



RATIONALE FOR ETF ESTIMATE OF REVENUE AND EXPENDITURE 2006

The European Training Foundation (ETF) was set up by the European Union to support EU external relations policies and programmes. The ETF contributes to sustainable socio-economic development in EU partner countries by supporting the modernisation of their vocational education and training systems mainly through the Phare, CARDS, Tacis and MEDA Programmes of the European Community (EC). By sharing expertise in training across regions and cultures, the ETF helps to create opportunities for people to develop a broad set of skills for their working lives, contributes to creating better living conditions and encourages active citizenship in democratic societies, which respect human rights and cultural diversity.

The ETF is an agency of the European Union and consequently shares and promotes the values of the European Union. The development of vocational education and training in partner countries is an integral part of the EU approach towards competitiveness, employability and mobility.

ETF began its activities in 1995 in Central and Eastern Europe, including the current candidate countries and several of the current countries of the Western Balkans region. The ETF Council Regulation was amended in 1994 (by Council Regulation 2063/94 of 27 July 1994) to add the TACIS countries of the NIS and Mongolia to the geographical scope and then again in 1998 to add the Meda countries (by Council Regulation 1572/98 of 17 July 1998). When the CARDS assistance programme was adopted in 2000, ETF extended its activities to all Western Balkans countries.

ETF works within 4 EU policy areas: External Relations; Enlargement; Education, Training & Youth; and Employment & Social Affairs. The European Commission led by DG EAC our parent DG, funds and co-ordinates the ETF's activities. ETF works under the EU external relations policy agenda defined by DG RELEX and DG ELARG, which also provide the funding for ETF's activities. ETF's work draws on EU vocational education and training and employment policies defined by DG EAC and DG EMPL. ETF's activities in the partner countries are carried out in close co-operation with DG AIDCO and EC Delegations.

As regards the European Parliament, ETF reports to the Employment and Social Affairs Committee, while ensuring that members of the Foreign Affairs and Education, Sport and Media Committees are also fully informed on our work.

ETF's long term policy objective for 2006 will be to ensure that the agency and its partner countries are ready to contribute to the new EU external relations policies and programmes that are due to come into force in 2007. In this context, ETF's medium-term policy objectives for 2006 are to ensure that:

1. The candidate countries are efficiently prepared for their integration in the EU and their full contribution to the success of the European strategy in education, training and employment (Lisbon strategy). In general, ETF will help the countries prepare for the new Instrument for Pre-Accession. We will contribute to the final preparations for accession in Romania and Bulgaria, and ensure that the developing pre-accession process in Croatia **and possibly also Turkey** takes into account the lessons learned by the agency in the New Member States.
2. The countries of South Eastern Europe have education and training policies that promote economic development and social cohesion, which are considered necessary preconditions for

the integration of the countries into the political and economic mainstream of Europe and essential element in the pre-accession process foreseen from 2007. In particular, ETF will help the countries prepare for changes in EU assistance which will come into force with the Instrument for Pre-Accession.

3. Human resources development is addressed in a comprehensive and systemic way, becoming a key instrument to achieve the goals of the Euro-Med partnership. In particular, ETF will promote economic growth, social inclusion and active citizenship reform through HRD policy reform and bottom up approaches that develop co-operation and participation at national and local level.
4. Human capital development is recognized as key factor supporting institutional and administrative reform in Eastern Europe, Caucasus and Central Asia. In particular, ETF will focus on supporting the development of policies to fight poverty through promoting social development, education and training and employment. The agency will also encourage HRD policies and systems that maximize the contribution of education and training to the development of the market economy.
5. Mediterranean partners and the countries of Eastern Europe and Caucasus are fully prepared to take full part in the European Neighbourhood Partnership Instrument in the field of HRD. In Central Asia, ETF will help the countries prepare for their expected participation in the EU's development co-operation instrument

More specifically, the ETF aims to achieve its regional policy objectives by:

- Supporting the identification, engineering, design and implementation of projects upon request from the Commission;
- Developing approaches in key thematic areas linked to the development of vocational education and training reform policies in countries in transition, including management training issues;
- Facilitating contacts amongst key actors;
- Spreading information in partner countries concerning best practice and innovation in the European Union, in particular the familiarisation of candidate countries in Community policies and priorities in vocational training and lifelong learning ahead of accession.
- Providing technical assistance to the Tempus Programme in the Cards, Tacis and Meda region.

The reputation of ETF depends entirely on the quality of its staff and their capacity to provide specialist support to the Commission and our partner countries. During 2006, ETF will continue to develop its own human resources to ensure its services remain state of the art. In 2006, ETF will hold a plenary meeting of its Advisory Forum network. This will be an opportunity for the agency to benchmark its approaches with other players in the field. It will also represent an occasion to promote exchange of expertise and practice across its partner regions and with EU.

ETF will continue to improve the quality of its financial and administrative procedures in support of its operational work. In 2006, ETF will ensure its procedures are as efficient and streamlined as possible in order to keep overheads to a minimum whilst respecting the requirements of the Commission and our regulatory framework. In addition to the ETF basic budget, it is expected that the Commission and EU Member States will continue to ask ETF to manage specific conventions or contracts on their behalf. This will include, for example Tempus technical assistance and the MEDA regional project for the Commission. It is also expected that contributions from the EU Member States will be included, which will be budgeted under Title 4.

The above policies and approaches will be refined and improved based on the recommendations from the external evaluation of the ETF which will be launched in 2005 and is expected to conclude with a Communication by the Commission to the European Parliament and Council during 2006.

General Guidelines for 2006 Pre Draft Budget

- The budgetary cycle foreseen in ETF Council Regulation requires that the Governing Board should forward to the Commission an estimate of revenue and expenditure for the budgetary year 2006 by 31 March 2005 at the latest.
- ETF Medium Term Perspective 2004-2006 adopted by the Governing Board in November 2003 forecasts that ETF's budget for 2006 will amount to 19 m€
- This represents an increase of 2.7% over 2005 budget (of 18.5 m€) in line with projected inflation rates.
- ETF's Establishment Plan will stay at 104 posts as foreseen in the Medium Term Perspective 2004-2006. Compulsory salary cost increases resulting from the Staff Regulations and provisions will lead to a 3.8% increase in staff costs for 2006 in Title I. ETF also notes the increase in requests for expertise input from the Commission and its Delegations to the project cycle in the partner countries across the regions. This trend is expected to continue with the ETF's contribution to the transition towards the new Instruments. ETF therefore must ensure the best return in terms of expertise capacity from its Title I budget within the limitations of the Establishment Plan. ETF intends therefore to take advantage of the opportunities offered by the new Staff Regulations to provide short-term technical and administrative support to its projects. This will ease administrative burdens on expert staff, and enable them to concentrate on content input to the Commission services. ETF will also review with the Commission services the option of transferring mission costs related to its expertise services in partner countries from Title I to Title III.
- 2006 will be the first year during which most of the changes introduced in EU public administration practices due to changes in the regulatory framework will be fully implemented. It is difficult at such an early stage in the introduction of these revised practices to define precisely the impact these reforms will have in budgetary terms, especially as, for some of them, very few details on the implementing modalities are known.
- ETF would expect in particular to have to incorporate some costs resulting from:
 - The requirement of Quality Control on management processes resulting from the introduction of Internal Control Standards. Some guidance is expected from the European Commission's Internal Audit Service (IAS) as soon as they are in a position to initiate their regular auditing of ETF performance. This is expected to start in Spring 2005 and the intensity and regularity of Quality Control actions would depend on IAS initial findings. ETF will consider the possibility of reducing the budgetary impact of Quality Control through cost sharing activities in the field of audit together with the other EU Agency located in Italy (European Food Safety Authority, Parma). This possibly will result in specific costs to be covered via Title I appropriations.
 - The introduction of Accrual Accounting in all EU bodies and the changes brought by the 2003 revised financial regulations have prompted the European Commission to renew the financial flows management package (ABAC) and discontinue use of the current software (SI2). As ABAC is still at a development stage (it is due to be introduced in EC services in 2005 and in agencies in 2006) the implications of adopting this new system are hard to predict. However, unlike SI2, ABAC will be developed from commercial software and is likely to require licensing costs in addition to the initial upfront introduction costs. Both aspects would have to be paid from Title II appropriations.
 - The need for an improved Document and Knowledge Management environment stems from the Internal Control Standards and from the regulation on Public Access to documents as well as from the need for better Knowledge Management resulting from the Centre of Expertise mission of ETF. The multi-annual investment plan for suitable IT tools able to support both

aspects was already flagged up in 2005. This plan will need to be sustained in 2006 and 2007 and has an impact on Title II appropriations.

- As ETF facilities enter their eleventh year in 2006, there is a need for intensive maintenance. This again will be supported by Title II appropriations.
 - The 2005 ETF External Evaluation will lead to an Action Plan in 2006. This Plan can be expected to have an impact on all three Titles.
 - ETF Operational and Project Expenses under Title III are foreseen to remain stable at 5 M€. It should be noted that Title III received a substantial increase in budget year 2004. ETF will review with the Commission services the possibility to make systematic use of Title III to take on Contract Agents to support its operational activities, thereby making better use of its expertise capacity under Title I. It should be noted that ETF intends to hold a plenary meeting of the Advisory Forum network during 2006.
- In conclusion, ETF 2006 budget is estimated at 19M€ in line with the Medium Term Perspective 2004-2006. In annex, ETF has presented an indicative breakdown of the budget based on current information. This indicative breakdown proposes a slight growth in Titles I and II at around 3.5% due to the compulsory implementation at ETF of changes in EU public administration regulatory environment. Title III would remain globally stable.
- ETF invites the Governing Board to agree on this rationale for the preparation of the Estimate of Revenue and Expenditure 2006. ETF then proposes to submit to Governing Board a detailed breakdown of its Estimate of Revenue and Expenditure for 2006 by 31 March for approval when further information on the budgetary impact of expected changes to our regulatory environment have become clearer.

Brussels, 9 November 2004

Nikolaus G. van der Pas
Chairman

EUROPEAN TRAINING FOUNDATION

Orientations for Pre-Draft Budget 2006

| Item | Title | 2005 Budget | Orientations 2006 Pre-Draft Budget | % change over 2005 |
|----------------|--|---------------------|--|--------------------|
| TITLE I | EXPENDITURE RELATING TO PERSONS WORKING WITH THE FOUNDATION | | | |
| Chap. 11 | Staff in active employment | 10,842,000 € | 11,250,000 € | 3.8% |
| Chap. 13 | Missions and travel | 760,000 € | 780,000 € | 2.6% |
| Chap. 14 | Socio-medical infrastructure | 140,000 € | 140,000 € | 0.0% |
| Chap. 15 | Staff exchanges between the Foundation and the public sector | 290,000 € | 290,000 € | 0.0% |
| Chap. 17 | Entertainment and representation expenses | 15,000 € | 15,000 € | 0.0% |
| Chap. 19 | Pensions and pension subsidies | pm | pm | |
| TITLE I | TOTAL TITLE I | 12,047,000 € | 12,475,000 € | 3.6% |

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|-----------------|---|--------------------|--------------------|-------------|
| TITLE II | BUILDING, EQUIPMENT AND MISCELLANEOUS OPERATING EXPENDITURE | | | |
| Chap. 20 | Investments in immovable property, rental of buildings and associated | 544,815 € | 578,000 € | 6.1% |
| Chap. 21 | Data processing | 466,087 € | 500,000 € | 7.3% |
| Chap. 22 | Movable property and associated costs | 61,020 € | 61,000 € | 0.0% |
| Chap. 23 | Current administrative expenditure | 87,798 € | 69,000 € | -21.4% |
| Chap. 24 | Post and telecommunications | 165,780 € | 165,700 € | 0.0% |
| Chap. 25 | Meetings and associated costs | 127,500 € | 130,000 € | 2.0% |
| TITLE II | TOTAL TITLE II | 1,453,000 € | 1,503,700 € | 3.5% |

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|------------------|--|--------------------|--------------------|-------------|
| TITLE III | EXPENSES RELATING TO PERFORMANCE OF SPECIFIC MISSIONS | | | |
| Chap. 30 | Operational expenses | 1,033,400 € | 1,050,000 € | 1.6% |
| Chap. 31 | Priority actions : Work programme activities | 3,966,600 € | 3,971,300 € | 0.1% |
| TITLE III | TOTAL TITLE III | 5,000,000 € | 5,021,300 € | 0.4% |

| | | | | |
|-----------------|---|----|----|--|
| TITLE IX | EXPENSES NOT SPECIFICALLY PROVIDED FOR | | | |
| Chap. 99 | Expenses not specifically provided for | pm | pm | |
| TITLE IX | TOTAL TITLE IX | pm | pm | |

| | | | | |
|--------------------|---------------------|---------------------|--|--|
| GRAND TOTAL | 18,500,000 € | 19,000,000 € | | |
|--------------------|---------------------|---------------------|--|--|

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|-----------------|--|----|----|--|
| TITLE IV | EARMARKED EXPENDITURE | | | |
| Chap. 41 | Co-operation with other international institutions | pm | pm | |
| Chap. 42 | Co-operation with other European agencies | pm | pm | |
| Chap. 43 | Co-operation with national institutions | pm | pm | |
| Chap. 44 | Implementations of EU Member States projects | pm | pm | |
| TITLE IV | TOTAL TITLE IV | pm | pm | |

Budget 2005 and Orientations Pre-Draft Budget 2006
ETF Establishment Plan

| Categories and Grades | Posts | | Categories and Grades | Posts | | | | | |
|-----------------------|----------------------------------|------------|-----------------------|------------------------------|------------|--------------|------------|-------------------------------|------------|
| | 2004 | | | 2004 | | 2005 | | 2006 | |
| | Authorised (until 30 April 2004) | | | Authorised (from 1 May 2004) | | Draft Budget | | Orientations Pre-Draft Budget | |
| | Perm. | Temp. | | Perm. | Temp. | Perm. | Temp. | Perm. | Temp. |
| A1 | | - | A*16 | | - | | - | | |
| A2 | | 1 | A*15 | | 1 | | 1 | | |
| A3 | | 2 | A*14 | | 2 | | 2 | | |
| A4 | | 8 | A*13 | | - | | 1 | | |
| A5 | | 15 | A*12 | | 8 | | 7 | | |
| A6 | | 11 | A*11 | | 15 | | 15 | | |
| A7 | | 16 | A*10 | | 11 | | 11 | | |
| A8 | | - | A*9 | | - | | 4 | | |
| Total A | 0 | 53 | A*8 | | 15 | | 11 | | |
| B1 | | 1 | A*7 | | 1 | | 1 | | |
| B2 | | 6 | A*6 | | - | | - | | |
| B3 | | 10 | A*5 | | - | | - | | |
| B4 | | 10 | Total A* | 0 | 53 | 0 | 53 | 0 | 53 |
| B5 | | 10 | B*11 | | - | | - | | |
| Total B | 0 | 37 | B*10 | | 1 | | 1 | | |
| C1 | | 2 | B*9 | | - | | 2 | | |
| C2 | | 2 | B*8 | | 6 | | 6 | | |
| C3 | | 4 | B*7 | | 10 | | 10 | | |
| C4 | | 4 | B*6 | | 10 | | 10 | | |
| C5 | | 2 | B*5 | | 10 | | 8 | | |
| Total C | 0 | 14 | B*4 | | - | | - | | |
| D1 | | | B*3 | | - | | - | | |
| D2 | | | Total B* | 0 | 37 | 0 | 37 | 0 | 37 |
| D3 | | | C*7 | | - | | 1 | | |
| D4 | | | C*6 | | 2 | | 2 | | |
| Total D | 0 | 0 | C*5 | | 2 | | 2 | | |
| TOTAL | 0 | 104 | C*4 | | 4 | | 4 | | |
| Total Posts | 104 | | C*3 | | 4 | | 3 | | |
| | | | C*2 | | 2 | | 2 | | |
| | | | C*1 | | - | | - | | |
| | | | Total C* | 0 | 14 | 0 | 14 | 0 | 14 |
| | | | Total D* | 0 | 0 | 0 | 0 | 0 | 0 |
| | | | TOTAL | 0 | 104 | 0 | 104 | 0 | 104 |
| | | | Total Posts | 104 | | 104 | | 104 | |