GOVERNMENT OF MALTA

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- Operating Guidelines – LEADER

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Glossary of Terms, Abbreviations and Acronyms

Term, Abbreviation and Acronyms	Meaning
Actual Conflict of Interest	A situation in which a person's private, professional, financial, organizational, political or other interest directly affects, or has affected, the impartial and objective performance of that person's duties in relation to an application, applicant, beneficiary, call or decision
Administrative Costs	Costs related to the overall and complete management, monitoring and evaluation of the strategy and its animation, including the facilitation of exchanges between stakeholders are referred to as administrative costs and this support shall not exceed 25 % of the total public contribution to the strategy, in line with Article 34, (2) of Regulation (EU) 2021/1060
Agreement	The Agreement between the MA and LAGs under Intervention 77.3 of the CAP Strategic Plan
AOB	Any Other Business
CAP SP	Common Agricultural Policy Strategic Plan
CB	The certifying body, i.e. the Internal Audit and Investigations Department
CLLD	Community Led Local Development
CoI	Conflict of Interest
DC	The Decision Committee is the body responsible for the decision-making processes related to the implementation of the Local Development Strategy, in accordance with the applicable regulatory framework, the LAG's governing documents, the Grant Agreement and these Operating Guidelines
DLG	Department for Local Government
EAFRD	The European Agricultural Fund for Rural Development, a single fund which provides financial support for rural development across Europe
EC	Evaluation Committee within the LAGs
EU	European Union
EU CAP Network	A forum through which National CAP Networks, organisations, administrations, researchers, entrepreneurs and practitioners can share knowledge and information about agriculture and rural policy.
GA	Grant Agreement being the legal document that regulates the relationship between the grantor and the grant awardee
IACS	Integrated Administration and Control System
IAID	Internal Audit and Investigations Department
Intervention	A specific measure or action designed to achieve the policy objectives set out in the CAP SP. Each Intervention sets out specific rules to be complied with by the projects or actions that can be financed
IT	Information Technology
LAG	The Local Action Group (LAG) is a broad-based local public-private partnership with the aim of improving the long-term potential of the rural region. The LAG is

	selected to implement a Local Development Strategy
LDS	A Local Development Strategy (LDS) is the strategic plan submitted to the MA for which the LAG has set the rural development objectives and a number of actions pertaining to the territory represented by the LAG
LEADER	Liaison Entre Actions de Dévelopement de l'Économie Rurale' - *'Links between the rural economy and development actions'.* The LEADER Programme refers to the implementation of the actions included in the Local Development Strategies by the Local Action Groups to address specific local issues in line with the Rural Development Programme for 2014-2020
MA	The Managing Authority of the CAP SP 2023 - 2027
MT	Malta
NACE	'Nomenclature Générale des Activités Économiques dans les Communautés Européennes' - European Classification of Economic Activities
National CAP Network	A national network for the networking of organisations and administrations, advisors, researchers and other innovation actors, and other actors in the field of agriculture and rural development
NER	National Eligibility Rules
NGO	Non-Governmental Organisation
OG	The Operating Guidelines for LAG's issued by the Managing Authority
PA	Paying Agency
Perceived Conflict of Interest	A situation in which a person's private, professional, financial, organizational, political or other interest could reasonably be perceived by an informed third party as compromising that person's impartiality or objectivity, even where no actual influence has been established
PSC	Project Selection Committee (for the CAP SP)
Project	An operation or activity, which has been the subject of an application for grant aid.
Project Applicant	An operator, body or firm, whether public or private applying with the Local Action Group for grant aid under the CAP Strategic Plan through the LAGs.
Public Funding	The European funding and Government funding made available to the LAGs and LAGs beneficiaries for the implementation of the LDS
Recusal	The formal withdrawal of an official or a committee member from all involvement in the handling, processing, communication, assessment, discussion, review or decision-making of an application or matter affected by an actual or perceived conflict of interest
RDP	Rural Development Programme 2014-2022
SAMB	State Aid Monitoring Board
SEM	*Servizzi Ewropej f'Malta*
SFC	The electronic data exchange system for all official exchanges of information between the Member State and the Commission
SoP	Standard Operating Procedure
VAT	Value Added Tax
VO	Voluntary Organisation

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Notices

HISTORY OF CHANGES		
Version	**Publication Date**	**Change**
1.0	12/03/2025	No Changes
1.2	08/2025	▪ Inclusion of sub-chapter 3.2.3 on *Overheads* ▪ Inclusion of sub-chapter 3.2.4 on *Project Partners* ▪ Inclusion of sub-chapter 3.2.5 on *Travel* ▪ Inclusion of sub-chapter 3.2.6 on *Per Diem* ▪ Inclusion of checks on double funding with the DLG in sub-chapter 3.2.5.9 on *Administrative and Eligibility Checks, including Rejection of Applications* ▪ Amending the voting rights and responsibilities of DC members in sub-chapter 3.2.5.11 ▪ Amending the eligibility of the type of staff costs under *Running and Animation Costs* in chapter 4.4 on *Payment Terms* ▪ Deletion of chapter 4.9 on *VAT* ▪ Updating the reference to the applicable procurement circular for NGO/VO Beneficiaries of LEADER ▪ Highlighting the maintenance of backup of all files and data in Chapter 7.2 on *Project Documentation* ▪ Qualifying the applicability of CoI Declarations and consequences tied to breaches of CoI in chapter 8.1 on *Conflict of Interest* ▪ Qualifying the eligibility of VAT and the procedure for verifying eligibility in

		chapter 8.3 on *VAT and Taxation*
1.3	10/2026	▪ Revised conflict-of-interest provisions to introduce call-specific declarations and registers; define actual and perceived conflicts; establish automatic recusal, exclusion, escalation and documentation requirements; provide for independent reassignment, transfer to another LAG Decision Committee and reassessment of affected applications; and reinforce consistent MA oversight across all Local Action Groups, across various Chapters. ▪ Corrected the number of Chapter 3.2.7.

1 Preamble

1.1 Introduction

The scope of these Operating Guidelines (OGs) is to set out the administrative and operational procedures for the selected Local Action Groups (LAGs) based on European Union (EU) and National regulations. This document sets out the general guiding principles for LAGs in their delivery of the LEADER Programme for which LAGs are required to be guided by such principles.

These OGs and the respective Grant Agreement for each LAG cannot be viewed in isolation but are linked to the CAP Strategic Plan, as applicable, the approved Local Development Strategies (LDS) and the respective regulations as follows:

- Regulation (EU) 2021/2115, and
- Regulation (EU) 2021/1060.

The aim of LEADER is to prepare and implement Local Development Strategies (LDSs) that reflect the specific needs of the respective territories. The LEADER approach will comprise of:

- Local development strategies, developed and delivered by LAGs as approved by the Managing Authority's Project Selection Committee (PSC);
- A *bottom-up* approach to the design and implementation of the local development strategies;
- The implementation of co-operation projects; *and*
- The networking of local partnerships.

1.2 Objectives

The main objective of these OGs is to serve as guidelines for the LAG Manager and Secretary, LAG Decision Committee (DC) members and any other relevant stakeholders on how the LEADER Programme shall be administered. Being a set of guiding principles, these OGs intend to reduce ambiguity in the implementation of the LEADER Programme by harmonising certain procedures across the approved Local Action Groups.

The OGs are categorised into several specific chapters. Chapter 1 outlines the administrative and operational procedures for Local Action Groups (LAGs) under the LEADER Programme, aligning with EU and national regulations. It establishes the objectives, interpretation, implementation timeline, operational scope, and review process for Local Development Strategies (LDSs), ensuring clarity, alignment, and consistency in execution.

The objective of Chapter 2 is to outline the structure, roles, and responsibilities of Local Action Groups (LAGs) in implementing the Local Development Strategy (LDS), ensuring compliance with EU and national regulations while promoting transparency, equal opportunities, and effective governance.

Chapter 3 aims to establish a clear, structured, and transparent framework for the application, evaluation, selection, funding, and monitoring of projects under the Local Action Groups (LAGs) within the framework of Intervention 77.3 of the CAP SP.

This is followed by Chapter 4 on the financial and administrative framework for supporting LAGs in the implementation of their LDS. It ensures that LAGs have the necessary resources to manage public funds, monitor projects, and facilitate stakeholder engagement.

Chapter 5 focuses on the control and verification procedures related to the implementation and management of EU-funded projects, particularly for LAGs and their beneficiaries. It outlines the requirements to ensure compliance with EU and national regulations and how various authorities will monitor and verify the use of public funds.

Chapter 6 outlines the reporting requirements for Local Action Groups (LAGs) involved in the implementation of EU-funded projects under the LEADER program. It outlines the expectations for LAGs to provide regular updates, progress reports, and indicator data as requested by the EU Funding Authorities and other relevant bodies.

Chapter 7 emphasizes the importance of documentation and the responsibility of LAGs to maintain proper records of their operations, project applications, and project outcomes. The chapter outlines the procedures and requirements for filing, archiving, and managing documents related to the implementation of EU-funded projects, ensuring transparency, accountability, and compliance with regulations.

Chapter 8 encompasses some of the conditions and responsibilities related to the management of public funds under the LEADER Programme. It aims to establish and clarify critical ethical, legal, and operational standards for LAGs to ensure effective and transparent administration of EU-funded projects. This chapter focuses on conflict of interest, state aid, taxation, training, governance, and the prevention of fraud and risks.

1.3 Interpretation of the OGs

In remote circumstances of an unforeseen conflict between the OGs and National and EU regulatory requirements, the CAP SP, the National and EU regulatory requirements shall take precedence.

Any changes deemed appropriate by the MA to these OGs will be notified to the LAGs. The MA may also, from time to time, consult with LAGs, with the Paying Agency (PA) or with the Certifying Body (CB) regarding additions, revisions or amendments to the Rules. The MA shall have the power to amend the applicable guidelines accordingly.

The Managing Authority (MA) shall provide any clarifications sought by the LAGs vis-a-vis the interpretation of these guidelines. In case there is lack of agreement on the interpretation of these guidelines, the decision of the MA will be considered as final. Furthermore, these guidelines may be updated from time to time at the discretion of the Managing Authority, also having regard to the European Commission's guidelines for the Common Agricultural Policy Strategic Plan (CAP SP) and other applicable regulations.

The date as from when changes carried out to this document will be deemed effective as noted in the *Notices* section of this document.

1.4 Implementation

Grants signed between the LAG and its beneficiaries shall ensure completion of the projects in time for the LAG to submit to the MA and/or PA any documentation linked to the closure of the LDS implementation period[1].

The eligibility period with respect to the running and animation costs for the 2023 – 2027 period shall start from 1st October 2025, or as otherwise advised by the MA. On the other hand, the eligibility period covering the other actions eligible under LEADER shall start with the approval of the LDS by the MA.

1.5 Area of Operations

With the exception of inter-territorial and/or trans-national activities, each LAG shall only seek to support actions that are implementable within the geographic area as identified in the LDS. Eligibility of potential beneficiaries of respective LDS actions is further detailed in the calls' guidelines linked to said actions.

Each LAG shall accept applications from eligible applicants as outlined in the respective strategy and Guidance Notes, operating, and/or providing a service within the geographic area covered by the LAG.

1.6 Review of LDS and Action Plans

In case the LAG wishes to significantly amend and review the LDS and/or Action Plans, as approved by the PSC/MA including budget shifts, unless otherwise guided, the LAG must submit such requests to the MA **following the respective DC approval**. Depending on the level of deviation from the original LDS, the MA will decide and guide the LAG accordingly. Such decisions/guidance by the MA may include varying approval procedures, such as:

- direct approval by the MA through the 'Change Request Review Board' or
- approval through the PSC.

Change Requests shall focus solely on amendments to the LDS **which significantly affect the LDS scope and the approved activities (including budgets, cappings, eligible beneficiaries, etc.)**. In acknowledging the dynamic nature of evolving LDSs and the importance for LAGs and Beneficiaries to continue implementing projects with agility, this procedure shall be limited to requests for changes significantly impacting LDS scope and approved activities.

Any updates to the LDS, are to reflect the date of approval of the revised LDS.

[1] The LDS implementation period may be revised by the MA throughout the programming period.

2 LAG Operations

This chapter provides an overview of the setup, operations, and the roles and responsibilities of the processes required to execute the LDS by each LAG.

2.1 Equal Opportunities

The composition of a Local Action Group shall follow the requirements outlined in Regulation (EU) 2021/1060. LAGs shall be composed of representatives of public and private local socioeconomic interests, in which no single interest group controls the decision-making.

2.2 Outline of Responsibilities of the Local Action Group

The LAG is responsible for devising and implementing the Local Development Strategy as approved (and as may be amended), and in line with the respective regulatory requirements, the CAP SP and with any guidelines provided by MA.

LAGs are to ensure that tasks and roles as outlined in Article 33 of Regulation (EU) 2021/1060 are adhered to. LAGs may also be asked to create an ECAS account and maintain updated profiles for access to the SFC.

Without prejudice to the tasks outlined in the respective regulatory framework, LAGs are expected to:

- Establish and maintain an effective system for the prevention, identification, declaration, assessment, escalation and management of actual and perceived conflicts of interest affecting its staff, Decision Committee members, Appeals Board members, technical experts and any other person involved in administration, evaluation, selection, approval or monitoring of applications.
- Immediately notify the Managing Authority where an application gives rise, or may reasonably be perceived to give rise, to a conflict of interest involving the LAG Chairperson, LAG Manager, Secretary, a Decision Committee member or any other key official.
- Implement any safeguards or alternative arrangements directed or approved by the Managing Authority, including reassignment of administrative functions, replacement of committee members, transfer of assessment and decision-making to another LAG Decision Committee, or independent reassessment of an application.
- Implement the LDS as approved including respecting the indicative implementation schedule.
- Act as the administrative actors for the implementation of the approved Local Development Strategies including but not limited to issuing calls for proposals, receipt of applications, timely evaluation of applications, timely issuing of awards and grant agreements, close monitoring of project implementation and the satisfactory performance of the whole process.
- Monitor the submission of payment claims for monitoring purposes.
- Such monitoring is not only linked to desk-based checks but it is also expected that LAGs perform site visits, and keep records accordingly, to all approved project sites. The MA reserves the right to request documentary proof in the form of reports or others, pertaining to such site visits.

- Make complete, full, and timely use of the electronic platform dedicated to the CAP SP and to maintain the system up to date as this is used by the MA to guide policy decisions.
- Be responsible for the animation of the LAG territory.
- Report progress on the delivery of the LDS to the MA when requested and in a timely manner, including through progress reports for which the MA may provide dedicated templates.
- Ensure a continuous capacity build-up by providing the necessary training and skills acquisition to the DC and LAG staff. The LAG is expected to attend training organised by the MA.
- Maintain updated records of projects, beneficiaries and other operations in a format that can be easily retrievable and communicated when requested.
- Attend and actively contribute towards meetings organised by the MA or other stakeholders.
- Contribute with writing of articles and delivery of presentations during activities linked to LEADER, including if and when requested by the MA.

Without prejudice to the LAGs core obligations and their inherent roles, the LAGs are to remain accessible in various feasible forms, including ensuring that LAGs offices are accessible to the public during normal office hours (as shall be notified by the LAGs, including through a notification on their websites) except in extraordinary circumstances out of the LAGs control.

2.3 Decision Committee

The DC of the LAG is the decision-making body in relation to all activities. All decisions taken during its meetings must be formally recorded in the minutes. All decisions will be made in conformity with the Commission Guidelines, EU regulations, National legislation, the CAP SP, the LDS, and the LAGs Grant Agreement with the MA.

2.3.1 Project Selection

The role of the DC includes the assessment of all applications received, giving points to each application, and eventually ranking and selecting the projects in line with the eligibility and selection criteria of the respective measure, while respecting the subsequent allocation of funding. This DC shall prepare a holistic report outlining the admissibility and eligibility checks as well as the technical aspects tied to the assessment of the Selection Criteria.

The Selection Report shall include an Administrative Checklist which is signed by all members of the DC. Administrative checks shall be aligned to procedures put in place by the MA. All decisions taken must be documented and were deemed necessary, comments should be included on the scoring sheet explaining how and why points have been given.

The DC is to ensure that no other funding has been sought for the project proposals presented. The principles outlined in the EU Funds Standard Operating Procedure (SoP) entitled *'Assessments and checks to be carried out to avoid the risk of double funding'* are to be followed by the Local Action Groups. These principles are outlined in Section 3.2.5 of these Operating Guidelines.

The DC has the discretion to request more information from the applicants should this be required in order to adequately assess the proposals. This information should always be sought in writing from the applicant.

Furthermore, Decision Committee members shall be fully committed to act impartially and without prejudice and shall not allow any conflict of interests or objectively perceived conflict of interests as per the provisions of Article 61 of Financial Regulation (EU, Euratom) 2018/1046, to compromise their position and the EU financial interest.

For this purpose, Decision Committee members, including voting and non-voting members, shall submit or confirm their conflict-of-interest declarations before applications are assigned, circulated or otherwise made available to them for assessment or review. The declaration shall be updated immediately whenever new information or circumstances arise. The LAG is to maintain complete records of such procedures. The Managing Authority reserves the right to carry out checks on the compliance of these requirements.

Membership, leadership, employment, consultancy, advisory, administrative, representative or other material involvement in an applicant entity shall constitute a trigger for the member concerned to formally declare the interest and recuse himself/herself from the application concerned. The same shall apply to any personal, professional, financial, organisational or other relationship or circumstance which gives rise to an actual conflict of interest, or which may reasonably be perceived as affecting the member's impartiality. Any such situation shall be immediately brought to the attention of the LAG and, where it concerns the Chairperson or another key official or cannot be adequately managed internally, shall be referred to the Managing Authority for guidance on the safeguards to be applied.

Where a Decision Committee member, whether voting or non-voting, has an actual or perceived conflict of interest in relation to an application, that member shall formally recuse himself/herself from the application concerned and shall not participate, directly or indirectly, in its handling, assessment, discussion, clarification process, scoring, ranking or decision-making. The member shall not receive or access information relating to the affected application beyond that which is necessary to identify and declare the conflict. Recusal from voting alone shall not be considered sufficient where the member's position or prior involvement could permit direct or indirect influence over the assessment or decision-making process.

Where necessary, the Decision Committee shall appoint a neutral and independent member as a replacement. It shall be ensured that the replacement does not have any direct or indirect conflict of interest.

Remuneration to ad-hoc DC replacements is to be reasonable and not exceeding the payment rate afforded to DC members, where applicable.

Where the conflict of interest concerns the Chairperson of the LAG, the Chairperson shall take no part in the handling, discussion, assessment, instructions, correspondence or decision-making concerning the affected application. The recusal shall be formally documented in writing for each affected call and the Chairperson's non-participation and absence from the relevant part of any meeting shall be clearly recorded in the minutes. Where necessary, the functions ordinarily performed by the Chairperson in relation to the affected application shall be assigned to an independent person in accordance with arrangements agreed with the Managing Authority.

Where the conflict concerns the Chairperson, another key official or a member whose position or previous

involvement may give rise to direct or indirect influence, and the Managing Authority considers that recusal or internal replacement would not adequately safeguard the independence and impartiality of the process, the Managing Authority may require the assessment and decision-making of the affected application to be transferred to the Decision Committee of another Local Action Group. The receiving Decision Committee shall undertake the assessment independently and shall itself comply with all applicable conflict-of-interest requirements.

Where an actual or perceived conflict of interest is identified after the affected application has already been handled, assessed or decided upon, the LAG shall immediately notify the Managing Authority and provide details of the involvement of the person concerned and the stage reached by the application. The Managing Authority shall determine the appropriate corrective action, including, where necessary, the independent re-performance or reassessment of the affected stages by the Decision Committee of another Local Action Group. The original assessment, the corrective action taken and the resulting reassessment or decision shall be fully documented and retained as part of the audit trail.

The DC may be assisted by a Technical Expert, as selected, and appointed by the DC, during the selection process.

Once the selection process is concluded, the Decision Committee will proceed to publish the preliminary result.

The DC may be assisted by the LAG Manager and Administrative Officer who do not hold any voting rights. Both the LAG Manager and Administrative Officer are responsible for administratively checking the applications received and assisting the DC in their work. They are also obliged to sign a Conflict-of-Interest Form. This needs to be carried out for each batch of applications received and reviewed. The LAG will also need to set up an autonomous and independent appeals board. Any appeals presented must be lodged with the Chairperson of the appeals board. No members from the Decision Committee can be nominated to sit on the Appeals Board.

The outcome of the appeals process is final and cannot be altered by the Decision Committee. The Managing Authority has the right to undertake checks throughout the process including verification of results and ensure that a fair and transparent process has been undertaken. In case of irregularities identified by either the MA or the PA, remedial actions will be taken; the LAG will also be requested to take the necessary actions from its end.

A DC manual / standard operating procedure is considered as good practice to have in place for the chairman to follow and to guide all members.

2.4 LAG Manager

The Manager of the LAG is responsible for ensuring the sound operational and financial management of the LAG and the implementation of the LDS in line with National and European regulations and guidance, as well as MA guidelines. The duties of the LAG Manager are also set in the engagement process by the LAG.

The LAG Manager shall prepare and present reports to the DC on inter alia, the implementation of the actions identified in the LDS, on the administration of the LAG and other operating activities carried out by the LAG for the scrutiny and discussion of the DC members during the DC meetings.

The LAG Manager shall work closely with the Chairperson of the Decision Committee to ensure effective functioning of the LAG and implementation of the Local Development Strategy.

The LAG Manager shall disclose any actual or perceived conflict of interest before an application is assigned for administrative processing. A conflict involving the LAG Manager shall be considered to arise from the moment the relevant application is received, irrespective of whether the Manager subsequently participates in its formal evaluation.

Where such a conflict exists or may reasonably be perceived, the Manager shall be immediately excluded from all handling, processing, access, review and communication relating to the affected application. The administrative functions shall be assigned to an independent person under arrangements approved by the Managing Authority.

For every call or batch of applications, the LAG Manager shall confirm whether the Manager has provided paid or unpaid consultancy, professional, administrative, representative or other assistance to any applicant.

The LAG Manager shall liaise with the Managing Authority whenever necessary and shall be available for meetings with the Managing Authority. The LAG Manager shall submit documentation in relation to the LAG as requested by the Managing Authority or the Paying Agency or Certifying \body in a timely manner and in a format as required by the MA. The Manager of the LAG shall carry out his/her responsibilities with due diligence and in good faith.

3 Execution by the LAG

3.1 Rates of Aid

The co-financing element and the aid intensity on projects under the respective measures shall be as follows:

Intervention 77.3	**EU Share**	**MT Share**	**Aid Intensity / Private component**
Implementation of operation under CLLD strategy	80%	20%	80% / 20%
Preparation and Implementation of cooperation activities of the LAG	80%	20%	80% / 20%
Running Costs and Animation	80%	20%	100% / 0%

As noted in Article 34, paragraph 2 of Regulation (EU) 2021/1060, support for the management, monitoring and evaluation of the strategy and its animation, including the facilitation of exchanges between stakeholders (running costs and animation) shall not exceed 25 % of the total public contribution to the strategy.

3.2 Implementation of LDSs

3.2.1 Rationale

Local Development Strategies are designed using a bottom-up approach and are based on the real needs of the respective territory. The LDS should be based on in-depth local consultation and should highlight the key priority issues in the area and how these needs can be addressed using the partnership model. The measures identified in these LDSs must complement the respective Programme or Plan and contribute to the applicable horizontal and specific objectives.

3.2.2 Eligible Activities

Funding will be provided for all eligible actions that have been approved within the Local Development Strategy, subject to budget availability.

3.2.3 Overheads

Overheads, also known as indirect costs or overhead expenses, are the ongoing expenses incurred by a business or organisation that are not directly attributable to a specific project or activity but without which a project cannot be implemented. These costs are necessary for the functioning and implementation of the EU-funded project.

In line with Article 54 (a) of Regulation (EU) 2021/1060, a 7% flat rate based on the eligible direct costs shall be applied to projects financed under EAFRD, including LEADER. Thus, all applicants under the CAP SP (excluding the LAGs) will be eligible for 7% overheads calculated on the basis of the eligible direct costs included in an application.

It stands to be noted that:

- Mandatory publicity actions as outlined in point 2 of Annex III of *Commission Implementing Regulation (EU) 2022/129*;
- Project management costs; and
- Consumables for office use to administer the project,

Are no longer deemed as eligible direct costs that can be claimed through LEADER.

3.2.4 Project Partners

Project partners are entities that collaborate with the main applicant to contribute specific expertise or support towards the successful implementation of a project, without being the primary beneficiary. In order to streamline the treatment of project partners across the board, all LAGs should abide by the following:

- The inclusion of a project partner has to be justified by the applicant at application stage. The justification must be strong and makes sense in terms of sector, area of expertise, potential working relationship, etc.
- It is the role of the Decision Committee to delve into the justification provided by the applicant and accept or propose any changes as may be necessary.
- Project partners need not satisfy the eligibility criteria of the call for project proposals. Satisfying the eligibility criteria remains an onus on the main project applicant.
- The type of costs that can be claimed by project partners are to be limited to staff costs, per diem and travel, while avoiding investments. If a project partner envisages investment type of costs (e.g. equipment), they may submit a separate application as the main Beneficiary.
- With respect to documentation to be requested from project partners at application stage, a Letter of Intent should be enough.
- LAGs are to maintain the possibility of applying simplified cost options to costs claimed by project partners in line with the New Eligibility Rules published by the MA on fondi.eu.

3.2.5 Travel

In line with the National Eligibility Rules applicable for the 2023-2027 Programming Period which captures the implementation period of the CAP SP, a number of projects/schemes may require support in travelling abroad, either by the project participants themselves, by the trainers and/or support workers, by Beneficiaries implementing the projects as well as by the different stakeholders in the different phases of any Programme within

the framework for approved projects. Eligible stakeholders may be deemed to include the following: project participants, trainers, support workers, beneficiaries, members of the Beneficiary organisation, and members of the contracting Authority who would be providing a service/works/supplies to the Beneficiary organisation. It stands to be noted that this list might not be exhaustive and might not include all eligible stakeholders.

In line with the National Eligibility Rules, a simplified method will be applied across the board to claim such costs. The unit of measurement for this standard scale of unit cost is a unit cost per distance travelled per person. The relevant rates to claim travel costs in EU-funded projects across all Programmes, including the CAP SP, are to be in line with the latest rates published under the ERASMUS+ Programme in line with Article 53(3)(c) of Regulation (EU) 2021/1060 and Article 44(2)(c) of Regulation (EU) 2021/2115. Any updates issued under the ERASMUS+ Programme will become applicable at the time of publishing any calls for project proposals issued thereafter.

Deviations from this simplified methodology under all Programmes covered by these Eligibility Rules, including LEADER projects, is **NOT** allowed unless duly authorised by the responsible Managing Authority.

The following is a brief summary of how to use the Erasmus+ Distance Calculator and determine travel distance rates for projects which include travel. This guidance is to be provided to all respective LEADER Beneficiaries under the CAP SP calls:

Using the Erasmus+ Distance Calculator

You can access the official calculator here - https://erasmus-plus.ec.europa.eu/resources-and-tools/distance-calculator.

Steps:

1. Select the place of origin (where the participant starts their journey).
2. Select the destination (where the activity will take place).
3. The calculator will display the distance in kilometres.
4. Use this distance to identify the appropriate distance band in your application form.

Travel Distance Rates

The unit cost per return trip per person is determined by the distance band. Although these Operating Guidelines are hereby reproducing the table available in the latest version of the ERAMUS+ Programme Guide as at time of writing, it is highly recommended that you always check the latest version published by the European Commission available here – https://erasmus-plus.ec.europa.eu/document/erasmus-programme-guide-2025-version-2?pk_source=website&pk_medium=link&pk_campaign=pg&pk_content= pg-landing-download.

Travel Distance	Rate for Non-Green Travel
10 – 99 km	€ 28

100 - 499 km	€ 211
500 – 1999 km	€ 309
2000 – 2999 km	€ 395
3000 – 3999 km	€ 580
4000 – 7999 km	€ 1,188
8000 km or more	€ 1,735

These rates cover return trips and apply to air or combined air/rail travel. Since we live on an island and need to travel by air most of the time, the Non-Green travel rates apply.

3.2.6 Per Diem

The procedure for claiming **per diem (subsistence allowance)** for overseas travel, in line with the applicable national regulations, is hereby outlined. All Local Action Groups should ensure that this guidance reaches their respective CAP SP LEADER Beneficiaries.

1. **Eligibility and Documentation**

Claims must comply with the National Eligibility Rules for the 2021–2027 Programming Period, available on fondi.eu. Key points include:

- Travel must be directly related to the approved project.
- Claims must be supported by travel documentation (boarding passes, tickets, agendas, etc.).
- Per diem is only claimable for nights spent abroad, excluding travel days unless otherwise justified.

2. **Applicable Rates**

The per diem rates are based on the Ministry for Finance's 2025 schedule for overseas duty travel, available here – finance.gov.mt/resources/per-diem-rates/, or the latest rates published by the same Ministry. Beneficiaries should refer to the country-specific rates and ensure that the correct rate is applied based on the destination and duration of stay.

3. **Submission**

Claims should be submitted using the template provided by the Paying Agency, accompanied by all supporting documents.

3.2.7 Implementation Procedures

3.2.7.1 General Provisions

The following is a non-exhaustive list of steps that need to be undertaken by each LAG:

1. Drawing up the General Provisions
2. Including the commitments of aid

3.2.7.2 Development of guidelines and application form for call, including the setting up of a transparent Appeals' process

3. Launch of publicity and information actions, including information sessions
4. Publication of call, preceded by a pre-announcement as may be deemed necessary
5. Receipt of applications
6. Inputting of all applications in IACS prior to eligibility checks, if applicable. Wherever available, applications are to be submitted on IACS by the respective applicant, and the LAG is to provide guidance on the technical aspect
7. Conflict-of-interest declarations shall be collected, reviewed and recorded before applications are assigned for administrative processing, assessment or evaluation. Any actual or perceived conflict of interest shall be escalated immediately to the Managing Authority before further processing of the affected application. Where necessary, independent administrative handling, replacement of committee members, transfer to another LAG Decision Committee or independent reassessment shall be arranged in accordance with these Operating Guidelines and any direction issued by the Managing Authority.
8. Administrative checks for any missing documentation and information
9. Notification to applicants for submission of missing documents by the Decision Committee
10. Rejection of application, failing to provide information / documentation required
11. Eligibility checks on admissible applications
12. Checks on double funding
13. Presentation of Evaluation Reports, checklists, and relevant information to the Decision Committee
14. Selection concluded by the Decision Committee and preliminary ranking list published
15. Letters notifying applicants of selection outcome
16. Appeals window open to allow any appeals to be lodged with Chairperson of appeals board
17. Notification to appellants
18. Contracting of selected beneficiaries by the LAG through the drawing up of a Grant Agreement, including possibility of Advance payments to LAG Beneficiaries
19. Monitoring project by the LAG, including on-site visits by LAG officials; records of such checks to be maintained (soft formats are to be invariably maintained, even if internally these may be maintained in printed format)
20. Monitor the submission of payment claims to ensure project progression. This may include providing assistance to Beneficiaries in submitting claims to the Paying Agency, as necessary
21. Support the PAs requests with additional information/documentation within stipulated timeframes
22. Provide the MA, the PA and any other appointed body with ongoing and ex-post data and information, including regular (which may include bi-weekly or monthly) input, as determined by the MA, from LAGs on

a set of parameters through shared platforms.

3.2.7.3 Implementation procedures to be followed in depth

The following criteria must be ensured in determining the eligibility of every project:

- That the proposal is consistent with the objectives of the LDS.
- The applicant is eligible for support under the respective measure as outlined in the LDS and reflected in the Guidance Notes.
- The proposed actions are in line with the eligible costs outlined in the LDS and the respective Guidance Notes.
- The proposed project and all parts thereof are not being financed through other national or EU Funds.
- That applicable State Aid *acquis* is respected.
- Complaints and appeals should be dealt with expeditiously and courteously, whether they are justified or not. The LAG must also co-operate with the MA/PA in relation to any complaints made to it.
- The LAG must operate in compliance with EU and National sectoral policies, Competition Policy, the Common Agricultural Policy, and other National frameworks. The LAG must, therefore, acquaint itself with the objectives of, and aid available under, other official programmes. In this regard, LAGs should maintain close liaison with other entities involved in rural development by participating in the National CAP Network.
- Support may be provided in respect of non-recoverable VAT, in line with the National Eligibility Rules. Written confirmation from the VAT Department that the project applicant does not recover VAT must be presented by the applicant.

3.2.7.4 Commitments of Aid

Awards shall only be issued in respect of actions that are eligible for support, as outlined in the LDS and the respective Guidance Notes. Any capping emanating from the LDS and the respective Guidance Notes shall also be respected.

A valid commitment of grant aid exists only when:

- There is a formal decision by the Decision Committee that is then communicated to the applicant in the form of an Award Letter.
- A grant agreement that is co-signed by both the beneficiary and the Local Action Group.
- The LAG should minimise the time gap between the Award Letter and the signing of the Grant Agreement as much as possible.
- Any changes to the grant agreement, including the shift of funds between line items, shall only be done with the approval of the LAG's Decision Committee. The DC approval shall be formally communicated to the beneficiary and an addendum to the Grant Agreement is drawn up.

The LAG shall specify a closing date on all contracts in line with the specific Guidance Notes of the call.

Project deadlines shall only be extended following recommendations and approval by the DC of the LAG. The DC approval shall be formally communicated to the beneficiary. The Managing Authority reserves the right to instruct LAGs to refrain from extending project implementation deadlines. When the project is being implemented by the LAG, such as in the case of cooperation activities, deviations from the Grant Agreement, including requests for extension, shall be requested from the MA.

Funds committed may be revised by the LAG as a result of projects not progressing, or the inability of the applicant to draw-down the full grant offered, with the result that such funding is committed to other projects. Projects registering savings may however request to use such savings to extend the scope of the project, through a request that is to be submitted to the DC. Wherever necessary, the PA may recover funding disbursed from beneficiaries.

If for any reason, the LAGs consider it necessary to revoke a grant or part of the offer to a project applicant, a formal communication should be issued, informing the applicant that the grant has been revoked. This communication should contain details of the amounts to be revoked, the timeframes by when this should be affected and any other conditions.

3.2.7.5 Preparation of Guidelines and Application Form including Manual for Appeals Board

Prior to launching the call for applications, the LAG manager has to submit the following to the DC for clearance, in line with approved LDS:

- The exact amount of budget that shall be available for commitment in the respective call.
- Measure Guidelines, that include the eligibility and selection criteria.
- Measure Application.
- The mechanism for an open or a rolling call procedure.
- The time schedule for the call.
- Procedure for appeals.

With respect to potential appeals, the Decision Committee will need to set up an autonomous and independent appeals board. Any appeals presented must be lodged with the Chairperson of the appeals board. No members from the Decision Committee can be nominated to sit on the Appeals Board.

The outcome of the appeals process is final and cannot be altered by the LAG or the Decision Committee.

Following DC clearance, copies of the above shall be sent to the MA for information purposes. The MA may provide feedback; however, it is up to the DC to ensure compliance with procedures and alignment with the LDS.

3.2.7.6 Communication and Publicity

The LAG shall implement communication activities, before the launching of calls for interested parties to apply for. It shall also maximise publicity for each call, to create the necessary awareness within the region.

The publicity requirements of the calls are as follows:

- Adequate pre-announcement of the calls to be issued prior to the launch of the call.
- Information sessions to be organised targeting potential beneficiaries, which information sessions shall be extensively publicised with the scope of attracting potential beneficiaries.
- At pre-launch or at actual call stage, the call shall be published in a widely circulated newspaper.
- LAGs can issue joint adverts either for multiple calls within the same LAG and also across multiple LAGs.
- Prominent advert on the LAG website (Homepage) and respective social media accounts.
- Targeted, paid adverts on social media may also be considered.
- On the noticeboard of the LAG office.
- LAG is to send the advert to all Local Councils within the territory, for information purposes.
- Any other publicity channels that may be deemed appropriate.

The advertisements for the call should aim to include the following information:

- Address and contact details of the LAG.
- Title and reference number of the call.
- Brief overview of the measure, including the support rate applicable.
- Dates of the application period.
- Budget allocated to the call.

In all adverts, LAGs shall follow the Visual Identity Guidelines[2] issued by the Communications Unit within the Ministry responsible for EU Funds, and any other guidelines provided by the MA.

3.2.7.7 Assisting Applicants

There is likely to be a significant number of applications for each call, so the LAG must ensure that there is sufficient time allowed for the LAG to meet potential applicants as and where requested.

The LAG shall not fill in application forms on behalf of potential beneficiaries. LAGs shall endeavour to inform interested applicants of the services offered by *Servizzi Ewropej f'Malta* (SEM) in relation to aid on the submission of project proposals.

3.2.7.8 Publication of Call, Receipt and uploading of Applications on System

Applicants must submit their application, together with the required supporting documentation as indicated in the Guidance Notes issued with the call for project proposals. The LAG shall see that profiles for prospective beneficiaries are created on the IACS system and updated as necessary. A receipt for the delivery of the proposal must be issued by the LAG or through the online system if one is available.

[2] FONDI.eu | Visual Identity Guidelines - FONDI.eu

All applications, including those deemed ineligible or rejected, are to be uploaded on the IACS system by the LAG. Applications should be submitted via email to ensure traceability. Hence, applications submitted as hard copy and by hand should be avoided.

If and when an online system is available, applications are to be submitted through this system by the respective applicant or their representative.

3.2.7.9 Duration of Call

This period may vary from measure to measure and is to be determined and set by the LAG. Open rolling calls may also be adopted.

3.2.7.10 Administrative and Eligibility Checks, including Rejection of Applications

Before an application is assigned for administrative or eligibility checks, the LAG shall review the applicable conflict-of-interest declarations and determine whether any staff member, Decision Committee member, technical expert, Appeals Board member or other official has declared an interest concerning the applicant, its representatives, partners or the proposed project.

The application shall not be allocated to, handled by or communicated to a person affected by an actual or perceived conflict of interest.

Where the conflict involves a key official or cannot be adequately managed internally, the LAG shall immediately refer the matter to the Managing Authority before processing continues.

Once an application is received, the secretariat to the Decision Committee of the LAG will commence evaluating the submission and conducting administrative checks to select eligible projects. The eligibility parameters identified in the Guidance Notes must be strictly respected. The aim of the administrative and eligibility check process is to ensure/verify that:

- Each application receives a unique reference number, including a sequence number and date.
- Ensure that the application proposal fits within the scope of the measure.
- Ensure that the same proposal was not previously presented for funding under other measures within the RDP or CAP SP and bounce off the list with the Managing Authority to ensure no double funding with other Funds and Programmes.
- Any false or misleading information leads to the immediate rejection of an application.
- Requests for missing documentation and clarifications are to be issued upon approval of the Decision Committee.

The above list is not exhaustive, and the LAGs are to ensure that the spirit of any National and EU regulations are observed when checking applications.

In terms of checks on potential double funding, the applicant is requested to clarify at application stage whether

the proposal under assessment or any of its component activities have been submitted and/or received EU and/or national funding, and to provide the status of the said proposals, if applicable. The sources of such funding, including EU, National and/or private/commercial are to be specified in the application.

During the evaluation of the project, the information included at application stage and self-declaration related to any one selected project is assessed by the Decision Committee. The DC must consult with the Managing Authority to assess the potential risks of double funding on the basis of the below parameters:

- Project title
- Beneficiary/Line Ministry
- Implementing partners
- Project description and objectives
- Thematic area of the actions being proposed
- Activities already tendered or contracted out, if and where applicable
- Budget lines and/or work packages.

With respect to projects approved for Local Councils, each LAG should send the above information to the Department for Local Government (DLG) at app.dlg@gov.mt with the subject *Local Council Projects approved for EU Funding – Check for Potential Double Funding*. With this information the DLG may assess the possibility of double funding with similar nationally funded schemes and inform the LAG accordingly **before** a Grant Agreement is signed.

This is done in order to confirm that projects for which a request for financing was submitted does not overlap with any actions funded under other EU instruments and that double-funding is therefore not present at project application stage.

If a project is approved, the Beneficiary will be notified in the award/conditional letter assuming confirmation by means of the signature of the Grant Agreement that the situation regarding double funding did not change during the evaluation process or requesting additional details if such situation has changed.

Moreover, the applicant will be asked to formally and in writing, bring to the attention of the LAG any change/additions/deletions to the sources of funding as stipulated during application stage.

Once the administrative checks are completed, the applications received undergo the evaluation of the proposals based on the eligibility criteria as outlined in the call for project proposals.

3.2.7.11 Evaluation of the application and Presentation of Reports to the DC, including appeals procedure

Evaluation of the application must be carried out on the basis of the information as submitted by the applicant and any clarifications requested by the DC as part of its assessment. The LAG is to ensure that the trail and order of correspondence related to clarifications is maintained.

The Decision Committee will prepare one holistic report with annexes, giving details of the administrative, eligibility and technical assessment of all applications received under a particular call for project proposals / batch of

applications received, including recommendations for project funding or rejection. The MA may request details of the entire process, including copies of reports.

The Decision Committee will initiate the selection process and once this is concluded, the Decision Committee will proceed to publish the preliminary results.

3.2.7.12 Ranking of Projects and Selection Process, notification to applicants and necessary updating of IACS

The Decision Committee (DC) will carry out the ranking and selection of applications. Based on the preparatory work of the secretariat, the DC members must first carry out an initial review of the project and identify any points that may need to be clarified with project applicants and/or other organisations, should it be the case. Technical experts can be invited to provide an input.

Once the entire assessment is complete, the scoring sheet (forming part of the overall Selection Report) is to be completed by the DC and signed by the voting members of the Committee participating in the specific call. A neutral or independent replacement may be appointed where the Managing Authority or the LAG determines that this is sufficient to safeguard impartiality and the integrity of the process. Where the conflict involves a key official, creates a risk of indirect influence, or otherwise calls the integrity of the process reasonably into question, the Managing Authority may require the assessment and decision-making to be transferred to the Decision Committee of another LAG. The voting rights and responsibilities of the members of the DC are outlined in the statute of each LAG. The DC must compile a list of projects ranked according to the assessment carried out. In the event that two or more projects achieve the same marks and funding is only available for one of the projects, the members should be invited to discuss and review the votes so that ranking can be achieved.

The grant aid must be decided by the Decision Committee for each beneficiary in line with the parameters established in the call for project proposals. Once the final funding decisions have been detailed, a report shall be published. The report will include:

- Administrative assessment
- Eligibility checklist
- Technical assessment
- Ranking sheets with the corresponding amount proposed for funding for each project.

Before signing the Selection Report, each participating member shall confirm that the member has no undeclared actual or perceived conflict of interest in relation to the applications assessed.

The details of operations supported from the EAFRD are to be published on the website of the respective LAG. The first publication must include:

- The provisional ranking prior to the appeals period, and
- The final ranking list following the appeals period/procedure.

This is to be followed by:

- The details of the selected project, including a brief of the operations; and
- The total amount of public funding received by the beneficiary for the particular project.

Once the selection procedure is completed, the LAG shall notify all applicants accordingly (both successful and failed applications).

The LAG shall ensure that all necessary details and documentation are uploaded on IACS, including Project Results, following the closure of the appeals period.

3.2.7.13 Appeals window open and appeals lodged with Chairperson of Appeals Board

As a minimum, the Appeals Board should include a Chairperson and three members. The functions of the Board shall be regulated by a Terms of Reference prepared and approved by the DC.

Members of the Appeals Board shall not be bound to the formalities of a court but must ensure transparency and impartiality. They shall outline the reasons which led them to that decision in a clear form. Their decision shall be final and binding.

The Appeals Board shall also sign a declaration of impartiality for each case presented to it.

In terms of the procedure to be undertaken, unsuccessful applicants shall be informed of their right of appeal on the outcome of the evaluation and selection process in their Rejection Letter. In this letter, unsuccessful applicants shall be informed that appeals have to be presented to the Chairperson of the Appeals Board in writing through a registered letter within 5 working days from receipt of the email/letter of notification (whichever the earliest) of result sent by the LAG.

The appeal should include a detailed explanation of the reason/s the appeal is being made, supported by any relevant documentation/testimonials. The Appeals Board will not consider late appeals.

Upon submission of the appeal, the Appeals Board shall be convened within no later than 5 working days to review the appeals presented. All necessary relevant documents will be made available to the Appeals Board by the LAG.

The Appeals Board must conclude the process of appeals by no later than 15 working days from the appeals closure date. Upon finalisation of the process, a detailed report articulating all decisions taken must be presented to the DC. The decision of the Appeals Board is final and cannot be contested by the DC.

The Appeals Board must notify in writing the decision to each appellant.

The appeals procedure shall be published on the LAGs website.

3.2.7.14 Final Result

The DC must publish a final result with a list of the projects eligible for financial support on the noticeboard of the LAG, and on the LAGs website. The same list is to be shared with the Managing Authority every six months in order

to be published on the Managing Authority's website.

3.2.7.15 Award Letter including conditions of acceptance

When the LAG issues a Conditionality Letter that requires a reply from the applicant, the applicant shall be invited to submit their reply within a stipulated timeframe, following which if no reply is received, it will be considered that the applicant is no longer interested in undertaking the project and funds will be reallocated to a project on the waiting list or back to the Measure.

Should the beneficiary accept the offer, the eligible period of expenditure should start not earlier from the date of the submission of the application, as shall be indicated by the LAG in the respective measure Guidance Notes.

3.2.7.16 Contracting of Selected Beneficiaries by the LAG, including possibility of Advance payments to LAG Beneficiaries

Grant Agreements are to be signed between the LAG chairperson (or any formally authorised legal representative) and the project leader or a legal representative of the beneficiary. It stands to be noted that the MA is not a witness or a signee of these Grant Agreements. In case where the signatory on behalf of the beneficiary is not a legal representative, a power of attorney must be presented showing delegation of signatories between the legal representative and the appointed signatory. This power of attorney is to be endorsed by a public notary. The draft Grant Agreement shall be passed on to the beneficiary before it is signed.

The Grant Agreement shall be signed in two originals, one for each party involved (i.e. LAG and Beneficiary). Copies must be maintained in a secure location (including uploading of contracts on IACS by the LAG) in line with the retention policy outlined in the National Eligibility Rules available on fondi.eu.

Should advances be made available by the MA and the PA, LAGs shall provide the facility of advance payment for investments type actions to its beneficiaries[3] subject to a relevant bank guarantee or equivalent, in line with PA requirements.

3.2.7.17 Monitoring of Projects by the LAG

The LAG is responsible for monitoring the projects' implementation in line with the criteria and specifications set out in the respective contracts and guidelines.

Site visits, bilateral meetings of which records should be kept, and reminders should be sent to beneficiaries notifying them of project closure dates and other relevant milestones that might affect project implementation. Regular updating of the financial and implementation status of the project shall also be carried out. From time to time, the MA may request the LAG to provide updates on the implementation of projects being implemented through its LDS. The LAG shall be expected to communicate with its beneficiaries on a regular basis and provide the

[3] With regards to LDS beneficiaries, the MA or PA may dictate what type of projects/beneficiaries can be subject to Advance payments.

MA with the necessary updates in the requested format in a timely manner.

With regards to projects implemented through the LDS, bi-lateral meetings may be organised by the LAG on a regular basis with the beneficiaries in order to discuss progress and implementation. Such bilateral meetings may also be combined with physical project visits. The frequency of such meetings shall also be dependent of the rate of progress of each respective project, and/or as may be considered necessary by the LAG. The LAG is to make sure that the outcomes of the bi-lateral meeting are recorded and shared with the beneficiary (similar nature of meeting minutes) to facilitate follow-up from both ends. Additionally, the LAG is to make sure that the beneficiary submits the Project Progress Report on request and that disbursement schedules and project outcomes are being respected by the beneficiary, as per Grant Agreement, where applicable.

The LAG shall also undertake physical project visits on all projects at any point in time during the implementation of the project. These project visits shall aim to ensure that implementation is proceeding as planned and shall serve as an opportunity for LAGs and beneficiaries to identify and discuss any pertinent matters. The MA reserves the right to ask the LAG to be present during some of these visits.

These physical project visits to be carried out by the LAG shall be separate from the control regime implemented by the Paying Agency.

The LAG may be asked to provide the MA and the PA with periodical updates on physical project visits carried out.

3.2.7.18 Publicity

The LAG shall maintain an updated list of beneficiaries on its website in line with Article 98 of Regulation (EU) 2021/2116 and Article 49 of Regulation (EU) 2021/1060. Furthermore, each LAG shall pass on the list of eligible Beneficiaries to the Managing Authority every six months so that the same list is also published on the fondi.eu website of the Managing Authority.

In terms of visibility of operations funded under LEADER, publicity obligations are outlined in Annex II of Commission Implementing Regulation (EU) 2022/129. These are hereby outlined for ease of reference:

- For projects consisting of investment in physical assets where the total public support does not exceed EUR 10,000, a Beneficiary shall attach publicity stickers highlighting the support from the Union[4].
- For basic services and infrastructure where the total public support exceeds EUR 10,000 but does not exceed EUR 50,000, a Beneficiary is obliged to display at a location clearly visible to the public at least one poster of a minimum size A3 or equivalent electronic display with information about the operation highlighting the support from the Union. An explanatory plaque shall also be installed in the premises of the local action groups financed by LEADER.
- For operations consisting of investment in physical assets where the total public support exceeds EUR 50,000 but does not exceed EUR 500,000, a Beneficiary is obliged to place an explanatory plaque or equivalent electronic display with information about the project, highlighting the financial support from

[4] Although there are no publicity obligations tied to projects below EUR 10,000, this obligation is being imposed by the Manging Authority.

the Union, including the Union emblem in accordance with the technical specifications outlined in Annex II of the same Implementing Regulation. These may also be found explained in the Visual Identity Guidelines published by the MA.

The latest version of the publicity guidelines can be downloaded from the fondi.eu website.

4 Running Costs and Animation

4.1 Rationale

In order to implement the approved LDS, manage public funding, assist potential beneficiaries, monitoring of projects' progress etc., the LAGs are provided with support for the management, monitoring and evaluation of the strategy and its animation, including the facilitation of exchanges between stakeholders. The support related to these actions shall not exceed 25 % of the total public contribution to the strategy, in line with Article 34, paragraph 2 of Regulation (EU) 2021/1060.

The objective of support for running costs and animation is to provide LAGs with sufficient resources to efficiently ensure the adequate administration of the LDS.

4.2 Eligible Activities

Eligible activities shall be those outlined in Article 34 of Regulation (EU) 2021/1060 and eligible costs in line with the National Eligibility Rules and Guidance issued by the MA. The LAG must ensure and be able to demonstrate, if and when required, that any expenditure must be related to the implementation of the Local Development Strategy. It should be noted that irrespective of the form of financing that will be applied to claim such funds from the Paying Agency, and subsequently the European Commission, LAGs are reminded that CAP SP funds include an element of national co-financing, and they may be subject to audits on the national co-financing element by the respective national authorities. Thus, the spirit of public procurement should always be followed.

In terms of evaluation obligations, in line with Article 32 of Regulation (EU) 2021/1060, an evaluation of the strategy will be carried out by the MA as included in the CAP SP's Evaluation Plan; *(g) monitoring the implementation of the community-led local development strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.* LAGs are obliged to cooperate and participate fully in such evaluation exercises, when and if required.

4.3 Running Costs Budget

The Decision Committee together with the LAG Manager must present to the MA, an indicative budget on the management of the running costs for each year of implementation upon request. This budget must be in line with established rules and procedures and must not exceed the total budget allocated in the grant agreement for the duration of the entire strategy implementation period.

Despite the payment terms outlined in the next section, the MA reserves the right to ask each LAG for a breakdown of all their direct eligible costs apart from staff costs in order to ensure effective monitoring, if and when deemed necessary.

Remuneration of board members including the Chairman is tied and proportional to attendance.

4.4 Payment Terms

The running costs and animation of each LAG shall be disbursed in line with the following simplified methodology as approved by the Managing Authority and included in the respective Grant Agreements:

- Staff Costs based on contracts of service only, shall be claimed in the form of a simplified cost option as will be notified to each LAG by the MA.
- All other direct eligible costs incurred by each LAG shall be claimed in the form of a 40% flat rate calculated on the amount of staff costs claimed, in line with Article 83(2)(c) of Regulation (EU) 2021/2115 and Article 56(1) of Regulation (EU) 2021/1060.

4.5 Employment

The LAG must follow Chapter 452 of the Employment and Industrial Relations Act, and any other subsequent conditions of employment identified in Maltese Law.

LAGs shall carry out all recruitment processes in line with applicable national regulations and through the public employment service of Malta (i.e. Jobs Plus).

Whenever there is an employment vacancy, besides going through the Jobs Plus procedure mentioned above, it is recommended that a call is to be issued on at least 1 local newspaper and also on the website of the LAG. The LAG must keep records of all publicity and information related to the call.

The results of all recruitment processes must be published on the notice Board of the LAG's office and also on the website of the LAG.

Remuneration paid shall be in accordance with the simplified methodology that will be outlined by the MA.

4.6 Attendance

Each LAG must have a system that effectively records the attendance of any staff employed by the LAG. The attendance is to be duly verified by the Chairperson of the Decision Committee every calendar month or every 4 weeks ending, depending on the salary period established by the LAG.

4.7 Provision of Advance Payment

An advanced payment of up to 50% of the budgetary allocation (Public support) of the Running Costs and Animation intervention may be provided to each LAG for the management, monitoring and evaluation of the strategy and its animation, including the facilitation of exchanges between stakeholders. This is subject to the approval of EU Funding Authorities. Advance payment for projects implemented through the Local Development Strategy may also become a possibility for the respective beneficiaries subject to the approval of EU Funding Authorities.

4.8 Technical Assistance

The LAGs can submit a request for Technical Assistance for the consideration of the MA.

5 Controls and Verifications

The controls and verifications system applied by the EU Funding Authorities is outlined in Chapter 7 of the CAP Strategic Plan. Information pertinent for LAGs and their beneficiaries can be found in sections related to non-IACS EAFRD.

With regards to exclusions, control on payment claims, sanctions, penalties, deductions and recovery of grant aid, information can be found in the Investment Measures Payment Guidelines published by the Paying Agency[5].

5.1 Procurement

Private beneficiaries shall follow the spirit of public procurement. Local Action Groups, VOs and NGOs shall also follow the guidance provided in Circular OPS/MFI/5/2026 entitled *Guidance Document on Procurement Procedures for Voluntary and Non-Governmental Organisations implementing European Union Funded Projects*, as may be amended[6]. Public Entities (such as Local Councils) shall follow applicable Public Procurement Regulations and Department of Contract guidance, recommendations and Policy Notes.

5.2 Durability

An operation comprising investment carries the below durability period obligations, regardless of the size of the beneficiary:

- For investments with a grant value of up to €15,000 the durability period obligations will extend to one (1) year from the final payment to the beneficiary.
- For investments with a grant value of between €15,001 and €200,000 the durability period obligations will extend to three (3) years from the final payment to the beneficiary.
- For investments with a grant value of over €200,000 the durability period obligations will extend to five (5) years from the final payment to the beneficiary.

This obligation is tied to investments in infrastructure and/or to productive investments and is applied regardless of the size of the beneficiary. This obligation is applicable to both the LAGs as well as the other Beneficiaries of LEADER.

5.3 Maintaining Separate Accounting or Appropriate Coding for Transactions

The LAG shall maintain either separate accounting records or appropriate accounting codes for transactions related to EU-funded projects, including monies received from private sources. This obligation is essential for ensuring

[5] Investment Measures Payment Guidelines available at https://arpa.gov.mt/en/guidance-documents/
[6] Available at https://fondi.eu/circulars-2021-2027/

transparency, accountability, and compliance with EU regulations regarding the use of public funds. LAGs are bound to ensure that all costs, irrespective of the payment terms hereby outlined, are duly recorded in line with the provisions outlined in circular HR/OPM-EES/7/2024 available here - https://fondi.eu/important-documentation/reference-documents/circulars/2021-2027-programming-period/general-circulars/.

When opening a Bank account for the purpose of administering the funds allocated to the LAG, each LAG must inform the bank in writing that the public monies lodged are held in trust by it (the LAG) and may not be offset against any LAG debts to the bank which may arise from time to time. A written acknowledgement of this arrangement should be obtained from the bank upon the opening of the relevant accounts and forwarded to the Paying Agency. Under no circumstances should Programme funds be lodged to other existing bank accounts apart from those mentioned above.

All cheques, bank mandates, fund transfers etc., must carry the signature of at least two LAG officials approved by the DC. Where on-line banking facilities are used, records of such transactions should be retained for audit purposes.

With respect to other Beneficiaries of LEADER, the same obligations apply. LAGs are to ensure that they notify all potential applications of the obligations as outlined in circular HR/OPM-EES/7/2024 available here - https://fondi.eu/important-documentation/reference-documents/circulars/2021-2027-programming-period/general-circulars/.

5.4 EU and MT Controls and Inspections

The European Commission, the European Court of Auditors, the Certifying Body, the National Audit Office and any other authorised Control body may carry out on-the-spot inspections to verify that all activities carried out by the LAG are in conformity with applicable EU and National regulations.

6 Reporting

6.1 Reports

The LAG is expected to submit any reports requested by the EU Funding Authorities within the stipulated timeframes, in a format and quality as outlined by the EU Funding Authorities and any relevant regulations, where applicable. This may also include feedback on LEADER implementation for drafting and compilation of Annual Reports which are presented to the European Commission.

The LAG Manager may be invited to participate in bilateral meetings with the EU Funding Authorities as required, in order to discuss the work progress, projects implementation and any other issues deemed necessary. The LAG Manager may also be required to present such progress at other formal/informal meetings such as the Monitoring Committee, CAP Network and Annual Meetings with the European Commission.

LAGs may also be requested to provide specific reports as may be required from time to time, including those linked to Parliamentary Questions. Possibly, such reports may be required at very short notice and outside office hours.

6.2 Indicator Reports and Evaluation

The LAG shall submit the necessary updates on the indicators pertaining to the LDS for monitoring purposes. Data and other relevant information shall also be used by evaluators and other bodies carrying out such tasks as may be indicated by the EU Funding Authorities.

7 Documentation, Filing, and Archiving

7.1 General Documentation

Each LAG is responsible for the supervision and distribution of public funds (EU and national) and is required to demonstrate accountability for all expenditure for which it is responsible. The LAG is required to keep an adequate accounting system and to fully and properly document its operations.

All documents pertaining to the Implementation of the LEADER Programme must be retained by the LAG in line with the retention period outlined in the National Eligibility Rules available from fondi.eu.

In order to facilitate audits and the ex-post evaluation of the programme, key documents in this respect include:

- Complete project dossiers where the LAG is a beneficiary.
- Financial reports.
- Documentation tied to the evaluation and selection of project proposals.
- Correspondence, especially correspondence between the LAG and the MA and PA *and*
- Any other documentation deemed relevant.

Records shall be kept of any amendments carried out to the LDS using track changes and approvals issued by the Managing Authority. All amendments to the previous versions or new insertions are to be duly indicated, in order for the user to easily comprehend the differences from the preceding LDS.

The LAGs are to always keep the LDS on their respective website in PDF format. The last version available along with previous revised versions are to be accessible online, indicating clearly the effective date. Applicability of version is to be indicated on both the website and the document itself.

7.2 Project Documentation

The LAG is responsible for properly filing and archiving all the applications administered and monitored by the LAG as either a soft copy or a hard copy.

The objective of the archive is to ensure security and confidentiality of the application files and supporting documentation submitted by the applicants as well as all the internal documents issued and received such as correspondence, contracts and proof of payments where applicable. LAGs are responsible for maintaining adequate and secure backups of all relevant files and documentation to ensure data integrity and continuity in the event of technical issues, loss, or damage.

Once an application is submitted, an application file should be opened and registered with a unique project number for each individual file. This project reference number follows the application file all through the cycle. Following administrative and eligibility checks, selection, ranking and contracting of project documentation has to be kept in file, physical or otherwise.

A well organised project dossier must be maintained in respect of each project considered for grant aid in soft or hard copy.

Each project file shall include all documentation in respect of that project and most importantly must contain the following:

- A checklist of all documents required for processing the application;
- A completed formal application for grant aid, which must be signed and dated by the applicant, and countersigned and dated by an appropriate staff member in the LAG; *and*
- All the relevant documentation as indicated in each respective call for proposals.

It is up to each LAG to decide whether they wish to adhere to the obligation of filing and retaining all pertinent documentation in printed format or through electronic means. Each option is acceptable. Nonetheless, LAGs are encouraged to respect e-Cohesion policy. In such instances, LAGs are to ensure that such documentation is accessible for monitoring and audit purposes.

7.3 Other Documentation

7.3.1 Minutes of Meetings

The minutes of meetings constitute an important legal and historical record of the adopted policies and business activities of the LAG.

They are a valuable record for the guidance of management about policy actions and directives as well as possible eventual auditing purposes. They also provide a source of information for Decision Committee meetings and actions to be reported at the annual meeting.

Promptly after each Decision Committee meeting, the minutes must be written and filed, in soft or hard copy as deemed relevant by the LAG:

- Date, place, and time of meeting;
- A record of the people who attended the meeting and those who were excused/absent;
- A brief statement of all matters pertaining to the business of the LAG during the meeting;
- All motions, resolutions, and votes by the Decision Committee;
- If a roll call vote is taken each individual response shall be recorded;
- Details of all grant decisions including referrals, commitments of aid and rejections; *and*
- Signature of the board secretary and Chairperson. A copy of the minutes should be approved by the DC, signed by the Chairman and filed accordingly.

Where a conflict of interest arises, the minutes shall clearly record:

- The name and role of the person concerned;
- The affected application or agenda item;
- Whether the conflict was classified as actual or perceived;

- The declaration and formal recusal;
- The time at which the person withdrew and, where relevant, returned;
- Confirmation that the person did not participate in discussion, assessment or decision-making;
- The replacement, reassignment or transfer arrangement applied; and
- Any direction or approval issued by the Managing Authority.

7.3.2 Inventory

A signed inventory, listing any items bought in connection with the project by Beneficiaries, including the LAGs, should be compiled and held on site and should be made available to the EU Funding Authorities whenever requested.

A copy of the inventory template may be provided by the MA through www.fondi.eu.

All capital investments, including furniture, IT equipment and peripherals, machinery and other equipment are to be kept in the inventory table. In case of circumstances whereby goods are stolen, a police report should be obtained. All LEADER beneficiaries, including the LAG, are required to fill in an Inventory List of all assets. The beneficiary should also list any equipment that has undergone any alterations following acquisition. Furthermore, the inventory should be frequently updated to include the relevant details of the assets purchased. The list is to be signed and certified correct by the LAG manager / Project Leader and made available upon request.

Beneficiaries must keep in mind that:

1. When fixed assets are purchased through EU funds, it is imperative that they are kept in good working order throughout and after the project life in line with durability requirements outlined in the CAP SP.
2. Beneficiaries are to make sure that an asset comes with the appropriate warranties.
3. If any fault results in an asset, all documentation in relation to the repair must be kept and when that asset needs to be replaced, it is important that all documentation is kept on file.
4. If an asset is replaced, both the old and new serial numbers must be retained.
5. If an asset is faulty and / or damaged and is replaced at the supplier's or the Beneficiary's expense – whether under guarantee or not – the replacement must perform the same function and be of the same or higher specifications as the asset being replaced.
6. Relocation of an asset needs to be reflected in the inventory
7. The Beneficiary shall make sure that the relevant publicity appears on the equipment purchased as well as on the relevant documentation (proportionality should apply in the case of infrastructural project whereby the whole building or area is co-financed).

8 Other Conditions

8.1 Conflict of Interest

The conflict-of-interest requirements set out in these Operating Guidelines constitute mandatory operational requirements applicable to all LAGs implementing Local Development Strategies under the CAP Strategic Plan. Each LAG shall ensure that its internal procedures and working arrangements comply with these requirements. Where a LAG's existing internal arrangements do not adequately address a situation covered by these Guidelines, the requirements and safeguards established by these Guidelines and any related direction issued by the Managing Authority shall be applied for the purposes of LEADER implementation.

8.1.1 General Principles

LAG staff, Decision Committee members, Appeals Board members, technical experts and any other persons involved in administering, evaluating, selecting, approving, monitoring or reviewing applications shall act independently, objectively and impartially. They shall avoid actual conflicts of interest and situations which may reasonably be perceived as compromising their impartiality.

A conflict of interest may arise from family, personal, professional, financial, political, organisational, membership, leadership, employment, consultancy, advisory or other interests or relationships.

The absence of personal financial benefit shall not, on its own, demonstrate the absence of a conflict of interest.

8.1.2 Persons and stages covered

These requirements apply to all stages of the LEADER process, including receipt of applications, allocation of files, administrative and eligibility checks, clarification procedures, technical assessment, scoring, ranking, decision-making, appeals, contracting and monitoring.

8.1.3 Declaration Requirements

Each relevant official shall sign the applicable Conflict of Interest Declaration upon appointment or recruitment and annually thereafter.

In addition, call-specific or batch-specific declarations shall be reviewed and, where necessary, updated before applications are assigned for administrative processing or evaluation.

An official shall immediately update the declaration whenever a new interest, relationship or circumstance arises.

8.1.4 Call-specific CoI Register

The LAG shall maintain a Conflict-of-Interest Register for each call or batch of applications. The register shall identify:

- the person making the declaration;
- the declared interest or relationship;
- the affected applicant or application;
- whether the matter was treated as an actual or perceived conflict;
- the date on which the matter was identified;
- the recusal, exclusion, reassignment or transfer applied;
- whether reassessment was required;
- the responsible person implementing the safeguard; and
- any MA direction or approval.

8.1.5 Automatic Triggers

The following shall automatically trigger recusal and escalation to the Managing Authority:

- membership or leadership in an applicant entity;
- employment by an applicant or connected entity;
- provision of consultancy, advisory, professional or administrative services to an applicant;
- acting as an officer, representative, secretary or spokesperson of an applicant;
- a personal, family, financial, professional, political or organisational relationship capable of affecting, or reasonably appearing to affect, impartiality;
- prior involvement in preparing or supporting the application; or
- any other circumstance in which the official's impartiality may reasonably be questioned.

8.1.6 Recusal and Exclusion

A person affected by an actual or perceived conflict shall immediately disclose the matter and formally recuse themselves. The person shall not handle, access, process, communicate on, assess, discuss, score, rank, approve, monitor or review the affected application.

Recusal from voting alone shall not be considered sufficient where the person has an administrative, leadership or coordinating role capable of exercising direct or indirect influence.

8.1.7 Notification and Escalation to the MA

The LAG shall immediately notify the Managing Authority when an application gives rise, or may reasonably be perceived to give rise, to a conflict involving the Chairperson, LAG Manager, Secretary, Decision Committee member or another key official.

The LAG shall provide the relevant declaration, a description of the affected application, the stage reached, any prior involvement of the person concerned and the safeguards proposed.

8.1.8 Alternative Arrangements and Transfer

The Managing Authority may require:

- reassignment to an independent LAG official;
- replacement of a Decision Committee member;
- appointment of a neutral or independent member;
- transfer of administrative processing;
- transfer of assessment and decision-making to another LAG Decision Committee;
- independent reassessment or re-performance of an assessment already completed; or
- any other proportionate measure necessary to protect the integrity of the process.

Transfer to another LAG Decision Committee shall be applied where an actual conflict exists or where the integrity of the process could reasonably be questioned and internal recusal or replacement would not sufficiently eliminate direct or indirect influence.

8.1.9 Applications Already Processed

Where the conflicted person has already handled, reviewed, discussed, assessed or decided upon the application, the LAG shall suspend further processing and immediately notify the Managing Authority.

The Managing Authority shall determine whether the affected stages must be independently re-performed. The determination and supporting evidence shall be retained in the project dossier and CoI register.

8.1.10 Documentation and Minutes

All declarations, recusals, absences, restrictions, alternative arrangements, transfers and reassessments shall be documented in writing.

Relevant meeting minutes shall explicitly record recusal and non-participation, without unnecessarily disclosing sensitive personal information.

8.1.11 Breaches and Consequences

Failure to declare a conflict, failure to recuse, unauthorised access to an affected application, participation contrary to an imposed restriction or failure to implement an MA direction may result in the invalidation or re-performance of the affected process, disciplinary or contractual action, suspension of the person from LEADER-related functions, suspension of funds, financial corrections, recovery or any other measure permitted by the applicable framework.

8.2 State Aid

The LAGs are obliged to coordinate with the State Aid Monitoring Board (SAMB) in relation to measures that form part of the Local Development Strategy. LAGs shall ensure that every project partner that falls within the remit of state Aid regulations should be obliged to send any information requested by the State Aid Monitoring Board.

The SAMB is charged with the monitoring of state aid in Malta. The SAMB provides advice and guidance to Beneficiaries and other stakeholders with respect to State Aid in order to ensure that the EU funded projects are in line with Community State Aid Regulations. Prior to the projects going through the assessment stage, the LAG shall consult with the SAMB to determine that these project proposals do not involve state aid. The SAMB may carry out checks on individual projects on issues related to state aid once project implementation is underway.

Please refer to Legal Notice 210/2004 (State Aid Monitoring Regulations) to ensure compliance with State Aid requirements.

The SAMB can be contacted on:

Tel. no: 2125 2757

Email: sambnotif@gov.mt

8.3 VAT and Taxation

As outlined in the National Eligibility Rules, VAT expenses incurred by beneficiaries of EU Funds shall not be eligible for reimbursement or contribution from the EU Funds, except in specific circumstances as outlined in Article 64(1) (c) of the Common Provision Regulation, Regulation (EU) 2021/1060. Proof from the VAT Department must be presented in order for the PA to consider eligibility or otherwise of the VAT element before signing the Grant Agreement.

Further to Rule No. 1 on Value Added Tax as introduced in the New Eligibility Rules, the assessment of the eligibility of VAT under LEADER will take a two-step approach:

At Application Stage

Step 1: The LAG shall request a declaration from an applicant whether they are able to recover VAT from the VAT Department or not in the application form itself. This can be either in the form of a declaration or a small section in the application. Either way is acceptable.

At Grant Agreement Stage

Step 2: When it comes to applications which are found eligible by the Decision Committee and will be awarded a grant, LAG Managers shall ask the eligible Beneficiaries and their partners (if any) to fill in the VAT Declaration Form. The template to be used is the one circulated by the MA.

The following points are to be adhered to by each LAG:

- It is important that in the call itself the possibility that VAT may be considered an eligible expense is left open.
- Beneficiaries coming from the private sector, i.e. companies and private individuals, should always have a VAT number and in line with the National Eligibility Rules, VAT is not eligible for these Beneficiaries.
- With respect to government entities/agencies and NGOs/Foundations, VAT may be an eligible expense. Therefore, once their project passes the project selection stage and before a Grant Agreement is issued, they should be asked to fill in a VAT Declaration Form. This may be either annexed to the Grant Agreement or kept in file. Either way is acceptable, and it is part of a project's audit trail which needs to be kept.
- It is highly recommended that once a Beneficiary/Project Partner fills in this form, this is passed on to the VAT Department in a centralised manner, i.e. through the LAG Manager. The contact point from the VAT Department is Mr Nico Sciberras, Chief Tax Officer – email: nico.sciberras@gov.mt.

LAGs themselves may be considered as VAT eligible pending VAT Department declaration. Where LAGs cannot recover VAT, LAGs could therefore also be eligible to be reimbursed on VAT elements of expenses incurred for interventions in which the LAGs are direct beneficiaries. In case LAGs change their legal status they must immediately notify the MA and provide proof to the VAT department whether or not they can recover VAT.

As for income tax matters, the LAGs should be aware of their own responsibilities through consultation with their financial advisors and the Inland Revenue Department.

8.4 National CAP Network

Each LAG is required to participate fully in any networking arrangements as may be guided by the MA and/or the National CAP Network.

8.5 Seminars/Training Organised by the LAG

Whenever the LAG organises seminars or training, it must be ensured that:

- All seminar participants are duly registered for the event;
- Photographs of the event are taken *and*
- A copy of seminar material is retained.
- Officials from the Managing Authority and the Paying Agency must be invited to attend.

8.6 Overseas Travel

When it comes to overseas travel, it is important that the following documents are duly filed:

- Travel Agenda
- Boarding Passes / Train tickets
- Certificate of Participation / Attendance / Travel Report.

The above is applicable to both the LAG and LAG Beneficiaries.

Grant commitment and reimbursement for travel for LAG beneficiaries shall follow the procedure outlined in the NER's unless otherwise specified by the MA.

8.7 Governance and Civic Engagement

8.7.1 General

Public confidence in the impartiality of the administration of Public Funds shall not be impaired in any way. Public Funds Administrators need to ensure that their participation in political activities does not place them in conflict with their primary duty of administering Public Funds in an efficient, effective, and transparent manner. LAGs are to ensure that they respect and abide by the contents of the Framework for Preventing and Managing Conflicts of Interest in the Public Sector – Directive 16 and any subsequent updates.

8.7.2 Conflict of interest in cases of political activities

If for political considerations, a conflict of interest arises, such Administrators, at their own instance or at the instance of the Managing Authority, shall withdraw or be withdrawn from those areas of their duties giving rise to the conflict of interest, or stop participating in political activities.

8.7.3 Restrictions on political activities

Public Funds Administrators are invariably barred from indulging in political discussion or any other political activity during working hours or on official premises.

Public Fund Administrators engaged in political activities are prohibited from publicizing or referring to beneficiaries and applicants during any sort of public events which are of a political nature.

8.7.4 Personal and Professional behaviour

LAG staff and members of its respective committees shall endeavour to adhere to the spirit of the Code of Ethics for Public Employees and Board Members, outlined in the First Schedule of the Public Administration Act.

8.8 Fraud and Risks

8.8.1 Fraud

The LAG shall put in place effective and proportionate anti-fraud measures taking into account any fraud risks identified for the processes under its remit. The MA may provide guidance to the LAG accordingly.

Accordingly, the LAG shall perform an exercise to assess the impact and likelihood of specific fraud scenarios occurring. The LAG should cover the likelihood and impact of specific and commonly recognised fraud risks, focusing on these two key processes:

- Selection of beneficiaries; and
- Implementation of projects by beneficiaries, focusing on procurement procedures and staff costs.

The fraud risk assessment exercise should be undertaken periodically or whenever a significant alteration to the management and control system is made. This assessment is to be retained in file and made available to the MA/PA when requested.

This exercise enables the LAG 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 duly mitigated through checks carried out by the Paying Agency.

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 EAFRD, 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 EAFRD 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.

The LAG shall take all necessary measures, including legislative, regulatory and administrative measures, namely by preventing irregularities and fraud within the processes it administers.

8.8.2 Preventive Actions

The MA is determined to prevent fraudulent activities. For this purpose, the MA encourages all LAGs 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, LAGs should:

- raise awareness through formal training of all staff complement involved in the management of the strategy about preventative and detective control measures as well as the specific roles and responsibilities of all stakeholders and reporting mechanisms. The LAGs are highly encouraged to attend the training offered by the Ministry responsible for EU Funds in this regard.
- put in place effective separation of duties.
- 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 strategy 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 EAFRD funds to the MA and the PA, either through their respective hierarchy or directly if necessary.
- Conduct regular monitoring ensuring that staff in charge is aware of guidance on fraud indicators.

8.7.3 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 LAG 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 LAG / MA / PA. The official with whom the report was filed must immediately relay the message to the head of the MA.
- 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 Paying Agency should be 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 head of the MA, 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 Paying Agency is advised to proceed with the 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 Paying Agency is notified to withdraw any suspicious payments from certification already carried out.

8.7.4 Effective and proportionate anti-fraud measures

The LAG 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:

1. Selection of applicants.
2. Monitoring of the operations.

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 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.

With regards to Fraud and Risks, the MA shall ensure that it provides training and knowledge sharing opportunities to the LAGs DC and staff.