FINANCING MEMORANDUM

The European Commission, hereinafter referred to as "THE COMMISSION", acting for and on behalf of the European Community, hereinafter referred to as "THE COMMUNITY" on the one part, and

The Government of Republic of Malta hereinafter referred to as "THE RECIPIENT" on the other part,

HAVE AGREED AS FOLLOWS

The measure referred to in Article I below shall be executed and financed out of the budget resources of THE COMMUNITY in accordance with the provisions set out in this Memorandum. The technical, legal, and administrative framework within which the measure referred to in Article I below shall be implemented will be set out in an agreement to be signed between THE COMMISSION and THE RECIPIENT at a later stage, and supplemented by the terms of this Memorandum and the Special Provisions annexed hereto.

ARTICLE 1 - NATURE AND SUBJECT

As part of its aid programme, THE COMMUNITY shall contribute, by way of grant, towards the financing of the following MEASURE:

Programme number: MT0001.01 to MT0001.03
Title: 2000 National Programme for Malta
Duration: Until 30/09/2002

ARTICLE 2 - COMMITMENT OF THE COMMUNITY

The financial contribution of THE COMMUNITY is fixed at a maximum of 4.4 MEUR hereinafter referred to as "THE EC GRANT".

ARTICLE 3 - DURATION AND EXPIRY

For the present MEASURE, THE EC GRANT is hereby available for contracting until 30/09/2002 subject to the provisions of his Memorandum. All contracts must be signed by this date. Any balance of funds of the EC GRANT which have not been contracted by this date shall be cancelled. The deadline for disbursement of THE EC GRANT is 30/09/2003. All disbursements must be completed by the deadline for disbursement. THE COMMISSION may however, in exceptional circumstances, agree to an appropriate extension of the contracting period or of the disbursement period, should this be requested in due time and properly justified by THE RECIPIENT. This Memorandum shall expire at the expiry of the disbursement period of the EC GRANT. All the funds which have not been disbursed shall be returned to the Commission.
ARTICLE 4 - ADDRESSES

Correspondence relating to the execution of THE MEASURE, stating THE MEASURE’S number and title, shall be addressed to the following:

for the COMMUNITY:

Commission of the European Communities  
Directorate General Enlargement  
Malta Team  
rue de la loi 200  
B - 1049 Brussels  
Tel. (+32.2) 296.87.24  
Fax (+32.2) 299.02.54

for THE RECIPIENT:

Permanent Delegation of the Republic of Malta to the European Union  
rue Belliard 65  
B - 1040 Brussels  
Tél. (+32.2) 343.01.95  
Fax (+32.2) 343.01.06

ARTICLE 5 - NUMBER OF ORIGINALS

This Memorandum is drawn up in duplicate in the English language.

ARTICLE 6 - ENTRY INTO FORCE

This Memorandum shall enter into force on the date on which it has been signed by both parties. No expenditure incurred before this date is eligible for the EC GRANT.

The Annexes shall be deemed an integral part of this Memorandum.

Done at ..........  
Date: ..........  

for THE RECIPIENT  
S.E. M. Victor Camilleri

for THE COMMUNITY  
Commissioner Günter Verheugen

Encl.:
<table>
<thead>
<tr>
<th>Annex</th>
<th>Description</th>
</tr>
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<tbody>
<tr>
<td>A</td>
<td>Special Provisions</td>
</tr>
<tr>
<td>B</td>
<td>Visibility / Publicity</td>
</tr>
</tbody>
</table>
1. OBJECTIVES, DESCRIPTION AND CONDITIONALITY

The October 1999 Report of the Commission on the progress made by Malta towards accession stressed the need to reinforce the administrative and institutional capacity to implement the “acquis” in a number of sectors. The current financing proposal is composed of a general component and two specific sectoral components:

- the general component aims at helping Malta to design appropriate strategies for the implementation of the acquis principally in the environment, maritime transport, standardisation and statistics sectors;
- the sectoral components are Customs & Tax and Agriculture. By focusing on these two important sectors, a critical level of funding is assured, allowing a significant impact of the pre-accession funds.

- **Objective 1** To support Malta in the preparation to the implementation of the “acquis” in some important sectors

  MT0001.01 - Project Technical Assistance and Administrative Co-operation

  It will cover the following activities:

  - a study for the definition of a general strategy for the transposition and the implementation of the acquis in the environment field;
  - training and administrative co-operation in the maritime safety field, in order to reinforce Malta’s capacity to implement the acquis in that area;
  - administrative co-operation in the field of statistics through seminars and exchanges with other candidate countries and EUROSTAT, in order to help Malta implement the acquis in this area;
  - delivering of expertise to the Maltese Standardisation Authority (MSA) through a co-operation with a standardisation authority of a member state, in order to help Malta restructure the MSA, and reinforce its capability to implement the acquis with respect to standardisation and market surveillance.

  In addition a provision is made for administrative co-operation in various sectors through visits, seminars and workshops.

  *Conditionalities*

  *The Maltese Government will ensure sufficient and adequate staffing in the Maltese beneficiary institutions.*

- **Objective 2** To support the integration of Malta in the Internal Market, in particular through the Customs and Taxation adaptations

  MT0001.02 - Project Customs and Tax Adaptation

  The project is based upon the Business Change Management Plan (BCMP) relating to the EU Reform and Modernisation Programme for Tax & Customs Administrations finalised in January 2000, under the guidance of DG TAXUD. It covers a number of operational and administrative
areas relating to Legislation, Organisation and management, Information technology, Infrastructure and equipment, Ethics and Communication in the fields of Customs and Taxation.

The project constitutes Phase I of the implementation of the BCMP. Phase II will follow next year with funds committed from budget 2001.

The current project (Phase I) focuses on general activities (common to tax and customs) and on customs activities, the tax specific activities being implemented by the Maltese as detailed in the corresponding project fiche. Its main activities are the following:

- a review of the organisational structure and a restructuring of the Departments of Customs and Indirect Taxation in order to meet new responsibilities;
- the development of a human resource management strategy, with the setting up of a training unit;
- the setting up of appropriate IT systems to interface with EU systems, and an appropriate training programme relating to new IT systems;
- the development of an integrated customs information system (ASYCUDA ++);
- the introduction of the infrastructure for the common transit system which includes IT infrastructure, interfacing and training;
- expert assistance to develop further the structure and operational capacity of the Central Intelligence Unit to enhance the risk management system and improve enforcement;
- the provision of modern technology to support enforcement;
- a staff training & development programme.

Conditionalties

- The implementation of the Business Change Management Plan follows a pre-defined sequence commencing with the setting up of a Pre-Accession Unit that will cater for customs and taxation matters. A total of 1.2 MEuro, fully funded by the Government, will be committed by the Maltese government to that purpose, so that the PAU is operational before the start of Phase I. Given the stipulated time frame in the BCMP and the inter-dependability between its components, it is considered that the co-ordination role of PAU is vital to the successful implementation of the whole plan. Therefore the Commission can withhold the contracting of Phase I of the project, would the PAU not be clearly set up for the duration of the project.

- The Maltese government is committed to implement the specific tax management change activities that constitute a full part of the overall BCMP, as detailed in the corresponding project fiche. In the event the agreed commitment is not met for reasons which are within the control of the Government of Malta, the special clause defined in paragraph 10 of this financing proposal may apply.

- The Maltese government will ensure sufficient and adequate staffing in its beneficiary institutions.

**Objective 3** To reinforce institutional and administrative capacity to adopt and apply the “acquis” in the Agriculture field

**Project MT0001.03**

The project will help to build the capacity required for the implementation of the Common Agriculture Policy and Rural Development. When established according to the acquis, the Integrated Administration and Control System (IACS) will provide important tools for the implementation and control of support mechanisms under these policies. The following activities co-ordinated by the Ministry of Agriculture will be covered:
- set-up an IACS unit in the Agricultural Ministry;
- set-up a Geographical Information System (GIS) within this unit based on IT supply by other government bodies, including aerial photography and their identification;
- establish an efficient farmer/land and livestock registration system, including an animal electronic identification (EID)
- strengthen the co-operation of farmers/breeders in providing accurate information for IACS
- plan and provide training for operators of the GIS and the registration systems, as well as for the land and veterinary surveyors;
- train extension services in community support schemes to raise awareness and acceptance of information efforts.

**Conditionalities**

*The Maltese Government will ensure sufficient and adequate staffing in the Maltese beneficiary institution.*

5. **BUDGET**

The following table specifies the EU contribution to the programme:

<table>
<thead>
<tr>
<th>Project</th>
<th>Budget (MEuro)</th>
</tr>
</thead>
<tbody>
<tr>
<td>MT0001.02 - Customs &amp; Tax administrations change (PHASE 1)</td>
<td>2.33</td>
</tr>
<tr>
<td>MT0001.03 - Integrated Administrative Control System (IACS)</td>
<td>1.00</td>
</tr>
<tr>
<td>MT0001.01 - Technical assistance and administrative co-operation including:</td>
<td></td>
</tr>
<tr>
<td>▪ Strategy for compliance with environmental acquis and other feasibility studies</td>
<td>0.200</td>
</tr>
<tr>
<td>▪ Administrative support for the restructuring of the Maltese Standardisation Authority (MSA)</td>
<td>0.200</td>
</tr>
<tr>
<td>▪ Training and administrative co-operation for the reinforcement of the Maritime Safety</td>
<td>0.265</td>
</tr>
<tr>
<td>▪ Co-operation in the statistical field</td>
<td>0.250</td>
</tr>
<tr>
<td>▪ Other administrative co-operation mainly in various sectors (visits, seminars, workshops)</td>
<td>0.155</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>4.40</strong></td>
</tr>
</tbody>
</table>

The Maltese contribution to these projects is estimated at 3,692 MEuro.

6. **IMPLEMENTATION ARRANGEMENTS**

The programme will be managed in accordance with the Phare Decentralised Implementation System (DIS) procedures. The Aid Co-ordination Task Force, acting as the National Aid Co-ordinator (NAC) in Malta will have overall responsibility for programming and monitoring the implementation of the programmes.
The National Fund (NF) in the Ministry of Finance, headed by the National Authorising Officer (NAO), will supervise the financial management of the Programme, and will be responsible for reporting to the European Commission.

The Department of contracts, in the Ministry of Finance, will act as the Central Finance and Contracts Unit (CFCU), and as Implementing Agency. It will be headed by a Program Authorising Officer (PAO).

The Internal Audit Unit or another competent National Control Authority will carry out appropriate financial control with respect to the implementation of the programme.

The Commission will transfer funds to the NF following requests from the NAO, in accordance with the Memorandum of Understanding to be signed between the Commission and the government of Malta prior to the implementation of the programme.

The funds to be managed locally will be transferred by instalments to the NF following signature of the Financing Memorandum and a Financing Agreement between the NF and the CFCU.

All projects will be administered via the CFCU.

A separate bank account, denominated in EURO will be opened and managed by the NF in a separate accounting system in the Central Bank or in a Bank agreed in advance with the Commission. All bank accounts will be interest bearing. Interest will be reported to the European Commission. If the Commission so decides, on the basis of a proposal from the NAO, interest may be reinvested in the Programme. The same procedures will apply to any funds transferred to the CFCU.

The NAO and the PAO will ensure that all contracts are being prepared in accordance with the procedures set out in the DIS Manual.

7. MONITORING

A Joint Monitoring Committee (JMC) will be established. It will include the NAO, the NAC and the Commission. The JMC will meet at least once a year to review all funded projects in order to assess their progress towards meeting the objectives set out in Financing Memoranda and the Accession Partnership. The JMC may recommend a change of priorities and/or the reallocation of the pre-accession funds.

The JMC will be assisted by the relevant implementing agencies. It will review in detail the progress of each project, on the basis of regular Monitoring and Assessment reports produced with the assistance of external consultant (in accordance with the provisions of the Phare DIS Manual). It will put forward recommendations on aspects of management and design, ensuring these are effected.

8. AUDIT AND EVALUATION

The accounts and operations of the National Fund, and, where applicable, the CFCU and all relevant implementing agencies may be checked at the Commission’s discretion by an outside auditor contracted by the Commission without prejudice to the responsibilities of the Commission and the European Community’s Court of Auditors.

The Commission services shall ensure that an ex-post evaluation is carried out after completion of the Programme.
9. **VISIBILITY/PUBLICITY**

The Programme Authorising Officer will be responsible for ensuring that the necessary measures are taken to ensure appropriate publicity for all activities financed from the programme. This will be done in close liaison with the Commission Delegation. Further details are at the Annex ‘Visibility/Publicity’.

10. **SPECIAL CONDITIONS**

In the event that agreed commitments are not met for reasons which are within the control of the Government of Malta, the Commission may review the programme with a view, at the Commission’s discretion, to cancelling all or part of it and/or to reallocate unused funds for other purposes consistent with the objectives of the programme.

It is the intention of the Commission to extend decentralisation fully to candidate countries as soon as possible, in order to familiarise them with the joint responsibility principles that underpin the implementation of the Structural Funds.

The possibility of full-decentralisation is foreseen in Regulation N° 555/2000, which stipulates in Article 7, §4:

> “The Commission may decide, on the basis of a case-by-case analysis of national and sectorial programme/project management capacity, financial control procedures, and structures regarding public finance, to waive the ex-ante approval requirement referred to in §3 and confer on implementing agencies in applicant countries management of aid on a decentralised basis. Such a waiver shall be subject to:

a) the minimum criteria for assessing the ability of implementing agencies in applicant countries to manage aid and minimum conditions applicable to such agencies set out in the annex to this regulation;

b) and specific provisions concerning, inter alia, invitations to tender, scrutiny and evaluation of tenders, the award of contracts, and the implementation of community public procurement directives which shall be laid down in financing agreements with each beneficiary country.”

Prior to the implementation of the projects, the Commission together with the competent Maltese authorities will review the structures and procedures set up by the Maltese government for the Decentralised Implementation of the programme (NAC, NF, NAO, CFCU/IA, Audit function). If the structures and procedures meet the criteria referred to in Regulation No 555/2000, the Commission may decide to waive all ex-ante approvals.

In all cases, the 2000 programme will be implemented under the responsibility of DG Enlargement.
1. Objective and scope

Information and publicity measures concerning assistance from the European Community Malta & Cyprus pre-accession Programmes are intended to increase public awareness and transparency of EU action and to create a consistent image of the measures concerned in all applicant countries. Information and publicity shall concern measures receiving a contribution from the Malta & Cyprus pre-accession Programmes.

2. General principles

The appropriate Programme Authorising Officer in charge of the implementation of Financing Memoranda, and other forms of assistance shall be responsible for publicity on the spot. Publicity shall be carried out in co-operation with the EC Delegations, which shall be informed of measures taken for this purpose.

The competent national and regional authorities shall take all the appropriate administrative steps to ensure the effective application of these arrangements and to collaborate with the EC Delegations on the spot.

The information and publicity measures described below are based on the provisions of the regulations and decisions applicable to the Structural Funds. They are:


Information and publicity measures must comply with the provisions of the above mentioned regulation and decision. A manual on compliance is available to national, regional and local authorities from the EC Delegation in the country concerned.

3. Information and publicity concerning Malta & Cyprus pre-accession programmes

Information and publicity shall be the subject of a coherent set of measures defined by the competent national, regional and local authorities in collaboration with the EC Delegations for the duration of the Financing Memorandum and shall concern both programmes and other forms of assistance.

The costs of information and publicity relating to individual projects shall be met from the budget for those projects.

When Malta & Cyprus pre-accession programmes are implemented, the measures set out at (a) and (b) below shall apply:
(a) The competent authorities of the applicant countries shall publish the content of programmes and other forms of assistance in the most appropriate form. They shall ensure that such documents are appropriately disseminated and shall hold them available for interested parties. They shall ensure the consistent presentation throughout the territory of the applicant country of information and publicity material produced.

(b) Information and publicity measures on the spot shall include the following:

(i) In the case of infrastructure investments with a cost exceeding EUR 1 million:

- billboards erected on the sites, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

- permanent commemorative plaques for infrastructures accessible to the general public, to be installed in accordance with the provisions of the regulation and decision mentioned in paragraph 2 above, and the technical specifications of the manual to be provided by the EC Delegation in the country concerned.

(ii) In the case of productive investments, measures to develop local potential and all other measures receiving financial assistance from Malta & Cyprus pre-accession programmes:

- measures to make potential beneficiaries and the general public aware of Malta & Cyprus pre-accession programmes’ assistance, in accordance with the provisions cited at paragraph 3(b)(i) above.

- measures targeting applicants for public aids part-financed by Malta & Cyprus pre-accession programmes through an indication on the forms to be filled out by such applications, that part of the aid comes from the EU, and specifically, the Malta & Cyprus pre-accession Programmes in accordance with the provisions outlined above.
4. Visibility of EU assistance in business circles and among potential beneficiaries and the general public

4.1 Business circles

Business circles must be involved as closely as possible with the assistance which concerns them most directly.

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to potential beneficiaries, particularly SMEs. These should include an indication of the administrative procedures to be followed.

4.2 Other potential beneficiaries

The authorities responsible for implementing assistance shall ensure the existence of appropriate channels for disseminating information to all persons who benefit or could benefit from measures concerning training, employment or the development of human resources. To this end, they shall secure the co-operation of vocational training bodies involved in employment, business and groups of business, training centres and non-governmental organisations.

Forms

Forms issued by national, regional or local authorities concerning the announcement of, application for and grant of assistance intended for final beneficiaries or any other person eligible for such assistance shall indicate that the EU, and specifically the Malta & Cyprus pre-accession Programmes, is providing financial support. The notification of aid sent to beneficiaries shall mention the amount or percentage of the assistance financed by the Malta & Cyprus pre-accession Programmes. If such documents bear the national or regional emblem, they shall also bear the EU logo of the same size.

4.3 The general public

The media

The competent authorities shall inform the media in the most appropriate manner about actions co-financed by the EU, and Malta & Cyprus pre-accession programmes in particular. Such participation shall be fairly reflected in this information.

To this end, the launch of operations (once they have been adopted by the Commission) and important phases in their implementation shall be the subject of information measures, particularly in respect of regional media (press, radio and television). Appropriate collaboration must be ensured with the EC Delegation in the applicant country.

The principles laid down in the two preceding paragraphs shall apply to advertisements such as press releases or publicity communiqués.

Information events
The organisers of information events such as conferences, seminars, fairs and exhibitions in connection with the implementation of operations part-financed by the Malta & Cyprus pre-accession Programmes shall undertake to make explicit the participation of the EU. The opportunity could be taken of displaying the European flags in meeting rooms and the EU logo upon documents depending on the circumstances. The EC Delegation in the applicant country shall assist, as necessary, in the preparation and implementation of such events.

Information material

Publications (such as brochures and pamphlets) about programmes or similar measures financed or co-financed by Malta & Cyprus pre-accession programmes should, on the title page, contain a clear indication of the EU participation as well as the EU logo where the national or regional emblem is used.

Where such publications include a preface, it should be signed by both the person responsible in the applicant country and, for the Commission, the Delegate of the Commission to ensure that EU participation is made clear.

Such publications shall refer to the national and regional bodies responsible for informing interested parties.

The above-mentioned principles shall also apply to audio-visual material.

5. Special arrangements concerning billboards, commemorative plaques and posters

In order to ensure the visibility of measures part-financed by the Malta & Cyprus pre-accession Programmes, applicant countries shall ensure that the following information and publicity measures are complied with:

Billboards

Billboards providing information on EU participation in the financing of the investment should be erected on the sites of all projects in which EU participation amounts to EUR 1 million or more. Even where the competent national or regional authorities do not erect a billboard announcing their own involvement in financing the EU assistance must nevertheless be announced on a special billboard. Billboards must be of a size which is appreciable to the scale of operation (taking into account the amount of co-financing from the EU) and should be prepared according to the instructions contained in the technical manual obtainable from EC Delegations, referred to above.

Billboards shall be removed not earlier than six months after completion of the work and replaced, wherever possible, by a commemorative plaque in accordance with the specifications outlined in the technical manual referred to above.

Commemorative plaques

Permanent commemorative plaques should be placed at sites accessible to the general public (congress centres, airports, stations, etc.). In addition to the EU logo, such plaques must
mention the EU part-financing together with a mention of the Malta & Cyprus pre-accession Programmes.

Where a national, regional or local authority or another final beneficiary decides to erect a billboard, place a commemorative plaque, display a poster or take any other step to provide information about projects with a cost of less than EUR 1 million, the EU participation must also be indicated.

6. Final provisions

The national, regional or local authorities concerned may, in any event, carry out additional measures if they deem this appropriate. They shall consult the EC Delegation and inform it of the initiatives they take so that the Delegation may participate appropriately in their realisation.

In order to facilitate the implementation of these provisions, the Commission, through its Delegations on the spot, shall provide technical assistance in the form of guidance on design requirements, where necessary. A manual will be prepared in the relevant national language, which will contain detailed design guidelines in electronic form and this will be available upon request.