

# Contribution of the Structural Funds to the Europe 2020 Strategy in the Areas of Employment and Education

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Report by the Auditor General  
January 2017



# Contribution of the Structural Funds to the Europe 2020 Strategy in the Areas of Employment and Education

**Submitted to the Working Group on Structural Funds VII of the Contact Committee of  
the Heads of the Supreme Audit Institutions of the EU Member States and of the European  
Court of Auditors**



## Table of Contents

List of Tables	4
List of Abbreviations	8
Audit Overview	9
<b>Chapter 1 – General Overview</b>	<b>15</b>
A – Overview of Structural Funds Programmes and National Indicators	16
Europe 2020 Strategy – Headline Targets on Education and Employment	19
Thematic Objectives	22
<b>Chapter 2 – The Design of the Operational Programmes</b>	<b>23</b>
B – Priority Axes and Objectives	24
A Review of the Partnership Agreement	25
A Review of the Council Recommendations (2014)	26
A Review of Operational Programmes I and II	27
Specific Objectives within the Investment Priorities	28
C – Indicators and Monitoring	42
Financial Indicators, Milestones and Targets	42
Output Indicators and Target Values	44
Result Indicators and Target Values	49
Performance Framework	56
Statistical System	57
Monitoring	58
Measuring Long-term Impacts	67
Cost per Output	68
D – Proposed Activities	68
Potential Effectiveness	68
Guiding Principles for the Selection of Projects/Supported Actions	79
Contribution of the Results to Obtaining the Europe 2020	
Targets for Employment and Education	88
E – Other General Points	89
Incorporation of Findings and Conclusions of the Ex-ante Evaluations	89
Adaptation of the OPs to Reflect Current Events	95
F – Recommendations of the Managing Authority concerning the	
Design of the Operational Programmes	95
G – NAO’s Assessment of the Design of the Operational Programmes	95
Findings and Conclusions	95
Good Practice	97
Recommendations	97

<b>Chapter 3 – The Implementation of Operational Programmes in Projects</b>	<b>99</b>
H – Overview of the Projects	100
The Projects	100
I – Selection of Projects by the Managing Authority	103
Youth Guarantee 2.0	103
ENDEAVOR Scholarship Scheme	103
e-Commerce Training Programme	104
Reach High Scholars Programme Postdoctoral Grants	104
J – Measuring Results	111
K – First Results	111
L – Recommendations of the MA concerning the Implementation of the Operational Programmes in Projects	111
M - NAO’s Assessment of the Implementation of Operational Programmes in Projects	111
Findings and Conclusions, Good Practice and Recommendations	111
<b>Appendices</b>	<b>113</b>
Appendix A – Extract of SWOT Analysis from the Partnership Agreement	114
Appendix B – Output Indicators with Medium Clarity (OPII)	115

### List of Tables

Table 1: OPI Budgetary Allocations against Priority Axes (TEUR)	17
Table 2: OPII Budgetary Allocations against Priority Axes (TEUR)	17
Table 3: SME Initiative Budgetary Allocation against Priority Axis (TEUR)	17
Table 4: All Structural Funds Operational Programmes in Malta (TEUR)	18
Table 5: National Indicators - Education And Employment	20
Table 6: Allocation of European Funds to Thematic Objectives (TEUR)	22
Table 7: Female Employment Rates (2013)	31
Table 8: NEET Rates, 2007-2013	33
Table 9: Unemployment Rates by Age	33
Table 10: Youth Unemployment (15-24 Years) Rates by Gender	33
Table 11: Decision-making Positions in Malta and the EU, by Gender	34
Table 12: Selection of Thematic Objectives and Investment Priorities	40
Table 13: Financial Details of Priority Axes, Education and Employment (TEUR)	42
Table 14: Investment Priority 10(a) Output Indicators	44
Table 15: Investment Priority 10(a) Output Indicators: Weaknesses	44
Table 16: Investment Priority 8(i) Output Indicators	45
Table 17: Investment Priority 8(i) Output Indicators: Weaknesses	45
Table 18: Investment Priority 8(ii) Output Indicators	46
Table 19: Investment Priority 8(ii) Output Indicators: Weaknesses	46
Table 20: Investment Priority 9(i) Output Indicators	46
Table 21: Investment Priority 9(i) Output Indicators: Weaknesses	47
Table 22: Investment Priority 10(i) Output Indicators	47
Table 23: Investment Priority 10(i) Output Indicators: Weaknesses	47
Table 24: Investment Priority 10(ii) Output Indicators	48
Table 25: Investment Priority 10(ii) Output Indicators: Weaknesses	48
Table 26: Investment Priority 10(iii) Output Indicators	48
Table 27: Investment Priority 10(iii) Output Indicators: Weaknesses	49
Table 28: Investment Priority 10(iv) Output Indicators	49
Table 29: Investment Priority 10(iv) Output Indicators: Weaknesses	49
Table 30: Investment Priority 10(a) Result Indicators	50
Table 31: Investment Priority 10(a) Result Indicators: Weaknesses	50
Table 32: Investment Priority 8(i) Result Indicators	51

Table 33: Investment Priority 8(i) Result Indicators: Weaknesses	51
Table 34: Investment Priority 8(ii) Result Indicators	52
Table 35: Investment Priority 8(ii) Result Indicators: Weaknesses	52
Table 36: Investment Priority 9(i) Result Indicators	52
Table 37: Investment Priority 9(i) Result Indicators: Weaknesses	53
Table 38: Investment Priority 10(i) Result Indicators	53
Table 39: Investment Priority 10(i) Result Indicators: Weaknesses	53
Table 40: Investment Priority 10(ii) Result Indicators	54
Table 41: Investment Priority 10(ii) Result Indicators: Weaknesses	54
Table 42: Investment Priority 10(iii) Result Indicators	54
Table 43: Investment Priority 10(iii) Result Indicators: Weaknesses	55
Table 44: Investment Priority 10(iv) Result Indicators	55
Table 45: Investment Priority 10(iv) Result Indicators: Weakness	55
Table 46: Performance Framework Workings (Output Indicators): ESF (TEUR)	56
Table 47: Performance Framework Workings (Financial Indicators): ESF (TEUR)	56
Table 48: Performance Framework Workings (Output Indicator): ERDF	57
Table 49: Performance Framework Workings (Financial Indicator): ERDF (TEUR)	57
Table 50: Ex-ante Conditionality - Statistical System and Result Indicators	57
Table 51: Monitoring of Indicators	64
Table 52: Potential Effectiveness	69
Table 53: Eligibility and Selection Criteria, OPI, Second Call for Proposals	82
Table 54: Eligibility and Selection Criteria, OPII	86
Table 55: Incorporation of Findings and Conclusions of the Ex-ante Evaluations	94
Table 56: Operations in the Final Stages of Approval by 30 November 2016 (TEUR)	100
Table 57: Description of Selected Projects (TEUR)	102
Table 58: Selection of Projects	105

### List Of Boxes

Box 1: ERDF (OPI), Investment Priority 10(a), Specific Objective 1	28
Box 2: ESF (OPII), Investment Priority 8(i), Specific Objective 1	29
Box 3: ESF (OPII), Investment Priority 8(i), Specific Objective 2	30
Box 4: ESF (OPII), Investment Priority 8(i), Specific Objective 3	31
Box 5: ESF (OPII), Investment Priority 8(i), Specific Objective 4	32
Box 6: ESF (OPII), Investment Priority 8(ii), Specific Objective 1	32
Box 7: ESF (OPII), Investment Priority 9(i), Specific Objective 1	34
Box 8: ESF (OPII), Investment Priority 10(i), Specific Objective 1	35
Box 9: ESF (OPII), Investment Priority 10(ii), Specific Objective 1	36
Box 10: ESF (OPII), Investment Priority 10(iii), Specific Objective 1	37
Box 11: ESF (OPII), Investment Priority 10(iv), Specific Objective 1	38



This report has been prepared under sub-paragraph 8(a) of the First Schedule of the Auditor General and National Audit Office Act, 1997 for presentation to the House of Representatives in accordance with sub-paragraph 8(b) of the First Schedule of the said Act.

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Charles Deguara  
Auditor General

January 2017

## List of Abbreviations

CF	Cohesion Fund
CPR	Common Provisions Regulation
EC	European Commission
ERDF	European Regional Development Fund
ESF	European Social Fund
ESIF	European Structural and Investment Funds
ESL	early school leaving
EU	European Union
EURES	European Employment Services
IMCC	Inter Ministerial Coordination Committee
IP	Investment Priorities
ISCED	International Standard Classification of Education
LLL	lifelong learning
MA	Managing Authority
MC	Monitoring Committee
MCAST	Malta College of Arts, Science and Technology
MEAİM	Ministry for European Affairs and Implementation of the Electoral Manifesto
MQF	Malta Qualifications Framework
NAO	National Audit Office
NEET	youth not in employment, education or training
NGO	non-governmental organisation
NRP	National Reform Programme
NSO	National Statistics Office
OPI	Operational Programme I
OPII	Operational Programme II
PES	public employment services
SAI	Supreme Audit Institution
SFC2014	System for Fund Management in the European Union
SFD	Structural Funds Database
SME	small and medium-sized enterprises
SO	Specific Objective
SSC	Sectoral Sub-Committee
TEUR	Thousands of euro
VET	Vocational Education Training

# Audit Overview

# Audit Overview

## Scope and Objectives

1. In 2015, the Contact Committee of the Supreme Audit Institutions (SAIs) mandated the Working Group on Structural Funds to carry out an analysis of the contribution of Structural Funds to the Europe 2020 strategy in the areas of education and employment. In this regard, the National Audit Office (NAO) agreed to undertake this review focusing on contributions in these areas within Operational Programme I (OPI) and Operational Programme II (OPII) during the period 2014 to 2016.
2. This parallel audit was carried out in collaboration with the SAIs of ten Member States, namely, the Czech Republic, Denmark, Finland, Germany, Italy, Latvia, the Netherlands, Poland, Portugal, and the Slovak Republic. The SAIs of Bulgaria and the European Court of Auditors acted as observers. The Core Group consisted of the SAIs of Germany (Chair), the Netherlands and Malta. The parallel audit focused on the audited OPs identified by the participating SAIs, as well as approved projects that were directly related to education and employment.
3. At a national level, the principal objectives of the audit were to:
  - a. establish whether OPI and OPII are in line with the requirements set out in the applicable legal framework<sup>1</sup>;
  - b. appraise the adequacy of the audited OPs in terms of reaching the established Europe 2020 strategy targets; and
  - c. evaluate approved projects that fall under Investment Priorities (IP) that cover education and employment.

## Methodology

4. In addressing the set objectives, the NAO referred to a range of information sources. The research undertaken included a review of literature related to the European Union (EU), an in-depth analysis of the relevant legal framework, as well as documentation drawn up specifically for the Maltese context. The EU-related literature referred

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<sup>1</sup> This comprised the Common Provisions Regulation 1083/2006, the ERDF regulation 1080/2006, and the ESF regulation 1801/2006.

to was the Europe 2020 Strategy, as well as guidance documents for the IPs, the performance framework, and the application of the legal framework across Member States.

5. Of particular relevance to this audit was the pertinent legislation that addressed the various facets of the functions of the OPs. Specifically, the relevant legal framework included:
  - a. Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006;
  - b. Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for growth and jobs goal and repealing Regulation (EC) No 1080/2006; and
  - c. Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006.
6. Documentation specifically relating to the Maltese context comprised Malta's Partnership Agreement, the 2015 National Reform Programme (NRP), the Council recommendations and the country-specific recommendations, the adopted OPs, eligibility rules, ex-ante evaluations, as well as internal documentation drawn up by the Planning and Priorities Co-ordination Division (in its capacity as the Managing Authority (MA)) in addressing the headline targets identified in the Europe 2020 strategy.
7. During the course of this audit, the NAO held semi-structured interviews with the MA. Aside from interviews held, the NAO requested supporting documentation and clarifications when required. The interviews were based on a standard interview guide adopted by the Working Group. This document was divided in three main parts, namely:
  - a. general information: this section sought to provide an overview of the OPs across Member States relating to education and employment, focusing on their set up, allocated funding, as well as outlining how the applicable headline targets are addressed by Member States;
  - b. the design of the OPs: this part of the document was to provide insight of how the audited OPs were drawn up, and whether these aligned with the achievement of the Europe 2020 targets; and
  - c. the implementation of the OPs: the approved projects selected for review were addressed in this section, aimed at establishing how and the extent to which these projects contributed or were to contribute to the achievement of the Europe 2020 headline targets.

8. With respect to the implementation of the OPs, the NAO referred to the submitted application forms and clarification letters corresponding thereto, as well as supplementary documentation provided by the applicant to the MA. As at November 2016, the MA was at the final stages of approving six projects that related to the IPs under review. Therefore, the corresponding grant agreements had not been finalised. The NAO analysed all projects, two of which were related to employment, while the remaining four targeted education. Fieldwork was carried out between May 2016 and November 2016.

## Main Conclusions

9. In its review of education- and employment-related objectives, the NAO established that the OPs were drawn up following extensive reviews of national priorities, risks and challenges. The involvement of all ministries served to identify areas of priority at a national level, whereas the role undertaken by the Programming Unit within the Ministry for European Affairs and Implementation of the Electoral Manifesto (MEAIM) ensured a coordinated approach in terms of the development of the OPs. Furthermore, the recommendations put forward in the ex-ante evaluations were, in the vast majority of cases, duly assimilated. Following the NAO's review of the OPs and pertinent documentation, this Office concluded that the OPs were clearly aligned with the national needs, Council recommendations, and identified risks and challenges.
10. On a general note, the NAO is of the opinion that the indicators selected will contribute to the overall achievement of the Europe 2020 targets. The intervention logic presented a clear indication of what activities were to be funded under which priority, thereby providing general guidance to the stakeholders involved, including the MA and the beneficiaries.
11. The NAO noted that the MA's inability to provide this Office with the milestone apportionment in respect of education for IP 9(i) was a shortcoming. In the Office's opinion, workings in this respect should be readily available or easily obtainable. Furthermore, although the NAO was provided with general and high level information with respect to how funds were allocated across the Priority Axes, no detailed information as to the basis of this apportionment was furnished. On the other hand, queries put forward with respect to one of the indicators of IP 8(i) (Persons Supported), which this Office deemed unclear and open to interpretation, were satisfactorily explained. Notwithstanding this, the NAO is of the opinion that the output indicator should have been more clearly documented in OPII.
12. With respect to the result indicators for OPI, the NAO was not provided with corresponding workings; hence, this Office was unable to determine whether these indicators could be considered ambitious. Notwithstanding this, the NAO deemed the OPI result indicators as achievable, based on that stated by the MA, that such indicators were determined through referral to the previous programming period. On the other hand, with respect to OPII, the NAO was provided with documentation indicating the methodology employed in determining baseline and target values of the result indicators. This Office is of the opinion that the methodology adopted in this regard was well reasoned, with targets set considered realistic and generally ambitious. The NAO was not provided with workings relating to the financial indicator milestone values.

13. The interventions proposed in the OPs were all directly related to their respective Specific Objectives (SOs) and result indicators. On the other hand, the interventions were not always clearly linked to their corresponding output indicators. However, these instances were infrequent and queries put forward by the NAO in this respect were all adequately addressed by the MA. Furthermore, guidance provided with respect to calls for projects always included the applicable intervention logic extract. In this sense, the intervention logic rendered it possible for prospective applicants to link the output indicator with the applicable result indicator and SO through reference to guidance documents.
14. The Monitoring Committees (MCs) were duly represented by the pertinent authorities and organisations tasked with executing their functions. The NAO noted that the Audit Authority did not form part of the MCs; however, according to the MA, the input of the Audit Authority was sought on an ad hoc basis. This explanation was deemed reasonable by the NAO. Furthermore, with reference to the mechanisms to monitor indicators, the NAO is of the opinion that the systems in place were adequate and provided for the timely collection and analysis of data.
15. Prospective applicants were provided with sufficient guidance with respect to the project application process. Apart from the guiding principles in the OPs, comprehensive guidance documents on eligibility and the respective indicators provided applicants with an adequate framework in terms of project application forms. Furthermore, a document detailing step-by-step guidance on how to use the online application portal was also issued with the call for projects. In addition to the guidance documents, prospective applicants were provided with the MA's contact details and invited to attend information sessions on the application process.
16. The NAO considered the setting up of the Inter Ministerial Coordination Committee (IMCC) and the subsidiary Sectoral Sub-Committees (SSCs) as a positive development, which served to ensure the maximisation of resources and reduce the risk of overlap or duplication of efforts by providing direction on the demarcation between different funds and programmes. This Office considered the support provided by the SSCs to the IMCC as instrumental in addressing different thematic objectives, essential in the latter's role of contributing strategic input and guidance to the 2014-2020 programming period.
17. This Office does not have any general recommendations of sufficient materiality or that address broad areas of risk that warrant further discussion. It must be noted that the timing of this review, at a relatively early stage of the programming period, effectively limited this Office in its analysis. The NAO is of the understanding that the implementation of the OPs through the selected projects is at an early stage and is therefore unable to comment in this respect.



# Chapter 1

## General Overview

# Chapter 1 – General Overview

## A Overview of Structural Funds Programmes and National Indicators

- 1.1 Funds obtained from the EU are organised in terms of Operational Programmes (OPs), which are governed by cohesion policies. The policy specific to this audit is the 2014-2020 Cohesion Policy, within which Malta has adopted four OPs. The two OPs of relevance to this audit are OPI – Fostering a competitive and sustainable economy to meet our challenges and OPII – Investing in human capital to create more opportunities and promote the wellbeing of society. The remaining two OPs are the Small and Medium-sized Enterprises (SME) Initiative and the Food and/or Basic Material Assistance OP. Of note is the fact that the Food and/or Basic Material Assistance OP does not form part of the Structural and Investment Funds, hereinafter referred to as Structural Funds, although its allocation is deducted from the Structural Funds. The amount allocated to the Food and/or Basic Material Assistance OP, including national co-financing, amounts to €4,640,777, of which €696,117 is national co-financing.
- 1.2 OPI is co-financed by the European Regional Development Fund (ERDF) and the Cohesion Fund (CF), whereas OPII is co-financed by the European Social Fund (ESF). OPI aims to strengthen the productivity of enterprises, boost research and innovation, enable the shift towards a more low-carbon and environmentally-friendly society, foster health and social development and increase education attainment in line with Malta's intention to contribute towards the Europe 2020 targets for smart, sustainable and inclusive growth. On the other hand, OPII aims to achieve inclusive growth by fostering an economy that is conducive to economic, social and territorial cohesion.
- 1.3 Tables 1, 2 and 3 present the budgetary allocations under OPI, OPII, and the SME Initiative, which amounted to €717,859,686, €132,366,810, and €15,000,000, respectively. The relative apportionment of allocations under OPI and OPII, according to Priority Axes, are rendered evident in Tables 1 and 2. The relative apportionment of ERDF, ESF, CF, the SME Initiative, and national co-financing against each OP is presented in Table 4, where OPI funding is apportioned according to its ERDF and CF allocations. This approach was adopted as the focus of this audit centres on ESF and ERDF funding.

**Table 1: OPI Budgetary Allocations against Priority Axes (TEUR)<sup>1</sup>**

Priority Axis	Allocated Funds (€)
Priority Axis 1	72,066
Priority Axis 2	38,435
Priority Axis 3	53,316
Priority Axis 4	57,653
Priority Axis 5	72,066
Priority Axis 6	24,022
Priority Axis 7	35,505
Priority Axis 8	58,998
Priority Axis 9 (Education)	33,631
Priority Axis 10	166,509
Priority Axis 11	89,658
Priority Axis 12	15,999
<b>Total</b>	<b>717,859</b>

**Note:**

1. TEUR – thousand euro.

**Table 2: OPII Budgetary Allocations against Priority Axes (TEUR)**

Priority Axis	Allocated Funds (€)
Priority Axis 1 (Employment)	26,000
Priority Axis 2 (Social Inclusion) <sup>a</sup>	40,000
Priority Axis 3 (Education)	47,425
Priority Axis 4	11,000
Priority Axis 5	7,942
<b>Total</b>	<b>132,367</b>

**Note:**

a. Priority Axis 2 (Social Inclusion) is included insofar as it contributes to education and employment.

**Table 3: SME Initiative Budgetary Allocation against Priority Axis (TEUR)**

Priority Axis	Allocated Funds (€)
Priority Axis 1	15,000

Table 4: All Structural Funds Operational Programmes in Malta (TEUR)

Budget of the Operational Programmes (2014-2020)									
OP	ERDF	ESF	ESF used for YEI (if applicable) <sup>a</sup>	CF	Specific allocation for the YEI (if applicable)	National co-financing	Total	Percentage	Audit
A	B	C	D	E	F	G	H ERDF: H=B +G ESF: H=C+G CF: H=E+G YEI: H=D+F+G	I I=H/sum(H)	
OP I (ERDF)	€369,354	-	Not applicable	-	Not applicable	€92,339	€461,692	53.36%	Yes
OPI (CF)	-	-	Not applicable	€217,742	Not applicable	€38,425	€256,167	29.61%	No
OP II (ESF)	-	€105,893	Not applicable	-	Not applicable	€26,473	€132,367	15.30%	Yes
SME Initiative	€15,000	-	Not applicable	-	Not applicable	-	€15,000	1.73%	No
<b>Total</b>	<b>€384,354</b>	<b>€105,893</b>	<b>Not applicable</b>	<b>€217,742</b>	<b>Not applicable</b>	<b>€157,237</b>	<b>€865,226</b>	<b>100%</b>	

**Note:**

a. The Youth Employment Initiative (YEI) supports the implementation of Youth Guarantee schemes.

## *Europe 2020 Strategy – Headline Targets on Education and Employment*

- 1.4 The Europe 2020 Strategy is aimed at addressing Europe's structural weaknesses, intended at rendering the EU a smart, sustainable and inclusive economy with high levels of employment, productivity, and social cohesion. This strategy document established five headline targets that are to be achieved across the EU by 2020, as delineated hereunder:
- a. 75 per cent of the population aged 20 to 64 should be employed;
  - b. three per cent of the EU's gross domestic product should be invested in research and development;
  - c. the 20-20-20 climate/energy targets should be met, including an increase in the rate of emissions reduction to 30 per cent;
  - d. the rate of early school leavers should be under 10 per cent and at least 40 per cent of the younger generation should have a tertiary degree; and
  - e. 20 million less people should be at risk of poverty.
- 1.5 The audit focused on employment and education; hence, Headline Target 1 and Headline Target 4 were deemed directly relevant to these subject areas. Headline Target 5 was also considered an integral part of this review, particularly in relation to employment and education and specifically in terms of enhancing active inclusion and creating opportunities for all. Table 5 provides an overview of the headline targets reviewed, simultaneously outlining Malta's national indicators, as well as the status of these indicators as at 2011 and 2015. A number of factors should be taken into consideration when comparing Malta's indicators with those of the EU, because of differences in the definition of employment, education, and the risk of social inclusion or poverty.

Table 5: National Indicators - Education and Employment

Europe 2020 strategy – headline targets	EU-wide indicators	National indicators	Definition (Malta)	Status of quantitative indicators (2011)	Status of quantitative indicators (2015)
1. Employment	75% of the 20-64-year-olds to be employed	70% of 20-64-year-olds to be employed	paragraph 1.6 refers	61.6% of 20-64-year-olds in employment	67.8%
	reducing school drop-out rates below 10%	reducing school drop-out rates to 10%		school drop-out rate stood at 22.7%	19.8%
4. Education	at least 40% of 30-34-year-olds completing third level education	at least 33% of 30-34-year-olds completing third level education	paragraph 1.7 refers	23.4% of 30-34-year-olds completing third level education	27.8%
	at least 20 million fewer people in or at risk of poverty and social exclusion	6,560 fewer persons in or at risk of poverty and social exclusion	paragraph 1.8 refers	88,000 persons at risk of poverty in 2011	99,000 persons at risk of poverty in 2015

1.6 The national indicators presented in Table 5 reflect the factors taken into consideration when establishing the corresponding definitions. In this respect, the employment indicator constitutes all persons aged 15 and over who, during the labour force survey reference week, worked for at least one hour or formed part of these four groups:

- a. were in paid employment: this includes persons who, during the reference week, worked for at least one hour for a wage or salary, in cash or in kind;
- b. were employed but absent from work: due to sick leave, bad weather, were undergoing training or education, did not work due to a labour dispute, were on maternity or parental leave, did not work due to slack work for technical or economic reasons, were absent from work for a period of less than three months, or were not working due to being laid off and were receiving at least 50 per cent of the salary/wage;
- c. were self-employed: this refers to persons who run a trade or business, rather than working as an employee for third parties. A self-employed person is a sole proprietor or a partner working in a business; and
- d. were unpaid family workers: this refers to persons who worked without pay in a family business or farm. Excluded from this definition are housewives.

1.7 The education indicator is classified using the criteria established under the International Standard Classification of Education (ISCED) and through reference to the Malta Qualifications Framework (MQF). In arriving at the early school leaving (ESL) indicator value, the National Statistics Office (NSO) collects data capturing the highest attained level of education. More specifically, the ESL indicator represents the percentage of 18 to 24-year-olds who obtained a secondary level of education or lower as a proportion of the population of 18 to 24-year-olds. In establishing the indicator linked with tertiary education, the NSO refers to the ISCED level 5 and upwards. According to ISCED, tertiary education comprises ISCED levels 5, 6, 7 and 8, which are labelled as short-cycle tertiary education, a Bachelor's or equivalent level, a Master's or equivalent level, and a doctoral or equivalent level, respectively. Within the local context, this would refer to diplomas or higher qualifications from accredited universities, bachelor degrees obtained from the Malta College of Arts, Science and Technology (MCAST), as well as higher national diplomas obtained from MCAST or the Institute of Tourism Studies.

1.8 In establishing the indicator for poverty and social exclusion, the NSO determines the proportion of persons who fall within at least one of three categories:

- a. persons whose equivalised income<sup>2</sup> falls below the at-risk-of-poverty threshold<sup>3</sup>;
- b. persons who live in severely materially deprived private households; and
- c. persons aged 0 to 59 who live in private households with very low work intensity, that is, adults, aged 18 to 59, who worked less than 20 per cent of their total work potential during the past year.

<sup>2</sup> Equivalisation refers to the adjustment of a household's income for size and composition in order to enable the comparison of the incomes of all households.

<sup>3</sup> The at-risk-of-poverty threshold is equivalent to 60 per cent of the median national equivalised income of persons living in private households. The equivalised disposable income is defined as the household's total disposable income divided by its 'equivalent size', to take account of the size and composition of the household, and is attributed to each household member. For example, a household with two adults and two children aged less than 14, would have an equivalised household size of 2.1 (1+0.5+0.3+0.3 = 2.1). If the total disposable income earned by the household is €20,000, then the household equivalised income would result in €9,523 (€20,000/2.1 = €9,523). The 2014 threshold was of €7,672 and in 2015 was of €8,096.

## Thematic Objectives

1.9 The achievement of the objectives of the Europe 2020 strategy are facilitated through the allocation of Structural Funds. In this sense, actions co-financed through the Structural Funds should be focused on supporting common thematic objectives that are closely linked to the Europe 2020 strategy headline targets. These thematic objectives are defined in Article 9 of the Common Provision Regulation (EU) No 1303/2013 (hereinafter referred to as the CPR). The CPR defines 11 thematic objectives, two of which (8 and 10) are directly related to employment and education, while Thematic Objective 9 is indirectly linked to these areas:

- a. Thematic Objective 8: Promoting sustainable and quality employment and supporting labour mobility;
- b. Thematic Objective 9: Promoting social inclusion, combating poverty and any discrimination; and
- c. Thematic Objective 10: Investing in education, training and vocational training for skills and lifelong learning (LLL).

1.10 Against this background, Table 6 presents an overview of the allocation of funds, with particular reference to Thematic Objectives 8, 9 and 10. It must be noted that the funding allocated to Thematic Objective 9 is apportioned according to its relevance to the audit. Rendered evident in Table 6 is the high priority assigned to employment, education and combating poverty in OPII. On the other hand, OPI solely provided funding to the thematic objective relating to education.

**Table 6: Allocation of European Funds to Thematic Objectives (TEUR)<sup>a</sup>**

Thematic objective pursuant to Article 9 CPR	ERDF (OPI)		ESF (OPII)		CF (OPI)	
	(€)	(%)	(€)	(%)	(€)	(%)
8: Promoting sustainable and quality employment and supporting labour mobility	-	-	20,800	19.64%	-	-
9: Promoting social inclusion, combating poverty and any discrimination (only if the amount is related to employment or education)	-	-	28,000	26.44%	-	-
10: Investing in education, training and vocational training for skills and LLL	26,905	7.00%	37,940	35.83%	-	-
Other [thematic objectives 1-7, 9, 11 & technical assistance]	357,449	93.00%	19,153	18.09%	217,742	100%
<b>Total</b>	<b>384,354</b>	<b>100%</b>	<b>105,893</b>	<b>100%</b>	<b>217,742</b>	<b>100%</b>

**Note:**

a. National co-financing is not included in the table.

# Chapter 2

## The Design of the Operational Programmes

## Chapter 2 – The Design of the Operational Programmes

### B Priority Axes and Objectives

- 2.1 OPI and OPII were drawn up following an assessment of the national development needs set out in Malta's Partnership Agreement, which Agreement also defines the priorities for the European Structural and Investment Funds<sup>4</sup> (ESIF) that are to support Malta in achieving its set socio-economic goals as well as contribute towards the agreed Europe 2020 targets over the programme cycle. The Partnership Agreement, dated November 2014, was drawn up by the Programming Unit within the Office of the Permanent Secretary MEAIM.
- 2.2 In drafting the Partnership Agreement, a SWOT analysis was carried out by technical experts engaged by the Programming Unit. The SWOT analysis identified areas within which Malta could capitalise its strengths, exploit opportunities for development and address weaknesses and threats. Investment in the areas identified through this analysis was to actively contribute towards the creation of more and better jobs, economic growth, and a more sustainable environment. In this regard, Malta's funding priorities for the 2014-2020 period were determined in line with this analysis. An extract of the SWOT analysis, listing only aspects directly related to education and employment, is presented in Appendix A.
- 2.3 In addition to the above, an Inter-Ministerial Coordination Committee (IMCC) was set up for the 2014-2020 programming period. The IMCC was to ensure the maximisation of resources while serving to reduce the risk of overlap or duplication of efforts by providing direction on the demarcation between different funds and programmes. Members on the IMCC included representatives from the Managing Authority, the intermediate bodies, national contact points for the European Territorial Cooperation programmes, responsible authorities for the migration and asylum programmes, and national contact points for community programmes, such as LIFE+ and Horizon2020. The IMCC was supported by seven Sectoral Sub-Committees (SSCs) that addressed different thematic objectives listed under Article 9 of the CPR. Each SSC was set up with a view to providing input and support to the IMCC in its role of providing strategic input and guidance to the 2014-2020 programming process. Meetings of the SSCs were held on a regular basis and provided stakeholders with scope for internal consultation and the opportunity to provide consolidated feedback. The involvement of the SSCs

<sup>4</sup> The ESIF comprise the Structural and Cohesion Funds, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund.

ensured that the Programmes were drafted in a way to reflect the prevailing national needs and socio-economic scenario.

- 2.4 In establishing whether the selection of the thematic objectives and investment priorities of the OPs were based on national needs, this Office reviewed the Partnership Agreement, the Council recommendations, as well as OPI and OPII. In this respect, the ensuing sections provide the details of the review of these documents in terms of education and employment.

### *A Review of the Partnership Agreement*

- 2.5 The Partnership Agreement makes reference to the various needs and challenges relating to education and employment relevant to the Maltese context, namely that:
- a. Similar to other EU Member States, Malta is facing an ageing population. In 2012, the 0-14 and 65+ age groups accounted for 14.5 per cent and 17.2 per cent of the population, respectively. The older population segment is expected to increase in the future. In fact, in the next 25 years, the 65+ population will increase from 16.2 to 24.8 per cent of the total population, that is, from 68,400 to 102,800 persons. On the other hand, the percentage of children between 0-14 years is projected to decrease from 15 to 12.9 per cent of the total population, that is, from 63,000 to 53,600 children. These projections indicate increased pressures on the working population, composed of persons between the ages of 15 and 64 years, which is also expected to decrease, from 68.7 to 62.4 per cent, from 288,500 to 259,400.
  - b. When compared to EU levels, the youth unemployment rate in Malta is among the lowest, as is youth not in employment, education or training (NEET).<sup>5</sup> Citing data reported in the National Youth Employment Strategy, Malta registered a remarkable decrease in NEET between 2000 and 2008. Although this trend was reversed between 2008 and 2012, a further decrease in the rate of NEET was noted between 2012 and 2013. In this context NEET decreased from 27.4 per cent in 2000 to 9.9 per cent in 2013. Notwithstanding this, Government is to intensify its efforts to ensure that it addresses youth unemployment and inactivity.
  - c. During the 2007-2013 programming period, the Maltese labour market recorded a relatively positive performance, as reflected by the increasing participation rates and employment levels, as well as the relatively low and stable unemployment rate. Nevertheless, Malta faces challenges relating to low labour market participation together with rising youth unemployment rates. Human capital utilisation is also lagging, compared to the EU average, in terms of tertiary education or equivalent attainment levels. A comparison of the employment rates by gender indicates that Malta still has a lower female employment rate when compared to male counterparts. In 2013, the employment rate of older workers, that is, the 55 to 64 age cohort, remained far below the EU-28 rate of 50.1 per cent.
  - d. The number of people at risk of poverty or social exclusion is on the increase, in Malta as well as in the EU. Since 2007, Malta has registered an increase of 20,000 people at risk of poverty or social exclusion.

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<sup>5</sup> The NEET indicator represents the percentage of 15 to 24-year-olds who were unemployed or inactive and not receiving education or training in the four weeks preceding an NSO survey, as a proportion of the population of 15 to 24-year-olds. On the other hand, youth unemployment refers to the proportion of unemployed youths (15 to 24-year-olds) as a percentage of employed and unemployed youths.

- e. Malta's rate of ESL was 22.6 per cent in 2012, which was significantly higher than the 12.8 per cent rate of the EU-27. Furthermore, Malta registered a low participation rate in respect of tertiary education – in fact, as at 2012 Malta, reached the rate of 22 per cent while the EU-27 registered a rate of 36 per cent. A main concern identified in the Partnership Agreement was the fact that while the EU-27 rate registered an increasing trend between 2007 and 2012, Malta's rate had been hovering around 21 and 22 per cent for six consecutive years. Changes in the structure of the Maltese economy heighten the need to invest in the adaptability of workers to ensure that their skills are aligned with the changes and developments occurring within the labour market. Changes in the economy also have an impact on the types of jobs that are available. According to the Partnership Agreement, rapid changes in technology and workplace organisation also call for investment to be directed towards the upskilling and reskilling of ageing low-skilled workers. Actions in this respect would curb the risk of skill obsolescence, resulting in a greater risk of job loss and social exclusion. Investment in LLL is also pivotal in addressing skill mismatches in the labour market.

### *A Review of the Council Recommendations (2014)*

- 2.6 In arriving at the country-specific recommendations, the European Commission (EC) draws up annual country reports, which serve as a starting point for dialogue with the Member States on the economic and social challenges faced. In principle, the EC will not issue recommendations on issues that are not identified as challenges in the country reports and will propose a limited number of country-specific recommendations for each Member State. These will differentiate, based on the severity of the challenges, as reflected in the country-specific situation under the Macroeconomic Imbalance Procedure. The Macroeconomic Imbalance Procedure, introduced in 2011, aims to identify, prevent and address the emergence of potentially harmful macroeconomic imbalances that could adversely affect economic stability in a particular Member State, the euro area, or the EU as a whole.
- 2.7 Following agreement between the Member State and the EC, the relevant country-specific recommendations are adopted in accordance with Article 121(2) of the Treaty on the Functioning of the European Union, thereby becoming Council recommendations. The second and third recommendations listed in the Council recommendations to Malta, dated 29 July 2014, were related to education and employment. More specifically, the European Council recommended the following:
  - 2. To ensure the long-term sustainability of public finances, continue the ongoing pension reform, such as by accelerating the already enacted increase in the statutory retirement age and by consecutively linking it to changes in life expectancy...*
  - 3. Continue policy efforts to address the labour-market relevance of education and training by stepping up efforts on the reform of the apprenticeship system. Further improve basic skills attainment and reduce early school leaving, in particular by finalising and implementing the announced national literacy strategy. Further improve the labour-market participation of women, in particular those wishing to re-enter the labour market by promoting flexible working arrangements.'*
- 2.8 These recommendations highlight the need for Malta to address older workers' potential, the skills gaps, improve literacy and reduce the ESL rate, as well as the promotion of flexible working arrangements within the labour market. Addressing the skills gaps encompasses participation in Vocational Education Training (VET), tertiary education and LLL. Furthermore, although employment was only directly referred to in respect of women and an increase in the statutory retirement age, the Council

recommendations document indicated that the EC had, in December 2013, endorsed priorities for ensuring financial stability, which priorities included the address of unemployment.

### *A Review of Operational Programmes I and II*

- 2.9 In terms of OPI and OPII, the MA indicated that the achievements registered through the 2007-2013 programming period would be consolidated during the 2014-2020 programming period. According to the MA, the 2014-2020 programming period presented an opportunity for the Maltese economy to continue to foster the right environment in terms of economic growth and job creation, while simultaneously encouraging the development of an all-inclusive society.
- 2.10 The NAO reviewed OPI and OPII in order to assess whether these documents were in line with the risks, needs and challenges identified in the Partnership Agreement, as well as the concerns highlighted in the Council recommendations. An overview of this Office's review of these documents is presented hereunder.

#### **Operational Programme I**

- 2.11 OPI highlighted the fact that the vulnerability of falling into poverty was intrinsically linked to educational attainment. In this respect, the further development of the education sector was noted as necessary to ensure that an increased number of students pursue further and higher education.
- 2.12 According to OPI, although the overall tertiary education attainment of 15 to 64-year-olds was on the increase between 2008 and 2012, the participation rate in tertiary education or equivalent of 30 to 34-year-olds remained relatively constant between 2006 and 2010, with gradual improvements registered between 2011 and 2013, reaching 26 per cent in 2013. This rate remains lower than the EU-28 average of 36.9 per cent in 2013, and is still distant from the national Europe 2020 target of 33 per cent.
- 2.13 The OP noted that statistics showed that the lower the educational attainment of youths and adults, the higher the likelihood of falling into poverty, social exclusion or unemployment. In respect of these concerns, Priority Axis 9 of OPI addresses investment in public infrastructure for the provision of education and training facilities for academic and vocational educations and training with the aim of reducing the ESL rate, as well as improving tertiary education attainment.

#### **Operational Programme II**

- 2.14 Noted in OPII is the fact that Malta was facing employment-related challenges among women, older workers, and youths. These challenges are being addressed in Priority Axis 1, which is intended to improve employment levels and labour mobility, enhance the employability of older workers, provide financial support for the care of dependents, and increase self-employment and entrepreneurship levels.
- 2.15 The number of persons who were at risk of poverty in Malta stood at 99,020 persons in 2013, representing an increase of 11,000 from 2011. Priority Axis 2 directly addresses this concern through interventions aimed at enhancing active inclusion by creating opportunities for all. More specifically, education, training and support measures are to be provided to socially excluded persons and vulnerable groups, among other measures.

- 2.16 Issues identified in OPII includes progress achieved in terms of ESL, which however still lags behind EU targets. Furthermore, a concern highlighted in the OP was the limited progress registered in Malta in terms of tertiary education levels attained by 30 to 34-year-olds. In respect of LLL, adult participation was lower than the EU average for persons who hold a secondary level of education or lower, as was the case with inactive persons. Noted in the OP was the fact that this posed a challenge in ensuring that LLL courses were attended by persons with lower levels of education or who were not engaged in economic activity. These concerns were addressed in Priority Axis 3, which aims to reduce the rate of ESL, facilitate access to tertiary education, provide LLL opportunities, and strengthen VET systems.

### *Specific Objectives within the Investment Priorities*

- 2.17 Specific objectives (SOs), as defined in the Common Provisions Regulation EU No 1303/2013, refer to the result to which an investment priority or EU priority contributes to a specific national or regional context through actions or measures undertaken within that priority. Essentially, SOs reflect what the Member State wants to achieve, while also taking into account the relevant national and regional needs. This section of the report addresses the SOs pertaining to the Investment Priorities that are directly related to education and employment. In addressing these SOs, the NAO sought to establish their link to national and regional needs.

#### **ERDF (OPI), Investment Priority 10(a): Investing in education, training and vocational training for skills and LLL by developing education and training infrastructure**

##### **Box 1: ERDF (OPI), Investment Priority 10(a), Specific Objective 1**

*Invest in public infrastructure aimed to provide education and training facilities for academic and vocational education and training (VET) to reduce early school leavers as well as improve tertiary education attainment*

- 2.18 Tying in with IP 10(i), 10(ii), and 10(iv) of OPII (ESF), this SO is aimed at investing in education and training infrastructure with a view to addressing VET and ESL, and increasing tertiary education attainment. Also highlighted in this SO was the fact that in 2012, employment rates for persons with an education level lower than upper-secondary and post-secondary stood at 47.9 per cent, whereas this rate stood at 67.4 per cent in respect of persons with an upper secondary and post-secondary education level. Furthermore, this SO highlighted the fact that 86.7 per cent of persons who had a tertiary level of education were employed, which was in stark contrast to the 31.4 per cent rate of employment in respect of ESL. Moreover, as was also noted in IP 10(i) of OPII, the rate of ESL stood at 20.8 per cent in 2013, which was 8.8 per cent higher than the EU average. In view of the high rate of ESL in Malta, Government drew up an ESL strategy in which a number of development needs were identified, namely, physical infrastructure for VET and tertiary education, as well as the need for the provision of training that is more aligned with the needs of the industry and economy.
- 2.19 Further to the above, in addressing the country-specific recommendation tied with this SO, Government set a new target, in line with the Europe 2020 Strategy, to reduce the percentage of ESL to 10 per cent by 2020. This SO also highlighted the need for increased efforts intended to improve the rate of 30 to 34-year-olds with a tertiary level of education. Although this rate increased to 26 per cent in 2013, from 22.1 per cent in 2010, the EU-28 average in 2013 was 37.1 per cent, while the Europe 2020 target is that of 33 per cent.

2.20 The Partnership Agreement also places importance on the development of high quality educational services in state-of-the-art facilities that reflect the current and future needs of industry. This was considered in view of the fact that Malta's economic and social development is intrinsically dependent on the nation's ability to ensure that current and future workers are equipped with the necessary skills and competences to enter and thrive within the labour market, thereby ensuring economic development. On the other hand, although the NRP does not make reference to educational facilities and infrastructure, Government's priority in terms of education is clearly outlined in various parts of the document.

2.21 Against this background, Government is to prioritise investment in education and training infrastructure, with a view to provide physical infrastructure, thereby developing VET systems and improving tertiary education attainment. These investments aim to reduce ESL rates and increase attainment rates at tertiary level, which are in line with the national targets established in the Draft National ESL Strategy, the Further and Higher Education 2020 Strategy, and the NRP. In drawing up this SO, the country-specific recommendations and Council recommendations were also taken into consideration. More specifically, this SO supports the recommendations put forward in these documents in respect of addressing ESL, VET and the skills gaps.

**ESF (OPII), Investment Priority 8(i): Access to employment for job-seekers and inactive people, including the long-term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility**

2.22 According to the Partnership Agreement, although Malta had reached its Europe 2020 NRP target of 62.9 per cent in 2012, Government set a new local employment target of 70 per cent for 2020. Furthermore, the national target presented in the NRP, in terms of employment, is geared towards facilitating the reintegration of the unemployed into the labour market and raising the labour force participation rate, in particular among females, youths, older workers, and the long-term unemployed.

**Box 2: ESF (OPII), Investment Priority 8(i), Specific Objective 1**

*Improve the employment levels and labour mobility through incentives for employers and support measures for jobseekers and workers*

2.23 This SO highlighted the fact that Malta's employment rate was on the increase between 2007 and 2013 (from 58.6 to 64.8 per cent), converging closer to that of the EU, which stood at 68.5 per cent in 2013. Furthermore, unemployment rates saw a marginal decrease from 6.9 per cent in 2010 to 6.4 per cent in 2013. The unemployment rate for 2013 was lower than that across the EU, which stood at 10.8 per cent. Nevertheless, Government recognised that further measures were to be taken in terms of Malta's competitiveness, while also promoting the principle of equality. In line with this was the employment target presented in the NRP, which was aimed to facilitate the reintegration of the unemployed into the labour market, including the long-term unemployed.

2.24 SO1 also presented a concern with respect to the poor employment rate of persons with low levels of education. In this context, in 2013, the employment rate of persons who attained ISCED levels 5 to 8 stood at 86.6 per cent, while that for persons with ISCED levels 0 to 2 was 48.8 per cent. These figures show a strong correlation between the levels of education and employment prospects. Unemployment was even more

prevalent for persons with a disability, where the employment rate stood at 4.5 per cent in the same year.

- 2.25 The Partnership Agreement also makes reference to the promotion and facilitation of labour mobility across EU Member States, which should be considered as another form of support for job-seekers to improve their employment prospects. Furthermore, in the NRP it is stated that the EU flagship initiative Youth on the Move facilitates youth mobility, thereby signifying Malta's support towards labour mobility.
- 2.26 It is in this context and in order to achieve steady increases in the rate of employment that SO1 is framed, aimed at promulgating measures that address the employment prospects of the disadvantaged, and enhance the mobility of workers and job seekers. This SO supports the understanding that the duration of workers in the labour market is expected to increase and it is in this sense that Government identified the need to improve the possibility of alternative employment opportunities that meet individual needs and thereby assist in extending working lives. These measures are in line with the country-specific recommendations and Council recommendations wherein it was indicated that Malta addressed the issue of unemployment.

**Box 3: ESF (OPII), Investment Priority 8(i), Specific Objective 2**

*Enhancing the employability of older workers in the labour market*

- 2.27 SO2 addresses the ageing population, with life expectancy anticipated to increase from 77.6 to 84.9 years for males and from 82.3 to 88.9 years for females between 2010 and 2060. As noted in OPII, this demographic change in Malta requires a structural paradigm shift that views older persons as active participants in an age-integrated society. An upward trend was recorded in the employment rate of persons aged between 55 and 64 years, which rate stood at 36.2 per cent in 2013. However, this is still considerably lower than the EU average of 50.3 per cent. This may be partly attributable to Malta's lower retirement age, as well as the limited participation of females within that age cohort in the labour market. In this context, the Partnership Agreement states that Malta supports active and healthy ageing measures aimed at increasing employment rates of older workers and enhancing their employability. This statement was reflected in the NRP, wherein it was stated that due consideration would be given to the employment of older workers.
- 2.28 A concern outlined in SO2 referred to the low employment rates registered in Malta with respect to older workers, which may lead to social and material deprivation later on in life. In this context, the related challenge outlined in OPII was the empowerment of older workers to actively participate in the labour market.
- 2.29 Against this background, and in line with country-specific recommendations and Council recommendations which outline the fact that the employment rate of older workers in Malta is low, this SO aims to increase the participation rate of older workers in the labour market. The country-specific recommendations and Council recommendations also refer to the need for a comprehensive active ageing strategy. In fact, reference to the National Strategic Policy for Active Ageing: Malta 2014-2020 was made in drawing up the SO.

#### Box 4: ESF (OPII), Investment Priority 8(i), Specific Objective 3

*Improving the labour market participation of women through financial support for the care of dependents in order to facilitate retention and return of women into the labour market as well as campaigns*

2.30 SO3 is aimed at increasing female participation in the labour market. Although Malta has registered a marked increase in female labour participation — from 37.4 per cent in 2007 to 47 per cent in 2013 — this remains low when compared to that of the EU, which stood at 58.9 per cent in 2013. The 47 per cent female labour participation rate also falls short of the male employment rate, which in 2013 was 74.1 per cent. Of note is the fact that female participation rates decrease according to age cohorts, as presented in Table 7.

**Table 7: Female Employment Rates (2013)**

Age Cohort	% in Employment
15-19	17.4
20-24	66.9
25-29	77.7
30-34	65.3
35-39	61.7
40-44	54.8
45-49	48.1
50-54	38.4
55-59	28.9

Source: Eurostat

2.31 This SO is in line with that stated in the Partnership Agreement, in that it is Government's policy to encourage female labour market participation and achieve a substantial reduction in the gender gap in employment rates, unemployment rates, and pay. In this respect, it was noted that family-friendly measures directed at ensuring a better balance of family responsibilities were to be strengthened. This was also reflected in the NRP, which highlighted the fact that Government was committed to raising the labour market participation of women.

2.32 In view of the above, SO3 addresses investment measures that grant women the opportunity to participate and remain active in the labour market across working-age brackets. These measures align with the country-specific recommendations and Council recommendations in that, although Malta has taken significant measures to increase participation by women in the labour force, the employment rate of women remains low, parenthood still has a significant effect on the participation of women in the labour market, and the gender employment gap remains the highest in the EU.

#### Box 5: ESF (OPII), Investment Priority 8(i), Specific Objective 4

*Increase the prevalence of self-employment and entrepreneurship as an alternative form of employment through financial incentives and other non-formal support*

- 2.33 The adoption of this SO was considered in light of the fact that entrepreneurship and self-employment rates in Malta in 2012 stood at 14 and 17 per cent, respectively. These rates were lower than those registered across the EU, which stood at 15 and 23 per cent, respectively.
- 2.34 This SO also made reference to the Malta Small Business Act fact sheet for 2013, which indicated that the understanding that education had an impact on developing an entrepreneurial attitude fell from 59 per cent in 2009 to 48 per cent in 2012. In this context, a need was identified for further investment with a view to foster entrepreneurial and self-employment attitudes. In this respect, this SO is geared at steering individuals to consider business ownership as an alternative form of occupation. The latter point was also highlighted in the Partnership Agreement, which specifically states that Government maintains that such an approach will yield more and better jobs that would stimulate interventions, allowing for economic diversification and an improvement of the standard of living. Similarly, the NRP outlines Government's commitment to continue strengthening job creation and flexibility in working arrangements through entrepreneurship schemes, among other measures. The direction taken in this respect falls within that put forward in the country-specific recommendations and Council recommendations, indirectly addressing the broader issue of unemployment.

**ESF (OPII), Investment Priority 8(ii): Sustainable integration into the labour market of young people, in particular those not in employment education, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee**

#### Box 6: ESF (OPII), Investment Priority 8(ii), Specific Objective 1

*Smoothing the transition of youth from education to employment*

- 2.35 Tying in with IP 8(i), this IP is intended to directly contribute to the reduction in youth unemployment levels and NEET rates through access to further learning and sustainable employment. As noted in the Partnership Agreement, the youth unemployment rate in Malta is among the lowest in the EU, as is the rate for NEET. In fact, Malta registered a significant decrease in NEET, from 27.4 per cent in 2000 to 9.9 per cent in 2013; however, the rate registered between 2007 and 2012 merits further comment. During this period, Malta registered an increasing trend in NEET, although this decreased by 1.2 per cent between 2012 and 2013 (Table 8 refers).
- 2.36 Furthermore, as noted within this SO, Malta had a considerably high level of youth unemployment in 2013, which stood at 13 per cent, when compared to the general unemployment rate of 6.4 per cent in the same year. Table 9 shows the contrast between youth unemployment and the general unemployment rates.

**Table 8: NEET Rates, 2007-2013<sup>a</sup>**

	2007	2008	2009	2010	2011	2012	2013
<b>Males (%)</b>	11.9	6.9	9.4	8.1	9.9	10.1	9.5
<b>Females (%)</b>	11.2	9.9	10.3	11.0	11.4	12.2	10.2
<b>Total (%)</b>	11.5	8.3	9.8	9.5	10.6	11.1	9.9

Source: Eurostat

**Note:**

a. The figures presented, bar those relating to 2007, reflect those provided in the Partnership Agreement and not the latest figures available on the Eurostat Database. The Partnership Agreement figures are presented in this table for comparative purposes in terms of decisions taken based on those figures.

**Table 9: Unemployment Rates by Age**

	2007	2008	2009	2010	2011	2012	2013
<b>Youth Unemployment Rate (15-24 yrs) (%)</b>	13.6	11.6	14.5	13.3	13.3	14.1	13
<b>Unemployment Rate (25+ yrs) (%)</b>	4.9	4.8	5.3	5.6	5.0	4.9	5.2
<b>General Unemployment Rate (15+ yrs) (%)</b>	6.5	6.0	6.9	6.8	6.4	6.3	6.4

Source: NSO

**2.37** Further to the above, Table 10 shows that male youth unemployment remained relatively stable between 2007 and 2013, whereas female youth unemployment decreased by 1.4 per cent in the same period.

**Table 10: Youth Unemployment (15-24 years) Rates by Gender**

	2007	2008	2009	2010	2011	2012	2013
<b>Males (%)</b>	15	13.1	16.2	14.4	13.7	13.5	15.2
<b>Females (%)</b>	11.8	9.9	12.5	11.8	12.8	14.8	10.4
<b>Total (%)</b>	13.6	11.6	14.5	13.3	13.3	14.1	13.0

Source: NSO

**2.38** Noted in the Partnership Agreement was the fact that, in light of the increasing rates of youth unemployment, Government was committed to investing in youth with the aim of enabling the smooth transition from education to employment. In this context, Government acknowledged the importance of ensuring that knowledge obtained matched job opportunities available on the market. The NRP also noted Government's commitment to raising labour market participation rates of youths. Youths with low levels of education were identified in this SO as the most challenging in terms of employment, as this cohort is more prone to becoming unemployed or fall within the NEET category, which may lead to a risk of poverty.

**2.39** It is against this background that SO1 of IP 8(ii) attributes importance to addressing youth unemployment in Malta, effectively aligning with measures taken by Government in this regard. In this sense, a Draft National Youth Policy Framework 2015-2020 was published in 2014, which was generally aimed at investing in youths, yet specific to this context were initiatives intended to enable a smooth transition from education to employment. In this context, one of the action plans of the Draft National Youth Policy Framework was to develop and implement initiatives with a view to enhancing youth participation in the labour market, future employment, as well as occupational or professional prospects. Of note is the fact that the country-specific recommendations indicate an insufficient link between education and training to the labour market needs as a major impasse in this respect.

**ESF (OPII), Investment Priority 9(i): Active inclusion, including with a view to promoting equal opportunities and active participation, and improving employability**

**Box 7: ESF (OPII), Investment Priority 9(i), Specific Objective 1**

*Enhancing active inclusion by creating opportunities for all*

- 2.40 The Partnership Agreement highlights the fact that certain characteristics shield Malta from the risk-of-poverty gap. These characteristics refer to a high level of social consciousness and a developed social welfare system. Notwithstanding this, a number of population groups remain vulnerable to the risk of poverty, exposed to different forms of poverty and social exclusion. In this context, active inclusion continues to be a policy area of importance for the integration of different vulnerable groups in the labour market. In this regard, the strategy adopted by Government is focused on enabling individuals to achieve their potential by engaging in an economic and social life through appropriate support. According to the NRP, poverty and social exclusion were important challenges that needed to be addressed in Malta. In fact, Government aims to alleviate 6,560 persons from the risk of poverty or social exclusion by 2020.
- 2.41 This situation is mirrored in SO1 of IP 9(i), wherein it was noted that 24 per cent of the population was at risk of poverty in 2013 and 9.5 per cent were severely deprived. Employment was established as the main determinant of poverty-related risks and it was in this context that one of the challenges identified was the empowerment of the vulnerable through the increase of skills and competences. A further challenge noted was discrimination, with related issues varying according to the nature of the target group. In this regard, older workers and persons with a disability face challenges in entering or re-entering the labour market. On the other hand, women are faced with concerns of equal opportunities in the labour market where, according to that reported in the 2013 Gender Pay Gap in the EU, women in Malta earn, on average, 13.4 per cent less than their male counterparts. Moreover, according to EC statistics, the percentage of women in decision-making positions in Malta was far below that of men, as presented in Table 11.

**Table 11: Decision-making Positions in Malta and the EU, by Gender**

	Number of Companies	CEO (%)		Executive (%)		Non-executive (%)	
		Female	Male	Female	Male	Female	Male
EU	610	3	97	12	88	19	81
Malta	20	10	90	10	90	3	97

Source: European Commission

- 2.42 Against this background, this SO aims to provide vulnerable individuals with better opportunities for integration within society and in the labour market, as well as strengthen capacity building of support systems and structures to facilitate this integration. This SO is to be addressed through measures aimed at the upskilling and reskilling of persons within vulnerable groups, which indirectly relate to the country-specific recommendations and Council recommendations that address unemployment.

**ESF (OPII), Investment Priority 10(i): Reducing and preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training**

**Box 8: ESF (OPII), Investment Priority 10(i), Specific Objective 1**

*Reducing early school leaving (ESL) through monitoring and preventive measures as well as the enhancement of the education experience including the provision of electronic tablets and related e-content. This investment priority will also aim to improve literacy outcomes and invest in capacity building of education systems and structures as well as provide training to parents.*

- 2.43 This SO recognises that Malta has been registering a high ESL rate and, despite progress, this rate stood at 20.8 per cent in 2013, starkly contrasted by the 12 per cent registered across the EU. In this respect, Malta was ranked as having the second highest percentage of ESL in the EU.
- 2.44 Significant challenges in illiteracy were also highlighted in this SO, with 36 per cent of the population illiterate. In this context, young people with low levels of education are at a higher risk of poverty than those with education levels beyond that which is compulsory, that is, 29.1 and 5.3 per cent, respectively. Of concern was the fact that this gap continued to widen during the period 2007-2013. Furthermore, the Partnership Agreement made reference to a 2012 profiling exercise of ESL, which established that 31.4 per cent of early school leavers were not in employment.
- 2.45 Highlighted in the Partnership Agreement and the NRP was the fact that the reduction of ESL was a strategic priority of Government. According to the Partnership Agreement, the address of ESL was fundamentally important in averting social exclusion, since education levels affect wages and employment opportunities, as well as non-economic outcomes, such as good health, longevity and successful parenting. Further supporting this priority was Government's adoption of a strategic framework intended to address ESL, based on four building blocks: identification, monitoring, and coordination; preventive strategic measures; intervention measures; and compensation measures. This framework was based on the Commission Staff Working Paper on Reducing Early School Leaving.
- 2.46 In view of the above, this SO was geared at strengthening the capacity of the education system and structures through the upskilling and reskilling of educators and other workers within the system, as well as parents. Furthermore, another challenge identified was the active engagement of students in the learning experience provided through compulsory schooling that, according to this SO, would enhance their further education and training prospects.
- 2.47 Anticipated results in this respect include an improved educational experience, which would lead to the attainment of the necessary educational levels, the development of an aptitude for further participation in education and training, as well as higher participation in science subjects and a lower illiteracy level. Furthermore, this SO targets the achievement of enhanced education systems and structures to address ESL-related issues. This SO complements the country-specific recommendations and Council recommendations, which state that Malta should continue to pursue policy efforts intended to reduce ESL through the setting up of a comprehensive monitoring system. This monitoring system was referred to in the NRP, wherein it was stated that Government was monitoring the root causes of ESL at community level in cooperation with a task force set up to review and propose amendments to the relevant legislation.

**ESF (OPII), Investment Priority 10(ii): Improving the quality and efficiency of, and access to, tertiary education with a view to increasing participation and attainment levels, especially for disadvantaged groups**

**Box 9: ESF (OPII), Investment Priority 10(ii), Specific Objective 1**

*Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level.*

- 2.48 Although tertiary education in Malta is free for all students, irrespective of social background, Malta faces significant challenges in uptake levels. In fact, in 2013, 26 per cent of 30 to 34-year-olds had completed tertiary education, while this percentage across the EU stood at 37 per cent. In addition, the participation rate of 17-year-olds in further and higher education stood at 72 per cent in 2013 and that of 19-year-olds was 61 per cent in the same year. This point was highlighted in the Partnership Agreement, wherein it was stated that Government was to focus its efforts on increasing uptake levels in upper secondary and tertiary education, while simultaneously linking with the outcomes at lower levels of education. Noted in the NRP was that Government set a target of 33 per cent of the 30 to 34-year-old population to have completed tertiary education, which was accordingly reflected in Government's policy of increasing participation rates in tertiary education. Furthermore, this SO reflects the Europe 2020 target of having at least 40 per cent of 30-34-year-olds completing tertiary education.
- 2.49 According to the document A National Literacy Strategy, the education level of parents was found to correlate significantly with the level of literacy achievement of their children. Hence, this called for increased targeted efforts in order to raise the participation rate in tertiary education of individuals across the social spectrum.
- 2.50 According to this SO, Malta faced a challenge with respect to the percentage of graduates in mathematics, science and technology. This percentage stood at 19.1 per cent in 2012, while that across the EU was 22.8 per cent. This situation was compounded by the low rates of participation in postgraduate studies.
- 2.51 In this context, this SO is aimed at increasing the number of participants pursuing and succeeding within the tertiary tier of education. Of note was the fact that, although the need for increased efforts to be made in this sector was justified and supported with data, no referral to tertiary education was made in the country-specific recommendations and Council recommendations. However, tangential reference was made to this education tier when it was recommended that education and training were to address the skills gaps.

**ESF (OPII), Investment Priority 10(iii): Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences**

**Box 10: ESF (OPII), Investment Priority 10(iii), Specific Objective 1**

*Upgrading the knowledge, skills and competences of the workforce through increased participation in lifelong learning including postdoctoral studies*

- 2.52 Noted in this SO was that the Maltese economy was undergoing a rapid transformation and that, through LLL, individuals would be able to adapt and upgrade their skills in order to remain relevant. When queried on the nature of the transformation, the MA noted that this referred to the different and predominant sectors in the economy, citing the growth in the gaming and pharmaceuticals industries as examples. However, the MA noted that these sectors rapidly reach saturation point, which gives rise to shifts in market needs. Against this background, Malta needs to be adaptable in terms of education, especially with respect to science and technology.
- 2.53 According to the Partnership Agreement, rapid changes in technology and workplace organisation call for investment to be directed towards the upskilling and reskilling of ageing, low-skilled workers so as to prevent skills obsolescence, thereby averting the greater risk of job loss and social exclusion. Reference was also made to the pivotal role of investment in LLL as a means of addressing skills mismatches in the labour market. Furthermore, noted in the Partnership Agreement was that LLL enabled enterprises to remain competitive and capitalise on economic opportunities. Accessibility to a skilled workforce was deemed of fundamental importance to the sustainability of enterprises in an increasingly complex global scenario. Supporting this understanding was that noted in the NRP, which identified LLL as an integral part of improving the educational level in Malta. In fact, it was noted that a national strategy regarding LLL was to address the issue of skills gaps within the labour market and secure the relevance of education at the workplace.
- 2.54 Highlighted in this SO was the fact that participation rates in LLL of persons who have at least an upper secondary level of education are higher in Malta than across the EU. On the other hand, this rate is lower in Malta than in the EU for persons with a lower secondary level of education or less. An analysis of the 2013 data indicates that women, older workers and the unemployed registered lower participation rates (7.7, 3.4 and 7.3 per cent, respectively) in Malta than in the EU-27 (11.4, 5.7 and 10.1 per cent, respectively).
- 2.55 Rates of LLL in Malta were also noted to be low among the employed, which stood at 9.5 per cent in 2013. In terms of specialisation measures aimed at research and innovation, Malta ranked among the moderate innovators within the EU Innovation Scoreboard 2013. This was mainly attributable to shortfalls on the supply side in human capital and in investment for research and innovation.
- 2.56 In view of the above, noted in this SO was the need for increased participation in LLL with a view to upgrade the competencies, qualifications and skills of the workforce to foster employability and adaptability. Furthermore, this SO was aimed at increasing the competitiveness of enterprises and the uptake of postdoctoral research studies. The aims of this SO were deemed to be in line with the country-specific recommendations and the Council recommendations, wherein the need for increased labour-market relevance of education and training to address gaps in skills was highlighted.

**ESF (OPII), Investment Priority 10(iv): Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes.**

**Box 11: ESF (OPII), Investment Priority 10(iv), Specific Objective 1**

*Strengthening vocational education and training systems with the aim of increasing participation in further and higher education and addressing the dropout rate from VET institutions, whilst reducing labour market mismatches*

- 2.57 Noted in this SO was the fact that, although Government had invested considerably in VET, the level of vocational education and training was still relatively low and was to be sustained further, including attention specifically directed at 19-year-olds. A challenge that was identified within this SO was the dropout rate within VET institutions without the acquisition of formal qualifications. The NAO noted that data supporting the low levels of VET and drop-out rates from VET institutions was not provided as justification for this SO. When queried on this point, the MA stated that although this SO did not refer to statistical data in terms of VET, it made reference to the National Youth Employment Strategy, which identifies the challenges faced in this respect. Indicated in the Strategy was the fact that, although the NEET rate decreased from 27.4 per cent in 2000 to 10.6 per cent in 2011, policy makers across the EU called for more intensified efforts in designing and implementing specialised measures focusing on this cohort. In fact, three of the Strategy's targets are the increase in the participation rate of young people at further and higher education, the reduction of the NEET rate, and an increase in apprenticeships and traineeships.
- 2.58 This SO highlighted the fact that VET should be relevant to the labour market and that Government recognised that VET systems and structures also required investment. Such investment entailed improved capacity, as well as the upskilling and reskilling of persons working within the system in order to maximise the potential of students pursuing VET. The latter point was also highlighted in the Partnership Agreement, wherein it was stated that labour market relevance of education and training systems was a fundamental aspect of education-related interventions. Evident in the NRP was Government's intention to continue to strengthen VET efforts, with the setting up of a VET Unit within the Office of the Permanent Secretary, Ministry of Education and Employment. This approach to improving VET systems and structures reflected that recommended in the country-specific recommendations and Council recommendations, wherein it was indicated that Malta was to address the skills gaps by capitalising on the reform of the apprenticeship system.

2.59 In sum, having reviewed all the IPs and their corresponding SOs, the NAO is of the opinion that the national needs, the relevant country-specific and Council recommendations, as well as Malta's risks and challenges, were adequately considered in OPI and OPII. Table 12 presents an overview of the IPs directly related to education and employment, as well as references to the paragraphs that address the IPs and SOs within the OPs. The NAO's assessment in this respect was based on the following classification structure:

- a. no explanation – the OP and/or other documents do not explain whether the measure/decision by the MA was based on proper reasoning;
- b. some explanation – the OP and/or other documents provide an explanation;
- c. explanation available – a detailed explanation is provided in the OP and/or other documents, which explanation is partly supported by evidence, but the SAI sees room for improvement; and
- d. adequate explanation – a detailed explanation is provided in the OP and/or other documents, which explanation is partly supported by evidence.

This classification is utilised throughout the report.

**Table 12: Selection of Thematic Objectives and Investment Priorities**

Fund/ OP	Priority axis	Specific objective(s)	The definition of specific objectives has been explained	Investment priority/ priorities	In adequate consideration of			Comments
					regional/ national needs	country-specific and relevant Council recommendations	risks and challenges	
OPI	Investing in education, training and vocational training for skills and LLL by developing education and training infrastructure	SO 1: Invest in public infrastructure aimed to provide education and training facilities for academic and vocational education and training to reduce ESL as well as improve tertiary education attainment	Adequate explanation	ERDF 10(a)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.18-2.21 refer
OPII	Promoting sustainable and quality employment and supporting labour mobility	SO 1: Improve the employment levels and labour mobility through incentives for employers and support measures for jobseekers/workers	Adequate explanation	ESF 8(i)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.23-2.26 refer
		SO 2: Enhancing the employability of older workers in the labour market	Adequate explanation	ESF 8(i)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.27-2.29 refer
		SO 3: Improving the labour market participation of women through financial support for the care of dependents in order to facilitate retention and return of women into the labour market as well as campaign	Adequate explanation	ESF 8(i)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.30-2.32 refer
		SO 4: Increase the prevalence of self-employment and entrepreneurship as an alternative form of employment through financial incentives and other non-financial support	Adequate explanation	ESF 8(i)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.33-2.34 refer
		SO 1: Smoothing the transition of youth from education to employment	Adequate explanation	ESF 8(ii)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.35-2.39 refer
		SO 1: Enhancing active inclusion by creating opportunities for all	Adequate explanation	ESF 9(i)	Adequate consideration	Adequate consideration	Adequate consideration	paragraphs 2.40-2.42 refer

OPI	Investing in education, training and vocational training for skills and LLL	SO 1: Reducing ESL through monitoring and preventive measures as well as the enhancement of the education experience including the provision of electronic tablets and related e-content. This investment priority will also aim to improve literacy outcomes and invest in capacity building of education systems and structures as well as provide training to parents.	Adequate explanation	ESF 10(i)	Adequate consideration	Adequate consideration	paragraphs 2.43-2.47 refer
		SO 1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level.	Adequate explanation	ESF 10(ii)	Adequate consideration	Adequate consideration	paragraphs 2.48-2.51 refer
		SO 1: Enhancing equal access to LLL for all age groups in formal, non-formal and informal settings upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences	Adequate explanation	ESF 10(iii)	Adequate consideration	Adequate consideration	paragraphs 2.52-2.56 refer
		SO 1: Strengthening vocational education and training systems with the aim of increasing participation in further and higher education and addressing the dropout rate from VET institutions, whilst reducing labour market mismatches	Adequate explanation	ESF 10(iv)	Adequate consideration	Adequate consideration	paragraphs 2.57-2.58 refer

## C Indicators and Monitoring

### Financial Indicators, Milestones and Targets

2.60 The financial indicators and their corresponding milestones and targets are presented in the Performance Framework of each Priority Axis. The Performance Framework is addressed in detail in Section C (IV) of this report, while this section delves into the portion of ERDF and ESF funds allocated to Thematic Objectives within the OPs. Table 13 provides this data in terms of education and employment.

**Table 13: Financial Details of Priority Axes, Education and Employment (TEUR)**

Priority Axis	Financial Indicator	Milestone 2018	Target Value 2023
<b>ERDF</b>			
Priority Axis 9	€	€8,573	€26,905 <sup>a</sup>
<b>ESF</b>			
Priority Axis 1	€	€6,256	€20,800
Priority Axis 2 <sup>b</sup>	€	€8,695	€28,000
Priority Axis 3	€	€11,430	€37,940

**Notes:**

- a. The figure presented in the Performance Framework of Priority Axis 9 in OPI (€33,630,975) includes the national co-financing amount.
- b. ESF Priority Axis 2 included IP 9(iv), which addresses health in terms of social inclusion. While the other IP under ESF Priority Axis 2 related to education and employment, IP 9(iv) did not; however, milestone 2018 was not apportioned at the IP level but established at Priority Axis level. On the other hand, the €28,000,000 was apportioned at IP level.

2.61 The MA noted that the target values included in the OPs were arrived at after the consideration of a number of factors. In this sense, Government's plans in terms of EU funding and subsequent EC endorsement are the two main determinants of what priorities are earmarked for funding and to what extent. Of particular importance is the fact that allocated funding is estimated on the basis of actions and initiatives planned under each OP in light of the selected thematic objectives. As noted in paragraph 2.3 of this report, in establishing funding to be allocated to the priority axes, each Ministry was requested to identify its priorities and indicate estimated costs. Following the identification of these priorities, Malta, in its negotiations with the EC, established that deemed eligible for EU funding.

#### **ERDF (OPI), Priority Axis 9, Thematic Objective 10, Investment Priority 10(a)**

2.62 Noted in OPI was the fact that education was a key component in terms of Malta's competitiveness, hence justifying the allocation of funds. In this regard, seven per cent of ERDF resources were allocated to IP 10(a), that is, to direct investment for the development of the necessary training infrastructure. Investment in this sense was intended to enhance participation in education, training and LLL. Specified in OPI was that this investment was to contribute towards an increase in the attainment of basic skills, a reduction in the ESL rate, and ensure the labour-market relevance of education and training. Furthermore, these funds were to target investments that were to contribute towards increasing the participation of 30 to 34-year-olds in tertiary or equivalent education. The NAO considered that presented in the OP as an adequate explanation of the financial indicators, milestones and targets relating to Thematic Objective 10.

#### **ESF (OPII), Priority Axis 1, Thematic Objective 8, Investment Priorities 8(i) and 8(ii)**

2.63 Malta directed approximately 20 per cent of its ESF allocation towards the employment thematic objective, with prioritisation in this respect assuming particular relevance

in view of Government's intention to make further investments in this field to address the shortfall in the employment rate when compared to the EU average. This percentage was allocated in view of the fact that employment shortfalls persisted and were to be addressed to enhance Malta's competitiveness. This investment under IP 8(i) was expected to contribute towards Malta's national 2020 target of increasing the employment rate to 70 per cent and ultimately contribute to the Europe 2020 target, that is, a 75 per cent employment rate among 20 to 64-year-olds. Approximately 75 per cent of funds allocated to this Thematic Objective were intended to address the shortfall in employment rate through support to older workers and women, as well as the concepts of labour mobility, self-employment and entrepreneurship.

- 2.64 Thematic Objective 8 also addressed constraints faced by youths, especially in terms of youth unemployment and increasing NEET rates. In this regard, approximately 25 per cent of the ESF allocation dedicated to this Objective was ring-fenced for the youth investment priority, IP 8(ii). This approach was expected to provide sufficient resources for this target group in order to ensure that youths are equipped with the necessary employability and adaptability skills to thrive in the labour market. Increasing youth employment levels was expected to directly contribute towards increasing the overall employment rate. The NAO noted that while the OP did not provide a comprehensive explanation of how the financial indicators, milestones and targets relating to Thematic Objective 8 were arrived at, this information was sourced from the MA.

#### **ESF (OPII), Priority Axis 2, Thematic Objective 9, Investment Priority 9(i)**

- 2.65 Government directed 32 per cent of the ESF allocation to Thematic Objective 9 in a bid to attain the national target of lifting around 6,560 persons out of the risk of poverty and social exclusion. The NAO positively noted that this level of funding exceeded the minimum 20 per cent threshold established in Article 4(2) of the ESF Regulation. Of the 32 per cent, 28 per cent was allocated to enhance active inclusion by creating opportunities for all. The remaining four per cent of funding was allocated towards the promotion of healthy lifestyles as a means to increase equitable access to health care and enhance service delivery through training for health care professionals; however, this allocation was not included as part of the audit as it was not directly related to education and employment. Similar to that stated with respect to Thematic Objective 8, the NAO noted that while the OP did not provide a comprehensive explanation of how the financial indicators, milestones and targets relating to this Thematic Objective were arrived at, the required information was in fact sourced from the MA.
- 2.66 However, as indicated in Table 13, the NAO was not provided with information regarding the apportionment of the milestone 2018 value in respect of ESF Priority Axis 2. Although this apportionment was not a requirement established by the CPR, this Office deemed this information as essential in substantiating how the MA arrived at the established milestone. Nonetheless, the MA stated that, in accordance with Article 2(8) of the CPR, the Performance Framework is calculated at a priority axis level and not at an IP level. The MA also maintained that the objective of the Performance Framework is to ensure that the OPs, under the control of the MA, deliver that intended and achieve planned objectives.

#### **ESF (OPII), Priority Axis 3, Thematic Objective 10, Investment Priorities 10(i), 10(ii), 10(iii), and 10(iv)**

- 2.67 As noted in the Partnership Agreement, the Council recommendations, and the OPII ex-ante evaluation, Government faces significant challenges in terms of ESL and tertiary education level rates, as well as the labour market relevance of education and training. In view of this, the largest share of the ESF allocation was directed at Thematic Objective 10, equivalent to approximately 38 per cent of the Fund. Noted in the OP was the fact that Government was cognisant that its ability to secure economic and

social development was dependent on the quality of its human resources. Therefore, this Thematic Objective intended to improve the quality of education at all levels, reduce illiteracy, increase participation rates in education, and ultimately contribute to Malta becoming a centre of excellence in education and research.

2.68 Approximately one third of funds allocated under this Priority Axis were directed at addressing ESL, in efforts intended to reduce the rate to less than 10 per cent. The budget allocated to LLL was also equivalent to approximately one third of funds assigned to this Priority Axis. Funding in this respect was intended for the upskilling of the workforce, especially in terms of ensuring market relevance. On the other hand, 20 per cent of the Thematic Objective 10 budget was to support an increase in tertiary education attainment, and enhance the tertiary education experience. The remaining budget under this Thematic Objective, amounting to approximately 17 per cent, was earmarked for VET, deemed essential to enable Malta to compete in knowledge-intensive markets with a highly skilled and adaptable workforce. Again, the NAO noted that although the OP did not provide a detailed explanation of how the financial indicators, milestones and targets relating to Thematic Objective 10 were determined, the MA provided the required information.

### Output Indicators and Target Values

2.69 Output indicators and target values were calculated on the basis of historical data, when available, or on the basis of estimated costs. The MA indicated that the calculation of output indicators was based on average unit costs for similar projects. Therefore, the relationship between the funding amount and output is linear. Notwithstanding this, the MA acknowledged that the use of historical data has its weaknesses, such as the fact that it does not take into consideration the time factor of money, as well as other economic factors that may influence the cost parameters.

2.70 Hereunder, presented in tabular format, are the output indicators corresponding to each IP under review, with details of target values and supported SOs. The output indicators are assessed according to their respective IP, with relevant weaknesses identified commented on.

**Table 14: Investment Priority 10(a) Output Indicators**

Investment Priority 10(a): Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure		
Output Indicator	Target Value (2023)	Supported Specific Objective
Capacity of VET and tertiary education infrastructure	10,000	Strengthening VET systems with the aim of increasing participation in further and higher education and addressing the dropout rate from VET institutions, while reducing labour market mismatches

**Table 15: Investment Priority 10(a) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

**Table 16: Investment Priority 8(i) Output Indicators**

Investment Priority 8(i): Access to employment for job seekers and inactive people, including the long term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility		
Output Indicator	Target Value (2023)	Supported Specific Objective
Above 54 years of age	100	SO2: Enhancing the employability of older workers
Persons Supported	2,900	SO1: Improve employment levels and labour mobility through incentives for employers and support measures for jobseekers/workers
Capacity Building measures for public employment services (PES) and European Employment Services (EURES)	2	SO1: Improve the employment levels and labour mobility through incentives for employers and support measures for jobseekers/workers
Persons supported through family friendly measures including through financial support	100	SO3: Improving the labour market participation of women through financial support for the care of dependents in order to facilitate retention and return of women into the labour market as well as campaigns
Persons participating in entrepreneurship-related measures	180	SO4: Increase the prevalence of self-employment and entrepreneurship as an alternative form of employment through financial incentives and other non-financial support

**Table 17: Investment Priority 8(i) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	One indicator (Persons Supported: 2,900) was not clear in terms of which SO it corresponded to
Indicators are not measurable	Measurable

2.71 Following queries raised by the NAO with respect to the output indicator deemed unclear, the MA made reference to a scheme under IP 8(i) similar to the Employment Aid Programme. A budget of €12,000,000 was allocated to this scheme and the 2,900 output target was determined by calculating the cost per participant utilising data from the 2007-2013 programming period. Although not clearly specified in the OP, the NAO noted that the guidance notes provided adequate explanations regarding the relationship between the output indicator and the SO.

**Table 18: Investment Priority 8(ii) Output Indicators**

<b>Investment Priority 8(ii): Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee</b>		
<b>Output Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Below 25 years of age	2,700	SO1: Smoothing the transition of youth from education to employment
Persons participating in upskilling and retraining programmes	25	SO1: Smoothing the transition of youth from education to employment

**Table 19: Investment Priority 8(ii) Output Indicators: Weaknesses**

<b>Weaknesses</b>	<b>Findings</b>
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

**Table 20: Investment Priority 9(i) Output Indicators**

<b>Investment Priority 9(i): Active inclusion, including with a view to promoting equal opportunities and active participation and improving employability</b>		
<b>Output Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Persons participating in training/support measures	8,500	SO1: Enhancing active inclusion by creating opportunities for all
Persons supported towards the de-institutionalisation through the provision of skills and support services	30	SO1: Enhancing active inclusion by creating opportunities for all
Research activities and campaigns focusing on vulnerable groups so as to improve service delivery	6	SO1: Enhancing active inclusion by creating opportunities for all
Persons participating in upskilling and retraining including partners	1,200	SO1: Enhancing active inclusion by creating opportunities for all

**Table 21: Investment Priority 9(i) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

**Table 22: Investment Priority 10(i) Output Indicators**

Investment Priority 10(i): Reducing and preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training		
Output Indicator	Target Value (2023)	Supported Specific Objective
The provision of digital technologies to students	12,000	SO1: The enhancement of the education experience including the provision of electronic tablets and related e-content
Pupils/students supported through monitoring and preventive early school leaving measures	200	SO1: Reducing ESL through monitoring and preventive measures
Persons participating in upskilling and retraining programmes	4,500	SO1: Improve literacy outcomes and invest in capacity building of education systems and structures as well as provide training to parents

**Table 23: Investment Priority 10(i) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

2.72 The NAO noted that under IP 10(i), three distinct but related output indicators corresponded to one SO. When queried on this point, the MA stated that, although the output indicators were somewhat different, they all contributed to the reduction in ESL. Therefore, the address of illiteracy would simultaneously target the issue of ESL. Further commenting in this respect, the MA stated that the output indicators were to reflect that being financed, hence justifying the three distinct output indicators.

**Table 24: Investment Priority 10(ii) Output Indicators**

<b>Investment Priority 10(ii): Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups</b>		
<b>Output Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Persons participating in tertiary education	700	SO1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level.
Persons within tertiary education institutions participating in upskilling and retraining measures	50	SO1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level.

**Table 25: Investment Priority 10(ii) Output Indicators: Weaknesses**

<b>Weaknesses</b>	<b>Findings</b>
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

**Table 26: Investment Priority 10(iii) Output Indicators**

<b>Investment Priority 10(iii): Enhancing equal access to LLL for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences</b>		
<b>Output Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Persons participating in second chance education programmes	50	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL
Number of postdoctoral research and fellowships	10	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL including postdoctoral studies
Persons participating in training/support	6,000	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL including postdoctoral studies

**Table 27: Investment Priority 10(iii) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

**Table 28: Investment Priority 10(iv) Output Indicators**

Investment Priority 10(iv): Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening VET systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes		
Output Indicator	Target Value (2023)	Supported Specific Objective
Persons participating in upskilling and retraining programmes	400	SO1: Addressing the dropout rate from VET institutions, while reducing labour market mismatches
Persons participating in training/support measures	1,400	SO1: Strengthening VET systems with the aim of increasing participation in further and higher education

**Table 29: Investment Priority 10(iv) Output Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – output indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Relevant
Not relevant for objectives of OP	Relevant
Too many indicators	No
Indicators are not clear/are open to interpretation	Clear
Indicators are not measurable	Measurable
Other weaknesses	No

### *Result Indicators and Target Values*

**2.73** The MA stated that the result indicators set in the OP capture the expected outcomes brought about by the interventions. These indicators correspond to the SOs set out for each IP selected at a national level. In accordance with the Monitoring and Evaluation Guidance document (issued by the Directorate-General for Employment, Social Affairs and Inclusion), the result indicators were set as close as possible to the activities conducted under the respective SOs. For example, result indicators for employment measures were to be based on the number of persons in employment after participation in the initiative. Results could be immediate, in respect of data related to training, or long-term, in respect of data related to employment. In view of this, data would be collected through various methods and at different intervals.

2.74 With respect to OPII, the NAO was provided with documentation indicating the methodology employed in determining baseline and target values of the result indicators. This Office is of the opinion that the methodology adopted in this regard was well reasoned, with targets set considered realistic and generally ambitious.

**Table 30: Investment Priority 10(a) Result Indicators**

<b>Investment Priority 10(a): Investing in education, training and vocational training for skills and lifelong learning by developing education and training infrastructure</b>		
<b>Result Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
ESL rate	10%	Invest in public infrastructure aimed to provide education and training facilities for academic and VET to reduce ESL
Share of 30 to 34-year-olds having completed tertiary education or equivalent	33%	Invest in public infrastructure aimed to provide education and training facilities for academic and VET to improve tertiary education attainment

**Table 31: Investment Priority 10(a) Result Indicators: Weaknesses**

<b>Weaknesses</b>	<b>Findings</b>
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on education
Other weaknesses	No

**Table 32: Investment Priority 8(i) Result Indicators**

Investment Priority 8(i): Access to employment for job seekers and inactive people, including the long term unemployed and people far from the labour market, also through local employment initiatives and support for labour mobility		
Result Indicator	Target Value (2023)	Supported Specific Objective
Participants in employment on completion	75%	SO1: Increase the employment levels and labour mobility through incentives for employers and support measures for jobseekers/workers
Increase in the number of participants and employers through PES and EURES	1,700	SO1: Increase the employment levels and labour mobility through incentives for employers and support measures for jobseekers/workers
Older workers in employment on completion	86%	SO2: Enhancing the employability of older workers in the labour market
Women in employment on completion	75%	SO3: Improving the labour market participation of women through financial support for the care of dependents in order to facilitate retention and return of women into the labour market as well as campaigns
Participants successfully develop a business plan and set up an enterprise	35%	SO4: Increase the prevalence of self-employment and entrepreneurship as an alternative form of employment through financial incentives and other non-financial support

**Table 33: Investment Priority 8(i) Result Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on employment
Other weaknesses	No

**Table 34: Investment Priority 8(ii) Result Indicators**

<b>Investment Priority 8(ii): Sustainable integration into the labour market of young people, in particular those not in employment, education or training, including young people at risk of social exclusion and young people from marginalised communities, including through the implementation of the Youth Guarantee</b>		
<b>Result Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Unemployed participants who are in education/training, gaining a qualification/certification or are in employment, including self employment, on completion	70%	SO1: Smoothing the transition of youth from education to employment
Participants gaining a qualification/certification on completion in upskilling and retraining programmes	87%	SO1: Smoothing the transition of youth from education to employment

**Table 35: Investment Priority 8(ii) Result Indicators: Weaknesses**

<b>Weaknesses</b>	<b>Findings</b>
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on employment
Other weaknesses	No

**Table 36: Investment Priority 9(i) Result Indicators**

<b>Investment Priority 9(i): Active inclusion, including with a view to promoting equal opportunities and active participation and improving employability</b>		
<b>Result Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Persons equipped with skills to empower them to move towards de-institutionalisation	30%	SO1: Enhancing active inclusion by creating opportunities for all
Improved and introduced support programmes targeting vulnerable groups	6	SO1: Enhancing active inclusion by creating opportunities for all
Participants gaining a qualification/certification on completion of upskilling and retraining programmes	85%	SO1: Enhancing active inclusion by creating opportunities for all
Participants in employment/further study on completion	45%	SO1: Enhancing active inclusion by creating opportunities for all
Participants gaining a qualification/certification on completion	50%	SO1: Enhancing active inclusion by creating opportunities for all

**Table 37: Investment Priority 9(i) Result Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on poverty and social exclusion
Other weaknesses	Notes to Table 34 refer

**Table 38: Investment Priority 10(i) Result Indicators**

Investment Priority 10(i): Reducing and preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training		
Result Indicator	Target Value (2023)	Supported Specific Objective
Teaching time using digital technologies	50%	SO1: The enhancement of the education experience including the provision of electronic tablets and related e-content
Improved pupil/students performance on receiving support	40%	SO1: Reducing ESL through monitoring and preventive measures
Participants gaining a qualification/certification on completion of upskilling and retraining programmes	87%	SO1: Improve literacy outcomes and invest in capacity building of education systems and structures, as well as provide training to parents

**Table 39: Investment Priority 10(i) Result Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on education
Other weaknesses	Note (a) to Table 36 refers

**Table 40: Investment Priority 10(ii) Result Indicators**

<b>Investment Priority 10(ii): Improving the quality and efficiency of, and access to, tertiary and equivalent education with a view to increasing participation and attainment levels, especially for disadvantaged groups</b>		
<b>Result Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Participants gaining a qualification/certification on completion of upskilling and retraining programmes	87%	SO1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level
Participants gaining a qualification/certification on completion	85%	SO1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level

**Table 41: Investment Priority 10(ii) Result Indicators: Weaknesses**

<b>Weaknesses</b>	<b>Findings</b>
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on education
Other weaknesses	No

**Table 42: Investment Priority 10(iii) Result Indicators**

<b>Investment Priority 10(iii): Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce, and promoting flexible learning pathways including through career guidance and validation of acquired competences</b>		
<b>Result Indicator</b>	<b>Target Value (2023)</b>	<b>Supported Specific Objective</b>
Second chance participants gaining a qualification/certification on completion	75%	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL
Annual average number of research hours as at 2020	17,200	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL including postdoctoral studies
Participants gaining a qualification/certification on completion	87%	SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in LLL including postdoctoral studies

**Table 43: Investment Priority 10(iii) Result Indicators: Weaknesses**

Weaknesses	Findings
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on education
Other weaknesses	Note (a) to Table 40 refers

**Table 44: Investment Priority 10(iv) Result Indicators**

Investment Priority 10(iv): Improving the labour market relevance of education and training systems, facilitating the transition from education to work, and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems, including dual learning systems and apprenticeship schemes		
Result Indicator	Target Value (2023)	Supported Specific Objective
Participants gaining a qualification/certification on completion of upskilling and retraining programmes	87%	SO1: Strengthening vocational education and training systems with the aim of increasing participation in further and higher education and addressing the dropout rate from VET institutions, while reducing labour market mismatches
Participants gaining a qualification/certification on completion	87%	SO1: Strengthening vocational education and training systems with the aim of increasing participation in further and higher education and addressing the dropout rate from VET institutions, while reducing labour market mismatches

**Table 45: Investment Priority 10(iv) Result Indicators: Weakness**

Weaknesses	Findings
Not achievable	Achievable – result indicators were generally based on the previous programming period
Not ambitious	Not possible to determine
Not relevant for supported actions	Indicators are relevant for the supported actions
Not relevant for objectives of OP	Indicators are relevant for the objectives of the OP
Too many indicators	No
Indicators are not clear/are open to interpretation	Indicators are clear
Indicators are not measurable	Indicators are measurable
Definition for indicator differs from definition for Headline Target	Indicator in line with Headline Target on education
Other weaknesses	No

## Performance Framework

- 2.75 The regulatory framework for 2014-2020 introduced a performance framework to monitor the progress registered in achieving established objectives and targets and to promote and reward positive performance. A performance framework was to be defined for each priority axis within an OP and was to consist of milestones to be reached by the end of 2018, as well as targets to be attained by the end of 2023. These milestones and targets were to be set in terms of financial and output indicators, the latter being a subset of output indicators already selected in the OP. According to the guidance document on the performance framework, the output indicators selected for the purpose of measuring performance were to be as few as possible, yet account for the majority of the financial allocation under the specific priority axis.
- 2.76 The MA stated that it invested in the development and implementation of the Evaluation Plan, as per Article 56 of the CPR. According to the OPI and OPII Monitoring and Evaluation Strategy, during the initial years of programme implementation, evaluation activities were to focus on assessments that support the implementation process, as well as the relevance of interventions in respect of the OPs' objectives. The MA stated that particular emphasis was directed to the implementation of the Performance Framework, with a view to ascertain that the necessary capacity and expertise is available at the MA and Intermediary Body levels.
- 2.77 The NAO sought to determine the method applied in establishing the output and financial values presented in the performance frameworks of the priority axes being reviewed. In this regard, this Office noted that the MA referred to historical data in arriving at the output and financial indicators set out in the performance frameworks for OPI and OPII. In respect of OPII, the financial amount certified for each priority axis as at 2011 was calculated as a portion of the total allocation of the corresponding priority axis for the 2007-2013 programming period. The resultant percentages were utilised to calculate the milestones of the selected indicators, based on the 2023 final targets. These calculations are indicated in Tables 46 and 48.

**Table 46: Performance Framework Workings (Output Indicators): ESF (TEUR)**

	Allocated Amounts for 2007-2013 (€)	Certified Expenditure as at end 2011 (€)	Percentage of certified amount	Milestone (2018) (participants)	Final Target (2023) (participants)
Education <sup>a</sup>	49,400	10,809	22%	150	700
				1,600	7,400
Employment	37,693	3,325	9%	250	2,900
Social Inclusion	22,202	2,699	12%	1,000	8,500

Note:

- a. Due to the fact that none of the IPs under this specific priority axis amounted to 50 per cent or more of the financial allocation for Priority Axis 3, two indicators were selected for this performance framework, in order to represent the majority of resources allocated to this priority.

**Table 47: Performance Framework Workings (Financial Indicators): ESF (TEUR)**

	Percentage of certified amount	Milestone (2018) (€)	Final Target (2023) (€)
Education	30%	11,430	37,940
Employment	30%	6,256	20,800
Social Inclusion	27%	8,695	32,000

**Table 48: Performance Framework Workings (Output Indicator): ERDF**

	Measurement Unit as at end 2013	Measurement unit as at end 2011	% of measurement unit	Milestone (2018) (participants)	Final Target (2023) (participants)
Education	125	43	21%	2,000	10,000

**Table 49: Performance Framework Workings (Financial Indicator): ERDF (TEUR)**

	Percentage of certified amount	Milestone (2018) (€)	Final Target (2023) (€)
Education	25%	8,573	33,631

### Statistical System

2.78 Article 19 of the CPR states that in preparing OPs, Member States were to assess their preparedness in terms of the ex-ante conditionalities laid down in Annex XI of the same Regulation. In this respect, one of the applicable ex-ante conditionalities in Annex XI refers to statistical systems and result indicators. The ex-ante conditionality particular to this area requires Member States to assess whether there exists a statistical basis necessary to undertake evaluations on the effectiveness and impact of the OPs, and whether a system of result indicators necessary to select actions that most effectively contribute to desired results was in place. This ex-ante conditionality encompassed a number of criteria that were to be met by the Member States. OPI and OPII provide details on whether each of the criteria were met or otherwise. Table 50 provides details relating to the level of achievement with respect to the applicable ex-ante conditionality.

**Table 50: Ex-ante Conditionality - Statistical System and Result Indicators**

Criteria as per CPR	OP	Criteria met	Additional information in the OP
Arrangements for timely collection and aggregation of statistical data with the following elements are in place: the identification of sources and mechanisms to ensure statistical validation	OPI/OPII	Yes	Noted in the OPs was the fact that the NSO had the necessary structures in place to ensure the collection and aggregation of data in conformity with EU legislation and requirements. In this respect, reference was made to the Malta Statistics Authority Act. Reference was also made to the Policy on the Documentation of Data Quality and Methodology, which listed a number of aspects that were to be taken into consideration in the provision of quality data, namely: coverage, sampling error, response rates, comparability over time, benchmarking and revisions, comparability to other data sources, response and non-response bias, editing and imputation effect, and any other error sources.  The MA made reference to Annex 1 of Regulation (EU) No 1304/2013 of the European Parliament and of the Council on the ESF. Furthermore, in respect of ESF operations, the MA collected and retained micro data on individual participants. In this respect, the Structural Funds Database (SFD) captured the number of: entrants, female entrants, persons who completed the project (or otherwise) and women who completed the project (or otherwise), among others. Data on attendance and exams sat for was also collected and retained in the SFD, in line with Article 9(c) and (e) of the Data Protection Act.

Arrangements for timely collection and aggregation of statistical data with the following elements are in place: arrangements for publication and public availability of aggregated data	OPI/ OPII	Yes	As noted in the OPs, all arrangements were in place for data to be accessed publicly through the NSO website. Furthermore, the NSO policy on data dissemination provides for dissemination channels, news releases, publications and online statistical databases, among others. Nevertheless, the NSO is also bound by its policy on Confidentiality of Personal and Commercial Data, aimed at protecting data on individuals and data that is commercially sensitive.
An effective system of result indicators including: the selection of result indicators for each programme providing information on what motivates the selection of policy actions financed by the programme	OPI/ OPII	Yes	The OPs specified that result indicators were selected to closely fit the actions of each IP. It was also noted that targets for result indicators were based on historical data and national statistics, when available. Furthermore, prospective applicants were to indicate the applicable indicators relevant to their proposed project and set corresponding targets.
An effective system of result indicators including: the establishment of targets for these indicators	OPI	Yes	According to OPI, result indicators were selected to closely fit the actions of each IP and that targets for result indicators were established on the basis of historical data and national statistics, when available.
An effective system of result indicators including: the establishment of targets for these indicators	OPII	Yes	In the case of OPII, the baseline and target values in respect of four result indicators were to be established following the approval of the respective operations, which would provide the MA with improved visibility of the actions that were to be implemented. The deadline set in this respect was 31 December 2015; This ex-ante conditionality was fulfilled on 31 December 2016. The data, together with the corresponding methodology, was presented to the MC and was subject to discussion with the EC.
An effective system of result indicators including: the consistency of each indicator with the following requisites: robustness and statistical validation, clarity of normative interpretation, responsiveness to policy, timely collection of data	OPI/ OPII	Yes	The Monitoring and Evaluation Unit is tasked with verifying the statistical validity of the data on indicators as submitted by prospective beneficiaries. The NAO noted that, in some cases, during the project selection stage, applicants were requested to resubmit or clarify the statistics provided in respect of the selected indicators.
Procedures in place to ensure that all operations financed by the OP adopt an effective system of indicators	OPI/ OPII	Yes	Stated in the OPs was the fact that the Monitoring and Evaluation Unit was to provide prospective beneficiaries with the required guidance on indicators and reporting requirements. The NAO noted that detailed guidance on the indicators was provided with every call for projects.

### Monitoring

- 2.79** According to Article 47 of the CPR, the MA was to set up an MC within three months of the adoption of an OP by the EC. The MC was to draw up and adopt its rules of procedure in accordance with the institutional, legal and financial framework of the Member State. In line with Article 47, which also stated that MCs may oversee more than one OP, two committees were set up, one for OPI and the SME Initiative, and the other monitoring for OPII.
- 2.80** The composition of each MC was to be established by the Member State, provided that it was composed of representatives of the relevant authorities, intermediate bodies, and of representatives of partners. The latter, as per Article 5 of the CPR, referred

to competent urban and other public authorities, economic and social partners, as well as relevant bodies representing civil society, including environmental partners, non-governmental organisations (NGO), and bodies responsible for promoting social inclusion, gender equality and non-discrimination. In its analysis, the NAO noted that the composition of the two MCs was similar, bar minor differences in NGO representation. Aside from these variations, the MCs were composed of:

- a. the Permanent Secretary (or a designate) responsible for EU Funds as Chair;
- b. the Permanent Secretaries (or designates) of each ministry as representative of their respective portfolios;
- c. the Head (or designate) of the MA;
- d. the Head (or designate) of the Certifying Authority;
- e. the Directors General of the Funds and Programmes Division, the Department of Contracts, the Treasury Department, and the Economic Policy Department;
- f. the Head (or designate) of the EU Secretariat;
- g. a representative of:
  - i. the National Commission for the Promotion of Equality
  - ii. the General Workers Union
  - iii. the Union Haddiema Magħqudin;
  - iv. the Confederation of the Malta Trade Unions;
  - v. the Malta Employers' Association;
  - vi. the Malta Hotels and Restaurants Association;
  - vii. the Malta Chamber of Commerce, Enterprise and Industry;
  - viii. the General Retailers and Traders Union;
  - ix. the Forum Unions Maltin;
  - x. the Civil Society Committee within the Malta Council for Economic and Social Development;
  - xi. the Gozo Business Chamber;
  - xii. the Local Councils Association;
  - xiii. the Malta Confederation of Women's Organisations;
  - xiv. the National Council of Women;
- h. the Governor (or substitute) of the Central Bank;
- i. representative/s of the EC (in an advisory role); and
- j. representative/s of the European Investment Bank (for those OPs in which the EIB contributes).

2.81 The NAO noted that the Audit Authority did not form part of the MCs. When queried on this point, the MA stated that the Audit Authority's input was sought on an ad hoc basis, depending on the particular processes in the oversight of Structural Funds being reviewed by the MCs. According to the MA, representatives of the Audit Authority were also tasked with delivering a presentation on the Annual Control Report. This explanation was deemed reasonable by the NAO.

- 2.82 The main function of the Committees was the monitoring of the implementation of the OP, in collaboration with the MA. Other functions within the responsibility of the Committees were the:
- a. examination of issues related to the performance of the OP, including the conclusions of the performance review;
  - b. provision of opinions on any amendment to the OP proposed by the MA; and
  - c. provision of views on the implementation and evaluation of the OP, including actions related to the reduction of the administrative burden on beneficiaries, to the MA.
- 2.83 Apart from the requirements set out in the CPR, the Commission Delegated Regulation (EU) No 240/2014, listed aspects that were to be considered when formulating the procedural rules governing the MCs. These aspects, noted in Article 11, delved into the:
- a. members' voting rights;
  - b. notice given of meetings and the transmission of documents, which, as a general rule, was not to be less than 10 working days;
  - c. arrangements for publication and accessibility of the preparatory documents submitted to the MCs;
  - d. procedure for adoption, publication and accessibility of minutes;
  - e. arrangements for the establishment and activities of working groups under the MCs;
  - f. provisions on conflict of interest of partners involved in monitoring, evaluation and calls for proposals; and
  - g. conditions, principles and arrangements for reimbursement, capacity building opportunities and use of technical assistance.
- 2.84 The NAO reviewed the Mandate and Rules of Procedure documents in respect of OPI and OPII. In this regard, the only fundamental difference noted was the fact that the OPI Mandate allowed for an examination of the implementation of major projects, while that for OPII did not. This approach was adopted as OPII projects were not sufficiently substantial to be considered as major projects, as per Article 100 of the CPR.
- 2.85 In reviewing the Mandates against the key requirements outlined above, the NAO noted that:
- a. the Mandates did not specify the requirements for the establishment and activities of working groups under the MCs; and
  - b. the conditions, principles and arrangements for reimbursement and capacity building opportunities were not presented in the Mandates.
- 2.86 With regard to the establishment of working groups under the MCs, the MA stated that members on these Committees represented all Ministries and social partners. Following internal discussions and consultation with the EC, it was agreed that, in the

light of the ongoing dialogue between Government, Ministries and social partners, the establishment of working groups within the Maltese context was not necessary. In respect of capacity building opportunities, the MA noted, that in terms of the ESF Investment Priority 11(ii), stakeholders are to utilise the resources available under this PA so as to ensure that activities are not funded from two different sources. Moreover, the MA indicated that it addressed capacity building through a training strategy that involved all stakeholders and updates on progress registered were presented to the MC.

### **The Monitoring of Indicators**

- 2.87 In line with Article 56(1) of the CPR, the MA drew up Monitoring and Evaluation Strategies for OPI and OPII, covering the 2014-2020 programming period. The MA had originally set up a Monitoring and Evaluation Unit tasked with adopting a combination of top-down and bottom-up approaches in evaluating the OPs during the 2007-2013 programming period, which function was extended to the current programming period. Other functions of this Unit were to ensure the incorporation of key evaluation issues and horizontal themes, such as sustainability and equal opportunities, into the proposed research activities, the enhancement of the current monitoring system, as well as ad hoc evaluations triggered by under-performance against the OP or the performance framework targets. The top-down approach referred to the monitoring of predominant trends in Malta's economy and the labour market during the 2014-2020 programming period in terms of the overall objectives and results of the OPs. On the other hand, the bottom-up approach referred to the analysis of monitoring data of interventions in order to identify outputs and results, as well as horizontal issues, the achievement of performance indicators, and financial absorption.
- 2.88 As noted in these Strategies, the MA will assess the key evaluation issues and horizontal themes by establishing their relevance, effectiveness, efficiency and overall impacts. Furthermore, the MA set up a results-based monitoring and evaluation system to track progress and establish the impact of an OP. This system moves beyond the emphasis on inputs and outputs to a greater focus on outcomes and impacts.
- 2.89 According to the MA, the monitoring of financial indicators will be carried out on a regular basis. In this respect, when the MA notes low allocations of funds in particular areas, the attention of the MC will be drawn. Furthermore, this concern would be highlighted in bi-lateral meetings between the MA and the respective ministries and/or entities, following which, the MA will issue specific calls for projects in order to address the shortfalls identified.
- 2.90 On the other hand, output and result indicators will be monitored on a regular basis by the Monitoring and Evaluation Unit within the MA, from project application to project closure. In line with the Monitoring and Evaluation Strategies, the MA will assess, collect and verify projects at three particular stages:
- a. at the application stage: the MA will assess what the project is committing to;
  - b. during the implementation stage: the MA will verify and validate the data collected by the beneficiary through desk research and on-the-spot checks; and
  - c. at the project closure stage: the MA will ensure that all the necessary data is captured and can be aggregated at an OP level.

2.91 Further to the above, in order to obtain a comprehensive account of the strategic information of the OPs in terms of monitoring and evaluation, the MA will utilise multiple sources of data and information. These sources are:

- a. The Structural Funds Database 2014-2020: SFD14-20 provides real-time online information to all involved stakeholders, including the MA, the Certifying Authority, the Audit Authority, intermediate bodies, and beneficiaries. By inputting reliable, timely and complete data on a regular basis, the MA can monitor the progress of projects regularly and will have information at hand to make evidence-based decisions. The SFD was initially set up in 2007; nevertheless, the MA noted that significant changes were implemented to the system for the programming period 2014-2020. From a monitoring point of view, SFD14-20 is designed to capture comprehensive data on indicators at all levels, from application stage to the project's completion and from project level to programme level. The MA will have at least one officer designated to oversee the indicators module in order to ensure the completeness, accuracy and consistency of the data in the system. Moreover, the designated officer will serve as a contact point for beneficiaries who encounter difficulties in interpreting data. The MA also indicated that data will be analysed at all levels: from the MA to the beneficiaries. Efforts in this regard will ensure the necessary timeliness, completeness and reliability of data, in order to maximise its use for the purposes of planning and performance monitoring.
- b. Project Progress Reports: Beneficiaries will be required to fill in a Project Progress Report on a biannual basis. Through these reports, the MA will be able to assess achievements registered with respect to the milestones and deliverables specified in the respective Grant Agreements. In essence, these reports will serve as a monitoring tool, allowing the MA to detect significant shortcomings at an early stage so that corrective measures related to implementation can be taken. The submission of the reports is compulsory and the MA may withdraw funding should a beneficiary fail to comply with this requirement. In the reports, beneficiaries are to provide general details relating to the project in question, as well as specific details. Specific details refer to the progress registered in terms of achieving the expected output and result indicators, the juncture of the project, as well as details of calls for tenders. Data with respect to the number of successful, unsuccessful and current participants, together with their current employment status, are also to be provided in the report. Other information required includes revenue generation, horizontal issues, detected irregularities, and publicity measures.
- c. Ministerial/Intermediate Bodies Project Steering Committees: The public nature of the interventions necessitates the setting up of a Project Steering Committee within the relative ministry. The main function of these Committees is to provide a more effective mechanism to track project progress and to deal with arising issues that might be hindering progress. The Project Steering Committee reports to the Permanent Secretary or the Programme Implementation Director of the relevant ministry, who are ultimately responsible to monitor and steer projects that fall under their remit in order to ensure that targets are achieved within the set budget and in a timely manner. The MA and other relevant horizontal stakeholders will participate in these Committees.

- d. High Level Monitoring Meetings: These meetings are chaired by the Permanent Secretary of the Ministry for European Affairs and Implementation of the Electoral Manifesto (MEAIM), while the MA is responsible for setting the agenda and identifying project issues. These issues are subsequently discussed during the meetings in the presence of the Project Leader, the Ministry and other relevant horizontal stakeholders, depending on the nature of the issues being raised. These meetings were initiated during the 2007-2013 programming period and were effective in ensuring that causes of delay in the projects were brought to the forefront of discussions and that recommendations on the way forward were proposed.
- e. Cabinet: As a means to further monitor the implementation of the OPs at a more strategic level, the MA reports to the Cabinet of Ministers on the progress achieved on the approved projects within each Ministry's remit. The combination of the high level monitoring meetings and the Cabinet reporting mechanism continues to ensure that decisions are taken in a timely manner.

**Table 5.1: Monitoring of Indicators**

Type of indicator	In theory: based on documentation drawn up by the MA	Action taken by the MA for the monitoring of indicators
All Investment Priorities	Monitoring of financial indicators will be carried out on a regular basis. In this respect, when the MA notes low funding allocations of funds in particular areas, this will be brought to the attention of the MC. Furthermore, the concern would be highlighted in bi-lateral meetings organised by the MA with the respective Line Ministries and/or entities, following which, the MA will issue specific calls for projects in order to address the shortfalls identified.	The MA drew up Monitoring and Evaluation Strategies for OPI and OPII. The MA set up a Monitoring and Evaluation Unit, which has been in place since the 2007-2013 programming period. The MA operates a Structural Funds Database, which is designed to capture data on indicators at all levels. Project Progress Reports will be completed for every project, which will serve as a monitoring tool in terms of implementation. A template was provided to the NAO. This approach was also in place during the 2007-2013 programming period Project Steering Committees have been set up within Ministries benefitting from EU funding. High Level Monitoring Meetings are chaired by the Permanent Secretary of the MEAIM.
Financial		The MA reports to the Cabinet of Ministers on the progress achieved on the approved projects within each Ministry's remit.

All Investment Priorities	Output	<p>Output indicators will be monitored on a regular basis by the Monitoring and Evaluation Unit within the MA, from project application to project closure. In line with the monitoring and Evaluation Strategies, the MA will assess, collect and verify projects at three particular stages:</p> <ul style="list-style-type: none"> <li>(i) at the application stage: the MA will assess what the project is committing to;</li> <li>(ii) during the implementation stage: the MA will verify and validate the data collected by the beneficiary through desk research and on-the-spot checks; and</li> <li>(iii) at the project closure stage: the MA will ensure that all the necessary data is captured and can be aggregated at an OP level.</li> </ul>	<p>The MA operates a Structural Funds Database, which is designed to capture data on indicators at all levels.</p> <p>Project Progress Reports will be completed for every project, which will serve as a monitoring tool in terms of implementation. A template was provided to the NAO. This approach was also in place during the 2007-2013 programming period.</p> <p>Project Steering Committees have been set up within Ministries benefitting from EU funding. Data sourced in respect of output indicators may be either primary or secondary. Primary data is collected directly by the MA or beneficiaries, while secondary data is collected by entities or bodies outside the MA.</p> <p>High Level Monitoring Meetings are chaired by the Permanent Secretary of the MEAIM.</p> <p>The MA reports to the Cabinet of Ministers on the progress achieved on the approved projects within each Ministry's remit.</p>
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All Investment Priorities		
Result	<p>Result indicators will be monitored on a regular basis by the Monitoring and Evaluation Unit within the MA, from project application to project closure. In line with the Monitoring and Evaluation Strategies, the MA will assess, collect and verify projects at three stages:</p> <ul style="list-style-type: none"> <li>(i) at the application stage: the MA will assess what the project is committing to;</li> <li>(ii) during the implementation stage: the MA will verify and validate the data collected by the beneficiary through desk research and on-the-spot checks; and</li> <li>(iii) at the project closure stage: the MA will ensure that all the necessary data is captured and can be aggregated at an OP level.</li> </ul>	<p>The MA has embarked on setting up a results-based monitoring and evaluation system as a tool to track progress and establish the impact of a programme.</p> <p>The MA operates a Structural Funds Database, which is designed to capture data on indicators at all levels. This approach was also in place during the 2007-2013 programming period.</p> <p>Project Progress Reports will be completed for every project, which will serve as a monitoring tool in terms of implementation. A template was provided to the NAO.</p> <p>Project Steering Committees have been set up within Ministries benefitting from EU funding.</p> <p>Data sourced in respect of result indicators is either primary or secondary. Primary data is collected directly by the MA or beneficiaries, while secondary data is collected by entities or bodies outside the MA.</p> <p>High Level Monitoring Meetings are chaired by the Permanent Secretary of the MEA/IM.</p> <p>The MA reports to the Cabinet of Ministers on the progress achieved on the approved projects within each Ministry's remit.</p>

## *Measuring Long-term Impacts*

- 2.92 The MA noted that, with respect to ERDF, long-term impacts referred to impacts registered at least ten years following project completion. Therefore, the measurement of long-term impacts was not in place as yet. However, the MA noted that medium-term impacts of ESF and ERDF interventions will be measured through national statistics that will feed into thematic evaluation studies. These studies will focus on a number of areas, including thematic objectives, critical in ensuring the achievement of the objectives and results stated in the OPs. Furthermore, the MA will assess long-term impacts, depending on the status of the interventions, as well as the medium-term effects at the outcome level. The aim of these assessments is to measure whether the SOs have been achieved and to establish their direct effects, while also taking into consideration additional interlinked impacts at different levels, such as education, the labour market and individual skills acquired. Moreover, the MA noted that there may be multiple intermediate (short- and medium-term) outcomes that may eventually lead to impacts in the longer term, which may be included in an ad hoc impact evaluation report. In view of this, these evaluations will be carried out post-2020 and will examine in detail the results achieved in a number of areas following EU-funded interventions. As at end 2016, the MA was carrying out a study intended to identify data gaps in order to address such gaps through the collection of the required data at project level. This study will also serve to identify mitigation measures where data gaps exist. In addressing these gaps, the MA stated that it will be providing additional guidance to beneficiaries in this respect.
- 2.93 In the case of ESF, cohort studies (similar to one conducted during the 2007-2013 programming period) will be carried out during this programming period in order to meet the requirements set out in Annex 1 of the Fund's Regulation (Regulation (EU) No 1304/2013). This Annex stipulates that data collected in terms of the common output and result indicators should be provided in Annual Implementation Reports. Annual Implementation Reports provide details of the OP's status in terms of implementation and allow for reporting at IP level. In this respect, the MA is obligated to report on elements of the OP, including indicators, financial data and other aspects pertaining to implementation.
- 2.94 To this end, cohort studies are conducted by the NSO, wherein a sample of participants is traced a year after their participation in an intervention in order to establish their labour status and other criteria addressed through the intervention. The MA provided the NAO with a sample cohort study carried out in this regard, finalised in November 2015. The target population for this survey comprised persons who had participated in training projects co-financed through the ESF between 1 February 2015 and 31 August 2015. This study established whether participants had registered a change in their labour status after having completed EU-funded training, while also providing statistics in respect of demographic groups. The report also presented an analysis of which demographic groups reported a perceived change to their labour status as a result of the EU-funded training. Furthermore, the NSO sought to establish why a number of participants were of the opinion that the training did not contribute to an improvement in their employability, skills or knowledge.
- 2.95 Further to the above reporting structures, the MA is to submit progress reports in August 2017 and August 2019. These reports will present the strategic achievements of the ESIF.

2.96 Elaborating further on the matter, the MA stated that ESF interventions do not, on their own, directly create jobs. However, ESF interventions can help improve the prospects of those already in work and enhance the contribution of employees to the performance of their respective organisation. The indicator 'Number of participants receiving training' and the effects of training delivered would also have a significant bearing on job quality. The MA indicated that the ESF can serve as assistance to unemployed persons, improving the likelihood of securing employment through training and other measures. It is in this context that the MA noted that ESF measures not only directly benefit the target groups assisted, but also contribute towards other positive economic and social impacts.

### *Cost per Output*

2.97 Historical data from the 2007-2013 programming period was used by the MA in arriving at the budget per participant in terms of education. For instance, if a Masters-level course costs €7,000 and €70,000 is available, then the MA can finance 10 participants. Although the MA noted that historical data does not take the time factor of money or other changes in the economy into consideration, the cost of training in Malta remained stable.

2.98 On the other hand, the MA stated that it does not calculate the cost per job created in respect of employment since it is not an output indicator and there is not linear relationship between the intervention and the number of jobs created. This is only calculated for the Priority Axis aimed at enhancing competitiveness in small and medium-sized enterprises in OPI.

## **D Proposed Activities**

### *Potential Effectiveness*

2.99 Each potential intervention listed in the OPs was linked to an SO; hence, their contribution to the result indicator, target value, and SO was clearly presented in the respective OP. Table 52 provides an overview of the potential interventions, outlining relevant details and their link to the result indicators, target values, and SOs. The NAO established a link between the proposed actions and their corresponding output and result indicators, implying a comprehensible intervention logic.

**Table 52: Potential Effectiveness**

Investment Priority and Specific Objective	Proposed Action / Intervention	Explanation of how the action leads to the output	Explanation of the contribution to the result indicator, target value, specific objective	NAO Comments
IP 10(a), SO1	Investment in VET facilities	Adequate explanation	Adequate explanation	
	Investment in tertiary education facilities	Adequate explanation	Adequate explanation	
IP 8(i), SO1	Incentives for employment creation	Some explanation	Adequate explanation	As noted earlier, the output indicator 'persons supported' was not specific, hence somewhat unclear.
	Work exposure measures	Some explanation	Adequate explanation	As noted earlier, the output indicator 'persons supported' was not specific, hence somewhat unclear.
	Strengthening PES and support measures for job mobility	Adequate explanation	Adequate explanation	
IP 8(i), SO2	Enhanced incentives for older workers	Adequate explanation	Adequate explanation	
IP 8(i), SO3	Financial support for the care of dependents for retention and return in employment	Adequate explanation	Adequate explanation	
	Promoting family friendly measures	Adequate explanation	Adequate explanation	
IP 8(i), SO4	Provision of financial incentives and support, including mentoring	Adequate explanation	Adequate explanation	
IP 8(ii), SO1	Youth guarantees	Adequate explanation	Adequate explanation	This action identifies the role of employers as pivotal in terms of the implementation of related and supporting measures; however, despite the fact that the main focus of this proposed action is youths, the role that is to be assumed by employers was not clearly defined in the OP. Nonetheless, information on the role of employers is provided at project level.
	Youth employability	Adequate explanation	Adequate explanation	

IP 9(i), SO1	Education, training and support measures	Some explanation	Explanation available	Although the link with the result indicators was straightforward, this does not apply to the output indicator. The NAO identified which output indicator was linked to these actions through referral to the intervention logic.
	Improving the life chances for disadvantaged children and young persons	Adequate explanation	Adequate explanation	
	Family resource centres	Adequate explanation	Adequate explanation	
	Measures supporting social enterprises	Adequate explanation	Adequate explanation	
	Equal opportunities and anti-discrimination measures	Adequate explanation	Adequate explanation	
	Upskilling and reskilling of persons working with vulnerable groups as well as parents	Adequate explanation	Adequate explanation	
IP 10(i), SO1	Measures to monitor and prevent ESL	Adequate explanation	Adequate explanation	
	The provision of electronic tablets and e-content	Adequate explanation	Adequate explanation	
	Actions in compulsory schooling to provide minimum relevant skills to further their studies or to provide a smooth transition to work	Adequate explanation	Adequate explanation	
	Science subject popularisation	Adequate explanation	Adequate explanation	It is unclear why entrepreneurship was included with this potential intervention.
	Improving literacy	Adequate explanation	Adequate explanation	
	Enhanced education systems and structures to address ESL-related issues	Adequate explanation	Adequate explanation	
IP 10(ii), SO1	Increasing participation in tertiary education	Adequate explanation	Adequate explanation	
	Enhancing the quality of tertiary education through capacity building, including measures to improve programme relevance	Adequate explanation	Adequate explanation	

IP10(iii), SO1	Postdoctoral research and fellowships	Adequate explanation	Adequate explanation	Noted in the OP was the fact that support will also be provided in respect of the evolving development needs and challenges characterising Maltese society. However, the needs and challenges referred to were not specified.
	Investing in the private sector	Adequate explanation	Adequate explanation	
	Second chance in alternative paths and learning	Adequate explanation	Adequate explanation	
	Training for LLL	Adequate explanation	Adequate explanation	
	Capacity building of LLL structures	Adequate explanation	Adequate explanation	
IP10(iv), SO1	Updating the study programmes aimed at providing relevant skills for industry	Adequate explanation	Adequate explanation	
	Professional development of new curricular and capacity building measures	Adequate explanation	Adequate explanation	

**IP 10(a), SO1: Invest in public infrastructure aimed to provide education and training facilities for academic and vocational education and training to reduce early school leavers as well as improve tertiary education attainment**

2.100 Investment in VET facilities: Actions in this sense were intended to focus on two aspects: the construction and modernisation of VET facilities, and the development of high quality education facilities within further and higher education institutions. Furthermore, interventions were to include investment in VET infrastructures focused on the tourism and hospitality industry with the aim of maintaining a competitive edge within the sector. The IP 10(a) output indicator, titled ‘capacity of VET and tertiary education infrastructure’, was clearly linked to the corresponding result indicator, that is, the ‘national target: early school leaving rate’.

2.101 Investment in tertiary education facilities: Interventions in this respect were to build on measures already taken, while supporting the expansion of the medical, surgical and healthcare sciences faculty within the University of Malta campus and in Gozo. These interventions were to provide state of the art learning facilities, critical in keeping abreast with developments within the sector. The IP 10(a) output indicator, titled ‘capacity of VET and tertiary education infrastructure’, was linked to the corresponding result indicator titled ‘tertiary education: share of 30-34-year-olds having completed tertiary education’.

**IP 8(i), SO1: Improve the employment levels and labour mobility through incentives for employees and support measures for jobseekers/workers**

2.102 Incentives for employment creation: Related incentives focused on facilitating access to labour market participation of individuals facing difficulties with the aim of providing each individual with the opportunity to realise his/her potential. Noted in the OP

was the fact that these measures were to directly contribute towards the integration, retention and progression of disadvantaged groups in the labour market, while aiding in the prevention of inflows into long-term unemployment. From a review of the OPII intervention logic, the NAO noted that this proposed action was directly linked to the output indicator 'persons supported', which was in turn linked to the result indicator 'participants in employment before leaving'. However, as noted earlier, the output indicator 'persons supported' was not specific and hence considered somewhat unclear. On the other hand, the link between the result indicator and the proposed action was deemed clear as the action centred on providing employment opportunities, while the result indicator was concerned with the number of persons in employment after benefitting from a project.

- 2.103 Work exposure measures: This intervention was to support access to employment and continuous labour market participation for job seekers and workers through work exposure measures. Through this incentive, the target groups were to acquire the relevant labour market skills and competencies through direct labour market exposure that would enable them to find and retain a job, as well as improve employment prospects. In this context, subsidies were to be provided to target groups and employers. Of note was the fact that the participation of private employers was deemed to be of utmost importance for Malta in reaching its commitments in terms of employment. From a review of the OPII intervention logic, the NAO noted that the proposed action was directly linked to the output indicator 'persons supported', which was in turn linked to the result indicator 'participants in employment before leaving'. However, as noted earlier, the output indicator 'persons supported' was not specific and hence considered somewhat unclear. On the other hand, the link between the result indicator and the proposed action was clear, as the action was centred on providing work exposure measures, while the result indicator addressed the number of persons in employment after benefitting from a project.
- 2.104 Strengthening PES and support measures for job mobility: This intervention aimed to reinforce the role of the PES in its provision of employment advisory and placement services to job seekers, as well as the design and quality assurance of its training programmes and the provision of related services to employers. These measures were in line with the National Employment Policy, which indicated that the focus of support was to be directed towards investment that improved on the systems and processes that were in place to meet the requirement of PES clients and those resulting from an evolving labour market.
- 2.105 Furthermore, in line with the related SO, this intervention was aimed at promoting the facilitation of labour mobility across EU Member States. Action in this sense included the support of EURES activities, which included services to EU nationals and their dependents residing in Malta, employers and job seekers in relation to recruitment and related information, as well as advice and guidance services intended to enhance the geographic mobility of workers across Member States.
- 2.106 Also in line with this intervention, Government aimed to invest in interventions directed at career review and the identification of mobility prospects for certain categories of workers, in order to facilitate employment participation in ensuing years. This type of intervention was intended for workers with strenuous and high-risk jobs, where long-term endurance was low. It was in this context that importance was assigned to the provision of support in order to enable these workers to shift to less strenuous and lower-risk jobs with minimal disruptions to the person's working life, thereby contributing to SO1 of IP 8(i).

2.107 The corresponding output indicator, 'capacity building measures for PES and EURES support services' was clearly linked to the aforementioned actions, as was the result indicator 'increase in the number of participants and employers using PES and EURES services'.

**IP 8(i), SO2: Enhancing the employability of older workers**

2.108 Enhanced incentives for older workers: Action in this respect consisted of incentives for employment creation and work exposure measures intended to increase the work-life duration of older workers. Specific support was aimed at older female workers in order to increase their participation in the labour market. These measures were in line with the related result indicator 'older workers in employment upon leaving', the common output indicator 'above 54 years of age' and the SO, while also indirectly contributing to SO3 of IP 8(i).

**IP 8(i), SO3: Improving the labour market participation of women through financial support for the care of dependents in order to facilitate retention and return of women into the labour market as well as campaigns**

2.109 Financial support for the care of dependents for retention and return in employment: This action was based on the premise that the rate of women with a university degree had exceeded that of males. However, the participation of women in the labour market remained lower than that of males and peaked at the 25 to 29 age bracket (Table 7 refers), resulting in the loss or underutilisation of human capital. Human capital was identified as one of Malta's primary resources in terms of generating economic activity. Against this background, this action was geared towards financially supporting care workers in order to facilitate their return to the labour market and augment employment retention. Moreover, childcare was highlighted as an essential tool in achieving work-life balance, thereby increasing female participation in the labour market. This action also supported the provision of financial aid to persons who assume the role of informal carer of dependent relatives. These proposed actions were directly linked to the output indicator titled 'persons supported through family-friendly measures including through financial support', as well as the 'women in employment upon leaving' result indicator.

2.110 Promoting family-friendly measures: This action was aimed at fostering work environments that supported family-friendly measures, with specific attention directed towards the adoption of different forms of work arrangements, including through the use of technology. These measures were in line with efforts intended to increase the participation rate of women in the labour market. Proposed actions were also directly linked to the output indicator titled 'persons supported through family-friendly measures including through financial support', as well as the 'women in employment upon leaving' result indicator.

**IP 8(i), SO4: Increase the prevalence of self-employment and entrepreneurship as an alternative form of employment through financial incentives and other non-financial support**

2.111 Provision of financial incentives and support, including mentoring: Government aimed to take measures that were to promote an environment in which business ownership and self-employment were considered alternative forms of employment, particularly through the provision of financial incentives and support, including

mentoring. These measures were to address the low start-up culture prevalent in Malta. Clearly corresponding to these actions were the output indicator titled 'persons participating in entrepreneurship-related measures' and the result indicator 'participants successfully developing a business plan and create an enterprise'.

#### **IP 8(ii), SO1: Smoothing the transition of youth from education to employment**

**2.112** Youth guarantees: This action addressed youth unemployment, particularly by focusing on reducing the number of NEET youths. This was to be achieved through investment in education for youths beyond compulsory school age, with the aim of improving their skills and the country's competence base. The OP identified the role of employers as pivotal in terms of the implementation of related and supporting measures; however, the role that is to be assumed by employers was not clearly defined in the OP. The MA stated that the main focus of this proposed was on youths and that information relating to the role of employers was provided at project level. In terms of indicators, this action was clearly linked to the common output indicator 'below 25 years of age' and the result indicator 'unemployed participants who are in education/training, gaining a qualification/certification or are in employment, including self-employment, upon leaving'. Hence, these indicators were directly linked with lowering the NEET rate.

**2.113** Youth Employability: Measures relating to youth employability were to address temporary, precarious and informal work arrangements in order to ensure the inclusion of young persons, as well as access and progress within the labour market. These measures encompassed investment in skills development programmes, the implementation of job exposure schemes, and the upskilling of youth workers. Investment in this respect was clearly in line with the corresponding SO, aimed at the smooth transition of youths from education to employment. Furthermore, the output indicator 'persons participating in upskilling and retraining programmes' was in line with addressing youth employability, as was the result indicator 'participants gaining a qualification/certification upon leaving in upskilling and retraining programmes'.

#### **IP 9(i), SO1: Enhancing active inclusion by creating opportunities for all**

**2.114** Education, training and support measures: Supported actions were to ensure that persons with special needs who face social exclusion are empowered through the acquisition of appropriate skills and knowledge. In this respect, measures were to include the elimination of barriers to training, education and other support measures that this cohort may face. The provision of specific services was also highlighted. This action was to be supported through the development of teaching tools, personalised action plans, tailor-made programmes designed to enable active participation and improve employability, as well as research on the subject matter. These measures were to contribute to the achievement of the targets relating to IP 9(i). Actions supporting these measures were linked with the output indicator 'persons participation in training/support measures' and the result indicators 'participants in employment/further study upon leaving' and 'participants gaining a qualification/certification upon leaving'. Although the link with the result indicators was straightforward, this was not the case with respect to the output indicator. This Office was able to identify which output indicator was linked to these actions through reference to the intervention logic.

**2.115** Improving the life chances of disadvantaged children and young persons: Actions in this respect were aimed at tackling the root cause of difficulties faced by young persons with complex social situations, as well as their families. Measures under this supported action were to include the provision of therapeutic services and assistance

to the target group, with investment aimed at addressing negative life-cycles. The output indicator 'persons supported towards the de-institutionalisation through the provision of skills and support services' was clearly linked to these actions, as was the result indicator 'persons equipped with skills to empower them to move towards de-institutionalisation'.

- 2.116** Family Resource Centres: This action was to be supported through the establishment of Social Development Centres across districts, intended to promote the socio-economic development of the different localities. These Family Resource Centres were to serve as a focal point for the provision of professional information, advice, assistance, support and education, especially to individuals with a disadvantaged background. These measures constituted a preventive approach to mitigating the rise in poverty levels, in line with Headline Target 10, which was also directly linked to the output indicator 'persons participating in upskilling and retraining including parents'. Furthermore, this output indicator corresponded to the result indicator titled 'participants gaining a qualification/certification upon leaving in upskilling and retraining programmes'.
- 2.117** Measures supporting social enterprises: Through related measures, vulnerable individuals were to be supported in identifying their potential and developing their talents in order to obtain different sources of income. Actions were to consist of training, mentoring, coaching and other learning schemes that address the upgrade of skills, knowledge and competencies of the persons in question in order to ensure their social and labour market integration. These measures were to provide vulnerable individuals with new income streams, thereby addressing the result indicator of having support programmes targeting vulnerable groups. These actions were in line with the output indicator titled 'research activities and campaigns focusing on vulnerable groups so as to improve service delivery' and its corresponding result indicator 'improved and introduced support programmes targeting vulnerable groups'.
- 2.118** Equal opportunities and anti-discrimination measures: Measures in respect of equal opportunities included awareness training, with particular attention directed at school administrators, educators, parents and support staff. Furthermore, other actions relating to equal opportunities in employment spanned a number of target groups, namely women, persons with a disability and older workers. In addition, measures targeted at employers were intended to raise awareness regarding the different types of discrimination that may occur at the workplace or in the recruitment process. Noted in this measure was the fact that studies were to be carried out in order to better understand the implications and consequences of discrimination. Actions in this sense were directly related to the output indicator titled 'research activities and campaigns focusing on vulnerable groups', which was linked with the result indicator titled 'improved and introduced support programmes targeting vulnerable groups'.
- 2.119** Upskilling and reskilling of persons working with vulnerable groups as well as parents: Measures in this respect included the support of training and development programmes for persons who work with vulnerable groups. In addition, investment was to be directed towards the capacity building of institutions to facilitate the de-institutionalisation of persons in residential care. Furthermore, voluntary organisations were to be supported in their endeavour to reach out to vulnerable groups. These actions were linked to the output indicator 'persons supported towards the de-institutionalisation through the provision of skills and support services' and to the result indicator 'persons equipped with skills to empower them to move towards de-institutionalisation'.

**IP 10(i), SO1: Reducing ESL through monitoring and preventive measures as well as the enhancement of the education experience including the provision of electronic tablets and related e-content. This investment priority will also aim to improve literacy outcomes and invest in capacity building of education systems and structures as well as provide training to parents**

- 2.120 Measures to monitor and prevent ESL: Actions that were to be taken in this respect included research intended to identify and explore the factors contributing to ESL, the setting up of a statistical framework as an input in the guidance of action to be taken in addressing ESL, as well as the establishment of early detection measures in compulsory education. Furthermore, measures were to be taken to remove systematic obstacles while also providing specific targeted interventions to individuals who need to be re-engaged throughout the process. Interventions were to be carried out at different levels, including measures that tackle absenteeism, improved student support services, specialised counselling services, one-to-one tuition, and the provision of alternate study/training programmes. As noted in the OP, particular attention was to be given to individuals facing challenging circumstances, including persons with a disability, gifted students<sup>6</sup> and other students with difficult backgrounds. These measures were in line with the output indicator ‘pupils/students supported through monitoring and preventive early school leaving measures’ and the result indicator ‘improved pupils/students performance upon receiving support’.
- 2.121 The provision of electronic tablets and e-content: Measures in this respect included the integration of digital technologies into the national curriculum through the provision of electronic tablets and the adoption of methods of learning involving e-content. Essential in achieving a coherent and user-friendly education system as well as ensuring the successful implementation of measures was the ICT training to be provided to teachers. The output indicator ‘the provision of digital technologies to students’ and the result indicator ‘teaching time using digital technologies’ were clearly aligned with these measures.
- 2.122 Actions in compulsory schooling to provide minimum relevant skills to further their studies or to provide a smooth transition to work: The objective in respect of this measure was for compulsory schooling levels to guarantee the minimum levels of skills required to ensure that students are equipped with the relevant skills. Another aim was to introduce alternative learning programmes for students who were at risk of educational failure. These programmes were aimed at improving the quality of the students’ learning experience so as to enable them to achieve the minimum relevant skills required to further their studies or enter the labour market with no or minimal difficulties. These measures were aligned with the output indicator titled ‘pupils/students supported through monitoring and preventive early school leaving measures’, which was linked to the result indicator ‘improved pupils/students performance upon receiving support’.
- 2.123 Science subjects’ popularisation: Investment in this regard was to be targeted at an education system that adequately shaped future human capital in research and innovation, thereby addressing the existing shortfall of human capital in science, technology, engineering and mathematics, as well as fostering an entrepreneurial culture from the earliest stages. Although the NAO could not establish a direct link between the popularisation of science subjects and the fostering of an entrepreneurial culture, the other actions were in line with the output indicator ‘pupils/students supported through monitoring and preventive early school leaving measures’ and

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<sup>6</sup> This refers to gifted students who become disengaged from the educational system due to an uninteresting and unchallenging environment.

the result indicator 'improved pupils/students performance upon receiving support'. When queried on how the popularisation of science subjects was to contribute to an entrepreneurial culture, the MA made reference to the National Research and Innovation Strategy and acknowledged that this term was inadvertently included in this potential intervention.

- 2.124 Improving literacy: Measures taken in support of this action encompassed the strengthening of literacy structures. These measures included efforts intended at attracting young people to develop reading habits and activities for parents and guardians to encourage reading at all ages and levels of society. Importance was to be assigned to aspects of intergenerational education, given the strong correlation between the levels of literacy of children and of their respective caregivers. Furthermore, literacy at early educational stages was to be promoted through the establishment of reading community centres. These proposed actions were linked to the output indicator 'pupils/students supported through monitoring and preventive early school leaving measures' and the result indicator 'improved pupils/students performance upon receiving support'.
- 2.125 Enhanced education systems and structures to address ESL-related issues: Actions in this sense were to include continuous training and education programmes for educators and other workers within the education sector. Apart from reducing the ESL rate, this action was intended to deliver the new curriculum framework, which curriculum was focused on improving the quality of education and raising student achievement levels. Another related action entailed the strengthening of the capacity of youth workers through further investment in their skills and competencies. These potential actions were clearly aligned with the output indicator 'pupils/students supported through monitoring and preventive early school leaving measures' and the result indicator 'improved pupils/students performance upon receiving support'.

**IP 10(ii), SO1: Facilitating access to tertiary education through grants and other forms of assistance and actions to improve the quality of tertiary education programmes with the aim of increasing participation and attainment levels at the tertiary level**

- 2.126 Increasing participation in tertiary education: Measures aimed at increasing the number of persons with a tertiary level of education include further investment targeted towards scholarships and other forms of assistance for graduate and postgraduate studies. Furthermore, efforts were to be directed at attracting students into areas that lead to career opportunities in line with future economic, cultural and social needs. Persons who were already in employment and considering tertiary education were to be targeted through distance and online learning, as well as through the use of different outreach mechanisms. The latter included the review of admission requirements of mature students, which action was to provide the adult population with increased opportunities. These actions were intended to increase the participation rate in tertiary education and were therefore deemed in line with the output indicator 'persons participating in tertiary education' and the result indicator 'participants gaining a qualification/certification upon leaving'.
- 2.127 Enhancing the quality of tertiary education through capacity building including measures to improve programme relevance: Investment in this respect was targeted at improving and developing new tertiary level course programmes that address the needs of various industries. In addition, investment in this respect was to target academics as well as corresponding administrative and support structures, which measures were to support Government in its efforts at increasing participation rates in tertiary education in critical areas. Quality assurance and evaluation-related support in terms of the tertiary education framework were also anticipated

investments, essential in ensuring continued improvement. Furthermore, long-term planning and strategy formulation for tertiary education, or equivalent, was to be given due consideration. These actions were intended to improve tertiary education programmes and were therefore in line with the output indicator 'persons within tertiary education participating in upskilling and retraining measures' and the result indicator 'participants gaining a qualification/certification upon leaving in upskilling and retraining programmes'.

**IP 10(iii), SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in lifelong learning including postdoctoral studies**

- 2.128 Postdoctoral research and fellowships: Actions in this respect were mainly directed at postdoctoral research and fellowships, aimed at supporting the drive towards increasing the number of postdoctoral graduates with a view to creating a stronger knowledge base in Malta. Noted in the OP was the fact that this investment was to contribute towards Malta's economic, social, environmental and cultural development, targeting natural, pure and applied sciences, engineering, ICT, medical, pharmaceutical, and the social and behavioural sciences, among others. Support in this respect was also to be provided in respect of the evolving development needs and challenges characterising Maltese society; however, the NAO noted that the needs and challenges referred to were not specified. When queried on this point, the MA noted that this referred to the different and predominant sectors in the economy, citing the rapid shift in focus from one economic sector to the next, of the Maltese economy. Against this background, it was imperative that Malta remained adaptable in terms of education, especially with respect to science and technology. Furthermore, attention was to be directed towards collaboration within and among academic disciplines in order to enable Malta to compete at an international level. Actions in this sense were clearly linked to the output indicator 'number of postdoctoral research and fellowships' and the result indicator 'annual average number of research hours as at 2020'.
- 2.129 Investing in the private sector: Opportunities were to be provided to employers in terms of investment in their workforce intended to ensure that the private sector was well-equipped to meet market challenges and continue to operate within the complex global economic scenario. Achievement in this sense was envisaged through training focused on key skills, thereby enabling undertakings to compete effectively on the market. These measures were in line with the output indicator 'persons participating in training/support measures' and with the result indicator 'participants gaining a qualification/certification upon leaving'.
- 2.130 Second chance in alternative paths and learning: Actions in this sense were linked with ESL challenges, which include the strengthening of basic skills, retraining related to upskilling and reskilling, as well as multi-skilling in terms of different economic sectors. Additionally, the introduction of alternative learning programmes at post-secondary level was envisaged. These programmes were designed to improve the quality of the learning experience of students at risk of educational failure. Furthermore, a review process of the programmes in place was to be carried out and, where appropriate, programmes were to be strengthened. These measures fit squarely with the output indicator 'persons participating in second chance education programmes' and the result indicator 'second chance participants gaining a qualification/certification upon leaving'.
- 2.131 Training for LLL: The address of skills mismatches through the development and delivery of training and education that mirror market demands was one of the measures that was to be taken in this respect. Furthermore, programmes in place were to be revisited for assessment, when deemed appropriate. Education and training for

older workers, women and the inactive were to be given due attention in terms of LLL. These potential interventions were aligned with the output indicator 'persons participating in second chance education programmes' and the result indicator 'second chance participants gaining a qualification/certification upon leaving'.

**2.132** Capacity-building of LLL structures: LLL structures were to be strengthened through the provision of training and retraining measures to persons working in the field. Actions in this respect included the referencing of courses offered for improved mapping of available resources and labour market demands, the development of professional and occupational standards, as well as the design and development of a skills bank. Furthermore, it was envisaged that a centre for excellence was to be set up in order to address challenges in the area of educational attainment and literacy, among others. Other measures included interventions intended to strengthen the career guidance framework with a view to ensuring student access to the right educational path and career orientation according to the labour market. On the other hand, planned measures were to also target the development of formal, non-formal and informal learning pathways, with the aim of engaging ESLs in formal learning and further non-formal learning. These actions were in line with the output indicator 'persons participating in second chance education programmes' and the result indicator 'second chance participants gaining a qualification/certification upon leaving'.

**IP 10(iv), SO1: Upgrading the knowledge, skills and competences of the workforce through increased participation in lifelong learning including postdoctoral studies**

**2.133** Updating the study programmes aimed at providing relevant skills for industry: Measures in this respect included the provision of full-time and part-time courses suited to local industrial needs. These programmes were to offer the option of work placements for participants, including through apprenticeship programmes. Furthermore, it was envisaged that participants were to be provided with realistic work-type scenarios in their chosen field. Also considered of critical importance was investment in VET part-time programmes, as this was to serve as a means to upgrade the skills of the current workforce. Directly related to these actions were the output indicator 'persons participating in upskilling and retraining programmes' and the result indicator 'participants gaining a qualification/certification upon leaving in upskilling and retraining programmes'.

**2.134** Professional development of new curricular and capacity building measures: Actions in this respect included the update of the VET curricula, investment in VET trainers, educators and professionals, as well as the strengthening of the administrative and support services structures of the institutions through capacity-building measures. These actions were all related to the output indicator 'persons participating in training/support measures' and the result indicator 'participants gaining a qualification/certification upon leaving'.

*Guiding Principles for the Selection of Projects/Supported Actions*

**2.135** Each IP presented a list of guiding principles that were to be applied at the selection stage of operations in support of the corresponding IP. The guiding principles of the audited IPs were largely similar, bar some differences in IP 10(a), which corresponded to the ERDF programme. For this purpose, the contents of the guiding principles of OPI and OPII are being presented separately.

## Guiding Principles – OPI, IP 10(a)

2.136 In principle, the selection process was to follow that established under the 2007-2013 programming period, intended to capitalise on the administrative set-up already in place. The following procedures were established in the relevant IP:

- a. Open call for applications: Calls for applications were to indicate the priority axis being referred to and eligibility criteria. These calls were to be publicised in the media and on the EU Funds website. On the issuance of a call, application packs and guidance notes were to be uploaded on the MA website, whereas information sessions were also to be organised. Information sessions were to provide prospective applicants with details on the application and selection processes, among others. Eligibility and selection criteria of prospective projects were proposed by the MA and approved by the MC in March 2015. Cross-cutting criteria were to be considered, including but not limited to:
  - i. the quality of the proposal and its potential to contribute towards the achievement of the expected results as stated in OPI<sup>7</sup>;
  - ii. project costs, including cost effectiveness and project sustainability;
  - iii. the degree of additional leverage anticipated through the allocation of EU funds;
  - iv. effective integration of the horizontal principles, in particular sustainable development and equal opportunities principles;
  - v. the capacity of the organisation to implement the proposed project; and
  - vi. the state of readiness for the commencement of the project.

Further noted in this section was the fact that, to ensure a level playing field in the selection process, separate calls were to be issued for local councils and NGOs.

- b. Small projects and projects of particular interest: According to this section, in the eventuality that a call was published close to the end of the programming period, the MA could allocate funds directly to small projects that contribute to the achievement of the objectives of the OP. Discretion in terms of whether this procedure was adopted or otherwise rested with the MA. The beneficiary, who was expected to adhere to the procedures as directed by the MA, was to complete a project application form and sign a grant letter with the MA. Projects, which could not exceed €500,000 in total public eligible costs, were still to be aligned with the criteria as approved by the MC.
- c. Technical assistance: Requests in this respect were demand-driven and normally submitted throughout the duration of the OP. Eligible stakeholders, that is, the Audit Authority, Certifying Authority and the Treasury Department, were to follow procedures set by the MA in terms of technical assistance.
- d. Flexibility facility: Complementary actions falling within the scope of ESF assistance were to be financed under IP 10(a), subject to a limit of 10 per cent. Actions in this sense were to be considered if they were directly linked to the operation and deemed instrumental to its satisfactory implementation. This facility was in line with Article 98(2) of the CPR.

<sup>7</sup> The SAI queried the MA on why the quality of a proposal was considered to be a cross-cutting criteria and not a direct selection criteria. The MA stated that this criteria was in fact included as one of the selection criteria in the Calls for Projects.

## Additional Guidance – OPI

- 2.137 Further to the guiding principles provided in the OP, the MA issued eligibility guidance notes, detailed guidance notes, as well as guidance on indicators, with every call for projects. To date, four calls for projects have been issued in respect of OPI. The second call for projects was directed at IP 10(a) and other IPs that fell outside of the scope of this audit. This call was issued by the MA on 15 November 2015 and the closing date for the submission of applications was 8 April 2016. The announcement provided links to the application form for the submission of project proposals, which call was open to ministries, government departments, central government authorities, and public sector companies. Links to eligibility guidance notes, detailed guidance notes, and indicators guidance notes were also provided in the announcement. Furthermore, prospective applicants were invited to register for information sessions by 11 January 2016. In total, four information sessions were held. The first and second sessions provided a general overview and direction on how to apply online, the third session addressed the planning of a project proposal, while the last session provided information on the implementation of a proposal. In addition, two training sessions regarding the online application process were held by the Centre for Development, Research and Training.
- 2.138 Eligibility guidance document: This document provided prospective applicants with details regarding various aspects relating to eligibility. The guidelines identified the intended target groups as well as the bodies responsible for ERDF and CF. Background on the ERDF and CF in the 2014-2020 programming period provided basic details on how these funds were adopted in Malta, as well as the framework within which they operated and their overarching objectives. The application process was defined in this document, wherein it was established that submissions were to be made in electronic format through the online application form. Reference was also made to the detailed guidance notes, which explained how the form was to be completed. Apart from listing the eligible applicants, this document specified that the call was not open for local councils, voluntary organisations, private individuals and undertakings, as well as organisations having an economic/commercial nature.
- 2.139 Eligible activities were to satisfy two conditions, one of which specified that activities were to contribute to the achievement of the objectives and the results of OPI and the respective IP. The other condition required that activities contribute to the reinforcement of economic, social and territorial cohesion through redress of the main regional imbalances in the EU in terms of the sustainable development and structural adjustment of regional economies, including the conversion of declining industrial regions and regions whose development was lagging. This latter condition was in line with Article 3 of ERDF Regulation (EU) No 1301/2013. Applicants were to be the owners of the holding through which the activity was to be undertaken and/or hold legal title for a period of not less than five years after project completion. Furthermore, applicants were to abide by three conditions, as defined in Article 71 of EC 1303/2013. In this respect, within five years from the final payment to the beneficiary, an operation was not to undergo a:
- a. cessation or relocation of a productive activity outside the programme area;
  - b. change in ownership of an item of infrastructure which would give an undue advantage to a firm or public body; and
  - c. substantial change affecting its nature, objectives or implementation conditions that would result in undermining its original objectives.

2.140 Further to the above, project proposals were subject to an evaluation process consisting of a set of eligibility and selection criteria, approved by the MC. This approval was in line with Article 110(2)(a) of EC 1303/2013, which stated that the methodology and criteria used for the selection of operations was to be examined by the MC. In order to be considered for funding, projects were to pass all the eligibility criteria and obtain a minimum of 50 per cent of the total marks for the selection criteria. Assessing projects in terms of the eligibility criteria constituted a means to ensure that projects reached a minimum standard, which was followed by a further qualitative assessment. This qualitative assessment consisted of the application of selection criteria that were to assess how the proposals fit into the OP strategy and their potential contribution. More specific criteria could also be listed in calls for project proposals in terms of the type of activity, area or target group indicated in the guidance document. Table 53 presents a list of the eligibility and selection criteria provided in the eligibility guidance document.

**Table 53: Eligibility and Selection Criteria, OPI, Second Call for Proposals**

Eligibility Criteria	Assessment	Selection Criteria	Marks
Complete application form	Yes/No	Contribution towards indicators beyond minimum required	10
Project remit within mandate of beneficiary	Yes/No	Readiness	15
Project leader from beneficiary organisation	Yes/No	Project sustainability	10
Project implemented within the eligible territory	Yes/No	Capacity of the organisation	10
Proof of co-financing where applicable	Yes/No	Contribution to the development needs	10
Contribution towards IP	Yes/No	Potential of the project to contribute to the achievement of the Expected Results	15
Proposal in line with the relevant SO and Expected Results of the IP	Yes/No	Horizontal priorities: Environmental sustainability and equal opportunities	10
Contribution towards one indicator	Yes/No	Other horizontal priorities and climate change mitigation and adaptation	10
		Quality of application form	10

2.141 Explanations were also provided for each of the eligibility and selection criteria, as noted hereunder.

- a. Complete application form: applications were to be duly filled in through the system provided by the MA. Incomplete application forms or application forms lacking detail were not to be considered. Furthermore, relevant supporting documentation was to be submitted with the form.
- b. Project remit within the mandate of the beneficiary: the beneficiary was to be publicly mandated to perform the tasks involved. An example in this respect was the upgrading of roads by the government agency responsible for transport in Malta. Exceptions in this respect could be made if the applicant provided a clear justification for the intervention, which would nonetheless require the endorsement of the mandated agency.

- c. Project Leader from Beneficiary Organisation: the overall financial and legal responsibilities for the implementation of the project were to be carried out by the project leader on behalf of the beneficiary. Hence, the project leader's direct association with the beneficiary organisation was essential, especially in terms of ensuring that funds would be exclusively used for the purpose specified in the project proposal.
- d. Project must be implemented within or for the direct benefit of the eligible territory: eligible territory referred to the whole territory of the Republic of Malta.
- e. Proof of co-financing (where applicable): evidence of co-financing was to be provided in cases where Government was not co-financing the project.
- f. Fits in with one of the IPs: a list of the applicable IPs was provided and reference was made to the scope of the project and its relevance to the IP.
- g. Contributes towards SOs and Expected Results: projects applied for were to be in line with one SO of the selected IP and were to be capable of achieving the Expected Results. A list of the IPs and the corresponding SOs and Expected Results was provided.
- h. Contribute towards indicators: the application form was to include clear and measurable targets that were in line with at least one of the indicators of the relevant Priority Axis and IP open under the call.
- i. Contribution to the development needs: the proposed project was to adequately address the relevant development needs identified in the OP. In this respect, the applicant was to provide a clear description of how the intended project was to achieve this by providing an analysis outlining the need for the implementation of that proposed. A list of the development needs corresponding to the SOs of the call for proposals was provided in this section of the document.
- j. Potential of the project to contribute to the achievement of the Expected Results: funded projects were to be results-oriented, with the aim of contributing significantly to the reduction in economic and social inequalities between Member States and to reach Europe 2020 goals.
- k. Further contribution towards indicators: applicants were to ensure that the selected indicators were properly quantified in terms of envisaged targets. Moreover, the application form was to indicate that a sound method of verification and audit trail were in place and that the anticipated achievements were realistically planned to be achieved before a stipulated date (2018). The indicators that were to contribute to the performance were clearly outlined in this section.
- l. Project sustainability: project proposals were to demonstrate how the benefits of the projects were to continue to be delivered when financial support ended. In this respect, it was to be ensured that the longer-term economic sustainability of the project was taken into account and that appropriate measures were in place.
- m. Readiness: marks were to be allocated to projects at an advanced state of readiness. Readiness referred to, for instance, the preparation of the tender dossier. Projects that required a feasibility study were to be awarded marks if this had been finalised or was under implementation at the time of submission. Marks were to be allocated according to the state of readiness, which allocations were to be evidence-based.

- n. Capacity of the organisation: applicants were not to depend on external expertise of contracted managers. The capacity of the applicant was to be assessed in terms of adequate human resources and previous experience in co-funded projects. The applicant was expected to indicate experience in the implementation of projects similar to that applied for. Furthermore, organisations were to provide an organigram of the units that were to be involved in the project, especially in respect of its day-to-day management. Also required were details relating to how the project was to be operated and maintained. Moreover, the Project Selection Committee could request the legal basis constituting the entity.
- o. Horizontal priorities - equality between men and women, non-discrimination and accessibility and sustainable development: equal opportunities, equality between men and women, and accessibility were identified in Regulation (EU) No 1303/2013 as horizontal themes that were to be incorporated into the OPs. Applicants were to list the legal obligations and additional measures and indicate how these would be integrated and monitored throughout the project.
- p. Other horizontal priorities and climate change mitigation and adaptation: an assessment in this regard was to be carried out with a view to determine the extent of which the application incorporated measures that improved air quality, sustainable water management, as well as climate change mitigation and adaptation for climate change support.
- q. Quality of the application form: marks were to be allocated in respect of the overall coherence between different sections of the proposal, the level of description of the main activities, whether the budget reflected the activities proposed, and the general presentation of the proposal.

2.142 Detailed guidance document: This document provided general background information regarding the MA and the manner in which application forms were to be submitted. The scope of the document was to provide guidance on the electronic application process, a component of a system that was to serve as a tool for the submission, assessment, monitoring and exchange of information related to OPI. According to this document, a signed declaration form was to be submitted to the MA by not later than a week after the closing date of the call, that is, 15 April 2016. Details of the financial assessment, financial feasibility and cost-benefit analysis were also provided in this document. Step-by-step and detailed guidance on how to apply through the online portal were provided in this document.

2.143 Guidance on Indicators: This document provided information on the three types of indicators under the 2014-2020 programming period, namely, financial, output and result indicators. Applicants were advised to ensure that their project could contribute towards these indicators and had clear, identifiable and measurable targets that complied with at least one result and one output indicator. According to this document, output and result indicators were defined as follows:

- a. Output indicators: These referred to the direct products of an OP and were intended to contribute to results. Each IP had a set of output indicators, encompassing selected common output indicators, as listed in Annex I of EC 1301/2013, as well as programme specific output indicators that reflected the actions of the OP. Output indicators of proposed projects and OP output indicators were to have the same definition, methodology, and basis for measurement. This was to enable the MA to aggregate project output indicators at the level of the OP.

- b. Result indicators: These indicators consisted of variables that measured the impact of specific aspects of outputs funded through the OP. Result indicators, set at a national level, were to contribute to the Europe 2020 targets. In respect of IP 10(a), an SO and two corresponding result indicators were defined.

2.144 Applicants were to set targets in terms of output and result indicators and provide a clear explanation as to how these targets were calculated, as well as the manner in which outputs and results were to be verified. Furthermore, applicants were to provide details on the mechanism and audit trail in place, essential in terms of the collection of data. Projects that contributed to the performance indicators were to have an action plan in terms of how the financial and output targets were to be achieved by 2018. The importance of setting realistic targets was emphasised in this document, in view of the fact that failure to deliver the agreed indicators could result in the withdrawal of EU funds or the repayment of the funds by the applicant.

### **Guiding Principles – OPII**

2.145 The selection process was to follow that established under the 2007-2013 programming period with the aim of capitalising on the administrative set up already in place. The following procedures were established for the OPII IPs under review:

- a. Open call for applications: the contents of this section mirrored those presented in IP 10(a) of OPI. However, reference to the fact that separate calls were to be issued for local councils and NGOs, to ensure a level playing field in the selection process, was not made in IP 10(ii), IP 10(iii) and IP 10(iv).
- b. Aid schemes: the MA was to assign aid schemes to Intermediate Bodies and, therefore, no public calls were to be issued for their management. Similar to the open call procedure, the selection criteria were to be established by the MA and approved by the MC.
- c. Small projects and projects of particular interest: this section allowed for funds to be directly allocated to small projects that were to contribute to the achievement of the OP objectives that arose during the implementation period but were outside the period of an open call. The final decision to adopt this procedure was vested with the MA. The beneficiary, who was to follow rules and procedures as directed by the MA, was to complete a project application form and sign a grant letter with the MA. In this sense, the public eligible cost limit was capped at €250,000.
- d. Flexibility facility: Complementary actions falling within the scope of ERDF assistance were to be financed under OPII IPs, subject to a limit of 10 per cent. Actions in this sense were to be considered if these were directly linked to the operation in question and instrumental to its satisfactory implementation. This facility was in line with Article 98(2) of EC 1303/2013.

### **Additional Guidance – OPII**

2.146 As in the case of OPI, the MA issued eligibility guidance notes, detailed guidance notes, as well as guidance on indicators, with every call for projects. To date, three calls for projects were issued in respect of OPII, with all three calls being relevant to this audit. These calls were issued by the MA on 10 May 2015, 6 December 2015, and 2 October 2016, and the closing dates for the submission of applications were 11 September 2015, 15 April 2016 and 27 January 2017, respectively. The calls provided links to the application form for the submission of project proposals. In the case of IPs

related to employment, the calls were open to ministries, government departments, central government authorities, and public sector companies. On the other hand, in the case of IPs related to education, the calls were open to the public administration. Links to eligibility guidance notes, detailed guidance notes, and indicators guidance notes were also provided in the calls. Furthermore, prospective applicants were invited to register for information sessions by 27 May 2015, 11 January 2016, and 10 October 2016, respectively. In total, 11 information sessions were held, where a general overview and direction on how to apply online was provided, as well as guidance on planning and implementing a project proposal.

**2.147 Eligibility guidance document:** This document was issued with each call for projects and provided prospective applicants with details regarding various aspects relating to eligibility. The guidelines identified the intended target groups as well as the bodies responsible for ESF. Background on the ESF in the 2014-2020 programming period provided basic details on how these funds were adopted, as well as the framework within which they operated and their overarching objectives. The application process was outlined in this document, wherein it was established that submissions were to be made in electronic format through the online application form. Reference was also made to the detailed guidance notes, which explained how the form was to be completed. Apart from listing the eligible applicants, this document specified that the call was not open for local councils, voluntary organisations, private individuals and undertakings, as well as organisations having an economic/commercial nature.

**2.148** Further to the above, project proposals were subject to an evaluation process consisting of a set of eligibility and selection criteria, approved by the MC. This approval was in line with Article 110(2)(a) of EC 1303/2013, which stated that the methodology and criteria used for the selection of operations was to be examined by the MC. In order to be eligible for funding, projects were to satisfy all the eligibility criteria and obtain a minimum of 50 per cent of the total marks. Assessing projects in terms of the eligibility criteria constituted a means to ensure that projects reached a minimum standard, which evaluation was followed by a further qualitative assessment. This qualitative assessment consisted of the application of selection criteria intended to assess how the proposals fit into the OP strategy and their potential contribution towards it. More specific criteria could be listed in calls for project proposals in terms of the type of activity, area or target group. Table 54 presents a list of the eligibility and selection criteria provided in the eligibility guidance document.

**Table 54: Eligibility and Selection Criteria, OPII**

Eligibility Criteria	Assessment	Selection Criteria	Marks
Complete application form	Yes/No	Contribution towards indicators beyond minimum required	10
Project remit within mandate of beneficiary	Yes/No	Readiness	10
Project leader from beneficiary organisation	Yes/No	Project sustainability	10
Project implemented within the eligible territory	Yes/No	Capacity of the organisation	10
Proof of co-financing where applicable	Yes/No	Contribution to the development needs	10

Contribution towards IPs	Yes/No	Potential of the project to contribute to the achievement of the Expected Results	15
Proposal in line with the relevant SO and Expected Results of the IP	Yes/No	Horizontal priorities: Environmental sustainability and equal opportunities	10
Contribution towards one indicator	Yes/No	ESF Principles: Social innovation and transnationality	10
		Quality of application form	10
		Partnership	5

2.149 Explanations were also provided for each of the eligibility and selection criteria. These explanations largely reflected those presented in the OPI Eligibility Guidance Document, except for two:

- a. ESF Principles: Social Innovation and Transnationality – socially innovative projects were to justify this element within the project. Furthermore, applicants were to explain how that proposed constituted an innovative solution in resolving persistent or new social needs and how it was to contribute to the respective SO. On the other hand, transnationality was to include partners from at least two Member States. In this sense, additional marks were to be awarded in cases where transnationality would add value to the principle of social innovation.
- b. Partnership – projects implemented by two or more partners were to be allocated additional marks. This criterion stemmed from Government’s aim to apply the partnership principle at project level.

2.150 Detailed guidance document: This document provided general background information relating to the MA and the manner in which application forms were to be submitted. The scope of the document was to provide guidance on the electronic application process, a component of a system that was to serve as a tool for the submission, assessment, monitoring and exchange of information related to OPII. This document also indicated that a signed declaration form was to be forwarded to the MA by not later than a week after the closing date of the call. Step-by-step and detailed guidance on how to apply through the online portal were provided in this document.

2.151 Guidance on Indicators: This document provided information on the three types of indicators under the 2014-2020 programming period, namely, financial, output and result indicators. Applicants were advised to ensure that their project could contribute towards these indicators and had clear, identifiable and measurable targets that complied with at least one result indicator and one output indicator. According to this document, output and result indicators were defined as follows:

- a. Output indicators: These referred to the direct products of an OP and were intended to contribute to results. Output indicators were generally calculated in physical units, for instance, the number of participants supported.
- b. Result indicators: These indicators captured the expected effects on participants or entities brought about by interventions. Results could be immediate or long-term, with long-term result indicators capturing the effect of the intervention six months following the participants’ completion of the intervention.

2.152 Applicants were to set targets in terms of output and result indicators and provide a clear explanation of how these targets were calculated, as well as the manner in which outputs and results were to be verified. Furthermore, applicants were to provide details on the mechanism and audit trail in place, essential in terms of the collection of data. Projects that contributed to the performance indicators were to have an action plan indicating how the financial and output targets were to be achieved by 2018. The importance of setting realistic targets was emphasised in this document in view of the fact that failure to deliver the agreed indicators could result in the withdrawal of EU funds or the repayment of the funds by the applicant.

2.153 In sum, the guiding principles of the audited IPs, as well as supplementary guidance documents issued with calls for projects, were results-based.

### *Contribution of the Results to Obtaining the Europe 2020 Targets for Employment and Education*

2.154 The NAO noted that the OPs made specific reference to the anticipated contribution of the Funds within each priority axis to the Europe 2020 targets, including those relating to employment and education.

2.155 IP 10(a): According to the OP, this IP is in line with the Europe 2020 priority for Inclusive Growth and is focused on interventions aimed at reaching Malta's national targets of reducing ESL to 10 per cent and increasing the number of 30- to 34-year-olds having completed tertiary education to 33 per cent by 2020. Under this IP, interventions aim to attract more students to further and higher education by providing high-quality facilities, as well as new services and education opportunities.

2.156 IP 8(i): According to the OP, this IP will contribute directly towards the Inclusive Growth Europe 2020 Priority and will feed into the Flagship Initiative titled 'An Agenda for New Skills and Jobs'. In this context, through this OP, Malta will support measures aimed at reconciling work and family life, increasing gender equality, and enabling the shift from unemployed to employment. Through measures that target these issues, the implementation of IP 8(i) is anticipated to increase the employment rate, thereby also reducing the rate of persons at risk of poverty. Stated in the OP was the fact that, through this Priority Axis, Malta aimed to build on the positive employment results achieved and contribute more effectively to the Europe 2020 employment target of 75 per cent of the population aged 20 to 64. This is evident in Malta's employment target of 70 per cent to be reached by 2020.

2.157 IP 8(ii): This IP ties in with IP 8(i), although limited in terms as this IP solely aimed at increasing youth employability. Furthermore, according to the OP, in addressing youth employment, Malta would contribute to the Europe 2020 target on employment.

2.158 IP 9(i): Noted in the OP was that the Europe 2020 Strategy recognised the need to address the issue of poverty and social exclusion. This priority is reflected in this IP in terms of active inclusion, aimed at promoting equal opportunities and active participation, as well as improving employability. Also noted in the OP was the fact that the IP was supported by a specific objective aimed at contributing towards the Inclusive Growth Priority of the Europe 2020 Strategy, particularly through support towards the Europe 2020 Flagship Initiative titled 'European Platform against Poverty'. Noted in the OP was that through the planned actions under this IP, Government aimed to effectively contribute towards the Europe 2020 target of fighting poverty, with a national target set in Malta's NRP of lifting around 6,560 from the risk of poverty and social exclusion by 2020. Additionally, according to the OP, this Priority Axis will contribute towards the Europe 2020 targets of employment and education.

- 2.159 IP 10(i): According to the OP, this Priority Axis will directly contribute towards improving the educational experience and its relevance to the labour market, thereby aiming to decrease the number of young people that leave education at an early stage. In this context, Malta has set a target for ESL of 10 per cent by 2020, similar to that set at an EU level.
- 2.160 IP 10(ii): As noted in the OP, this IP will contribute towards increasing the number of 30 to 34 year olds completing tertiary education or equivalent, for which Malta has set a national target of 33 per cent by 2020, against the 2012 rate of 22 per cent. In addition, given the direct correlation between education and poverty, the planned investment in education will support the Europe 2020 target of reducing the number of people at risk of poverty or social exclusion.
- 2.161 IP 10(iii): Indicated in the OP was the fact that measures relating to further and higher education, together with LLL, were to consolidate investment in the upgrading of skills and competencies of the workforce. This will contribute towards the Inclusive Growth Priority and the Europe 2020 employment target. Through this IP, Malta will invest in postdoctoral research and fellowship programmes to increase the human capital supply that can effectively contribute towards investment in research and innovation, thereby also contributing towards the EU Headline Target of increasing research and innovation.
- 2.162 IP 10(iv): Investment undertaken within this IP will seek to empower the future workforce by adapting to new conditions, reduce unemployment and raise productivity through an improved educational experience. As also noted in IP 10(iii), this approach is expected to contribute towards the Inclusive Growth Priority and the Europe 2020 employment target.
- 2.163 Notwithstanding the above, isolating the effect of the IPs to determine the extent to which results can contribute to achieving the Europe 2020 targets for employment and education remains an impossible endeavour as other factors/externalities contribute to the achievement, or otherwise, of the set targets.

## **E Other General Points**

### *Incorporation of Findings and Conclusions of the Ex-ante Evaluations*

- 2.164 As specified in Article 55 of Regulation (EU) No 1303/2013, Member States were to carry out ex-ante evaluations for each OP in order to improve the quality of their design. These evaluation reports comprised an assessment on whether the identified national needs and challenges presented in the OPs were in line with those identified in the Europe 2020 Strategy, Council recommendations and the NRP. In accordance with Article 55, the evaluations were submitted to the Commission at the same time as the OPs, that is, 30 June 2014. The submission of these reports was made through the System for Fund Management in the European Union (SFC2014). SFC2014 is a shared management platform utilised by the EC and Member States for the purpose of managing EU funds. The details of the recommendations of the evaluation reports are listed in paragraphs 2.166 through 2.170.
- 2.165 Furthermore, Article 15 of the same Regulation stipulated that the Partnership Agreement was to include either a summary of the ex-ante evaluations of the OPs or key findings of the ex-ante evaluation of the Partnership Agreement. In this respect, apart from the ex-ante evaluations undertaken in respect of the OPs, Malta opted to carry out an ex-ante evaluation of the Partnership Agreement. This action was

rendered possible due to the progress registered in the drafting of the OPs. In this context, a summary of the key findings of the ex-ante evaluation of the Partnership Agreement was presented in the Partnership Agreement.

#### **OPI Ex-ante Evaluation**

- 2.166 Further to a review of the ex-ante OPI evaluation report, the NAO identified the recommendations put forward in this report. This Office subsequently sought to establish whether action was taken by the MA in addressing recommendations made. It was proposed that the OP includes further details of actions aimed at mainstreaming equal opportunities in project selection and implementation.
- 2.167 With respect to IP 10(a) in OPI, the NAO noted that following the ex-ante report, the MA included a section titled 'Guiding Principles', which provided a list of cross-cutting criteria that were to be considered with specific criteria in the selection of projects for funding. In this respect, one of the cross-cutting criteria was the effective integration of horizontal principles, which included the equal opportunities principle. Furthermore, OPI defined the principle of equal opportunities in terms of the selection of projects. The NAO noted that the criteria of the ex-ante conditionalities in respect of anti-discrimination, gender and disability were fulfilled with respect to OPI.<sup>8</sup>
- 2.168 The OPI ex-ante evaluation concluded that all the education needs set out within the key strategic documents were reflected within the OP. According to the evaluation report, the need to achieve social, health and educational development was reflected in the Europe 2020 Strategy, the Partnership Agreement, Council Recommendations and the NRP. These documents acknowledged the need to provide more adequate health services, overcome health inequalities and establish a healthier work force, tackle unemployment, social exclusion and poverty, and continue to address education and skills gaps and increase the labour market relevance of education.

#### **OPII Ex-ante Evaluation**

- 2.169 Following a review of the ex-ante OPII evaluation report, the NAO identified 16 recommendations put forward in this report. This Office subsequently sought to establish whether action was taken by the MA in addressing the issues identified.
- a. In appraising the relationship of the OP with other relevant instruments, it was evident that the ESF OP had strong convergence points with four of the Europe 2020 flagship initiatives. Furthermore, while there was similar convergence with the EURES instrument, synergies with the Erasmus+ instrument were not directly addressed within the OP. It was therefore recommended that the OP illustrate how Malta was to contribute to these flagship initiatives. The NAO noted that although ERASMUS+ was not included in the OP, it was a programme managed by the European Union Programmes Agency aimed at boosting skills and employability, while modernising training and youth work. The OP specified that Government was to seek the maximisation of potential synergies with other EU-funded initiatives, including Erasmus+. The MA indicated that the main objective of Priority Axis 1 was to support the Smart Growth priority of the Europe 2020 strategy, as well as to contribute to the Youth on the Move Flagship Initiative. This was to be achieved through measures supporting youth employability, the promotion of entrepreneurship, and the implementation of job exposure

<sup>8</sup> An ex-ante conditionality is a concrete and precisely pre-defined critical factor, which is a prerequisite for and has a direct and genuine link to, and direct impact on, the effective and efficient achievement of a specific objective for an investment priority or a Union priority. These ex-ante conditionalities are established by the EC through the CPRE and Fund Specific Regulations.

schemes with the aim of enhancing the employability of the Maltese labour force. Moreover, Priority Axis 3 initiatives included scholarships and financial instruments aimed at supporting students in continuing with their studies.

- b. The OP was unclear how an increase in the number of elderly workers in the labour market was to be achieved. Despite general measures to increase the employment rate, the OP did not identify specific interventions that were to address this expected outcome. It was recommended that the OP include specific measures for this target group. The NAO noted that this recommendation was addressed in the adopted OPII under IP 8(i), SO 2, which was amended to include the types of measures that were to be taken in order to address the employability of older workers. In this respect, it was specified that the plan of action was to provide enhanced incentives for employment creation and work exposure measures with the aim of increasing the work life duration of older workers.
- c. Priority Axis 3 dealt with increasing participation rates in, and enhancing the quality of, tertiary education. Proposed interventions for increasing participation in this field included the direction of investment towards scholarships for graduate and postgraduate studies, as well as the guidance of students and the employed towards further studies and courses in line with the economy's needs. However, no specific measures were identified in this respect. This Office noted that this recommendation was addressed in the adopted OPII under IP 10(ii), SO 1. In this context, the OP was amended to include specific measures, namely, distance or on-line learning platforms and the use of outreach mechanisms for tertiary education, as well as capacity building measures aimed at improving academic programmes in terms of their relevance to the labour market. Another measure in this respect included exchange programmes for academic staff with a view to enhance their transnational knowledge and experiences.
- d. Identified in the OP were specific target groups, such as the inactive and older workers, that were to benefit from LLL through the provision of opportunities to update and extend their skills and qualifications. However, the specific measures to be adopted were not specified. The NAO noted that this concern was addressed through the potential intervention titled 'Training for LLL'. This potential intervention specified that older workers were to be provided with opportunities to update and extend their skills, while LLL in the community was specified as a measure that would target the inactive.
- e. With regard to increasing the uptake in postdoctoral research studies, the OP proposed that ESF Funds be utilised to invest in human capital within the context of the National Research and Innovation Strategy 2020. Indicated in the OP was that investment was to be directed to support the uptake of postdoctoral fellowships to increase the number of postdoctoral graduates and to enhance collaboration within and between academic disciplines as well as with the private sector. However, specific support and collaboration measures that were to be implemented were not identified in the OP. The NAO noted that this recommendation was not addressed in the adopted OPII under IP 10(iii), SO 1 as no specific support and collaboration measures were noted. When queried on this point, the MA indicated that specific measures were not to be included within the OPs as the OP documents serve a strategic purpose.
- f. Under Priority Axis 2, SO 1 focused on enhancing active social inclusion by creating equal opportunities for all. The target groups identified provided a comprehensive selection of persons that were to be targeted by the proposed interventions. This SO also identified the public administration and NGOs as beneficiaries; however,

the list was not exhaustive and should have included social partners since these could have contributed to interventions related to the promotion of equal opportunities and anti-discrimination measures at the workplace. This Office established that this recommendation was addressed in the adopted OPII under IP 9(i), SO 1. Specifically, following revisions, the beneficiaries included the public administration, local government, social partners and voluntary organisations.

- g. SO 1 of IP 10(i) addressed the reduction of ESL through the enhancement of the educational experience. Target groups under this SO were comprehensively identified; however, the inclusion of social partners as beneficiaries was not considered appropriate since the involvement of employers' organisations and trade unions was seldom required in the proposed initiatives. The NAO noted that this recommendation was addressed in the adopted OPII under IP 10(i), SO 1. Following amendments, beneficiaries were limited to the public administration and voluntary organisations.
- h. According to that stated in the ex-ante evaluation report, further explanations were required in terms of how local councils were to integrate youth into the labour market. The NAO noted that, according to IP 10(iii), local councils could be considered as possible beneficiaries contributing to Malta's LLL objectives; however, this was not directly linked to the integration of youth in the labour market. Following queries raised by this Office, the MA stated that the integration of youth into the labour market did not fall within the remit of local government and were to be addressed at a national level.
- i. The OP was to include further details of actions aimed at mainstreaming equal opportunities in project selection and implementation. The NAO noted that each IP in OPII included a section titled 'Guiding Principles', which provided a list of cross-cutting criteria that were to be considered together with specific criteria in the selection of projects for funding. In this respect, one of the cross-cutting criteria was the effective integration of horizontal principles, which included the equal opportunities principle. Furthermore, a section in OPII defined the principles of equal opportunities in terms of the selection of projects. Moreover, as noted in OPII, the criteria of the ex-ante conditionalities in respect of anti-discrimination, gender, and disability were all fulfilled.
- j. Specific measures to foster sustainable development were to be further promoted within the OP. In this regard, it was recommended that the MA was to further incorporate the concept of sustainable development through the integration of topics such as climate change and environmental protection within different education and training programmes for persons of all ages. This was to support the cross-cutting integration outlined in the Partnership Agreement. This Office noted that one of the cross-cutting criteria identified in OPII for the selection of projects referred to sustainable development. In fact, the MA stated that all mainstream projects were to incorporate elements of sustainable development in their application for funds; however, given the types of interventions addressed through ESF, the MA was cognisant that focus in this respect would be limited and largely dependent on the intervention itself.
- k. The OP was to indicate what efforts and initiatives had been undertaken to involve entities responsible for sustainable development in the preparation, implementation and monitoring of the OP. The NAO noted that in the guidance document for the application of projects, prospective applicants were requested to consult with the Ministry for Sustainable Development, the Environment and Climate Change prior to the submission of applications. As noted by the MA,

this Ministry was consulted during the drafting stage of the OP and was also represented on the MC. Furthermore, the MA stated that it would liaise with the Environment and Resources Authority on matters relating to sustainable development. Applicants would also be requested to consult with this Authority on issues of sustainable development.

- l. The MEAIM/MA were to consider a set of principles to ensure that sustainable development issues would be mainstreamed throughout the projects' aims and operation. The recommendations at paragraphs 2.169 (j) and (k) refer.
- m. Nine output indicators were not adequately defined in terms of the thematic area or intended target group, which could give rise to ambiguity. In this regard, alternative wording was proposed. The MA stated that most of these indicators were either removed or else reworded for purposes of clarity. The NAO reviewed the output indicators relating to education and employment in terms of the ex-ante evaluation and the approved OPII. This Office's review, presented in Appendix B, attests to that stated by the MA, in that not all of the ex-ante evaluation recommendations were adopted. Furthermore, the MA indicated that the output indicators changed significantly from the draft reviewed at ex-ante stage to the approved OPII.
- n. The indicator 'Number of actions supporting access to employment and labour market mobility' was specified in Priority Axis 1 and Priority Axis 3. At an output indicator level, this duplication would likely give rise to ambiguity during programme execution and monitoring. The NAO noted that this recommendation was addressed by the MA as this output indicator only features in Priority Axis 1.
- o. All output indicators were closely aligned to the IPs and SOs. However, three output indicators were not aligned with the result indicators and for this reason rendered unclear the manner by which they were to contribute towards a change in the result indicator. In light of this recommendation, the MA stated that all indicators were thoroughly discussed with the EC in order to ensure alignment with respective IPs and specific indicators. Changes put forward by the EC were adopted and effected following the ex-ante evaluation report.
- p. The result indicator 'percentage increase in the number of researchers' was not directly aligned to the IP and addressed a very narrow aspect of the intended policy. Furthermore, the source of data on which the result indicator was to be based was unclear. This Office noted that this result indicator was removed and replaced with 'Annual average number of research hours as at 2020'.

2.170 In terms of education and employment, the OPII Ex-ante Evaluation concluded that all the needs and challenges set out within the key strategic documents were reflected within OPII, particularly:

- a. the need to address the challenge of ageing demographics - demographic aging was on the increase and posed a risk to Malta's sustainability of public finances;
- b. the need to overcome employment challenges in terms of enhancing human capital utilisation with respect to youths, females and older workers;
- c. the need to strengthen social cohesion by working towards social inclusion and combating poverty; and
- d. the need to overcome education and training challenges primarily relating to ESL and the low participation levels in tertiary education.

**Table 55: Incorporation of Findings and Conclusions of the Ex-ante Evaluation**

Fund	OP	The OP includes a summary of findings of the ex-ante study	There is a clear explanation of how the results of the study were incorporated	All findings and conclusions were taken on board	The action taken by the MA was sufficient to improve the OP	NAO Comments
ERDF	OPI	No, but this is not a legal requirement.	No, but this is not a legal requirement. The MA forwarded to the NAO the draft OP on which the ex-ante assessments were based. Therefore, this Office could determine which changes were incorporated through reference to the draft OPs, the ex-ante assessment and the adopted OP.	All recommendations with respect to education and employment were assimilated into OPI.	Yes	Refer to paragraphs 2.166 to 2.168.
ESF	OPII	No, but this is not a legal requirement.	No, but this is not a legal requirement. The MA forwarded to the NAO the draft OP on which the ex-ante assessments were based. Therefore, this Office could determine which changes were incorporated through reference to the draft OPs, the ex-ante assessment and the adopted OP.	Most recommendations relating to education and employment were implemented. The MA provided sufficient explanation with respect to why certain recommendations were not assimilated into OPII.	Yes	Refer to paragraphs 2.169 and 2.170.

### *Adaptation of the OPs to Reflect Current Events*

2.171 According to the MA, following the issuance of the OPs in March 2015, no changes were made to these documents. The MA deemed it still too early for action in this sense. Nevertheless, the MA noted that the OPs were documents that were to be updated according to the prevailing socio-economic situation during the implementation of the OPs. Changes in this respect were envisaged following an intensive mid-term review.

### **F Recommendations of the Managing Authority concerning the Design of the Operational Programmes**

2.172 The MA put forward the following recommendations concerning the design of the OPs:

- a. improvements in the templates of the Partnership Agreement and the OPs to address instances of repetition;
- b. programmes less than one billion Euro should have a simplified template;
- c. a wider set of common output indicators to select from in order to ensure increased comparability between Member States; and
- d. a simpler approach to combine different IPs from different Thematic Objectives.

### **G NAO's Assessment of the Design of the Operational Programmes**

#### *Findings and Conclusions*

##### **Preparation of the Operational Programmes**

2.173 In its review of education- and employment-related objectives, the NAO established that the OPs were drawn up following extensive reviews of national priorities, risks and challenges. The involvement of all ministries served to identify areas of priority at a national level, whereas the role undertaken by the Programming Unit ensured a coordinated approach in terms of the development of the OPs. Furthermore, the recommendations put forward in the ex-ante evaluations were in the vast majority of cases duly assimilated. Following the NAO's review of the OPs and pertinent documentation, this Office concluded that the OPs were clearly aligned with the national needs, Council recommendations, and identified risks and challenges.

##### **Indicators**

2.174 On a general note, the NAO is of the opinion that the indicators selected will contribute to the overall achievement of the Europe 2020 targets. The intervention logic presented a clear indication of what activities were to be funded under which priority, thereby providing general guidance to the stakeholders involved, including the MA and the beneficiaries.

2.175 The NAO noted that the MA's inability to provide this Office with the milestone apportionment in respect of education for IP 9(i) was a shortcoming. In the NAO's opinion, workings in this respect should be readily available or easily obtainable. Furthermore, although the NAO was provided with general and high level information with respect to how funds were allocated across the Priority Axes, no detailed information as to the basis of this apportionment was furnished.

- 2.176 On the other hand, queries put forward with respect to one of the indicators of IP 8(i) (Persons Supported), which this Office deemed unclear and open to interpretation, were satisfactorily explained. Notwithstanding this, the NAO is of the opinion that the output indicator should have been more clearly documented in OPII.
- 2.177 With respect to the result indicators for OPI, the NAO was not provided with corresponding workings; hence, this Office was unable to determine whether these indicators could be considered ambitious. Notwithstanding this, the NAO deemed the OPI result indicators as achievable, based on that stated by the MA, that such indicators were determined through referral to the previous programming period. On the other hand, with respect to OPII, the NAO was provided with documentation indicating the methodology employed in determining baseline and target values of the result indicators. This Office is of the opinion that the methodology adopted in this regard was well reasoned, with targets set considered realistic and generally ambitious. The NAO was not provided with workings relating to the financial indicator milestone values.

### **Potential Efficiency and Effectiveness**

- 2.178 The interventions proposed in the OPs were all directly related to their respective SOs and result indicators. On the other hand, the interventions were not always clearly linked to their corresponding output indicators. However, these instances were infrequent and queries put forward by the NAO in this respect were all adequately addressed by the MA. Furthermore, guidance provided with respect to calls for projects always included the applicable intervention logic extract. In this sense, the intervention logic rendered it possible for prospective applicants to link the output indicator with the applicable result indicator and SO through reference to guidance documents.

### **Monitoring Systems**

- 2.179 The MCs were duly represented by the pertinent authorities and organisations tasked with executing their functions. The NAO noted that the Audit Authority did not form part of the MCs; however, according to the MA, the input of the Audit Authority was sought on an ad hoc basis. This explanation was deemed reasonable by the NAO. Furthermore, with reference to the mechanisms to monitor indicators, the NAO is of the opinion that the systems in place were adequate and provided for the timely collection and analysis of data.

### **Guidance on Operational Programmes**

- 2.180 Prospective applicants were provided with sufficient guidance with respect to the project application process. Apart from the guiding principles in the OPs, comprehensive guidance documents on eligibility and the respective indicators provided applicants with an adequate framework in terms of project application forms. Furthermore, a document detailing step-by-step guidance on how to use the online application portal was also issued with the call for projects. In addition to the guidance documents, prospective applicants were provided with the MA's contact details and invited to attend information sessions on the application process.

### *Good Practice*

2.181 The NAO considered the setting up of the IMCC and the subsidiary SSCs as a positive development, which served to ensure the maximisation of resources and reduce the risk of overlap or duplication of efforts by providing direction on the demarcation between different funds and programmes. This Office considered the support provided by the SSCs to the IMCC as instrumental in addressing different thematic objectives, essential in the latter's role of contributing strategic input and guidance to the 2014-2020 programming period.

### *Recommendations*

2.182 Aside from the specific recommendations indicated in the previous paragraphs, the NAO does not have any general recommendations of sufficient materiality or that address broad areas of risk that warrant further discussion. It must be noted that the timing of this review, at a relatively early stage of the programming period, effectively limited this Office in its analysis.



# Chapter 3

## The Implementation of Operational Programmes in Projects

## Chapter 3 – The Implementation of Operational Programmes in Projects

### H Overview of the Projects

- 3.1 In establishing the number of approved projects related to the applicable thematic objectives, the NAO noted that no projects had been approved by 30 June 2016. However, according to the MA, by November 2016, six projects were in the final stages of approval, although the grant agreements had not been drawn up as at this date. Therefore, the NAO was limited in its review of the projects to the analysis of the application forms, supplementary documentation, clarification letters drawn up by the Project Selection Committee, as well as replies thereto by prospective beneficiaries. Clarification letters referred to the Project Selection Committee's feedback following a thorough review of all aspects of the submitted application forms. These letters were sent to all applicants, who were requested to provide additional information with respect to the project or amend parts of their application.

**Table 56: Operations in the Final Stages of Approval by 30 November 2016 (TEUR)**

Financial year	Number of operations approved	Amount of EU funds (without national co-financing) (€)
2015	0	-
2016	6	22,122

#### *The Projects*

##### **Training for Employment – IP 8(i)**

- 3.2 This Project aims to facilitate access to the development of the working age population's knowledge, skills and competences. The scope of this project is to offer training assistance to jobseekers who need to improve their skills to enter the labour market, as well as to upgrade the existing skills of individuals who wish to re-enter the labour market, find alternative employment and/or acquire new skills to meet labour market demands.

##### **Youth Guarantee 2.0 – IP 8(i)**

- 3.3 The Youth Guarantee project provides training and personalised assistance to youths who are at risk of social exclusion and youths who are at risk of becoming long-term unemployed. The project focuses on current NEETs as well as those at risk of becoming NEETs or young unemployed. The NEET issue will be addressed through

a mix of interventions, tailor-made for the specific cohorts. Additional initiatives are embedded in the Youth Guarantee 2.0, which aims to facilitate the transition from education to employment.

#### **Development of Training Programmes at Malta Qualifications Framework Level 7 – IP 10(ii)**

- 3.4 MCAST has recently undergone an organisational restructuring exercise resulting in the launch of the University College through which tertiary level courses can be consolidated. An integral part of this endeavour is the design of the MQF Level 7 courses. Through this project, MCAST is to seek the services of high-level professionals and educational institutions so as to develop and deliver these programmes. In tandem, MCAST is to enhance its internal capacity by encouraging academic staff to capitalise on scholarships and grants available at a national level to further their studies at postgraduate and doctoral levels.

#### **ENDEAVOUR Scholarships Scheme – IP 10(ii)**

- 3.5 The ENDEAVOUR Scholarships Scheme will support quality tertiary education to ensure that the Maltese labour market is supplied with adequately qualified individuals. Furthermore, this will enhance Malta's competitiveness at an international level. The key objectives of the ENDEAVOUR Scholarships Scheme are to:
- a. assist persons in pursuing further levels of academic research;
  - b. improve the quality and relevance of the education system;
  - c. reduce skills mismatches particularly within prioritised economic sectors;
  - d. support further research in science and technology; and
  - e. increase the capacity and level of research, innovation and development activity in Malta.

#### **e-Commerce Training Programme – IP 10(iii)**

- 3.6 This project aims to design and deliver an accredited training programme specialised in e-commerce, an area that has not gained sufficient momentum in Malta. The objective of the course is to increase the knowledge and competences of individuals in the area of e-commerce hence improving participants' employment prospects or business opportunities. Following the design of the course content, the training programme will be run multiple times, with some courses running in parallel. It is envisaged that the delivery of this training programme will create a pool of human resources with relevant e-skills. Furthermore, the project will include the development of a virtual learning environment, which will facilitate participation as well as enable accessibility for participants with different needs.

#### **Reach High Scholars Programme Postdoctoral Grants – IP 10(iii)**

- 3.7 The aim of this project is to provide graduated doctoral students with the opportunity to propose research projects with higher education institutions in Europe within a varied set of prioritised fields. Individual research projects may not last more than four years in total and are not to exceed €200,000 in cost.

Table 57: Description of Selected Projects (TEUR)

Operational Programme: OPII										
Project	Investment Priority	EU funds (€)	National co-financing (€)	Total eligible cost (€)	Project output indicator and target value, if any	Achieved level of project output indicator, if any <sup>9</sup>	Project result indicator and target value, if any <sup>9</sup>	Achieved level of project result indicator, if any <sup>10</sup>	Fully implemented <sup>9</sup>	
Training for Employment	8(i)	5,209	1,302	6,511	Persons supported: 2,650	Not available	Participants in employment on completion: The project result indicator is to be confirmed through discussions leading to the Grant Agreement. As a minimum, the target will reflect that stipulated in the OP, that is, 75 per cent.	Not available	No	
Youth Guarantee 2.0	8(ii)	5,010	1,253	6,263	Participants below 25 years: 5,250	Not available	Unemployed participants who are in education training, gaining a qualification/certification or are in employment, including self employment, on completion: 300 Participants gaining a qualification / certification in upskilling and retraining programmes: 3,140 According to the MA, the actual project results are to be confirmed through discussions leading to the Grant Agreement. As a minimum, the target will reflect that stipulated in the OP.	Not available	No	
Development of Training Programmes at MQF Level 7	10(ii)	2,664	666	3,330	Persons participating in tertiary education: 140	Not available	Participants gaining a qualification / certification on completion: 87 per cent	Not available	No	
ENDEAVOUR Scholarship Scheme	10(ii)	5,995	1,489	7,444	Persons participating in tertiary education: 784	Not available	Participants gaining a qualification / certification on completion: 90 per cent	Not available	No	
e-Commerce Training Programme	10(iii)	296	59	355	Persons participating in training / support measures: 150	The project was still at the initial stages of implementation	Persons gaining a qualification/certification on completion: 87 per cent	The project was still at the initial stages of implementation	No	
Reach High Scholars Programme Postdoctoral Grants	10(iii)	3,125	625	3,750	Number of postdoctoral research and fellowships: 164	Not available	Annual average number of research hours: 27,520	Not available	No	

<sup>9</sup> Fully implemented operations are those that have been physically completed in accordance with Article 2(14) of the CPR, even if not all related payments have yet been made by beneficiaries or the corresponding public contribution has not yet been paid. Partially implemented operations refer to operations that have not yet been fully implemented. Not required by EU regulations.

<sup>10</sup> Not required by EU regulations.

## I Selection of Projects by the Managing Authority

3.8 Due to the limited number of approved projects, the NAO reviewed the population of projects that were in the final stages of approval. A number of shortcomings were noted in the submissions made. Most of the shortcomings noted were also queried by the Project Selection Committee in clarification letters submitted to the applicants. The applicants' replies to the clarification letters were also made available to the NAO. Queries in this respect were adequately addressed by the MA.

### *Youth Guarantee 2.0*

3.9 The submitted application form had indicated an indirect cost flat rate of five per cent (€298,228). Following the applicants' reply to the clarification letter, the total direct costs were revised downwards to €4,791,970. If the indirect cost component was to remain at five per cent, then this would amount to €239,599. However, this was not specified in the applicant's reply to the clarification letter. Furthermore, the portion of VAT was not indicated with respect to the revised direct costs. The MA indicated that the financial plan is revised as necessary during the signing of the preliminary grant agreement and the grant agreement. Should circumstances so warrant, the indirect costs and VAT elements will be amended when the total direct costs are agreed on by the MA and the Beneficiary.

3.10 Another query put forward to the MA by the NAO was the fact that costs related to an awareness campaign were included with direct costs. This Office noted that the Project Selection Committee had, with respect to another project (Training for Employment), requested the applicant to explain what was meant by awareness campaign costs and noted that mandatory publicity was not to be considered as a direct cost of the project. The applicant had subsequently removed this cost component from the amount of direct costs. When queried on this matter the MA stated that limited information regarding the awareness campaign was provided in the financial plan and that further clarifications with respect to what costs were to be covered had been sought. In clarifications submitted to the MA, the Beneficiary indicated that the cost component corresponded to an awareness campaign and therefore no further action by the MA was required. The matter is to be finalised at a later stage, with the necessary amendments reflected in the Grant Agreement. On the other hand, with respect to the Training for Employment project, the financial plan made reference to elements of expenditure of the awareness campaign that were to be covered by mandatory publicity. Hence, the clarification letter submitted by the MA merely served as a reminder in this regard.

### *ENDEAVOUR Scholarship Scheme*

3.11 Following the applicant's reply to the clarification letter, the total direct costs were revised to €7,055,476, from €7,089,410. However, based on documentation provided, the NAO could not determine whether the portion of VAT was accordingly revised. The MA indicated that this project consists of two main components: scholarships and indirect costs, which are exclusive of VAT. Moreover, the financial plan of the project will be amended as required prior to the Grant Agreement. According to the current draft preliminary agreement, the amount of the project is €7,350,000.

### *e-Commerce Training Programme*

- 3.12 In completing the application form, prospective beneficiaries were requested to specify whether the activities proposed required a planning or environmental permit, and whether the relevant government authority had been contacted. Since the applicant responded 'No' to both questions, the applicant was to specify the reasons thereof. However, the applicant did not provide reasons in this respect and the Project Selection Committee did not identify this shortcoming in the clarification letter. Following queries raised by this Office, the MA clarified that since the nature of the project clearly did not require a planning or environmental permit, the Project Selection Committee took note of the previous replies and did not deem it necessary to enquire further on the matter.

### *Reach High Scholars Programme Postdoctoral Grants*

- 3.13 According to the Detailed Guidance Notes of Call I (ESF), the Intervention Field Dimension table should correspond to all expenses listed in Section 7 – Financial Plan of the application form. However, the NAO noted that a substantial amount of project costs (€2,218,000 and €480,000) was not included in this table, despite that these amounts should have been included under the 'Subsistence Allowance' component. In clarifications provided to the NAO, the MA indicated that the project consists of two main components: scholarships and indirect costs. The MA noted that the intervention field dimension of the project was to be finalised during discussions leading to the Grant Agreement. According to the current draft preliminary agreement, the project is estimated at €3,500,000.

**Table 58: Selection of Projects**

Operational Programme: Investing in human capital to create more opportunities and promote the wellbeing of society (OPII - ESF)							
Project	Clear, objective and verifiable selection and award criteria defined by MA	Selection and award criteria linked to intended results of OP and headline targets	Explanation by beneficiary how project will reach its goals, contribute to results of OP and headline targets	Project proposal met the selection and award criteria	Was cost-efficiency a criterion and was this applied correctly by the MA?	Legally binding agreement on the project-specific outputs and results between MA and beneficiary	Does the MA make financial support contingent upon achievement of output and results? If yes, (and if already applicable) has it cut the support?
Training for Employment	Yes, as detailed in the guidance notes section of this report. The guidance notes listed the eligibility and selection criteria. Eligibility criteria required a 'Yes' or 'No' answer, while each selection criterion was to be allocated a mark.	One of the selection criteria was 'Potential of the project to contribute to the achievement of the expected results'. Prospective beneficiaries could be allocated a maximum of 15 marks for this criterion. Although the headline targets were not referred to in terms of the selection and award criteria, a number of the eligibility criteria dealt with whether the project would contribute towards IPs, was in line with the SO and expected results, and contributed to one indicator. Marks	The beneficiary provided an adequate explanation with respect to how the project was to contribute to the corresponding SO. Through traineeships, work exposure measures, and internships, job seekers would be provided with theoretical and practical training, which would help applicants in the transition to work. An adequate explanation was also provided in respect of the applicable result indicator, wherein it was stated that the project components	The NAO ascertained that the eligibility criteria were adhered to by the beneficiary. Based on the review of the application form, clarification letter and the reply thereto, the NAO considered that the project proposal met the selection criteria.	Cost-efficiency was not a criterion applied in the selection of this project. Notwithstanding this, the NAO noted that participants engaged in any of the schemes of the project were to be paid at the minimum wage rate. Furthermore, the application included a detailed breakdown of cost components, which allowed for an understanding of the envisaged disbursement.	The Grant Agreement was still in the process of being drawn up. This would serve as a legally binding agreement.	The Grant Agreement was not finalised at the time of review and therefore, the NAO cannot comment in this respect. However, according to the guidance notes, failure to demonstrate satisfactory progress in project deliverables and non-adherence to agreed timeframes may lead to the withdrawal of funds. Furthermore, stipulated in the application form was that if the results committed to were not met, there may be full or partial recovery of funds.

	As above.	were also allocated in terms of the level of contribution towards indicators beyond the minimum required and contribution to the national development needs.	would contribute to the creation of new employment opportunities, thereby also contributing to the Headline Target on Employment. Furthermore, the relevant output and result indicator values for 2018 and 2020 were indicated in the application form.	As above.	Cost-efficiency was not a criterion applied in the selection of this project . Notwithstanding this the NAO noted that the application included a detailed breakdown of cost components, which allowed for an understanding of the employment envisaged disbursement.	As above.	As above.
Youth Guarantee 2.0	As above.	As above.	The beneficiary provided an adequate explanation with respect to how the project was to contribute to the corresponding SO. Training targeted at youths who fall within the NEET category would contribute towards the smooth transition from education to An adequate explanation was also provided in respect of the applicable result indicator, wherein it was envisaged that, through this project, youth unemployment would decrease by two per cent. Furthermore, the	As above.	Cost-efficiency was not a criterion applied in the selection of this project . Notwithstanding this the NAO noted that the application included a detailed breakdown of cost components, which allowed for an understanding of the employment envisaged disbursement.	As above.	As above.

Development of Training Programmes at MQF Level 7	As above.	As above.	As above.	As above.	As above.	As above.
relevant output and result indicator values for 2018 and 2020 were indicated in the application form.	The beneficiary provided an adequate explanation of how the project was to contribute to the corresponding SO. The introduction of vocational Masters programmes would directly contribute to the corresponding SO in terms of improving the quality of tertiary education.	An adequate explanation was also provided in respect of the applicable result indicator, wherein it was stated that the project would potentially attract a target audience that would not have otherwise pursued tertiary education, thereby contributing to the Headline Target on Education.	Furthermore, the relevant output and result indicator values for 2018 and 2020 were indicated in the application form.			

ENDEAVOUR Scholarship Scheme	As above.	As above.	As above.	As above.	As above.	As above.	As above.	As above.				
					Some explanation was provided on how the project was to contribute to the corresponding SOs. Grants for scholarships would directly contribute to the SOs targeted at facilitating access to and improving tertiary education, as well as upgrading the knowledge, skills and competences of the workforce. Some explanation was also provided in respect of the applicable result indicators, wherein it was stated that the project would contribute towards an increase in participants in tertiary level education and the creation of 30,000 jobs in the coming decade. In this respect, this project would directly contribute to the Headline Target on Education and indirectly contribute to the Headline Target on Employment. Furthermore, the relevant output and result indicator values for 2018 and 2020 were indicated in the application form.							

e-Commerce Training Programme	As above.	As above.	As above.				
	As above.	As above.	As above.	As above.	<p>The beneficiary provided an adequate explanation of how the project was to contribute to the corresponding SO. Through the training programme, participants would upgrade their knowledge, skills and competences in the area. The course would create a pool of resources that would support local enterprises in reaching demand driven by e-commerce. An adequate explanation was also provided in respect of the applicable result indicator, wherein it was stated that the project aimed at increasing participation in LLL and increasing the competitiveness of enterprises, thereby directly contributing to the Headline Target on Education. Furthermore, the relevant output and result indicator values for 2018 and 2020 were provided in the application form.</p>	As above.	As above.

Reach High Scholars Programme Postdoctoral Grants	As above.	As above.	As above.	As above.	As above.	As above.	As above.
			<p>The beneficiary provided an adequate explanation of how the project was to contribute to the corresponding SO. The project would directly contribute to the SO targeted at upgrading the knowledge, skills and competences of the workforce through increased participation in LLL, including postdoctoral studies. An adequate explanation was also provided with respect to the applicable result indicator, wherein it was stated that the project would allocate grants for postdoctoral research that would build on skills already acquired, thereby directly contributing to the Headline Target on Education. Furthermore, this project would support participants in developing research programmes. Furthermore, the relevant output and result indicator values for 2018 and 2020 were provided in the application form.</p>				

## **J Measuring Results**

- 3.14 The MA stipulates that prospective beneficiaries are to report outputs and results based on the indicators specified in the application form. Details in this respect are presented in Table 57. Measurement of results is subsequently verified by the MA through various means, with progress registered established against specified output and result indicators.

## **K First Results**

- 3.15 All projects reviewed were still at the initial stages of implementation and therefore results achieved could not be determined.

## **L Recommendations of the MA concerning the Implementation of Operational Programmes in Projects**

- 3.16 The MA indicated that it was too early in the process for it to put forward recommendations regarding the implementation of the OPs in projects.

## **M NAO's Assessment of the Implementation of Operational Programmes in Projects**

### *Findings and Conclusions, Good Practice and Recommendations*

- 3.17 The NAO is of the understanding that the implementation of the OPs through the selected projects is at an early stage and is therefore unable to comment in this respect.



# Appendices

## Appendix A – Extract of SWOT Analysis from the Partnership Agreement

<b>Strengths</b>
Free and accessible educational system available across all cycles of education
Established employment and training infrastructure
Established and recognised further and higher education systems
Multi-skilled and adaptable workforce
<b>Weaknesses</b>
Skills mismatches
Increasing cost of labour
Low student take-up of science-based studies
Low participation of older workers in the workplace
Relatively large public sector employment
Weak industry to academia link
Child care after school care services remain unaffordable
Female participation rates in older cohorts (30+) remains relatively low albeit improving steadily
<b>Opportunities</b>
Further development of human capital through LLL, reskilling and upskilling
<b>Threats</b>
Increase in socially-excluded persons
More lucrative alternative career options for young people in the agricultural sector

## Appendix B: Output Indicators with Medium Clarity (OPII)

Investment Priority	Output Indicators Ex-ante Evaluation	Clarity (High / Medium / Low)	NAO Comments – Output Indicators (OPII)
IP 8(i) Access to employment for job seekers and inactive people, including long-term unemployed and people who are far from the labour market, also through local employment initiatives and support for labour mobility	Number persons trained / supported	<u>Medium</u> Not well defined. An alternative to the indicator could be: <i>Number of job seekers and inactive personstrained/ supported</i>	This Output Indicator is still in OPII.
	Number of actions supporting access to employment and labour market mobility	<u>Medium</u> It is not clear which target group this outputindicator relates to - it is identical to a similar output indicator for Priority Axis 3	This Output Indicator was spread across three indicators, which will target EURES, family friendly measures, and entrepreneurship measures
IP 8(ii) Sustainable integration of young people, in particular those not inemployment, education or training including young people at risk of social exclusion and young people from marginalised communities, into the labour market, including the implementation of the YouthGuarantee	Number of participants below 25 years	<u>Medium</u> Although this is influenced by one of the CommonESF Indicators, the indicator can lead to ambiguity. An alternative could be: <i>Number of traineeship participants below 25 years</i>	This Output Indicator is still in OPII; however, the MA noted that Common Output Indicators cannot be altered
IP 9(i) Active inclusion, including with a view to promoting opportunities, active participation and improving employability	Number of persons trained / supported	<u>Medium</u> It is not clear which thematic area this output indicator relates to	This Output Indicator is still in OPII.
	Number of actions enhancing active inclusion, promoting equal opportunities and combating discrimination	<u>Medium</u> Whilst the definition is straightforward, there appears to be an overlap regarding active inclusion initiatives with another output indicator	This Output Indicator was removed from OPII.

IP 10(i)	Reducing and preventing early school leaving and promoting equal access to good quality early childhood, primary and secondary education including formal, non-formal and informal learning pathways for reintegrating into education and training	Number of students supported (under 25 years)	<u>Medium</u> It is not clear which thematic area this output indicator relates to	This Output Indicator was removed from OPII, while other, more specific, Output Indicators were included
IP 10(iii)	Enhancing equal access to lifelong learning for all age groups in formal, non-formal and informal settings, upgrading the knowledge, skills and competences of the workforce and promoting learning pathways including through career guidance and validation of acquired competences	Number of persons trained / supported	<u>Medium</u> It is not clear which thematic area this output indicator relates to	This Output Indicator is still in OPII.
		Number of actions supporting access to employment and labour market mobility	<u>Medium</u> It is not clear which target group this output indicator relates to - it is identical to a similar output indicator for Priority Axis 1	This Output Indicator was removed from OPII.
IP 10(iv)	Improving the labour market relevance of education and training systems, facilitating the transition from education to work and strengthening vocational education and training systems and their quality, including through mechanisms for skills anticipation, adaptation of curricula and the establishment and development of work-based learning systems including dual learning systems and apprenticeship.	Number of persons trained / supported	<u>Medium</u> It is not clear which thematic area this output indicator relates to	This Output Indicator is still in OPII.

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February 2016	Performance Audit: Service Agreements between Government and INSPIRE Foundation
April 2016	Performance Audit: An Analysis on OHSa's Operations - A Case Study on the Construction Industry
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July 2016	An Investigation of the 2015 Local Councils' Capital Projects Fund
July 2016	An Investigation of Local Councils Funding Schemes launched between 2008 and 2013
September 2016	Performance Audit: Service Agreements between Government and Richmond Foundation Malta
October 2016	Performance Audit: Agreements between Government and YMCA Valletta
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December 2016	An Investigation of Property Transfer between 2006 and 2013: The Acquisition of 233, 236, and 237 Republic Street, Valletta

### NAO Work and Activities Report

March 2016	Work and Activities of the National Audit Office 2015
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