

European Commission, DG Information Society

Intermediate Evaluation of the eTEN (formerly TEN-Telecom) programme

Executive Summary

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1. Introduction

During 2004, an intermediate evaluation of the eTEN (formerly TEN-Telecom) programme was carried out. The evaluation was commissioned by the European Commission, DG Information Society.

The evaluation had two main objectives:

1. An intermediate evaluation of the implementation and performance of the programme over the period July 2000 to June 2004
2. An assessment of possible programme re-orientations and subsequent possible policy options and their potential implications and impacts for a new phase of the programme from 2006

The results and conclusions of the two parts of the evaluation have been reported in two separate reports, whereas this executive summary presents the conclusions of both parts of the evaluation.

1.1 The eTEN programme

The eTEN programme (the former TEN-Telecom Action) is based on the Trans European Network concept of articles 154, 155 and 156 of the Treaty establishing the European Community, and is an important element in Community support to the development of the Information Society in Europe.

The overall objectives of the programme are:

'The Community shall support the interconnection of networks in the sphere of telecommunications infrastructure, the establishment and development of interoperable services and applications as well as access to them, with the objectives of:

- facilitating the transition towards the information society, as well as providing experience on the effects of the deployment of new networks and applications on social activities and promoting the satisfaction of social and cultural needs and improving the quality of life,
- improving the competitiveness of Community firms, in particular SMEs, and strengthening the internal market,
- strengthening economic and social cohesion, taking account in particular of the need to link island, land-locked and peripheral regions to the central regions of the Community,
- accelerating the development of new growth-area activities leading to job creation.¹

The programme supports the technical and economic feasibility, validation and deployment of services. Services must be innovative, trans-European and based on proven technology.

¹ Decision No 1336/97/EC of the European Parliament and of the Council of 17 June 1997 on a series of Guidelines for trans-European telecommunications networks, Art. 2.

This intermediate evaluation covers the implementation of the programme from July 2000 to mid-2004. The project portfolio implemented during this period covers 123 projects, of which 6 are Initial Deployment projects, 2 are Support Actions, while the remaining 115 are Market Validation projects.

1.2 Methodology

1.2.1 The Intermediate Evaluation

Part 1, the intermediate evaluation, was carried out in four main phases:

1. Programme analysis

Analysis and evaluation of the programme management and portfolio, based on interviews, desk research of programme documents and statistics, and monitoring of the evaluation of proposals submitted for the eTEN Call for Proposals 2004/1

2. Survey among project participants

A large-scale survey was carried out, addressing 707 project participants with a response rate of approx. 37%.

3. Case studies

A total of 20 case studies were carried out, providing a deeper insight into the projects and contributing substantially to the analysis. Among the case studies are two non-eTEN projects, which were included to compare and put into perspective the implementation and results of the eTEN-funded projects.

4. Analysis and reporting

The findings of the three previous phases were synthesized and structured according to a number of hypotheses drawn up at the beginning of the evaluation. Finally, overall conclusions and recommendations for both short-term (within the present programme period) and medium-term reorientations of the programme were prepared.

1.2.2 The Assessment of Potential Future Impact

Part 2, the Assessment of Potential Future Impact (ex ante) was based on the following sources:

- The results, conclusions and recommendations of the intermediate evaluation
- Interviews conducted with experts and stakeholders within and outside the Commission
- Workshops with a High-Level Expert Group
- Desk research of policy documents, reports etc.

2. Conclusions of the Intermediate Evaluation

1. The changes to the programme's legal base in 2002 has had significant positive effects on the implementation of the programme

The 2002 amendment to the Guidelines Decision aligned the programme's focus areas with the eEurope 2005 strategy and also introduced a much stronger focus on the public sector as a main driver in deployment of eServices of public interest. There are indications that the project portfolio has been improved and that the more recent projects are better prepared for deployment. Thus, in the assessment of the programme's results, a distinction must be made between the programme implementation before and after 2002.

2. Programme management and administration has been considerably improved

In continuation of the above conclusion concerning the strategic reorientation of the programme in 2002, there has been a concurrent improvement in the management of the programme. During the first half of the period under evaluation, there were a number of indications that the administration of the programme was not very efficient. This has since been considerably improved. Project participants generally express overall satisfaction with the administration of the programme, although there is still room for improvement.

The procedures for evaluation of project proposals have been continuously improved and now represent good practice, as evidenced by the recent evaluation of the proposals submitted for the 2004/1 Call. There is some evidence that the newer projects are better prepared for deployment than projects from previous (pre-2002) calls, with more concrete investments plans, more financing for deployment in place etc. Other aspects of programme management have also been improved. The new project mentoring initiative looks promising and is highly commended. eTEN has also strengthened its communication strategy, and managed to secure a relatively high participation of New Member States in the 2004 Call. Some concerns remain, however, that the financial administration of the projects continues to be unnecessarily cumbersome.

3. Impacts of the pre-2002 projects are limited so far, but there is considerable potential for producing more impacts

Practically all the evidence regarding deployment and impacts to date stems from the projects initiated (selected) before 2002. The only projects implemented so far under the new legal base are those retained from the 2003 Call. These projects have just started their implementation, and little concrete evidence of the possible improved impacts is available at this time. It will thus be an important task for the ex post evaluation of the programme to assess the extent to which the 2002 reorientation has resulted in improved results and impacts compared with the benchmarks provided by the data collected for this intermediate evaluation.

Concerning the pre-2002 projects, the evidence suggests that most projects result in some form of deployment. Many of these results would not have occurred, or occurred later or on a smaller scale without the programme. There are a number of projects with good potential impacts, but a rather large share of the projects produce little impacts.

4. Successful projects are driven by strong players, often including end-users

The most important factor characterizing the projects with good deployment results, or at least good deployment potential, is the presence of strong players in the consortium with a real commitment to deployment. The good projects are also characterised by being driven by need (demand) rather than supply, and by dealing with services which are of real significance to the user.

5. Many projects aiming at B2C or B2B markets have not been very successful

Many of the pre-2002 projects aimed at marketing services to business or consumer markets (e.g. eCommerce, eLearning), and these projects have shown themselves in a number of cases not to be very successful. The main reason seems to be lack of timing; they are often overtaken by competitors or are aiming at a market which is not yet ready. The lengthy process of submitting and implementing projects with Commission funding is not conducive to responding to market needs at the right time.

6. Weak participation of public partners in the projects constitutes a barrier to deployment and to achievement of large-scale impacts

Public authorities and other public bodies are not well-represented in the project consortia, and rarely take a leading role. For the pre-2002 projects, this is not surprising considering the different (less public sector-oriented) focus of the programme before the reorientation. However, it is worth noting that there is little difference in the share of public participation between projects from the 2003 Call and pre-2002 Calls. Thus, many consortia lack strong public partners which can lead deployment on a larger scale. This issue is related to the sustainability of the services, since there is usually no Member State commitment to deploy the services.

7. Deployment is often limited in scale

Deployment is often limited to one market. The main reason for this is the limited availability of external funding – both public and private – which means that project consortia must depend on their own resources and often employ a risk-reducing strategy by deploying on a limited scale and/or on a case-by-case basis

8. Limited and/or delayed deployment results in limited achieved impacts so far

The limited scale and scope of deployment means limited impacts. Most common achieved effects are those relating directly to participation in the projects and affecting the project participants' own organisations in terms of improved skills, improved market knowledge etc. As discussed above, the evidence pointing to limited impacts mainly relates to the pre-2002 projects. There are a number of reasons to expect that impacts may be better for the more recent projects (from 2003 onwards) given the strategic reorientation and the improved management of the programme.

9. eTEN plays an important role in the value chain from research to deployment

The programme has a unique position in the value chain from research to deployment, as evidenced by the large share of projects originating from the research programmes. Thus, eTEN helps fill an important gap.

The close relationship with IST should be maintained, since continued funding of market validation and initial deployment phases may in some cases be crucial to reaping the full benefits of previous research funding. However, it

is important that eTEN is not seen as an automatic channel for follow-up funding for IST projects. IST projects should continue to compete for eTEN funding on an equal footing with other types of projects – and perhaps even stricter requirements for demonstration of the deployment potential may be applied, given the previous Community funding of these projects.

3. Conclusions of the Assessment of Potential Future Impact

3.1 The rationale for eTEN and its possible continuation and the policy objective

The overall objectives of eTEN are fully in line with the Lisbon Strategy. In the follow-up on the Lisbon Strategy, the Commission's Growth Initiative from 2003 identified current and new financial tools to support the European Initiative for Growth. eTEN is one of these instruments, and a significant increase in eTEN budget and role is expected. The continued need for Community intervention to promote the take-up of ICT throughout the economy was also reaffirmed in the recent Commission Communication on Challenges for the European Information Society beyond 2005². The Communication identifies a number of issues of relevance to the development of a coherent and forward-looking European Information Society policy, most of which are among the issues addressed by the eTEN programme. This points to a continued role for eTEN as part of the Commission 'tool-box' for improving competitiveness, innovation, and policies for the Information Society.

There are still significant gaps and needs to be addressed both within the areas currently covered by the programme and in other, related, 'e-domains'. However, the current approach, where Projects of Common Interest are defined within a few specific domains, should be abandoned. There is a need to define eSolutions/eServices in much broader terms, allowing more diverse and, in particular, cross-cutting, issues to be addressed, including interoperability as the main goal at trans-European level. At the same time, within this broad framework, key issues should be defined on which to concentrate programme resources. This identification should be done on a continuous basis and in consultation with the Member States.

Based on the experiences and results from the implementation of the programme to date, the focus on public sector needs should be further emphasized and strengthened.

Thus, a key objective of the future programme could be: *To contribute to the deployment of eServices (or eSolutions) addressing key needs of the public sector, as well as interoperability of services and systems across borders, thus helping to reduce the barriers for citizens and companies to participate fully in the internal market and benefit from an efficient and effective delivery of public services.*

3.2 Policy options and assessment

The different policy options or programme strategies that have been identified through interviews with stakeholders and discussions with the High Level Expert Group are:

1. Not continuing the programme

Not continuing the programme would leave a considerable gap between research and market deployment, which is not covered by other Community programmes. Thus, a discontinuation of the programme is not recommended.

² COM (2004) 757, 19.11.2004

2. No change – continuing the programme in its present form

Even though the programme helps fill the gap between research and market deployment in its present form, it could be more effective in doing so. Thus, it is not recommended to continue the programme without changes.

3. Continuing as a 'normal' bottom-up grant scheme, but with reinforced project selection and more focus on deployment

The third option consists of continuing the present type of programme, that is, a 'traditional' bottom-up grant scheme, but further strengthening the evaluation criteria and thus the types and characteristics of projects supported, and with more concrete focus on deployment and replication. The grant scheme would have to focus on projects which are relatively advanced, have a sound business case/deployment plan, are very close to being ready for deployment, and with more emphasis on replication than innovation. Preferably, this approach should allow for a larger degree of co-financing of the deployment phase than the current 10% ceiling, which constitutes a barrier to attracting deployment projects to the programme.

4. Top-down approach with projects/needs defined by expert committees and project selection by procurement/calls for tender

The approach outlined above does not in itself solve the problem of how to identify the key issues to be addressed, which would require a much more comprehensive involvement of Member States (including regional and local authorities) and/or expert committees. The 'top-down' approach addresses this problem and completely changes the way in which projects are selected and financed. The key elements of this approach are:

- An Action Plan is prepared by an expert committee, identifying one or more rather narrowly defined specific needs (issues) to be addressed
- The plan is circulated to Member States for feedback and subsequently commitment to co-funding of deployment in a network action at European level.
- Projects are selected via Call for Tenders or Call for Proposals

Innovative solutions may be applied as a result of this type of approach, but in many cases, replication of existing solutions will be a more effective strategy. In order for this type of approach to be cost-efficient and manageable, projects would tend to be much larger, and consequently fewer, than is the case today – maybe as few as 2-3 projects initiated annually.

5. Open Method of Co-ordination

The so-called Open Method of Co-ordination (OMC) was defined in Lisbon by the European Council and is a completely different strategy, abandoning the project approach employed by the current eTEN programme. Under the OMC, the role of the Commission would be to support policy-learning committees, good practice exchange, development and monitoring of benchmarks etc. The strategy can involve public administrations at different levels, from national to local, depending on the type of issues addressed.

The experiences with the first application of various versions of the OMC have been mixed; it is a very demanding type of strategy and requires great commitment and effort on the part of both the Member States and the Commission, with uncertain results. Undertaking this type of strategy as the main function of a future eTEN initiative would require a complete reorganisation of the initiative and its focus. A more realistic option would be to implement elements of the strategy alongside other types of instruments. One such element could be to set up and manage initiatives for good practice exchange between Member States.

The figure below provides an overview of the assessment of various aspects of the different policy options. Option 1 of not continuing the programme is not considered.

Figure 3-1 Assessment of policy options

	Option 2: No change	Option 3: Bottom-up scheme with reinforced selection	Option 4: Top-down approach	Option 5: Open method of co-ordination
Relevance to addressing key issues	Low in terms of coverage, impacts limited and fragmented	Medium, achieved through more stringent selection of projects	High in selected areas/key issues	Potentially high, but depending on MS commitment
Effectiveness in achieving the objectives	Low – limited impact	Medium, achieved through more stringent selection of projects	High in selected areas/key issues	Unknown; depends on MS Commitment
Coherence with wider economic, social and environmental objectives	Medium, ensured through evaluation criteria	Medium, ensured through evaluation criteria	High in selected areas/key issues	High
Inter-action with other existing and planned Community interventions (esp. IST and IDABC)	Some downstream co-ordination with little effect	Depends on approach taken; more upstream co-ordination could improve effectiveness	Possibility for high degree of upstream co-ordination through committee system	Exchange of best practice etc. can be co-ordinated or even co-managed with relevant programmes
Level and scope of impact expected	Small impact on individual projects as evidenced by intermediate evaluation	High impact on individual projects due to higher requirements for projects and deployment focus in project set-up, but impact is likely to remain fragmented	Medium/high in selected areas where key issues are clearly identified, and possibly reinforced by Member State co-financing	Potentially high, but depending on Member States' commitment and the chosen methods of co-operation. Impacts may take time to materialize.

Mixing strategies

The options described above can each be implemented exclusively as the future eTEN programme strategy, but a more realistic policy option for the programme may be to mix different instruments and strategies. The more advanced and innovative approaches have potentially higher impacts, but it would be risky to completely abandon the project-based 'bottom-up' type of approach for new strategies such a top-down approach or Open Method of Co-ordination. It would be too disruptive for the management and operation of the programme, and completely new types of approaches will take some trial and error before they begin producing results.

The optimal approach would more likely be to continue devoting part of the budget to the project-based bottom-up strategy - implementing some of the recommendations for improvements to the current approach – while the top-down approach and/or elements of the Open Method of Co-ordination are

being implemented. This will also have the advantage that the bottom-up type of instrument could focus more on innovative, smaller projects, while other approaches would be reserved for addressing identified needs, often in large-scale projects, and to a larger extent based on replication. Applying more than one type of instrument will of course put greater strains on the management of the programme. However, there are potentially good synergy effects through co-ordination of activities.

4. Recommendations

The recommendations outlined below are mainly based on the intermediate evaluation, but with elements from the Assessment of Potential Future Impact.

4.1 Short-term recommendations for the remainder of the current programme period

The key challenge for eTEN is to achieve larger impact through successful deployment of the services. The main recommendations consequently deal with how to increase the effectiveness and deployment potential of projects:

1. Strengthen evaluation criteria further

There is a need to further strengthen the basis on which projects are selected. This applies in particular to *the composition and strength of consortia*, where there is a clear need for strengthening the consortia by putting even more emphasis on including end users, in particular public administrations, in a key role. In addition, it is recommended that the requirements for formulation of *business cases/deployment plans* as part of the proposal should be stricter. If the business case is not reasonably clear, the service will probably not be ready for deployment even after the market validation phase.

2. Give priority to replication of services that have demonstrated their sustainability and utility in a national context

It is recommended that services which have already been deployed in a national market and which exhibit trans-European potential be promoted at the expense of more innovative services which have not yet demonstrated their potential in real life conditions.

3. Integrate market validation and deployment in multi-phase projects

It is recommended that the division between Market Validation and Initial Deployment is abandoned and that the two phases are integrated into a single project divided in two or more clearly defined phases. Funding of phase 2 (and possible subsequent phases) should, however, be made conditional on successful completion of the previous phase, with a clear stop/go decision in between based on a thorough review by external experts.

4. Continue the push for an increase in the overall funding ceiling for projects

Even if the model of integrated projects is adopted, there will most likely still be a need to increase the level of funding of the later (deployment) phases. Thus, it is strongly recommended that the programme management continue working towards increasing the funding ceiling above the current 10% (although 30% may not be necessary – possibly 20-25% would be sufficient).

5. Define project objectives and milestones in terms of concrete results, not deliverables.

The output of projects is currently paper, not concrete results. Although reporting can, of course, not be entirely abandoned, the focus should be on projects reaching concrete objectives such as securing finance for the deployment phase, establishing a commercial company with regard to deployment of the service, achieving a certain customer base, etc. This could (should) be linked to the integration of the MV and ID phases into a single

project, with the stop/go-decisions being based on the achievement of such concrete results.

6. Continue refinement of the Work Programme

The documents prepared as part of the information package are overall considered very informative by the proposers. However, some issues could be made still clearer. There are several indications that the definition of the eInclusion area is not sufficiently clear and would merit some further clarification, in particular as regards overlaps with the eHealth area.

4.2 Recommendations for future reorientation of the programme

7. Change the intervention approach from supply-driven to demand-driven: Addressing key issues

In order to increase impact of the programme, there is a clear need to replace or at least combine the current bottom-up strategy with an approach based on identification of the specific needs to be addressed. The two main options are:

- A top-down process (option 4), where needs/key issues are defined by Member state or expert committees. Projects to address these issues could be selected through a procurement/calls for tender approach similar to that used by IDA.
- The Open Method of Co-ordination (option 5), supporting policy-learning committees, good practice exchange etc. between national, regional and/or local authorities.

As described above, either of these approaches could be combined and supported with the current type of bottom-up approach, issuing calls for proposals, but within more clearly defined areas and with stricter selection criteria as outlined under the short-term recommendations.

As regards the Open Method of Co-ordination, it is strongly recommended not to apply this method alone, mainly due to the difficulty of implementing this type of strategy and the risks related to the high requirements for active Member State participation. However, certain elements of this strategy, in particular best practice exchange, are assessed as being well-suited for combination with the bottom-up approach (option 3) or perhaps the top-down approach (option 4).

8. Improve leverage of eTEN funds

If real impacts are to be achieved, projects should address a significant part of the demand in selected areas. The current budget size of the programme is not large enough to achieve large-scale impacts by itself. Even if the budget were to be considerably increased, it would still be dwarfed by the huge needs for investment in many areas such as, for example, eGovernment and eHealth. A demand-driven approach as outlined above would have to secure commitment from the Member States concerned to funding deployment of the services or solutions identified, regardless of which specific method for identification of needs is chosen.