

PROVISIONAL DRAFT ESTIMATE OF REVENUE AND EXPENDITURE 2016

AND UNDERLYING GENERAL GUIDELINES

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Background

This provisional draft estimate of revenue and expenditure sets out the financial framework for ETF activities in 2016. It has been drawn up with reference to the human and financial resources foreseen in the ETF's Mid-Term Perspective (MTP) 2014-2017.

Once approved by the Governing Board, this provisional draft estimate of revenue and expenditure will be submitted to the European Commission with no additional written procedure by 31 January 2015. It will then be used by the Commission services as a starting point for the 2016 budgetary procedure. The final draft estimate will be forwarded to the Commission by 31 March 2015 in accordance with Article 33.1 of the ETF's founding Regulation¹.

Underlying guidelines for the provisional draft estimate of revenue and expenditure 2016

2016 will be the third year of the Mid-Term Perspective (MTP) for the 2014-17 period, which is being developed within the framework of the ETF 2014-20 Strategy.

The ETF has three strategic objectives for the period 2014-17:

- Reinforce evidence-based VET policy analysis
- Modernise VET systems in a lifelong learning perspective
- Increase the relevance of VET provision in respect of labour market, economic and social cohesion.

These objectives will be further detailed in the annual work programme 2016, which will describe the strategic projects, the distribution of resources and the expected results. The ETF defines different levels in the value chain of results: outputs (products or deliverables stemming from projects), outcomes (the effects of the outputs on their intended beneficiaries, assessed either by use or satisfaction level) and impact (the long-term effect, measured in terms of the contribution to progress in human capital development)².

The logic of intervention in each country is **differentiated** according to specific policy needs and internal criteria for prioritisation in the distribution of resources - both financial and human, and the principles of focus, differentiation and impact-orientation

¹ Regulation (EC) No 1339/2008 of the European Parliament and of the Council of 16 December 2008 establishing a European Training Foundation (recast) (OJ L354 of 31/12/2008, p. 82)

² The ETF will use indicators and targets used in EU policy processes or agreed with other International organisations and donors as much as possible.

Implications for the 2016 estimate of provisional draft estimate of revenue and expenditure

The provisional draft estimate of revenue and expenditure for 2016 builds on the experience of budgetary execution in 2014 and on the 2015 budget assumptions and follows the ETF's proposal for 2016 in the context of the MTP for the period 2014-2017.

This provisional draft estimate is based on the following assumptions:

- The ETF will focus its operational resources above all on achieving its expected mission and fulfilling its requirements in the countries in the Pre-accession and Neighbourhood regions (South and East), as well as in Central Asia. In particular, the ETF plans to increase its investment in supporting evidence-informed policy making in the partner countries and to support the external dimension of EU policies in human capital development, as agreed in the ETF mid-term perspective for the period 2014-17.
- Since the adoption of its recast mandate in 2008, the ETF has been striving to reduce the number of staff in central administrative functions while at the same time maximising the number of experts it deploys. Following the major reorganisation of its central administration in 2010-11, which resulted in a reduction in the percentage of staff working in selected central administrative functions from 33% to 22%, the 2014-17 period will be one of consolidation and incremental improvement in order to absorb a 5% reduction of its staff without impact on the ETF's delivery of its core business activities. Any further staff cuts decided by the budget authority will mean a corresponding reduction in the ETF's expertise capacity.
- While the ETF can commit itself to reducing its statutory staff by 5% over the 2013-2018 period (from 96 to 91), its ability to reduce its establishment plan without compromising the efficiency and effectiveness of the organisation and without terminating contracts is dependent on the voluntary departure of non-core administrative and support staff occupying temporary agent posts. Turnover in this staff category is historically low.
- **The proposed staffing for 2016 is in line with the ETF Mid-Term Perspective 2014-17.**
- Additional ancillary staff (Contract Agents) may be financed from earmarked revenue corresponding to the new activities undertaken by the ETF.
- The budget for staffing and infrastructure (Titles 1 and 2) is at strict survival levels and accommodates expected increases in staff expenditure owing to backdated salary adjustments, promotions, step increases and a higher post-occupancy rate. Title 2, in particular, will have to be adapted to answer the increased cost of the premises for 2016, covering the infrastructural consolidation and depending on the new contract for ETF's seat. Any budgetary decrease will be made at the expense of Title 3. Any reduction in Title 3 will be effected via efficiency gains on operational expenditure (in particular more effective use of missions and events) and should not affect the impact of ETF's activities.
- As regards the direct support to operational activities under Title 3, Chapter 31, the ETF will follow the trend outlined in the MTP 2014-17. This means an investment of some 31% for the Enlargement region (candidate countries and potential candidates), a slight increase in Neighbourhood regions (29% Neighbourhood-South and 25% for Neighbourhood-East, totalling 54%), and 15% for activities in Central Asia.
- The ETF will also continue to deploy its evaluation, monitoring, audit and process development activities to the level of 7.5% of Chapter 31 as established above.

- In 2016 a new round of the Torino Process country policy progress monitoring is planned, based on the lessons learnt from the 2014 round that will be presented in the Torino Conference to be held in 2015.

As a centre of expertise, the ETF's most valuable asset is its staff; so capacity development will be addressed through a consolidation of the human resources strategy, reinforced in 2011-14. The ETF will also develop partnership and communication strategies with different stakeholders and partners, as defined in the ETF Framework for action on stakeholder cooperation and its communication strategy for the 2014-20 period.

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, any 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 could implement in the name of the Commission or Member States).

ANNEX

Financial resources

| ETF subvention | Appropriations | | |
|------------------------------|-------------------------------|----------------------|-------------------------------|
| | Budget 2014 (Amending 2) | Draft Budget 2015 | Planned Budget 2016 |
| Title 1 | 12 819 200 | 14 095 000 | 14 523 000 |
| Title 2 | 2 090 253 | 1 606 000 | 1 900 000 |
| Title 3 | 5 248 600 | 4 443 000 | 5 107 000 |
| TOTAL EXPENDITURE | 20 158 053³ | 20 144 000 | 21 530 000⁴ |

Staffing

| Contract type | 2014 Posts (target occupancy) | 2015 target occupancy | 2016 target occupancy |
|------------------------------|-------------------------------------|--------------------------|--------------------------|
| Temporary agents | 94 | 92 | 93 |
| Contract agents | 39 | 39 | 40 |
| Local agents | 2 | 2 | 2 |
| Total Statutory staff | 135 | 133 | 135 |
| Seconded National Experts | 0 | 1 | 2 |
| Total human resources | 135 | 134 | 137 |

³ To the Union's contribution of €20 143 500 has been added the accumulated interest on the contribution (€14 552.88) integrated with Amending budget 2- 2014.

⁴ This is the amount foreseen in ETF's Mid-term Perspective 2014-2017 (GB/13/DEC/008). The amount indicated in Commission's Financial programming for the ETF is €20 144 000 (Statement of estimates of the European Commission for the financial year 2015 - SEC(2014) 357 – June 2014)