

CONSOLIDATED ANNUAL ACTIVITY REPORT 2016 - ANALYSIS AND ASSESSMENT



The Governing Board has analysed and assessed the Director's report on the results for the 2016 financial year as presented in the Consolidated Annual Activity Report.

Analysis

Part I of the CAAR confirms that in 2016 the ETF continued to make progress towards the achievement of its strategic and mid-term objectives. This is demonstrated through its performance in delivering effective results in its partner countries exceeding the targets set in the following key performance indicators:

- Achievement of 94%¹ (96% in 2015) of expected results defined in the ETF Work Programme 2016;
- Completion of 90.7% of its Work Programme activities on time showing a marked efficiency improvement compared with 2015 (83%).

Due to volatility and limited engagement among partner country stakeholders, four planned actions were not completed in 2016. These uncompleted actions related to the finalisation of MISMES reports on Jordan and Lebanon, and the provision of capacity building. All these actions will be completed by end June 2017. In addition, in 2016, the ETF also finalised two outcomes carried forward from 2015 in the areas of employment, skills and employability, and qualifications.

In the areas of support for EU assistance in 2016, the ETF processed 105 requests from EU services, including EU Delegations. These requests included 25 regular or repeated EU requests, 35 specific requests for 2016, while 47 were not planned in the ETF Work Programme 2016. This indicates a marked improvement in the coordination between the EU services and the ETF compared with 2015 when there were 69 unplanned requests. The requests covered all ETF regions and included contributions to programming and project design, support for implementation, monitoring and evaluation of EU interventions and input to EU policy dialogue. As in 2015, the ETF received positive feedback from EU services on the quality of ETF support with all respondents confirming the high quality and timeliness of the ETF's work.

Part I presents evidence of the key achievements in terms of policy implementation under each Strategic Objective for the year.

Looking at the allocation of resources by strategic objective indicates continuity in ETF priorities and activities over the 2015-16 period, with a slight increase in investment in support to the modernisation of VET systems and a moderate decrease in policy analysis activities. This is largely due to the Torino Process cycle and the increasing focus on supporting the development of governance systems.

In 2016, the ETF achieved outcomes under three annual objectives:

MTP 2014-2017 Strategic Objective 1	Reinforce evidence-based VET policy analysis
2016 Annual Objective 1	To reinforce capacity for human capital development in the partner countries through evidence based policy analysis.
2016 ABB Resource value	40% (€8,000.000) compared with 46% in 2015

¹ Status at 31/12/2016, will be 100% by end June 2017.

The key achievements under this objective were:

- The ETF enhanced the relevance of EU interventions in 52% of the partner countries through its support to programming and project design and input to implementation, monitoring and evaluation;
- The ETF enriched EU policy dialogue on HCD issues in partner countries with policy and thematic contributions and in particular through the ETF contribution to the assessments of Economic Reform Programmes in the South Eastern Europe and Turkey (SEET) region;
- Partner country policy reform processes became increasingly holistic and participatory, drawing on the results of the Torino Process, while building their capacity to use evidence-based information for policy making. Of the 25 countries taking part in the Torino Process, 80% carried out self-assessments, with over 50 participatory policy analysis processes taking place at national and regional level;
- The ETF's methodological support, in close cooperation with Cedefop, ensured sound policy analysis and reporting by the candidate countries on the Riga Medium-term deliverables, including ex ante impact assessment on Work Based learning, and timely reporting to the DGVT/ACVT.

MTP Strategic Objective 2	Modernise VET systems in a lifelong learning perspective
2016 Annual Objective 2	To increase internal VET efficiency in partner countries through VET system multi-level governance, quality assurance, learning and teaching and support to the implementation and monitoring of related EC programming and projects.
2016 ABB Resource value	44% (€8,800.000) compared with 37% in 2015

The key achievements under this objective were:

- VET legislation and governance reviews identified policy options for good and multi-level governance and created the basis for increased participation of key stakeholders in selected countries in SEET and the Eastern Partnership (EaP);
- Social partners and civil society organisations were better able to act effectively as actors in VET policy dialogue and implementation in particular through the development of sector skills councils and recognising the contribution of NGOs to policy making in SEET and EaP;
- Pilot actions to support Entrepreneurial and Smart Communities at a sub national level in VET fed national debates on the regionalisation of VET and a review of roles between national and territorial levels, in particular, in the Southern and Eastern Mediterranean in close cooperation with EU and international bodies;
- Policy development and implementation strategies in VET provision were strengthened in work-based learning through the dissemination of the European Alliance for Apprenticeships and the engagement of partner countries in the SEET region;
- Policy development and implementation strategies were strengthened in the field of VET provision in continuous professional development of teachers and trainers through demonstration projects and capacity building for teachers and trainers in SEET;
- The partner country knowledge base was strengthened on quality assurance through an inventory of comparative information on VET quality assurance approaches and mechanisms across the ETF partner countries, and on Distance and On-Line Learning through a report and factsheets on the candidate countries.

MTP Strategic Objective 3	Increase the relevance of VET provision in respect of the labour market, economic and social cohesion
2016 Annual Objective 3	Increase the external efficiency of VET in partner countries through support to qualifications and qualifications systems, work based learning, employment skills and employability, entrepreneurial learning and enterprise skills.
2016 ABB Resource value	16% (€3,400.000) compared with 17% in 2015

The key achievements under this objective have been:

- Lifelong learning qualifications systems progressed and capacities of partner country institutions and stakeholders developed with progress made in 18 partner countries;
- A toolkit for developing national qualifications systems was developed, disseminated and endorsed by policy makers from across all partner regions, the EU and international organisations through a fourth EU international conference in November 2016;
- Methodologies for the validation of informal and non-formal learning were developed and applied, in particular in SEET;
- The capacity of partner countries to monitor labour market trends and use information on skills needs for effective VET policy implementation was increased through a learning programme on skills anticipation to 24 partner countries as well as contribution to multilateral learning activities and networking between Eastern Partners and EU MS in the framework of the ‘Make it Match’ initiative under the Eastern Partnership Platform II;
- The skills dimension of labour mobility was taken into account in the implementation of Mobility Partnerships between EU and Armenia, Georgia, Moldova, Belarus, Jordan, Tunisia and Morocco and also conducted two MISMES studies in Jordan and in Lebanon for publication in 2017;
- Information and policy intelligence on entrepreneurial learning, enterprise skills and women’s entrepreneurship was updated for 13 countries, including thematic analyses and country-specific recommendations in close cooperation with DG GROW and DG NEAR and international partners;
- A dedicated forum was set up and adopted a methodology for the quality-assurance of good practices in the field and identified channels for dissemination of the practice including through recognition at the EU Vocational Skills Week, as well as through the South East Europe Industrial Policy Group, SBA coordinators and European Enterprise Network.

Part I of the CAAR also reports on:

In addition to actions under the ETF subsidy, the ETF finalised the implementation of the Governance for Employability in the Mediterranean (GEMM) project with a specific grant from the European Commission under the authority of DG NEAR. This regional project aimed at assisting the countries of the SEMED² region to address the issues of youth and female employability by enhancing the quality and relevance of VET in the region and by improving the capacities of the various stakeholders on VET governance at both the national and local levels. The GEMM project was completed successfully in August 2016 following a period of 42 months of implementation. Main achievements included:

- the mapping of VET multilevel governance, with national reports leading to a cross-country analysis report in three languages (English, French and Arabic);

² Algeria, Egypt, Israel, Jordan, Lebanon, Morocco, Palestine*, Tunisia. (*) This designation shall not be construed as recognition of the State of Palestine and is without prejudice to the individual positions of the EU Member States on this issue.

Activities in Libya started but have been put on hold as a consequence of the socio political situation in the country.

- Following piloting in eight countries, a compendium of the projects describing the best practices, tools, outcomes, and lessons learned in VET governance at local/territorial level has been published in English, French and Arabic;
- Provision of capacity building at local, national and regional levels;
- Dissemination of results, including through the ETF website.

The first part of the report also confirms the ETF's achievements in using communication tools to disseminate its core business. In this function, the ETF largely held its position on the web with 5.8 million page views and with 0.42 million unique visitors to the website. The number of pdf downloads from the site grew significantly from 0.96 million to 1.2 million. The ETF stepped up its dissemination of operational achievements through social media in 2016. The number of Facebook followers broke through the 10,000 barrier by the end of the year, an increase of 1,500 over 2015. In support of communicating the ETF operations, the agency more than doubled the number of videos produced from 22 in 2015 to 48 in 2016 and increased the number of web news items from 80 to 106.

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

- An appropriation commitment rate of 99.99% (99.89% in 2015) of its 2016 subvention €20,146,132;
- Rate of payment appropriations cancellation of 0.44% (1.85% in 2015);
- Rate of payments within deadline 91.3% (85% in 2015);
- Reduction in Carry Forward from 3.3% in 2015 to 3.1% in 2016, as well as in *reste à liquider* (RAL) from 36.4% in 2015 to 30.3% in 2016;
- An efficiency indicator of 81.4% of staff directly supporting operations compared with 76.4% in 2016.

Part II also presents an assessment of the outcomes of audits of the ETF by the European Court of Auditors and the Internal Audit Service. The report indicates the agency's high level of compliance with its regulatory framework, in particular financial and procurement procedures, and 100% incidence of recommendations implemented within agreed deadlines (compared with 95% in 2015). The report captures the ETF's efforts to review its main processes and procedures for improved institutional performance. Furthermore, Part II captures the positive findings in the report prepared by the evaluators in the regular four-yearly external evaluation commissioned by the Commission's Directorate General for Employment, Social Affairs and Inclusion (DG EMPL). The report endorses the agency achievements over 2011-14 and confirms the rationale behind the ETF's restructuring in 2015. The report also proposes a new intervention logic for the next programming period 2017-20.

Part II also gives an assessment of the ETF's internal control system. The ETF's risk management process confirms that the agency has a low/medium risk profile. The ETF's procedure for registering exceptions and/or control weaknesses resulted in two non-compliance exceptions (four in 2015) with a value of 0.07% (0.3% in 2015) of the ETF's total committed budget of €20,144,796. This is below the materiality threshold established by the ETF's policy on materiality.

Part II includes an analysis of the ETF Performance Improvement Plan that captures all improvement actions identified through evaluations and audits. The analysis demonstrates that 100% of actions included in the Plan with deadline for completion within 2016 were successfully closed by end of the year.

Part II underlines 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 the ETF's engagement in exchanging information and lessons learned with EU Member States, other EU agencies, as well as international and bilateral actors engaged in human capital development as required by the ETF's founding regulation. Of particular note in 2016, were the cooperation agreements with UNESCO and the EBRD.

Part II also details the building blocks towards the Director's declaration of assurance that the 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, there are no reservations on the ETF's performance in 2016.

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 2016 CAAR 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 2016 CAAR, and:

Appreciates the high level of overall achievement of ETF results of 94%³ in 2016, and in particular the increase in the timelines in delivery of the Work Programme actions from 83% in 2015 to 90.7% in 2016 despite the challenging and dynamic environment in which ETF operates;

Welcomes the evidence of increased coordination between the EU and ETF in terms of processing requests and encourages further efforts in this direction;

Welcomes the evidence of the ETF's effectiveness and added value in supporting partner countries in implementing their policy reforms as confirmed in the Consolidated Annual Activity Report and by the external evaluation. The Board encourages the ETF to implement the action plan agreed with the Board in November 2016 and in particular to systematically measure and document its results as recommended in the new implementation logic;

Acknowledges the achievements of the ETF in concluding the project Governance for Employability in the Mediterranean (GEMM) with a grant from the Commission;

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 formalisation of Declarations of Intent to cooperate with UNESCO and the EBRD and **appreciates** the ETF's continued active engagement with other relevant EU bodies, Cedefop and Eurofound in particular;

Welcomes the efforts made by the ETF to increase its efficiency and effectiveness in particular through reviewing and improving its main processes and procedures to ensure sustained performance in respect of the Key Performance Indicators;

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;

³ Status at 31/12/2016, will be 100% by end June 2017.

Takes account of the comprehensive performance-based management system put in place by the ETF, which has concluded that the ETF has no reservations or critical issues to report for 2016.

The Board confirms that the information provided in the report gives the Governing Board reasonable assurance that the resources assigned to the ETF in 2016 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 Consolidated Annual Activity Report 2016, 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.