Cost-effectiveness study concerning the externalisation of programme management tasks related to the second "Marco Polo" Programme (2007-2013)

Final Report

Client: EC DG TREN

ECORYS Nederland BV

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ECORYS Nederland BV
P.O. Box 4175
3006 AD Rotterdam
Watermanweg 44
3067 GG Rotterdam
The Netherlands

T +31 (0)10 453 88 00
F +31 (0)10 453 07 68
E netherlands@ecorys.com
W www.ecorys.com
Registration no. 24316726

ECORYS Transport
T +31 (0)10 453 87 59
F +31 (0)10 452 36 80

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Management summary

Background and objectives
The Marco Polo programme aims to stimulate a shift of road freight transport to other transport modes, in order to decrease road congestion, enhance traffic safety and improve the environmental performance of the freight transport system in Europe. Until this moment, the programme has been managed by the Directorate-General for Energy and Transport (DG TREN) of the European Commission.

The Marco Polo I programme, which started in 2003, is being followed-up in 2006 by a new programme, Marco Polo II. This programme will be substantially larger in size, whereas the running projects in the Marco Polo I programme are accumulating. Continuing the in-house management of the programme requires an increase of staff, which is in conflict with the fact that the budgetary authority will not grant the additional posts requested at the time of the proposal of the Marco Polo II Regulation.

Externalisation of the management of the Marco Polo programme can be a solution to the expected capacity problem. Moreover, externalisation of programme management may be beneficial for the programme from the point of view of efficiency and quality. Economies of scale may also be expected when the management of Marco Polo is carried out by an organisation that is already managing other EC-funded programmes, increasing the critical mass for such an agency. In the mean time, the European Commission will be better able to focus on its core activity of policy development. The limited duration of the programme is an extra argument for externalisation.

This present study aims to investigate the economic impacts of the externalisation of the programme management, in comparison to in-house management of the programme. Both quantitative (effort, costs) and qualitative impacts are taken into account.

The options and activities
Three main options for the management of the Marco Polo programme have been considered:
- In-house: keep the programme management of MP II by DG TREN
- Externalise the programme management activities of MP I and MP II in an existing agency
- Externalise the programme management activities of MP I and MP II in a new agency

Since the nature of the programmes Marco Polo I and Marco Polo II is the same, it would be contrary to the common sense and economic logic to leave Marco Polo I in the "in-house" option and externalise only the Marco Polo II programme.

The following main groups of programme management activities have been distinguished and analysed:

A. General programme management
B. Programme preparation
C. Programme implementation
D. Programme monitoring & evaluation
E. Promotion and dissemination of programme results
F. Programme support activities

For each of the abovementioned categories an assessment is made of the required effort per option, distinguishing the different staff categories (permanent, temporary and contractual staff).

The impacts per option

The efforts needed for the management of the programme and the costs involved are presented in the next table. These figures apply for the situation when the programme is fully operational (approximately round the year 2011). When fully operational, the programme will handle about 150 proposals and 150 projects annually. In the table the present situation (2006) is shown as well.

Table 0.1 Overview of required effort (in FTE[1] per year) and costs per option

Option	Effort in FTE	Of which in DG TREN	Annual costs (Euro)
Present situation (2006)	6,3	6,3	680.400
Option 1: In-house management	16,5	16,5	1.782.000
Option 2: Externalisation in existing agency	18,5	2,7	1.404.500
Option 3: Externalisation in new agency	23,2	2,7	1.778.300

The table shows that the management of the Marco Polo II programme requires some 16 FTE per year and that the total number of FTE does not differ too much between the two first options. Externalisation of the programme to an existing agency requires extra effort (2,0 FTE) compared to the in-house option, which is caused by the need to keep DG TREN staff involved in the programme in order to safeguard the exchange of knowledge needed for policymaking. Looking at the annual costs however, the externalisation to an existing agency requires 20% lower annual costs compared to the in-house option. On the contrary, the new agency option requires similar costs as the in-house management option.

The next table provides an overview of the quantitative and qualitative impacts of the three options compared:

[1] FTE = Full Time Equivalent

Table 0.2 Overview of impacts

	Option		
	In-house management	Existing agency	New agency
Economic impacts			
Required total staff capacity	16,5	18,5	23,2
Costs per year*	€ 1.782.000	€ 1.404.500	€ 1.778.300
Qualitative impacts			
Setting-up efforts	++	+	- -
Flexibility of staffing	- -	++	+
Proximity of activities to final beneficiaries	+	++	++
Quality of the programme management	+	++	++
Contribution to programme results	+	++	++

Legenda: - - = very negative, ++ = very positive * excl. travel, subsistence and PMO costs

Conclusions and recommendations

It is impossible to cope with the growth of the MP programme in-house with the present staff capacity. The growth of 40 running MP I projects now, till approximately 150 in six years time will require a substantial increase of capacity, which cannot be realised since the budgetary authority is not granting the additional posts requested at the time of the proposal of the Marco Polo II Regulation. The option of in-house management is therefore unrealistic, as long as a substantial increase of DG TREN staff is not realised.

The externalisation of the programme management can be carried out in a cost-effective way, due to lower costs for contractual staff. Externalisation has also relevant qualitative effects that will be beneficial for the quality of the programme management, which will lead to better programme results.

It is recommended to externalise the programme management of MP I and MP II to an existing agency. The costs of starting-up will be limited, whereas the expertise and knowledge on professional programme management are already available. Setting up a new, dedicated Marco Polo Agency will be more expensive, while the effort in time and costs to setting up such an agency is considerable. Another main disadvantage of this option is the limited flexibility that a relatively small agency has, compared to a larger agency. This option is therefore considered to be unrealistic.

The Intelligent Energy Executive Agency (IEEA) seems to be the best-qualified agency for externalisation. The approach of this agency, the types of projects that are being carried out in the IEE programme and the type of beneficiaries are to a large extent comparable to Marco Polo. A new vertical Marco Polo unit can relatively easy be implemented in the organisation of this agency.

In the case of externalisation to the IEEA agency, attention must be paid to safeguarding the identity of Marco Polo and to the exchange of project knowledge between DG TREN and the agency.

Résumé

Continuing the programme management of Marco Polo in-house is not realistic, unless a substantial increase of staff capacity is realised.
Externalisation of the management of the Marco Polo programme to the IEEA Executive Agency is cost-effective and will lead to the following positive qualitative impacts:

- higher flexibility in staffing;
- better quality of project management;
- better continuity;
- more efficient project management cycle;
- better promotion and dissemination, and thus:
- improved programme results.

Setting-up a new dedicated agency for Marco Polo is less cost-effective, has less flexibility and lower possibilities for synergy and economies of scale. Moreover, the costs and efforts for setting up a new agency are substantial.

1 Introduction

1.1 Background

In an open European economy freight transport is essential. Nevertheless, especially road freight transport is generally acknowledged to contribute significantly to congestion, road accidents and damage to the environment. EU policy, as defined in the EU White paper '*European Transport Policy for 2010: Time to Decide*', aims at shifting the balance of transport, amongst others through stimulating the use of alternative modes of transport, i.e. rail, inland waterways and short sea transport. One of the programmes to contribute to this objective is the Marco Polo programme.

Until now, the Marco Polo programme has been run by the Directorate-General for Energy and Transport (DG TREN) of the European Commission. With the new programme and its annual calls, the total amount of projects will further increase, leading to an increased programme management workload. In the mean time, the budgetary authority is not granting the additional posts requested at the time of the proposal of the Marco Polo II Regulation. Therefore, in the near future it will be impossible DG TREN to manage the current and new projects of the programme.

Solutions to the expected capacity problem can be found in a change in the Commission staff allotment policy or in externalisation of the management of the Marco Polo II programme. Externalisation of programme management may be beneficial from an efficiency and quality point of view as well. Economies of scale may also be expected when the management of Marco Polo II is carried out by an organisation that is already managing other EC-funded programmes.

Externalising project or programme management activities is already the practice for various R&D and subsidy programmes throughout Europe. Both national and European programmes are managed by external executive agencies. The reasons for outsourcing programme management are various, but in general the following grounds for outsourcing can be identified:
- reduction of administrative burden and procedures;
- improvement (professionalism) of project management thought more specialised staff;
- synergy and economies of scale by managing several programmes in the same organisational structure;
- release of Commission staff capacity for policy issues.

The Commission needs to obtain insight in the cost-effectiveness of the externalisation of the Marco Polo programme management before a decision on outsourcing these activities can be taken. ECORYS has carried out this cost-effectiveness study under the multiple Framework Contract for Economic Assistance Activities (Lot 2) between the European Commission and a consortium lead by ECORYS.

1.2 Objectives and methodology

The objective of this study is to analyse the options for the management of the Marco Polo programme. The cost-effectiveness and the impacts of in-house management versus externalisation options will be assessed, based on a detailed analysis of the management tasks, possibilities for outsourcing and consequences for the actors involved.

The analysis takes into account the following factors:
- identification of the tasks justifying outsourcing, and their present standard and real costs;
- costs of coordination and checking;
- impact on human resources;
- possible savings within the general budgetary framework of the European Union;
- efficiency and flexibility in the implementation of outsourced tasks, which result in reduced administrative burden;
- simplification of the procedures used;
- proximity of outsourced activities to final beneficiaries;
- quality of results attained and effects on programme impact;
- visibility of the Commission as promoter of the programme concerned;
- need to maintain an adequate level of know-how inside the Commission;
- cost of supervision by the parent-DG, which remains responsible for the implementation of the programme;
- transition costs, meaning additional costs of changing from one management method to another.

In addition, the study takes into account the data and lessons from other externalisation studies carried out or going-on in particular:
- the impact study relating to the creation of the IEEA;
- the on-going impact study for the externalisation of the CIP programme.

Approach and methodology
Three main options are considered for the management of the MP II programme:
- In house: direct management by DG TREN
- Externalise the programme management activities in an existing agency:
    - within the Intelligent Energy Executive Agency
    - within the TEN-T Agency
- Externalise the programme management activities in a new agency

The information needed to carry out the analysis on the cost-effectiveness of the externalisation of the MP II management is collected in two different ways. Interviews with representatives from DG TREN and existing executive agencies were held, in combination with an analysis of studies, reports and other documents related to the establishment and effectiveness of external programme management agencies. In annex 1 an overview is provided of the data sources used for this study.

1.3 Contents of this report

Chapter 2 describes the present situation with respect to the management of the Marco Polo programme and the need for action. The contents of the Marco Polo programme management is described in chapter 3. The different options for the future management of the programme are dealt with in chapter 4. The calculations of the costs and benefits of the different options are made in chapter 5. This chapter also describes the impacts of externalisation for the different options. Finally, in chapter 6 the conclusions and recommendations for the Commission are presented.

2 The present situation and the need for action

2.1 The Marco Polo programme management until now

Marco Polo I

The Marco Polo programme is formally the successor of the PACT (Pilot Actions on Combined Transport) programme, but is broader in scope, budget and ambition level. PACT started on 1 January 1997 and came to an end on 31 December 2001. On 4 February 2002, the European Commission proposed the Marco Polo programme[2], endowed with a budget of 100 million EUR. The Commission had this proposal adopted by the European Parliament and the Council in July 2003.

The goal of Marco PoloI is to shift an amount of cargo corresponding to the whole anticipated growth of international road haulage to alternative modes. Marco Polo I is geared towards promoting commercially oriented services in the freight transport market, core infrastructure measures are not included in the PACT and Marco Polo I programme.

Three types of actions are featured:
- Modal Shift actions: just shift freight off the road
- Catalyst actions: to overcome structural market barriers in European freight transport through a highly innovative concept: causing a break-through.
- Common Learning actions: improvement of co-operation and sharing of know how: Coping with an increasingly complex transport and logistics market.

The table below gives an overview of the results from the different calls so far.

Table 2.1 Overview of the Marco Polo (I) results (source DG TREN)

	2003 call	2004 call	2005 call
EC Budget (in M€)	13	20	22*
Received proposals	92	62	63
Eligible proposals	87	59	60
Concluded contracts	13	12	16*
Freight to be shifted (in billion tkm)	12.4	14.4	10.0
Environmental benefit (in M€)	204	324	254
External costs saved (per € subvention)	15.7	15.9	11.7*

* under negotiation

2 COM 2002(54) final.

The Marco Polo I programme can be seen as a successful catalyst of modal transfer. Each Euro of EC subvention has leveraged 18 times the investment spent by private companies in the market. The modal shift is about 12 billion tkm per year, which is even more then the increase in road freight transport in the EU-15. Thus, Marco Polo I meets its main objective.

The more critical sounds to be heard about Marco Polo I focus foremost on its relatively complex application procedures. The high funding thresholds in combination with the high costs involved in coping with the administrative procedures and getting bank guarantees diminish the chances for small and medium-sized enterprises (SMEs). The quality of the proposals is a point of attention as well. The proposals often pay not enough attention to justifying the credibility of the actions. The justification for not distorting competition is also often lacking. As a consequence, the success rate of proposals is relatively low.

In order to build further on the success of Marco Polo I and taking into account the critical sounds, the Marco Polo programme will be renewed.

2.2 The new Marco Polo II programme

Responding to the important challenges facing Europe in this domain, a renewed and adapted Marco Polo II programme has been proposed by the Commission on 14 July 2004 (COM(2004)478) for the granting of Community financial assistance to improve the environmental performance of the freight transport system.

The *general objective* of the Marco Polo II programme is to reduce congestion and to improve the environmental performance of the freight transport system within the Community, thereby contributing to an efficient and sustainable transport system. The *specific objective* of the Marco Polo II programme is to shift at least a significant part of the expected increase of international freight transport in the period 2007-2013 off the road.

Marco Polo II seeks to develop practical multi-modal and traffic avoidance applications within the total transport domain, which are capable of replication. It is specifically addressing the issue of constraining international road freight transport through effective short-term intervention (mainly 3-4 years project support duration, with lasting effects but longer-lasting projects up to 74 months are also envisaged within the new programme) by the use of practical logistics services projects using intermodal technologies and traffic avoidance measures. The bottom-up nature of the programme, providing risk-reducing subsidies, makes the programme a typical Public Private Partnership.

Relying on the proven mechanisms of the current programme, the Commission proposes two new types of action in the MP II programme: motorways of the sea and traffic avoidance actions. Marco Polo II also enlarges the scope of the current programme to all neighbours of the European Union: the further candidates for enlargement, EFTA and EEA countries as well as Eastern neighbours, especially Russia, Belarus, and the Ukraine, the Balkans, and the Mediterranean Region are part of an emerging large integrated market for transport services.

The following actions are eligible for programme funding in the MPII programme:
- catalyst actions, in particular those aiming at improving synergies in the rail sector by better use of existing infrastructures
- motorways of the sea actions
- modal shift actions, including where appropriate, the additional modal shift brought about by the development of an existing service
- traffic avoidance actions
- common learning actions.

Community financial assistance for ancillary infrastructure shall be eligible for funding under the programme under certain conditions.

For the Marco Polo II programme the following target groups are identified:
- Providers of intermodal and other transport services;
- Shippers/receivers and logistics service providers;
- Providers and managers of (intermodal) infrastructure;

Public authorities (European/national/regional/city authorities, port authorities, agencies etc.) are no direct target groups of Marco Polo, but relevant stakeholders for the programme, like other parties such as suppliers, software providers etc.

As a result of the Inter-institutional agreement on the 2007-2013 Financial Perspectives, the Marco Polo II budget is set at 400 Million Euro in 2004 prices. This represents a 150% increase of average annual budget.

2.3 The risks of continuing the present situation: action needed

In the specific case of the Marco Polo programme, there is an immediate cause for the need for externalisation. The substantial increase of the activities with the start of the new MP II programme, in combination with the fact that the budgetary authority will not grant the additional posts requested at the time of the proposal of the Marco Polo II Regulation will inevitable lead to serious problems to manage the programme within DG TREN in the near future.

The number of proposals is likely to grow from approximately 60 this year to approximately 150 per year in the near future (around 2011). With a success rate of 25 %, the expected number of new contracts per year will grow from 15 to approximately 40. The total number of running projects (around 40 by the end of 2006) will increase to approximately 150 per year within 6 years from now (see also paragraph 5.3).

This expected increase of the Marco Polo programme will lead to a substantial increase of the workload for the programme management at DG TREN, which will not be followed by an increase in human resources.Continuing the present situation will therefore lead to a number of setbacks, as the pressure on the internal organisation of DG TREN will increase. This will lead to delays in contracting and payment procedures and serious under-exploitation of the programme potentials.

The temporary character of a programme like Marco Polo makes it relatively easy to externalise most of the programme management to an executive agency, as it fits very well with the rationale for the existence of these agencies.

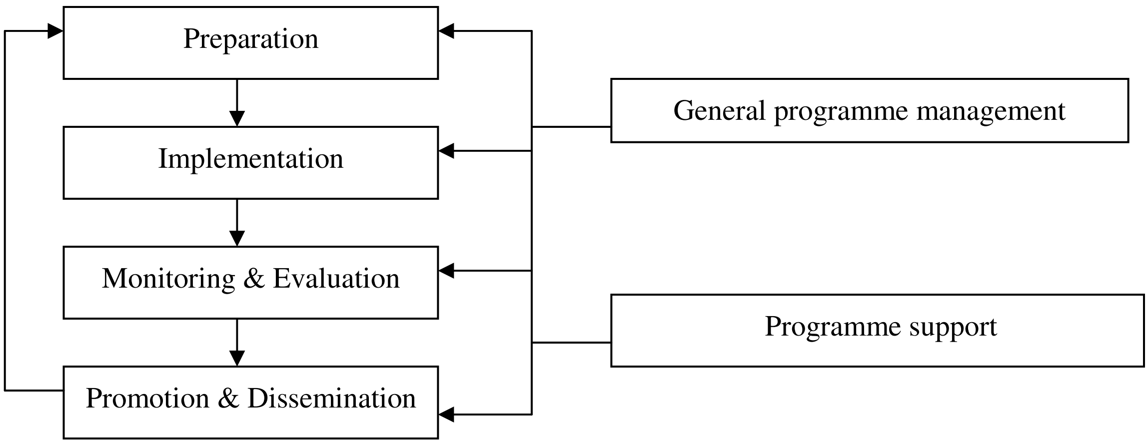
3 The programme management tasks

This chapter pays attention to the tasks and activities belonging to the Marco Polo programme, which are very similar for the current Marco Polo I and the future Marco Polo II programme. In paragraph 3.2 these tasks and activities are described. Subsequently in paragraph 3.3 the potential of externalisation of these tasks and activities is described.

3.1 Description of the tasks and activities

On the basis of the received documents and interviews, the tasks and activities belonging to the Marco Polo programme management have been defined. The programme itself is a continuous repeating 'stream' (cycle) of tasks and activities succeeding each other that consists of programme preparation, programme implementation, programme monitoring and evaluation, and finally promotion and dissemination of programme results. Besides, the programme requires management and support activities. The next figure shows the Marco Polo programme management cycle.

Figure 3.1 The programme management cycle



Below these different elements of the programme management cycle are described in more detail.

General programme management
The general programme management task concerns the overall management (project cycle management of the Marco Polo programme). Also budget management, and reporting and consultation with DG TREN are part of this task.

Programme preparation
Programme preparation concerns definition of the programme and co-ordination of the programme with other initiatives and programmes.

Programme implementation
Programme implementation concerns a series of activities following each other. The task starts by preparation and publication of call-text. After the call has been closed assessment of the received proposals takes place. If the proposal is approved contract negotiations start, eventually resulting in awarding of grants and signing of agreements.

If necessary, after a while contract amendments may be made.

Programme monitoring & evaluation
After signing of the contracts, the approved projects will be monitored and evaluation takes place. Does the project fulfil its expectations? This is daily management and is an important 'time-consuming' task within the programme. This task includes the reporting of the progress of the projects and programme. Field visits by experts in this subject must be part of this task as well.

Strategic evaluations, mid-term and final, take place to evaluate the programme results. Evaluation studies might also cover aspects like the distribution of projects over the different modes, the geographical spread, the involvement of different types of stakeholders (a.o. SMEs) in the programme.

Promotion and dissemination of programme results
Promotion and dissemination activities concern activities like advertising, congresses, leaflets and information days. It is expected that the Marco Polo II programme will benefit two yearly congresses at most when the programme is managed in-house, whereas a higher frequency and geographical spread is preferred.

This task also concerns the management of the Marco Polo website and helpdesk activities for (potential) beneficiaries of the Marco Polo programme.

Programme support activities
Not directly related tot the Marco Polo programme are the programme support activities. These activities concern juridical support, activities with regard to finance, planning and control, and other support activities like ICT, HRM and office management. At present, all DG TREN services (legal, cabinets, secretaries) are involved at some time in the process.

The tasks and activities described in the above are further elaborated in detail in chapter 5, where the required effort for each activity is calculated, based on the expected number of proposals and projects within Marco Polo. In the study on the costs and benefits of externalisation of the CIP programme[3] a similar approach has been selected. In Annex 2 the activities and tasks distinguished in this study and the CIP-externalisation study are compared.

3.2 Potential for externalisation

Following the Guidelines on Executive Agencies those tasks requiring discretionary powers in translating political choices into action cannot be externalised, all other tasks can. However, when externalising, it is recommended that DG TREN will be involved in strategic activities with regard to the Marco Polo programme. This has also been stated by DG TREN and ensures that DG TREN will be closely involved to the programme when externalising.

The following activities will not be externalised, as they remain the sole responsibility for DG TREN:

- Programme definition and coordination
- Adopting work programmes serving as financing decisions, and specific financing decisions[4]
- Representing the Commission in the Programme Committee and the submission to it of measures to be taken where there is a comitology procedure
- Undertaking inter-service consultations within the Commission
- Strategic evaluation and strategic tenders
- Activities involved in launching and taking enforceable recovery decisions[5]

[3] Technopolis 2006: Cost Benefit Analysis of the externalisation of certain tasks regarding the implementation of the Competitiveness and Innovation Framework Programme (2007-2013) through an Executive Agency.

[4] As defined in Article 75 of the Financial Regulation and Article 15 of the Internal Rules

[5] Specifically under Article 245 of the EC Treaty and Article 72 of the Financial Regulation

4 The different options

Three main options have been considered for the management of the Marco Polo programme:

- Option 1: keeping the programme management of MP II in-house
- Option 2: Externalise the programme management activities of MP I and MP II in an existing executive agency
- Option 3: Externalise the programme management activities of MP I and MP II in a new executive agency

Since the nature of the programmes Marco Polo I and Marco Polo II is the same, it would be contrary to the common sense and economic logic to leave Marco Polo I in the "in-house" option and externalise only the Marco Polo II programme. This option would be inefficient, since both DG TREN and the agency would have to maintain and build up support services. There is however a risk of discontinuity when transferring and handing over the existing Marco Polo I contracts from DG TREN to an agency, but this risk would be compensated by the fact that DGTREN will remain almost 3 officials to follow the management of the programme in case of externalisation, see also chapter 5.1.

4.1 Option 1: keeping the management in-house

Until this moment, the Marco Polo I programme has been managed by the Directorate-General for Energy and Transport (DG TREN) of the European Commission. With the new programme and its annual calls, the total amount of projects will further increase, leading to an increased programme management workload.

This option is basically a continuation of the present situation of the Marco Polo I programme. All tasks related to the new programme are being carried out by employees of DG TREN. So not only the programme management as a whole, but also programme preparation, implementation, monitoring and evaluation, and dissemination of the programme results. Obviously, this option would require a substantial increase of in-house staff (see also the next chapter for the calculation of the required staffing). There is an option to hire temporary staff as well within DG TREN, but this has its limitations with respect to the time (maximum 3 years) and number of staff that is recruited, as the operational budget cannot be used to hire staff.

4.2 Option 2: externalise in an existing executive agency

The use of Executive Agencies is seen as an innovation in the structure of Community Agencies and also a major innovation in the system for the execution of tasks relating to Community programmes and in particular implementation of the Community budget. Framework Regulation EC 58/2003 lays down the conditions for the establishment and operation of these Executive Agencies. It is a method of outsourcing programme management activities. Framework Regulation (EC) No. 58/2003 lays down the statute of Agencies, describing the organisation and tasks of an executive agency.

In this option the programme responsibility, including policy decisions on the Programme formulation stays at DG TREN, but all operational tasks are carried out by an already existing agency, not only for the Marco Polo II programme, but also the phasing out of running Marco Polo I projects. Already existing agencies are among others the Intelligent Energy Executive Agency (IEEA), the TEN-T Executive Agency and the Education, Audiovisual and Culture Executive Agency. The latter is and example of an agency that carries out programmes from several different mother-DGs. The IEEA and the TEN-T Executive Agency have been considered as possible options to execute the Marco Polo programme management (MPI and MPII), as these agencies are established to manage transport and energy-related programmes for DG TREN.

The selection of the best suitable existing executive agency to include the Marco Polo programme management should be based on a comparison of similarities between the programmes that are already being managed on the following aspects:

- Similarities in *contents and objectives* of the programme(s): focused on transport, infrastructure, sustainability, etc.
- Similarities in *beneficiaries* of the programme(s): public versus private parties, large organisations or SMEs
- Similarities in *type of projects*: public-private partnerships, size of the projects, lead-time
- Similarities in *project management cycle*: selection criteria, involvement of Member States, complexity of implementation process, legislative aspects

The Marco Polo programme (both MPI and MPII) can be characterised by private beneficiaries, including SMEs. The main objectives for Marco Polo and IEAA are related to an improvement of the sustainability of the European economy. The TEN-T programme is focusing on infrastructure projects in transport, whereas the scope of the IEEA programmes is more related to energy saving, amongst others in transport. Programme coordination in both the IEAA programmes as in Marco Polo is characterised by a bottom-up approach in which applicants have influence on the exact project definition and the projects are characterised by a relatively simple implementation process.

The following table (4.1) provides a qualitative assessment of these aspects for the two most-likely agencies (IEEA and TEN-T) to which the Marco Polo programme management can be externalised.

Table 4.1 Comparison of level of similarity between Marco Polo and IEEA and TEN-T programmes

Aspect	IEEA Agency programmes	TEN-T Agency programmes
Contents and objectives	High	High
Beneficiaries	High	Low
Type of projects	High	Low
Project management characteristics	High	Low

It can be concluded that the IEEA agency will be better suited for carrying out the Marco Polo programme management than the TEN-T agency, as it has more resemblance to the Marco Polo programme with respect to the beneficiaries, type of projects and project management cycle. Besides, the IEAA agency has already become fully autonomous (since 1-1-2006), whereas the TEN-T Agency is still in the phase of establishment.

4.3 Option 3: externalise in a new executive agency

This option is basically similar to the second option, but in this case a new agency will be set-up dedicated to the programme management of the Marco Polo programme (both MPI and MPII). In this option the programme responsibility stays at DG TREN as well, but all operational tasks with regard to the Marco Polo programme are carried out by the agency.

The establishment of a new agency includes the following stages:
- General information for the budgetary authority
- Establishment of an annual or multi-annual work programme
- Draft decision to set up the agency, including a financial statement and a cost-benefit analysis submitted to an Interservice Consultation and to the Regulatory Committee.
- Approval by the Regulatory Committee
- Detailed information to the budgetary authority on the resources required
- Commission decision to set up the Agency
- Appointment of the members of the Steering Committee
- Start administrative preparations
- Preparation of the Agency's work programme and draft budget
- Commission Proposal to set appropriations for the operating subsidy and establishment plan
- Establishment on the subsidy and establishment plan by the budgetary authority
- Adoption of the Agency's work programme and operating budget by the Steering Committee
- Appointment of the Director by the Commission
- Payment of subsidy to the Agency

While a number of the previous stages are also needed in case of externalisation to an already existing agency, setting up a new agency will be time-consuming and costly, compared to externalisation in an existing agency. The initial costs and time needed of setting up a new agency need to be taken into account when the economic impacts are considered (see the next chapter). More qualitative arguments with respect to the selection of an existing or new agency must be taken into account as well. A comparison of the options including quantitative and qualitative elements is made in the next chapter.

5 Comparison of options

The three options that have been defined in the previous paragraph will require different efforts in staffing and costs and they will influence the quality and flexibility of the programme management in a different way. This chapter compares the staffing requirements for the three options in paragraph 5.2, the cost implications in paragraph 5.3 and the qualitative impacts in paragraph 5.4. The phasing-in of the programme is dealt with in the last paragraph (5.5).

5.1 Staffing

The required staff for the management of the Marco Polo programme (both MPI and MPII) is calculated in a bottom-up approach, based on a detailed analysis of the different tasks that have been distinguished and the number of proposals and projects that can be expected. In the case of the externalisation options, a distinction has been made between the required staff at the agency and the staff that still needs to be employed at DG TREN.

The table on the next page (table 5.1) gives an overview of the required amount of staff in each option and for the present situation. The figures on the required staff are presented in Full-Time Equivalent (FTE), representing 1 employee that works 100 % of the available time (37,5 hours per week).

For the present situation (2006) it is assumed that the Marco Polo I programme receives about 60 proposals this year and about 40 projects are running under the MP I programme by the end of this year. For the future situation (2010-2013) it is assumed the MP II programme receives about 150 proposals every year and that every year 150 projects are running. The period 2011-2014 refers to the period when full capacity will be needed to manage the programme.

In the present situation and in the in-house option, all activities and tasks will be carried out by DG TREN. When externalising, DG TREN will only be involved in strategic activities with regard to the Marco Polo programme and to safeguard exchange of relevant knowledge and experiences. It is expected that in both externalization options at DG TREN about 2.7 FTE will be required. This concerns the following activities:

- Programme definition and co-ordination : app. 0.2 FTE
- Preparation and publication of the call-text : app. 0.1 FTE
- Strategic evaluation and strategic tenders : app. 0.4 FTE

- Hand over, supervision, follow-up, knowledge exchange and other activities not externalised (see chapter 3.2) : app. 2.0 FTE

It is assumed that activities with regard to programme definition and co-ordination and activities with regard to strategic evaluation and on strategic tenders concerning the Marco Polo programme will be fully carried out by DG TREN. Also preparation and publication will be carried out to a large extent by DG TREN. The contacts with the Management Committee will be the primary responsibility of DG TREN.

Table 5.1 Overview of required effort (in FTE per year)

	Present situation (2006)	Future peak situation (2013)		
		In-house mngt	**Existing agency**	**New agency**
A. General programme management:	**0,3**	**0,4**	**0,4**	**2,0**
- Overall management / Project cycle management	0,2	0,3	0,3	1,0
- Other management activities	0,1	0,1	0,1	1,0
B. Programme preparation:	**0,2**	**0,2**	**0,0 (+0,2)**	**0,0 (+0,2)**
- Programme definition & co-ordination	0,2	0,2	0,0 (+0,2)	0,0 (+0,2)
C. Programme implementation:	**2,0**	**3,6**	**3,5 (+0,1)**	**3,5 (+0,1)**
- Preparation and publication of call-text	0,2	0,2	0,1 (+0,1)	0,1 (+0,1)
- Assessment of proposals	1,1	2,1	2,1	2,1
-Contract negotiations	0,3	0,8	0,8	0,8
- Selection list procedures, awarding of grants	0,3	0,3	0,3	0,3
- Contract amendments	0,1	0,2	0,2	0,2
D. Programme monitoring & evaluation:	**1,9**	**6,6**	**6,2 (+0,4)**	**6,2 (+0,4)**
- Daily management and reporting	1,3	5,4	5,4	5,4
- Field visits	0,3	0,8	0,8	0,8
- Strategic evaluation & Strategic tenders	0,4	0,4	0 (+0,4)	0 (+0,4)
E. Promotion & Dissemination prog. results:	**0,6**	**0,9**	**0,9**	**1,9**
- Promotional activities	0,1	0,1	0,1	0,1
- Two yearly conferences	0,2	0,2	0,2	0,2
- Website management	0,1	0,1	0,1	0,5
- Helpdesk activities	0,2	0,5	0,5	1,1
F. Programme support activities:	**1,3**	**4,8**	**4,8**	**6,8**
- Juridical support	0,3	1,3	1,3	2,0
- Finance, Planning and Control	0,4	1,5	1,5	1,9
- Other support activities: ICT, HRM, Office man.	0,6	2,0	2,0	3,0
G. Supervision, follow-up, knowledge exchange:	**0**	**0**	**(2,0)**	**(2,0)**
Subtotal externaliseable activities	**6,3**	**16,5**	**15,8**	**20,5**
Non-externaliseable activities (DG TREN)	**Not applicable**		**2,7**	**2,7**
Total required effort	**6,3**	**16,5**	**18,5**	**23,2**

A detailed explanation on the figures is given in Annex 3. Below, attention is paid to the main conclusions from the table.

The table shows that in the present situation 6 FTE are required. In the future situation, due to the bigger size of the Marco Polo II programme compared to the present situation, a significant increase in effort will be required. By taking into account the additional effort by DG TREN as well, the total required effort will rise to some 16 FTE per year. Taking into account the substantial increase in knowledge concentration that will take place with an enlarged pool of technical and financial officers, with the subsequent economies of scale, it is assumed that for many tasks the required effort in human resources will increase less than proportionally.

The next table provides the proposed staffing per function, based on the situation when the programme is fully operational.

Table 5.2 Overview of required staff per function

	Future situation (peak in 2013)		
Staff type	**In-house management**	**Existing agency**	**New agency**
Director	n/a	n/a	1,0
Head of unit	1,0	1,0	n/a
Secretary	2,0	2,0	3,0
Project Officers	8,7	8,0	8,0
Financial Officers	2,0	2,0	3,0
Support staff	2,8	2,8	5,5
Total	**16,3**	**15,8**	**20,5**
Additional DG TREN staff	n/a	2,7	2,7
Total incl. DG TREN Staff	**16,3**	**18,5**	**23,2**

Efficiency gains by externalising in an existing agency

No clear efficiency gains are expected when externalising Marco Polo I and II programmes in an existing executive agency since Marco Polo management involves quite well defined activities which would be fully taken from DGTREN to an existing agency. On the contrary, the need to establish a DGTREN follow-up would involve 2.7 additional posts.

Efficiency gains by externalising in a new agency

Externalising Marco Polo I and II to a new agency will create inefficiencies mainly caused by the allocation of support personnel solely to Marco Polo, whereas for the in-house option or existing agency option, support resources can be shared among different activities.

5.2 Costs

The costs for the programme management (in-house or externalised) consist of the following categories:

- Staff costs

- Overhead costs: housing and office costs, IT costs, HRM costs

The staff costs differ per type of staff involved. Three categories of staff are distinguished at the Commission:
1. Permanent Officials: employed by the Commission on a permanent basis
2. Temporary Agents: employed by the Commission on a temporary basis
3. Contract Agents: contracted by the Commission for specific tasks

For each category, a distinction between three different levels can be made:
A: high-level/senior (level IV of contract agents)
B: medium level (level III of contract agents)
C: low-level/junior (level II of contract agents)

The staffing of the externalised Marco Polo programme management will consist of a mix of the abovementioned categories. The cost of the middle category has been used to estimate the total costs of human resources. Also for the costs for permanent officials and temporary agents an average figure has been used. The next table provides an overview of the costs per category and the overhead costs. For the permanent staff and temporary agent category an average figure for the three levels (A, B, C) is provided[6].

Table 5.3 Overview of costs per staff category (source Technopolis 2006)

Category	Costs per FTE/year	Overhead costs per FTE/year	Total costs/year
Permanent Official	88.016 Euro	19.984 Euro	108.000 Euro
Temporary Agent	64.000 Euro	19.239 Euro	83.239 Euro
Contract Agent	46.260 Euro	19.239 Euro	65.499 Euro

The following table (5.4) provides an overview of the costs of personnel involved.. These costs are calculated for the situation when the Marco Polo II programme is fully operational (2013). The phasing-in of Marco Polo II and the cost consequences are described in the next paragraph (5.3).

Table 5.4 Overview of annual costs per option

	Option		
	In-house management	Existing agency	New agency
Staff			
• Of which Permanent Officials	16,5	3,7	4,0
• Of which Temporary Agents	n/a	2,0	5,0
• Of which Contract Agents	n/a	12,8	14,2
Total staff	**16,5**	**18,5**	**23,2**
Costs			

[6] These costs are in line with the figures used for the study on externalisation of the CIP programme by Technopolis

• For Permanent Officials	€ 1.782.000	€ 399.600	€ 432.000
• For Temporary agents	n/a	€ 166.500	€ 416.200
• For Contract Agents	n/a	€ 838.400	€ 930.100
Total annual costs	**€ 1.782.000**	**€ 1.404.500**	**€ 1.778.300***

* The costs for starting-up a new agency (estimated € 500.000) are not included

These costs do not include, amongst others, the costs for travel and subsistence, the costs for recourse to external experts for the evaluation exercise, costs for ex-post controls by external financial auditors and the costs for assistance by the personnel office (PMO) of the Commission.

The total amount of contract staff should remain less than 75 %, which is stated in the Conditions of employment of other servants of the European Communities. The remainder would be recruited as Temporary Agents, of whom not more than one third should be established DG staff seconded in the interests of the service. Posts will also be frozen in the DG as a result of secondments of established staff to the Agency.

In the case of externalisation to an existing agency, the annual costs will be 20% lower than in the in-house option. The annual costs for externalisation in a new agency will be similar with the in-house option, whereas the costs for setting up a new agency are not taken into account. A rough estimate of these costs would be 20 % of the annual costs; app. € 500.000.

5.3 Impacts

Besides the impacts on staffing and costs described in the previous section, other impacts of externalisation of the MP II programme management can be identified. These impacts have a more qualitative character. Qualitative impacts are basically related to the following issues:
- the flexibility of the programme management
- the quality of the programme management
- the quality of the programme results

Impacts on the flexibility of the programme management
With respect to the flexibility aspect, an important advantage of externalisation is that it is relatively simple to attract and/or replace staff. Moreover, an external executive agency that manages a number of different programmes has the possibility to shift staff between programmes and staffs have contracts with a limited duration. In the case of externalisation, the workload for DG TREN staff can be relieved. The flexibility will be substantially higher in the case of externalisation to an existing agency.

Impacts on the quality of the programme management
The quality of the programme management can increase in the case of externalisation. In particular the promotion of the programme and the dissemination of the results can be improved when carried out by a professional programme management organisation. Staff that is dedicatedly working on a specific programme will be able to specialise and

improve its knowledge base. The proximity of the programme management staff in the case of externalisation will be better compared to the option of in-house management.

When the programme is externalised it is important to safeguard the exchange of knowledge between the external agency and the DG TREN policymaking units. Adequate resources must be allocated for that reason. The efficiency of the process of policy input will therefore be slightly lower in the case of externalisation.

Impacts on quality of the programme results
The abovementioned impacts on the flexibility and quality of the programme management will be beneficial for the quality of the programme results. The target groups of the programme (beneficiaries) can better be reached with improved promotion and dissemination efforts. The expectation is justified that improved attention for calls will lead to more proposals. A large base of proposals will lead to a higher quality of selected projects. Better project management will lead to better project results, which contributes to an improvement of the results of the Marco Polo programme as a whole.

5.4 Phasing

The efforts and costs calculated and presented in the sections above represent the situation when the MP II programme is fully operating. At this moment, MP I is still being carried out, whereas the first projects of MP II at the end of 2007. The table 5.5 gives insight in the expected phasing-out of MP I and the phasing-in of MPII.

Table 5.5 Proposals and running projects per year in MP I and II

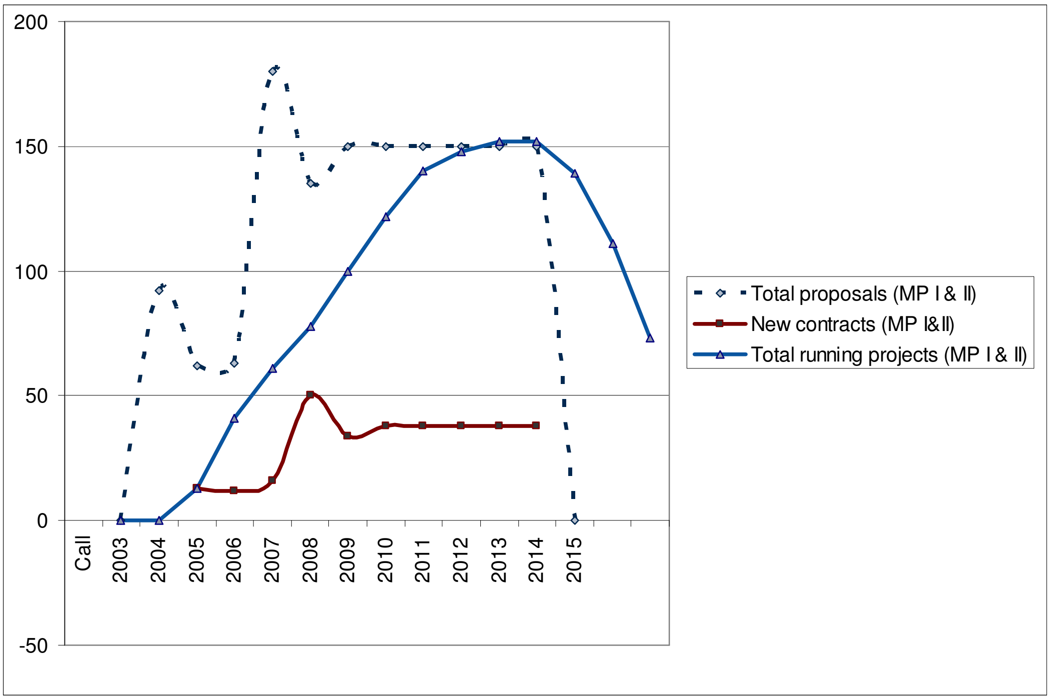
	'03	'04	'05	'06	'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
MPI New proposals	92	62	63	60	0	0	0	0	0	0	0	0	0	0	0
MPI Projects	0	0	13	41	61	48	36	20	0	0	0	0	0	0	0
MPII New proposals	0	0	0	0	120	135	150	150	150	150	150	0	0	0	0
MPII Projects	0	0	0	0	0	30	64	102	140	148	152	152	139	111	73
Total New proposals	92	62	63	60	120	135	150	150	150	150	150	0	0	0	0
Total Projects	0	0	13	41	61	78	100	122	140	148	152	152	139	111	73

The year 2006 is a transition year, in which the last call of Marco Polo I is being launched and the first call of Marco Polo II is being prepared (to be launched in the beginning of 2007). It is expected that the MP II programme will receive about 150 proposals from 2008, of which about 25% is approved for funding (about 35 till 40 projects per year). It is expected that it will take some time to reach the expected number of 150 proposals per year. As a consequence, in the table above the number of proposals for 2007 (120 proposals assumed) and 2008 (135 proposals assumed) is somewhat lower.

Also the number of projects will gradually increase. Not only due to the rising number of proposals, but also due the fact that projects will last for four years on average. As the table shows, a stable number of approximately 145 projects is to be expected in MP II from 2011. The years 2007 to 2011 can be considered as transition years. Between 2010 and 2013, the number of running projects will further increase and reach its maximum in 2013. Therefore, peak capacity is needed in 2012/2013. As the MP II programme is expected to be ended in 2013 with new calls, it will also take some years before all running projects are finished. Since in exceptional cases projects can have a duration of 6 years, the programme management activities might have to be continued until 2020.

The figure 5.1 presents the development of the number of proposals, new projects and total running projects per year in a graph.

Figure 5.1 Overview of proposals, contracts and running projects



The phasing of the Marco Polo programme influences the capacity requirements as well. The following table provides an estimation of the development of the required FTE per year per option. The required amount of FTE increases annually per option until 2012 when full capacity is needed. Due to the absence of new proposals and the phasing out of the number of running projects a lower number of FTE will be required after 2013. However, as the lifetime of the projects can be 5 or even 6 years, the agency (or the in-house DG TREN staff) will have to be in place for the Marco Polo programme management until approximately the year 2020.

Table 5.6 Efforts in FTE per year per option

Option		'07	'08	'09	'10	'11	'12	'13	'14	'15	'16	'17
In-house-option	TREN	9	11	13	14	16	16	17	17	12	10	9
Existing agency	Agency	10	12	13	14	15	16	16	16	11	9	8
	TREN	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,6	2,6	2,6	2,6
New agency	Agency	12	14	16	18	19	20	21	21	16	13	10
	TREN	2,7	2,7	2,7	2,7	2,7	2,7	2,7	2,6	2,6	2,6	2,6

5.5 The impacts compared

Distinction can be made between the quantitative impacts (staffing, costs) and qualitative impacts of the different options as described in the previous paragraphs. The next table (5.6) gives an overview of the summarised staff and costs, as well as an assessment of the qualitative aspects.

Table 5.7 Overview of impacts

	Option		
	In-house management	Existing agency	New agency
Economic impacts			
Required total staff capacity	16,5	18,5	23,2
Costs per year*	€ 1.782.000	€ 1.404.500	€ 1.778.300
Qualitative impacts			
Setting-up efforts	++	+	- -
Flexibility of staffing	- -	++	+
Proximity of activities to final beneficiaries	+	++	++
Quality of the programme management	+	++	++
Contribution to programme results	+	++	++

Legenda: - - = very negative, ++ = very positive

* excl. travel, subsistence and PMO costs

This overview clearly shows the benefits of externalisation the programme management, whereas externalisation to an existing agency has higher ranks than setting up a new agency. Particularly the impacts on flexibility and quality of staffing will lead to an improved result of the Marco Polo programme. Compared to the in-house option some extra effort is needed for the policy input process, as well as for setting up a new unit in the existing agency. These efforts are outweighed compared to the extra efforts required to set up a new agency. The time and costs involved for attracting staff, finding and equipping office space are substantial, whereas the flexibility of staffing will be limited compared to a larger agency. Inefficient allocation of human resources can be expected in a new agency, since horizontal functions need to be created for a limited amount of staff. Therefore, this option can be considered to be unrealistic.

6 Conclusions and recommendations

It is impossible to facilitate the growth of the MP programme in-house

The expected growth of the Marco Polo II programme - from approximately 40 running Marco Polo I projects at the end of 2006 up to some 150 yearly running MP II projects after 2010 - cannot be handled by the present Marco Polo staff at DG TREN. It can be expected that the increased workload will lead to a decrease of the attention for individual projects, promotion and dissemination activities, whereas the increase of the financial and administrative workload might lead to unacceptable delays in contracting and payment procedures. Only with a substantial increase of staff (from approximately 6 FTE now to 16 FTE in 2013) it will be possible to manage the Marco Polo programme in an acceptable way. The fact that the budgetary authority is not granting the additional posts requested at the time of the proposal of the Marco Polo II Regulation is strongly conflicting with the required increase of capacity.

Externalisation of the programme management is logical and cost-effective

Externalisation of the programme management of Marco Polo I and II is logical, as the programme has a temporary character and fits well within the task description and activities of the so-called Executive Agencies. Since the nature of the programmes Marco Polo I and Marco Polo II is the same, it would be contrary to the common sense and economic logic to leave Marco Polo I in the "in-house" option and externalise only the Marco Polo II programme. The annual costs for the management of the Marco Polo II programme are estimated to be 1,78 million Euro in the case of in-house management, compared to 1,4 million Euro in the case of externalisation to an agency and 1,78 million Euro per year in the option of a dedicated Marco Polo agency. In this option of a new agency, the costs for the establishment of this agency (estimated to be approximately 500.000 Euro) have to be taken into account as well. Externalisation to an existing agency is therefore the most cost-effective option.

Externalisation will be beneficial for the quality of the programme

The benefits of externalisation are not only related to cost reduction; the quality of the programme management can benefit from externalisation as well. Dedicated project management staff can be recruited and specialise on certain types of projects and develop a certain state of knowledge. Promotion of the programme and its calls and dissemination of project and programme results can be professionalised. The flexibility in allocating appropriate staffing is higher at an agency. Changes in the contents and characteristics of the programme can better be dealt with in the case of externalised programme management.

Externalisation in an existing agency is preferable to setting up a new agency
Although the identity of the Marco Polo programme can probably best be safeguarded in a dedicated agency, this option has a number of serious drawbacks. Human resources would not be efficiently allocated and the flexibility will be less compared to the option of externalisation in an existing agency. It is doubtful if enough critical mass can be created, particularly for horizontal functions within the organisation. Setting-up an entirely new agency will cost extra cost and time efforts as well. An existing agency will better be able to accommodate the stage of phasing-out (from app. 2015 to 2020) as well.

The IEEA Executive Agency is best-suited to incorporate the Marco Polo programme
Two existing agencies are best qualified to incorporate the Marco Polo programme: the IEEA and the TEN-T Agency. From a contents point of view (transport, efficiency and sustainability) there is no clear advantage for one of both. But from the perspective of the beneficiaries and the type of projects the IEEA agency turns out to be much better suited for the Marco Polo programme. A vertical Marco Polo unit can be incorporated in the organisation of this agency without major implications. The critical mass of the IEEA agency will increase, which will be beneficial for the other programmes managed by this agency as well.

The identity of the Marco Polo programme should be safeguarded
When the option of externalisation in the IEEA agency is selected, attention should be paid to the profile and 'branding' of the Marco Polo programme. Establishing a dedicated (vertical) Marco Polo unit will help safeguarding the identity. This attention for the identity of Marco Polo is particularly important when the IEEA agency is extended with other large programmes (a/o the CIP programme).

The exchange of knowledge between DG TREN and the agency needs attention
Outsourcing the programme management to an executive agency will change the position of DG TREN Permanent Officials towards the contents and results of the programme. In the case of externalisation there will be fewer contacts between DG TREN and market parties that are involved in Marco Polo projects. These contacts can be beneficial for the development of policies in the field of transport and logistics. A modus operandi for establishing a regular exchange of practical knowledge and contacts must be developed.

Résumé:

Continuing the programme management of Marco Polo in-house is not realistic, unless a substantial increase of staff capacity takes place.

Externalisation of the management of the Marco Polo programme to the IEEA Executive Agency is cost-effective and will lead to the following positive **qualitative impacts:**

- higher flexibility in staffing;
- better quality of project management;
- better continuity;
- more efficient project management cycle;
- better promotion and dissemination, and thus:
- improved programme results.

Setting-up a new dedicated agency for Marco Polo is not a cost-effective option, has less flexibility and lower possibilities for synergy and economies of scale. Moreover, the costs and efforts for setting up a new agency are substantial.

Annex 1: Data sources

Studies, reports and other relevant documents

For this study the following documents of the European Commission have been analysed:

- Council Regulation (CE) No 58/2003 of 19 December 2002 laying down the statute for Executive agencies to be entrusted with certain tasks in the management of Community programmes.
- Memorandum (December 2003) to the Commission on implementation of Regulation (EC) No 58/2003 laying down the statute for Executive Agencies.
- the document SEC(2006) 662 of 31 May 2006: "Guidelines for the establishment and operation of executive agencies financed by the general budget of the European Communities"
- COM(2004)478 final: Proposal for Regulation on establishing the second "Marco Polo" programme for the granting of Community financial assistance to improve the environmental performance of the freight transport system ("Marco Polo II").
- Draft Commission Decision (20 July 2005) on establishing the Trans-European Transport Network Executive Agency pursuant to Council Regulation (EC) No 58/2003
- Commission Decision (2004/20/EC) of 23 December 2003 setting up an Executive agency, the "Intelligent Energy Executive Agency", to manage Community action in the field of energy in application of Council Regulation (EC) No 58/2003
- Memorandum (December 2003) to the Commission on a Draft Commission Decision setting up an Executive agency, the Intelligent Energy Executive Agency, to manage Community action in the field of energy in application of Council Regulation (EC) No 58/2003.
- Commission Decision 2005/56/EC setting up the Education, Audiovisual and Culture Executive Agency.

Besides the following other reports and documents for this study have been analysed:

- Technopolis (2006), *Cost Benefit Analysis of the externalisation of certain tasks regarding the implementation of the Competitiveness and Innovation Framework Programme (2007-2013) through an Executive Agency* (draft revised report)
- ECORYS (2004), *Ex ante evaluation Marco Polo II 2007-2013* (final report)
- Eureval-C3E (2002), *Externalisation arrangements for "Intelligent Energy for Europe" Programme - A cost-effectiveness assessment* (final report)
- COWI (2004), *Cost Benefit Assessment of the Externalisation of the Management of Community Financial Support to the TEN-T Networks* (final report)
- ECORYS (2005), *Impact assessment on the extension of EASA competences to ANS, ATM and Airports* (final report)

- Information note (Feb 2006) requested by the Steering Committee of the Intelligent Energy Executive Agency (IEEA) - *Added value of the Executive Agency for the management of the Intelligent Energy – Europe Programme*
- Deloitte & Touche (2002), *European Aviation Safety Agency – Overview*

Interviews

- On the 26th of July 2006 in a telephone conference with Isabelle Collins of Technopolis relevant issues were discussed on the parallel study of Technopolis on externalising activities within the CIP Programme (including Intelligent Energy)
- On the 27th of July 2006 in a meeting at DG TREN – Unit G3 the several tasks and activities of the MP II agency were discussed with Willy Maes, Paul Norroy, Cristobal Millan de la Lastra (project officers/administrators)
- On the 27th of July 2006 in an interview at the Intelligent Energy Executive Agency (IEEA) the impacts and possibilities of externalisation of the MP II programme in the IEEA-agency were discussed with Guido de Clercq (Head-of-Unit Finance, Administration and Personnel, IEEA)
- On 22nd of August 2006 in a meeting at DG TREN the impacts and possibilities of externalisation of the MP II programme in the TEN-agency were discussed with Kathleen Hernalsteen (DG TREN-Unit R1) and Gudrun Schulze (DG TREN-Unit B2).

Annex 2: Tasks and activities

The table below provides insight in the main elements of the programme management cycle, the detailed activities and the activities that have been distinguished in the study on the externalisation of the CIP programme.

Table A2.1 Activities distinguished in the study on externalising the CIP Programme

Element of the programme cycle	Detailed activities	Tasks distinguished in study on externalisation of CIP
General programme management	• Overall management • Project cycle management • Other management activities	
Programme preparation	• Programme definition • Programme co-ordination	
Programme implementation	• Preparation call text • Publication call text • Proposal assessment • Contract negotiation • Selection list procedures • Awarding of grants • Contract amendments	• Preparation and publication of calls for proposals based on priorities set out in the work programme • Provision of information on the call for potential beneficiaries, evaluation of proposals in accordance with criteria set out by the DGs • Awarding of grants in accordance with the conditions of the calls • Preparation and signature of the contracts and subsequence management of contractual arrangements
Programme monitoring and evaluation	• Daily management • Reporting • Field visits • Strategic evaluation • Strategic tenders	• Monitoring of projects, including potential site visits and assessments of reports and deliverables • Assessment of the impacts of projects • Reporting on the implementation of individual projects and the overall programme
Promotion and dissemination	• Promotional activities • Two yearly conferences • Website management • Helpdesk activities	• Dissemination of project and programme results
Programme support	• Legal support • Finance, planning and control • Other support: ICT, HRM, office management	

Annex 3: Workload calculations

On the basis of the received documents and interviews an estimation has been made of the required amount of FTE in the present and the future situation.

Table A3.1 Overview of required effort (in FTE per year)

	Present	Future peak situation (2013)		
	situation (2006)	In-house mngt	Existing agency	New agency
A. General programme management:	**0,3**	**0,4**	**0,4**	**2,0**
- Overall management / Project cycle management	0,2	0,3	0,3	1,0
- Other management activities	0,1	0,1	0,1	1,0
B. Programme preparation:	**0,2**	**0,2**	**0,0 (+0,2)**	**0,0 (+0,2)**
- Programme definition & Co-ordination	0,2	0,2	0,0 (+0,2)	0,0 (+0,2)
C. Programme implementation:	**2**	**3,6**	**3,5 (+0,1)**	**3,5 (+0,1)**
- Preparation and publication of call-text	0,2	0,2	0,1 (+0,1)	0,1 (+0,1)
- Assessment of proposals	1,1	2,1	2,1	2,1
-Contract negotiations	0,3	0,8	0,8	0,8
- Selection list procedures, awarding of grants	0,3	0,3	0,3	0,3
- Contract amendments	0,1	0,2	0,2	0,2
D. Programme monitoring & evaluation:	**1,9**	**6,6**	**6,2 (+0,4)**	**6,2 (+0,4)**
- Daily management and reporting	1,3	5,4	5,4	5,4
- Field visits	0,3	0,8	0,8	0,8
- Strategic evaluation & Strategic tenders	0,4	0,4	0 (+0,4)	0 (+0,4)
E. Promotion & Dissemination prog. results:	**0,6**	**0,9**	**0,9**	**1,9**
- Promotional activities	0,1	0,1	0,1	0,1
- Two yearly conferences	0,2	0,2	0,2	0,2
- Website management	0,1	0,1	0,1	0,5
- Helpdesk activities	0,2	0,5	0,5	1,1
F. Programme support activities	**1,3**	**4,8**	**4,8**	**6,8**
- Juridical support	0,3	1,3	1,3	2,0
- Finance, Planning and Control	0,4	1,5	1,5	1,9
- Other support activities: ICT, HRM, Office man.	0,6	2,0	2,0	3,0
G. Supervision, follow-up, knowledge exchange	**0**	**0**	**(2,0)**	**(2,0)**
Subtotal externaliseable activities	**6,3**	**16,5**	**15,8**	**20,5**
Non-externaliseable activities (DG TREN)	**Not applicable**		**2,7**	**2,7**
Total required effort	**6,3**	**16,5**	**18,5**	**23,2**

Below attention is paid to the underlying assumptions on some large activities for the programme implementation (task C) and the programme monitoring & evaluation tasks (task D).

In general it is assumed that 1 FTE has 200 working days per year. The average lifetime of a project concerns 3 years in Marco Polo I and 4 years in Marco Polo II.

Present situation (2006)

For the present situation (2006) it is assumed that the Marco Polo I programme has received 63 proposals from the 2005-call that have been assessed. Currently, 25 Marco Polo I projects are running (13 from the 2003-call and 12 from the 2004-call), while 16 MP I contracts are to be signed by the end of the year. The average 'success rate' of the proposals is 25 percent.

The activity *assessment of proposals* in task C currently requires 1.1 FTE:

- Every proposal is reviewed by 2 persons that each spend about 0.75 days for reviewing.
- Every proposal is subsequently evaluated by 5 evaluators that each spend about 0.33 day for evaluation of each proposal.
- Reporting on the assessment totally concerns 0.1 FTE
- So the assessment of proposals concerns (1.5+1.65)*63/200 FTE + 0.1 = 1.1 FTE

The activities *contract negotiations, contract signing and contract amendments* in task C require 0.3+0.3+0.1 FTE:

- Contract negotiation concerns 4 man days per contract for a Project Officer (PO) which equals to 0.3 (4*16/200) FTE
- Contract preparation and signing concerns 4 man days per contract for a Financial Officer (FO) which equals to 0.3 (4*16/200) FTE
- Contract amendments are expected to happen in 20% of the projects during the lifetime of a project and concerns 5 man days per FO. This equals to 0.1 (20%*16*5/200) FTE

The activity *daily management* in task D requires 1.3 FTE:

- Every project requires 0,7 man day per month of a PO and 1,8 man day per year for an FO. The 25 running MP I projects require 256 man days per year which equals to 1.3 (256/200) FTE.

The activity *field visits* in task D requires 0.3 FTE:

- Every project is visited twice during its lifetime, so 17 projects are visited in 2006.
- Every field trip requires 3 man days, which equals 51 man days or 0.3 (51/200) FTE.

The *programme support* activities in task F requires 1.3 FTE:

- Juridical support concerns 2 days per project per year (2*25/200)
- Finance, planning and control concerns 10 days per project during its lifetime, which equals to 3.3 days per project per year
- ICT, HRM and office management concerns 1 day per project per year (1*25/200)
- Staff secretary (excl the secretary of the HoU) concerns 0.5 FTE

Future situation (2007-2013)
For the future situation (2010-2013) it is assumed that the peak effort is required in 2013. In that year, about 150 proposals are received, 38 new projects will start and the total number of running projects equals 152.

It is assumed that the average lifetime of a project in the Marco Polo II programme concerns 4 years instead of 3 years in the present situation.

For the existing agency option it is expected that the required effort for the programme management task (task A: total 0,4 FTE) is comparable to the present situation, but for the new agency the impossibility to share management resources with other programmes increases the required effort to an estimated 2 FTE. A new agency requires also an agency director and a secretary of the director. The programme preparation task (task B: totally 0.2 FTE), will remain the same in the three options. This task will be carried out by DG TREN in all options.

With regard to the programme implementation task (task C) the following assumptions have been made:

- Activities on preparation and publication of the call-text are comparable to the present situation (0.2 FTE). If the programme is externalised, DG TREN will play a role in this activity (assumed to be 50%).
- Due to the increased number of proposals compared to the present situation (150 instead of 60) the required workload for assessment will increase, but less than proportionally (correction factor 85%). If the programme is externalised, the executive agency will assess the proposals together with external experts.
- The required effort for the remaining activities in this task will also increase less than proportionally.

With regard to the programme monitoring and evaluation task (task D) the following assumptions have been made:

- Due to the increased number of projects compared to the present situation (150 instead of 25) the required effort for daily management increases less then proportionally (correction factor 70%). Effort increases more than four fold.
- As for the required effort for field trips, now the average lifetime of a project in the Marco Polo II programme concerns 4 years instead of 3 years in the present situation, therefore this figure does increases also less than proportionally.
- It is assumed that activities with regard to strategic evaluation and on strategic tenders concerning the Marco Polo programme remain comparable to the present situation and will be fully carried out by DG TREN.

With regard to the programme monitoring and evaluation task (task E) the following assumptions have been made:

- For all options it is expected that the required effort for promotional activities, and conferences to the present situation.

- Due to larger size of the programme the helpdesk activities are expected to more than double from 0.2 to 0.5 FTE in the future (in-house or existing agency).
- In a new agency, the website management resources and helpdesk activities would have to be concentrated in Marco Polo programme only, therefore it is expected that resource allocation would be very ineffective, resulting in 1,6 FTE.

With regard to the programme support task (task F) the following assumptions have been made when externalising to an existing agency:

- Due to the increased number of projects compared to the present situation (150 instead of 25) the required effort for all activities increases in the in-house option, but not proportionally.
- Economies of scale result in a change from 2 to 1.75 days per project per year for juridical support.
- Economies of scale result in a change from 3.3 to 2 days per project per year for finance, planning and control.
- Resources devoted to other support activities would remain the same per project: 1 day.
- Staff secretary (excl the secretary of the HoU) increases from 0.5 FTE to 1.2 FTE.
- In case of externalisation to a new agency the programme support activities would be very costly in terms of human resources since they would have to be dedicated to the Marco Polo programme only. It is estimated that the necessary human effort would increase from 4.8 to 6,8 FTE.

Finally, the externalisation options assume an effort for DG TREN on follow-up activities in order to safeguard the knowledge base on operational issues. This knowledge base on the operational market issues is crucial for effective policy development. 2,0 FTE is assumed to be necessary for knowledge exchange procedures and/or accompanying field visits.