with section 2.3 of annex 3 of the Regulations, PPs are responsible to:
  - i. Provide information on the project to the widest possible audience at the appropriate national levels, including relevant stakeholders;
  - ii. Prepare and implement a Project Communication Plan in accordance with section 2.3.2 of annex 3 of the Regulations;
  - iii. Implement at least three information activities on progress, achievements and results in the project, including a launch activity and / or a closing activity for the project<sup>26</sup>;
  - iv. Provide information through a dedicated website or through dedicated web pages on an existing website. All projects receiving a minimum of €150,000 support from the EEA

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<sup>26</sup> For projects whose grant size is less than €500,000, two information activities are sufficient. It is advisable that these information activities mark the major milestones of the project, such as launch, mid-term and closing phases.

- and Norway Grants and/or having a Donor Project Partner are required to have a dedicated project website;
- v. During the implementation of the project, put a billboard at the site of each operation in line with requirements of the Communication and Design Manual and which fulfils the following conditions: (a) the total public contribution exceeds €50,000 and (b) the operation consists in the financing of a physical object, infrastructure or of construction operations;
  - vi. Replace the billboard with a permanent commemorative plaque no later than six months after project completion. The plaque is to be placed at a prominent place where it would be easily visible by the public and to be in line with the requirement of the Communication and Design Manual.
- (3) Information activities like conferences, seminars, fairs, exhibitions and the like, organised in connection with the implementation of projects co-financed by the EEA and Norway Grants 2014-2021, shall feature the obligatory visual identity requirements on all supporting material such as backdrops, attendance sheets, agendas/programmes, slide presentations, handouts, directional signs and name tags. PPs should inform the NFP of such events early enough to enable it to mobilise the appropriate participation if deemed necessary.
  - (4) The PP is to report on the planned and implemented information and publicity actions in the PPR (which has a section dedicated to reporting on information and publicity measures) – including a ‘nil’ report where no progress has been registered.
  - (5) The PP shall collaborate and/or participate in information and publicity measures organised by the NFP at programme level or activities organised by the Donors, when required.
  - (6) The PP must be aware that acceptance of funding is also an acceptance of their inclusion in *online* or other published lists and databases of beneficiaries compiled by the NFP or the Donors. The information includes the PP’s contact information, the project’s description and duration, the amount of funding allocated and information on Donor cooperation.
  - (7) The cost of information and publicity measures are eligible to be covered by the project budget.
  - (8) It is advisable for the PP to:
    - i. consult with the NFP, at planning stage, on every information and/or publicity measure. All information and publicity measures must be approved by the NFP prior to printing / recording / broadcasting / set-up. However, the final vetting of the visual layout and artworks of information and publicity measures will be the PP’s responsibility.
    - ii. inform the appropriate local media when projects part-financed by the FMs are launched and during the main phases of implementation (steps involved may include press releases, press conferences, radio and television spots or appearances on prime time TV shows, articles and supplements in newspapers and/or magazines and site visits) and to highlight the contribution of the EEA / Norway Grants. It is highly recommended to ensure that the most cost efficient, effective and wide-reaching publicity media are utilised;
    - iii. keep copies of all articles, adverts, news items, audio-visual material (preferably on CD), printed material, and whenever possible send copies together with the PPR to the NFP.

## **14.3 INFORMATION AND COMMUNICATION TOOLS**

**Applies only to those information and publicity measures co-financed by the EEA and Norway Grants and whose sole purpose is to promote a co-financed project**



### 14.3.1 General Information

- (1) **Language and tone:** Information and communication activities should be neutral and factual in tone to avoid being perceived as biased and/or propagandistic. The language used can be either Maltese or English, though use of the national language is encouraged to reach a wider audience.
- (2) **Referring to the Grants:** Use 'EEA and Norway Grants 2014-2021' or 'EEA Grants 2014-2021' and 'Norway Grants 2014-2021', as opposed to the 'EEA and Norwegian Financial Mechanisms 2014-2021' as the latter may not be easily comprehended by the general public.
- (3) **Principle of proportionality:** Information and communication measures (financed through the projects<sup>27</sup>) should be **reasonable** and in proportion to the size, purpose and results of the project. What is not considered appropriate shall not be borne by the project budget.
- (4) **Budgeting:** Information and communication measures should be carefully planned at an early stage and implemented in line with the budget and the Project Contract. As publicity and communication requirements are mandatory, PPs need to ensure that they include these measures in their budgets and implementation schedules.
- (5) **Target audience:** Information and communication measures should be appropriate for the identified target groups. Where possible the PP should also target the general public, particularly when informing about results of the interventions financed through the EEA / Norway Grants.
- (6) **Publicity as opposed to marketing:** Information and communication are integral to project implementation. However, they are **NOT** synonymous with marketing. If the project warrants marketing activities, these should be described and budgeted outside the project. The PP must ensure that communication and information measures are not used as a marketing tool to promote an organisation, its products, services or infrastructure. Where a project includes an element of marketing, this must be used to complement, but not replace the project's obligatory information and communication measures. However, marketing initiatives must still conform to the compulsory communication requirements (the Visual Identity Requirements) outlined in section 14.4 below.
- (7) **Tendering and procurement:** Like other co-financed project components, communication and information initiatives or items should be procured or contracted in line with national legislation on public procurement, meaning that contracts and tenders for communication should strictly reflect the targets/obligations stipulated in the Project Contract.

It is also important to note that advertising and documents relating to tendering and procurement (such as the tender document and the contract) should feature the logos and text outlined in section 14.4 below on the cover pages in order to inform the prospective bidder that the contract will be financed through the EEA / Norwegian FMs 2014-2021. It is also advisable that mentions about the source of the grant should also appear within the adverts and documents themselves. DoC and PPs are urged to collaborate together to ensure that the appropriate logos and/or text are featured<sup>28</sup>.

- (8) **Copyright issues and reproduction:** PPs are advised to retain copyright of original communication or information material related to the project, including all artwork and/or components. The NFP may require the use of project-level communication or information

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<sup>27</sup> Project Promoters are welcome to augment co-financed publicity measures with others out of their own resources

<sup>28</sup> In case of procurement procedures launched approval of the Grant Agreement the following should be included: "This tender may be part-financed by the EEA Grants 2014-2021 / Norway Grants 2014-2021"

material during public events, presentations or publicity at programme level. Co-financed communication or information material cannot be used by the PP for other purposes. It is important that copyright issues are clear to prospective bidders and set out in the relevant terms of reference and tender dossiers (as well as subsequent contracts).

- (9) **Reporting:** The PP shall report on progress relating to the implementation of information and communication actions in the Project Progress Report (PPR) and project brief. A 'nil' report in the communication section of the PPR is also required, where relevant. Copies of ALL information and communication material shall be attached to the PPR (with reference to events or billboards, the NFP will accept photographs while DVD/CDs will be accepted in the case of TV spots/programmes).
- (10) **Audit and control:** The PP is advised to keep original copies of ALL articles, news items, press releases, promotional and informative material for future checks / audits in line with the requirements set out in Chapter 8 and Chapter 11 of this Manual, wherever possible. Audio-visual material such as TV and radio commercials, photographs, video-clips, documentaries or features should also be archived and kept for audit purposes. Audio-visual material could also be made available on CD to ensure that it can be viewed by auditors and/or other officials involved in the control process.
- (11) **Confidentiality and data protection:** The confidentiality of participants in all projects is to be respected. Photographs or footage featuring participants can only be transmitted or reproduced for communication or publicity purposes if participants give their written consent. The relevant letters of consent should be retained on file by the PP. PPs should ensure that such consent is given at the outset of the project in order to ensure that communication material can be used.
- (12) **Donor Project Partners:** PPs should cooperate with their DPPs in the implementation of information and communication activities. DPPs should be involved in the planning and implementation of the information and communication activities.

### **14.3.2 Additional requirements / recommendations**

The following requirements are additional to the guidelines provided in the Communication and Design Manual.

- (1) **Stickers:** Any supplies or equipment purchased under the EEA / Norwegian FM 2014-2021 must be identified through the use of a sticker or plastic plaque attached to the equipment. In cases where the affixing of stickers does not lend itself to the project for duly justified reasons, the PP must ensure that a commemorative plaque indicating the supplies or equipment procured through the project is affixed at the site where the said items are stored / used.
- (2) **Use of specific media:** The PP should provide justification supported with relevant sources for selecting particular newspaper/s, magazines, TV and radio stations to advertise on. If possible PPs are encouraged to be comprehensive in their selection of media (budget and justification permitting).
- (3) **Additional measures:** The PP may carry out additional measures if they deem that appropriate. They shall consult the NFP and inform it of their initiatives. Designs which differ from those indicated by the Communication and Design Manual need to be sympathetic to the standard designs and receive approval of the NFP.

## **14.4 VISIBILITY: CO-FINANCING STATEMENTS – PROGRAMME AND PROJECT LEVELS**

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### 14.4.1 Obligatory Visual Identity Requirements

- (1) All information and communication measures carried out shall acknowledge support by the relevant Grant by featuring the relevant co-financing statements from the selection below. This includes notices placed by a PP in the Government Gazette and elsewhere advertising calls for tenders/quotations co-financed by the EEA / Norway Grants.
- (2) It is important to note that the terms 'EEA Grants', 'Norway Grants' and/or 'EEA and Norway Grants' are to be used in all information and communication measures instead of referring to the technical term 'Financial Mechanism' or 'FM'.
- (3) The National Flag of Malta is available for downloading from the following link:
  - a The National Flag of Malta:  
<https://eufunds.gov.mt/en/Operational%20Programmes/Publicity/Pages/Downloadable-Flags-and-Logos-for-reproduction.aspx>
  - b The following logos shall be used on the upper left hand corner of printed materials such as banners, billboards, documents, etc:

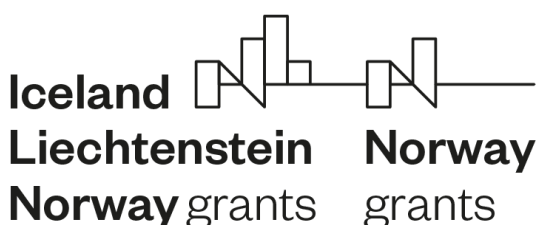
EEA logo for EEA funded projects:



Norway Grants logo for projects funded by Norway only:



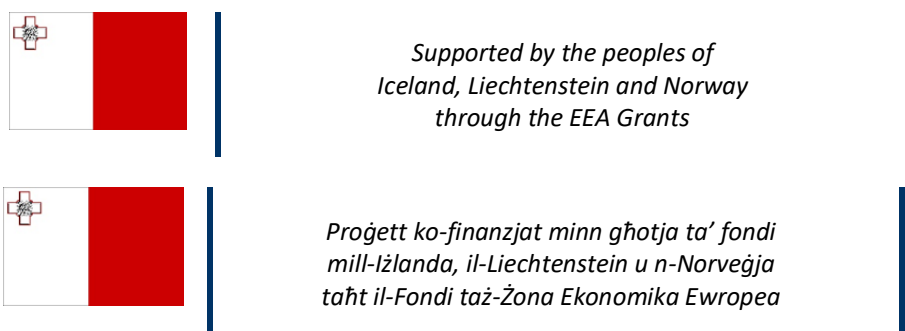
Logo used for projects funded under both the EEA and Norway Grants:



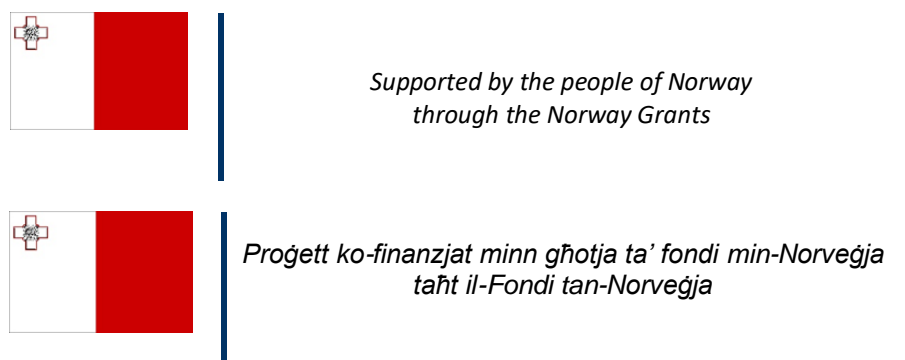
The stretched logo covering both the EEA and Norway Grants projects can substitute the above and be used in videos and presentations:

- (4) The following visual identity banners have been reproduced to reflect the Maltese contribution and to incorporate the obligatory logos and text as required by the Communication and Design Manual. The designs hereunder may be used to complement the graphical elements as outlined in part two of the FMO's Communication and Design Manual.

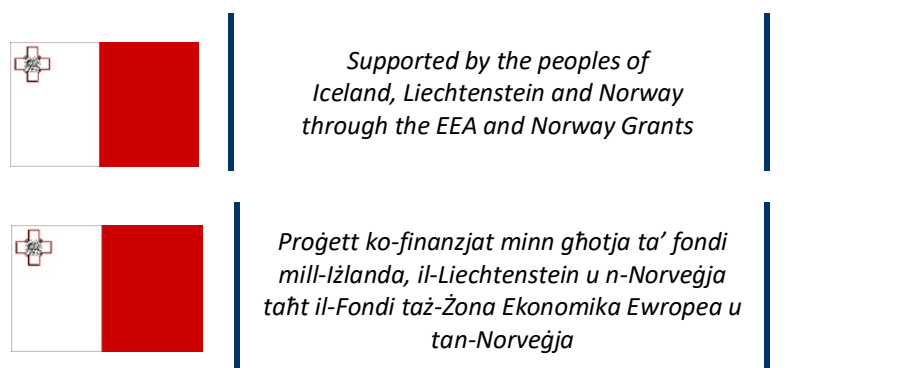
*i. Financing by the EEA Grants*



*ii. Financing by the Norway Grants*



*iii. Financing by the EEA and Norway Grants (national / programme level only)*



These obligatory co-financing statements may be used to complement the graphical elements as outlined in part two of the FMO's Communication and Design Manual.

- (5) The EEA / Norway Grant logo(s) shall be reproduced in only black or white as indicated in the Communication and Design Manual (unless the medium used supports monochrome images only).
- (6) In the case of **restricted or limited printing space** (such as small promotional material) the following may substitute the above:

i. *Financing by the EEA Grants*



ii. *Financing by the Norway Grants*



iii. *Financing by the EEA and Norway Grants (national / programme level only)*



- (7) One should use the Official EEA and/or Norway Grants logo(s) to promote the EEA and/or Norway Grants on all levels including in projects. Creation of new logo(s), including new project logo(s) is not accepted.

## 14.4.2 Visibility on non-funded items

- (1) In order to ensure visibility of the Grants on non-funded items and to inform about the FMs, the relevant phrase from the text box below is to be included in:
- Tender notices issued (paid for by the DoC or by the relevant Ministry ) in the Government Gazette, the Government public procurement platform (e-pps) and on relevant websites (Department of Information, Department of Contracts, etc.)
  - Articles, advertorials, or press releases which do not support images or which might be edited prior to publishing.

**N.B.** The PP is urged to liaise with DoC and/or with the relevant Line Ministry to ensure that the appropriate Grants are featured.

- i. Financing by the EEA Grants:
  - This [tender/project]<sup>29</sup> is supported by the peoples of Iceland, Liechtenstein and Norway through the EEA Grants.
  - [Din l-offerta/Dan il-proġett hija/huwa] ko-finanzjat mill-Iżlanda, il-Liechtenstein u n-Norveġja taħt il-il-Fondi taż-Żona Ekonomika Ewropea.
- ii. Financing by the Norway Grants:
  - This [tender/project] is supported by the people of Norway through the Norway Grants.
  - [Din l-offerta/Dan il-proġett hija/huwa] ko-finanzjat min-Norveġja taħt il-Fondi tan-Norveġja.
- iii. Financing by the EEA and the Norway Grants (*national / programme level only*):
  - This [tender/project] is supported by the peoples of Iceland, Liechtenstein and Norway through the EEA and Norway Grants.
  - [Din l-offerta/Dan il-proġett hija/huwa] ko-finanzjat mill-Iżlanda, il-Liechtenstein u n-Norveġja taħt il-Fondi taż-Żona Ekonomika Ewropea u tan-Norveġja.

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### 14.4.3 Key messages

The NFP and the PPs shall make use of the following messages in their communication and information measures:

- (1) **General message:** The communication activities at national / programme level shall take a general approach to be coherent with those of the activities of the NFP, together with the following main message:
  - *EEA and Norway Grants – Strengthened Social and Economic Cohesion through Local Development and Poverty Reduction*
- (2) The main message will also be supported by the appropriate co-financing statement (please refer to section 14.4) to acknowledge the official support of the Grants.
- (3) PPs will be requested to feature the co-financing statement on all information and communication measures co-financed by the Grants.

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<sup>29</sup> Modify text within brackets as required.

## 15. DELEGATION OF AUTHORITY

### 15.1 DELEGATING AUTHORITY

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- (1) The PP is responsible for the entire implementation of its project.
- (2) The Project Leader represents the PP on all matters related to the project. The Project Leader cannot be from outside the organisation implementing the project.
- (3) In cases where the PP opts for external project management, the PP must explain to the NFP the internal checks and balances introduced within the PP to ensure that the PP retains full control and decision making rights on the project. At no time shall the PP be represented by external project management for any meetings concerning the project.
- (4) In order to ensure that the PP retains full control of the project, it is advisable to nominate a contact person, in addition to the Project Leader.
- (5) In cases where tight deadlines are involved, the Project Leader may delegate authority to the contact person or other officials at the appropriate level. This option is only to be exercised in exceptional circumstances, namely when the Project Leader is abroad, on sick leave or vacation leave.
- (6) In circumstances where the Project Leader delegates authority to officers within the PP, the Project Leader must complete the necessary Delegation of Authority Form (Annex 3) authorising the officer/s concerned to carry out specific tasks on his/her behalf. Annex 3 must be completed, signed by both parties, and sent to the NFP before the delegate executes the assigned duties.
- (7) It should be noted that while the function can be delegated, responsibility remains with the Project Leader.
- (8) The provisions of this section also apply to the Line Ministry function. The DPDPI may delegate authority to another officer within the Directorate to certify invoices on her/his behalf. A specific or general delegation may be applied, but the ultimate responsibility remains with the DPDPI.

### 15.2 TERMINATION AND CHANGE OF PROJECT LEADER

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- (1) Should there be a change in the Project Leader, the outgoing Project Leader and the newly appointed one should draft a letter informing the NFP that the current Project Leader will be terminating his/her project leadership. The letter should specify the name and designation of the officer who will be taking over the project leadership and the effective date.
- (2) The letter must be signed by both outgoing and newly appointed project leaders and endorsed by their Permanent Secretary. This procedure also applies for project leaders who will be retiring from their post within the PP. In the case of public sector projects, the respective Line Ministry shall ensure that the above procedure has been undertaken in good time and that an effective hand over has been given to the new project leader to ensure the smooth continuation of the project.
- (3) Project Promoters are to ensure that the position of the Project Leader remains filled **until the end of the document retention period** (refer to section 13.1). PP would be required to report to the NFP, CA and AA (amongst others) even after termination of the project,

mainly in the context of the closure of the Programmes and possible *ad hoc* audits by the Donor States or Maltese authorities.



## 16. BILATERAL RELATIONS

### 16.1 INTRODUCTION

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- (1) As stated in section 3.1.2, the second overall objective of the EEA and Norway FMs 2014 2021 is to strengthen the bilateral relations between the EEA EFTA states Iceland, Liechtenstein and Norway and the Beneficiary States.
- (2) All programmes and projects under these FMs shall endeavour to contribute to this overall objective directly or indirectly.
- (3) A 'Bilateral Guideline with Annexes' has been published by the FMO to provide guidance and ideas for how to plan, implement and report results towards the bilateral objective of the Grants. That guideline elaborates the measures and tools put in place to achieve strengthened bilateral relations, such as:
  - i. the fund for bilateral relations,
  - ii. mechanisms to facilitate donor project partnerships,
  - iii. bilateral reporting requirements, and
  - iv. useful templates
- (4) The guideline may be downloaded from:  
<https://eeagrants.org/sites/default/files/resources/2014-2021%20Bilateral%20guideline.pdf>
- (5) By providing a flexible source of funding for initiatives of mutual interest, the fund for bilateral relations is an instrument to strengthen the cooperation and increase mutual knowledge and understanding between the Donor and Beneficiary States. Both Donor State entities and entities in the Beneficiary State shall be eligible as potential promoters or partners under the fund.
- (6) A Joint Committee for Bilateral Funds (JCBF) has been set up by the NFP. The JCBF has a general responsibility for overseeing the progress towards reaching the objective of strengthened bilateral relations through the Grants. At the same time, the JCBF has a direct role in allocating funds for bilateral relations to programmes of bilateral interest, as well as identifying initiatives beyond the programmes. Through the JCBF, the Donor and Beneficiary States will jointly establish bilateral ambitions, identify priority areas for bilateral cooperation, and discuss how these best can be addressed through concrete measures and activities financed through the fund for bilateral relations.
- (7) The range of activities eligible for support under the fund for bilateral relations is broad. However, the NFP must in its planning and allocation of the funds strive to finance activities that have a clear bilateral profile and serve the purpose of strengthening bilateral relations between the Donor and Beneficiary States. Each event must reflect the bilateral ambition throughout the event programme, e.g. through a focus on exchanging relevant experiences between the Donor and Beneficiary State. Both promoters and partners shall be actively involved in planning and organising the activity.

## **16.2 THE FUND FOR BILATERAL RELATIONS**

An application under the Fund for Bilateral Relations should be sent in the first instance to the NFP in order to be assessed and submitted for consultation. The NFP will check the application for eligibility and administrative compliance and then submit it to the JCBF for selection and determination of award.

An official standard template shall continue to be utilised as the Application Form which needs to be submitted by the applicant, outlining details of proposed activities, justification and budget. The applicant shall also be provided with the list of selection criteria<sup>30</sup> and allocation of marks, on the basis of which its proposal will be evaluated. The application pack (i.e. the Application Form, the Bilateral Guidelines, the Bilateral Outcome indicators and the selection criteria for award) shall be reviewed by the JCBF. The pack is available online under *Fund for Bilateral Relations – Application Pack* on the website

<https://eufunds.gov.mt/en/EU%20Funds%20Programmes/Bilateral%20Programmes/Pages/EEA--Norway-Grants-2014-2021.aspx>

At operational level, once the activities are selected and grants awarded, the NFP shall monitor and guide the beneficiaries during both the implementation phase and the closure phase of the activity. Funding shall be made available on a reimbursement basis, once the NFP has performed the first stage of the reimbursement process (verification that 100% of expenditure claimed is correct and eligible and CARS II input) and after the Director (Policy Development and Programme Implementation) at MFEA has performed the second stage of the reimbursement process (including relevant checks, raising commitment in the Government Departmental Accounting System and CARS II input). The EU Payments Unit would then process the reimbursement.

In due course expenditure will be certified by the Financial Control Unit at FPD which is separate from the NFP, and by the Certifying Authority before an Interim Financial Report is submitted to the Donors. Any irregularity would be notified to the beneficiary and deducted from the final claim, as defined in the MoU.

The NFP shall report on the use of the Fund for Bilateral Relations, including the work of the JCBF, in the Strategic Annual Report and on the occasion of the Annual Meeting. The JCBF may comment on the Strategic Report before the NFP submits it to the Donors.

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<sup>30</sup> Selection criteria will be attached to calls for proposals

## **17. ANNEXES**

- Annex 1: Funds Commitment Form
- Annex 2: Financial Identification Form (TRS 9)
- Annex 3: Delegation of Authority Form
- Annex 4: On-the-spot Check Report
- Annex 5: On-the-spot Check follow up Report
- Annex 6: Report on New Irregularities
- Annex 7: Report on Measures taken regarding Already Reported Irregularities
- Annex 8: Project Progress Report
- Annex 9: Project Completion Report
- Annex 10: Inventory Form
- Annex 11: Funds Recovery Form
- Annex 12: Termination and Change of Project Leader