

CONSOLIDATED ANNUAL ACTIVITY REPORT 2015 - ANALYSIS AND ASSESSMENT



The Governing Board has analysed and assessed the Director's report on the results for the 2015 financial year as presented in the Annual Activity Report.

Analysis

Part I of the AAR confirms that following the reorganisation of ETF operations delivery into seven strategic projects from January 2015, the ETF achieved a high level of effectiveness in carrying out its operational activities in the partner countries when comparing planned results with results delivered. The main effectiveness indicators are:

- Achievement of 96% (97% in 2014) of expected results defined in the ETF Work Programme 2015.
- The ETF completed 83% of its Work Programme activities on time in line with the estimate for 2014¹.

Three results related to capacity building in the field of qualifications, employment strategic projects were not fully completed and eight activities were not delivered according to plan. These delays are largely due to unforeseen developments in partner countries outside ETF control. These results and activities have been carried forward into 2016 for completion.

Furthermore, as one of the strategic projects was dedicated to direct support to EU assistance, this helped the ETF to respond to 111 requests for support in 2015 (compared with 82 in 2014). The AAR notes specifically high levels of requests for the South Eastern Europe and Turkey and Southern and Eastern Mediterranean regions as well as high levels of demand for input to the EU assistance project cycle and for support to policy dialogue.

These included a total of 69 extra requests for support from the EU services that had not been initially foreseen in the Work Programme. Of the 69 unforeseen requests, some 20 were major requests requiring more than three working days each drawn from all regions and themes. These included, for example, commenting on country studies into higher education provision and the labour market in Albania, Kosovo and Serbia; collecting and analysing performance indicators for budget support programmes in Neighbourhood TVET programmes; contributing to the formulation of a new TVET programme in Morocco, preparing terms of reference to develop the labour market information system in Azerbaijan; designing a new regional project on youth employment in SEMED; participating in joint monitoring missions on EU project implementation in Tajikistan; and providing expertise input to the design of a new project on entrepreneurship education.

Responding to these additional requests required a high level of flexibility on the part of ETF as the agency had to redeploy 0.75 FTE to meet the changing needs. Despite the dynamic demands, feedback from Commission services on the quality of ETF support concluded that all respondents assessed the overall quality and timeliness of ETF support as good, or very good.

Part I presents evidence of the key achievements in terms of policy implementation under each Strategic Objective for the year. It indicates that ETF has respected the ABB planning assumptions for Objective 3, but has seen an increase in investment in Objective 1 and a corresponding decrease in

¹ The ETF is using this indicator from the Commission for the first time in 2015. The figure from 2014 is an estimate.

Objective 2, largely due to the scale and intensity of evidence based policy analysis activities as input to EU assistance and the ETF's own actions to build capacity for monitoring of policy implementation:

MTP 2014-2017 Strategic Objective 1	Reinforce evidence-based VET policy analysis
2015 Annual Objective 1	To reinforce capacity for human capital development policy in the partner countries through the use of evidence based policy analyses in (a) VET system analyses (Torino Process and Projecting Reform Impact in VET initiative (PRIME)); (b) Updating the qualifications inventory; (c) Employability reviews in SEET, SEMED and EaP; (d) Small Business Act assessment in SEET and EaP; and (e) Support to the EC in (IPA, ENI or DCI) programming and project identification and formulation and in EU policy dialogue with partner countries.
2015 ABB Resource value	Planned 41% (€8.217.000); Implemented 46% (€9,166.000)

The key achievements under this objective have been:

- Improved capacity for holistic, evidence based policy analysis achieved through the ETF Torino Process. This was captured in particular through the outcomes from a major international conference with all ETF partner countries, EU Member States, EU institutions and international organisations in June 2015 that concluded the 2014 round of the Torino Process. This demonstrated the contribution of the Torino Process to the policy analysis principles of evidence, holistic, participation and ownership since the Torino Process began five years ago. In addition, the event confirmed the contribution of the Torino Process to partner country networking and knowledge sharing, according to 79% of Torino Process participants;
- Updated battery of indicators for the next round of the Torino Process to ensure that it covers a feasible set of relevant indicators to monitor progress in policy implementation. The ETF has also selected indicators that are relevant for other reporting processes (such as Mid Term Deliverables as defined in the Riga Conclusions of 22 June 2015 as well as indicators deriving from the EU Economic Reform Programmes (ERP) and EU employment strategy;
- Commitment of 24 Ukraine regions to take part in the 2016 Torino Process triggered by the outcomes of the ex-ante impact assessment methodology for the optimisation of VET provision at subnational level in Ukraine under the ETF Projecting Reform Impact in VET (PRIME) project;
- Methodology for ex ante impact assessment to support the implementation and monitoring of Medium Term Deliverables (MTD) under the EU Riga Process in support of the candidate countries. In addition, the ETF has established national networks in SEET countries to collect and analyse information on progress with the MTDs;
- Updated global NQF Inventory with information from 24 ETF partner countries. The inventory has been published by ETF in cooperation with UNESCO and Cedefop;
- Completion of two regional Small Business Act assessments in Eastern Partnership and all countries in Southern and Eastern Europe and Turkey containing analysis of policy and system progress in entrepreneurial learning, youth entrepreneurship and women's entrepreneurship;
- Updated evidence-based input to EU assistance and for programming ETF's own activities. The ETF has continued to draw on the Torino Process and policy analysis in its other thematic priority areas to provide evidence based analysis on progress in employment policy and labour market

conditions in SEET and the Neighbourhood countries. This included input to the assessment of the Employment and Social Reform Programmes and Economic Reform Programmes in SEET, as well as employability fiches for Neighbourhood countries as input to the European Commission.

MTP Strategic Objective 2	Modernise VET systems in a lifelong learning perspective
2015 Annual Objective 2	To increase internal VET efficiency in the partner countries through (a) VET system multi-level governance, (b) quality assurance, (c) learning and teaching, and (d) support to the implementation and monitoring of related EC programming and projects
2015 ABB Resource value	Planned 43% (€8.624.000); Implemented 37% (€7,537.000)

The key achievements under this objective have been:

- Development of the Governance Inventory as a new methodological tool for assessing participatory VET governance progress in partner countries, including, for example the definition of roles and responsibilities and participation of social partners in VET governance;
- Implementation of multilevel governance approaches through definition of the role of regional actors in Morocco leading to the establishment of regional commissions; dissemination of the lessons learned in Medenine region to 20 other regions in Tunisia;
- Enhanced network of entrepreneurial communities in partner countries with the identification of a further three entrepreneurial communities. In addition, ETF carried out a major exercise to collect and share best practice on how efficient local partnerships contribute to innovative sustainable local development potential. Building on ETF approach, Jordan has launched its own national entrepreneurial community initiative;
- Improved VET quality assurance systems in particular through adapting EU VET quality assurance approaches. These have been actioned in Bosnia and Herzegovina, Belarus, Tajikistan as well as across SEMED countries;
- Extensive mapping of work based learning systems and assessment of national policies and capacities with particular focus on Eastern Partnership as a basis for improved policy implementation;
- Established and reinforced networks for continuous professional development of teachers and trainers especially in the SEET region. These networks helped to identify demonstration projects as learning cases for active implementation;
- Construction of a regional teacher training network in Central Asia and actioning of the Central Asia Academy through the ETF School Development Project and in line with the EU Central Asia Education Initiative;
- Active support to EU assistance, for example, ETF has assisted the implementation of the TVET II programme in Egypt in response to a request from the EU Delegation in Egypt, This included a particular focus on TVET Governance a the first component of the programme.

MTP Strategic Objective 3	Increase the relevance of VET provision in respect of the labour market, economic and social cohesion
2015 Annual Objective 3	To increase external efficiency of VET in partner countries through (a) qualifications, (b) employment and employability, (c) skills and migration, and (d) entrepreneurial learning and enterprise skills
2015 ABB Resource value	Planned 16% (€3.304.000); Implemented 17% (€3,428.000)

The key achievements under this objective have been:

- Enhanced capacity for systematic NQF development across all partner regions according to the specific context of each country. In addition, the ETF has continued to develop regional networks for policy learning and implementation, for example in the SEMED in cooperation with the Q4M as well as to expand its global qualification platform as a tool for learning among over 700 policy makers and practitioners;
- NQFs implemented and referenced to the EQF in South Eastern Europe and Turkey. The ETF has continued to take an active role in supporting the engagement of SEET countries in the EQF process with Albania, Bosnia and Herzegovina and Kosovo all joining the AG following ETF capacity building input. In this respect, ETF has continued to take an active role in the EU EQF working group and develop and adapt working methods to support partner countries;
- Enhanced analysis and understanding of the phenomenon of **young people Not in Education, Employment or Training (NEETS)** in partner countries and capacity to develop home-grown policy responses. In particular, ETF drew on EU policy approaches such as the Youth Guarantee as an inspiration for policy modalities in partner countries;
- A structured approach to skills anticipation and matching put into practice in the Eastern Partnership in its Make it Match project (part of the EaP Platform II Work Programme 2014 – 2017). This included supporting the establishment of a labour market observatory in the Republic of Moldova, a labour market information system in Belarus and a skills forecasting methodology in Ukraine;
- Recommendations to help partner countries increase their capacity in skills matching. In South Eastern Europe, in cooperation with OECD, CEDEFOP and the ILO, the ETF analysed the policies and practices on assessing, anticipating and responding to changing skills needs of the countries;
- Developed and implemented national strategies for entrepreneurial learning drawing on the outcomes of the SBA assessments in selected SEET (Bosnia Herzegovina and Montenegro) and SEMED (Tunisia) countries;
- Disseminated the outcomes from ETF global inventory of migrant support (MISMES) as a source of policy options and experience in the management of legal migration. In particular, the policy recommendations to support the skills development and employment of migrants before leaving, during migration and upon return were drawn from five case studies covering Armenia, Georgia, Republic of Moldova, Morocco and Tunisia. These were widely shared with other partner countries as well as with EU Member States and EU institutions in the context of an ETF organised international conference on the skills dimension of migration in Brussels under Platform 2 of the EaP;
- Technical expertise input in support of EU Delegations to help design EU assistance programmes in the field of employment and skills in particular in selected the Neighbourhood countries. In addition, the ETF continued to provide support for the skills dimension of legal migration in the

context of ongoing mobility partnerships in Armenia, Azerbaijan, Georgia, Jordan, Republic of Moldova, Morocco and Tunisia as well as supporting the emerging partnership in Belarus and Lebanon. Furthermore, the ETF provided technical expertise input to support the European Commission in developing a European Entrepreneurship Competence Framework.

Part I of the AAR also reports on:

- In addition to actions under the ETF subsidy, the ETF continued to implement the Governance for Employability in the Mediterranean (GEMM) project through a specific grant from the European Commission under the authority of DG NEAR. Main achievements under GEMM in 2015 included the finalisation and dissemination of pilot projects in the partner countries. Pilot projects are small action oriented projects aimed to set up and test partnerships at local level. Most of these pilot actions focus on matching and on developing mechanisms and tools to better identify skills needs and provide a more relevant and better quality VET provision. Pilot projects were show-cased during a regional event in Morocco in October 2015. In 2015, GEMM has resulted in enhanced capacity of partner country stakeholders, particularly focusing on Quality Assurance and VET governance, through study visits and regional sharing events. The results of the GEMM mapping and analysis of VET governance and in particular the recommendations deriving from it have been the object of in depth reflection in regional events with the objective to define concrete action plans for modern and efficient VET multi-level governance;
- The contribution of ETF stakeholder relations to ensuring the ETF's accountability to EU institutions, and notably the European Commission, European Parliament and EU Member States through the Governing Board. The section on stakeholder relations also confirms ETF's engagement in exchanging information and lessons learned with other EU agencies, as well international and bilateral actors engaged in human capital development as required by the ETF's founding regulation. The ETF has continued to reinforce its cooperation with strategic bilateral and multilateral partners;
- The role of communication to achieving a wide awareness, understanding and engagement by institutional stakeholders and experts from EU, partner countries and international/bilateral organisations notably through 50 publications, 20 videos 1,200 participants in ETF events and over 1.5 million (800,000 in 2014) visits to ETF website. Social media increased with a 50% increase in the number of followers on Facebook with nearly 9,000 likes and some 3,000 followers on Twitter.

Part II of the Report presents ETF's performance in terms of efficiency of resource management. The key achievements presented in the report are:

- A commitment appropriation rate of 99.89% (99.90% in 2014) of its 2015 subvention €20,153,041;
- Overall budget execution (paid vs committed) of 96.7% (93.64% in 2014);
- Rate of payment appropriations cancellation of 1.85% (0.93% in 2014);
- Rate of payments within deadline 85% (79% in 2014);
- A carry forward consumption of 94.32% compared with 89.51% in 2014;
- An efficiency indicator of 76.5% of staff directly supporting operations compared with 23.5% of staff in administration.

Part II also presents an assessment of the outcomes of audits of ETF by the European Court of Auditors and the Internal Audit Service and ETF Audit team. The report indicates the Agency's high level of compliance with its regulatory framework, in particular financial and procurement procedures, and responsiveness to recommendations.

Part II also gives an assessment of ETF's internal control system. ETF risk management process confirms that ETF has a low/medium risk profile. The ETF procedure to register exceptions and/or control weaknesses resulted in four exceptions registered for a value of 0.3% (0.5% in 2014) of the ETF total executed budget of €20,153,042.

Part II includes an analysis of the ETF Performance Improvement Plan that captures all improvement actions captured through evaluations and audits. The analysis demonstrates that 97% of actions included in the Plan were successfully closed by end 2015.

This section of the AAR notes that a new organisational structure came into effect on 1 January 2015² and together with the reengineering of internal processes and the reorganisation of the ETF activities delivery, have proved effective in terms of improvement in the efficiency and economy of the agency achievements. The reorganisation has successfully resulted in the focusing of ETF operations on seven thematic projects compared to some 45 country and thematic projects in 2014. It has reduced the fragmentation of expert engagement in projects from 3.6 to one, has reduced reporting lines from 2.5 to one and has focused ETF work on a maximum of four thematic areas in 65% of countries.

During 2015, the ETF has also revised its corporate performance indicators in line with the requirements for Executive Agencies, thereby identifying fifteen corporate KPIs supported and informed by a set of efficiency and productivity indicators that measure performance in the main ETF process area.

Part II also details the building blocks towards the Director's declaration of assurance that ETF used the resources assigned to the activities described in the report for their intended purpose and in accordance with the principles of sound financial management. According to the ETF policy on materiality drawn up following the IAS recommendation³, there are no reservations on ETF performance in 2015.

Given the high level of achievement of operational results and the positive outcomes of the annual review of the internal control system and organisational performance, the 2015 AAR concludes that there is reasonable assurance without reservation that the ETF used the resources for their intended purpose.

Assessment

The Governing Board takes note of the 2015 AAR, and:

Appreciates the overall high level of overall achievement of ETF results of 96% in 2015, across all three strategic objectives, and aligned with the strategic geographic priority setting of the EU;

Notes the challenging and dynamic environment in which ETF operates and which has led to postponement of 17% of its activities carried forward to 2016;

² See Annex 1

³ Final Report on the Audit of "Building Blocks of Directors Declaration of assurance with the ETF". IAS.A-2009-W ETF-001

Acknowledges the continuing high rate of requests from EU institutions and bodies as indication of the value of ETF contribution to EU assistance to partner countries and the external dimension of EU **human** capital development policies;

Appreciates the high flexibility demonstrated by the ETF in managing additional requests during the year, and calls upon EC services to ensure the inclusion of requests for support as far as possible in the planning of the ETF annual work programme;

Acknowledges the success of the ETF in implementing the third year of the project Governance for Employability in the Mediterranean (GEMM) under a grant from the Commission;

Welcomes the evidence of the ETF's effectiveness and added value in supporting partner countries in their policy reforms. In particular, the Board appreciates the evidence of ETF focus on support for the active implementation of reform, while encouraging the ETF to further its work in this area to systematically measure and document its impact;

Encourages the ETF's efforts to disseminate its activities and actively engage relevant stakeholders through its stakeholder cooperation work. In particular, the Board welcomes the establishment of structured cooperation with the European Bank for Reconstruction and Development;

Welcomes the efforts made by the ETF to implement the reorganisation agreed with the Board in order to become more strategic and increase its efficiency and effectiveness and calls on the ETF to monitor the impact of the change and report on it to the Board;

Notes the ETF's active engagement in cooperation with EU and international stakeholders, and calls upon the ETF to continue its close cooperation in particular with other relevant EU agencies such as Cedefop and Eurofound;

Appreciates the ETF's timely adoption and use of Key Indicators to measure and report on its performance in line with the performance indicators for executive agencies;

Praises the sustained high level of performance in resource management in terms of commitment, payment, and balance between operational and administrative costs, and calls on the ETF to maintain its performance in this regard;

Takes account of the comprehensive performance-based management system put in place by the ETF, which has concluded that ETF has no reservations or critical issues to report for 2015.

The Board confirms that the information provided in the report gives the Governing Board reasonable assurance that the resources assigned to the ETF in 2015 have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

In the light of the above, the Governing Board adopts the ETF Annual Activity Report 2015, and requests that it is forwarded, together with this analysis and assessment, to the European Parliament, the European Council, the European Commission, the European Economic and Social Committee and the Court of Auditors.