



# **EVALUATION OF THE OPERATION OF ERCEA (2012-2015)**

## **Executive summary**

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*E-mail: [RTD-R4-evaluation@ec.europa.eu](mailto:RTD-R4-evaluation@ec.europa.eu)*

*European Commission  
B-1049 Brussels*

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Prepared by: Public Policy and Management Institute

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# EVALUATION OF THE OPERATION OF THE EUROPEAN RESEARCH COUNCIL EXECUTIVE AGENCY

## Executive summary

### INTRODUCTION

Background	<p>The European Research Council Executive Agency (ERCEA) was set up by the Commission decision 2008/37/EC of 14 December 2007 for the management of the specific programme "Ideas". The ERCEA is an autonomous legal entity since 15 July 2009. It started the implementation of Horizon 2020 in 2014 according to the new legal framework related to externalisation and new management modes.</p>
Purpose and scope of the evaluation	<p>Council Regulation (EC) No 58/2003 requires the European Commission to carry out an external evaluation of the operation of each of the Executive Agencies every three years. The first external evaluation of the ERCEA was completed in June 2013, covering the period from July 2009 to July 2012. The second evaluation of the Agency covered the period from July 2012 to July 2015, encompassing two different legal frameworks and two different programming periods.</p> <p>The main objective of this evaluation was to assess ERCEA's implementation of the Ideas programme of the Seventh Framework programme and the Strengthening Frontier Research through the activities of the European Research Council (ERC) part of the Excellent Science section of Horizon 2020. The main question of the evaluation was what has been achieved in terms of financial savings, improved services and other efficiency gains by delegating operational tasks to the Agency. The evaluation did not assess the scientific results of the programmes managed by the ERCEA.</p>
Methodology	<p>The evaluation, which lasted from July 2015 to February 2016, was carried out by the Public Policy and Management Institute. Although the final report assessed ERCEA's performance by the cut-off date of 30 June 2015, in some cases the full data for 2015 were included in the scope of analysis.</p> <p>The evaluation followed a single organisational model linking the following three sets of factors: (1) regulatory and operational framework, (2) enablers of the Agency performance (strategy, people, resources, partnerships and processes) and (3) (intended and unintended) results. It also measured the main elements of ERCEA's performance on the basis of quantitative or qualitative indicators on efficiency, cost-effectiveness, effectiveness and value for money.</p>
Organisation of the evaluation	<p>The evaluation relied on the evidence gathered and analysed using qualitative and quantitative methods, including an extensive documentary review and desk research, semi-structured in-depth interviews with EU officials and representatives of the ERC, surveys of the Agency's beneficiaries and experts, analysis of the survey and administrative data and a retrospective cost-benefit analysis. The collected qualitative and quantitative data were combined in order to answer the evaluation questions.</p> <p>According to the Terms of Reference, the evaluation was organised into the five following tasks:</p> <ul style="list-style-type: none"><li>- (1) provision of a synthetic description of ERCEA's regulatory framework, mission and governance structure;</li><li>- (2) assessment of the agency's performance in 2012-2015, including its effectiveness, operational efficiency, utility and the maintenance of an adequate level of know-how inside the Commission;</li><li>- (3) retrospective (quantitative and qualitative) cost-benefit analysis;</li></ul>

- (4) lessons learned from the implementation of the FP7 and Horizon 2020 programmes;
- (5) drawing conclusions and providing recommendations for the future on the basis of the evaluation questions.

## KEY EVALUATION FINDINGS

### Task 1: Regulatory framework, ERCEA's mission and governance

Overall regulatory framework	The Executive Agencies of the Commission were created to perform management of the EU programmes for a specified time frame. These agencies have their own legal personality and some autonomy, but they operate according to the rules determined by the Commission and are supervised by the Commission. In addition with the FP7 legacy, the ERCEA acts within the new legal framework of Horizon 2020 on externalisation and new management modes.
Mandate of the ERCEA	The ERCEA was entrusted to handle the operational management of the ERC and to execute the scientific strategy established by the Scientific Council, the governing body of the ERC, with respect to the Ideas Specific programme and the Strengthening Frontier Research through the activities of the ERC part of the Excellent Science section of Horizon 2020. The Agency is responsible for the management of ERC grants throughout their lifecycle. It also supports the ERC Scientific Council in the execution of its tasks.
Governance and Supervision of the Agency	The ERCEA operates under the 'dual leadership' of the Directorate-General for Research and Innovation of the Commission and the ERC. It is managed by a Director and a Steering Committee, both appointed by the Commission.
Size and structure of the Agency	The number of ERCEA's staff grew in the recent years and reached 405 staff in the middle of 2015. The Agency's structure was aligned with the tasks delegated to it and was adapted to cope with changes in the new programming period.

### Task 2: ERCEA's performance in 2012-2015

The stock of the Agency's projects was increasing	The stock of ERCEA's projects increased in the period 2012-2015. Since the establishment of the ERCEA the numbers of calls has constantly increased and there has been a significant increase in the number of applications, with the exception of 2014 when the Horizon 2020 programme started. In total, there were 5 995 projects funded through ERC grants until December 2015.
The Agency reached its objectives	In 2012-2015 ERCEA's activities corresponded to its legal framework. The Agency was effective in achieving the programme objectives, producing the planned outputs and contributing to the achievement of the ERC's objectives.
Satisfaction with the Agency's performance was very high	The survey of ERCEA's beneficiaries indicates a very high level of satisfaction with its performance. As many as 93 % of beneficiaries were very satisfied or satisfied with the services provided by the Agency. The evaluation also observed the trend of slightly increasing satisfaction over time. Also, about 95 % of independent experts were satisfied with the Agency's performance. Despite the overall very positive perception of the Agency's services, only 68 % of survey respondents knew that the ERCEA was entrusted to manage the grants by the Commission.

The Agency's operations were very efficient in 2012-2015

The ERCEA was very efficient in managing the delegated programmes and achieved good results in terms of key performance indicators. The only significant exception was the fact that the time-to-grant targets for ERC Synergy Grants were not reached in 2012 and 2013. Since the common H2020 targets are not mandatory to the ERCEA, ERC-specific targets are set and approved in the annual work programmes. The Agency continued the introduction of simplifications during the evaluation period in order to achieve additional efficiency gains (with further optimisation in the management of small Proof of Concept grants possible).

Feedback loops were insufficiently developed

However, in order to ensure the proper functionality and user-friendliness of the IT systems, it was important to fully adapt the corporate Horizon 2020 IT tools to ERCEA's business processes, taking into account the specificities of ERC grants. Also, once the corporate IT tools become fully operational in the Agency, it is possible to consolidate the IT related capacities in a single unit. Moreover, since the evaluation of complex ethics issues caused delays in the time-to-grant period, it was considered necessary to further revise Ethics Review procedures.

Despite staff secondments and reporting mechanisms, the know-how of the Commission on the implementation and results of ERC grants was not fully maintained. Information flow or feedback loops for policy-making processes were not sufficiently developed between the Commission and the ERCEA. Therefore, a more structured dialogue was needed between the Commission and the Agency. In order to improve the situation, a new Written Agreement was adopted at the end of 2015, defining clear roles of the Commission services and the Agency on the feedback of results into policy-making as part of the strategy for the dissemination and exploitation of Horizon 2020 research results.

### Task 3: Cost-benefit analysis

The executive agency scenario generated substantial savings to the EU budget

The retrospective CBA for 2012-2015 was carried out based on the results of the ex-ante CBA, the assumptions laid down in the Legislative Financial Statement and the actual performance of the ERCEA. First, the analysis revealed that the actual costs of the Agency in 2012-2015 were by some EUR 20.6 million (12 %) lower than their initial estimation due cost savings in overheads, whereas actual staff related expenditure exceeded its estimations for 2014-2015. Second, in 2012-2015 the actual cost savings of the executive agency scenario constituted 23 % compared to the in-house Commission scenario. The actual savings from the programme delegation to the ERCEA were very close to the initial estimations (EUR 46.5 million compared to EUR 44.6 million). The savings of the executive agency scenario primarily resulted from lower staffing costs and the lower overall number of staff within the Agency.

Overall, the retrospective CBA shows that due to the lower staff costs and savings in overheads the executive agency scenario remained considerably more cost-effective than the in-house scenario, generating substantial savings to the EU budget. Cost savings of the executive agency option might be lower in subsequent years due to the higher staffing level and increasing average staff costs, but the Agency will continue to be cost-effective.

### Task 4: Lessons learned from the implementation of FP7 and Horizon 2020

Previous recommendations were implemented

The first evaluation of the ERCEA made three key recommendations in relation to preparing the ERCEA for organisational growth under the upcoming Horizon 2020 programme, the organisational structure and cross-unit working practices, as well as management of human resources. All of the recommendations were fully or largely implemented by the cut-off date of the second evaluation.

New management modes worked well in the case of the ERCEA

The evaluation of ERCEA's operation indicated that the establishment and further development of new management modes in the Commission provided a sound management framework. First, there was a clear separation of responsibilities between the Agency and the parent Directorate-General for Research and Innovation. Second, the ERCEA performed in an effective and highly efficient way in implementing the delegated programmes and executing other tasks. Third, externalisation of the research and innovation programmes allowed the Commission to focus better on policy-making.

The ERC Scientific Council set the scientific strategy of the ERC and its autonomy was respected. Governance of the ERCEA was based on a well-developed framework and followed provisions of the Written Agreement (revised in December 2015) between the Commission and the Agency. The Steering Committee was efficiently used by the Commission as the key instrument for supervision of the Agency's performance. No concrete evidence of micro-management was found during the evaluation.

## CONCLUSIONS AND RECOMMENDATIONS

The continued relevance of the ERCEA is very high

The mandate of the ERCEA remains highly relevant to the Commission and the Agency's applicants/beneficiaries in the remaining part of the programming period (from mid-2015 to 2020). The initial identification of tasks entrusted to the Agency and the produced savings are still valid for justifying the outsourcing. This judgement was based on the cost-benefit analysis which assessed the issues identified in article 3 of Regulation 58/2003 and indicated significant advantages of the executive agency scenario without finding any major drawbacks of externalisation.

The Agency's performance was effective, highly efficient and cost-effective

The evaluation also revealed that the delegation of operational tasks to the ERCEA has been very successful. The Agency performed in an effective, highly efficient and cost-effective way in implementing the tasks delegated to the Agency during the period 2012-2015 (see Table below). First, the Agency achieved its objectives and produced the planned outputs during the reference period. Second, its performance was highly efficient during the reference period in terms of the ratio between the administrative and operational budget and budget 'per head'. Third, the executive agency scenario allowed achieving substantial cost savings to the EU budget.

**Table. Performance indicators of the ERCEA, 2012-2014, EUR million in commitments or percentage**

	2012	2013	2014	2015
Operational budget (including EEA/EFTA and third country contributions)	1 660	1 861	1 726	1 650
Administrative budget	38.41	38.71	36.04	39.63
Actual number of staff at the ERCEA (at the end of the year for 2012-2014; the middle of the year for 2015)	380	379	388	405
Programme management cost at the ERCEA: ratio between the administrative and operational budget	2.31 %	2.08 %	2.09 %	2.4 %
Budget 'per head'	4.37	4.91	4.45	4.07

Source: PPMI based on ERCEA's data.

High value for money of the Agency's performance

The surveys of ERCEA's beneficiaries and experts indicate a high level of satisfaction with its performance. A combination of the high satisfaction with the Agency's services, the effective execution of the tasks delegated to the Agency and its low project management costs points to high value for money generated by the Agency's performance in the period 2012-2015.

New recommendations to the ERCEA and the Commission

Based on the evaluation findings and conclusions, the evaluation of ERCEA's operation suggested the following recommendations.

*Recommendation 1:* when communicating externally, further emphasise the 'dual-leadership' of the ERC Scientific Council and the European Commission so that the latter institution's role and responsibilities with respect to ERC grants become more visible.

*Recommendation 2:* in cooperation with the Commission's Common Support Centre fully adapt the Horizon 2020 corporate IT tools to the management of ERC grants and ERCEA's business processes, ensuring user friendliness and functionality of the IT tools.

*Recommendation 3:* review the administrative structure of the ERCEA and, once the corporate IT tools are fully operational and adapted to the management of ERC grants, consolidate the IT related capacities in a single unit.

*Recommendation 4:* further review and improve Ethical Review procedures to ensure adherence to the highest ethical standards without undermining the timely processing of the project proposals.

*Recommendation 5:* coordinate a structured dialogue between the ERCEA and the Commission in order to feed relevant information to the Directorate-General for Research and Innovation for policy-making purposes, in line with the new Written Agreement developed between the two institutions. The dialogue should focus on the specific information needs of the Commission for policy-making and determine the mechanisms that could facilitate its provision.

*Recommendation 6:* further explore the potential to streamline and simplify the management arrangements of ERC grants in Horizon 2020 *inter alia* by simplifying management arrangements for the Proof of Concept grant schemes. Improve the workload forecast before introducing new funding schemes in order to avoid unexpected and disproportionately high workloads.

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Council Regulation (EC) No 58/2003 related to the establishment of Executive Agencies as new management modes requires that the European Commission carries out an external evaluation of the operation of each of the Executive Agencies every three years.

The current (second) evaluation of the operation of ERCEA covers the period from July 2012 to July 2015, encompassing two different legal frameworks and two different programming periods (Seventh Framework programme (FP7) and Horizon 2020). The study does not focus on the scientific achievements of these programmes.

The evaluation was carried out by external evaluators (PPMI - Public Policy and Management Institute) from July 2015 to February 2016.

