



ANNUAL ACTIVITY REPORT 2006 – ANALYSIS AND ASSESSMENT

The Governing Board has assessed the Director's report on the results for the 2006 financial year. Overall, the Board appreciates the results achieved by the ETF, and notes that the agency has in particular:

- Completed the implementation of its Mid-term perspective 2004-06 as attested by the 2006 external evaluation which gave an "overall positive assessment of the efficiency and effectiveness of the ETF's work and considers that the Agency has made a valuable contribution to the Community's activities in the field of vocational education and training and labour market reform in the partner regions".
- Implemented its 2006 Work Programme in line with the objectives and expected results agreed with its Governing Board. The report indicates that the ETF completed 80% of the indicators, and 60% of the expected results defined in the Work Programme were delivered by the end of 2006. The remainder were taken forward to 2007 or cancelled due to environmental factors. The Board appreciates the ETF's performance in its operational activities and encourages the organisation to work closely with the Commission to define its services and mitigate the impact of the geo-political environment on its operational work. While noting the complexity of ETFs governance and compliance environment, the Board encourages the ETF to reinforce its capacity in the field of governance and compliance.
- Executed its activities within the resource framework adopted by the Board. In particular, the ETF committed over 95% and disbursed over 80% of its annual subsidy from the Commission of €19.45 million, with the remaining funds being disbursed in 2007. In this context, the Board commends the ETF for continuing to respect the benchmark of cost-effectiveness set in 2005 whereby over 80% of its overall budget of about €27 million has been invested directly in operational activities and less than 20% in administrative overhead costs.
- Responded to 97 direct requests from the Commission for support with a 99% satisfaction rate expressed by Commission services. In this context, the Board noted the remark in the Commission Communication on ETF in which the Commission '*appreciates the ETF's work in providing expert input for the identification and implementation of projects*'. The Board notes that over 40% of requests focus on programming actions in preparation for the new EU external relations instruments.
- Continued to build capacity across its partner countries through policy advice and support measures targeting institutions and individual stakeholders involved in the modernisation of education and training policies and systems. In this context, the Board also welcomes the further development of the ETF's policy learning approach through which countries are made aware of reform options (with particular reference to EU experience) while retaining full ownership of national reform processes.
- Further developed its innovation, promotion of knowledge and learning potential. In particular, the Board welcomes the ETF's contribution to EU policy frameworks through action learning initiatives, including those in the fields of migration, transition from education and training to work, and the development of the capacities of teachers and trainers. Its support to DG EAC regarding the Education and Training 2010 agenda and its application in the pre-accession and neighbourhood regions was particularly appreciated. In this context, the Board also welcomes the active contribution made by the ETF to the EU Presidency calendar, notably through the Advisory Forum conference under the Austrian Presidency in June 2006.
- Maintained its investment in expertise development through scientific contributions to conferences, flagship publications, knowledge sharing. In this context the Board encourages the ETF to reinforce

its investment in internal training initiatives to help it to adjust to the challenges in the new financial perspectives.

- Consolidated its visibility and communication capacity through support to the EU institutions, including 11 study tours and 36 events for partner country stakeholders and the further improvement of its website. The Board noted that the ETF had directly involved 1,400 stakeholders in its activities and received almost 600,000 visits to its website in 2006.
- Maintained a high level of technical assistance to the Tempus programme involving the processing of nearly 2,000 applications, 1,000 reports and providing support to over 2,250 running projects.
- Developed a pilot framework to raise the level of participation by Member States in the work of the ETF. In this context, the Board especially welcomed the direct involvement of Board members as ambassadors in ETF initiatives as well as the launch of awareness raising seminars on ETF's activities.

The Board appreciates the progress made by the ETF in assessing the risks deriving from its environment. The Board notes in particular, the recurrent risks in ETF's operational environment, and especially to the political instability its partner regions in 2006 which led to some delays in the execution of the work programme. The Board also notes the challenges in the ETF's institutional environment, particularly as it seeks to adapt to the new external relations instruments, tailor the EU regulatory framework to the specific needs of a specialised agency, and manage the repatriation of Tempus technical assistance.

The Board also acknowledged the steps taken by the ETF to reinforce its internal control system in order to mitigate risk in its environment and respond to recommendations from the Internal Audit Service (IAS) and other relevant control bodies. It looks forward to the expected internal audit of the ETF in 2007 by the IAS which will provide a structured updated assessment of the ETF's internal control and management system and an agenda for further development.

The Board acknowledges the three reservations declared by the Director. In noting the reservations regarding Tempus, the Board encourages the ETF to work closely with the Commission services to limit the possibility of further reservations related to the Tempus convention, and to mitigate any possible social, reputational, legal or financial impact of the expected repatriation of Tempus technical assistance. The Board asks the Director to report on progress in this field.

In the light of the above remarks, the Governing Board adopts the ETF Annual Activity Report 2006, and requests that it be forwarded, together with this analysis, to the European Parliament, the Council, the Commission, the European Economic and Social Committee and the Court of Auditors.



ETF ANNUAL ACTIVITY REPORT 2006

ADOPTED BY THE GOVERNING BOARD ON 11 JUNE 2007

INTRODUCTION

The European Training Foundation¹ (ETF) is a specialised agency of the European Union based in Turin, Italy, providing support to the European Union's External Assistance Instruments.

We provide advice and assistance to the European Commission and partner countries² of the EU for the reform of human resource development policies.

Our services are targeted towards a range of stakeholders and clients with shared interests in the contribution that human resource development makes to EU external assistance objectives. These stakeholders include European institutions such as the European Commission, the European Parliament, related European agencies and EC Delegations, as well as policy stakeholders in the partner countries. We also work with the international donor community on the exchange of information and lessons learned in the assistance field.

This annual report presents our main achievements in 2006 in terms of the objectives set in the Medium Term Perspective 2004-2006 and the 2006 Work Programme. It shows the results of our activities in each of the EU external relations policy areas and summarises the return on our operational activities for the Community. It demonstrates that we have been effective in delivering the results defined in our 2006 Work Programme as our contribution to EU external relations policies and priorities in the South Eastern Europe, the Mediterranean, as well as the Central Asia and Caucasus regions.

At corporate level, the report outlines the progress that we have made in reinforcing our management and internal control systems as the basis for our accountability. It shows how we have sought to follow up on recommendations from controlling authorities and how we are in the process of introducing a risk management approach to deploy our resources even more efficiently and engage with our stakeholders more effectively. The report goes on to identify the material risks, which may have an impact on our work, and the corrective actions that we propose.

A key feature of the year was the completion of the External Evaluation of the ETF by the Commission for the 2004-2006 period. The evaluation led to a conclusion from the Commission which gave an 'overall positive assessment of the efficiency and effectiveness of the ETF's work and considers that the Agency has made a valuable contribution to the Community's activities in the field of vocational education and training and labour market reform in the partner regions. The Commission appreciates the ETF's work in providing expert input for the identification and implementation of projects'.

I would like to take this opportunity to thank the many institutions and individuals in the EU and our partner countries who have helped us to achieve these goals. Thank you for your support and I look forward to continuing to work with you in 2007.

Muriel Dunbar
Director

¹ The ETF was established by Council Regulation No. 1360 in 1990 to contribute to the development of education and training systems in the partner countries.

² In 2006, the partner countries were: Albania, Algeria, Armenia, Azerbaijan, Belarus, Bosnia and Herzegovina, Bulgaria, Croatia, Egypt, FYR Macedonia, Georgia, Israel, Jordan, Kazakhstan, Kosovo, Kyrgyzstan, Lebanon, Moldova, Montenegro, Morocco, Romania, Russia, Serbia, Syria, Tajikistan, Tunisia, Turkey, Ukraine, Uzbekistan, and West Bank and Gaza Strip.

TABLE OF CONTENTS

Introduction	3
ETF FACTS AND FIGURES	5
PART I Policy Results	7
1.1 Quantitative overview of main policy achievements	7
1.2 Qualitative overview of main policy results	7
1.3 Progress towards the development framework set in mid-term perspective 2004-06	11
1.4 Specific results for each activity	12
PART II Management and internal control systems	29
2.1 Inherent nature and characteristics of policy environment(s) and beneficiaries	29
2.2 Management and control systems	31
2.3 Conclusion and residual risks	34
PART III Declaration of the Director	37
PART IV ANNEXES	39

ETF FACTS AND FIGURES

Mission: *We assist partner countries in developing quality education and training systems and in putting them into practice.*

Headquarters: Turin, Italy

Core subvention from the Community 2006: €19.45 million

Overall Budget: €26.96 million

Staff: 105



PART I POLICY RESULTS

1.1 Quantitative overview of main policy achievements

The ETF has implemented its 2006 Work Programme in line with the objectives and expected results agreed with its governing board:

- Of the 44 expected results outlined in the ETF's Work Programme, 27 were fully achieved and 17 are being completed in early 2007.
- The ETF set 100 indicators in the Work Programme; 70 have been fully achieved, 27 partially achieved and are due to be completed by spring 2007. The remaining indicators refer to services originally requested by the Commission but later cancelled due to changing priorities.
- The ETF can therefore claim to have fully achieved over 60% of the expected results and 70% of the specific indicators, with the remaining results being delivered in 2007. In 2006, the ETF was particularly successful in delivering results in its operational activities where over 70% of the results and nearly 75% of the indicators were fully delivered. Performance in the area of governance and compliance was conditioned by the ETF's complex operational and institutional environment.
- The ETF's 2006 budget of €26,968,000 included an EU core subsidy of €19,450,000 and a number of earmarked conventions from Commission services and from external sources³. This budget has been managed cost-effectively, with over 80% of its revenue being invested directly in operational activities and under 20% in administrative overhead costs.
- In 2006, the ETF committed over 95% and disbursed over 80% of its annual subsidy from the Commission

1.2 Qualitative overview of main policy results

The Annual Activity Report for 2006 covers the ETF's eight main activities:

- Eastern Europe and Central Asia;
- Mediterranean region;
- South Eastern Europe;
- Enlargement;
- Innovation and learning;
- Tempus;
- Corporate communication;
- Governance and compliance

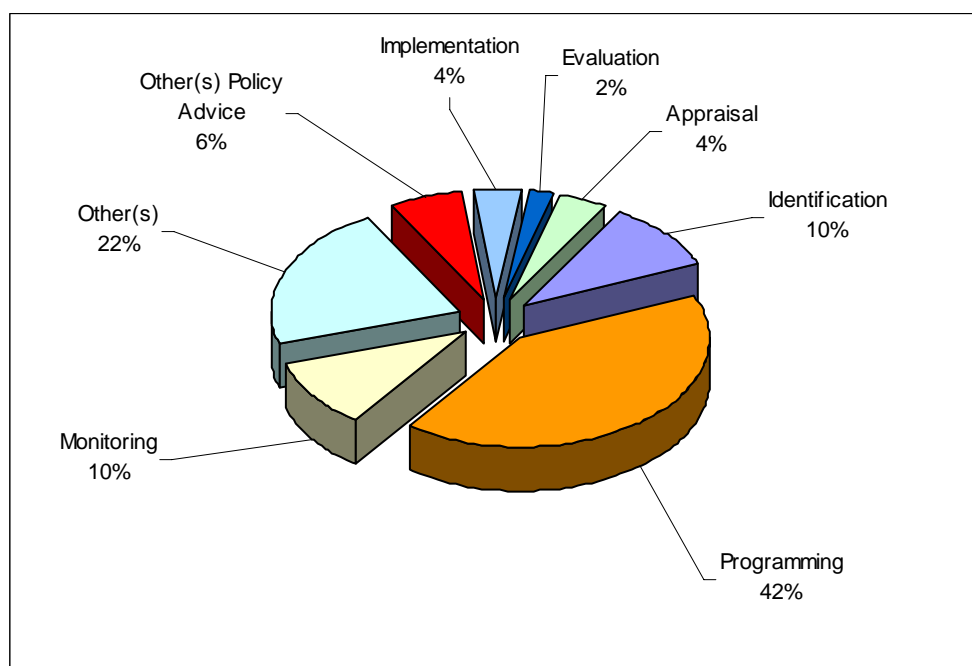
³ Earmarked conventions from the EU budget included Meda ETE and Tempus. In addition, the ETF received a Trust Fund from the Italian Government. Please see financial statements in annex for further information.

The ETF's activities correspond to the geographical areas covered by the external assistance programmes of the European Commission: Tacis, MEDA, CARDS, and Phare⁴. Innovation and learning relates to the generation of evidence based policy advice by the ETF to the European Commission and the partner countries on the use of thematic issues in the reform of education and training systems. Tempus activities support the European Commission in terms of technical assistance for the selection of projects, while the ETF's activities in the areas of corporate communication and governance and compliance respectively address the dissemination of information on the ETF's operations and the general and specific responsibilities of the ETF as an agency of the European Union. Tables detailing the ETF's achievements and challenges across each of these activities in 2006 are included later in the document.

The ETF's activities in support of the external assistance programmes related to two main strands in each geographic area: Support to EC programmes and the dissemination of EU policies; and capacity building and information and analysis for its partner countries.

Support to European Commission Programmes

Most of the ETF's planned actions across each strand in each geographical area were achieved in 2006. Major achievements related to providing specialised support to the project management cycle for each external assistance programme. This involved helping the Commission services to identify issues to be addressed in their external assistance programmes in the partner countries and supporting the monitoring of projects already underway in each of the ETF's regions. The following table indicates the breakdown of the 97 Commission requests received in 2006 according to project cycle management categories. Following a customer satisfaction survey at the end of 2006, the Commission services expressed satisfaction rate of over 90% on the ETF's response to requests.



As part of its support to the introduction of the new external assistance instruments, the ETF provided the Commission with technical input and comments on first and second wave action plans for the 2007-2013 programming period⁵ of the European Neighbourhood Policy Instrument (ENPI). The ETF provided DG Enlargement with an in-depth analysis of the human resource development (HRD) issues that could be addressed in the candidate and

⁴ These programmes were replaced in 2006 by the EU's new external assistance instruments: the Instrument for Pre-Accession (IPA), the European Neighbourhood Policy Instrument (ENPI), and the Development and Co-operation Instrument (DCI).

⁵ These first and second wave analysis covered: Ukraine, Russia, Egypt, Lebanon, and Algeria.

potential candidate countries under the Instrument for Pre-Accession (IPA). These analyses and inputs complemented targeted specialised technical assistance provided to the Commission on an 'as agreed' basis across all its regions. Thematic areas covered by this specific support included labour market analyses and reform⁶, minorities⁷, partner country legislation in vocational education⁸, stock taking exercises of major policy components in European Neighbourhood Policy countries⁹, and in-depth studies of HRD systems¹⁰. In 2006, the ETF worked closely with the Commission providing support during the final phase of the accession of Bulgaria and Romania to the EU¹¹. In addition to direct technical support to the Commission, ETF actions also included the dissemination of information on EU initiatives in the area of education and training. This involved a range of events related to cooperative European approaches to education and training such as the Education and Training 2010¹² initiative.

Capacity building, information and analysis

ETF activities in this strand were carried out in all regions. They included helping partner countries to overcome constraints affecting their modernisation processes. These actions covered the professional development of individuals involved in the reform processes, organisations responsible for carrying out functions within the reform process and the policy making process.

In Central Asia capacity building for improving the policy development and design of the overall vocational training (VET) system was approached from different angles. The ETF's Skills Development for Poverty Reduction (SPDR) project provided input to policy development from a local and bottom-up approach, linking formal and non-formal learning in a development perspective. The National Qualification Framework (NQF) project started from the national level and supported the overall reform framework with a strong focus on quality assurance, social partnership, transparency and open pathways. In addition, direct support was provided to a newly established VET reform task force.

Policy development was also supported in a number of the Eastern European and Caucasian countries in particular through the promotion of reforms using the national qualification framework concept as a tool to review the strengths and weaknesses of existing systems. This not only enables the various components of an education system to be considered in an integrated way, but also facilitates the dissemination of European developments. Decentralisation of education management and regulation was another key area of policy dialogue¹³.

The ETF also provided direct policy support to Kyrgyzstan through three policy workshops.

In the Mediterranean region, capacity building actions focussed on the continuing development of a network of human resource development observatories as well as on discussions on the use of national qualifications framework approaches. A key element of the ETF's observatory work involved the development of education and training indicators to strengthen the national capacities of the countries¹⁴ of the region to collect data to analyse the performance of their education and training systems. These capacity developments were

⁶ South Eastern Europe, the Mediterranean region, Romania and Bulgaria,

⁷ South Eastern Europe

⁸ In Georgia to support the Tacis project in the country

⁹ In Ukraine to support the EC Delegation in the development of a system of continuing education in the workplace, in Russia to support business education and vocational training and labour resources in Kaliningrad.

¹⁰ Israel, Jordan, West Bank and Gaza Strip

¹¹ Specific targeted achievements included analytical input to Commission services in the Joint Assessment Process as well as Joint I%%M%% reports.

¹² South Eastern Europe, the Mediterranean region, Enlargement, Eastern Europe and Central Asia

¹³ Preparation for the outlines of national qualification frameworks started in 2006 in Armenia, Georgia, Azerbaijan, Ukraine, Russia, Tajikistan, Uzbekistan, Kyrgyzstan, and Kazakhstan

¹⁴ Algeria, Tunisia, Jordan, West Bank and Gaza Strip, Morocco, Syria, Egypt

enhanced through the promotion of knowledge sharing activities to improve policy learning among the participating countries on thematic issues¹⁵.

Capacity building was also important in the ETF's actions in South Eastern Europe. Policy learning was facilitated through a peer review process to assess progress in curricula reform stemming from EU external assistance programmes in the region. This was complemented with actions to develop teacher and trainer capacities through the ETF's SEE TT network. Additionally, capacity building actions also supported the development of skills identification methodologies in Serbia.

Within the context of the acceding countries of Romania and Bulgaria, the ETF completed institutional development activities, which focussed on the development of sector skill councils and policy learning on key components of the Education and Training 2010¹⁶ agenda.

Innovation and Learning

In 2006, the innovation and learning projects replaced the ETF's previous suite of development projects by reducing their number and strengthening their focus on EU policy issues. The projects generate evidence-based policy advice that can be provided to partner countries and the European Commission. The objective of this activity is to further develop policy expertise for European assistance on a theme, process or programme. In 2006, the ETF conducted four innovation and learning projects covering:

- the teaching of key competencies, including entrepreneurship in lifelong learning for young people and adults;
- the implications of migration on VET policy;
- the transition from vocational education and training to work;
- the impact measurement in continuing vocational training (CVT) in the Mediterranean region and Russia.

The analytical work for these projects was completed in 2006. However, in the course of the year, it became apparent that additional time was necessary to publish and disseminate the results. All projects have been extended to June 2007 to enable the results to be disseminated to the Commission and partner country stakeholders.

Tempus technical assistance

The objective of Tempus Technical Assistance is to provide support in the implementation of the third phase of the Tempus programme, in compliance with Commission priorities and standards. The ETF ensures the provision of the general overall framework in terms of infrastructure, human resources, and administrative support for the implementation of the different Tempus actions.

For 2006, Tempus identified 16 key achievement indicators. These covered result areas ranging from the selection of projects and their evaluation and monitoring, the management of funds, and the improved visibility of the programme. All indicators and objectives were fully achieved in 2006.

Corporate communication

The principle aims of the ETF's communication activities are to support policy development and knowledge-sharing in the ETF's field of competence and responsibility, enhance the impact of the EU external assistance programmes and develop communication with citizens in line with the European Commission's objectives¹⁷ for mainstreaming information and

¹⁵ For example, the regional policy seminar held in Egypt for the countries of the region in cooperation with the World Bank on 'Skills development for the Knowledge Economy'. Joint learning events were also conducted with Algeria, Tunisia, Jordan, West Bank and Gaza Strip, and Morocco on financing and on national qualification frameworks.

¹⁶ Quality Assurance, Guidance and qualification frameworks.

¹⁷ Plan D is the European Commission's Communication Strategy for communicating with Europeans about its activities.

encouraging dialogue and debate. In 2006, the ETF had one objective related to its corporate communication, namely to increase the visibility of the ETF, its products, expertise and services. In doing so, the ETF identified five major indicators. Of these, four were fully met and one partially met. The partial achievement related to the publication of flagship publications. In 2006, the ETF intended to publish five such publications. This was reduced to two to accommodate a higher than anticipated number of reports and the preparation of materials for the ETF's 2006 Advisory Forum.

Governance and compliance

The ETF's actions in the area of governance and compliance concern the general and specific requirements that the ETF must fulfil as an agency of the European Union. They cover the ETF's planning and reporting cycle and its management of internal control standards for the efficient and appropriate use of resources. In 2006, the ETF achieved nine of its 15 indicators in this area. The adoption of the mid term perspective at the November Governing Board meeting was postponed to February 2007 pending the release of the Commission's Communication on the ETF in December 2006. The external evaluation action plan could not be formally adopted in November 2006 as anticipated.

The annual audit plan was partially completed mainly as a result of external factors and the extensive audit of service provision contractors. In the course of the year, the ETF strengthened its recruitment, staff appraisal and human resources framework in line with its expected results. Furthermore, the ETF continued to improve its evaluation processes and presented its annual evaluation report to the Governing Board as scheduled.

1.3 progress towards the development framework set in mid-term perspective 2004-06

In November 2003, the Governing Board, informed by the Commission Communication (COM 287/2003) and the ETF external evaluation, concluded that the ETF was 'an effective centre of expertise and makes a valuable contribution to the Community's activities in the field of vocational education and training in its four partner regions'. The Governing Board defined a development framework (ETF-GB-03-28) to consolidate the agency's capacity to contribute to Community's assistance to the reform of vocational education and training systems in its partner countries.

The following table shows how the ETF responded to the development framework set by the Governing Board for the period 2004-06.

Mid term perspective framework	Key figures 2006
<ul style="list-style-type: none"> ▪ Consolidate the capacity of ETF operational departments to support Community priorities in line with Commission requests for support per region. 	<ul style="list-style-type: none"> ▪ 97 new Commission requests overall. 40 of them concerned programming, 10 monitoring. ▪ Over 90% satisfaction rate by Commission services on the ETF's response to requests

Mid term perspective framework	Key figures 2006
<ul style="list-style-type: none"> ▪ Develop ETF added value and expertise 	<ul style="list-style-type: none"> ▪ 23 expert scientific contributions to international conferences by staff ▪ 2 ETF flagship publications and 2 scientific contributions to external journals ▪ 8 thematic internal knowledge sharing seminars ▪ 4 staff commenced further/post graduate studies ▪ 5.2 person days of training and development on average in 2006.
<ul style="list-style-type: none"> ▪ Improve communication and transparency with external stakeholders, and in particular EU institutions 	<ul style="list-style-type: none"> ▪ 11 study tours; 36 seminars enabling 1,400 stakeholders from the EU and partner countries to exchange experience in 2006. ▪ 597,707 visits to the ETF website ▪ 4 presentations to European Parliament Committees; 1 presentation to Council Budget Committee; 4 contributions to the Presidency calendar.
<ul style="list-style-type: none"> ▪ Improve internal efficiency and management of ETF statutory bodies 	<ul style="list-style-type: none"> ▪ Governing Board achieved objectives set in the Council and Financial Regulations by specified deadlines: adopted ETF Annual Report 2005, Pre-draft budget, Work Programme and draft Budget 2007. ▪ Advisory Forum met in plenary in Torino in June 2006 under the Austrian Presidency ▪ ETF Advisory Forum provided its opinion on 2007 Work Programme
<ul style="list-style-type: none"> ▪ Maintain high level of technical assistance to the Tempus programme 	<ul style="list-style-type: none"> ▪ 1,974 applications processed ▪ 949 reports processed ▪ support to 2,285 running projects

1.4 Specific results for each activity

The following section outlines the ETF's main achievements in the four EU external relations policy areas that the agency supports compared to the expected results originally defined in the 2006 Work Programme agreed with the Governing Board in November 2005. It also presents the ETF's results in its other core business activity areas, namely expertise development and the provision of technical assistance to the EC Tempus programme.

The analysis of the results is supported by the indicators that were fixed in the original Work Programme and, where appropriate, information is also given regarding delays in the achievements of the results, or modifications to the expected results deriving from changes in the environment.

Results in Eastern Europe and Central Asia (Activity 1)

Strand	Specific Objective	Expected Results	Indicators	Results actually achieved / Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Support to EC programmes and dissemination of EU policies	To increase the impact of EU investment in VET in Eastern Europe, the Caucasus and Central Asia in line with EU external relations policies through input to the EC project cycle and dissemination of EU policies	1. Tacis programming cycle supported by ETF in line with EU priorities and in close co-operation with Commission services in Brussels and EC Delegations in partner countries. This will include the provision of relevant information and analysis as requested	1.1 By end 2006, ETF has undertaken project identification, project preparation and/or follow up for about 17 Tacis projects in AZE, GEO, KYR, MOL, RF, TAJ, UKR and UZB	1.1 In Central Asia the result was fully achieved. Support was provided to seven Tacis projects as planned. However, this includes an unforeseen request for terms of reference for a new project in Kazakhstan and the cancellation of an end of project review in Tajikistan. Additional support was provided on one identification fiche for DCI 2007 in Kazakhstan. The result was partially achieved in Eastern Europe as Commission requests for support in Azerbaijan and Moldova did not materialise. In Georgia expert advice was provided to the EC Delegation particularly on documents produced in the framework of the Tacis project, such as the draft VET Law. In Russia, the ETF completed the stocktaking exercises of the Tacis projects on Vocational Training and Labour Resources in Kaliningrad and Business Education in Kaliningrad. A similar exercise was carried out for the Ukrainian EC Delegation on the Tacis project on the Development of a system of continuing education in the workplace.
		2. Support provided to Commission services to inform Neighbourhood and Central Asian country programming 2007-2013	2.1 Further background papers and comments on Commission drafts of programming documents and action plans provided as requested in relation to the Neighbourhood and Central Asian countries	2.1 Fully achieved in Central Asia. In Eastern Europe, the ETF provided ad hoc input for the preparation of second wave country reports and action plans as well for national, and regional ENPI programming documents.
		3. Dissemination of information on EU policies on education, training and employment in ENPI countries	3.1 At least two events organised in ENP countries on topics concerning the Education and Training 2010 and/or Bologna processes	3.1 Fully achieved. Three events were organised

Capacity building, information and analysis for the partner countries	To build capacity in Eastern Europe, the Caucasus and Central Asia to review, design and plan implementation of VET system reform based on relevant information and analysis	1. Capacity of partner countries improved to review, design and implement VET system reform	1.1 Training events in planning and implementation of decentralisation of VET system management organised in RF and UKR. Outlines of national qualification frameworks under preparation in ARM, AZE, GEO, KAZ, KYR, RF, TAJ, UKR, UZB.	1.1 Fully achieved in Central Asia. In Eastern Europe, a workshop on curriculum development complementing the work done under the NQF project was also organised for the three Caucasian countries
		2. Capacity of partner countries improved to benefit from and absorb larger scale EU interventions in the sector	2.1 Country specific policy learning and advice initiatives undertaken in cooperation with the Ministries of Education and Labour in AZB, ARM, GEO, MOL and TAJ.	2.1 Fully achieved. In Central Asia, additional unplanned direct policy development support was also provided to a newly established VET policy task force in Kyrgyzstan through three policy workshops. In Eastern Europe, a policy discussion seminar was organised in Moldova. Bilateral workshops were organised for each of the three Caucasus countries
		3. Understanding and exchange of experience among Central Asian countries on issues relevant for VET reform increased, with particular reference to issues related to national qualifications and skills development for poverty reduction	3.1. By the end of 2006, advice will have been provided in KAZ, KYR, TAJ and UZB how better to integrate national initiatives to reform the VET system with poverty reduction strategies.	3.1 Fully achieved in Central Asia although Uzbekistan did not participate in the project due to lack of commitment to the project objectives.

MEDITERRANEAN REGION (Activity 2)

Strand	Specific objective	Expected results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Support to EC programmes and dissemination of EU policies	To increase the impact of EU investment in VET in the Mediterranean region in line with EU external relations policies through input to the EC's project cycle and dissemination of EU policies	1. MEDA programming cycle supported by ETF in line with EU priorities and in close co-operation with Commission services in Brussels and EC Delegations in partner countries. This will include attention to the development of sector policy support programmes and provision of relevant information and analysis as requested	<p>1.1. By mid 2006 ETF has delivered a feasibility report and financing proposal for an SPSP in Tunisia and by end of 2006 has provided support for the launching and follow up of VET/LM reform programmes in Mediterranean countries, as requested</p> <p>1.2. By mid 2006 ETF has finalised a study on donor sector approach practices and three in-depth VET/labour market country analysis on Jordan, West Bank and Gaza Strip and Israel have been completed and disseminated</p>	<p>1.1. Partially achieved. The ETF provided support for the launching of a Meda VET project in the agro-food sector in Lebanon and supported the Delegation in Jordan to prepare the conditions for a future intervention in the context of a sector based approach. Support to the EC Delegation in Egypt for a stocktaking of the on-going Meda VET project has been postponed to 2007 on request. The services for the preparation of a Meda VET SPSP in Tunisia were not requested.</p> <p>1.2. Partially achieved. Three country studies and a regional study on the labour market carried out. The study on donor sector approach practices was cancelled at the request of the Commission</p>
		2. Support provided to Commission services to inform ENPI programming 2007-2013	2.1 By end 2006 ETF has provided input, as requested, for the definition of country and action plans in the framework of the ENP in Algeria, Lebanon, Egypt and Syria and has provided input for the on-going definition and implementation of action plans in the remaining countries	2.1 Fully achieved. Input provided for the monitoring of first wave action plans and for the preparation of second wave (Algeria, Egypt, Lebanon) country reports and action plans. In addition, the ETF commented on national and regional ENPI programming documents.
		3. Dissemination of information on EU policies and programmes on education, training and employment in the Mediterranean region	3.1 By end of 2005, experts from Mediterranean region have participated in Leonardo valorisation events as appropriate.	3.1 Partially achieved. The activity was redesigned, following feedback from partner countries, to focus on good practice on the management of EU external relations projects through a study visit.
		4. The MEDA ETE regional programme implemented according to agreed terms of reference ensuring complementarity and synergy with other interventions in the region	4.1 By end of 2006, the 2006 MEDA ETE work programme fulfilled according to plans and first Forum held to disseminate results and prepare 2007 work programme	4.1 Fully achieved. Work programme had to be adapted following the development of events in the region without affecting the completion of activities or the achievement of results.

Strand	Specific objective	Expected results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Capacity building, information and analysis for the partner countries	To build capacity in the Mediterranean region to review, design and plan the implementation of VET system reform based on relevant information and analysis	1. National capacities enhanced in selected partner countries to collect and analyse performance of their labour market and training systems in order to better forecast future needs	1.1 At least two capacity building activities organised in partner countries selected for support by the end of 2006, namely Syria, Jordan, Egypt, West Bank and Gaza Strip, Algeria and Morocco	1.1 Partially achieved, as activities in West Bank and Gaza did not take place due to the deteriorating situation in the region. However, for all other countries the indicators have been fully met. In addition, an analysis of TVET and labour market indicators was carried out in Jordan and Syria to support decision-making including respective manuals. Handbook on occupational classifications available in Jordan and Syria. Strategy for OF development and activities 2007-2013 available in Egypt to support HR decision-making. Sector profiles (IT, Tourism, Metallurgy) and data available in Morocco to support decision making in relevant sectors defined by the government.
		2. Understanding and exchange of experience between EU and among countries in the region on issues relevant for VET reform increased, particularly issues related to national qualifications	2.1 By end of 2006 at least two policy learning events have been organised for policy makers and social partners from participating countries (Algeria, Tunisia, Jordan, WGBS and Egypt) and a discussion seminar organised on issues related to national qualifications framework.	2.1 Fully achieved. In addition, Morocco was also added to the beneficiary countries of this activity.
		3. Capacity of partner countries improved to review, design and implement VET system reform, particularly on issues related to financing	3.1 By end 2006 a final report on financing in selected MEDA countries and at least three joint policy learning events have been organised with Ministries of Education/VET and finance from Algeria, Tunisia, Egypt and Jordan on financing issues. The events will also include exposure to experiences in the region	3.1 Partially achieved as budgetary constraints allowed only two policy learning events. In addition a thematic network on financing was set up among participating countries. This network will continue to be animated in the framework of the 2007 NQF project.
		4. Intelligence built on key issues relevant for VET reform in the region as a basis for designing further capacity building actions	4.1 By mid-2006 a regional discussion seminar organised on the report on 'skills development for the knowledge economy' in cooperation with the World Bank	4.1 Fully achieved. Regional conference on challenges for TVET reform in the Middle East and North Africa was successfully held in Cairo from 10-12 September with around 100 participants from ten countries (Algeria, Morocco, Tunisia, Egypt, Lebanon, Jordan, Syria, Iran, Yemen, Djibouti). The joint ETF/World Bank report on TVET reform in the MENA region was disseminated in its three language versions and was the basis for discussions.

SOUTH EASTERN EUROPE (Activity 3)

Strand	Specific Objective	Expected Results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Support to EC programmes and dissemination of EU policies	To increase the impact of EU investment in VET in South Eastern Europe in line with EU external relations policies through input to the EC's project cycle and dissemination of EU policies	1. CARDS programming cycle supported by ETF in line with EU priorities and in close cooperation with Commission services in Brussels and EC Delegations in partner countries and EAR. This will include the provision of information and analysis to Commission services as requested	<p>1.1 By the end of 2006 ETF has supported project fiches and terms of reference for a number of new CARDS projects and provided content monitoring of current CARDS projects to Commission services (including EAR)</p> <p>1.2 Targeted inputs to SAP¹⁸ and European partnership reports provided to Commission by the second half of 2006</p> <p>1.3 Report on ethnic minorities in the labour market and education systems of South Eastern Europe by the second half of 2006</p> <p>1.4 Transnational analysis on labour markets and VET in South Eastern Europe focusing on countries' main challenges by the second half of 2006</p> <p>1.5 Labour market studies in Bosnia and Herzegovina and Kosovo delivered to the Commission by March 2006</p>	<p>1.1. Fully achieved. The ETF carried out content monitoring of two on-going CARDS projects in Serbia, 2006 Employ and 2006 VET II, while in FYR Macedonia, the ETF participated in a tender evaluation for a lifelong learning project. In addition, the ETF contributed to terms of reference CARDS 2006 Employment Project, also in FYR Macedonia.</p> <p>1.2. Not achieved. This activity was cancelled by DG ELARG.</p> <p>1.3. Fully achieved. The report on ethnic minorities and vulnerable groups, including Roma, in South Eastern Europe was published end 2006</p> <p>1.4. Fully achieved. The transnational analysis was sent for publication at end 2006 covering Albania, Bosnia and Herzegovina, Croatia, Kosovo, Montenegro, FYR Macedonia.</p> <p>1.5. Fully achieved. The labour market studies of Bosnia and Herzegovina and Kosovo were delivered to DG ELARG in March 2006.</p>
		2. Support provided to Commission services to inform programming of new Instrument for Pre-Accession (IPA) programming 2007-2013	2.1 By the end of 2006 the ETF has provided input for IPA programming upon Commission request	2.1. Fully achieved. Final country analyses to support Commission programming in the eight IPA countries were produced before the end of July and sent to DG ELARG and DG EMPL and then disseminated to the partner countries.
		3. Dissemination of information on EU policies on vocational education, training and employment (Lisbon, Education and Training 2010 and Bologna processes) in potential candidate countries	3.1 By the end of 2006 dissemination events have been organised on key messages of the Lisbon and Education and Training 2010 processes for all the countries of the region, and their relevance discussed for on-going VET and labour market reform processes in the region.	2.1. Fully achieved By the end of the year all scheduled National Action Plan (NAP) activities were completed in Albania, Montenegro, Kosovo, Macedonia, Serbia, Bosnia, Croatia, Turkey, Romania and Bulgaria. In Turkey a national event on Vocational Guidance was successfully completed 23-24 November. During the 2nd meeting of the Copenhagen coordinators at ETF 18-19 December, each of the participating countries reported on the NAP activities and policy implications of the actions undertaken

¹⁸ SAP: Stabilisation and Association process.

Strand	Specific Objective	Expected Results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Capacity building, information and analysis for the partner countries	To build capacity in South Eastern Europe to review, design and plan the implementation of VET system reform based on relevant information and analysis	1. Continued collection of more detailed quantitative and qualitative information (at national and trans-national level) on specific aspects of VET and employment at national and trans-national level are provided to the CEC and wider public	1.1 Full set of key indicators on vocational training and labour market developed and disseminated by December 2006	1.1. Fully achieved. The project created a set of indicators for the cross-country labour market reviews and the result is used as the basis for the new statistical library on the region.
		2. Country peer reviews provide analysis on nationally identified topics and provide Commission and national stakeholders with policy recommendations	2.1 Peer reviews in ALB, MON, KOS finalised and validated in seminar by national stakeholders by end of 2006 2.2 Regional 2005 peer review on curriculum reform published and disseminated to all South Eastern European countries	2.2. Fully achieved. Peer visits were organised in the three countries between September and October. Final Reports were produced in December 2006 2.3 Fully achieved. 2005 peer review on curriculum reform was published and disseminated to all South Eastern European countries
		3. Capacity of teachers and trainers increased through training and exchange of experience	3.1 Capacity building meetings for South Eastern Europe teacher training network 3.2 Members of teacher training network contribute to international events and publications	3.1. Fully achieved. A regional conference in Belgrade took place from 14-16 September. A resulting publication on vocational teacher training in South Eastern Europe is under publication. 3.2. Fully achieved. Members of teacher training Network took part in the Belgrade and other events and contribute to the above publication.
		4. Skills in South Eastern European enterprises reinforced to underpin economic development	4.1 Skills needs methodology and training courses delivered in Serbia	4.1. Fully achieved. The final conference for this ETF project was held on on 26 June in Serbia

ENLARGEMENT (Activity 4)

Strand	Specific objective	Expected results	Indicators	Results actually achieved
				Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Support to EC programmes and dissemination of EU policies	To increase the impact of EU investment in VET in the candidate countries in line with EU pre-accession policy through input to the EC's project cycle and dissemination of EU policies	1. Commission programming cycle supported by ETF in line with EU priorities and in close co-operation with Commission services in Brussels, (in particular DG ELARG and DG EMPL), and EC Delegations in candidate countries. This will include the provision of information and analysis to Commission services as requested	<p>1.1 On a regular basis advice and opinions delivered to DG ELARG and EC Delegations on Phare programming documents and project fiches</p> <p>1.2 Programming and project review meetings and steering/evaluation committees in the candidate countries attended</p> <p>1.3 Analytical input delivered at request of Commission services in the JAP progress meetings in candidate countries as well as JIM reports</p> <p>1.4 Review of progress in vocational training reform reports for BG, CRO, RO, TK submitted to DG ELARG by 1 July 2006, as an input to their Regular Annual Reports;</p>	<p>1.1. Fully achieved. Regular advice and opinions delivered to DG ELARG and EC Delegations on Phare programming documents and project fiches. A seminar for 150 participants was organised in Ankara to raise awareness on the importance of investing in human resources development and also to disseminate the results of the evaluation carried out under the ETF's institution building project on the Active Employment Measures grant scheme component of the 2002 EC funded programme for Active Labour Market strategy.</p> <p>1.2. Fully achieved. The ETF attended programming and project review meetings and steering/evaluation committees in the candidate countries</p> <p>1.3 Fully achieved. The ETF provided analytical input in the JAP progress meetings in the candidate countries as well as JIM reports. Preparatory work for JIM in FYR Macedonia was carried out in Brussels with the participation of the ETF. The 2007 project on social inclusion will contribute to JIM in FYR Macedonia</p> <p>1.4. Not achieved. Commission request cancelled</p>
		2. Support provided to Commission services to inform programming of new Instrument for Pre-Accession (IPA) 2007-2013	2.1 By the end of 2006 the ETF has provided input for IPA programming upon Commission request	2.1. Fully achieved The activities planned for institution building in the four participating countries have been completed. The evaluation reports on the grant schemes in Romania and Turkey have been completed. In Turkey the final report was submitted to the ETF at the beginning of December and results disseminated in Ankara on 19 December in conjunction with the IPA event.

Strand	Specific objective	Expected results	Indicators	Results actually achieved
				Indicators actually delivered
				Political, environmental or organisational factors that have led to material changes in results or indicators
		3. Institution capacity building for social partnership and for the preparation of accession and structural funds management and support the participation of the candidate countries in Cedefop activities and networks	<p>3.1 National and regional stakeholders have been trained in several capacity building workshops.</p> <p>3.2 Exit-entry strategy for knowledge sharing on BG and RO implemented through training for Cedefop staff and country dossiers</p> <p>3.3 Common projects or initiatives developed with Cedefop in specific thematic areas</p> <p>3.4 Common capacity building/dissemination workshops held in the candidate countries</p> <p>3.5 Database on LLL is up and running at Cedefop with ETF input on examples from candidate countries and its use promoted by candidate countries by end of 2006</p>	<p>3.1 Fully achieved. National and regional stakeholders have been trained in Turkey Croatia, Romania, Bulgaria.</p> <p>3.2 Fully achieved. Exit-entry strategy for knowledge sharing in Bulgaria and Romania implemented through training for Cedefop staff and country dossiers</p> <p>3.3 Fully achieved. Common activities developed with Cedefop in fields of EQF, Europass, Quality Assurance, Social Dialogue</p> <p>3.4 Fully achieved. Joint capacity building/dissemination workshops held in Turkey Croatia, Romania, Bulgaria.</p> <p>3.5 Fully achieved. Database on LLL is up and running at Cedefop with ETF input on examples from candidate countries.</p>
		4. Dissemination of EU policies on vocational education, training and employment (Lisbon, Education and Training 2010 and Bologna processes) in candidate countries	<p>4.1 Targeted events organised to disseminate outcomes of the Lisbon/Education and Training 2010 processes for stakeholders in candidate countries</p> <p>4.2 ETF participation in EU Presidency calendars and in particular in Quality Assurance Conference in March 2006 and the Helsinki December 2006 conference on achieving Lisbon targets in VET.</p>	<p>4.1. Fully achieved. Targeted events organised to disseminate the outcomes of the Lisbon/Education and Training 2010 processes for stakeholders in candidate countries</p> <p>4.2. Fully achieved. ETF took part in Austrian Presidency quality assurance conference in March 2006 and the Finnish conference on achieving Lisbon targets in VET in Helsinki</p>

TEMPUS (Activity 5)

Specific objective	Expected results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Assistance provided for the implementation of the Tempus Programme in full compliance with CEC priorities and standards and within the regulatory framework	1. Tempus projects selected for funding	1.1 Assessment guidelines drafted and agreed 1.2 Calls for applications for different project types organised for agreed deadlines 1.3 All applications received, processed and assessed 1.4 Statistical data on results of assessment made available in requested format	1.1 Fully achieved. Assessment guidelines drafted and agreed 1.2 Fully achieved. Calls for applications for different project types organised for agreed deadlines 1.3 Fully achieved. All applications received, processed and assessed 1.4 Fully achieved. Statistical data on results of assessment made available in requested format
	2. Projects evaluated and project performance monitored	2.1 Assessment guidelines drafted and agreed 2.2 Progress reports registered and assessed 2.3 Audit campaigns implemented and followed up 2.4 Regular counselling and guidance on project monitoring issues provided to running projects 2.5 Field monitoring campaign agreed and implemented	2.1 Fully achieved. Assessment guidelines drafted and agreed 2.2 Fully achieved. Progress reports registered and assessed 2.3 Fully achieved. Audit campaigns implemented and followed up 2.4 Fully achieved. Regular counselling and guidance on project monitoring issues provided to running projects 2.5 Fully achieved. Field monitoring campaign agreed and implemented
	3. Improved visibility of the Tempus Programme and its results and impact assessed	3.1 General information on the Tempus Programme provided and relevant materials for specific events produced 3.2 Publications produced and disseminated to the relevant target publics 3.3 Promotional materials produced and disseminated 3.4 Analysis of Tempus results and impact provided as requested by DG EAC	3.1 Fully achieved. General information on the Tempus Programme provided and relevant materials for specific events produced 3.2 Fully achieved. Publications produced and disseminated to the relevant target publics 3.3 Fully achieved. Promotional materials produced and disseminated 3.4 Fully achieved. Analysis of Tempus results and impact provided as requested by DG EAC
	4. Improved management of Tempus projects through IT tools	4.1 Continued implementation and fine-tuning of existing tools: on line application and reporting forms: JEP, SCM and IMG 4.2 Increased numbers of on line users 4.3 Improved functionality of the Tempus Database (TDB)	4.1 Fully achieved. Implementation and fine-tuning of existing tools: on line application and reporting forms for JEP, SCM and IMG continued 4.2 Fully achieved. Numbers of on line users increased 4.3 Fully achieved. Functionality of the Tempus Database improved
	5. General programme development and general administrative support provided	5.1 Assistance to CEC provided in a timely, professional and efficient manner	5.1 Fully achieved Assistance to CEC provided in a timely, professional and efficient manner
	6. Tempus operational funds managed	6.1 Sound and efficient management of Tempus operational funds in accordance with the Financial Regulations	6.1 Fully achieved ETF provided sound and efficient management of Tempus operational funds in accordance with the Financial Regulations

INNOVATION AND LEARNING (Activity 6)

Specific objective	Expected results	Indicators	Results actually achieved
			Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
To support and facilitate the ongoing development of VET expertise in EU priority policy areas within ETF and among its stakeholders	1. Enhanced capacity to use core competencies in lifelong learning for young people and adults in reform policies and strategies WP06-53-01	<p>1.1 Policy issues paper for Commission services identifying the lessons learned in the use of key competencies in adult, initial and vocation learning in selected partner countries;</p> <p>1.2 Action research papers from participating countries on the application of key competencies in local contexts.</p> <p>1.3 Development of partner country knowledge sharing network on key competencies.</p> <p>1.4 Synthesis report outlining key definitions and concepts, the models and relevant case studies</p> <p>1.5 Involvement of 75% of geographical staff in internal knowledge sharing event related to outcomes and progress of the project.</p>	<p>1.1 Partially achieved. Policy issues paper for Commission services identifying the lessons learned in the use of key competencies in adult, initial and vocation learning in selected partner countries to be completed by April 2007;</p> <p>1.2 Partially achieved. Finalisation of the action plans and survey methods of all five project teams in Albania, Croatia, FYR Macedonia, Montenegro and Serbia, on finalising the questionnaires for students and teachers on how key competences are developed in schools or university faculties and on the initial discussion of policy dissemination or advocacy plans. Reports ready early 2007</p> <p>1.3 Partially achieved. Development of partner country knowledge sharing network on key competencies to be completed April 2007 .</p> <p>1.4 Partially achieved. Synthesis report outlining key definitions and concepts. Models and relevant case studies expected by April 2007</p> <p>1.5 Partially achieved. Involvement of ETF geographical staff in internal knowledge sharing event related to outcomes and progress of the project ongoing</p>
	2. Identification of patterns in migration from selected partner countries and possible programme options for VET measures	<p>2.1 Policy issues paper for Commission services identifying implications for VET strategies of sector and seasonal migration trends on the transparency of qualifications.</p> <p>2.2 Published research paper on the impact of migration on human resources in the three countries;</p> <p>2.3 Pilot computerised database</p> <p>2.4 Create links/network of collaboration between the national public employment services</p> <p>2.5 Involvement of 75% of geographical staff in internal knowledge sharing event related to outcomes and progress of the project</p>	<p>1.1 Partially achieved. Policy issues paper for Commission services identifying implications for VET strategies of sector and seasonal migration trends on the transparency of qualifications to be completed by April 2007</p> <p>2.2 Partially achieved. Field surveys and data entry were completed by the end of December and four introductory chapters on country migration profiles (Albania, Egypt, Moldova and Tunisia) have been received. Research papers on the impact of migration on human resources in the four countries to be published April 2007;</p> <p>2.3 Partially achieved. Pilot computerised database to be completed by April 2007</p> <p>2.4 Partially achieved. Creation of links/network of national public employment services ongoing</p> <p>2.5 Partially achieved. Involvement of ETF geographical staff in internal knowledge sharing event related to outcomes and progress of the project ongoing</p>

Specific objective	Expected results	Indicators	Results actually achieved
			Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
	3. Identification of processes to improve the integration of young people into partner country labour markets	<p>3.1 Policy issues paper for Commission services identifying lessons learned from transition to work strategies and policies being followed in selected partner countries</p> <p>3.2 Country reports analysing the transition from VET to work in three to four ETF partner countries</p> <p>3.3 Development and publication of a conceptual and analytical framework on the topic of transition from VET to work</p> <p>3.4 National and international expert seminars and workshops for exchange of experience and discussion and dissemination of results</p> <p>3.5 Development of partner country knowledge sharing network on transition to work</p> <p>3.6 Involvement of 75% of geographical staff in internal knowledge sharing event related to outcomes and progress of the project</p>	<p>3.1 Partially achieved. Policy issues paper for Commission services identifying lessons learned from transition to work strategies and policies being followed in selected partner countries expected April 2007</p> <p>3.2 Fully achieved. Country reports finalised by local experts and discussed at national workshops in Egypt, Serbia. Ukraine report under finalisation early 2007.</p> <p>3.3 Partially achieved. Development and publication of a conceptual and analytical framework on transition from VET to work expected April 2007</p> <p>3.4 Partially achieved. National and international expert seminars and workshops for exchange of experience and discussion and dissemination of results expected April 2007</p> <p>3.5 Partially achieved. Development of partner country knowledge sharing network on transition to work expected April 2007</p> <p>3.6 Partially achieved. Involvement of ETF geographical staff in internal knowledge sharing event related to outcomes and progress of the project ongoing</p>
	4. Development of a consolidated approach to impact measurement of VET interventions	<p>4.1 Publication of lessons learned by ETF in impact assessment in Russia;</p> <p>4.2 Econometric tool aiming at measuring the impact of continuing training on the productivity of companies in selected sectors</p> <p>4.3 Dissemination event for a mixed audience: policy makers at national and regional level, EC officials, trainers, HR officers, other experts</p> <p>4.4 Donor meeting for multi and bilateral donors, EC officials, policy makers and other experts as appropriate</p> <p>4.5 Development of partner country knowledge sharing network on impact assessment.</p> <p>4.6 Involvement of 75% of geographical staff in internal knowledge sharing event related to outcomes and progress of the project.</p>	<p>4.1 Fully achieved. Publication of lessons learned in impact assessment in Russia.</p> <p>4.2 Fully achieved. Impact assessment tool developed and tested with company in Morocco and officials trained in order to transfer the technique of impact assessment.</p> <p>4.3 Fully achieved. Dissemination event held in Casablanca in November 2006 with 50 participants organised.</p> <p>4.4 Partially achieved. Donor meeting for multi and bilateral donors, EC officials, policy makers and other experts as appropriate under preparation expected April 2007</p> <p>4.5 Fully achieved. Network of partner country experts on impact assessment established in Morocco.</p> <p>4.6 Partially achieved. Involvement of ETF geographical staff in internal knowledge sharing event related to outcomes and progress of the project ongoing.</p>

CORPORATE COMMUNICATION (Activity 7)

Specific objective	Expected results	Indicators	Results actually achieved Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Disseminate information and encourage exchanges of expertise, knowledge and experience through publications, the Internet, media, meetings and other appropriate means	1. Increased visibility of the ETF, its expertise, its products and its services towards policy makers, experts, practitioners from EU institutions, Member States, ETF partner countries, and to the general public.	<p>1.1 Publishing and disseminating the results of the work of the ETF in a number of high quality publications and periodicals, including the ETF Yearbook 2006, Highlights 2005, Annual Report 2005, five "flagship" publications, a number of regional and thematic reports as well as six periodicals (four ETF Newsletters and two "Live&Learn" magazines).</p> <p>1.2 Implement a re-designed structure and user-friendly and interactive technologies on the ETF website to improve usability and access, and the exchange of expertise and knowledge.</p> <p>1.3 Increase visitors to ETF website to an average of 60,000 per month</p> <p>1.4 Raise awareness of the media (i.e. general public) on the role of the ETF and its activities.</p> <p>1.5 Provide added value for the ETF and its stakeholders by organising high quality meetings (such as the plenary Advisory Forum 2006), workshops and events in Turin, the EU Member States and in the ETF partner countries</p>	<p>1.1 Partially achieved. ETF Yearbook 2006, Highlights 2005, Annual Report 2005, a number of regional and thematic reports as well as six periodicals (four ETF Newsletters and two "Live & Learn" magazines) were published. Only one "flagship" publication was produced mainly because of the production of a high number of "report" level publications and working documents among others for the plenary Advisory Forum</p> <p>1.2 Fully achieved. ETF website structure re-designed with user-friendly and inter-active technologies to improve usability and access, and the exchange of expertise and knowledge</p> <p>1.3 Fully achieved. Average of 60,000 visitors to ETF website per month by end 2006</p> <p>1.4 Fully achieved. Events held and publications produced to raise awareness of the media on the role of the ETF and its activities, including Europe Day and Women's Day events</p> <p>1.5 Fully achieved. High quality meetings organised for ETF, in particular plenary Advisory Forum 2006 with 250 participants</p>

GOVERNANCE AND COMPLIANCE (Activity 8)

Specific objective	Expected results	Indicators	Results actually achieved
			Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
ETF has agreed its strategic objectives for 2007-9 in line with EU priorities and stakeholder feedback.	1. ETF strategic objectives developed in consultation with ETF stakeholder groups and staff indicate the agency's role under the new Financial Perspectives	1.1 ETF annual environment analysis adopted by Management Team by February 2006 1.2 ETF Mid Term Perspective 2007-9 adopted by ETF Governing Board by March 2006	1.1 Fully achieved. ETF annual environment analysis adopted by Management Team by February 2006 1.2 Not achieved. Delay in approval of Commission Communication until 19 December
Reinforced capacity to deliver cost-efficient services in compliance with EU regulations and in line with the needs and requirements of internal and external customers.	1. Improved compliance with Quality Standards introduced by the Internal Control Standards (ICS) and more generally EU public service regulations compliance.	1.1 Action plan to monitor and improve compliance with ICS in place and monitored 1.2 ETF annual audit plan timely carried out and recommendations properly followed up.	1.1 Fully achieved. An action plan has been defined, and is monitored on a quarterly basis. The IAS is informed on progress through the IAS Issue Track application; last update took place December 2006. 1.2 Partially achieved. ETF external audit plan amended September 2006 due to external factors and extensive audits of service provision framework contractors which indicated need for internal process reinforcement rather than external audit. Comprehensive recommendation database established October 2006 and expected to be fully operational end Q1 2007
	2. ETF operational activities evaluated according to ETF M&E policy, and improvement steps implemented	2.1 ETF annual evaluation report presented to GB, and improvement actions agreed	2.1 Fully achieved. Evaluation report and action plan presented to Governing Board. Two evaluations completed and three new ones launched. Evaluation findings and recommendations discussed at ETF feedback meetings and Management Team.
	3. External Evaluation report findings responded to by ETF action plan	3.1 ETF action plan for external evaluation 2005 adopted by GB, with regular reports on implementation	3.1 Partially achieved. Delay in official approval of Commission Communication until 19 December led to delay in formal adoption of External Evaluation Action Plan until early 2007. However, ETF Governing Board agreed in principle on draft action plan in November 2006
ETF contributes to the co-ordination of Community assistance to partner countries.	1. EU Member States and international organisations actively co-operate with ETF to achieve the VET related goals of EU external relations policy	1.1 Number of Member States and International Organisations cooperating on ETF operational activities 1.2 Number of joint projects	1.1 Fully achieved. ETF implemented campaign to increase co-operation with Member States through Governing Board members. Two events held in Member States and four Governing Board members contributed to ETF operational activities. In addition ETF reinforced exchange of information with international organisations through OECD-Dac network and specific actors such as World Bank, OECD, ILO 1.2 Fully achieved. Italian Trust Fund renewed leading to co-operation with three WP 2007 projects.

Specific objective	Expected results	Indicators	Results actually achieved
			Indicators actually delivered Political, environmental or organisational factors that have led to material changes in results or indicators
Improved efficiency and effectiveness of ETF organisational management approaches	<ol style="list-style-type: none"> 1. HR management policies and practices support flexible, team-based structure 2. ETF financial management complies with EU practices. 	<ol style="list-style-type: none"> 1.1 HR policies revised, in particular PAS, PDP, recruitment and promotion policies, in line with organisational objectives and EU institutions priorities 1.2 ETF competency mapping completed and maintained 2.1 Accrual accounting successfully introduced 2.2 ETF fully prepared for the EC ABAC suite 	<p>1.1. Partially achieved. A review of HR policies has been partly delayed due to resource issues in HR unit. Expectation to meet objectives by Q2 2007.</p> <p>1.2 Fully achieved. The ETF competency mapping process completed with final feedback sessions in February 2006</p> <p>2.1 Fully achieved. The ETF changed from cash based to accrual based accountancy in 2005. This is also reflected in the approved Annual Report 2005. In 2006 the ETF continued keeping its accounts on an accrual basis.</p> <p>2.2 Partially achieved. The ETF has not yet come to a conclusion on whether it will implement ABAC. We have maintained contacts with the Commission services and CSS network in charge and looked into alternative solutions both via our contacts in the Council and Court of Auditors, and as part of the ETF bootstrap project.</p>
ETF statutory bodies are managed effectively and efficiently according to their mandate and Rules of Procedure	<ol style="list-style-type: none"> 1. Regulated, guided and informed activities through the active contribution of the statutory bodies F 	<ol style="list-style-type: none"> 1.1 Minutes of ETF Governing Board testify adoption of statutory documents and active participation by members 1.2 Advisory Forum 2006 plenary meeting minutes provide input to ETF geographical and thematic priorities for 2007-2009 1.3 Advisory Forum opinions on annual work programme and progress in VET reform delivered to Governing Board. 	<p>1.1 Fully achieved. Minutes of ETF Governing Board testify adoption of statutory documents and active participation by members</p> <p>1.2 Fully achieved. Advisory Forum 2006 plenary meeting minutes provide input to ETF geographical and thematic priorities for 2007-09</p> <p>1.3 Fully achieved. Advisory Forum opinions on annual work programme and progress in VET reform delivered to Governing Board.</p>

PART II MANAGEMENT AND INTERNAL CONTROL SYSTEMS

In 2006, the ETF worked comprehensively to position itself in the context of a number of policy and governance initiatives. These included both issues arising from developments at the European level, e.g. the introduction of the new external assistance instruments, as well as specific developments, such as the conclusion of the third external evaluation of the ETF, the adoption of a Communication by the Commission on the conclusions drawn by this evaluation and the future revision of the ETF's Council Regulation with a view to adapting the ETF's work to its new environment. In response, the ETF defined a Mid Term Perspective covering the period 2007-2010 that foresees a progressive transformation of the organisation over the next four years and that will impact on the content of the operation of its core business and the management of its resources.

This will include aligning the ETF's management and internal control systems and its core business. In 2006, the ETF started this process by emphasising organisational learning in its governance and management of resources. The aim of this is to ensure that each part of the ETF is integrated within a management framework that both facilitates the sharing of process standards and knowledge across operations and provides for an effective and efficient management system.

To support this, in the course of 2006, the ETF broadened the range of reports and analyses it uses to support its management practices. These included the further development of its competence mapping, as well as instruments and measures targeted at engaging with its external operating environment and at risks relevant to ETF management and internal control systems.

These instruments involved internal and external audits, ETF evaluations, as well as specific measures in support of the implementation of the internal control standards, e.g. a register of exceptional transactions and the formal record of opinions of financial verifiers. In addition, a major element of ETF's risk management processes involved the implementation of an internal audit capability.

2.1 Inherent nature and characteristics of policy environment(s) and beneficiaries

This section introduces the main features of ETF's policy environment through the ETF's stakeholder groups.

Stakeholders

Partner countries: as noted in the 2005 report, the ETF's operational environment is by nature complex and, in certain cases, volatile due to political instability in the partner countries. The complexity of the ETF's operating environment was confirmed in 2006 by a number of international developments, the most visible being the war in Lebanon and general tension in the Middle East. Such developments have an impact on EU external relations priorities and can inhibit planned deployments of ETF's expertise to support education and training reform. Not least, there may also be security implications for ETF staff in the field.

Conversely, unforeseen events also increase the demand for ETF's services, e.g., changes in the leadership of Turkmenistan in 2006, led to the preparation of contingencies to prepare for a possible demand for ETF services in that country from EU institutions under the emerging EU Central Asia initiative. Other incidents affecting ETF's operations included political uncertainty in a number of states as a result of governmental changes.

European Union institutions: In 2006, the ETF's policy environment was significantly affected by the approval of the new external relations instruments for Pre-accession (IPA) and the Neighbourhood (ENPI) region and to a lesser extent by Development Co-operation (DCI). The instruments place a much stronger demand on ETF's intervention strategies in partner countries. Under the new instruments, the ETF will move from providing services that are mainly focused on technical support in the context of specific projects to providing support that facilitates the

development of sector policies by partner countries. This means that the ETF will be required to have stronger and more consistent links to policy makers in the partner countries as opposed to the technical experts that it mainly dealt with before.

In meeting the needs of the new instruments, the ETF will have to increase its efforts to establish a clear vision of how to adapt its position and role as a European centre of expertise in the new institutional landscape. Informed by Commission Communication COM(2006) 832 final on the European Training Foundation, the ETF has outlined what it intends to do in this regard in its Mid-term perspective 2007-10 and annual work programme 2007.

The adoption of new external relations instruments is expected to lead to a recast of ETF's Council Regulation and notably the broadening of the ETF's thematic mandate to encompass human resources development in a lifelong learning context and related labour market issues with a focus on policy support. The broader mandate adds to the complexity of the ETF's work and will need careful monitoring to ensure that resources are allocated in such a way as to have the greatest impact. A matrix of indicators have been developed which links corporate objectives and functions in the mid term with its annual work programme. This should make the measurement of the achievement of its mandate and understanding the impact of its activities possible.

A second factor in the ETF's institutional environment is the complex nature of its operational and reporting lines. As regards the Commission, the ETF's parent DG is DG EAC while its financing comes from the budget for external relations. The ETF needs to accommodate the varying priorities of DG RELEX, ELARG, AIDCO and, where relevant, EC Delegations and their needs for support. Furthermore, other DGs, principally EMPL, but increasingly JLS, ENTR and RTD have an impact on the ETF, particularly in the evolution from vocational education and training to human resources development.

The Commission has put in place a structured dialogue framework and contact group network chaired by DG EAC, which helps the ETF to balance the different expectations of Commission services with its policy objectives and resources. A confirmation of this complex environment has been the delay in reaching a clear decision on the repatriation of Tempus technical assistance from the ETF to Brussels. This delay and its impact on staffing at the ETF might endanger the quality of the outputs of the programme and expose the agency to legal costs arising from the redeployment of Tempus technical assistance personnel. The challenges associated with this were identified by the Commission in its Communication on the ETF in December 2006, which stated that this required a 'renewed commitment from both sides to strong communication and exchange'¹⁹.

Another feature of the agency's institutional environment is the effort to harmonise approaches and practices among EU agencies. The political drive for this process comes from its potential to deliver greater cost effectiveness and accountability. There have been positive developments. For example, the ETF receives valuable support from European Personnel Selection Office (EPSO) for recruitment, and assistance from the Pay Masters Office for staff salaries and, in 2006, the agencies were given access to Commission staff training opportunities. However, the harmonisation process appears to be mainly based on European Commission best practice in a given area, without taking into account the specificities of each agency's operating environment. Most of these Commission facilities have only recently been opened up and are only partially available. They are regulated by specific service level agreements and are offered on a cost basis. The effectiveness and efficiency of such agreements is not yet clear although they will have an increasing impact on the ETF's future maintenance and running costs especially when agencies are obliged to draw on the services provided by the Commission. There are potential risks arising from this approach which need to be mitigated. The role given to the European Commission to harmonise the application of the staff regulations in the agencies (under article 110) has resulted in a delay in defining human resource approaches.

A second example is the introduction of a new tool to support financial management in the EU administration. Considering the development costs associated, an agency the size of the ETF has little option but to adopt and adapt the European Commission system, ABAC. Its installation and tailoring to the ETF's specific environment and operational needs is, however, difficult. The risks associated with changing such a central element of the ETF's financial management, have lead us to maintain our existing system (Sincom 2) for the time being. A definitive decision has been postponed until more evidence of the cost, risks and benefit can be gathered. The ETF is mitigating these risks through close operational co-operation with Commission administrative services, through the Heads of Agencies' co-ordination group and in particular through co-

¹⁹ European Commission: Communication on the ETF, Brussels, December 2006, Comm 832.

operation with European Food Safety Authority (EFSA) in Parma which is both close to ETF and shares the same national legal and financial context.

EU regulatory environment

The ETF still faces the challenge of adapting and integrating the EU financial and staff regulations cost effectively to its specific context. The framework regulations provide a helpful and transparent structure with a high degree of accountability and interoperability with other EU institutions, but they are not always immediately applicable to the specific needs and risks faced by the agency.

The framework staff regulations, for which the implementing rules relating to agencies are under discussion with Commission services, have been drawn up based on the context of the Commission. These regulations apply first and foremost to officials and contract agents in the main EU institutions, and need to be adapted to the specific needs of small specialist agencies staffed largely by temporary agents. In particular, by limiting standard recruitment grades, the regulations do not cater for the recruitment needs of specialist agencies that need to attract suitably qualified or experienced professionals for key positions. The framework regulations do not adequately provide for mobility between the agency and other EU bodies or to the specific constraints on managing career progression within agencies. The constraints provided by the regulation limit the capacity of the agency to adapt its expertise to the new challenges in its mandate and functions. The ETF is working in close co-operation with DG ADMIN and other agencies to produce appropriate implementing rules that balance the interests of staff, the agency and the EU institutions.

Similarly, the financial regulation provides a basis for sound financial and procurement management across the Community, but is not commonly applied or necessarily appropriate for a small agency such as the ETF that manages funds from different sources and executes its activities through relatively small transactions in partner countries which may have poor financial and administrative services and high levels of corruption. Examples which confirm this risk come from the difficulties faced by the ETF in applying framework service contracts in Eastern Europe and the continuing occurrence of exceptions related to the management of the Tempus convention in the ETF Register of Exceptions. To respond to this risk, the ETF is engaged in a specific risk assessment for its operational activities. The phenomenon of Tempus related exceptions should cease when technical assistance is repatriated.

ETF's governance environment

In its Communication on the ETF from December 2006, the Commission recommended that the ETF's Advisory Forum should not be included in the revised Council Regulation as a statutory body. This reflects a situation in which the statutory opinions of the Advisory Forum have ceased to play a role in the determination of the ETF's work planning processes. As part of its response, the ETF intends to make greater use of its project and operating networks to ensure that its planning processes are fully informed by developments in the international environment. In November 2006, the ETF launched discussions with the Governing Board on an evolution of the Forum into an integrated network structure to ensure appropriate consultation with representatives of ETF key stakeholder groups on the activities of the agency.

2.2 Management and control systems

Control environment

In 2006, the ETF redeveloped its mission statement to make it a more focussed and communicable statement of its purpose as an EU agency. Similarly, mission statements were developed for the Administrative and Central Services and the Planning, Monitoring and Evaluation Unit to more clearly articulate their functions in the organisation. A 360 degree assessment process was piloted as part of the staff appraisal process to give a more rounded

perspective on performance. This was complemented by the extension of the competency mapping process throughout the organisation.

Planning, programming, monitoring and reporting

In 2006, the ETF further elaborated its risk management strategy through an assessment of perceived risks. The activity was designed to improve management processes and facilitate more efficient and effective operations. A further outcome of the progressive implementation of the strategy will be greater transparency in ETF processes and greater integration between different parts of the organisation. The overall result of the ETF's actions in risk management has been to ensure that ETF's operations are more clearly supported by an organisational wide audit framework.

To support its planning and reporting processes and ensure that planning is in line with the ETF mid term perspective, the management team revised its procedures for strategic planning.

Control Activities

In 2006, the ETF initiated a project to identify, document and analyse its business processes to ensure that it is meeting customer requirements, understand weaknesses/risks, and to fix/mitigate them²⁰.

The project provides management with a clearer understanding of the ETF's work processes and supports the Director in the preparation of the Annual Declaration on the Control System. The broader organisational implications of the strategy mean that the ETF is better able to meet its stakeholder and client requirements.

In the first half of 2006, the competences of staff for the entire organisation were defined and mapped.

In 2006, ETF has ensured that:

- The process for running the register of exceptional transactions was reviewed and updated. The register was confirmed as a useful tool to ensure risks are acknowledged and monitored.
- All staff, whatever their role in financial and contract management, received some training on the key principles of the financial regulations.
- Crucial roles in financial flows were allocated to key staff with the aim of improving the financial management. These staff are undergo the European Commission's specialised training on the issue on an ongoing basis.
- The role of delegated Authorising Officers has been limited to a smaller number of better prepared staff members.
- The function of Legal Advisor has been established with the task of helping the delegated authorising officers assess and mitigate risks associated with the financial and contractual management of the ETF.

The ETF also appointed both a Data Protection Officer as well as Data Protection Controllers in 2006. The European Data Protection Officer received a description of the ETF competence mapping process for a prior check²¹.

Monitoring of performance

Evaluation

In 2006, the ETF commenced two major evaluations of its work:

- Evaluation of ETF activities in Turkey and former Yugoslav Republic of Macedonia

²⁰ The full mapping of all relevant processes is scheduled for completion in 2007.

²¹ Prior notification is required under Regulation EC 45/2001

- Evaluation of ETF's contribution to Romania's accession process to the EU

Contracted audit firm for ex post audit

The 2005-06 external audit campaigns covered an estimated 20% of ETF Title III funds and focused on the main framework contracts used to implement ETF's core business functions. Audits were also carried out on ETF framework contracts with AGMIN and TRANSTEC as suppliers of expertise to ETF projects and EGA as a supplier of services to the ETF for the organisation of events.

In addition, the ETF carried out an audit of the ETF's events service provider in Georgia to assess the ETF's new framework contract approach to service provision in the partner countries. The campaign led to the general conclusion that ETF funds were largely being administered soundly by external contractors, but that the ETF needs to continue to clarify its internal practices and procedures.

European Court of Auditors

In 2006, the ETF successfully addressed long-standing issues raised by the Court on the consolidation of its accounts. The financial statements were prepared and approved in line with the accrual-based principle and remarks were limited to issues which have been addressed. The auditors commended the ETF for its work in improving the control systems and in its prompt intervention to address points raised by their services.

Internal Audit Capability

The ETF's internal control system was also audited in response to a dispute with a framework contractor in Azerbaijan. This audit assessed the compliance, the efficiency and effectiveness of the tendering and award procedures used at the ETF with respect to the contract. The Internal Audit Capability also provided consulting support to the ETF Management Team on a broad range of issues, including, inter alia, the EC's proposed new Council Regulation for the ETF, guidelines for the development of job descriptions, time management systems, the Code of Good Administrative Behaviour, and procedures to handle sensitive information.

Internal Audit Service

The ETF did not benefit from an IAS visit in 2006. For progress on the implementation of recommendations from the 2005 IAS report, please see the section on control activities and the section on residual risks.

The recommendations from the above mentioned bodies feed into the improvement action plans implemented under the responsibility of the ETF Internal Control Co-ordinator. This is an integral element in the internal control system. The recommendations deriving from the reports have been entered into an ETF audit database which was also developed during the year.

Following up other relevant action plans

Observations from European Court of Auditors

In 2006, the ETF successfully addressed one of the main observations of the European Court of Auditors on its budget management and financial statements by including all funds it manages in its overall budget as earmarked expenditures. While in previous years this had not been possible due to a difference of interpretation regarding notably the Tempus convention, the introduction of accrual as the basis for the agency accounting lifted these limits and allowed the ETF to respect the principle of transparency more strictly in its financial management.

Observations from the Internal Audit Service

The ETF made progress in implementing the 2005 action plan as well as making other improvements based on observations from the Court of Auditors, the Internal Audit Capability and the external audit documented in Part II above. The ETF did not conclude its self-assessment against the recommendations provided by the IAS on its previous visit. The ETF is however, continuing with its programme of action and intends to complete it in 2007.

Recommendation from External and Internal Evaluations

The third external evaluation of the ETF was completed by the Commission. This evaluation was supportive of the ETF's actions over the period 2004-06, leading the Commission to state that it had an 'overall positive assessment of the efficiency and effectiveness of the ETF's work and considers that the Agency has made a valuable contribution to the Community's activities in the

field of vocational education and training and labour market reform in the partner regions. The Commission appreciates the ETF's work in providing expert input for the identification and implementation of projects'.

The recommendations of the evaluation led to the submission of an action plan to the Governing Board in November 2006 which was adopted in 2007. This action plan will be implemented over the mid term period of 2007-10.

The ETF has also responded to recommendations made by previous external evaluations on its internal evaluation capacities. The aim of these evaluations is to enable the ETF to draw stronger lessons from its operations. Specific lessons have been learnt relating to improvements in the formulation of intervention strategies and the incorporation of results into future projects.

The findings of its internal evaluations have been discussed in feedback meetings at the ETF and the recommendations have been regrouped into a "*fiche contradictoire*" that identifies the responsible services, relevance of the recommendations and the action to be undertaken or already undertaken to address the specific recommendations. The ETF reports annually to the Governing Board on the results of the evaluations and their follow-up.

Furthermore, as part of its response to the Commission's external evaluation completed in 2006, the ETF has started benchmarking and assessing its monitoring and evaluation policy.

2.3 Conclusion and residual risks

In the course of 2006, the ETF has made further progress in mitigating internal and external risks arising from its operating environment. Actions have included measures to identify and eliminate these risks and where this has not been possible to manage and minimise them. These measures as detailed above have strengthened both the organisation's operations and its ability to manage the complexities of its environment. However, the impact of these improvements needs to be validated to ensure that they are becoming embedded. In this respect, the ETF would welcome further observations from the Internal Audit Service (IAS) on its progress in 2006 to ensure the effectiveness and efficiency of its management of resources.

There remain a number of residual risks that the ETF has not fully addressed. These include the inherent uncertainty of the ETF's environment arising from political instability in its partner countries compounded by the need to adapt to new external assistance instruments adopted by the Community in 2006. These challenges are addressed in the ETF's mid term perspective and are expected to have an increasing impact on activities and in particular the development and maintenance of expertise.

In relation to internal risk control, the ETF has not made the progress it hoped to have made in the course of the year with respect to the estimation of time allocations in support of ABB. The system of time recording was introduced as pilot in 2006 in the operational department and is being extended more broadly across the organisation in 2007. Whereas, the time recording process provides potentially useful data, it will need a further year at least before it makes a fully reliable and comprehensive contribution to the ABB estimates. Similarly, the ETF is still documenting its procedures in response to IAS recommendations of the IAS. This process is due to be completed in 2007.

There are three specific residual risks: political instability in the ETF's operational environment, the management of Tempus technical assistance, and the human resource implications of the expected repatriation of Tempus technical assistance.

Reservations

After careful reflection on the assessment in Part I and part II of the Annual Activity report, the ETF puts forward the following reservations:

Reservation 1

Political instability in the ETF's operational environment. As in 2005, the implementation of the ETF's work programme 2006 was affected by political instability in the regions with which it works,

in particular the Middle East, the Caucasus, Central Asia, and South Eastern Europe. This contributed to delays and the cancellation of seven services originally foreseen in the work programme. The overall financial impact of these seven services in terms of operational funds from Title III is estimated at €180,000. These funds were redirected to Community priorities in consultation and agreement with Commission Services. To mitigate this risk the ETF has stepped up its co-operation with the Commission and has prioritised its services to partner countries on the basis of commonly agreed criteria to identify and agree on environments that are conducive to reform.

Reservation 2

Financial management of the Tempus convention. As noted in Annual Activity Report 2005, the Commission has continued to ask the ETF to use the Tempus Convention to procure academic experts through an established mechanism used at the Commission which does not respect the ETF's Financial Regulation. There were three cases in 2006, which have been fully documented in the ETF's Register of Exceptions and sum up to a total of €764,000. Through correspondence with the Commission on each case, the ETF has taken appropriate precautions under the authority of the Commission to ensure that the funds are being used cost-effectively for the stipulated objectives. This element should be resolved when technical assistance is repatriated to Commission services.

Reservation 3

Possible social, reputational, legal and financial implications of Tempus technical assistance at the ETF. This reservation refers to the decision on the future of the Tempus programme and in particular the provision of technical assistance by the ETF. The uncertainty created by the delay in communicating this decision may have a significant social impact on individual members of the ETF's Tempus team and indirectly on ETF staff as a whole. It may also have a negative impact on the ETF's capacity to recruit and maintain experienced staff, thereby putting at risk the quality of technical assistance and the reputation of the Community. A further risk stems from the potential for legal action and the financial costs should the final decision on the repatriation of Tempus technical assistance to Brussels not be formally communicated in time for the agency to give the ten-month notice period required for the proper termination of the ten ETF staff on indefinite contracts. The capacity of the ETF to provide high quality technical assistance is also threatened by the opposite situation whereby the ETF may be asked to continue providing technical assistance to Tempus III and in parallel develop and launch technical assistance services for Tempus IV for a short period of time. This scenario could require an adjustment in staff numbers and capacities that may be difficult to reconcile with the proper application of staff regulations. In this context, the ETF is addressing this situation by reinforcing the provision of training to new recruits to the Tempus department and by strengthening the procedures underlying its standard technical assistance services. The ETF is also helping staff to face the lack of certainty and providing, where possible, opportunities for internal mobility and information about external recruitment opportunities within the Community institutions.

PART III DECLARATION OF THE DIRECTOR

I, the undersigned, **Muriel DUNBAR**, Director of the European Training Foundation
in my capacity as authorising officer

declare that the information contained in this Annual Activity Report 2005 gives a true and fair view²².

state that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

request that the following reservations raised in Part III be take into account when considering the report:

- Political uncertainty in partner countries
- Financial management of the Tempus convention.
- Possible social, reputational, legal and financial implications of Tempus technical assistance in ETF.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, ex-post controls, and the lessons learnt from the reports of the Court of Auditors for the years prior to the year of this declaration.

confirm that I am not aware of anything not reported here which could harm the interests of the institution.

Place TURIN, date 11.6.07

M. Dunbar (signature)

²² True and fair in this context means a reliable, complete and correct view on the state of affairs in the institution.

PART IV ANNEXES

4.1 Draft annual accounts and other financial reports

4.1.1. Draft Annual accounts

a.	Economic outturn account - Table 1	31/12/2006	31/12/2005
	Operating revenue	19,234,325.52	26,326,037.58
	Administrative and operational expenses	-21,681,680.93	-26,112,398.26
	Non operating activities	-546.96	-834.37
	Outturn for the year	-2,447,902.37	212,804.95
b.	Balance sheet - Table 3	31/12/2006	31/12/2005
	Intangible fixed assets	3,052,639.22	3,213,993.87
	Tangible fixed assets	310,661.61	212,532.36
	Stocks	33,768.94	36,501.11
	Current assets - Short term pre-financing	1,169,343.89	1,266,274.16
	Current assets - Short term receivables	339,351.40	174,205.08
	Cash account	12,156,961.92	23,664,596.55
		17,062,726.98	28,568,103.13
	Capital	-1,222,592.95	3,670,495.32
	Provision for risks and liabilities	550,000.00	205,000.00
	Provisions for risks and charges	156,855.00	132,451.67
	Accounts payable	15,133,279.03	24,560,156.14
		17,062,726.98	28,568,103.13
c.	Statement of cash flow - Table 4	31/12/2006	31/12/2005
	Cash at beginning of the year	23,664,596.55	23,169,979.81
	Increase in cash	-11,507,634.63	494,616.74
	Cash at end of the year	12,156,961.92	23,664,596.55

d.	Budget outturn - Table 6	31/12/2006	31/12/2005
	Revenues	22,452,351.62	23,251,879.84
	Expenditures	-23,667,689.90	-22,807,895.32
	Outturn for the year	-1,215,338.28	443,984.52
	Adjustment for carry forward from previous years	4,092,037.44	0.00
	Appropriations carried forward and cancelled	558,806.05	387,801.79
	Changes in Capital	0.00	0.00
	Exchange gains/losses	-106.49	1,452.30
	Balance for the financial year	3,435,398.72	833,238.61
	Balance carried over from previous years	74,315.93	-758,922.68
	Total amount to be reimbursed to EC	3,509,714.65	74,315.93

4.1.2 Contracts concluded through direct agreement (negotiated procedure) 2006

Contract Number	Contractor	Country	Amount (€)	Procedure	Type of contract	Title	Area of activity	Justification
CON/06/ETF/0001	TNT Global Express S.p.A.	Italia	17,000	Direct Agreement	Framework Contract	Express and economy mail services	Provision of express and economy mail services	The Call for Tender that had been envisaged (CFT/05/ETF/0065) was cancelled after the running contract had already expired. It was therefore not possible to renew/ amend the running contract and a DA was sought on the basis of the expired contract.
CON/06/ETF/0002	DHL International S.R.L	Italy	22,000	Direct Agreement	Framework Contract	Express and economy mail services	Provision of express and economy mail services	The Call for Tender that had been envisaged (CFT/05/ETF/0065) was cancelled after the running contracts had already expired. It was therefore not possible to renew/ amend the running contracts and a DA was sought on the basis of the expired contract.
CON/06/ETF/0012	Vanbreda International	Belgium	6,000	Direct Agreement	Framework Contract	Mission insurance policy	Insurance coverage and assistance services for missions	ETF participated in a call for tender run by the Commission, which was won by Van Breda. ETF compared the terms and conditions offered with that of the running Contract with AON Nikols (which was due to expire in short timescales) and decided that better conditions were offered by Van Breda.
CON/06/ETF/0034	GALINA BORISOVA	Russian Federation	10,000	Direct Agreement	Fixed Amount Contract	Editorial Board members	Support in developing and maintaining ETF's publications. Attendance at three meetings.	<p>Due to the fact that</p> <ul style="list-style-type: none"> ▪ the ETF's mandate was under discussion and the EU External Relations Instruments were not fully defined, and ▪ The running contract was coming to an end and close to reaching the financial ceiling, <p>ETF decided that it did not make sense to run new tenders in a moment of uncertainty and that it was necessary to ensure continuity with the current Editorial Board. Therefore a new contract was signed with the current Editorial Board member with a time limit of one year and for a limited budget.</p>

CON/06/ETF/0035	CESAR BIRZEA	Romania	10,000	Direct Agreement	Fixed Amount Contract	Editorial Board members	Support in developing and maintaining ETF's publications. Attendance at three meetings.	<p>Due to the fact that</p> <ul style="list-style-type: none"> ▪ the ETF's mandate was under discussion and the EU External Relations Instruments were not fully defined, and ▪ The running contract was coming to an end and close to reaching the financial ceiling, <p>ETF decided that it did not make sense to run new tenders in a moment of uncertainty and that it was necessary to ensure continuity with the current Editorial Board. Therefore a new contract was signed with the current Editorial Board member with a time limit of one year and for a limited budget.</p>
CON/06/ETF/0036	MUNTHEER MASRI	Jordan	10,000	Direct Agreement	Fixed Amount Contract	Editorial Board members	Support in developing and maintaining ETF's publications. Attendance at three meetings.	<p>Due to the fact that</p> <ul style="list-style-type: none"> ▪ the ETF's mandate was under discussion and the EU External Relations Instruments were not fully defined, and ▪ The running contract was coming to an end and close to reaching the financial ceiling, <p>ETF decided that it did not make sense to run new tenders in a moment of uncertainty and that it was necessary to ensure continuity with the current Editorial Board. Therefore a new contract was signed with the current Editorial Board member with a time limit of one year and for a limited budget.</p>
CON/06/ETF/0051	IPSA S.P.A.	Italy	35,000	Direct Agreement	Fixed Amount Contract	Rental of advertising space at Turin International Airport	Rental of advertising space at Turin International Airport	<p>This is an external communication activity designed to increase the awareness of the ETF's existence at local level in Turin and among visitors to the city, considering also the 50th anniversary of the Treaty of Rome in 2007. The airport authorities have launched a tender to contract a company to manage the advertising space; ETF is therefore obliged to work with the company that won this tender.</p>

4.1.3 Human and financial resources by ABB activity

ETF Strategic Pillars	Planned 2006				Executed 2006					
	TA	CA/LA	ETF Subvention	%	TA	CA/LA/AUX ²³	ETF Subvention 2006 ²⁴	%	Total Executed budget 25 2006	%
1. Operations and Innovation	64	9	13,916,681	71.6%	56	14.41	12,544,020	67.6%	17,817,297	74.8%
1.1. VET Operations	33	0	7,674,388	39.5%	30	3.91	7,240,650	39.0%	10,898,203	45.7%
Eastern Europe and Central Asia	8		1,134,312	5.8%	7.3	0.98	1,761,634	9.5%	1,774,965	7.4%
Mediterranean Region	10		1,417,890	7.3%	9.1	0.98	2,149,862	11.6%	5,409,375	22.7%
South Eastern Europe	9		1,276,101	6.6%	8.2	0.98	1,955,748	10.5%	2,333,625	9.8%
Enlargement	6		850,734	4.4%	5.5	0.98	1,373,406	7.4%	1,380,237	5.8%
1.2. Tempus technical assistance operations	20	8	3,483,663	17.9%	16	9.5	3,190,610	17.2%	4,806,334	20.2%
Eastern Europe and Central Asia (Tacis)	8.0	3.0	1,356,665	7.0%	6.0	3.8	1,262,481	6.8%	1,901,800	8.0%
Mediterranean Region (MEDA)	7.0	3.0	1,187,082	6.1%	6.0	3.5	1,164,885	6.3%	1,754,783	7.4%
South East Europe (CARDS)	5.0	2.0	847,916	4.4%	4.0	2.3	763,244	4.1%	1,149,751	4.8%
1.3 Innovation and Learning	11	1	2,758,629	14.2%	10	1	2,112,760	11.4%	2,112,760	8.9%
2. Corporate Communication	8		1,171,911	6.0%	8	0.67	1,512,579	8.2%	1,512,579	6.3%
3. Governance and Compliance	25	3	2,555,197	13.1%	21.5	4.27	2,248,939	12.1%	2,248,939	9.4%
3.1. Strategic and Operational Institutional Management (including costs of statutory bodies)	5		951,919	4.9%	4.5		767,990	4.1%	767,990	3.2%
3.2. Monitoring, Audit and Evaluation	4		621,136	3.2%	5.25	0.75	650,798	3.5%	650,798	2.7%
3.3. Competencies Management and Personnel administration	6		368,303	1.9%	3.92	1.25	281,066	1.5%	281,066	1.2%
3.4. Financial and Procurement Management	10	3	613,839	3.2%	7.83	2.27	549,085	3.0%	549,085	2.3%
4. Infrastructure	8	6	1,806,211	9.3%	10	6	2,249,218	12.1%	2,249,218	9.4%
4.1. Renting and investment costs in technical infrastructure and premises	2	1	340,528	1.8%	3	1	571,138	3.1%	571,138	2.4%
4.2. Utilities and Running costs	6	5	1,465,683	7.5%	7	5	1,678,080	9.0%	1,678,080	7.0%
Overall totals	105	18	19,450,000	100%	95.5	25.4	18,554,757	100%	23,828,034	100%

²³ Both TA (Temporary Agents) and CA/LA/AUX (Contract/Local Agents/Auxiliaries) refer to the average post occupation during 2006

²⁴ Represents the committed amounts in 2006 across Titles I, II and III

²⁵ In addition to ETF committed amounts, includes data related to committed amounts in 2006 against other funds managed by ETF: ITF – Italian Trust Fund, MEDA-ETE and TEMPUS conventions (Titles IV, V and VI)

4.1.4 2006 Budget Execution

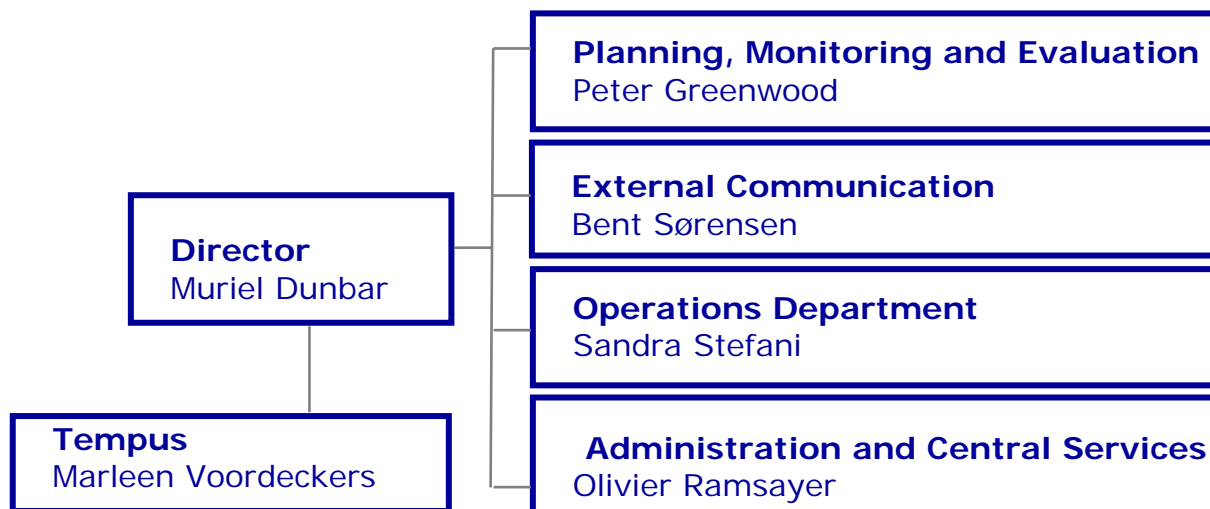
		Budget Available 2006	Executed budget 2006	%
Title I		12,584,151	11,989,881	95.3%
Title II		1,718,500	1,594,992	92.8%
Title III		5,149,249	4,969,885	96.5%
ETF Subvention		19,451,900	18,554,758	95.4%
Title IV (ITF)	Current year	314,288	543,624	55.5%
	Previous years	665,408		
Title V (MEDA ETE)	Current year	-	3,113,929	64.0%
	Previous years	4,864,567		
Title VI (TEMPUS)	Current year	1,040,260	1,615,724	95.8%
	Previous years	645,958		
ETF earmarked funds		7,530,481	5,273,277	70.0%
ETF budget		26,982,381	23,828,034	88.3%

4.2 Structure and staffing of the ETF

The ETF's Governing Board is chaired by the Director General of DG Education and Culture and is made up of representatives from Member States, the European Commission and candidate countries as observers. The Governing Board approves the ETF's annual Work Programme and budget and is also consulted on issues that relate to strategic direction and management. The Director of the ETF reports to the Governing Board and chairs the Advisory Forum. In 2005, the ETF had an establishment plan of 105 Temporary Agents and a budget of €23 million including a subsidy from the Commission of €19.45 million.

At the start of the year, the ETF's organisational chart was defined largely according to the different external relations instruments it serves. This logic implied separate departments covering the candidate countries and South Eastern Europe, Eastern Europe and Central Asia; and the Mediterranean region. Another department provided technical assistance to the Commission for the implementation of the Tempus programme. During the year, in response to similar exercises within the Commission, the ETF launched an internal re-organisation in preparation for the emerging external relations instruments due to come into force in 2007. In parallel, the ETF opted to merge its operational staff into a single team-based department to benefit from greater flexibility and efficiency in deploying its specific expertise and to reinforce knowledge sharing. The Management Chart at the end of the year was as follows:

*



4.2.1 Staffing Structure

ETF Staffing Chart										
FUNCTION GROUP	GRADE	Establishment Plan 2006	TAs in Post on 31/12/2006			Nationality TA	AD	AST	Grand Total	%
AD	16									
	15	1				A	3		3	3.19%
	14	2	1			B	2	6	8	8.51%
	13	1				BG	1		1	1.06%
	12	7	7			CZ	1		1	1.06%
	11	15	15			D	4	2	6	6.38%
	10	11	2			DK	5		5	5.32%
	9	4	7			E	3		3	3.19%
	8	11	10			EE		1	1	1.06%
	7	2	4			EL	1		1	1.06%
	6	0	2			F	5	4	9	9.57%
5	0	1			FIN	1	1	2	2.13%	
Sub-total Function Group AD		54	49			GB	7	5	12	12.77%
AST	11					H		1	1	1.06%
	10	1				I	7	19	26	27.66%
	9	2	3			IRL	1	2	3	3.19%
	8	6	4			L		1	1	1.06%
	7	11	7			NL	5	1	6	6.38%
	6	12	11			P	1		1	1.06%
	5	10	5			RO		2	2	2.13%
	4	4	3			S	1		1	1.06%
	3	3	6			TUN	1		1	1.06%
	2	2	2			Grand Total	49	45	94	100.00%
1		4								
Sub-total Function Group AST		51	45							
TOTAL TA posts		105	94							

						Nationality CA	II	III	IV	Grand Total	%
						A		1		1	4.35%
Contract Agents						B	1	1		2	8.70%
II	12					D	1		1	2	8.70%
III	9					F			1	1	4.35%
IV	2					FIN		1		1	4.35%
Grand Total	23					I	10	5		15	65.22%
						LV		1		1	4.35%
						Grand Total	12	9	2	23	100.00%

4.2.2 ETF Staffing Chart 2: Old and new classifications compared

TA+CA	Associated levels				
	Nationality	AD	AST	Grand Total	%
A		3	1	4	3.42%
B		2	8	10	8.55%
BG		1		1	0.85%
CZ		1		1	0.85%
D		5	3	8	6.84%
DK		5		5	4.27%
E		3		3	2.56%
EE			1	1	0.85%
EL		1		1	0.85%
F		6	4	10	8.55%
FIN		1	2	3	2.56%
GB		7	5	12	10.26%
H			1	1	0.85%
I		7	34	41	35.04%
IRL		1	2	3	2.56%
L			1	1	0.85%
NL		5	1	6	5.13%
P		1		1	0.85%
RO			2	2	1.71%
S		1		1	0.85%
TUN		1		1	0.85%
LV			1	1	0.85%
Grand Total		51	66	117	100.00 %

4.3 Material reservations from ETF 2005 Register of Exceptions

Nr.	Date	Dept-Unit	Author	Subject	Exception (deviation to)	Materiality criterion	Financial transaction type	Value exception
4	09/02/2006	TEMPUS	FDN	Selection Procedure for experts	1. Financial Regulation	3.c Financial risk >= 50,000	1. Commitment	54,000
6	09/02/2006	TEMPUS	FDN	Call for proposals 112 experts	1. Financial Regulation	3.c Financial risk >= 50,000	1. Commitment	360,000
48	30/12/2006	Tempus	FDN	Recruitment of experts in the framework of JEP/SCM/IMG selections	1. Financial Regulation	1. Significant or repeated deviation	1. Commitment	350,000

4.4 Key decisions of the ETF statutory bodies

Key decisions of the ETF Governing Board in 2006

The Governing Board and observers, met on 6 June and 21 November 2006. The meetings were chaired by Odile Quintin, Director General for Education and Culture of the European Commission.

At the meeting of 6 June, the Governing Board:

- Adopted the Annual Activity Report 2005 and its own analysis and assessment of it;
- Adopted the Implementing Rules to the Staff Regulations;
- Adopted the General Implementing provisions on the procedures governing the engagement and the use of Contract Staff at the ETF.

The ETF Governing Board met on 21 November 2006 in Brussels to:

- Adopt the ETF Work Programme 2007 as modified to take into account the comments of the members;
- Adopt the ETF Budget 2007;
- Adopt in principle the draft Mid-term Perspectives 2007-10 subject to confirmation by written procedure once the Commission published its Communication on the External Evaluation.

Advisory Forum

The Advisory Forum is a statutory body [CR Art 6] made up of over 130 vocational training experts. Members of the Advisory Forum are drawn from Member States, the partner countries, social partners and international organisations. The main role of the Forum is to provide advice to the ETF and its Governing Board on the annual Work Programme. The Forum also serves as an exchange network, enabling good practices on vocational training policies and reform to be shared between the countries involved. The Advisory Forum met in Turin from 5 to 7 June 2006 under the Austrian Presidency to discuss the theme of Skills for Progress and reflect on ETF's priorities for the period 2007-10. The Forum also provided the Board with an opinion on the 2007 Work Programme.