



PROVISIONAL DRAFT ESTIMATE OF REVENUE AND EXPENDITURE AND UNDERLYING GENERAL GUIDELINES 2010

Background

The European Training Foundation (ETF) is a specialised agency of the European Union based in Turin, Italy.

The ETF¹ provides advice and assistance to the European Commission and 29 partner countries for the reform of human capital development policies under the European Union's external relations instruments. The ETF helps transition and developing countries to harness the potential of their human capital through the reform of education, training and labour market systems in the context of the EU's external relations policy.

The ETF provides services to a range of stakeholders and clients with shared interests in the contribution that human capital development can make 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 partner countries. The ETF also works with the international donor community to exchange information and lessons learned in the assistance field.

In light of the EU's priorities and instruments in the field of external relations for the 2007-13 period, and the European Commission's proposal for a recast of the ETF's regulation, the ETF is in the process of adapting its objectives and revising its functions and working methodologies. This process essentially confirms the development of the ETF since its launch in 1994 in line with developments in lifelong learning policies particularly in the EU under the Lisbon agenda, as well as the trends in international aid.

The institution was largely engaged in the delivery of technical assistance of projects in the field of vocational training in the period 1994-2000. This developed into the delivery of expert project and programming support to the Commission and capacity building support to partner countries for the period 2000-06.

The 2007-13 phase is characterised by more exigent and higher added value policy and programming support to Community assistance, and policy analysis and facilitation services to partner countries in the field of human capital development. The more challenging remit and functions foreseen by the Commission will be deployed in a framework of more direct attention to sector support for human capital and people to people issues within more highly resourced EU external relations instruments. This is partly a consequence of the principles underpinning the new external relations financial instruments and the European Consensus on Development (2005)², in particular the common principles of ownership, partnership and in-depth political dialogue. Moreover, it also reflects the OECD Paris Declaration on Aid Effectiveness (2005)³. These factors are already leading to an increase the number and complexity of the ETF services requested, and require the ETF to further develop its own capacity and knowledge regarding human capital development and trends in international assistance.

This paper is based on the assumption that the recast regulation will be in force from 2009 and that the ETF's main objectives in 2010 will be in line with the recast regulation, namely that:

- information, analyses, and policy advice on human capital development are provided to partner countries;
- partner country stakeholder capacities are strengthened and result in more relevant education and training sectors;

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

² http://ec.europa.eu/development/icenter/repository/eu_consensus_en.pdf

³ http://www.oecd.org/document/18/0,3343,en_2649_3236398_35401554_1_1_1,1,00.html

- the exchange of information and experience among donors engaged in human capital development reform in partner countries is facilitated;
- policy advice and programming analysis improves the effectiveness and relevance of Community assistance programmes to partner countries in the field of human capital development; and
- dissemination and networking activities transfer relevant policy lessons between partner countries and between EU Member States and partner countries, and provide opportunities for engagement with the EU's policies and programmes.

Underlying guidelines for the provisional draft estimate of revenue and expenditure 2010

The 2010 pre-draft budget is based on two main principles; the conclusion of the MTP for the period 2007-10 and the preparation and initiation of the MTP for the period 2010-13.

In the first case, this will mean the finalisation of activities which began in 2007 and the compilation of the experience and lessons learnt from these activities. In the second case, the ETF will continue to develop its core business activities according to new priorities agreed with the European Commission and endorsed by the Governing Board for the period 2010-13. In particular, it will:

- contribute to the enlargement process by supporting the modernisation and reform of education, labour market and training systems in candidate and potential candidate countries;
- contribute to prosperity and development in the European Neighbourhood region through cooperation and partnership in human capital policy development and implementation;
- contribute to development cooperation in human capital development with a focus on Central Asia;
- support the European Commission and partner country development policies through innovation and learning.

The 2010 Work Programme will support three strategic actions related to the recast regulation that will characterise the Mid-term perspective for the period 2010-13:

1. provide support to partner countries to place vocational education in a lifelong learning context more closely linked to the labour market;
2. preparatory actions that will enable the ETF to respond to requests from the Commission to provide support to countries outside its present group of partner countries when agreed to by the Governing Board.
3. provide support to the Commission when requested on issues related to the external dimension of internal policies of the EU, including activities following on from the Lisbon Strategy, in particular the anticipated Bordeaux Communiqué of November 2008⁴ and other policies with a human capital dimension.

Throughout 2010, the ETF will continue to develop its corporate communication function reinforcing its capacity to explore approaches to improve the dissemination of relevant material, and to keep the Commission services, both in the field and at headquarters, fully informed of its operations, initiatives and contacts. This will involve a broader use of audio-visual and web-based media to disseminate ETF actions and results in its work with partner countries.

The ETF will also further adapt its organisational processes and ways of working to the environment created by the new external assistance instruments. This will include aligning the ETF's management and internal control systems and its core business of working with transition and developing countries to apply human resource development strategies to socio-economic development. Notably, the ETF will:

⁴ The anticipated Bordeaux Communiqué of November 2008 is expected to support greater co-operation on the Copenhagen process with non member states.

- fine-tune its allocation of resources, and especially human resources, in order to improve efficiency in all operations;
- reinforce its capacity as a learning organisation through knowledge management and development;
- continue to strengthen its management information systems, financial and risk management and accounting tools in line with its changing mission as well as the changing regulatory and technological environment of European public administration;
- reinforce its monitoring and evaluation process to draw lessons from its activities as well as to measure its effectiveness, added value and impact in achieving its mid-term objectives and functions.

In the past a '**Rationale for ETF Estimate of Revenue and Expenditure for year N+2**' was presented to the Governing Board at its November meeting for information. The discussions on this document were then incorporated into a **Preliminary Draft Budget year N+1** and presented to the Board for approval via written procedure by the end of March.

On 9 July 2008, the European Commission approved a revised framework Financial Regulation for agencies (Commission regulation 652/2008), amending the previous framework, adopted on 22 December 2002 (Commission Regulation 2343/2002 was adopted by the ETF as its Financial Regulation on 15 January 2003). The revised framework Financial Regulation will be developed into a revised specific Financial Regulation for the ETF (and will be presented to the Governing Board for approval) before the end of January 2010. This revision will lead to a change in the budget validation process.

The differences between the 2002 and the 2008 versions of the framework Financial Regulation are highlighted in the table below:

2002	2008
Art. 27.2 The Community body shall send the Commission an estimate of its revenue and expenditure (...) together with its work programme by <u>31 March</u>	Art. 27.2 The Community body shall send the Commission a provisional draft estimate of its revenue and expenditure (...) by <u>10 February</u> each year and the final draft estimate by the date specified in the constituent instrument ⁵
	Art 27.4 The Community body shall send to the commission and the budgetary authority, by 31 March each year at the latest the following: its draft work programme; its updated multi-annual staff policy plan, established in line with the guidelines set by the Commission; information on the number of officials, temporary and contract staff as defined in the Staff Regulations and the Conditions of Employment of Other Servants (hereinafter "the Staff Regulations") for the years n-1 and n as well as an estimate for the year N+1; information on contributions in kind granted by the host Member State to the Community body. an estimate of the balance of the outturn account within the meaning of Article 81 for the year N-1.

In accordance with the revision, the ETF is presenting the '**Provisional draft estimate for revenue and expenditure 2010**' to the board for approval, including figures relating to the budget at chapter level and a proposed establishment plan in line with the regulatory framework.

⁵ On the basis of Art 10.2 of the Council Regulation the governing board shall adopt a draft budget for the ETF and submit it to the Commission **by 31 March** at the latest.

Once approved, this provisional draft estimate will be sent to the European Commission with no additional written procedure by 10 February. In this was it can be used by the Commission services as a basis for the start of the 2010 budgetary procedure.

A written procedure to be presented to the Board by the end of February will include the draft Work Programme in addition to the other four documents in accordance with article 27.4 of the revised framework Financial Regulation 2008. These documents can then be sent to the Commission for the 31 March deadline.

Implications for the 2010 estimate of provisional draft estimate of revenue and expenditure

In line with the Financial Perspective 2007-13⁶, the overall commitment and payment appropriations expected from the EU subvention in 2010 amounts to €20.271 million. This provisional draft estimate is based on the following:

- The indicative amount of €20.271 million represents an increase of 2% compared to 2009 and is expected to allow the ETF to accomplish its second full year of activity with the broader human capital development mandate and more challenging functions as foreseen in the recast regulation.
- The ETF will focus its operational resources above all on achieving its expected mission and fulfilling its new requirements in the countries eligible for the Pre-accession and Neighbourhood Instruments. In particular, the ETF plans to increase its investment in the provision of policy support and capacity building actions to partner countries and the delivery of programming and project cycle support in response to the increased scope of the new generation of EU external relations policies and instruments and related requests by Commission services for support, as agreed in the ETF mid-term perspective for the period 2007-10.
- In terms of human resources, the ETF intends to maintain the 2009 staffing levels defined as adequate to support the implementation of its new mandate. A total of 128 temporary, contract and local agents and seconded national experts would be deployed in Turin with an additional liaison officer based in Brussels. These 128 people are expected to be distributed as follows:

Jobs by category	Total
Experts	45
Professionals	32
Coordinators	4
Managers	14
Administrative Support Staff	37
Total	128

- Using the activity based budgeting format introduced in the Mid-Term Perspective, the ETF will aim to invest in operations in line with previous years (70% of the subvention) while communication and running costs amount to 30%.
- As regards the direct support to operational activities under Title 3, Chapter 31, the ETF would follow the trend developed in 2007-08. This means an investment of some 32.5% for the IPA (candidate and potential candidate countries) and Neighbourhood regions, and 15% for activities in the Central Asian

⁶ See Annex – Point 8.1. Objectives of the proposal in terms of their financial cost in Proposal for a Regulation of the European Parliament and of the Council, establishing a European Training Foundation (recast) COM(2007) 443 final, Brussels, 27.07.2007

republics covered by the Development Cooperation Instrument. 20% of Chapter 31 will be invested in innovation and learning projects and activities.

- The broadening of the ETF's mandate set out in the recast regulation will also require investment in capacity development, both in terms of knowledge management and human resource systems. This will be addressed through a combination of the consolidation of the human resources strategy introduced in 2007-08, the implementation of lessons learned from the innovation and learning project cycle, and the use of evaluations and feedback from Commission services and ETF stakeholder networks.
- The ETF would also restore its investment in evaluation, monitoring and audit to the level of 10% of Chapter 31 as established in the period 2003-07.
- The ETF will continue to develop a comprehensive and structured risk management process to support management decision making, including proportional and cost effective choices, and provide relevant information for establishing appropriate and proportionate risk control measures.
- The proposed distribution of expenditure across the three main budget titles (staff, infrastructure and direct project costs) can be found in annex. In addition, the earmarked expenditure will be added to the budget at a later stage to integrate other funds managed by the ETF (such as the Italian Trust Fund, and other projects that the ETF implements in the name of the Commission or Member States).

Revenue	2008	2009			2010	
		Amended Budget	Estimated revenues of the agency	Of which		% Request 2010 / Budget 2009
				Community contribution (Budget 2009)	Community Contribution (Assigned revenue)	
1 Revenue from fees and charges						0%
2. European Community subsidy	17,984,000	19,872,000	14,772,000	5,100,000	20,317,000	2%
3 Contribution from third countries - Italian trust fund	437,007					0%
4 Other contributions						0%
5 Administrative operations - MEDA-ETE	500,000					0%
6 Revenue from services rendered against payment						0%
7 Correction of budgetary imbalances						
Total revenue	18,921,007	19,872,000	14,772,000	5,100,000	20,317,000	2%

Expenditure - Commitment Appropriation		Amended Budget 2008	Draft Budget 2009	Orientations for 2010 subvention
TITLE 1	EXPENDITURE RELATING TO PEOPLE WORKING WITH THE ETF			
Chap. 1 1	Staff in active employment	11,727,023	12,243,000	12,465,000
Chap. 1 3	Missions and travel	937,000	1,056,000	1,140,000
Chap. 1 4	Socio-medical infrastructure	194,000	210,000	210,000
Chap. 1 5	Staff exchanges between the ETF and the public sector	200,000	300,000	300,000
Chap. 1 7	Entertainment and representation expenses	8,944	10,000	10,000
Chap. 1 9	Pensions and pension subsidies	p.m.	p.m.	p.m.
TITLE 1		13,066,967	13,819,000	14,125,000
TITLE 2	BUILDING, EQUIPMENT AND MISCELLANEOUS OPERATING EXPENDITURE			
Chap. 2 0	Investments in immovable property, rental of buildings and associated costs	646,015	700,000	700,000
Chap. 2 1	Information and communication technology	454,600	600,000	600,000
Chap. 2 2	Movable property and associated costs	30,390	65,000	65,000
Chap. 2 3	Current administrative expenditure	128,530	200,000	200,000
Chap. 2 4	Post and telecommunications	53,480	50,000	50,000
Chap. 2 5	Meetings and associated costs	145,800	135,000	135,000
TITLE 2		1,458,815	1,750,000	1,750,000
TITLE 3	EXPENSES RELATING TO PERFORMANCE OF SPECIFIC MISSIONS			
Chap. 3 0	Operational expenses	747,341	735,000	735,000
Chap. 3 1	Priority actions : Work programme activities	2,710,878	3,568,000	3,707,000
TITLE 3		3,458,219	4,303,000	4,442,000
	TOTAL EXPENDITURE ETF SUBVENTION	17,984,000	19,872,000	20,317,000
TITLE 4	REVENUE FROM OTHER SOURCES (Earmarked revenue)			
Chap. 4 3	Cooperation with Italian institutions	437,007	p.m.	p.m.
TITLE 4		437,007		
TITLE 5	MEDA - ETE (Earmarked revenue)			
Chap. 5 0	MEDA-ETE	500,000	p.m	p.m
TITLE 5		500,000		
	TOTAL EXPENDITURE ETF	18,921,007	19,872,000	20,317,000

Expenditure – Payment appropriation

Amended Budget 2008	Draft Budget 2009	Orientations for 2010 subvention
------------------------	-------------------------	--

TITLE 1	EXPENDITURE RELATING TO PEOPLE WORKING WITH THE ETF			
Chap. 1 1	Staff in active employment	11,727,023	12,243,000	12,465,000
Chap. 1 3	Missions and travel	937,000	1,056,000	1,140,000
Chap. 1 4	Socio-medical infrastructure	194,000	210,000	210,000
Chap. 1 5	Staff exchanges between the ETF and the public sector	200,000	300,000	300,000
Chap. 1 7	Entertainment and representation expenses	8,944	10,000	10,000
Chap. 1 9	Pensions and pension subsidies	Pm	pm	pm
TITLE 1		13,066,967	13,819,000	14,125,000

TITLE 2	BUILDING, EQUIPMENT AND MISCELLANEOUS OPERATING EXPENDITURE			
Chap. 2 0	Investments in immovable property, rental of buildings and associated costs	646,015	700,000	700,000
Chap. 2 1	Information and communication technology	454,600	600,000	600,000
Chap. 2 2	Movable property and associated costs	30,390	65,000	65,000
Chap. 2 3	Current administrative expenditure	128,530	200,000	200,000
Chap. 2 4	Post and telecommunications	53,480	50,000	50,000
Chap. 2 5	Meetings and associated costs	145,800	135,000	135,000
TITLE 2		1,458,815	1,750,000	1,750,000

TITLE 3	EXPENSES RELATING TO PERFORMANCE OF SPECIFIC MISSIONS			
Chap. 3 0	Operational expenses	747,341	735,000	735,000
Chap. 3 1	Priority actions : Work Programme activities	2,710,878	3,568,000	3,707,000
TITLE 3		3,458,219	4,303,000	4,442,000

	TOTAL EXPENDITURE ETF SUBVENTION	17,984,000	19,872,000	20,317,000
--	---	------------	------------	------------

TITLE 4	REVENUE FROM OTHER SOURCES (Earmarked revenue)			
Chap. 4 3	Cooperation with Italian institutions	437,007	p.m.	p.m.
TITLE 4		437,007		

TITLE 5	MEDA - ETE (Earmarked revenue)			
Chap. 5 0	MEDA-ETE	500,000	p.m	p.m
TITLE 5		500,000		

	TOTAL EXPENDITURE ETF	18,921,007	19,872,000	20,317,000
--	------------------------------	------------	------------	------------

Staffing of the agency:

a) Permanent and temporary posts:

Category	2008		2009		2010	
	Filled as of 16/10/2008		Request for 2009 Community budget.		Request of the agency	
	Permanent posts	Temporary posts	Permanent posts	Temporary posts	Permanent posts	Temporary posts
AD 16						
AD 15						
AD 14		1		1		1
AD 13				3		3
AD 12		7		8		8
AD 11		12		10		11
AD 10		3		5		4
AD 9		10		13		13
AD 8		7		11		11
AD 7		8		8		8
AD 6		1				
AD 5						
Total AD category	0	49	0	59	0	59
AST 11						
AST 10				3		3
AST 9		6		8		8
AST 8		2		4		4
AST 7		7		7		7
AST 6		8		10		10
AST 5		2		4		4
AST 4		3		1		1
AST 3		3				
AST 2		6				
AST 1						
Total AST category	0	37	0	37	0	37
TOTAL	0	86	0	96	0	96

b) Contract and local agent posts

	2008 Number as of 16/10/2008	2009 estimate	2010 PDB
Function Group IV	3	3	3
Function Group III	17	17	19
Function Group II	16	16	14
Function Group I			
Total	36	36	36