

# CONSOLIDATED ANNUAL ACTIVITY REPORT 2023 - ANALYSIS AND ASSESSMENT

**The Governing Board has analysed and assessed the Director's report on the results for the 2023 financial year as presented in the Consolidated Annual Activity Report.**

## Analysis

The Consolidated Annual Activity Report records the **achievement** of the ETF's objectives for the year in accordance with the **ETF Annual Work Programme 2023**, the third year of implementation of the ETF 2027 Strategy and its accompanying organisational structure.

The report demonstrates that the ETF proved to be a mature, agile and resilient organisation with high anticipatory and response capacity to challenges and shocks, including the Russian war of aggression towards Ukraine, the situation in Gaza, the long-term recovery from the Covid-19 pandemic, the increasing fragilities in the EU neighbourhood, the impact of inflation and rise in utilities prices, the hybrid working modalities, and the change in partner countries status in their process towards EU 'candidate' member states. The ETF remains relevant in responding to and supporting human capital development (HCD) systems, including during or post-conflict, and is a key interlocutor in providing support to partner countries to adapt to **changing and emerging needs in HCD**.

The executive summary highlights the agency's ability to respond to the changing geopolitical landscape, needs of the partner countries and the requests of the European Commission and the EU Delegations. This is done while continuing to expand its unique service delivery through its staff expertise and analysis, knowledge co-creation and country intelligence, policy advice and anticipation capacity, as well as partnerships and networks, all of which contributing to **the international dimension of HCD**.

In 2023 the ETF was entrusted by EC services with new agreements for **collaboration** and contracts or extra-subsidy projects. The ETF has successfully achieved its objectives set out in the 2023 work programme and consolidated its collaboration with other EU agencies and international organisations. Collaboration with all EU agencies was maintained through the network of EU Agencies and joint actions implemented with the other four agencies under the remit of DG EMPL.

The **rate of achievement** of its planned actions in its partner countries within the work programme is at 97.69% (and timely completion at 83.93%), which are well above respective targets of 90% and 80%. It once again reflects a high level of planning and implementation discipline, at the same time without compromising the Agency's ability to respond to the changing needs of the partner countries and the EC, thus contributing to the social wellbeing, stability and prosperity in the countries surrounding the European Union.

In terms of organisational performance, as measured by the **Key Performance Indicators** (KPIs), the ETF was very effective in ensuring a continued and very high level of delivery of the annual work programme by having all KPIs measured in the year above or well above target. Hence, the year closure shows outstanding results in all areas of work with solid performance, which demonstrates the relevance of the work of the ETF.

In line with ETF's 2027 strategy, in 2023 it provided **support to the Commission services and partner countries** by combining and integrating the delivery of its three core services to generate value for stakeholders, which together enabled its contribution to the objectives of the von der Leyen Commission and the achievement of ETF's three strategic objectives: skills relevance and anticipation, skills development and validation, and performance and quality of education and training policies. These served as sound basis to provide policy advice to partner countries (i.e. reform of education

and training systems as well as participatory/inclusive governance systems) and the EC programming, as well as interventions in the wider Team Europe.

In parallel to ETF's work in its partner countries in the **EU Neighbourhood and Enlargement regions**, it has also worked on the preparation of the Africa Action Plan and on Africa related projects with a view of supporting the implementation of the wider EU-Africa strategy. Encouraged by the Commission opinion, the ETF used its agility in programming "to respond to the new European Commission priorities and to pursue opportunities to work beyond current partner countries or to engage in new priority thematic areas".

Beyond the emergency support programme for **Ukraine**, the ETF promoted the: i) reskilling and upskilling of temporarily displaced adults in Ukraine; ii) integration of Ukrainians who left the country into the labour market of EU countries, by supporting learning opportunities and the recognition of qualifications and skills; iii) development and implementation of a Joint Action Plan to align the NQF with the EQF; and iv) development of a comprehensive plan to support Ukraine's overall reconstruction efforts, which recognises the crucial role of a skilled workforce and will further assist Ukraine in its EU enlargement endeavours. A specialised ETF task force serving the EC and the Ukrainian authorities is in place to put the defined plan in motion. These results clearly demonstrate the value and appreciation of the content generated by ETF.

In terms of **reach**, in 2023 the ETF achieved a significant increase in overall reach and engagement on social media, as well as on its website and online community, OpenSpace. The ETF was invited to take part at the UN COP28 conference in Dubai to present its work on green skills and organise several events in partnership with DG EMPL. The ETF also played a pivotal role in the EU Year of Skills, launching impactful initiatives that significantly boosted its engagement. The expansion of media relations with EC services, the EEAS, the EUDs, and other international organisations highlights the ETF's efforts in building strategic partnerships that can help to enhance visibility.

The ETF closed one ongoing **evaluation** on its operational work and commissioned another one. Most importantly, the ETF implemented the mid-term review of its 2027 strategy, which established positive progress towards the delivery of its value proposition to different stakeholders. The ETF is praised by its broader approach to HCD, as well as in relation to its anticipation and exploration of new emerging trends and topics. Partnerships and synergies have proven to be effective, and the ETF has demonstrated absorption capacity by successfully delivering in both its subsidy and extra-subsidy projects. Moreover, the ETF is well positioned in a shifting landscape of HCD actors, including in relation to addressing trends and weak signals towards 2040 and beyond. The established roadmap 2027 highlights that ETF's value proposition and delivery is in line with both partner countries needs and EC priorities, which has also been confirmed by the external evaluation commissioned by DG EMPL.

Finally, in 2023 the ETF received 35 new requests from Commission Services. These stem from DGs and EU Delegations, throughout the implementation of the work programme. Addressing these ad-hoc requests is an indication of the **flexibility of the ETF** in the implementation of its work programme and the priority given to the requests directly coming from the EU services, even when not initially planned. The ETF was involved in different stages of programme implementation, corresponding to a total EU investment of €407,7m with a direct ETF contribution to €233,4m of EU investment. The ETF contribution also provided methodology development and analysis that may contribute to future programming and EU interventions. In terms of direct costs for ETF, in 2023 this represented €155,282 for planned and €86,291 for unplanned EU ad-hoc requests.

**The operational achievements of the Agency** are outlined in **Part I** of the report measuring performance under the ETF three strategic objectives and across its thematic activity areas: i) skills demand analysis, ii) active labour market policies and transition measures, iii) modernisation of qualifications and establishment of qualification systems, iv) a- vocational excellence provision models and b- international dimension of centres of vocational excellence, v) innovative teaching and learning, vi) engaging enterprises in skills development, vii) lifelong learning policies and system change, viii) quality assurance and governance mechanisms, and ix) DARYA. Achievements in each of these areas confirm the successful accomplishment of the objectives. A few highlights in 2023 were:

- Skills relevance & anticipation: i) multiple references to ETF's work in the Talent Mobility Package released by the Commission; ii) Ukrainian Resource Hub with more than 27,000 visitors since its launch; iii) employment of ETF's future of work methodology and identification of future skills needs in different economic sectors in partner countries; iv) mapping of skills for green economies in all partner countries; v) work on green skills presented and debated at the COP28 in Dubai; vi) ETF's Green Skills competition with 575 applications received from over 70 countries; vii) joint implementation of the EU Skills and Jobs survey with Cedefop; viii) policy dialogue on youth and NEETs in the UfM and EaP countries; ix) Youth Guarantee Implementation Plans in all Western Balkan countries (except Bosnia and Herzegovina); x) ACQF II was born, served as a global reference with countries using its guidelines to develop their NQFs, and an AU-wide network – African Qualifications Network – was launched supporting country progress; xi) analysis of gender, HCD, TVET and employment in agriculture in Rwanda; and xii) peer learning activities under the DARYA project enabled countries to strengthen their qualification systems.
- Skills development & validation: i) contribution to the ERASMUS+ project Habitable; ii) ENE expansion to 291 registered members from 47 countries; iii) self-assessment tool supporting the development of CoVEs was developed in consultation with international representative bodies; iv) Career Counselling in UA activity followed an ETF-led study and advice; v) launch and usage of tools including Scaffold, Selfie and Ready, which in Ukraine contributed to the development of the new draft teachers' standard; and vi) ETF inputs on human capital development incorporated in the revised EC smart specialisation methodology.
- Performance and quality of education and training policies: i) Cross-Country Monitoring Report on Education, Skills, and Employment: Trends for Development 2023, bringing ETF country intelligence to the fore; ii) transfer of the RED methodology to DG NEAR for monitoring the progress of candidate countries, which will become a key instrument for objective assessment in line with EU integration criteria; iii) a wide consultation in Central Asia involving 34,000 young people under DARYA in cooperation with UNICEF; iv) increased recognition for the ETF's expertise on and acknowledgement of the role of CSOs as relevant system actors, in particular in addressing vulnerable groups so that no one is left behind in education, training and employment; and v) QA Forum expanded from its transnational approach to engaging with countries.

The above achievements also confirm the successful **utilisation of resources**, which are outlined in the activity-based budget tables presented in Annex V for the year. Overall, the actual budget expenditure is in line with the planned resource allocation with very small variations in a few budget lines, which can be justified by the adaption of the work programme implementation to respond to new requests, changing needs and priorities of the partner countries.

**Part II** of the Report presents the effective management of the human and financial resources and confirm the maturity and stability of the ETF. Of the €22,627,956 contribution from the European Commission for its subsidy in 2023, the ETF achieved:

- A commitment appropriation rate for subvention funds of 99.85% (99.98% in 2022) demonstrating that the ETF continues to perform very well on financial indicators.
- Rate of outturn well above target at 99.87% (98.98% in 2022). Rate of payment appropriations cancellation above target at 0.36% (2022 at 0.29%). Timely payments rate within deadline at 95% (2022 at 96.4%).
- A lower level in Carry Forward out of the €2,147,928 “reste à liquider” (RAL) from previous years (€2,206,852 in 2022), of which the ETF has paid 90.7% (86.65% in 2022), with € 64,223.18 being declared “lost opportunity” (compared to €62,561.73 in 2022).
- The job screening exercise demonstrates an increase in the overall allocation of staff to the core operational job category to 77.52% in 2023 (74.41% in 2022) with a corresponding reduction in administrative support and neutral functions.
- The average vacancy rate of ETF staff in authorised posts is 0%, well below target level of <5%.
- An assessment of the outcomes of audits of the ETF by the European Court of Auditors and the Internal Audit Service indicate the Agency's high level of compliance with its regulatory framework, in particular financial and procurement procedures, and 100% incidence of recommendations under the responsibility of the ETF implemented within agreed deadlines for five consecutive years.

**Parts III & IV** provide the assessment and assurance of the effectiveness of the system of internal control that the ETF uses to ensure its effective and efficient functioning as an EU agency. The results of the 2023 **assessment of internal controls are positive** with all internal control principles assessed as effective with the exception of 1 principle that requires only minor improvements (94% of internal control principles assessed as effective in 2023, compared to 65% in 2022).

Details are also provided of the building blocks towards the **Director's declaration of assurance** that the ETF used the resources assigned to the activities described in the report for their intended purpose and in accordance with the principles of sound financial management. In line with the ETF established materiality criteria and threshold, there are no reservations on ETF performance.

Given the high level of achievement of operational results and the positive outcomes of the annual review of the internal control system and organisational performance, the 2023 Consolidated Annual Activity Report concludes that there is reasonable assurance without reservation that the **ETF used the resources for their intended purpose**.

## Assessment

The Governing Board takes note of the 2023 Consolidated Annual Activity Report and:

**Congratulates** the successful implementation of the 3<sup>rd</sup> year of the ETF 2027 strategy, as measured by the overall achievement in organisational performance through the Key Performance Indicators;

**Recognises** the nearly three decades of experience of the ETF that enabled a high level of achievement of completion of activities (97.7% in 2023), as well as the high quality of ETF work;

**Encourages** the continued involvement of the ETF in providing support to the European Commission external actions at the request of the European Commission and EU Delegations;

**Supports the evidence** from commissioned evaluations of the relevance, impact and added value of the work of the ETF in the partner countries confirming that its activities produce high impact, being widely recognised as a knowledge source in the development of Human Capital reforms;

**Commends** the ETF's efforts to actively engage with over 8 000 stakeholders in partner countries and to cooperate with the European Commission, EU member states and international actors active in the field of Human Capital Development;

**Welcomes** the increased use of digital and online tools which supports one of the objectives of the strategy of the ETF as a global knowledge hub for Human Capital Development policies and the continued effort to increase its outreach, which in 2023 was over 270 000 stakeholders, notably through the use of digital media and live interactions on social platforms;

**Appreciates** the active engagement with the network of EU agencies and the close collaboration with the other 4 agencies under the remit of DG EMPL, in particular CEDEFOP and EUROFOUND;

**Commends** the Agency for the sustained high level of performance in resource management in terms of commitment and payment, even under the exceptional circumstances of the Russian war of aggression towards Ukraine, the long-term recovery from the Covid-19 pandemic, the impact of inflation and rise in utilities prices, as well as the hybrid working modalities, and calls on the ETF to maintain its performance in this regard;

**Takes account** of the comprehensive internal control systems in place, which has concluded that ETF has once again no reservations or critical issues to report for 2023;

**Urges** the European Commission to utilise the Agency as a resource for upscaling reach and selected methodologies, intelligence, diagnosis and policy advice for countries with the support of dedicated funds in accordance with the ETF's regulation and the scope afforded by its financial regulation;

**Stresses** the importance of ensuring adequate staff and financial resources allowing the Agency to implement its tasks;

**Confirms** that the information provided in the report gives the Governing Board reasonable assurance that the resources assigned to the ETF in 2023 have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

In light of the above, the **Governing Board adopts the ETF Consolidated Annual Activity Report 2023**, and requests that it is forwarded, together with this analysis and assessment, to the European Parliament, the European Council, the European Commission, the European Economic and Social Committee and the Court of Auditors.