

ANNUAL ACTIVITY REPORT 2010 – ANALYSIS AND ASSESSMENT

The Governing Board has analysed and assessed the Director's report on the results for the 2010 financial year. The Board acknowledges the results achieved by the ETF and puts forward the following analysis and assessment.

Analysis

The 2010 Annual Activity Report (AAR) records the achievement of the ETF's objectives for 2010 following its annual work programme and according to the functions, themes and regions in its Council Regulation. 2010 was the first year of the new mid-term perspective 2010-13.

Part I summarises the activities and results achieved in each of the four regions and in the thematic expertise development area, and inside these sections presents the work organised by function and distinguishes between country-based and regional activities.

The AAR contains a detailed record and description of the outputs achieved in 2010 together with specific tables outlining areas of expenditure by theme, region and country. The number and type of outputs measure the use of resources given to the agency to achieve the annual objectives (internal efficiency) and the added value. Outputs refer to the countries, functions and themes defining the field of activity (external efficiency). They do not indicate the quality of an activity or its impact as this is ensured through the performance-based approach. In 2010 the ETF corporate performance indicators were revised to cover both qualitative and quantitative aspects. The activity-based budget tables in particular demonstrate the use of resources according to the three dimensions of ETF planning policy (geographical, functional and thematic). The report incorporates details of the specific requests received from the European Commission and the services provided by the ETF in response.

The 155 corporate outputs achieved are slightly lower than the 158 targeted (the remainder will be completed at the beginning of 2011), but they are in line with the final budget received by the ETF and indicate the level of achievement of the objectives proposed in the Work Programme. The AAR shows a significant increase in policy analysis outputs (29 against the 17 planned), those related to support to the European Commission (30 against 24 planned) and dissemination and networking (30 to 27 planned). This came at the expense of capacity building outputs (66 to 94 targeted). This is explained by the increased importance of evidence-based policy making activities (requiring policy analyses) and the requests from the European Commission (which slightly increased in 2010 and were more diverse, according to the DGs requesting ETF work). Although the outputs from the Torino Process have been counted as policy analysis, the report also explains that the process has a two-fold objective: as an objective of the process is increasing capacity for evidence-based policy making, the activities could also be considered as capacity building outputs.

The Governing Board highlights the achievements of the Torino Process introduced for the first time in 2010. The concept, methodology and results of the Torino Process have been recognised by most of the ETF partner countries (only one did not participate). The outcome of the process is that:

- a) countries can improve the contribution of vocational education and training (VET) to sustainable development, and in particular competitiveness and social cohesion;
- b) it serves as a basis for the design of the ETF's support strategy to the partner countries; and,
- c) it forms the basis of the ETF's recommendations to the European Commission for EU external assistance and is a resource available for programming of aid by the donor community.

In three of the ETF partner countries (Kosovo under UNSCR 1244/99, Republic of Moldova and Kazakhstan) the validation by stakeholders of the Torino analyses was complemented by a meeting organized by the EU Delegations with the donors active in the VET field. The Education and Business Study, another cross-country initiative bridging VET and higher education with the accompanying focus group work and validation meetings is also a notable achievement both logistically and in terms of linking EU and partner country policies on education and business cooperation.

The Governing Board also draws attention to:

- a) the work on social inclusion in the Western Balkans and Turkey which culminated in the December conference organised for all 29 ETF partner countries (and also promoted the use of social media in the ETF field of activity) facilitating exchange among partner countries and EU Member States on different policy aspects/actions to address social exclusion and ensure access to education and training for all. It focussed in particular on the importance of VET as an instrument for employability and active citizenship;
- b) the Black Sea Employment Reviews and the Odessa conference that created the platform for multi-country dialogue and cooperation;
- c) the human resources development reviews in Albania, Montenegro and Serbia prepared at the request of DG EMPL; and,
- d) the school development project in Central Asia.

In the thematic development field, ETF work has:

- a) highlighted the needs of specific population groups and gaps in the education provision (Tajikistan, Moldova under the innovation and learning project on human capital development reviews);
- b) raised awareness of the importance of teachers/trainers in promoting cohesive societies and identified key issues in developing teacher training systems

The ETF's work on the the skills dimension of labour migration and the mobility partnerships is also noteworthy.

The ETF's work on qualifications systems is important for ensuring:

- a) the relevance and transparency of education and training systems to labour market/economic development needs; and,
- b) transparency in skill developments paths.
- c) ETF work in this area supports partner countries to develop their own understanding on both the technical and policy issues of qualifications frameworks and contributes to international debate on the topic. The regional qualifications project is worth noting in his regard as it aims at the establishment of regional sectorial networks in the ENP South region.

The Governing Board also acknowledges the good cooperation and exchange of expertise between the ETF and Cedefop and the synergy and complementarity promoted between their activities.

Parts II, III and IV of the AAR detail the processes that the ETF uses to ensure its effective and efficient functioning as an EU agency.

Part II of the AAR describes the key features of the significant developments that have improved and reinforced management supervision and control of ETF activities. These developments covered changes in the organisational structure, changes in internal processes and systems, procedures and workflows and in resources management. In particular, the functional analysis of administration, the institutional and functional analysis of operations and the move towards an effective performance management system should be highlighted.

The report records very good results from the resources management perspective:

- Of the €18.832 million available as commitment appropriations in the 2010 subvention, the ETF achieved a **commitment rate of 99.9%** (compared to 99.8% in 2009 and 98.5% in 2008);
- The ETF paid **87.1%** of the amount committed (compared to 82% in 2009 and 84% in 2008);

- Including the payments on operational commitments carried forward from the previous year, of the €19.298 million available payment appropriations in 2010, the ETF achieved a **payment execution rate of 96.5%** (compared to approx. 90% in 2009 and 2008).
- The ETF halved the number of budgetary transfers to 15 in 2010, compared to 33 in 2009, and carried forward 12.8% of the 2010 amount committed (compared to 17% in 2009 and 15% in 2008).

Taking into consideration the key developments which took place in 2010 in the organisation and its management and supervision processes, the ETF internal control system can be considered as working as intended and thus providing reasonable assurance to adequately controlling the risks related to ETF performance objectives, compliance objectives and the objectives of protecting staff and safeguarding assets and information.

Part III describes the building blocks used to make up the Director's declaration of assurance (Part IV) that the resources assigned to the activities described in the 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. The Governing Board underlines the fact that seven out of eight recommendations issued by the Internal Audit Service (IAS) in 2010 have already been closed and the action implemented in response to them considered satisfactory. Both the IAS and the Court of Auditors have reduced the frequency of their visits to the ETF to one a year, considering the ETF a well-managed and mature organisation.

Based on the criteria established by the ETF policy to define the materiality criteria for the ETF Director to base her decision where a reservation should be included in the annual declaration of assurance in the context of annual activity reporting, the ETF has no reservation to report for 2010.

Assessment

During 2010, the ETF

- effectively implemented the first year of the mid-term perspective 2010-13, reflecting a better alignment of its activities with its new mandate including greater diversity in the work it provides to the European Commission and a growing focus on policy support;
- achieved the objectives set in the annual work programme, and the total actual number of outputs and activities recorded in the report provides evidence for such an achievement;
- successfully implemented the first year of the Torino Process, which provides a concise, documented, comprehensive analysis of vocational education and training (VET) reform in each country, including the identification of key policy trends, challenges, constraints, as well as good practice and opportunities.
- accomplished remarkable achievements in its four regions (the school development project in Central Asia, the Black Sea Employment Reviews and the meeting in Odessa; the qualifications project in the ENP South region and the human resources development reviews in Albania, Montenegro and Serbia) and in thematic expertise development (qualifications and social inclusion and cohesion and the role of trainers in promoting it).
- executed its activities within the resource framework adopted by the Board. In particular, the ETF committed 99.9% and disbursed 87.1% of its €18.832 million available as commitment appropriations in 2010 with the remaining funds to be disbursed in 2011; and
- continued to implement a comprehensive system of internal controls, quality and risk management ensuring a proportional compliance and effectiveness of internal procedures.

The Board appreciates the ETF's financial management efficiency which, following the positive trend started in 2009, has ensured the full use of the funds made available through the subvention, resulting in a budget outturn of only 0.1M€ (0.5%), to be returned to the European Commission mainly due to the need to compensate for last year's outturn and to de-commitments on carry-forward appropriations during the year.

The Board acknowledges that the ETF has no reservation or critical issues to report for 2010.

The report explains the materiality criteria adopted by ETF for establishing reservations in the AAR based on an IAS recommendation issued in 2009. As a conclusion, the ETF has no reservation to report in 2010.

The information provided in the report gives the Governing Board reasonable assurance that the resources assigned to the ETF in 2010 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.

In light of the above analysis and assessment, the Governing Board adopts the ETF Annual Activity Report 2010, and requests that it be forwarded, together with this analysis and assessment, to the European Parliament, the Council, the Commission, the European Economic and Social Committee and the Court of Auditors.