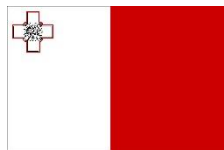


EEA and NORWAY GRANTS 2014–2021

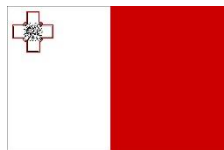
National Focal Point Workshop on Good Governance
15th October 2019

***Good governance and effective risk management
the Malta experience***



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How to foster an **institutional culture** of good governance and effective risk management?



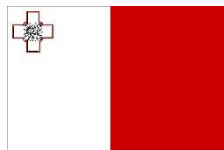
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Governance: Vision

Aligning the vision of the NFP with that of the Financial Mechanisms will lead to the attainment of the objectives of the Grants.

... will lead to greater opportunities to create the expected return (value) over time (e.g. reduction in social inequalities in health).

... will lead to a longer-term impact, thereby maintaining the trust of the tax payers and of other stakeholders.

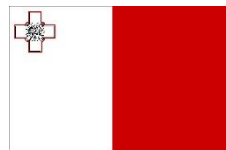


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Good Governance for EEA and Norway Grants (OECD)

4 areas in which good governance can be articulated:

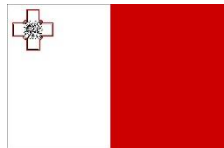
- 1) Fraud Risk Management, culture/coordination and monitoring of risk management
- 2) Robust Procurement Procedures: corruption prevention, developing administrative capacity
- 3) Mitigating Corruption risks in public investment over the public investment cycle
- 4) Complaint mechanisms and whistleblowing.



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Details on the Malta experience related to Good Governance and effective Risk Management are provided below



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DETAILS

Details on the Malta experience related to
Good Governance and effective Risk Management

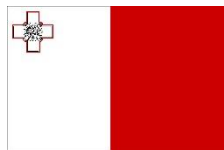
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Introduction & Context

The **overall objectives** of the EEA Norway Grants 2014-2021 are to:

- Contribute to the **reduction of economic and social disparities** in the European Economic Area (EEA);
- **Strengthen bilateral relations** between the Donor and Beneficiary States through financial contributions in the priority sectors; and
- **Local development and reduction of poverty.**

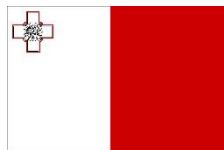


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Malta has received € 8 M from the peoples of Iceland, Liechtenstein and Norway after two separate Memoranda of Understanding (MoUs), which were signed on **1 February 2017** between the 4 countries on the implementation of the EEA and the Norway Grants for the 2014-2021 programming period.

€ 4.4 M were allocated under the EEA Grant whilst € 3.6 M were allocated under the Norway Grant.

It is to be noted that Malta was one of the first countries to conclude the negotiations and sign the MoUs.



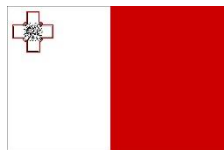
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Governance: Vision

Aligning the vision of the NFP with that of the Financial Mechanisms will lead to the attainment of the objectives of the Grants.

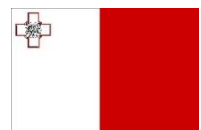
... will lead to greater opportunities to create the expected return (value) over time (e.g. reduction in social inequalities in health).

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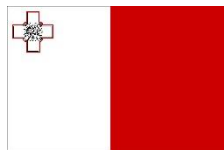
| Project Promoter | Project Partner(s) | Donor Project Partner | Project Title | Budget € |
|---|---|---|---|-----------|
| Ministry for Health Malta | Ministry for Education and Employment (MEDE) | Norwegian Occupational Therapy Association (to be changed) | Reduction in social inequalities in health and the burden of disease | 2,407,059 |
| Appogg Agency within the Foundation for Social Welfare Services | None | Barnaverndarstofa - the Government Agency for Child Protection in Iceland | Opportunity Knocks (OK) | 941,176 |
| Local Government Division | The Local Councils' Association of Malta (LCA) The National Association for Local Council and Regional Executive Secretaries - MALTA (ANSEK) | Norwegian Association of Local and Regional Authorities (KS) | Training of Local Council Staff in Principles of Good Governance, Transparency and Accountability | 200,000 |
| Heritage Malta | None | None | The Malta Maritime Museum: local development through cultural heritage | 2,015,529 |



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Small Grant Scheme

| Outcome(s) | Total amount reserved for the Call (€) including co-financing | Maximum grant amount per project | Minimum grant amount per project | Eligible applicants | Eligible partners | Estimated date |
|--|---|----------------------------------|----------------------------------|---|---|----------------|
| Improved quality of life of deprived communities in urban localities | €1,000,000 | €100,000 | €25,000 | Local Councils considered as urban localities | Public sector entities; public service entities; registered NGOs; Norwegian Association of Local and Regional Authorities (KS) | Est - 2020 |



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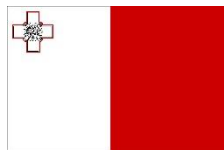
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Definitions

Definitions

Governance is the system of rules, practices and processes by which an organization is directed and controlled. Since it (governance) provides, amongst others, the framework for attaining the organization's objectives, it encompasses practically every sphere of management, from action plans and internal controls to performance measurement.



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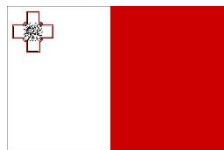


Definitions



Risk management is a process to identify, assess, manage and control potential events or situations to provide reasonable assurance regarding the achievement of the organization's objectives.

The purpose of risk management is to **manage** and **control** risks, not eliminate them.



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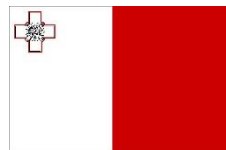
Norway
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Governance

Good Governance for EEA and Norway Grants (OECD)

4 areas in which good governance can be articulated:

- 1) Fraud Risk Management, culture/coordination and monitoring of risk management
- 2) Robust Procurement Procedures: corruption prevention, developing administrative capacity
- 3) Mitigating Corruption risks in public investment over the public investment cycle
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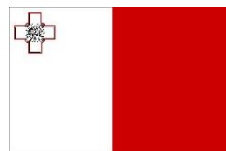
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1) Fraud risk management (OECD)

Robust fraud risk assessment is key to effective fraud prevention and deterrence. It involves analysing the profile and motivation of potential fraudsters and estimating the total risk of fraud relating to NFP.

NFP (Malta):

- Has a fraud risk register at a Division level;
- The Division has drawn up an anti-fraud policy and an anti-fraud strategy;
- Has a system of how irregularities are reported, once identified by any stakeholder.



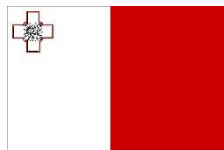
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2) Procurement (OECD)

Public procurement is one of the government activities most vulnerable to corruption; the process is complex and there is close interaction between public officials and businesses.

NFP (Malta):

- The national Public Procurement Regulations mirror the EU Directives;
- Officers are trained to identify red flags when verifying procurement;
- Officers have to abide with the Public Administration Act which incorporates a Code of Ethics which addresses conflicts of interest.



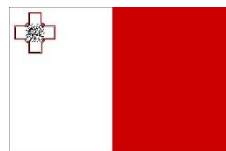
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3) Corruption risks in Public Investment (OECD)

Public investment projects are susceptible to corruption due to the large sums of money involved, the complexity of projects in terms of stages and stakeholders *and* the extent of discretion by politicians or public officials over investment decisions.

NFP (Malta):

- The NFP as PO organises regular bilateral meetings with the project partners and requests project progress reports on a regular basis;
- Information on the projects development is available in a transparent way on the NFP website.
- Both the NFP's anti-fraud policy and anti-fraud strategy include the proviso that it (NFP) has a zero tolerance policy to fraud and corruption.



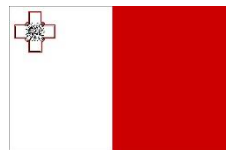
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4) Complaint mechanisms and Whistleblowing (OECD)

An open organisational culture within the public sector responsive to integrity concerns is supported. Moreover, protecting whistleblowers promotes a culture of accountability and integrity *and* encourages the reporting of misconduct, fraud and corruption.

NFP (Malta):

- In September 2013, the Maltese Government has implemented the 'Protection of the Whistleblower Act';



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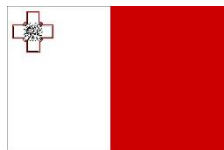
4) Complaint mechanisms and Whistleblowing (OECD)

NFP (Malta) – cont.:

- The national ‘**EU Funds**’ website offers the possibility to any citizen to report irregularities to either the NFP or to the National Audit Authority (i.e. the Internal Audit and Investigations Department) or to the Financial Mechanism Office. Any such report will be treated confidentially.

Moreover the **website of the NFP** (the Funds and Programmes Division) also offers citizens the possibility to file a complaint, provide feedback and make a suggestion.

- Any cases of suspected or actual irregularities are investigated promptly and efficiently and properly reported and remedied, including making any financial corrections that may be appropriate (DMCS 2.2 (1)(u)).



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eufunds.gov.mt

- PARLIAMENTARY SECRETARY
- PLANNING AND PRIORITIES COORDINATION
- EU FUNDS AND PROGRAMMES**
- MEASURES AND SUPPORT DIVISION
- SOCIAL DIALOGUE
- MEDIA

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- 3
- 4**
- 5

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- European Maritime and Fisheries Fund
- European Agricultural Fund for Rural Development
- EU Educational Programmes
- Migration Funds
- Bi-Lateral Programmes
- Other Programmes
- Financial Control Unit
- Appeals Procedure
- Report Irregularities**

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Development 2014-2020: **Measure 10.2** - Support for conservation and development of genetic resources in agriculture, **Measure 3.1** –

- Request Information
- Make A Suggestion
- File Complaint
- Feedback Form

FUNDS AND PROGRAMMES DIVISION

The Funds and Programmes Division (FPD) was set up in July 2011 as part of an administrative structure required to handle the management of EU Funds (with the exception of Structural Funds and the Cohesion Fund) and other Funds allocated to Malta and to provide guidance and support to the focal points of the EU and other Programmes that are managed directly by the European Commission or other EU institutions.

- FUNDS
- OPEN CALLS



eufundsmalta.gov.mt/contact/request-information

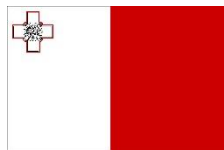


Risk Management

Risk Management: Risk Management Strategy (Adopted by FMC)

All programmes and activities funded by the EEA & Norway Grants (2014-2021) shall follow a results and risk management approach ... Management of risks and uncertainty as well as internal control are important for the success of this approach. (Section 2.2 – 8).

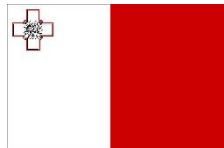
The NFPs assess the functioning of the management and control systems ... as well as any risks and mitigation measures identified in respect of the programmes *and* ensure that risk assessment and reporting will be a regular point on the agenda for the Annual Meeting between the donor states and each beneficiary state. (Section 4.3 - 33).



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- **Risks are inevitable.** The aim is not to eliminate risk altogether but to understand risk and manage it more effectively with results and performance in mind (vide also slide 8).
- Risk management should be a **continuous**, proactive and systematic process to understand, manage and communicate risk.
- The process should be embedded in the **organizational culture**.

The principle tool used for recording and managing risks is the **Risk Register** which incorporates identified risks rated according to their importance. (MoP Section 11.4)

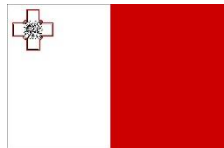


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Risk Registers - Nationwide

Office of the Prime Minister Circular No. 1/2016: ... one of the initiatives (within the area of Policy Making) ... is the development of **risk management competence** and the ensuring that the key social and economic sectors have risk management plans. ...

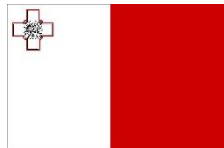
The Internal Audit and Investigations Department (IAID) ... (is) liaising with Government ministries and entities to assist senior management in integrating risk management within their day-to-day operations and decisions, ...



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There are **5 key steps** necessary to effectively manage and control risks (i.e. in the process of risk management):

- i) Identification
- ii) Assessment (Measurement)
- iii) Addressing (Examination)
- iv) Deciding and escalating – (Implement Solution)
- v) Reporting and reviewing (Monitoring).



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Risk Management Process (Diagram)



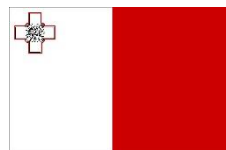
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Risk Management – (i) Identification

Determine the context/environment within which the NFP is operating.

Keep in mind the objectives to be reached.

Identify the **inherent risks** (gross risks). i.e. the level of risk before taking into account the effect of any existing or planned controls.



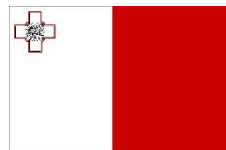
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Risk Management – (ii) Assessment (Measurement)

Assess the ‘**likelihood**’ (probability) of the occurrence of the inherent risk and its potential ‘**impact**’ (consequences).

Determine the risk appetite i.e. the management’s attitude towards risk taking, which in turn dictates the amount of risk that it considers acceptable.

The technique used to present the assessments of the risks in summary format is a 5 x 5 grid.



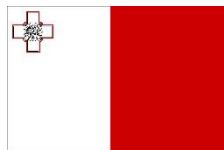
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Risk Management – (iii) Addressing (Examining)

Consider specific management responses.

Identify **existing (internal) controls** that lessen the likelihood and/or impact of the risk materializing *or* that remove the risk completely. These are current controls.

Assess the risk after taking into account the effect of existing controls and their effectiveness i.e. the **residual risk**.



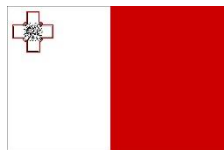
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Risk Management – (iv) Deciding and escalating

Consider the situation which is illustrated by the Risk Register.

Should the risk featuring in the risk register exceed the tolerance threshold, one considers the introduction of additional controls, bearing in mind however, that the additional costs incurred should not exceed the benefits to be reaped.

The result will be the **target risk** i.e. the risk level which results once additional controls have been introduced and which the MA considers tolerable.

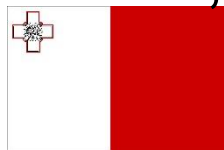


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Risk Management – A note on risk control

Amongst others, the NFP has the following measures/controls to mitigate risks:

- Project promoters (PP) are obliged to perform regular risk assessments and report the results to the NFP in project progress reports.
- The NFP conducts regular bilateral meetings with project promoters.
- The PO conducts on-the-spot checks on project promoters.
- An independent unit within the NFP i.e. the Financial Control Unit conducts financial checks.
- A database related to the Grants (CARS 2014-2021) is accessible to the main stakeholders, thereby ensuring an appropriate audit trail.



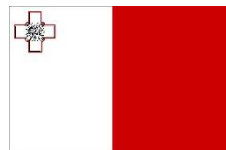
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Risk Management – (v) Reporting and reviewing (Monitoring)

Risk registers are living documents which should be updated regularly (e.g. every 6 months or on an annual basis).

In fact, risk management is a **continuous process** with new risks being identified and controls in place changing the likelihood and impact assessments of the risks.

Formal reporting on risk management will take place once a year through the Strategic Report/Annual Programme Report. However, the Donors may request further updates as appropriate.

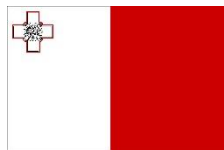


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Risk Management – Final considerations

Most of the stakeholders in Malta implementing the current EEA and Norway Financial Mechanisms, are those which have implemented the previous EEA and Financial Mechanisms. Therefore they are already familiar with the areas prone to risks.

Moreover, some of these stakeholders are also engaged in other EU funding instruments; this also contributes to such stakeholders being knowledgeable to how to handle the risks concerned.



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