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Final Report

Study Supporting the Evaluation of the Innovation and Networks Executive Agency (INEA) 2014-16

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Executive Summary

1. Resume – Study Objectives

The objectives of this assignment were defined as follows:

- The main objective of this evaluation was to assess INEA's implementation of the delegated parts of the specific programmes that have been entrusted to it¹.
- The fundamental question to be addressed is what has been achieved in terms of financial savings, improved services and other efficiency gains by delegating operational tasks to INEA.
- A number of more specific questions were highlighted in the terms of reference relating to INEA's effectiveness, efficiency and the coherence of the delegation of the programme management (both in terms of the delineation of responsibilities between INEA and the Parent DGs, and in terms of its place within the overall Executive Agency framework).

The evaluation covered the 3-year period from 1 January 2014 when INEA started functioning to 31 December 2016. However, throughout the evaluation, in order for the study to report on the most updated information, data concerning 2017 has been analysed when available.

Overall, the purpose of the evaluation was to help the Commission services assess whether the creation of the Agency has yielded the expected positive results as compared with the assumptions underlying the programme delegation and what could be done in the future to improve further the situation. The operational achievements of these programmes, in particular the results of the projects co-funded under the programmes, are not covered by the evaluation because they have been covered by the respective mid-term or ex-post evaluations.

2. Methodological Approach

The evaluation was carried out during the period April-December 2018 and involved a combination of desk research, 59 interviews with key stakeholders (Commission, INEA personnel, project applicants and beneficiaries, external experts, programme committee members, and CEF Transport Advisory Group members) and a survey that elicited a total of 1,878 responses (project applicants and beneficiaries -1,404; external experts – 382; programme Committee members -79; and CEF Transport Advisory Group members -13). An interim report was submitted in July 2018 with the final report following in October 2018.

3. Key Findings, Conclusions and Recommendations

Overall, the evaluation is positive and confirms that INEA has been performing well as an agency. Parent DGs and other DGs that have been consulted for the evaluation hold the Agency in high regard. Feedback from applicants and beneficiaries of the programme that are administered by INEA, and other stakeholders such as Programme Committee members and experts, is also favourable. As such, bearing this and the results of the retrospective CBA for this evaluation in mind, INEA's performance in the period under review justifies the decision to delegate the programmes to the Agency in terms of added value and cost-savings. The evaluation suggests that INEA's organisation and governance, and its operating procedures and practices, are sound. But there is scope for improvements to some specific aspects of its modus operandi.

¹ Parts of CEF (transport, energy and telecoms) and Horizon 2020 (transport and energy), and the TEN-T and Marco Polo II legacy programmes.

Below we summarise the key conclusions and recommendations in relation to the specific issues set out in the Commission's terms of reference for the evaluation.

3.1 Effectiveness

Following its launch in 2014, INEA successfully tackled the challenges of the start-up phase and it is now well-established as an organisation. The challenges it has faced included managing two legacy programmes and taking on new programmes and sectors (the CEF Energy and Telecommunications sectors as well as parts of two societal challenges of the Horizon 2020 programme). This has entailed a rapid expansion with the Agency almost doubling in size since 2014. As explained in Section 3, INEA has faced staff recruitment and retention challenges that it has taken steps to deal with. It has also had to develop new management structures and procedures, IT systems and support services to underpin its expansion. The Agency has successfully delivered programmes and largely achieved the targets set out in the KPIs. These investments in developing INEA's capabilities have been achieved at a cost that has been below expectations judging by the retrospective CBA.

In terms of INEA's performance against its KPIs, the results for the 2014-16 period are very positive with the only under-performing KPIs being the missed rate of execution of commitment appropriations in 2014 for the TEN-T and Marco Polo II programmes and with regard to the net time to pay for the TEN-T programme in 2015 which was slightly exceeded by one day. In the period covered by this evaluation, there was often an over-performance against the KPIs for the CEF and Horizon 2020, particularly with regard to the net time to pay. This result reflects the feedback from beneficiaries and INEA staff that procedures for payments have been improved and simplified. However, as noted in Section 3 of the report, beneficiaries' feedback in relation to H2020 suggests that INEA could be faster in awarding grants, as some projects can become outdated if the whole application, selection and award process takes too long. That said, the feedback also highlights an alternative view and many beneficiaries' experience of INEA's award procedures led them to argue that they are faster than those of other EU bodies. Moreover, there was an acknowledgement that it is important that INEA maintains its high standards for professionalism and that in the long run it is better to take longer to award grants if this means that a better job is done.

The research suggests that INEA has contributed to a significant improvement in the implementation of the delegated programmes and helped to develop better services for the Agency's stakeholders and beneficiaries. In this report we comment on the way in which INEA generates information on its activities that contribute to Commission policymaking, and the fact that it has been proactive in this respect. Similarly, the feedback obtained from beneficiaries suggests that it is providing a very professional service to them in terms of managing project selection and award procedures, contract management and other procedures, with 89.6% of beneficiaries assessing these procedures as efficient. In terms of the overall efficiency and effectiveness of INEA's performance, a similar proportion (87.3%) of beneficiaries assessed the Agency as efficient and effective.

Recommendation 1: Looking ahead, consideration should be given to adopting more ambitious targets and KPIs where these are in the remit of INEA.

As argued in Section 3.1, INEA has consistently achieved most of its KPIs and key tasks outlined in work programmes have generally been delivered on time, as reflected in the Annual Activity Reports. Bearing this in mind, and the fact that there has been over-performance against some KPIs, consideration should be given to an upwards revision of targets (and/or the introduction of different, INEA-specific targets, for example based on beneficiary satisfaction ratings with INEA services) to help ensure that there is an incentive to go on improving INEA's performance. However, it has to be noted that the KPIs currently used by agencies are largely the same although performance against the targets can of course vary. It could be argued that INEA's KPIs should be benchmarked against those of other Agencies and targets set accordingly but we do not recommend this because of the differing nature of their activities which makes comparisons difficult to make.

Recommendation 2: INEA should review the feedback provided in this report from applicants and beneficiaries to identify actions that can be adopted to address issues that have been raised.

Whilst the stakeholder feedback on INEA's performance is generally very positive, in the report we highlight feedback from beneficiaries and applicants suggesting scope for improvements. Such suggestions are by their very nature likely to have negative connotations and this needs to be borne in mind given the otherwise positive evaluation findings. Suggestions from applicants and beneficiaries for possible improvements are summarised on page 43 of this report. The survey data does not make it possible to distinguish between the feedback provided by CEF and H2020 programme applicants and beneficiaries. However, examples of the more general feedback include ideas such as: establishing a "hotline" for National Contact Points/Committee members to get instant information and advice on application procedures; more of a focus on "co-creation" with INEA working together with applicants on similar projects; improving the feedback to the rejected proposals; organising local information meetings and making them accessible online; more flexibility in reporting both regarding how to submit and save documentation (paper vs digital) and more use of electronic signatures; improving the participant portal (especially to remove bugs) and developing an online platform where INEA can showcase important developments across different programme areas, and more workshops to update on progress of the programmes; guidance on how to better manage project risks.

This recommendation also applies to the issues raised by external evaluation experts (summarised on page 50 of the report). Again in most cases it is not possible to identify which programmes are being referred to but examples of the experts' feedback include: reducing the high workload for the comprehensive evaluation of high number of applications per day and an unlimited volume of documentation per applicant; focusing more on the most important aspects of the evaluation criteria (such as the scientific value, excellence (in relation to H2020 projects) and impact) and less on other issues such as dissemination, communication, gender aspects, etc; and improving the feedback from INEA and experts on experts' effectiveness.

Not all the suggestions made by applicants and beneficiaries, and experts, will of course be relevant or possible to adopt but this is for INEA to decide in carrying out a review of the feedback.

3.2 Efficiency

The strong performance of INEA reflects the fact that it is a well-run organisation. The previous evaluation indicated that the Agency was organised to be efficient from the start, adopting a well-functioning structure that did not need significant modification in the period covered by this evaluation, together with a number of strong control of procedures. One of the key drivers of success has been employee performance and specialisation, as well as the greater use of Contract Agents by INEA than the Commission. Overall, the current evaluation suggests that INEA's organisational structure is closely aligned with the tasks entrusted to the Agency by the parent DGs. There is a clear logic in combining Energy, Transport and Telecommunications in one agency as these are areas which involve large-scale infrastructure development at the EU-wide, cross-border and the national levels.

The specific stages of the project life-cycle seem to be very well managed by INEA although there are some aspects that could be improved. The planning of calls and subsequent assessment of proposals also involves differing procedures reflecting practices in the parent DGs, and agreed with INEA. In the case of CEF, call planning is decided during the preparation of the work programmes and there is a coordination meeting involving the three DGs and INEA every 2-3 months. The process could, however, benefit from some more coordination with a view to improvement. The appointment of experts to help assess project proposals is INEA's responsibility but it has been suggested that there should be more flexibility, for example with largest projects, for the Commission to influence appointments if it wishes to do so.

Recommendation 3: Steps should be taken to improve further the coordination between the different Parent DGs with regard to calls. While cooperation with individual Parent DGs regarding call planning has generally been well managed, there is scope for some improvements. One potential recommendation is that calls should be better spaced out with coordination meetings between INEA and the Parent DGs during the development of the INEA annual work programmes, in order to relieve pressure on human resources and the evaluation and finance sectors to organise the evaluations and process the payments. This applies where the evaluation of proposals is undertaken partly remotely (individual assessment) and partly in-situ by external experts selected by INEA (consensus meetings). Consideration might also be given to reducing the number of calls by examining how many calls are required during the planning stage and seeing if any of the calls can be combined – this is an area that the Agency has proactively discussed with different Parent DGs, leading to a reduction in the total number of calls in 2018. However, if reducing the number of calls meant having more proposals for each, this would not necessarily be efficient as it would risk accentuating peaks in workload.

The recruitment and retention of suitably qualified personnel has been and remains a key priority for INEA. Within the evaluation period, this can in part be attributed to the high level of growth required of the Agency, which has put significant pressure on its HR management. The difficulty to attract suitable staff is foremost related to the specific profiles required by INEA. There are, however, practical differences between the staff selection procedures in the Agency: Temporary Agents (TAs) do not have to pass the central tests organised by the inter-institutional European Personnel Selection Office (EPSO) but can be tested and selected by the Agency itself; this is not the case with Contract Agents (CAs) who have to pass EPSO tests before being able to be invited to a selection procedure in the agency.

Prior to INEA's establishment, there was a quite large reserve of laureates for CA positions, but in the following 4-5 years this reserve progressively diminished and the Executive Agencies were competing with each other to recruit especially project officers. This helps to explain some of the difficulties faced by INEA. Moreover, the CEF and H2020 staffing levels still largely reflect the assumptions with regard to the number of calls and projects that were made in the 2013 CBA. However, in reality, there have been divergences between the forecasts and actual trends with the result that whilst the staff needed for CEF transport projects is about right, there were shortages in the telecommunications field with only about half the number of staff that are required being actually in place while an opposite situation has existed with some other areas such as CEF Energy.

A related challenge is that it has not been easy for INEA to re-allocate staff within the Agency to reflect changes in priorities and the workload on different units. This is because of budgetary specifications, which means staff cannot be moved between Programmes. Nonetheless, the Agency has been proactive in reviewing annual staffing requirements against the forecasts from the 2013 CBA, and bringing any problems to the attention of the Parent DGs. This has allowed it to propose and agree a shift of staff numbers between the CEF Energy and Telecommunications units in order to better reflect workload requirements.

Looking ahead, the changing nature of the delegated programmes and the supporting funding arrangements pose challenges to INEA with regard to skills development and redefining its procedures. The nature of the new programmes introduced under CEF Telecoms (a higher number of small-scale projects with high numbers of beneficiaries and multiple stakeholders) has required a different type of project management to the larger infrastructure projects which the Agency has traditionally dealt with.

The impending roll-out of Wifi4EU will present further challenges, in terms of the size and number of grants to be managed. The 2021-2027 EU programmes and the transition towards using centralised IT tools will bring a need for training within the Agency to accommodate the new requirements and an adaptation to more centralised support services. Amongst other things, these developments should release staff time for core tasks. There is also a need to ensure that INEA is appropriately resourced to better feed into the Commission's policy-making process. Another example of the new skills that may be required is that an increasing proportion of INEA's CEF Transport projects involve 'blending', i.e. a combination of grants provided via INEA and private financing such as loans and guarantees of the EIB, EFSI, National Promotional Banks or conventional banks. The wider point is to ensure that skills development is suited to the future demands which the INEA is likely to face and reflects the evolving nature of the programme environment the Agency operates within..

Recommendation 4: Although recruiting appropriately-skilled personnel remains a priority building on its existing strategy, and as highlighted in Section 3 of the report, the key priority should be to retain INEA staff. The research indicates that the level of INEA staff turnover, especially with some of INEA's support functions, is now a greater problem than staff recruitment. Again, there are constraints on what INEA can do given the rules under which it operates. However, assuming the agency continues to grow, there may be increased opportunities for career development which should help to promote staff retention if career mobility within the organisation is encouraged. Staff mobility within INEA is also important to enable human resources to be allocated in a way that reflects changes in priorities and the workload on different units. Putting more emphasis on consultation directly with INEA staff (and not just via the Commission's overall staff survey) which is already foreseen by the staff retention policy could also be a way of identifying issues where action could be taken to help retain staff.

3.3 Coherence

The programme portfolio managed by INEA is generally coherent, both in terms of thematic content and project management. The Transport and Energy sectors of the CEF programme in particular share similarities, in that they support large infrastructure projects with similar project management requirements. It was expected that by including Horizon 2020 research projects alongside CEF infrastructure projects within one agency, there might be some interaction and synergies between the two programmes. There has been limited success in this regard, for which two reasons have been put forward by those interviewed within the Agency and Parent DGs: one is that, by their nature, CEF and Horizon 2020 programmes do not naturally align; a second issue raised regards timescales – it was suggested by some of the staff interviewed in the Parent DGs and the Agency that synergies may indeed appear, but in order to reach the technology readiness levels required by CEF, this may take a little more time. If this explanation is correct, more concrete results should emerge within the next evaluation period.

Recommendation 5: Looking ahead, the parent DGs/INEA should consider how synergies can be further improved between delegated programmes at the stage of work programme design. As noted in Section 3, attempts have been made by the Agency to promote synergies between the project portfolios. This has involved launching one joint call (i.e. the 2016 CEF Synergy call, which looked for joint projects in the fields of energy and transport) and through working to identify complementarities, specifically between Horizon 2020 and CEF projects in the same transport portfolio. The same exercise is underway for the energy portfolio. The 2016 CEF Synergy Call was not very successful but this is due to the regulatory context rather than an implementation issue so cannot be directly attributed to the Agency. Efforts to promote synergies should be maintained. One way to do this could be via the creation of an internal working group, bringing together staff working on CEF and H2020 portfolios, to update on current projects, upcoming calls and innovations/research outputs in relevant areas which could feed into future projects.

Feedback from the research suggests that INEA has a good relationship with the Commission parent DGs. INEA is generally seen as performing well in dealing with the delegated programmes with staff who have a high degree of expertise and knowledge of the parent DGs programmes and policies. One reason why INEA staff knows the work of the parent DGs very well is the fact that the Agency's managers are seconded Commission officials and a good portion of INEA staff have previously worked in one of the parent DGs. Whilst not sufficient in itself, this is likely to help promote a closer relationship. INEA has also proved to be versatile and able to adapt to the changing needs of the parent DGs.

INEA has been praised by Parent DGs for its proactive approach towards providing information and feedback to the Commission with regard to how the programmes and projects are functioning and how they could be improved. This began in the DG MOVE field with the Agency having responsibility for drafting calls for proposals. Providing feedback to policymakers has been identified by both INEA staff and parent DGs as an area where there is scope for INEA to further develop its role.

Recommendation 6: INEA should further develop its role in drawing on its knowledge of programmes and projects to inform Commission policy-making. Whilst INEA is good at providing monitoring information on projects, and now also produces country reports, and is considering the development of 'corridor' reports, the evaluation suggests that it could do more to use its knowledge of different 'sectors' to help inform Commission policy-making. Within Horizon 2020, for example, feedback is provided across the entire programme using a dedicated set of IT tools which are managed by the centralised common support centre. While this provides useful quantitative data on issues such as dissemination and benchmark activities against milestones and other project-level indicators, there is scope to provide more feedback which can contribute to the development of longer-term policymaking. At the same time, developing its role in this way means that INEA staff need to be given the time alongside their other responsibilities to focus on developing and transferring knowledge and that effective communication channels are in place and being used.

3.4 Cost Benefit Analysis

The total operational budget earmarked for INEA for the MFF 2014-20 is EUR 33.8 billion, of which EUR 28.5 billion is accounted for by the CEF and EUR 5.3 billion by Horizon 2020. This means that INEA handles the largest budget of all the Executive Agencies in the current financial period of 2014-20.

The results of the current 2014-16 retrospective CBA show that the actual costs of the executive agency scenario were below the SFS estimations. The overall actual costs of the executive agency scenario² constituted EUR 60.824 million over 2014-2016. In order to evaluate to what extent the actual costs have corresponded to the initial SFS estimates it is important to follow the same assumptions that have led to such SFS estimates. The SFS estimations (EUR 64.915 million over 2014-2016) were based on the EU contribution, however INEA's administrative budget also included EFTA and third country contributions (EUR 0.401 million over 2014-2016) to manage additional operational budget. Consequently, **based on the EU contribution only, the actual costs of the executive agency scenario constituted EUR 60.424 million, which means that the actual savings amounted to EUR 4.491 million and accounted for 7% of the SFS estimates.** Significant cost savings occurred in Title II "Infrastructure and operating expenditure" and Title III "Programme Support Expenditure" of the administrative budget. Title I "Staff related expenditure" was higher than estimated in the SFS, which related to higher average staff costs. Higher staff expenditure may become an important issue in subsequent years since the average staff cost estimations remain constant in the SFS during 2014-20 period, while the actual average staff costs might rise further due to salary indexation, promotions and/or increasing staff seniority.

The costs of the executive agency scenario were much lower than the estimated costs of the in-house scenario. In 2014-16, the actual cost savings deriving from cost difference of the executive agency scenario and the in-house scenario constituted EUR 24.4 million (or 29% of the estimated costs under the in-house scenario). Comparing the savings initially estimated in the CBA and SFS with the actual savings from the delegation of tasks to INEA, our research suggests that the actual savings during 2014-2016 period were higher than initial estimations (EUR 24.4 million compared to EUR 16.1 million CBA and EUR 22.8 million SFS estimates). As forecasted in the SFS and the ex-ante CBA, savings of the executive agency scenario primarily resulted from a higher share of lower cost contract staff (CAs) employed within the executive agency and lower overall number of staff.

The workload analysis revealed that while the operational budget actually executed by INEA was lower than initially estimated in the CBA/SFS, **the actual number of projects managed by INEA, which constitutes the main workload driver for the Agency, in 2015-2016 largely corresponded to the CBA estimates.** At the same time, many parameters of the delegated programmes significantly deviated from the initial CBA estimations (e.g. higher than estimated operational budget of the CEF-Telecom programme and much lower average project size, reflux of funds following cancellation of projects and cost savings into new calls, lower than anticipated number of projects related to CEF Energy - studies, reallocation of CEF/H2020 funds to EFSI, etc.). The actual execution of payment appropriations was slower, which indicates that increase in the projects' management workload will unfold later than anticipated in the SFS and CBA.

² Including cost of coordination and monitoring by the Commission and costs of INEA covered from EFTA and third country contributions.