

**Evaluation of the economic
evaluation activities of the
Directorate-General for Economic
and Financial affairs**

Final report

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IRS, Istituto per la Ricerca Sociale

Csil Milano - *Centre for Industrial Studies*





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A. Executive Summary

Scope and aims of the study

The present evaluation covers the period from 2003 to the present, and it deals with the activities of DG ECFIN providing methodological and analytical support to the economic underpinning of Community policies in a number of domains (internal market, taxation, the information society, competition policy, labour market and social policy, and many others). It is intended to contribute to the organisational learning, improving the future functioning of such activities.

The Terms of Reference for the evaluation posed specific questions, addressing the following issues:

- current and future users' needs and the value added, utility and relevance in relation to similar activities from external actors (think tanks, federations, etc.);
- value added, utility and relevance of activities that support economic evaluation activities in DG ECFIN;
- efficiency and effectiveness, utility, and impacts for the policy debate within the Commission;
- effects likely to occur in other DGs resulting from similar activities from external actors.

Evaluation methodology and activities

The evaluation exercise has been carried out from November 2006 to April 2007 and it comprised:

- *desk analysis*, to identify the evaluation questions and to assess the information framework;
- *face-to-face interviews* to 15 key officials within DG ECFIN and other DGs to get an initial overview of: the delivery process of DG ECFIN economic evaluation products/services to other DGs; how DG ECFIN products/services are used and evaluated by other DGs in relation to external providers; indications of cases to be considered for the case studies;
- *users survey* (122 questionnaires collected) to assess the needs, the relevance, the utility and the added value of the services provided by DG ECFIN as compared to other external providers. It provided quantitative data on a large sample of users selected with the advice of DG ECFIN economic analysis units;



- *four case studies* selected in relation to (in)success in influencing policy proposals (Biofuel, Third Cohesion Report, Clearing and Settlement, Lisbon), to understand the delivery processes and the quality of the services provided by DG ECFIN and its influence in policy making.

DG ECFIN economic evaluation activity has been assessed both in relation to the output produced (policy papers, briefing notes, comments to proposals, research output) and to the participation to Interservice Consultation (ISC) and Impact Assessment (IA). The interactions with the other DGs have been considered as a key element, together with the intrinsic scientific quality of output produced, in order to assess the effectiveness of its activities.

DG ECFIN's economic evaluation activities

A wide variety of operations and outputs are referred to as economic evaluation activities. They take place in the framework of the inter-departmental relations and can be broadly described as the activities preceding and accompanying the Inter-service Consultation and Impact Assessment processes, following the development of policy proposals before these are submitted to the Commissioners.

Economic evaluations activities of DG ECFIN could vary from undertaking studies and contributing to and participating in Impact Assessments and Interservice Consultations.

In order to classify the various economic evaluation activities, the **policy cycle logical model** has been adopted. In this conceptual framework the economic evaluation activities of DG ECFIN may be analysed in relation to their contribution to the three main phases of the decision making process:

- the agenda setting and problem definition phase(**Upstream phase**),
- the policy formulation phase (**Impact assessment** process)
- the drafting of the policy proposal to be submitted to the Commissioners (policy legitimisation, corresponding to **Interservice Consultation**).



Overall conclusion of the evaluation

The overall conclusion of the evaluation is that, despite a high scientific quality of ECFIN expertise and outputs widely recognised by all the users, the interactions with the other DGs, especially in the IA and ISC, are generally perceived as problematic. According to most DGs, in these stages of the policy process ECFIN contribution is centred on the provision of first best solutions for economic efficiency, while the attention to policy constraints is limited, reducing the constructiveness of ECFIN role and its influence on the policy process.

The policy process in which DG ECFIN has been operating since the beginning of its activity in the economic evaluation field, in 2003, is evolving and requiring a higher understanding of policy constraints and institutional procedures, besides the methodological soundness of background analysis, in order to influence the policy making process and increase the economic rationale of policy proposals.

A number of specific conclusions draw from this comprehensive result.

1. The **mandate of ECFIN evaluation activities appears as not clearly defined**, comprising a double role:

- a. a methodological role, aimed at increasing the economic consistency of EC policy proposals (in the form of a service provider);
- b. an active institutional role (supporting the economic rationality of EC policy proposals) representing a specific position in policymaking and sometimes acting as a counterpart to other DGs (in the form of the gatekeeper of the economic rationality).

Given the recent developments in the role that ECFIN is increasingly asked to play within the policy arena (more centred on the Lisbon Strategy and on the horizontal support to all the Community policies) as compared to the traditional ones (Monetary Union and markets surveillance), the mandate should be updated and fine tuned in order to reflect these changing institutional needs and reinforce ECFIN role in the policy process.

The *future needs* of ECFIN economic evaluation activities are indeed connected to two main policy developments:

- The adoption of the Impact Assessment procedure which compels all the DGs to carry out an economic, social and environmental analysis every time they develop a new policy proposal.
- The Lisbon process, which requires a continuous macroeconomic contribution, is institutionally located in DG ECFIN.

2. In the broad field of economic evaluation activities **there is no clear and shared strategy** within ECFIN on the selection of policy issues and institutional positions to be



taken. ECFIN strategy of intervention appears to be defined autonomously by each Unit. In addition it appears to be related neither with the relevance of the issues at stake for ECFIN, nor with the expected impact of ECFIN proposals on the final policy output, but rather with contingent organisational criteria (availability of human resources, interest for the issues, etc.) at the Unit level.

A clear strategy could help especially in the choice of the internal expertise to be developed and the policy view to be taken, besides supporting ECFIN positions in the policy making process. Indeed, expertises in the formulation of opinions and analysis are perceived by other DGs as being mainly macroeconomic, even if there are microeconomic competencies in ECFIN evaluation units. Moreover, in its role of gatekeeper of the economic rationality, DG ECFIN may face contrasts with the other DGs on the adopted economic paradigm and policy approach (market oriented vs interventionist).

3. As a consequence of the lack of a clear strategy and procedures to select the policy fields on which to concentrate and the approach to be adopted, **the human resources devoted to economic evaluation activities is perceived as too limited**. Often, one or two ECFIN experts have to be the counterpart of an entire research and policy development Unit from the other DGs. Furthermore often the interaction takes place on fields where the sectoral microeconomic know-how is very relevant.

4. **The phase of the policy making process**, at which DG ECFIN evaluation activities are carried out, **strongly matters for the effectiveness of ECFIN on the final policies**:

- in the *upstream phase* (when the policy proposals are initiated), the perception of users' DGs is usually positive. DG ECFIN has wider *room for manoeuvre* in influencing the decision-making and the final policy choice as compared to the downstream phase. However, these activities are less frequent than the latter, either because the other DGs do not use to spontaneously invite ECFIN to take part in the conception phase of the policy proposals or because ECFIN does not implement a pro-active role in this sense;
- in the *downstream phases*, in the framework of ISC and IA procedures, ECFIN acts generally as a gatekeeper of the economic rationality often with little attention to policy constraints. Indeed, in these cases, when opinions are different, the short time provided by the procedures reduces the effectiveness of co-operative strategies and asks, instead, for high organisational capacities to back each other's positions.



Specific conclusions

Users and nature of use

Potential users of ECFIN economic evaluation activities are all the DGs involved in policy proposals and the Secretariat General, when involved in the production of policy products. However some DGs have more frequent contacts with DG ECFIN:

- Because the efficiency of markets is more relevant in their area of intervention (for example DG MARKET and DG COMP);
- Because they share the same policy approach aimed at economic efficiency (which is for example less the case for DG EMPL or DG REGIO).

Overall the **perception of the quality** of ECFIN contribution is very high, especially in relation to the quality of analysis, the timeliness, and the reliability of outputs. Macroeconomic analysis and the knowledge at country level are the most appreciated inputs. The users' survey shows particularly high **degrees of satisfaction** in the Upstream and Impact Assessment stages, when the perception of users DGs is that ECFIN performs its activities above the level of their expectations. However, the "constructiveness" and the "understanding policy constraints" dimensions present the lowest values in terms of satisfaction perceived.

All the DGs make extensive use of external economic services, provided by research institutes, think tanks as well as lobbying bodies. The contribution of these actors to the policy delivery is quite different from ECFIN's, both in relation to the type of economic expertise and the relationship with the commissioning DG. However the nature of the service is quite similar to what DG ECFIN could potentially deliver given its internal know-how. (Research institutes and consultancies are the most frequent typologies of external sources). Reasons for their use are:

- a) They provide more out-of-the-box, timely and ad hoc answers to the needs of the DGs in a "client-supplier relationship";
- b) In some cases, they offer sector expertise in specific policy fields.

As already anticipated, the *future needs* of ECFIN economic evaluation activities are related to two main policy developments:

- The adoption of the Impact Assessment procedure which compels all the DGs to carry out an economic, social and environmental analysis for every new policy proposal. This need is increasingly met by an empowerment of the economic analysis expertise inside each single DG. This can be seen either as a threat or as an opportunity for DG ECFIN. On the one hand economic units may provide a sort of



self-refereeing to the sector DGs. On the other hand they can be suitable counterparts in fostering the economic approach and consistency in the Commission Policy development.

- The Lisbon process requires a continuous macroeconomic contribution, which is institutionally located in DG ECFIN.

Effectiveness in interactions

The Economic evaluation activities appear to be adequately sustained by **support activities**. The most relevant help comes from Unit A1, which is in charge of running an internally developed macro econometric model (the QUEST model). Seminars, internal trainings, and workshops, with the participation of academics and other DGs economists, could play an important role in updating and upgrading the internal economic know how. For the day-by-day work, it is essential the role of the Economic research implemented internally and the Country Desk knowledge of Member States financial status.

Despite this internal asset, **DG ECFIN is still poorly contributing to the capacity building and transfer of know how to other DGs**. While there is a perception of need within other DGs in this direction, DG ECFIN contribution is rather episodic and focussed only on specific external requests.

In all the case studies examined, the crucial variables which **make DG ECFIN contribution perceived as relevant** are the capability to cooperate with the other DGs, the involvement in the upstream stage of the policy making process and the capacity to adapt the inputs provided to the actual policy constraints.

Recommendations

Recommendation 1: The mandate of DG ECFIN in the economic evaluation activities should be better defined.

It is necessary that DG ECFIN clarifies the *mandate* and the mission of the economic evaluation activities (relevance in relation to other functions and objectives) to obtain better results in influencing the content of policy proposals.

In order to influence policy proposals, it is not sufficient to act as a gatekeeper of the economic rationality, by considering the economic efficiency of proposals and their sustainability in relation to collective interests. This important role should also be accompanied by an intense action to support the diffusion of the economic rationale in policy proposals through co-operative and networking strategies with the other DGs.

This requires to define ex-ante, in each economic evaluation process, DG ECFIN positioning between two approaches:



- Playing a role of *service provider*, by pursuing a more cooperative attitude in interacting with the other DGs, especially in downstream phases when the feasibility aspects of policy options is more binding; or
- Playing a role of *Gatekeeper of economic rationality* (with focus on cost effectiveness, potential government failures, etc.), negotiating or even opposing to the other DGs, with the scope to defend a given position regarded as essential for the ECFIN institutional role.

The two approaches should not be seen as conflicting, but rather as the range of interactive approaches that DG ECFIN could profitably engage, under a well defined set of rules and procedures. The chosen position will vary according to the different issues involved and to the behaviour adopted by the other DGs (cooperative, negotiating, conflicting).

Recommendation 2: Pre-evaluation procedures to select intervention priorities, should be adopted.

To increase ECFIN capacity to affect policy proposals in a situation of scarce human and research resources, DG ECFIN should select the policy fields and the policy proposals on which to orient the use of its resources.

A formalised, transparent pre-evaluation procedure should be defined in order to individuate intervention priorities, select the policy proposals to which dedicate more resources and discuss the approach to be adopted.

The introduction of a pre-evaluation procedure helps to select those policy proposals on which ECFIN is more able to offer analysis and proposals, given the existing internal expertises and lack of resources. Priorities and approaches should be defined according to the importance of the issue at stake for the Commission and the expected impact of ECFIN role.

The pre-evaluation procedure should be headed by the Director General, backed by the Commissioner, be as much as possible shared, especially concerning downstream activities.

In this way ECFIN resources will be used more efficiently and DG ECFIN positions could be better backed and defended. The chance that the position of DG ECFIN actually influence the policy proposal could increase.

Recommendation 3: A cooperation style of interaction with the others DGs should be further developed.

Recommendation 1 implies the necessity to develop a more pro-active and collaborative style of interaction in order to improve the potential impact of ECFIN positions on policy proposals. This is also linked to the opportunity to act as service provider to the other DGs, trying to be



involved since the initial phases of the proposals' definition and to provide policy options, besides data and interpretations.

While the gatekeeping strategy is more consolidated, interviews and case studies show that there are opportunities (and a sort of expectations from other DGs and other institutional actors) to pursue a "service provider" strategy, both in the early stage of a proposal formulation and in the downstream procedures.

The development of a "service provider" strategy asks for:

- a) A strategy aimed at supporting ECFIN intervention in the *upstream phase*, since at this stage the other DGs generally show a greater openness in sharing information and opinions, discussing in depth policy constraints and, ultimately, finding cooperative solutions;
- b) develop a network of alliances with other DGs (see recommendation 4);
- c) building up analytical capacity and (microeconomic) expertise in the policy fields of interest and empower the units involved in the entire process of economic evaluation (see recommendation 5).

Recommendation 4: Develop a network of alliances to pursue a wider involvement since the early stages in the policy process.

The development of a "service provider" strategy (recommendation 3) asks for ECFIN Units to pursue actively the construction of a network of alliances in order to obtain a wider involvement since the early stages of the policy process and to facilitate the collaboration in the IA and ISC procedures (where limits of time and other constraints restrict the opportunities to change the proposals). The collaboration strategies could be differentiated, through the adoption of a problem solving approach (with joint research activities relating to the definition of the issues at stake and the analysis of alternative solutions), or a negotiation approach (where ECFIN defines the issues on which to intervene and the position to be supported).

Recommendation 5: Micro-economics expertise, internal exchange and sharing of knowledge should be improved.

The capacity to develop a cooperative and pro-active style of interaction with the other DGs is also linked to the strengthening of the micro-economic expertise within ECFIN so as:

- to sustain a confrontation based on the same analytical approaches;
- to consider the constraints at the basis of sector policies.

In addition, internal know how and capacities of DG ECFIN, especially country desk officials and the Economic Research Directorate, should be better exploited for the economic



evaluation activities. To this regard there is room for Dir E to foster its function by playing the role of 'liaison' of the economic expertise in DG ECFIN with the policy orientation of the other DGs.

Internally to DG ECFIN, country desk officials need data and information, and even more, guidelines from the horizontal Units especially for the structural economic aspect of the surveillance over the Member States reform processes.

Even if the level of support activities is acceptable, it seems strategic for the DG to invest resources to empower the Units involved in the entire process of economic evaluation: those directly involved in the provision of economic evaluation activities and the research support Units (such as Unit A1) so as to be able to provide more research studies and policy options. In addition, all the formal and informal exchanges of know how externally and internally should be supported, given DG ECFIN's role of economic knowledge pole.

Recommendation 6: ECFIN's internal expertise in economic analysis should be better promoted and exploited.

DG ECFIN is naturally recognised as the excellence pole of economic thinking inside the Commission. Thus it could play a more significant role in building a solid community of economists by:

- empowering the existing economists network;
- investing in training and networking with other DGs' economic teams;
- introducing peer reviewing activities;
- adopting ICT modalities for knowledge management.

A specific role in this direction could be played in supporting and quality checking for outsourced economic evaluation activities. Since outsourcing activities in the Commission is an ordinary and common trend, there is room for ECFIN, rather than competing with them, to provide a methodological framework to check the standard quality of the outsourced research and study. To do so, it is strategic to take part in the selection, monitoring and final assessment of those activities which are more and more relevant in policy formulation.





B. Synthèse

Domaine d'application et objectifs de l'étude

La présente évaluation couvre la période allant de 2003 à aujourd'hui, et traite les activités de la DG ECFIN en apportant un support méthodologique et analytique au fondement économique des politiques communautaires dans un certain nombre de domaines (marché intérieur, fiscalité, société de l'information, politique en matière de concurrence, marché du travail et politique sociale, et bien d'autres). Son intention est de contribuer à l'apprentissage organisationnel en améliorant le fonctionnement futur de telles activités.

Le Cahier des Charges de l'évaluation posait des questions spécifiques, en abordant les points suivants :

- Besoins actuels et futurs des utilisateurs et valeur ajoutée, utilité et intérêt par rapport aux activités similaires accomplies par des acteurs extérieurs (groupes de réflexion, fédérations, etc.);
- Valeur ajoutée, utilité et intérêt des activités qui soutiennent les activités d'évaluation économique de la DG ECFIN ;
- Rendement et efficacité, utilité, et impacts sur le débat en matière de politiques au sein de la Commission ;
- Effets auxquels on peut s'attendre dans d'autres DGs suite à des activités similaires exercées par des acteurs extérieurs.

Méthodologie et activités de l'évaluation

L'évaluation a eu lieu de novembre 2006 à avril 2007 et a comporté :

- *une analyse sur documents*, afin d'identifier les questions de l'évaluation et de déterminer la structure informationnelle ;
- *des entretiens en face-à-face* avec 15 fonctionnaires clé de la DG ECFIN et d'autres DGs afin d'obtenir une première vision d'ensemble : du processus de livraison aux autres DGs des services/produits d'évaluation économique de la DG ECFIN ; de la manière dont les produits/services de la DG ECFIN sont utilisés et évalués par les autres DGs par rapport aux fournisseurs extérieurs ; des indications de cas à considérer pour les études de cas ;
- *une enquête auprès des utilisateurs* (122 questionnaires recueillis) afin d'évaluer les besoins, l'intérêt, l'utilité et la valeur ajoutée des services fournis par la DG ECFIN en comparaison de ceux fournis par d'autres fournisseurs extérieurs. Cette enquête a fourni des données quantitatives sur un large échantillon d'utilisateurs sélectionnés sur les conseils des unités d'analyse économique de la DG ECFIN ;



- *quatre études de cas* sélectionnées par rapport à leur succès ou leur échec à influencer des propositions de politique (Biocarburant, Troisième rapport sur la Cohésion, Compensation et Règlement, Lisbonne), dans le but de comprendre les processus de livraison et la qualité des services fournis par la DG ECFIN ainsi que l'influence de cette dernière sur l'élaboration des politiques.

L'activité d'évaluation économique exercée par la DG ECFIN a été étudiée à la fois par rapport à la production en résultant (documents de politique générale, notes d'information, commentaires à des propositions, production de recherche) et par rapport à la participation à la Consultation InterServices (CIS), aux réunions et à l'Analyse d'Impact (AI). Les interactions avec les autres DGs ont été considérées comme un élément clé, conjointement à la qualité scientifique intrinsèque de la production, de façon à évaluer l'efficacité des activités de la DG ECFIN

Activités d'évaluation économique de la DG ECFIN

Une grande variété d'opérations et de productions sont regroupées sous le terme d'activités d'évaluation économique. Ces activités se déroulent dans le cadre des relations entre départements et peuvent être décrites d'une manière générale comme les activités précédant et accompagnant les processus de la Consultation Interservices et de l'Analyse d'Impact, à la suite de l'élaboration de propositions de politique et avant que celles-ci ne soient soumises aux membres de la Commission.

Les activités d'évaluation économique de la DG ECFIN peuvent varier, depuis la mise en œuvre d'études jusqu'à la contribution ou la participation à des Analyses d'Impact ou des Consultations Interservices.

Afin de classer les différentes activités d'évaluation économique, le **modèle logique du cycle des politiques** a été adopté. À l'intérieur de ce cadre conceptuel, les activités d'évaluation économique de la DG ECFIN peuvent être analysées par rapport à leur contribution aux trois principales phases du processus d'élaboration des politiques :

- phase d'établissement d'agenda et de définition des problèmes (**phase "en amont"**),
- phase de formulation d'une politique (processus d'**Analyse d'Impact**)
- ébauche d'une proposition de politique avant d'être soumise aux membres de la Commission (légitimation de politique correspondant à la **Consultation Interservices**).

Conclusion générale de l'évaluation

La conclusion générale de l'évaluation est que, en dépit de la grande qualité scientifique de l'expertise de la DG ECFIN et des productions largement reconnues par tous les utilisateurs,



les interactions avec les autres DGs, et particulièrement dans l'AI et la CSI, sont généralement perçues comme étant problématiques. Selon l'avis de la plupart des DGs, la contribution de la DG ECFIN, à ces stades du processus politique, est centrée sur l'apport de solutions optimales pour l'efficacité économique, tandis qu'elle accorde une attention limitée aux contraintes de politique, réduisant ainsi la dimension constructive du rôle de l'ECFIN, de même que son influence dans le processus d'élaboration politique.

Le processus d'élaboration des politiques dans lequel la DG ECFIN opère depuis le début de ses activités en 2003, dans le domaine de l'évaluation économique, évolue et requiert une plus grande compréhension des contraintes de politique et des procédures institutionnelles, conjointement à la solidité méthodologique d'une analyse de fond, afin d'influer sur le processus d'élaboration des politiques et de renforcer l'argumentaire économique des propositions de politique.

Un certain nombre de conclusions particulières découle de ce résultat d'ensemble.

1. Le **mandat des activités d'évaluation de la DG ECFIN semble ne pas être clairement défini**, remplissant un double rôle :

- c. un rôle méthodologique, visant à renforcer la cohérence économique des propositions de politique de la CE (sous la forme d'un fournisseur de services) ;
- d. un rôle institutionnel actif (en soutenant la rationalité économique des propositions de politique de la CE) représentant une position particulière dans l'élaboration des politiques et agissant parfois comme une contrepartie des autres DGs (sous la forme du gardien de la rationalité économique).

Au vu des récentes évolutions dans le rôle que l'on demande de plus en plus à l'ECFIN de jouer dans l'arène politique (plus centré sur la Stratégie de Lisbonne et sur le support horizontal à toutes les politiques communautaires), en comparaison avec ses rôles traditionnels (surveillance de l'Union Monétaire et des marchés), le mandat devrait être actualisé et adapté de manière à refléter ces besoins institutionnels changeants et à renforcer le rôle de l'ECFIN dans le processus d'élaboration politique.

Les *besoins futurs* des activités d'évaluation économique de la DG ECFIN sont en effet liés à deux principales évolutions de politique :

- L'adoption de la procédure d'Analyse d'Impact, qui oblige toutes les DGs à effectuer une analyse économique, sociale et environnementale chaque fois qu'elles élaborent une nouvelle proposition de politique.
- Le processus de Lisbonne, qui requiert une contribution macroéconomique permanente, qui se situe, du point de vue institutionnel, au sein de la DG ECFIN.



2. Dans le vaste domaine des activités d'évaluation économique, **il n'existe aucune stratégie commune claire** au sein de l'ECFIN en ce qui concerne la sélection des politiques et des positions institutionnelles à adopter. La stratégie d'intervention de l'ECFIN semble être déterminée de manière autonome par chaque Unité. De plus, cette stratégie ne semble être liée ni à la pertinence pour l'ECFIN des questions en jeu, ni à l'impact attendu des propositions de l'ECFIN sur la politique qui en résulterait finalement, mais semble, au contraire, dépendre de critères organisationnels contingents (disponibilité des ressources humaines, intérêt pour les questions, etc.) au niveau de l'Unité.

Une stratégie claire pourrait être bénéfique, particulièrement dans le choix de l'expertise interne à développer et de la vision politique à adopter, sans parler du soutien aux positions de l'ECFIN dans le processus d'élaboration des politiques. Car en effet, les expertises dans la formulation d'opinions et d'analyses sont perçues par les autres DGs comme étant principalement macroéconomiques, alors même qu'il existe au sein des unités d'analyse de l'ECFIN des compétences microéconomiques. En outre, dans son rôle de gardien de la rationalité économique, la DG ECFIN pourrait faire face à des divergences avec les autres DGs à propos du paradigme économique adopté et de l'approche en matière de politique (tournée vers le marché ou au contraire interventionniste).

3. À cause du manque d'une part de stratégie claire, et d'autre part de procédures permettant de sélectionner les domaines de politique sur lesquels se concentrer et l'approche à adopter, **les ressources humaines consacrées aux activités d'évaluation économique sont perçues comme trop restreintes**. Souvent, un ou deux experts de l'ECFIN doivent assumer la contrepartie d'une Unité entière de recherche et d'élaboration des politiques des autres DGs. S'ajoute à cela le fait que l'interaction se situe dans des domaines où le savoir-faire sectoriel en microéconomie a toute sa place.

4. **La phase du processus d'élaboration des politiques**, au cours de laquelle se déroulent les activités d'évaluation de la DG ECFIN, **est d'une importance déterminante pour l'impact de l'ECFIN sur les politiques finales** :

- durant la *phase "en amont"*, (lors du lancement des propositions de politique), la perception des utilisateurs des DGs est en général positive. La DG ECFIN bénéficie durant cette phase d'une plus grande marge de manœuvre pour influencer sur l'élaboration des politiques ainsi que sur le choix final de politique, si on fait la comparaison avec la phase *"en aval"*. Cependant, ces activités se produisent moins fréquemment que cette dernière phase, soit parce que les autres DGs n'invitent pas de manière spontanée la DG ECFIN à prendre part à la phase d'élaboration des propositions de politique, soit parce que la DG ECFIN n'assume pas un rôle proactif dans ce sens ;



- durant les *phases "en aval"*, dans le cadre des procédures CIS et AI, la DG ECFIN agit généralement comme un gardien de la rationalité économique, en n'accordant souvent qu'une attention limitée aux contraintes de politique. Dans ces cas, en effet, lorsqu'il y a une divergence d'opinions, le délai restreint imposé par les procédures réduit l'efficacité des stratégies de coopération et exige au contraire de hautes capacités organisationnelles pour soutenir chacun les positions de l'autre.

Conclusions particulières

Utilisateurs et nature de l'utilisation

Les utilisateurs potentiels des activités d'évaluation économique de la DG ECFIN sont constitués par toutes les DGs impliquées dans les propositions de politique ainsi que par le Secrétariat Général, lorsque celui-ci est impliqué dans la production politique. Quelques DGs ont cependant des contacts plus fréquents avec la DG ECFIN :

- Parce que l'efficacité des marchés présente plus d'intérêt dans leur domaine d'intervention (comme par exemple la DG MARKT et la DG COMP) ;
- Parce qu'ils partagent la même approche en matière de politiques - efficacité vs équité (ce qui est par exemple moins le cas pour la DG EMPL ou la DG REGIO).

Dans l'ensemble, **la qualité perçue** de la contribution de la DG ECFIN est très grande, particulièrement en ce qui concerne la qualité de l'analyse, son à-propos, ainsi que la fiabilité de ses productions. L'analyse macroéconomique et la connaissance au niveau du pays sont les contributions les plus appréciées. L'enquête auprès des utilisateurs indique un haut **degré de satisfaction** lors de la phase "en amont" et lors de celle d'Analyse d'Impact, étapes où les DGs des utilisateurs estiment que les activités de l'ECFIN dépassent même leurs attentes. Cependant, les aspects "constructivité" et "compréhension des contraintes de politique" reçoivent les notes les plus basses en termes de satisfaction perçue.

Toutes les DGs font très fréquemment appel à des services économiques externes, qu'ils soient fournis par des instituts de recherche, par des groupes de réflexion ou par des groupes de pression. La contribution de ces acteurs à la production politique est très différente de celle de la DG ECFIN, en ce qui concerne à la fois le type d'expertise économique et la relation qui s'établit avec la DG commissionnaire. Cependant, la nature du service est très semblable à ce que l'ECFIN a le potentiel de fournir, si on prend en compte le savoir-faire dont elle dispose en interne.

Les instituts de recherche et les cabinets de consultants sont les types les plus fréquents de sources externes. On les emploie parce que :

- Ils apportent aux besoins des DGs des réponses plus directement utilisables, à-propos et ad hoc, dans le cadre d'une "relation client-fournisseur" ;



- Dans certains cas, ils offrent une expertise sectorielle sur des domaines de politique spécifiques.

Comme cela a déjà été anticipé, les *besoins futurs* des activités d'évaluation économique de la DG ECFIN sont liés à deux principales évolutions en matière de politique :

- L'adoption de la procédure d'Analyse d'Impact qui oblige toutes les DGs à effectuer une analyse économique, sociale et environnementale pour chaque nouvelle proposition de politique. Cette nécessité est de plus en plus couverte grâce au renforcement de l'expertise en matière d'analyse économique au sein même de chaque DG. Ceci peut être vu aussi bien comme une menace que comme une opportunité pour la DG ECFIN. D'un côté, les unités économiques peuvent fournir une sorte de référence interne pour les DGs du secteur ; de l'autre, elles peuvent représenter des homologues adéquats pour favoriser l'approche économique ainsi que la cohérence lors de l'établissement de politiques communautaires.
- Le processus de Lisbonne requiert une contribution macroéconomique permanente, qui se situe, du point de vue institutionnel, au sein de la DG ECFIN.

Efficacité dans les interactions

Les activités d'évaluation économique semblent recevoir une assistance appropriée par le biais des **activités de support**. L'aide la plus utile provient de l'Unité A2, qui a pour tâche d'exécuter un modèle macro-économétrique développé en interne (le modèle QUEST). Des séminaires, des formations internes et des ateliers, avec la participation d'universitaires et d'économistes d'autres DGs, pourraient jouer un grand rôle dans l'actualisation et l'amélioration du savoir-faire économique interne. Pour le travail quotidien, cette fonction est essentiellement remplie par les recherches économiques effectuées en interne, ainsi que par les connaissances des services spécialisés dans chaque pays à propos de la situation financière des États Membres.

En dépit de ces atouts internes, **la DG ECFIN contribue encore faiblement au développement des capacités ainsi qu'au transfert de savoir-faire vers les autres DGs**. Alors même qu'il existe chez les autres DGs un besoin perceptible dans cette direction, la contribution de la DG ECFIN reste plutôt épisodique et se focalise uniquement sur des requêtes externes spécifiques.

Dans toutes les études de cas examinées, les variables cruciales qui **font percevoir la contribution de la DG ECFIN comme étant appropriée** sont la capacité à coopérer avec les autres DGs, l'implication dans la phase "en amont" du processus d'élaboration des politiques, de même que la capacité à adapter les contributions fournies aux contraintes de politique réelles.



Recommandations

Recommandation n° 1 : Mieux définir le mandat de la DG ECFIN en matière d'activités d'évaluation économique.

Il est nécessaire que la DG ECFIN clarifie le mandat et la mission des activités d'évaluation économique (intérêt par rapport aux autres fonctions, et objectifs) afin d'obtenir de meilleurs résultats dans l'influence sur le contenu des propositions de politique.

Afin d'influer sur les propositions de politique, il ne suffit pas d'agir comme gardien de la rationalité économique, en considérant l'efficacité économique des propositions et leur viabilité au regard des intérêts collectifs. Ce rôle important devrait également être accompagné par une action intense visant à soutenir la diffusion de l'argumentaire économique dans les propositions de politique, au moyen de stratégies de coopération et de mise en réseau impliquant les autres DGs.

Cela exige de définir au préalable, dans chaque processus d'évaluation économique, le positionnement de la DG ECFIN entre deux approches :

- Jouer le rôle d'un *fournisseur de service*, en adoptant une attitude plus coopérative lors de l'interaction avec les autres DGs, en particulier lors des phases « en aval », au moment où l'aspect de faisabilité des options de politique revêt un caractère plus contraignant ; ou bien
- Jouer un rôle de *Gardien de la rationalité économique* (en se concentrant sur la rentabilité, les erreurs gouvernementales potentielles, etc.), en négociant, voire en s'opposant aux autres DGs, dans le but de défendre une certaine position considérée comme essentielle au regard du rôle institutionnel de l'ECFIN.

Les deux approches ne doivent pas être considérées comme s'opposant l'une à l'autre, mais plutôt comme constituant l'éventail des différentes interactions possibles que la DG ECFIN pourrait employer avec profit, en conformité avec un ensemble bien défini de règles et de procédures. Le choix de la position variera en fonction des différents problèmes abordés ainsi qu'en fonction du comportement adopté par les autres DGs (coopératif, négociateur, conflictuel).

Recommandation n° 2 : Adopter des procédures de pré-évaluation permettant de déterminer les priorités d'intervention.

Afin d'accroître la capacité de la DG ECFIN à influencer les propositions de politique dans un contexte de faibles ressources en termes de personnel et de capacités de recherche, la DG ECFIN devrait procéder à une sélection des domaines de politique et des propositions de politique vers lesquels orienter l'emploi de ses ressources.



Il conviendrait de définir une *procédure de pré-évaluation formalisée et transparente*, afin d'identifier les priorités d'intervention, sélectionner les propositions de politique auxquelles consacrer davantage de ressources et débattre de l'approche à emprunter.

L'introduction d'une procédure de pré-évaluation facilite la sélection des propositions de politique sur lesquelles la DG ECFIN est plus apte à offrir une analyse et des propositions, au vu des expertises disponibles en interne et du manque de ressources. Des priorités ainsi que des approches devraient être définies en fonction à la fois de l'importance des questions en jeu pour la Commission et de l'impact attendu du rôle de l'ECFIN.

La procédure de pré-évaluation devrait être dirigée par le Directeur Général, avec le soutien du Commissaire de la DG ECFIN, et faire l'objet d'un partage le plus large possible, particulièrement en ce qui concerne les activités "en aval".

De cette manière, les ressources de la DG ECFIN seront utilisées de manière plus efficace et les positions de la DG ECFIN bénéficieraient d'un meilleur soutien et d'une meilleure défense. La position de la DG ECFIN aurait ainsi plus de chance d'influer sur les propositions de politique.

Recommandation n° 3. Développer un style d'interaction avec les autres DGs qui soit davantage basé sur la coopération.

La recommandation n° 1 entraîne la nécessité de mettre en œuvre un style d'interaction plus proactif et collaboratif de manière à améliorer l'impact potentiel des positions de l'ECFIN sur les propositions de politique. Cet aspect est également lié à l'opportunité qui s'offre d'agir comme fournisseur de service vis-à-vis des autres DGs, en cherchant à être impliqué dès les phases initiales de la définition des propositions et à celle d'apporter non seulement des données et des interprétations, mais en plus de cela des options de politique.

Alors même que la stratégie de gardien connaît une consolidation, les entrevues et les études de cas montrent qu'il existe des opportunités (de même qu'une forme d'attente de la part des autres DGs comme des autres acteurs institutionnels) pour s'engager dans une stratégie de "fournisseur de services", à la fois dans les premières phases de la formulation de propositions et dans les procédures "en aval".

Le développement de la stratégie de "fournisseur de service" exige :

- Une stratégie visant à soutenir l'intervention de la DG ECFIN lors de la phase "en amont", car à ce stade les autres DGs font preuve d'une plus grande ouverture dans le partage de l'information et des opinions, dans le débat en profondeur des contraintes de politique et, finalement, dans la recherche de solutions basées sur la coopération ;
- développer un réseau d'alliances avec d'autres DGs (voir recommandation n° 4) ;



- accroître les capacités d'analyse et l'expertise (microéconomique) dans les domaines de politique présentant un intérêt et renforcer le pouvoir des unités impliquées dans le processus complet de l'évaluation économique (voir recommandation n° 5).

Recommandation n° 4 : Développer un réseau d'alliances afin de s'impliquer plus largement dès les premières phases du processus politique.

Le développement d'une stratégie de "fournisseur de services" (recommandation n° 3) exige des Unités de l'ECFIN de procéder activement à la construction d'un réseau d'alliances visant à s'assurer une plus large implication dès les premières phases du processus politique et à faciliter la collaboration lors des procédures AI et CIS (où des limites de temps ainsi que d'autres contraintes restreignent les possibilités de modifier les propositions). Les stratégies de collaboration pourraient être différenciées, par l'adoption soit d'une approche orientée vers la résolution de problèmes (avec des activités de recherche communes relatives à la définition des questions en jeu et à l'analyse de solutions alternatives), soit d'une approche orientée vers la négociation (dans laquelle l'ECFIN définit les points sur lesquels intervenir ainsi que la position à soutenir).

Recommandation n° 5. Améliorer l'expertise microéconomique, les échanges internes et le partage des connaissances.

La capacité à développer un style d'interaction avec les autres DGs qui soit coopératif et proactif dépend également du renforcement de l'expertise microéconomique au sein de l'ECFIN, renforcement qui permettrait de :

- soutenir une confrontation sur la base des mêmes approches analytiques ;
- considérer les contraintes à la base des politiques sectorielles.

De plus, il conviendrait, dans le cadre des activités d'évaluation économique, de mieux exploiter le savoir faire interne et les compétences de la DG ECFIN, et en particulier les fonctionnaires des services spécialisées de chaque pays ainsi que la Direction de la Recherche Économique. À cet égard, Dir. E à l'opportunité de renforcer sa fonction en jouant le rôle de 'liaison' entre l'expertise économique de la DG ECFIN et l'orientation en termes de politique des autres DGs.

Au sein de la DG ECFIN, les fonctionnaires des services spécialisés de chaque pays ont besoin de données et d'informations et, encore davantage, de lignes de conduite en provenance des Unités horizontales, en particulier en ce qui concerne l'aspect économique-structurel de la surveillance des processus de réforme des États Membres.

Même si le soutien des activités est d'un niveau acceptable, il semble stratégique pour la DG ECFIN investir des ressources pour renforcer le pouvoir des Unités impliquées dans le



processus complet d'évaluation économique : celles directement impliquées dans la mise en œuvre d'activités d'évaluation économique ainsi que les unités de recherche au rôle de support (telle que l'Unité A1), et ceci de manière à pouvoir fournir une recherche plus poussée et un plus grand nombre d'options de politique. En plus, il faudrait encourager, aussi bien en interne qu'en externe, tous les échanges de savoir-faire, qu'ils soient formels ou informels, étant donné le rôle de pôle de savoir économique que la DG ECFIN joue.

Recommandation n° 6. Mieux promouvoir et exploiter l'expertise interne de la DG ECFIN en matière d'analyse économique.

La DG ECFIN est naturellement reconnue comme le pôle d'excellence de la réflexion économique au sein de la Commission. Par conséquent, elle pourrait jouer un rôle d'une plus grande portée dans la construction d'une solide communauté d'économistes :

- en renforçant le réseau d'économistes existant ;
- en investissant dans la formation et le développement de réseaux incluant les équipes d'économistes des autres DGs ;
- en introduisant des activités d'évaluation collégiale ;
- en adoptant les modalités TIC pour tout ce qui a trait à la gestion des connaissances.

Un rôle particulier dans ce sens consisterait dans le support et le contrôle de la qualité des activités d'évaluation économique externalisées. Puisque l'externalisation des activités est au sein de la Commission une pratique ordinaire et répandue, la DG ECFIN a l'opportunité - plutôt que d'entrer en concurrence avec ces activités - de fournir un cadre méthodologique permettant de contrôler la qualité standard des études et des recherches externalisées. Dans ce but, il est d'une importance stratégique de participer à la sélection, à la surveillance et à l'évaluation finale de ces activités qui prennent de plus en plus de sens dans la formulation des politiques.



1 Introduction

1.1 Structure of the report

The external evaluation of DG ECFIN's economic evaluation activities was carried out by the Institute for Social Research (IRS) and the Centre for Industrial Studies (CSIL).

As stated in the Term of Reference (ToR), this final report provides:

- A brief description of the rationale, design and implementation of the actions and the context in which they were implemented;
- A description of the evaluation methodology employed, the data used, and their limits;
- Complete answers to all evaluation questions, including the conclusions accompanied by a set of recommendations. The conclusions are underpinned by the results of analyses, and the aforementioned recommendations respond directly to issues raised in the conclusions.

The report is structured as follows:

Section 1 provides a description of the methodological approach adopted with an illustration of each tool used for conducting the evaluation exercise.

Section 2 includes a description of DG ECFIN' s role within the Commission, as well as of the nature and the organization of its economic evaluation activities.

Section 3 details the findings of the evaluation research with specific reference to the evaluation questions included in the ToR. Answers to evaluation questions are structured on the basis of the sources of findings, whether it is the survey, case studies or face to face interviews.

Section 4 summarizes the main conclusions and puts forward a number of recommendations to address the crucial issues raised in the conclusions.

The annexes provide a copy of the questionnaire used for the survey, the frequencies and results of the survey, the monographs of the case studies and the list of people interviewed.



1.2 Study aims

The main objective of the study is to evaluate the economic evaluation activities of DG ECFIN in order to support the organisational learning and to improve the future functioning of DG ECFIN's ongoing activities in the area of economic evaluation.

To this regard, it is to be noted that the core business of DG ECFIN economic evaluation activities is to:

- evaluate the **economic implications of proposals** from Commission services and recommend how to improve these proposals (ex-ante);
- assess the **outcome of research projects**, which will serve to underpin forthcoming proposals or that are carried out to prepare mid-term evaluations;
- give guidance and **contribute to a proper ex-post evaluation** of policies such as in the context of mid-term reviews;
- **monitor market developments** relevant for economic development and Community policies

DG ECFIN evaluation activity is then to be evaluated both in the output produced (policy papers, briefing notes, comments to proposals, research output) and in the process of participation to Interservice Consultation, meetings and Impact Assessment procedures. The Evaluation Team is then aware that the interactions with the other DGs are a key factor, together with the intrinsic scientific quality of output produced, in order to assess the effectiveness of DG ECFIN economic evaluation activities.

1.2.1 Evaluation Questions

The DG ECFIN Steering group has defined the following evaluation questions:

Question 1 *Addresses the issues of value added, utility and relevance to the **users**; aims to tap into the views of all types of users in respect to where economic evaluation outputs could additionally focus in the future. Indirectly looks at coherence issues (complementarity with outputs of other external actors).*

- **Q1.1:** Who are the current users of the economic evaluation activities and for what reason do they use them? What are the actual needs of the different users of the economic evaluation activities and to what extent are they met, including in terms of



policy relevance, methodological approach adopted, quality, timeliness, reliability of outputs?

- **Q1.2:** How are the current needs of the users being addressed by similar activities from external actors (think tanks, federations, etc.)?
- **Q1.3:** What are possible future needs of users? What areas are not adequately covered by the DG's economic evaluation activities from the point of view of both internal (to the DG) and external (other DGs) users of the outputs?

Question 2 *Addresses the issues of value added, utility and relevance of activities that support economic evaluation activities in DG ECFIN*

- **Q2.1:** To what extent is DG ECFIN's capacity to conduct economic evaluation activities strengthened by **support activities** (externally contracted reports, papers, workshops, databases)?
- **Q2.2:** To what extent do support activities contribute to analytical capacity building in other DGs?

Question 3 *Covers effects likely to occur within the DG and in other DGs resulting from DG ECFIN's economic evaluation activities. Addresses efficiency and effectiveness, utility, impacts.*

- **Q3.1:** To what extent are the results of DG ECFIN's economic evaluation activities effectively channelled into policy debate within the Commission? Both internally to ECFIN and its Cabinet and to other DGs.
- **Q3.2:** To what extent do DG ECFIN's economic evaluation activities contribute to integrating economic rationale in the Commission's work? How much do they contribute to enhancing the overall economic consistency and analytical quality of other DG's work, including the economic analysis of impact of new Community initiatives, and hence support the achievement of the Commission's policy objectives?

Question 4 *Covers effects likely to occur in other DGs resulting from similar activities from external actors. Aims to compare the influence of DG ECFIN's economic evaluation activities with that of similar activities undertaken by external actors. Addresses efficiency and effectiveness, utility, impacts.*

- **Q4.1:** What other similar activities from external actors (think tanks, federations, etc.) exist that target the policy formulation and debate in other DGs? How do they compare with DG's economic evaluation activities in terms of scope, reliability, timeliness and usability?



- **Q4.2:** To what extent are the results of similar activities from external actors effectively channelled into the policy debate of other DGs? How does this compare to the channels used by DG ECFIN?
- **Q4.3:** How much do similar activities from external actors influence the economic underpinning of the Commission's work and how does this compare to the influence of DG ECFIN's economic evaluation activities?

1.2.2 Key evaluation issues

According to internal sharing during the kick-off meeting, and given the fact that the entire set of evaluation questions is important for the final answers, the most relevant question should be considered question number 3, since it allows to address the efficiency, effectiveness, utility and impacts of the products DG ECFIN delivers in its economic evaluation activities. Indeed, Question 1 sets the basis in order to answer to other evaluation questions, while the fourth question is helpful to understand if and how the improvement of DG ECFIN products' is to be made, in order to be competitive with external services in use. Question 2 is to be considered of a minor relevance.

This ranking of priority was used only for internal purposes and for the final interpretation of findings, given the fact that the final judgement is made on an aggregate form for each evaluation criterion.

In line with the above evaluation questions the following key evaluation issues have been selected and defined:

Relevance –the extent to which the economic evaluation activities are consistent and duly address to the needs of the Directorates that have interactions with the DG ECFIN in the economic evaluation field.

Effectiveness – how well the DG ECFIN carries out economic evaluation activities and the extent to which these activities meet their specific objectives, the general objectives of contributing to the Commission's policy making process as well as of contributing to integrate the Commission's economic rationale.

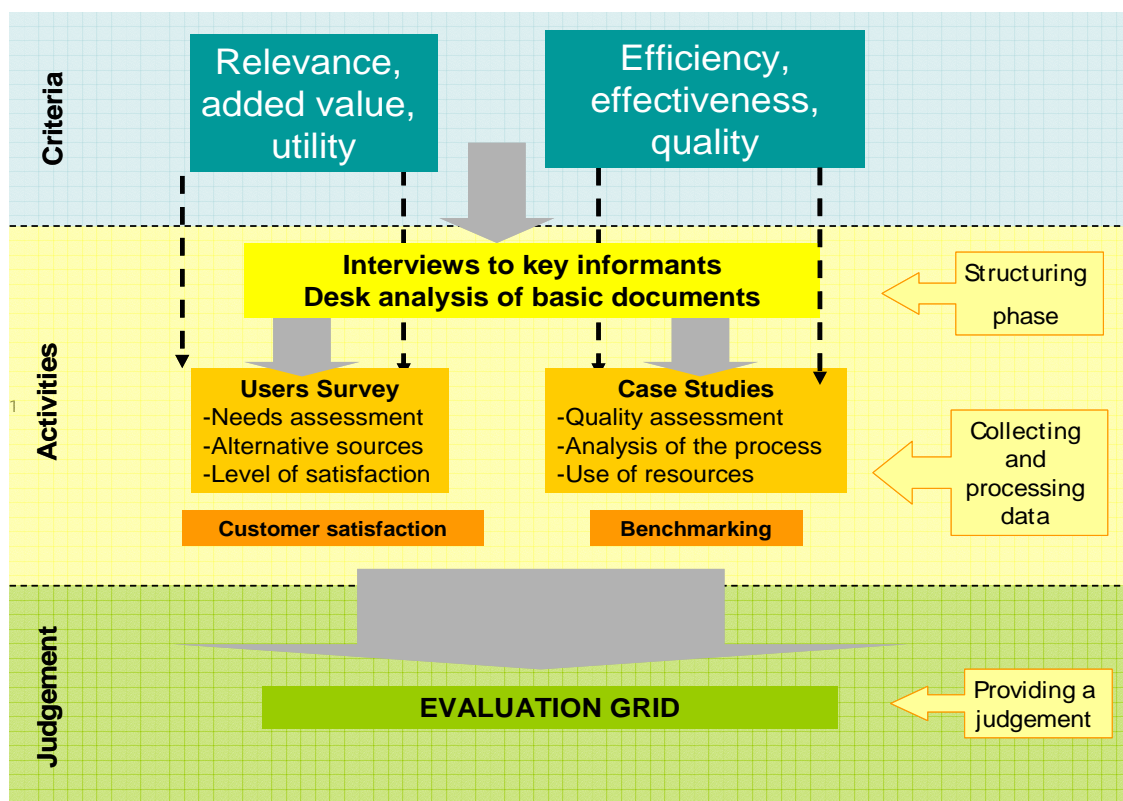
Added value and impacts – the extent to which the economic evaluation activities are able to influence the Commission policy making. The impact of DG ECFIN economic evaluation activities could be assessed answering to the question of what remains in the final policies on which the DG ECFIN gave its contribution during the formulation process.

Utility – the extent to which the outputs of DG ECFIN economic evaluation activities effectively address the objectives of the activities they are asked to carry out and easily feed into the Policy development process they should contribute to.

1.2.3 Methodological approach

Figure 1.1 presents the evaluation design:

Figure 1.1: Evaluation design



The evaluation approach is based on two methodological models:

- 1) **The users satisfaction** methodology. The classic model of measuring users satisfaction, drawn from the customer satisfaction approach, is the Gap Model for Managing Quality (Parasurman, Berry, & Zeithaml, 1985,1993) which assumes that quality is the difference between two perspectives: the users and the organization, in terms of perceptions, expectations, and actual service delivery. These gaps can be used to identify the relative strengths and weaknesses in the service quality of an

¹ Parasuraman, Berry, & Zeithaml, *Gap Model for Managing Quality*, 1993.



organization and they provide a measure of performance quality in an area that has been more difficult to operationalize. Two surveys (in-depth personal interviews and a broad Internet based survey) were carried out to collect information related to users' satisfaction.

- 2) The Benchmarking** approach which is “the process of identifying, sharing an using knowledge and best practices” (American Quality and Productivity Centre- APQC). The approach selected was a specific version of the Benchmarking, the Process Benchmarking (PBM)² which focuses on the process of building best practices rather than quantify the process itself (metric BM). The main tool we have used for BM is represented by the case studies.

The two methodological approaches, Users Satisfaction and Benchmarking, have been declined through the following activities:

- Desk analysis in order to assess the information framework;
- Face to face interviews to 15 key officials within DG ECFIN and other DGs to get an initial overview of: the delivery process of DG ECFIN economic evaluation products/services to other DGs; how DG ECFIN products/services are used and evaluated by other DGs in relation to external providers; indications of cases to be considered for the case studies;
- Broad survey on the users of ECFIN economic evaluation activities provided by DG ECFIN in order to assess the needs, relevance, utility and added value of services provided by DG ECFIN relative to external providers;
- Cases studies in order to analyze in depth the delivery processes and interactions between ECFIN and other DGs
- A comprehensive final report including recommendations for future methodological developments.

The evaluations activities have been performed from November 2006 to April 2007, as shown in figure 1.2.

² This model of BM is also called “XEROX” style benchmarking.



within the DGs mostly involved in further policy making activities on the basis of evidence from interviews. The survey targeted around 700 contacts, from Directorates with whom DG ECFIN economic analysis units have been most interacting since 2003.

Respondents belong to 15 different DGs.

As can be seen in table 1.2, topics addressed in the survey are directly correlated to a specific set of evaluation questions.

Table 1.2: Correlation between Survey topics and evaluation questions

Topics in the Questionnaire	Evaluation Questions
Mapping the users/needs and degree of use of ECFIN activities	<p>RELEVANCE TO THE USERS</p> <p>Q1.1: Who are the current users of the economic evaluation activities and for what reason do they use them? What are the actual needs of the different users of the economic evaluation activities and to what extent are they met, including in terms of policy relevance, methodological approach adopted, quality, timeliness, and reliability of outputs?</p> <p>Q1.3: What are possible future needs of users? What areas are not adequately covered by the DG's economic evaluation activities from the point of view of both internal (to the DG) and external (other DGs) users of the outputs?</p>
Alternative sources	<p>Q1.2: How are the current needs of the users being addressed by similar activities from external actors (think tanks, federations, etc.)?</p>
Users satisfaction	<p>EFFECTS WITHIN THE DG AND IN OTHER DGs</p> <p>Q3.1: To what extent are the results of DG ECFIN's economic evaluation activities effectively channelled into policy debate within the Commission? Both internally to ECFIN and its Cabinet and to other DGs.</p> <p>Q3.2: To what extent do DG ECFIN's economic evaluation activities contribute to integrating economic rationale in the Commission's work? How much do they contribute to enhancing the overall economic consistency and analytical quality of other DG's work, including the economic analysis of impact of new Community initiatives, and hence support the achievement of the Commission's policy objectives?</p>



The questionnaire used in the survey (see Appendix 1) considers 2 aspects.

The first one is the contribution of DG ECFIN economic analysis activity to the policy development process in the European Commission. Here the problem has been structured alongside the three phases into which the policy decision-making process in the EC can be ideally split; these phases are:

- 1) Upstream activities – the phase in which the proposal is not yet concretised and the Impact Assessment (IA) process has not already started formally;
- 2) Impact Assessment – inputs and formal and informal participation to the IA process;
- 3) Inter-service Consultation – inputs and participation to the ISC process.

The second aspect is the purpose and the extent to which other DGs use external sources during the policy decision-making process.

As regards specifically the **users' satisfaction**, the GAPS approach by Parasuraman³ was used as the basic framework for questions. This means that the confrontation has been done between the expected situations against the actual one. The distance between the values of the answers is the measure of the GAP. In order to allow a measurement of needs and satisfactions, a five-points Likert scale is used.

The GAPS approach is furthermore used in the last part of the questionnaire when investigating on the role of external sources in the policy making process as compared to the role of DG ECFIN. Here the GAP should be intended as the difference of the added value provided by external sources as compared to DG ECFIN support activities.

Case Studies Analysis

The aim of the case studies was to consent:

- a deeper understanding of the delivery processes and quality of activities provided by the DG ECFIN economic evaluation units;
- a detailed understanding of the complex interactions and processes, paying special attention to the context;
- an exhaustive explanation of steps and procedures in the policy formulation stages where the DG ECFIN's economic evaluation activities play a major role.

The case studies were selected on the basis of the following criteria:

- unit of analysis: a policy proposal ended with a decision;
- successful/unsuccessful examples in terms of DG ECFIN influence on the final decision;

³ Parasuraman, Berry, & Zeithaml, *Gap Model for Managing Quality*, 1993.



- the stage of DG ECFIN intervention: in the early stage of policy definition (upstream)/in the Impact Assessment stage/in the Interservice Consultation stage.

The selection of the case studies was made according to:

- a first shortlist provided by the preliminary face to face interviews for the collection of background information from DG ECFIN;
- a second shortlist provided by personal interviews of other DGs officials;
- a final consultation with the Steering Group in order to select the key studies to be analysed in-depth.

A common methodological framework was followed to implement the case studies, based on three main steps, to be developed **in a chronological sequence**, where the completion of the previous steps is a condition for the development of the subsequent one. Each step is autonomous and considered on the basis of different sources and analytical techniques.

The three phases are:

- the reconstruction of the processes' chronology: (a) Interservice Consultation relating to the impact assessment procedure; b) Interservice Consultation relating to other procedures; c) consultation process;
- the analysis of each process phase: actors involved, resources mobilized, process of elaboration and delivery of products;
- the analysis of the critical factors of success.

To each step corresponds a specific product, that is, a chapter of the case study final report. The detailed presentation of the case studies methodology and results is included in Appendix 2.

Table 1.3 shows the correlation between the methodological tools used and the evaluation questions designed by the DG ECFIN Steering Group:



Table 1.3: Correlation between Evaluation questions and Methodological tools used

Evaluation question	Methodological tool
Q1.1: Who are the current users of the economic evaluation activities and for what reason do they use them? What are the actual needs of the different users of the economic evaluation activities and to what extent are they met, including in terms of policy relevance, methodological approach adopted, quality, timeliness, and reliability of outputs?	Survey and Face to face interviews
Q1.2: How are the current needs of the users being addressed by similar activities from external actors (think tanks, federations, etc.)?	Survey and Face to face interviews
Q1.3: What are possible future needs of users? What areas are not adequately covered by the DG's economic evaluation activities from the point of view of both internal (to the DG) and external (other DGs) users of the outputs?	Survey and Face to face interviews
Q2.1: To what extent is DG ECFIN's capacity to conduct economic evaluation activities strengthened by support activities (externally contracted reports, papers, workshops, databases)?	Case studies
Q2.2: To what extent do support activities contribute to analytical capacity building in other DGs?	Case studies
Q3.1: To what extent are the results of DG ECFIN's economic evaluation activities effectively channelled into policy debate within the Commission? Both internally to ECFIN and its Cabinet and to other DGs.	Survey, case studies and face to face interviews
Q3.2: To what extent do DG ECFIN's economic evaluation activities contribute to integrating economic rationale in the Commission's work? How much do they contribute to enhancing the overall economic consistency and analytical quality of other DG's work, including the economic analysis of impact of new Community initiatives, and hence support the achievement of the Commission's policy objectives?	Case studies and face to face interviews
Q4.1: What other similar activities from external actors (think tanks, federations, etc.) exist that target the policy formulation and debate in other DGs?. How do they compare with DG's economic evaluation activities in terms of scope, reliability, timeliness and usability?	Face to face interviews, Survey and Case Studies
Q4.2: To what extent are the results of similar activities from external actors effectively channelled into the policy debate of the other DGs? How does this compare to the channels used by DG ECFIN?	Face to face interviews, Survey and Case Studies
Q4.3: How much do similar activities from external actors influence the economic underpinning of the Commission's work and how does this compare to the influence of DG ECFIN's economic evaluation activities	Face to face interviews, Survey and Case Studies





2. DG ECFIN's economic evaluation activities

2.1 Role of DG ECFIN

According to DG ECFIN's mission statement, ECFIN main role is to *"foster the success of the Economic and Monetary Union inside and outside EU, by conducting economic and budgetary surveillance, providing policy assessment and advice, promoting appropriate policy action and by advancing economic policy coordination"*⁴.

In order to achieve this goal DG ECFIN uses as main instruments: *"the Integrated Guidelines, the Excessive Deficit Procedure, the Stability and Growth Pact, the Assessments of the Stability and Convergence Programmes and the National Reform Programmes for growth and employment submitted by the Member States in the context of the Lisbon strategy."*⁵

DG ECFIN's activities include:

- *realising reports (the Public Finance in EMU Report, the Quarterly Reports on the Euro Area, the Annual Statement and the Annual Report on the Euro Area, the EU Economic Review and the Commission's economic forecasts) that are used to support the policy documents and the preparation for policy discussions by the Council and the European Parliament;*
- *preparing the Community and the Member States for the enlargement of the Euro area;*
- *communicating the Euro and the EMU outside and within the Euro area;*
- *designing and implementing EU investment financing programmes on behalf of the other Commission departments, in close cooperation with the EIB, EIF and EBRD;*
- *undertaking financial market operations;*
- *managing macro-financial assistance to third countries;*
- *producing economic analysis and evaluation in support of other Community policies and priorities, both internal (Lisbon strategy, the internal market, environment,*

4 DG ECFIN's Mission Statement in DG Economic and Financial Affairs 2007 Annual Management Plan.

5 DG ECFIN's Mission Statement in DG Economic and Financial Affairs 2007 Annual Management Plan.



agriculture and employment) and external (enlargement, development, trade and other international affairs).⁶

DG ECFIN activities may be classified within the following main areas:

1. Economic and Monetary Union
2. International economic and financial affairs
3. Financial operations and instruments⁷
4. Macroeconomic analysis to support the stability and growth pact
5. Economic evaluation activities
6. Economic studies and research
7. Administrative support
8. Policy strategy and coordination

2.2 Nature of the economic evaluation activities

The institutional mission of DG ECFIN evaluation activities is to support the policy formulation and decision making process.

According to the requirements of the Financial Regulation⁸ (Art. 27(1)) the concepts of economy, efficiency and effectiveness represent basic principles to guide the assessment of budget appropriations and sound financial management. Every policy initiative and proposals by the Commission services should be assessed on the basis of economic criteria. In this framework, DG ECFIN contributes with its economic expertise in the economic evaluations, studies and researches, general policy papers on several Community policies, Impact Assessment processes and sometimes in the pre-impact assessment process. These contributions are expected to feed into the policy process, fostering the effectiveness, impact and efficiency in the use of funds.

The internal evaluation activities of DG ECFIN became fully operational only at the beginning of 2003 with the aim of supporting organisational learning and of ensuring that evaluation commissioned or conducted by the DG provides both high quality and timely information to services and improves the effectiveness of activities and programmes.

⁶ DG Economic and Financial Affairs 2007 Annual Management Plan, page 4.

⁷ DG Economic and Financial Affairs 2007 Annual Management Plan.

⁸ Council Regulation (EC, Euratom) No. 1605/2002 of 25 June 2002, OJ L 248, 16.9.2002.



To this end, the core business of economic evaluation activities is to:

- *evaluate the economic implications (including implications for public finances) of proposals from Commission services and recommend how to improve these proposals (ex-ante);*
- *assess the outcome of research projects, which will serve to underpin forthcoming proposals or that are carried out to prepare mid-term evaluations;*
- *give guidance and contribute to a proper ex-post evaluation of policies such as in the context of mid-term reviews;*
- *monitor market developments relevant for economic development and Community policies.*⁹

The economic evaluation activities take place in the framework of the inter - departmental relations. Economic evaluation can be broadly described as the activities preceding and accompanying the *Inter-service Consultation* and *Impact Assessment processes*, following the development of Policy proposals before these are submitted to the Commissioners.

Procedures used by ECFIN to achieve the objectives of economic evaluation are:

- *to contribute to and participate in Impact Assessments undertaken by the lead services of a policy initiative;*
- *to contribute to and participate in Interservice Consultations for major policy initiatives (such as green and white papers) that are relevant for the conception of Community policies, for the performance of economic policies, and for initiatives where our economic expertise is relevant;*
- *to undertake studies (and monitor markets) on an ad-hoc basis so as to be able to effectively contribute to the first two avenues.*¹⁰

In order to classify the numerous economic evaluation activities, the policy cycle model was adopted.

In this conceptual framework, DG ECFIN economic evaluation activities (as reconstructed from face-to-face interviews, case studies and other documents) may be analysed in relation to their contribution to the main three phases of the decision making process (see table 2.2):

- *the agenda setting and problem definition phase (Upstream Stage);*
- *the policy formulation phase (Impact assessment process);*
- *the drafting of the policy proposal to be submitted to the Commissioners (Policy legitimisation corresponding to Interservice Consultation).*

⁹ DG Economic and Financial Affairs 2007 Annual Management Plan and http://ec.europa.eu/economy_finance/about/activities_en.htm.



Table 2.1: DG ECFIN role and outputs in each stage of the policy-making process

Policy cycle stages	Phase of the policy making process	DG ECFIN's Outputs
Agenda setting and problem definition	"Upstream" – the leading DG analyses the relevance of an issue and the solutions available	Economic Papers, Occasional Paper, Special paper, Green Books (possibly), Vision Papers, Studies and Research Projects
Policy formulation – selection of the alternatives and definition of the content	Interdepartmental process concretised in the framework of the impact assessment process	Writing notes; participating to the ISG; contributing to the Impact Assessment; controlling the quality of the impact assessments (in the Impact Assessment Board); monitoring the studies outsourced.
Policy legitimation	Interservice Consultation	Stating DG ECFIN's position by replying to the Interservice consultation (five answers)

In the **"upstream" phase**, the leading DG *sets the Agenda* and the issues to be considered. In this phase, DG ECFIN's outputs include economic papers, reports, Vision papers, studies and research projects, which it can realise together with the leading DG.

The second phase refers to the **policy formulation** process, which is the core of the interdepartmental process and consists in the Impact Assessment process, *"a set of logical steps, which structure the preparation of policy proposals"*¹¹ in the European Commission. It involves *"building on and developing the practices that already accompany the policy development by deepening the analysis and formalising the results in an autonomous report"*.¹²

The aim of the Impact Assessment process is *"to identify the problem, to define its objectives, to develop the main policy options, to analyse their potential impacts, to compare the options and to outline the policy monitoring and evaluation items."*¹³

The Impact Assessment process contributes to complying with the commitments of the Lisbon and Sustainable Development Strategies as it can provide an in-depth analysis of the potential social, economic and environmental impacts in a direct or indirect manner.

¹⁰ Face to face interviews with DG ECFIN officials.

¹¹ Impact Assessment Guidelines – European Commission, page 4.

¹² Impact Assessment Guidelines – European Commission, page 4.

¹³ Impact Assessment Guidelines – European Commission, page 5.



The Impact Assessment procedure usually starts a year or more before the decision about a policy proposal is taken and it is required for items with an economic, social or environmental impact, belonging to the Commission Work Programme such as regulatory proposals, white papers, expenditure programmes and negotiating guidelines for international agreements.

The creation of the *Interservice – Steering Group (ISG)* is a key step in the Impact Assessment process. The role of the ISG *“is to provide specialised inputs and to bring a wider perspective to the process”*.¹⁴ The ISG is mandatory for all items of cross- nature and should always include the *Strategic Planning and Programming Unit* of the Secretariat General, while it is the leading DG who decides which other DGs should be members. When invited by the leading DGs, DG ECFIN participates to the ISG contributing to the economic analysis. When the studies for the impact assessment are outsourced, DG ECFIN’s role is to monitor the external consultants.

In addition, DG ECFIN plays an important role as one of its Directors is the member of the *Impact Assessment Board*, together with representatives of DG Environment, DG Employment, DG Enterprise and the Secretariat General, which has been recently created to control the quality of final impact assessments.

In the **final phase**, whenever a proposal is drafted, the Impact Assessment is followed by the Interservice Consultation procedure. In this case, the proposal has to be accompanied by the IA report, and its annexes, as well as by the Explanatory Memorandum.

The role of the Interservice procedure *“is to guarantee transparency when drawing up Commission decisions and proposals”*.¹⁵ The procedure is initiated by the leading DG, which asks the other DGs for replies within 10 -15 working days on the basis of a pre-defined set of five possible answers: no observation; favourable opinion; favourable opinion subject to comments being taken into account/ favourable opinion subject to amendments being taken into account; suspended opinion; unfavourable opinion¹⁶. DG ECFIN’s role in this phase is to present or to reply to a policy proposal in the framework of the Interservice consultation. Here it can oppose formally to the policy proposals which potentially can be economically harmful according to ECFIN. As a matter of fact, in this last phase of the policy development, the formal opposition of DG ECFIN should be seen as an extreme measure.

¹⁴ Impact Assessment Guidelines – European Commission, page 9

¹⁵ Guide to Interservice Consultation, July 2006, page 3

¹⁶ This has recently been simplified to 3 categories – favourable; favourable subject to comment; and unfavourable. However, this change post-dates the evaluation.



2.3 Organization of DG ECFIN's economic evaluation activities

Economic Evaluation, which counts for nearly one third of DG ECFIN overall activities (according to face to face interviews with DG ECFIN officials), cannot be precisely identified within a Direction, but different Units within different Directions are involved. They are: E.1, E.2, E.3, E.4, C.4, D.2. Table 2.2 presents the Organization chart.¹⁷

All the staff involved in the Economic Evaluation Units is made of economists, most of them have a PhD and come from Universities, think tanks and economic services of National Ministries.

Dir. E is the service mainly involved in these activities. Its mission statement is to: *contribute to increased growth and jobs in the EU, to contribute to a better functioning Economic and Monetary Union and to improve the economic rationale of the Commission's decisions on important Community policies.*

The mission is mainly carried out through:

- *economic analysis and policy advice on national structural reforms and Community Programmes in the context of the Lisbon Strategy in labour markets, product markets and quality of public finances including taxation;*
- *coordination of DG ECFIN inputs to the Lisbon Strategy and the formulation of the BEPGs;*
- *economic analysis, evaluation and policy advice on major Community policy initiatives.*

Inside Directorate E there are 4 units:

- *E1, Structural reform policy strategy.* This Unit is in charge of developing the analytical framework for economic analysis and evaluation of structural reforms and also in charge of coordinating Lisbon inside ECFIN;
- *E2, Product markets, competitiveness, and competition and innovation policies,* including analysis of the quality of public finance. The main tasks are related to competitiveness and innovation; R&D policy
- *E3, Labour markets and welfare systems.* Tasks are related to economic aspects of ageing populations and taxation;



- *E4 Economic analysis and impact assessment of Community policies and the Sustainable Development Strategy.* The Unit deals with the EU sector policies: among them the Community Agricultural Policy, Cohesion Policy, Transport and Energy Policy, Environmental Policy.

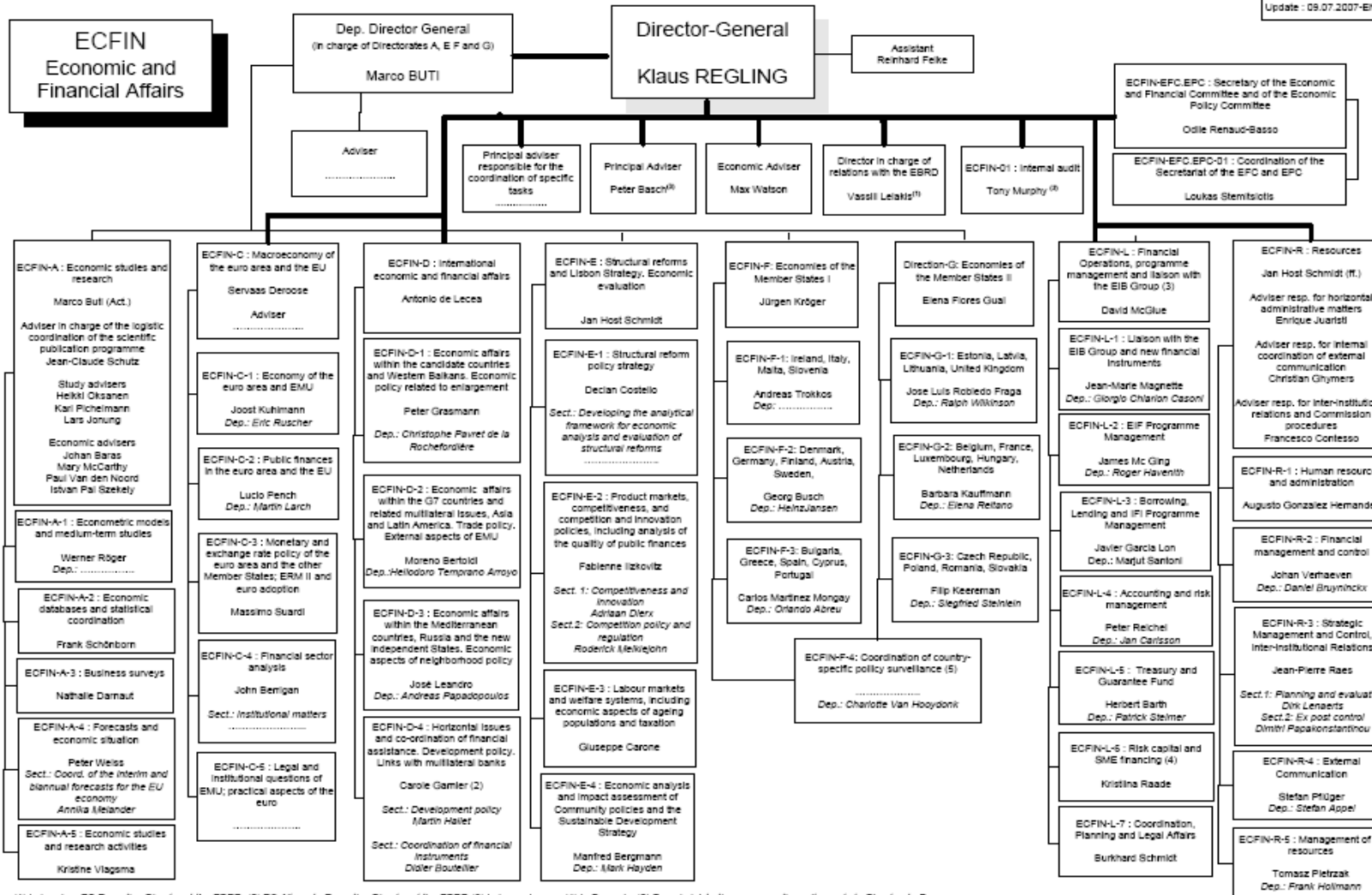
The other Units involved in the Economic Evaluation activities are:

- D-2 Economic affairs within the G7 countries and related multilateral issues, Asia and Latin America, trade policy, external aspects of EMU;
- C-4 Financial sector analysis.

¹⁷ Source: DG ECFIN (See in any case the web site: http://ec.europa.eu/dgs.economy-finance/index_en.htm)



Update : 09.07.2007-BN(c)



(1) In London, EC Executive Director at the EBRD; (2) EC Alternate Executive Director at the EBRD (3) In Luxembourg; (4) In Brussels; (5) For administrative purposes the unit reports to Directorate F.



The Economic Evaluation activities related to the Impact Assessment and Interservice Consultation become operational when the lead DG has formal or informal contacts with DG ECFIN. This happens often, even if there is not any mandatory rule to involve DG ECFIN, as it is in the case of the Juridical Service or DG Budget, because DG ECFIN is perceived as the economic “mentor” of the Commission. Furthermore, the SG exerts a moral suasion to involve DG ECFIN. Thus, all the Units related to economic evaluation are often overloaded with the requests from the other DGs. The single Unit reacts by selecting when to intervene, often on the basis of contingent constraints. When there is a direct request from the Cabinet, the Unit takes part actively in the process. According to the interviews, generally this choice is not based on an official criterion or internal guidance, but it is left to the different sensibility of the Head of Units. The case studies revealed that there are quite different behaviours. Some Units have a more selective approach and they avoid being involved in the IA or ISC when there are not major issues involved. On the other hand, probably more often than in the past, some other Units use to intervene in the very technical details of the policy proposal. The level of discretionality is even higher in the upstream phase. The Head of Unit has a large room for decision on the studies and researches to be performed by its own Unit. Even if the choice is mainly based on inputs which might come from the Cabinet or from the Director General, nevertheless the final decision is often taken by the Head of Unit.

Since the Units are deeply involved in key policy process, such as Lisbon, many requests of specific involvement come also from the Council or from its Committees (e.g. the Economic Policy Committee - EPC). Evidently, it is difficult to plan these activities which might absorb a significant part of working time. In addition, since most of the Economic Evaluation activities are initiated from outside (other DGs or Council and Council Committee), the workload is not easily predictable. As a consequence it is difficult to plan activities.

Inside DG ECFIN, there is a common perception related to the scarcity of human resources, particularly acute in the case of Directorate E, and in the Units involved in the economic evaluation activities. Besides the number of different tasks, the difficulty in forecasting the workloads, the need of constant training and research, there is also the issue of recruiting. Since the candidates need to have an excellent economic background, the recruitment is mostly done outside the Commission and this implies, as in other DGs, longer time to cover vacancies and additional time “to acclimate” the selected candidate to the Commission environment. It is to note that there are not many temporary experts in the DG, neither there is a significant use of outsourcing.

Interviews demonstrate that Unit E4 is probably the most understaffed. This Unit deals with many different topics. In addition it has an horizontal competence on the methodology of IA.



That is why one single economic analyst has to deal with complex and crucial EU policies as Common Agricultural Policy or Cohesion Policy.





3. Main findings

This chapter presents the results from face to face interviews, users' survey and case studies, by evaluation question. The picture coming out from the different activities carried out during the evaluation is rather coherent, showing the need to redefine, at the Directorate General level, both the mandate and the approach to be adopted in economic evaluation activities.

3.1 Added value, utility and relevance to the users

3.1.1 Current users and actual needs - Evidence from the survey

Evaluation question Q1.1: Who are the current users of the economic evaluation activities and for what reason do they use them? What are the actual needs of the different users of the economic evaluation activities and to what extent are they met, including in terms of policy relevance, methodological approach adopted, quality, timeliness, and reliability of outputs?

Actual users of DG ECFIN economic evaluation activities are members of other DGs, at different levels (Directors, Head of Units, but also policy officers) **and the Secretariat General, when involved in the production of policy products,** both legislative (regulations and directives) and non legislative (white and green papers, communications, working document, publication, etc.).

The nature and degree of use of DG ECFIN evaluation activities, as well as the support provided by DG ECFIN, greatly varies according to the policy issues dealt with and, most of all, the policy phase in which DG ECFIN is involved.



USERS AND FREQUENCY OF USE

Potentially, all the DGs involved in policy making activities could have interactions with DG ECFIN in the economic evaluation field. As a matter of fact, no updated track record is in place to monitor the actual and past use by the different DGs¹⁸.

The complexity in drawing a complete map of the range of products and activities carried out by DG ECFIN in the field of evaluation activities is reflected in the difficulties encountered in the comprehensive identification of the target population for the survey¹⁹.

The use of DG ECFIN economic evaluation activities is recorded to be common to the majority of the survey respondents: only 28 out of a total number of 122 respondents have never used DG ECFIN evaluation activities in any policy phase. Among the respondents, the highest rate in the frequency of use is recorded by DG AGRI, DG ENV, DG TREN, DG EMPL and DG COMP. However these results should be taken with care, since no representativeness by DG is ensured by the sample.

If the extent of use is broken down by phases, the result shows that the users in the upstream phase are not frequent ones, while in the other two phases the respondents have a more systematic use. Only 26% of respondents have a systematic use of DG ECFIN activities.²⁰

These results should be read in the light of the following:

- the extent of DG ECFIN involvement is higher when it is more a procedural duty than a spontaneous choice of the leading DG (in some cases, as far as IA and ISC are concerned, procedures substantially oblige the leading DG to involve ECFIN, notwithstanding its true willingness in doing so);
- the recent development of the IA procedure requires DG ECFIN increasing involvement in a structured and systematic way (see below for details on future needs).

Exchange with ECFIN is particularly widespread in Interservice Consultation, while it is reduced during the other two phases (Figure 3.1). Moreover, the frequency of

¹⁸ Indeed, in the past, a database listing the products delivered, their typology and nature, the contact persons, the policy process, the DG, the year, and other relevant information was in place, while in the last years the consistency in recording these activities has changed and in any case the database seems to be no longer updated.

¹⁹ Given the fragmented identification of the target population, a non probability sampling method has been used for the survey. A convenience sampling has been made, on the basis of the contact lists of DG ECFIN members. For this reason the findings here presented cannot be applied to the target group at all, and this especially applies to the presentation of findings on the basis of breakdown by DGs.

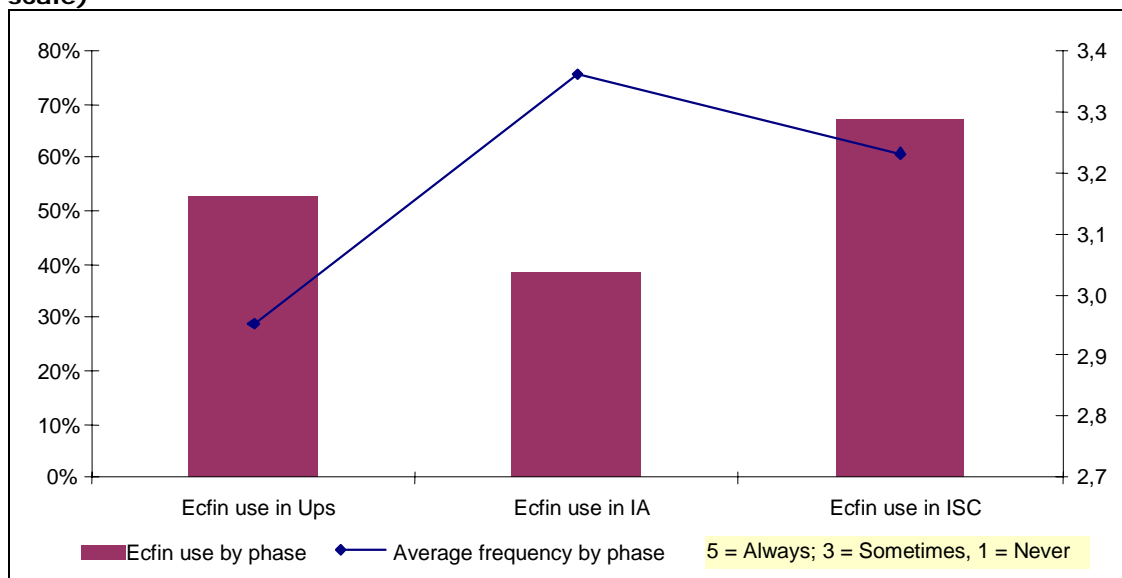
²⁰ They record a 'yes' answer for the three phases.

using DG ECFIN is higher in the Impact Assessment and less in the Up-stream phases. These results show an overall fragmented use of ECFIN activities, highly dependent on the phase of the policy process.

Among the respondents, the following categories of users could be found:

- The overall non users are 22%;
- The overall frequent users (always – often) are 26%;
- In the upstream phase most of the users are occasional;
- In the Impact Assessment and Interservice Consultation there is a more systematic use.

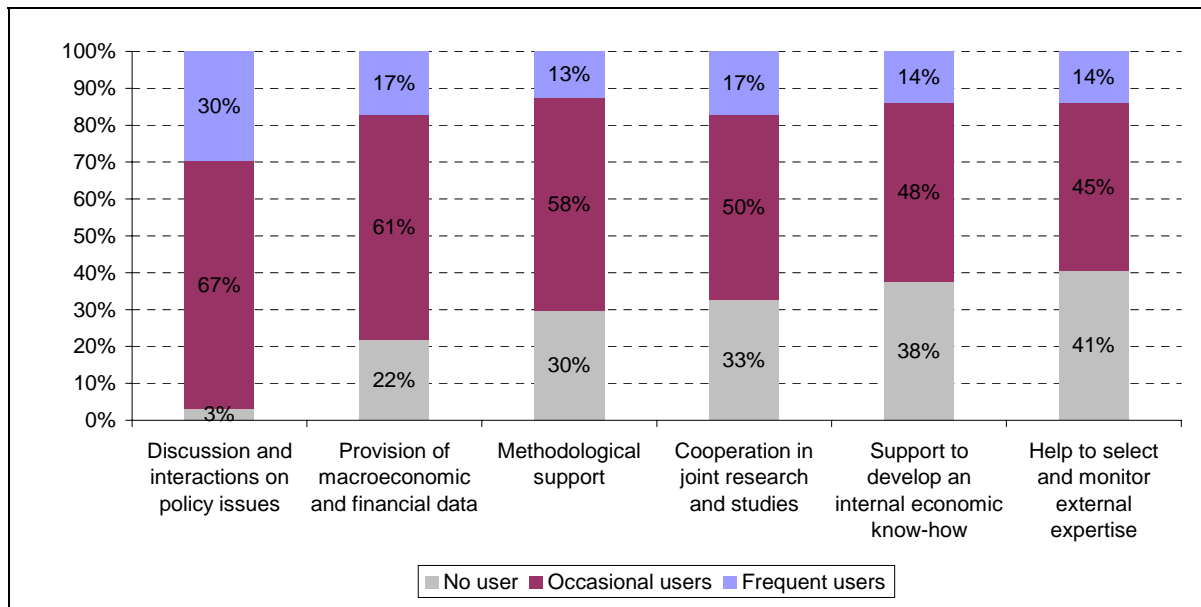
Figure 3.1: ECFIN users and ECFIN frequency of use by phase - % on total respondents by phase (left scale) and average frequency of use by phase (right scale)



Source: our processing of survey data.

The nature of interactions, and needs related to them, varies according to the policy phases: while in the upstream phase the open discussion is by far the most frequent, the analysis and evaluation input is more requested in the IA phase. (Figure 3.2)

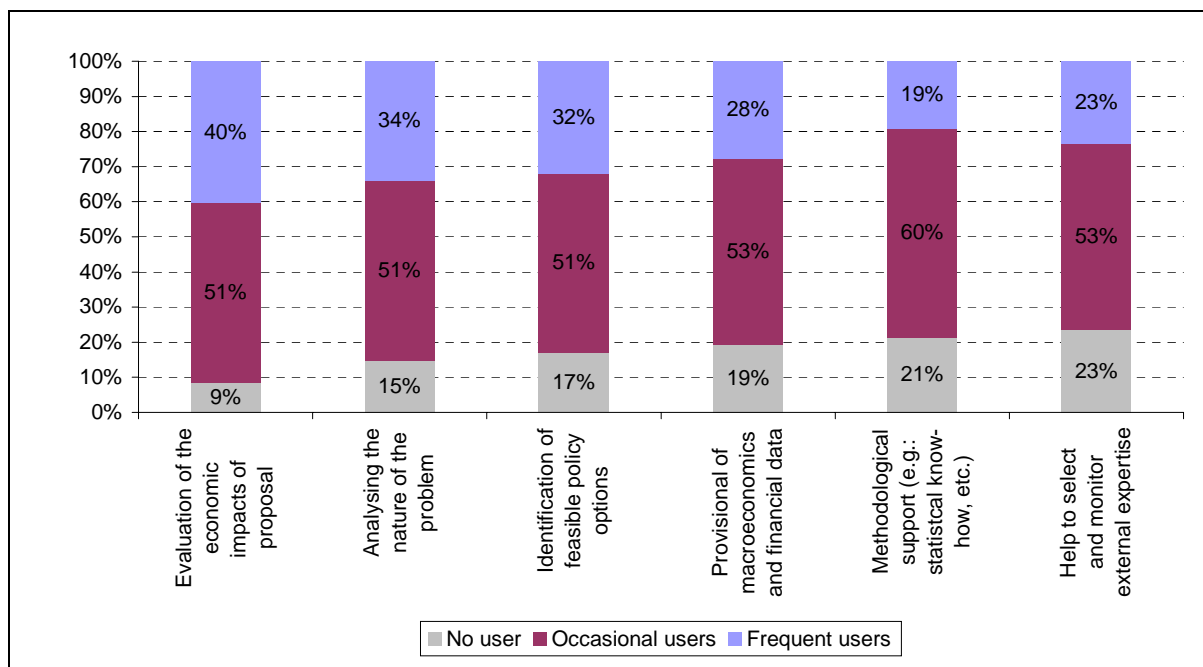
Figure 3.2: Frequency of use by dimension, upstream phase - % on total upstream users



Source: our processing of survey data.

In the Upstream phase (see Figure 3.2) the two most frequent activities are “discussion and interaction on policy issues” and “provision of macroeconomic and financial data”. These activities require a minor level of cooperation relative to the others. For instance, it is evident that “supporting the development of internal know how” demands a much more intense degree of involvement between the services of the DGs than exchange of data and information (such as “Provision of macroeconomic and financial data”).

Figure 3.3: Frequency of use by dimension, IA - % on total IA users



Source: our processing of survey data.

In relation to the Impact Assessment phase, the survey shows a more differentiated use of DG ECFIN support. The DGs tend to undertake all the typologies of activities with a similar degree of frequency. However it is to be noted that “Methodological support” is the activity with the largest share of “occasional users”.

As far as the ISC is regarded, since the input by the DGs is well defined and structured by the procedures, it is not relevant to distinguish among different dimensions of interaction, while the overall judgment on the relations is more consistent (see below on this).

USERS NEEDS AND SATISFACTION

Results on satisfaction are twofold and reveal an overall mixed level of users’ satisfaction. On average only a half of respondents declares a high satisfaction, with different degrees according to different aspects of the services.

On the one hand, the survey shows quite clearly that the quality of DG ECFIN contribution and scientific background is considered outstanding and that users are satisfied with the soundness of the methodology, the clarity of argumentations, the responsiveness, timeliness and reliability of data (see Figure 3.5). On the other hand, DG ECFIN support activity shows shortcomings regarding the approach adopted, especially in relation with “political



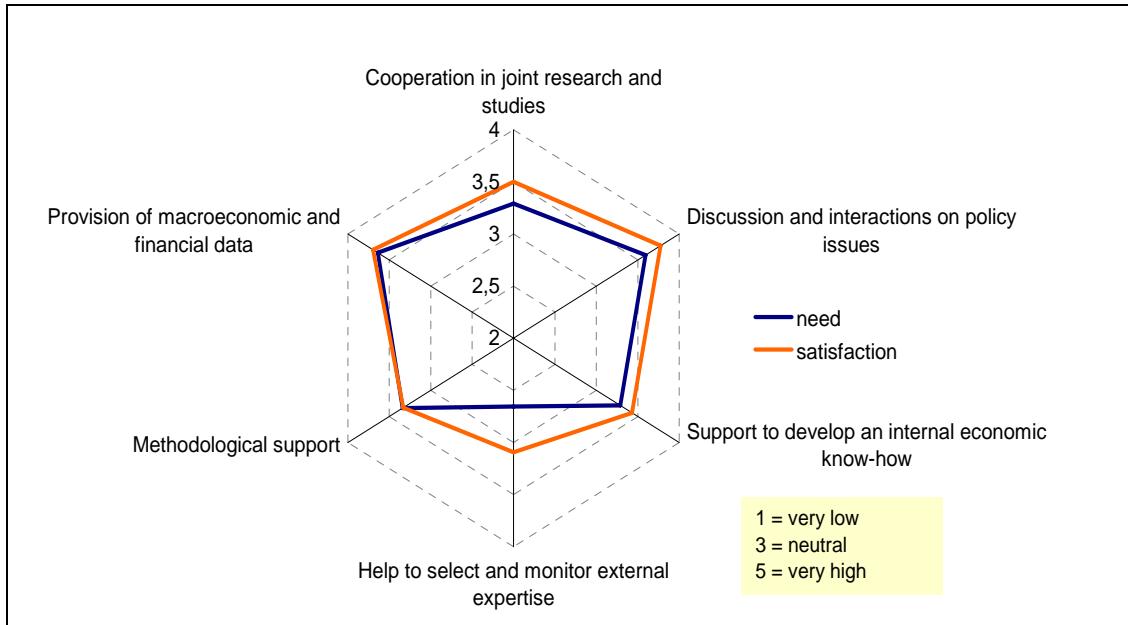
sensitiveness". For these reasons major criticalities are recorded in those policy phases where the policy constraint is tougher, such as downstream phases.

The average degree of satisfaction recorded in the Upstream and in the Impact Assessment phase is respectively 3.35 and 3.26 on a ranking that goes from 1 (low satisfaction) to 5 (high satisfaction). The percentages of respondents declaring a high to a very high degree of satisfaction in the Upstream and the Impact Assessment phase are respectively 49% and 43% of the respondents in each phase.

The Upstream phase records overall the best results in the comparison of needs against satisfaction²¹. Figure 3.4 compares the actual needs and the actual level of satisfaction for each typology of interactions considered in the Up-stream phase. There is a need for all types of interactions with the exception of "help to select and monitor external expertise". However the level of satisfaction of the DGs supported by DG ECFIN is always above the level of need. This means that the perception of the users is that DG ECFIN performs its activities above the level of their expectations.

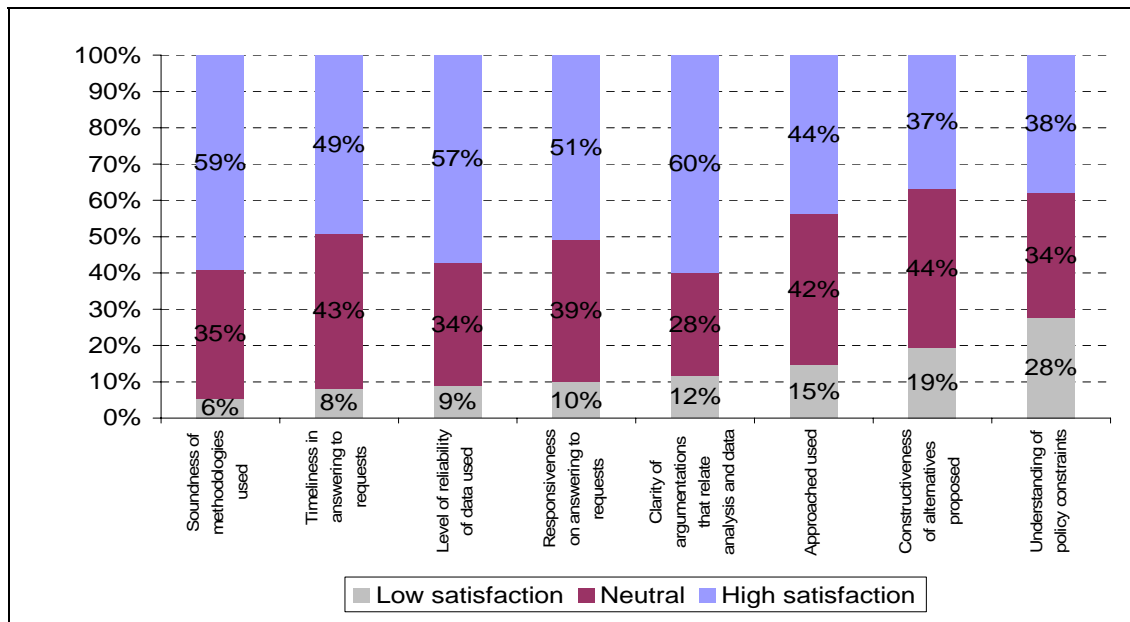
²¹ The methodological approach for the survey was based on a systematic comparison of scores collected on the needs with scores on satisfaction. The difference between the two represents the appreciation of the GAP.

Figure 3.4: Gap analysis in the Upstream phase



Source: our processing of survey data.

Figure 3.5: Satisfaction by dimension, Upstream phase - % on total Upstream users



Source: our processing of survey data.

However (see Figure 3.5), even in this phase, the “constructiveness” dimension in the interactions and the “understanding of policy constraints” is underperforming. Respondents in fact score the two latter aspects with the lowest values in terms of satisfaction perceived.



Box 1. Some comments from users

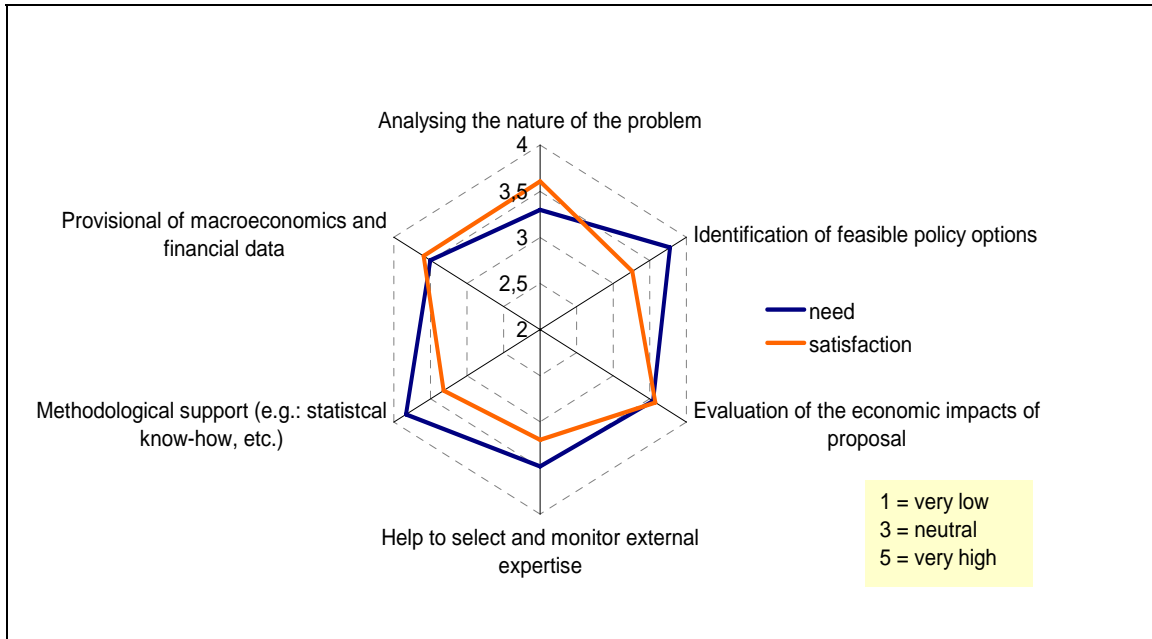
"...ECFIN does not do enough to make constructive contributions to policy or IA discussions and does not take on board the policy constraints that policy making DGs face..."

"...DG ECFIN tends to consider only the economic rationale without taking into account the political feasibility of certain options. This often leads to the difficulty to take those opinions into account, because too distant from the reality..."

Source: free text comments from the survey

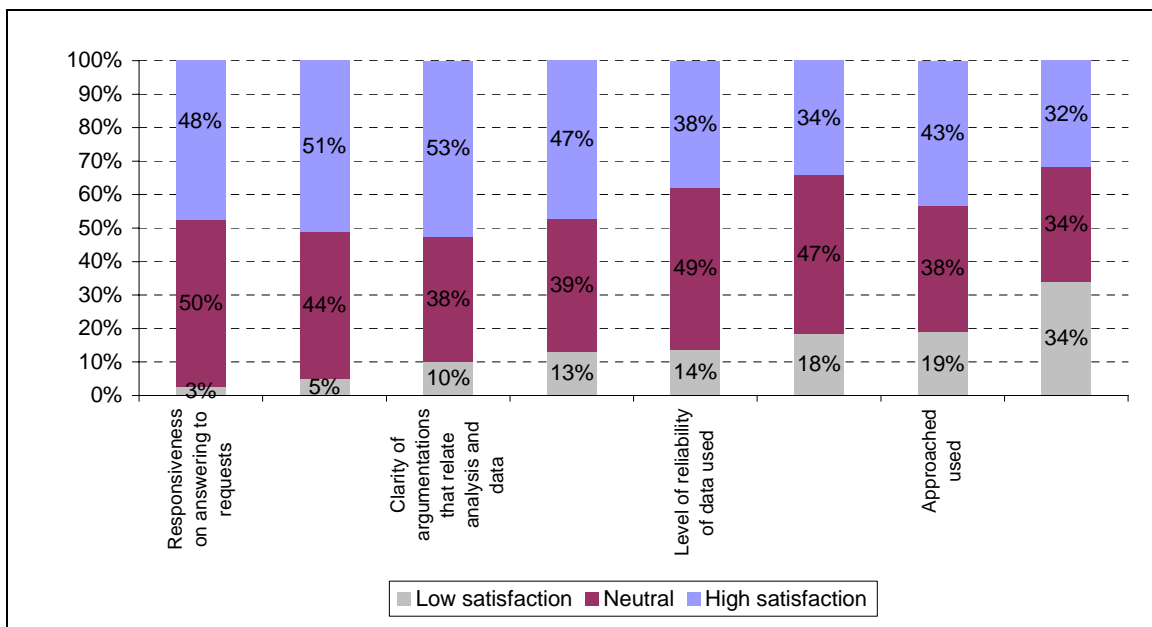
Looking at Figure 3.6, where needs and satisfaction on activities undertaken by DG ECFIN in the Impact Assessment phase are shown, it is clear how needs change from those of the Upstream phase. Here, users DGs look mostly for "methodological support" and "identification of feasible policy options", the latter being the core activity of an Impact Assessment process. However as Figure 3.6 shows, DG ECFIN is not able to fulfil these expectations. On the other side, the survey shows positive gaps for the two activities that require less cooperative ways of interacting.

Figure 3.6: Gap analysis in the Impact Assessment phase



Source: our processing of survey data.

Figure 3.7: DG ECFIN role during Impact Assessment- % on total IA users



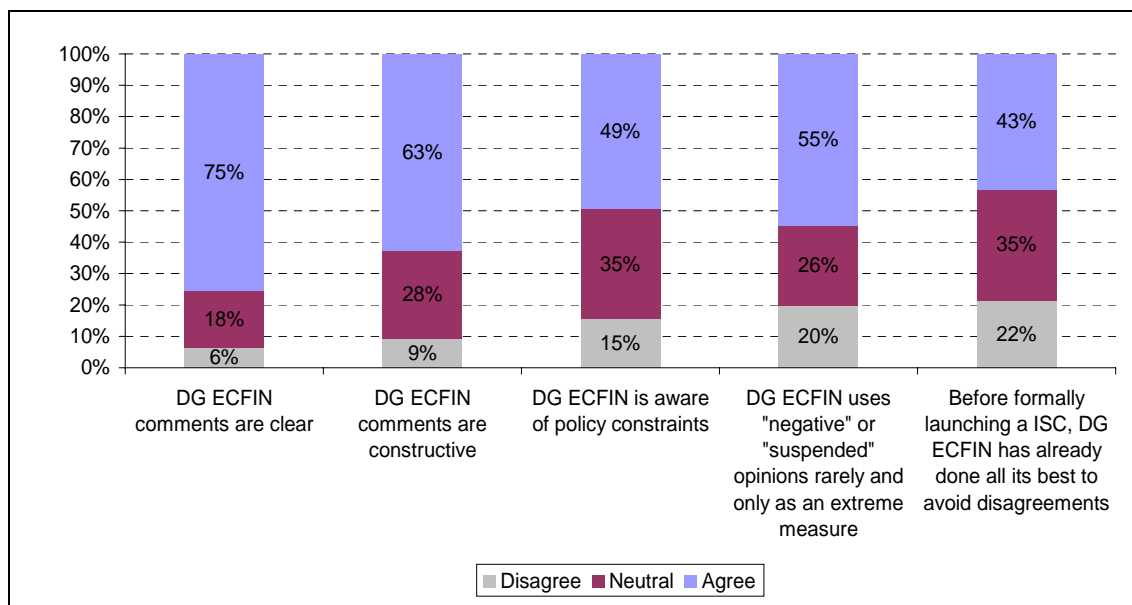
Source: our processing of survey data.

Looking at the specific aspects of the satisfaction, the results are similar to those recorded in the Upstream phase. In fact the other DGs are strongly less satisfied of the

“constructiveness” of DG ECFIN inputs/advices and of its ability in “understanding of policy constraints”, while they are fairly highly satisfied on all the other aspects of the interactions. (Figure 3.7)

These results are finally confirmed with the opinions expressed in relation to the ISC phase. Here clear statements shows that users are almost equally divided in half: the ones that find constructive and aware of policy constraints the inputs by DG ECFIN and the ones that do not.

Figure 3.8: Satisfaction by dimension, IA phase - % on total IA users



Source: our processing of survey data.

Looking at the Interservice consultation phase it is evident that the most critical points are “awareness of policy constraints” and “efforts in order to avoid disagreements before the formal launch of ISC”. These results must be interpreted with care. Indeed, Interservice Consultation is a very delicate moment given the degree of formalization and the short time span. Thus it is fully understandable that DGs are oversensitive in their judgment about DG ECFIN behaviour. Never the less these results show clearly that if DG ECFIN wishes to influence the policy development it shall act earlier, before the ISC. Once the ISC is launched, DG ECFIN’s effort to influence the policy formulation may be perceived as an intrusion and lack of political sensitiveness.



3.1.2 Future needs – Evidence from the survey and face to face interviews

Evaluation question Q1.3: What are possible future needs of users? What areas are not adequately covered by the DG's economic evaluation activities from the point of view of both internal (to the DG) and external (other DGs) users of the outputs?

Future needs of users of DG ECFIN are affected by the following developments:

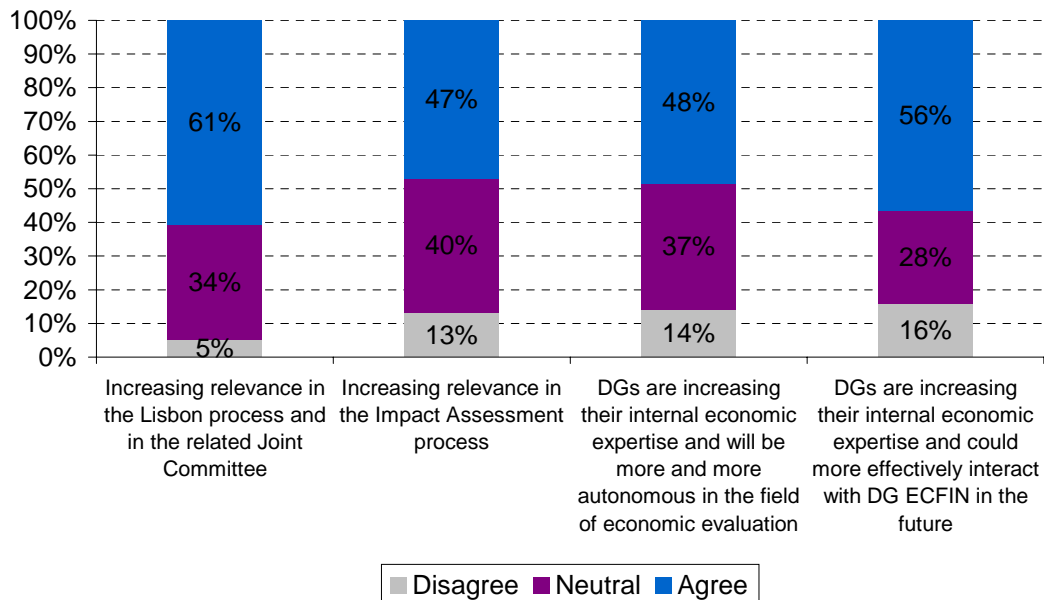
- increasing use of **Impact Assessment**;
- increasing role of ECFIN in the **Lisbon process**.

According to this, the activities provided by DG ECFIN economic evaluation activities are requested to adapt to new developments and operate some major fine tuning.

There is a common agreement about the issues that seem to represent crucial future needs for the users of DG ECFIN economic evaluation activity. These issues are connected both to political and internal organization developments:

Since 2003, the delivery of policy proposal has been deeply affected by the mandatory introduction of the Impact Assessment procedure. To this regard, DG ECFIN plays an institutional role in assuring the quality of the economic analysis since one of DG ECFIN directors takes part in the Impact Assessment Board. Furthermore, DG ECFIN capacity in assessing economic impacts is widely recognized by other DGs. Secondly, its expertise assures to the entire Commission a powerful tool in driving the Lisbon Process. Finally, every DG is equipping with its own economic team. In this process, DG ECFIN might represent the ideal centre of a new economic expertise network inside the Commission.

Figure 3.9: Opinions on future needs - % on total respondents



Source: our processing of survey data.

Box 2. Some comments from users

"...DG ECFIN could play a big role in providing the economic resources for helping with policy analysis and IAs. Overall co-ordination of all Commission modelling work for IAs would be helpful..."

"...DG ECFIN ... should be allowed to dedicate sufficient time to the Lisbon exercise and should not be blocked by their Autumn Forecast..."

"...DG ECFIN does not appear as the reference point for economic expertise...some DGs have developed internal economic capabilities, through appointing chief economists..."

"...the move toward an increase of my DG economic team, would also allow us to interact more effectively with DG ECFIN..."

Source: free text comments from the survey



There is also a large consensus about DG ECFIN role in the main policy process implemented currently by the Commission, Lisbon. Delivering Lisbon requires a constant macroeconomic contribution which is institutionally located in DG ECFIN.

Two further developments emerge from survey results in Figure 3.9, and follow the trend of establishment and growth of internal economic teams in various DGs. The survey shows that most of the DGs are going to have their own autonomous economic team. That could be seen either as a threat or as an opportunity for DG ECFIN.

On the one hand this might increase the clashes and provide a sort of self-refereeing for other DGs. On the other hand the economic teams may be more and more suitable counterparts in fostering the economic approach and consistency in the Commission Policy development.

3.2 Added value, utility and relevance of support activities

Evaluation question Q2.1: To what extent is DG ECFIN's capacity to conduct economic evaluation activities strengthened by **support activities** (externally contracted reports, papers, workshops, databases)?

Evaluation question Q2.2: To what extent do support activities contribute to analytical capacity building in other DGs?

Internally, the support activities most used by DG ECFIN in carrying out the economic evaluation activities are the QUEST model²², databases, economic papers and workshops.

Support activities are widely appreciated inside DG ECFIN and they represent one of the main tools to sustain the research activities. Support activities, especially the QUEST model, are considered to be the basis of the evaluation activities. The information coming from the country desk is also considered to be of great help.

²² QUEST is an economic model, designed to analyse the economies in the Member States of the European Union and their interactions with the rest of the world, especially with the United States and Japan. The focus of the model is on the transmission of the effects of economic policy both on the domestic and the international economy. The model was primarily constructed to serve as a tool for policy simulation. The new Quest model contains structural models for the EU member states, the US and Japan and distinguishes 10 additional countries/regions in trade feedback models in order to model trade interactions with the rest of the world.



Externally there is a general appreciation of the quality of DG ECFIN's support activities. However, despite some important exceptions, the general perception is that DG ECFIN is not investing in the analytical capacity building and transfer of know how to the other DGs. The criticisms is not related only to support activities, but also to DG ECFIN's lack of a systematic proactive role in supporting the “economic thinking” in the rest of the Commission.

3.2.1 Evidence from Face to Face Interviews and Case Studies

In Lisbon, the use of support activities was extremely important for the identification of indicators and impact evaluation. Particularly, the use of the QUEST model helped in the dialogue with DG ENTR. The country desks also played a crucial role, although they are not actually considered as “support activities”.

In the case of the Third Cohesion Report there was not a direct use of support activities, even if they were effective in supporting the evaluation activities in the overall cohesion policy field.

In the Biofuel case, the Quest model was used to carry out simulations that allowed to question DG AGRI's analysis and to support ECFIN's argumentation regarding the economic inefficiency of an increase in biofuel production capacities in the EU.

At the same time, all the interviewed officials from the other DGs expressed the need of a major support from DG ECFIN for developing joint studies and helping their internal economic teams. There are some good examples where the cooperation between DG ECFIN and other DGs was fruitful. In Lisbon, the cooperation with DG ENTR provides a good example. Clearing and Settlement is also a positive example, where the support activities were used intensively at the beginning of the policy formulation process.

Nevertheless, the majority of the DGs are still not satisfied with the degree of cooperation especially in supporting their own economic capability. Even the DGs adopting a different economic paradigm recognize the need for support from DG ECFIN. DG REGIO, for example, acknowledged interest in the issue of investigating the economic impacts of Structural Funds, provided the analytical capacity of DG ECFIN. DG EMPL remarked that they could cooperate more in developing jointly analysis which have sometimes seemed to overlap. DG AGRI expressed the need to cooperate with DG ECFIN on carrying out studies and simulations. The



same desire was expressed also by the Joint Research Centre, which, given the performances of the QUEST Model, insisted on the need for a deeper cooperation with DG ECFIN on carrying out simulations.

3.3 Efficiency and effectiveness, utility and impacts

Evaluation question Q3.1: To what extent are the results of DG ECFIN's economic evaluation activities effectively channelled into the policy debate within the Commission? Both internally to ECFIN and its Cabinet?

Evaluation question Q3.2: To what extent do DG ECFIN's economic evaluation activities contribute to integrating economic rationale in the Commission's work? How much do they contribute to enhancing the overall economic consistency and analytical quality of other DG's work, including the economic analysis of impact of new Community initiatives, and hence support the achievement of the Commission's policy objectives and of the other DGs.

Face to face interviews and case studies provided the shared perception among the DGs that DG ECFIN lost part of its capacity to influence the policy proposal development process.

This appears to be due to external and internal factors. The external factors are related mostly to the new tasks assigned to DG ECFIN after the coming into force of the Euro. The economic evaluation lost a significant number of its human resources, now devoted to the surveillance of the Stability Pact. The lack of human resources is recognized, internally and externally, as a determinant cause of weakness.

But there are also some internal reasons which are connected to the paradigmatic approach used during the policy development process and to the phase of DG ECFIN involvement in the decision making process.

3.3.1 Evidence from Case Studies

Case studies offer evidence about the factors which affect the success/failure of DG ECFIN in influencing the content of the policy proposals and of the Commissioners Cabinet final decisions. These success/ failure factors depend on:



The intervention stage at which DG ECFIN enters the Policy Proposal Development:

The earlier DG ECFIN is involved in the upstream phase, the more likely it might succeed in influencing policy proposals. However, DG ECFIN is mainly involved at the end of the policy making process, in the Interservice Consultation phase, when only a “final judgment” or, at least, a “methodological check” role is possible.

In the Lisbon and Clearing and Settlement cases, DG ECFIN had the opportunity to anticipate the policy development with preliminary studies and researches in the upstream phase. This did not happen in the case of the Third Cohesion Report, where DG ECFIN interacted only in downstream phases (ISC), and in Biofuel when it became involved intensively only in the Impact Assessment phase. In both cases DG ECFIN's influence was limited (but not without effects), despite the perception of the plausibility of its objection (Biofuel) or the helpful contribution given in several different occasions to the leading DG in the Third Cohesion Report.

In the upstream phase the other DGs appear to be more willing to share information and views and it is much easier for DG ECFIN to shape visions and ideas out of already set policy constraints. This was, for example, the case of Clearing and Settlement, where a cooperative arena was set and DG ECFIN could play a decisive role in the shaping of the policy. If, however, pre-defined positions are prevalent, DG ECFIN may only play the role of gatekeeper of the economic rationality. In addition, when interactions take place in the final phase of the process the effectiveness of DG ECFIN may decrease drastically.

The economic paradigm adopted by the DGs with whom DG ECFIN interacts.

In both successful cases, Clearing and Settlement and Lisbon, DG ECFIN interacted with other DGs with a similar economic paradigm. In Lisbon, DG ENTR involvement in the process partially helped DG ECFIN. The evidence is even stronger for Clearing and Settlement.

On the contrary, in the Biofuel case, DG AGRI and DG TREN firm, non negotiable position, supporting specific interests, obliged DG ECFIN to adopt a conflicting position, supporting the use of the economic rationality principle when designing policy proposals (and defending general interests). This different view resulted into a conflict (“zero sum” game) during the Impact Assessment phase. DG AGRI and DG TREN hostility marginalized DG ECFIN in Impact Assessment.

In the case of the Third Cohesion Report, DG ECFIN was excluded in the policy formulation phases. In this case there was a conflictive situation, deriving from the distance of the two paradigms. While, DG REGIO sees the European Union and the Commission as active actors in the regional development, financing direct interventions. DG ECFIN sustains the need to



consider government failures besides market failures, thus acting as a gatekeeper of economic rationality.

The strategic approach adopted by DG ECFIN.

Success in terms of DG ECFIN's influence on policy making depends both on the position of the other DGs (conflicting vs cooperative) and on the approach (conflicting vs cooperative) adopted by DG ECFIN. Both positions may depend on the interaction strategy chosen, and not on a previous and static position determined by the interests defended. In other words, a cooperative style has to be based on a pro-active strategy.

The strategic approach is based mainly on the attitude of the Head of Unit regarding the time and the human resources used for maintaining the connections with the other DGs: a positive and cooperative attitude increases the influence.

When DG ECFIN chooses (or can choose) a cooperating attitude with the other DGs there are less paradigmatic clashes in downstream phases. This is evident in the case of Lisbon and Clearing and Settlement. Particularly in Lisbon there is a common understanding that the relations among the DGs have sensibly improved. Partially, this change is due to a new approach adopted by DG ECFIN which has been involving systematically, since 2004, DG EMPL and DG ENTR in its studies and researches. In the case of Clearing and Settlement, there is a common perception that DG ECFIN's easy, accessible and cooperating attitude set the tone of the successful collaboration between DG ECFIN and the other DGs.

On the other hand, a negotiating or even a conflictive style reduces DG ECFIN's influence in the policy making process. This is the case both for the Third Cohesion Report and Biofuel.

The availability of adequate human resources

Currently, one unit (E1) is dedicated mainly to Lisbon related issues and another unit (E3) is dealing with labour market issues. Around 10-12 people are involved near full time for these activities. The "adverse" DGs (Employment and ENTR) involve quite the same amount of people for their sectoral issues. In the case of the Third Cohesion Report, the above mentioned DGs involved 15 people full time for at least one year plus a considerable number of external consultants, while DG ECFIN mobilized only four people for a very short time.

In the case of Clearing of Settlement, DG ECFIN mobilized an entire group in the up stream phase, compared to just three persons in the case of Biofuel.

The political capital invested by DGs

There are proposals which are crucial in the political strategy of a single DG. When this occurs, the leading DG invests a great deal of its political capital. This is not the case for DG



ECFIN, whose Commissioner (by means of Dir E) usually plays only a surveillance, an horizontal role and generally has not a specific stake in sectoral policy. This means that the political asset of DG ECFIN has to be preserved only for crucial issues and not spread too thin in sector policy. It is obvious that when there is a clear asymmetry in the political capital involved, the chances of influencing the policy are minimal.

The cases of the Third Cohesion Report and Biofuel are meaningful.

In the first case DG REGIO delivered its key political document for the programming period 2007-2013, while DG ECFIN was basically disinvesting.

In the Biofuel case, where political constraints played a very strong role, this is even more evident. The proposal was “baked” by the Commission President himself and by DG AGRI which consider biofuel as a continuing of CAP. It is important to notice that DG ECFIN's position was reinforced the year after during the discussing of the “EU Sustainable energy roadmap”, which was a more technical document.

On the contrary, in the Lisbon case DG ECFIN was ready to invest much of its political capital since it is the main political process in the EU at present.

3.3.2 Evidence from face to face interviews

The problematic role of DG ECFIN in the framework of Interservice Consultation and Impact Assessment emerges also from face to face interviews: all the interviewees recognize the very high level of the technical and methodological expertise in DG ECFIN, especially in macroeconomic analysis, but relations among DG ECFIN and the other DGs appear difficult. This often neutralizes the capacity of DG ECFIN to influence the policy debate. This perception is common among the persons interviewed both in DG ECFIN and in the rest of the Commission. There is also a common consensus about the reasons. First, the late involvement of DG ECFIN in the policy making cycle limits the opportunities of introducing real changes in the policy proposals. Second, there is a common perception in the other DGs that some units inside DG ECFIN are a “little bit myopic” to policy constraints; DG ECFIN is perceived as being too “dogmatic” and too “academic” and, finally, isolated. Third, the participation style adopted by DG ECFIN officials in these procedures appears to be largely influenced by positions individually defined (on a professional base, of course) and not by DG ECFIN guidelines and orientations.



3.4 Comparison with external sources

Evaluation question Q1.2: How are the current needs of the users being addressed by similar activities from external actors (think tanks, federations, etc)?

Evaluation Question Q4.1: What other similar activities from external actors (think tanks, federations, etc.) exist that target the policy formulation and debate in other DGs?. How do they compare with DG's economic evaluation activities in terms of scope, reliability, timeliness and usability?

Evaluation question Q4.2: To what extent are the results of similar activities from external actors effectively channelled into the policy debate of the other DGs? How does this compare to the channels used by DG ECFIN?

Evaluation question Q4.3: How much do similar activities from external actors influence the economic underpinning of the Commission's work and how does this compare to the influence of DG ECFIN's economic evaluation activities

The DGs make an extensive use of external providers during the policy development process. However, from evidence collected during the interviews, it is not clear how these contributions could in fact be compared to the support provided by DG ECFIN, for a number of reasons. The main ones are:

- when interacting with DG ECFIN, users DGs are mostly interested in its institutional position, rather than on its role of service provider;
- when interacting with external sources, users DGs have a client-provider relationship that provide tailor made and timely responses to the user needs, which could obviously not be asked to DG ECFIN.

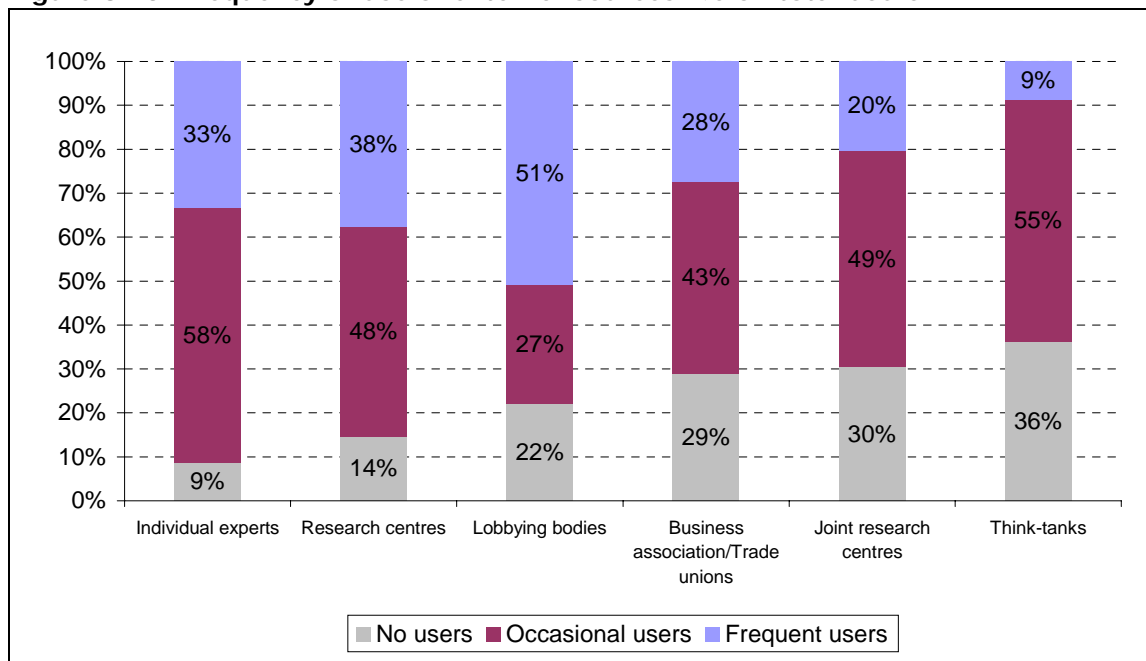
For these reasons external users should be seen more as complementary rather than competitors to DG ECFIN expertise.

3.4.1 Evidence from the survey

The typology of external sources addressed by the Commission in its policy formulation process is highly varied and it is related only to a minor extent to the same category of activities where DG ECFIN is also operating.

Data from the survey suggest that only 7% and 16% of the respondents do not use support from sources external to the Commission, respectively in the Upstream phase and in the Impact Assessment phase.

Figure 3.10: Frequency of use of external sources- % on total users



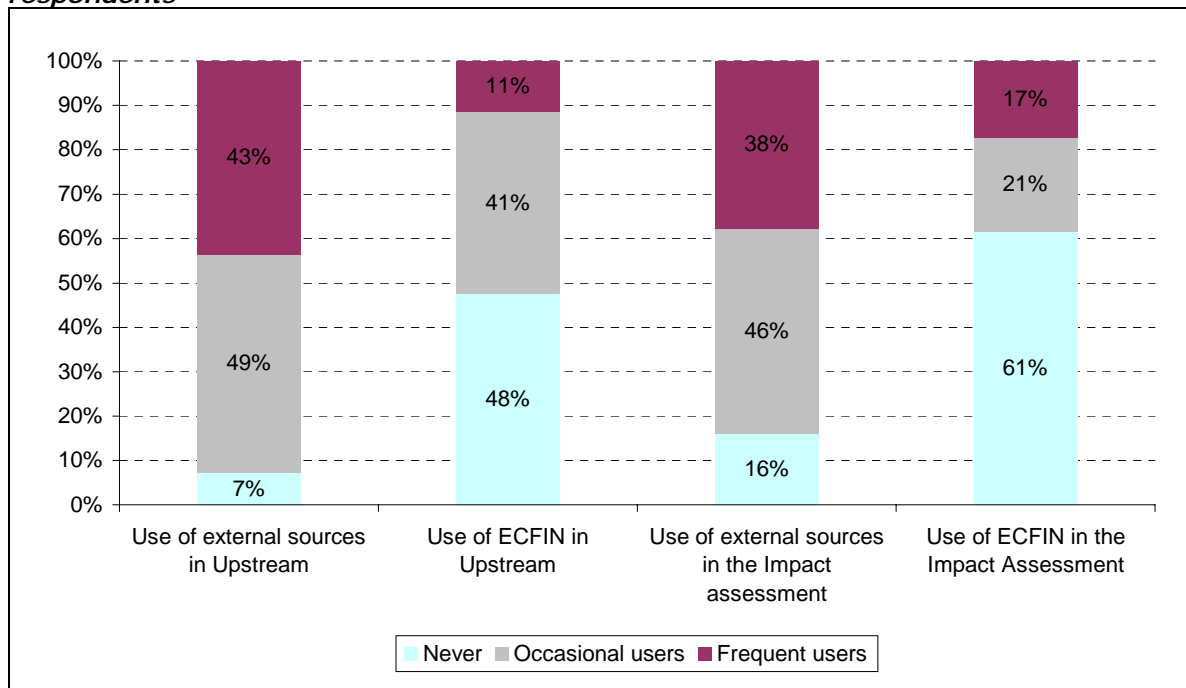
Source: our processing of survey data.

Figure 3.10 underlines the variety of the entities to which the DGs ask for support. All of them are quite used and a special attention should be given to the lobbying bodies which are frequently used by nearly 51% of the whole external sources' users responding to the survey.

The specific support these external actors provide to the DGs is particularly concentrated in the "cooperation in joint research and studies" and in the "discussion and interactions on

policy issues". The frequency of use is higher for the external sources than for ECFIN activities, in both upstream and the IA. (Figure 3.11)

Figure 3.11: Frequency of use of ECFIN vs. External sources - % on total respondents



Source: our processing of survey data.

The survey provides also evidence on the comparability of DG ECFIN support in relation to that of external sources, by considering some features, which are horizontal to the typologies of interactions that DG ECFIN or external sources can perform.

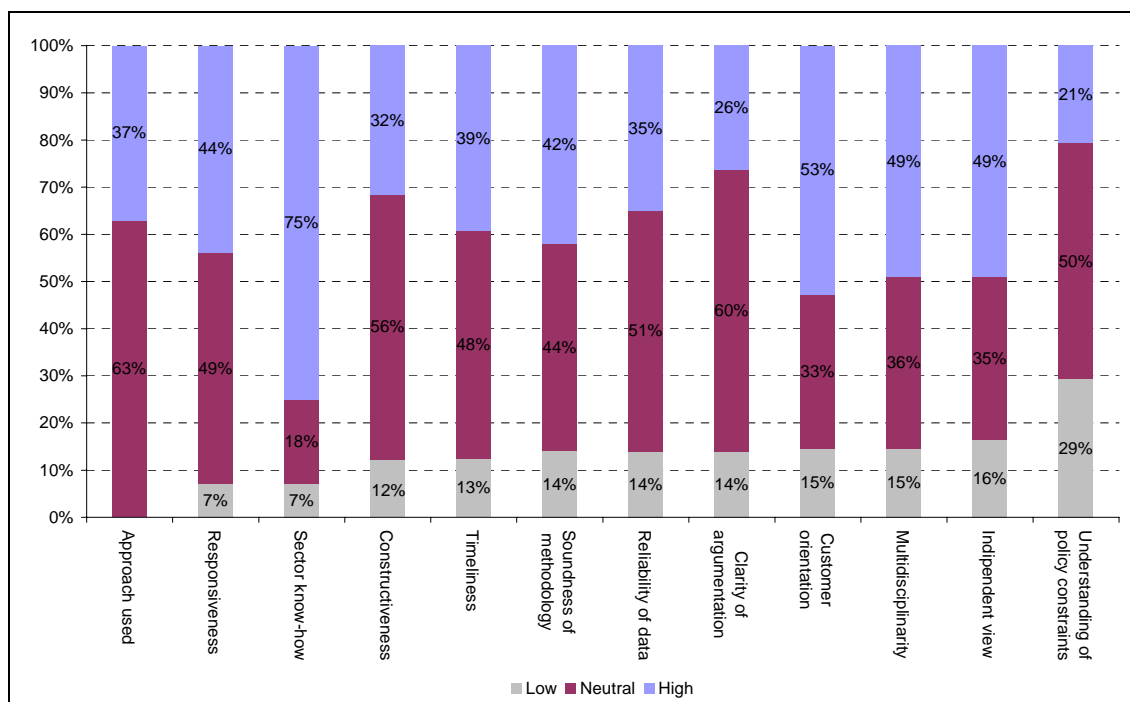
Box 3. Some comments from users

"...What we ask ECFIN is completely different from what we ask external consultants to do. The profiles needed are also completely separated..."

"...In general we need specific information on specific issue (Micro-economic). Private sector organizations are better placed to provide that..."

Source: free text comments from the survey

Figure 3.12: Added value of external sources compared to DG ECFIN - % on total external sources' users



Source: our processing of survey data.

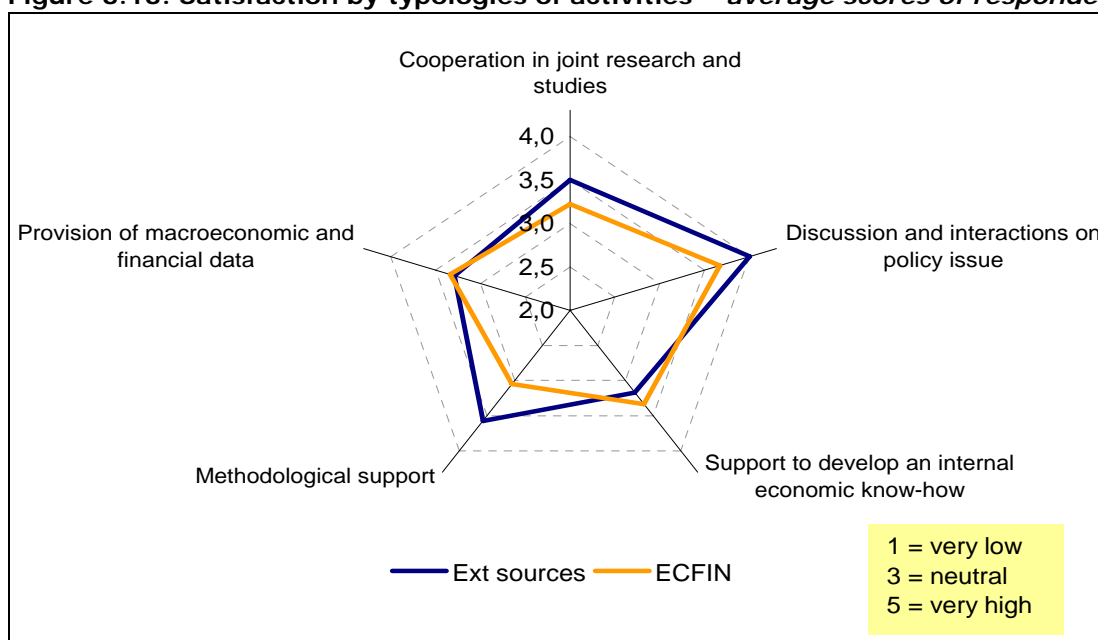
Figure 3.12 shows that external sources actually provide an added value on a number of topics. This is very evident for those features such as “Sector know-how”, “Customer orientation”, “Multidisciplinarity” and “Independent view”, where the rate of “high” is given by more than the 50% of the respondents. However, not considering “understanding of policy constraints”, it is quite evident that external sources show added value in fields which are in

fact out of the scope of DG ECFIN task and extraneous to its institutional mission: multidisciplinary, customer-oriented approach or sectoral skills.

Furthermore, despite the natural difference in what is expected from DG ECFIN and from an external actor, figure 3.13 tries to evaluate if users DGs perceive a different degree of satisfaction when interacting on a specific activity with the DG ECFIN or with an external provider.

Values are calculated taking into account respondents interacting only either with DG ECFIN or with external actors. It assesses the level of satisfaction referring exclusively to one of the two possible counterparts in an interaction.

Figure 3.13: Satisfaction by typologies of activities – average scores of respondents



Source: our processing of survey data.

Results in figure 3.13 are in line with those presented above. The user DGs tend to be much more satisfied of external sources' supports for "Methodological support" and "Discussion and interactions on policy issues", activities which imply a more customer-oriented attitude. On the other hand DG ECFIN overperforms external sources only in "support to develop an internal know-how", which even if it is very important, it does not have a direct impact on policy formulation.



3.4.2 Evidence from face to face interviews

The picture that comes out from the interviews is very coherent and homogenous: both DG ECFIN and the user DGs do not consider DG ECFIN as a service provider to other DGs, and indeed the evaluation activities performed by ECFIN are not comparable with the others. External consultants are considered by other DGs as: keener to answer specific demands (client/provider relation); more flexible and timely in service provision (due to the lack of sufficient internal resources in DG ECFIN); providing specific (microeconomic) expertise, together with new and out of the box approaches and insights. On the other hand, the most cited external providers have been selected through framework contracts or single tender procedures. DG ECFIN often takes part in the selection and the monitoring of external expertise provided by external sources for the other DGs.

The decision to use external providers is usually due, on the one hand, to constraints resulting from the lack of resources in DG ECFIN to provide analysis in a short time and, on the other hand, to the specific knowledge (usually microeconomic) that can not be found in DG ECFIN. Usually, DGs use external providers also because they need an “out of the box” opinion.

3.4.3 Evidence from case studies

The case studies confirm that DG ECFIN is not conceived as a service provider alternative to outsourcing. As an example, DG REGIO appreciates the quality of the economic expertise of DG ECFIN and used it in several and crucial occasions. Despite this, in preparing the Third Cohesion Report, DG REGIO preferred to use external research centres and Universities rather than to involve DG ECFIN. This decision is based on three main reasons:

1) Specific know how in the field.

The experts selected by DG REGIO have a widely recognized specific knowledge on Cohesion issues, based on a regional approach. Economists and policy analysts, were involved, both focusing on regional development.

2) Resources availability.

DG REGIO doubts that DG ECFIN is able to mobilise enough resources and be as flexible as external consultants in providing analysis and information.

3) DG ECFIN institutional role.

DG REGIO perceived DG EFIN as a political actor and not as neutral research provider.





4. Conclusions and recommendations

The different research activities carried out for the evaluation analysis present very coherent results and show some overall critical issues that should be tackled by DG ECFIN. For this reason firstly the overall results and recommendations are presented, then the answers to the specific evaluation questions of the Terms of References are provided.

At the end of this chapter, table 4.1 summarizes the main recommendations according to their priority and the indicative time span for their implementation.

4.1 Overall conclusions and recommendations

From the beginning of its activity, in 2003, until present, DG ECFIN evaluation activities have been feeding into an evolving policy cycle process: the increase relevance of downstream activities (Impact Assessment and Interservice Consultation) as compared to merely brainstorming and provision of economic expertise (upstream activities), has raised the relevance of understanding policy constraints, besides the methodological soundness of background analysis.

4.1.1 Overall conclusions

The main overall results of the analysis are the following:

1. DG ECFIN is perceived (both internally and by others DGs) as having a too broad and not clearly defined mandate in evaluation activities, comprising a double role:
 - a) a methodological role, aimed at increasing the economic rationality of EC policy proposals;
 - b) an active institutional position in the EU decision making process, in proposing and defending the economic rationale of European Commission policy proposals, sometimes becoming the counterpart of other DGs.
2. ECFIN evaluation activities are usually carried out in two distinct phases of the policy making process, which implies different opportunities for DG ECFIN to play effectively its role:



- a) upstream activities, where DG ECFIN, adopting a more cooperative strategy, provides methodological support, macroeconomic and financial data and analysis. The perception of users DGs is extremely positive and DG ECFIN has greater possibilities of influencing decision making, than in downstream phases. However, these activities are less frequent than the downstream ones, because DG ECFIN is not usually invited by the other DGs to take part in the conception phases of the policy proposals.
- b) downstream activities in the framework of ISC and IA procedures. These activities are more frequent and usually problematic. According to most DGs, in these stages of the policy process ECFIN contribution is usually limited by its little attention/awareness to policy constraints which reduces the constructiveness of ECFIN role. Indeed, in these cases, when opinions are different, the short time provided by the procedures reduces the effectiveness of co-operative strategies and asks, instead, for high organisational capacities to back own positions.

3. The way the tasks are performed within ECFIN varies according to the Unit involved: both the approach adopted and the resources activated are usually defined at the Unit level.

As a consequence, intervention appears to be defined autonomously by each unit, not explicitly related with the relevance of the issues for ECFIN and the expected impact of ECFIN proposals, but more on the basis of contingent internal organisational criteria (availability of human resources, interest for the issue, etc.).

4. ECFIN human resources devoted to evaluation activities are limited, and expertise in the formulation of opinions and analysis is perceived by other DGs as being mainly macroeconomic, even if there are micro-economic competencies in ECFIN evaluation units. These competencies appear not to be enough recognized and utilised in the evaluation activities.

4.1.2 Overall recommendations

Overall recommendations

1. Defining the mandate of Economic Evaluation Activities.

The lack of a clear mandate of the Economic evaluation activities influences both the approach to policy problems at stake, adopted by DG ECFIN Units from time to time involved, and the way of interacting with the other DGs.



It is necessary that DG ECFIN clarifies the mandate and the missions of the Economic evaluation activities (relevance in respect of other functions, and objectives) so as to obtain better results in influencing the content of the policy proposals.

This means to define ex-ante, in each economic evaluation process, ECFIN positioning between two possible approaches:

- a) playing a role of Service Provider, adopting a more cooperative approach in interacting with other DGs, especially in the upstream, but also in downstream phases; and
- b) playing the role of Gatekeeper of the economic rationality, negotiating or conflicting against other DGs, with the scope to defend a position regarded as essential for ECFIN institutional role.

These two approaches should not be seen as conflicting, but rather as two extremes of a range of approaches that ECFIN could adopt in interfering with the other DGs.

The adopted position will depend on the relevance of the issue at stake and on the expected behaviour of the other DGs involved (cooperative, negotiating, conflictive).

Until now the second role is perceived as the more frequently adopted. However, there is no *planned strategy in order to improve ECFIN impact on positions* (i.e.: DG ECFIN positions as an actor, and not the positions of a single DG ECFIN official) in the decision making.

The recommendation is:

- to define the mandate of economic evaluation activities and on this basis to introduce a pre-evaluation procedure for selecting the intervention priorities and for orienting the use of ECFIN resources;
- to strengthen the “Service Provider” approach, in other words to plan a cooperative style of interaction with the others DGs. This approach implies a strategy based both on the networking capacity and on the reinforcement of the microeconomic expertise.

On the basis of the case studies findings, the following SWOT analysis exemplifies strengths, weaknesses, risks and opportunities of the two possible approaches (gatekeeper of the economic rationality and service provider) that ECFIN may develop in carrying out economic evaluation activities and the options in relation to relevant issues.



SWOT

GATEKEEPER APPROACH

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Availability of analytical resources: economic models and high quality human resources; • Availability of Informative resources: disposing of knowledge on different countries; • Legitimization: is part of ECFIN mandate; • DG ECFIN is perceived as defending general interests; • High credibility among the other DGs ; • High standing in academic and professional networks. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Limited influence on the content of the policy proposals; • Risk of being involved only in downstream phases, when policy proposals are usually already defined and time constraints are strict; • Little attention to policy constraints; • High autonomy of single Units in the interpretation of the role.
<p>OPPORTUNITY</p> <ul style="list-style-type: none"> • Knowledge and information weakness of the other DGs in the analytical capacity of dealing with economic issues 	<p>THREATS</p> <ul style="list-style-type: none"> • Decreasing legitimization of this specific role; • Diffused perception of DG ECFIN as isolated in an “ivory tower” and as having a limited capacity of understanding policy constraints; • Increasing acquisition of economic competences by other DGs, both internally and through external consultancy; • Risk of non communication when there are opposed paradigms.

SERVICE PROVIDER APPROACH

<p>STRENGTHS</p> <ul style="list-style-type: none"> • Experience in IA and ISC procedures and successful cooperation cases with the other DGs; some positive cooperation cases with the other DGs in the Up Stream phase; • At present, a good perception of DG ECFIN's cooperation capacity in the Steering Groups, concerning relevant policies such as Lisbon, Internal Market, etc; • DG ECFIN is perceived as disposing of high standard competences, especially in macroeconomic analysis; • Competences in microeconomics (even though limited) and capacity of developing analytical models; • Informative resources; • Capacity of mobilizing competences; • Capacity to maintain and combine the role of gatekeeper of the economic rationality with the service provider approach. 	<p>WEAKNESSES</p> <ul style="list-style-type: none"> • Human resources scarcity and difficulty in intervening “on request”; • Scarce specialization in microeconomics and limited knowledge of microeconomic models; • Limited relationships with some DGs; • Lack of internal selection procedures of the intervention and investment priorities; • Limited capacity of intervention in the Up Stream phases; • Limited recognition of this role by the other DGs.
<p>OPPORTUNITY</p> <ul style="list-style-type: none"> • Increasing relevance of economic evaluation activities and eventually mandatory participation of ECFIN since the conception phases of policy decisions (systematic intervention of DG ECFIN, accordingly to formal procedures (IA – ISC)); • DG ECFIN's central position in the decision processes is recognized by the other DGs and SG, related to guaranteeing general interests and diffusing the principle of economic rationality in EU policy making; • Investing in the economic competences of the other DGs. 	<p>THREATS</p> <ul style="list-style-type: none"> • Interruption of the communication with the other DGs, when paradigms are extremely different which implies adopting negotiation capacities and selecting with attention the fields where ECFIN wishes to exert a real influence.



2. Define a pre-evaluation procedure

The selection of the approach has to be based on a formalized and transparent pre-evaluation procedure in order to define the intervention priorities, select the policy proposals to which dedicate more resources and discuss the strategy to be adopted.

The introduction of a pre-evaluation procedure helps to select those policy proposals on which ECFIN is more able to offer analysis and proposals, given the existing internal expertise and lack of human resources. Priorities and approaches should be defined according to the importance of the issue at stake for the Commission and the expected impact of ECFIN role.

The pre-evaluation procedure should be headed by the DG General Direction, backed by the Commissioner. It should be as much as possible shared, especially concerning downstream activities.

In this way ECFIN resources will be used more efficiently and ECFIN positions could be better backed and defended.

3. Develop a more pro-active style of interaction

ECFIN has to *develop a more pro-active and collaborative style of interaction* with the other DGs in order to improve the potential impact of ECFIN positions on policy proposals; face to face interviews and case studies show that there are opportunities (and a sort of expectations from the other DGs and the other institutional actors) to pursue this strategy, both in the early stage of a proposal formulation and in the downstream procedures. Obviously, DG ECFIN intervention in the upstream phase should be a priority, since, generally, in this phase the other DGs are more inclined to share information and opinions, to discuss in depth policy constraints and, ultimately, to find cooperative solutions.

4. Develop a network of alliances and improve the micro economic expertises

To be involved in the upstream phases of the selected policy process ECFIN has to:

a) pursue actively *the construction of a network of alliances* in order to obtain a wider involvement since the early stages of the policy process and to facilitate the collaboration in the Impact Assessment and CIS procedures (where limits of time and other constraints influence the opportunities to change the proposals);

b) *improve the microeconomic expertises* and the collaboration among DG ECFIN Units, in order to strengthen sector policy technical approaches and to consider sector policy constraints. In other words, the Economic evaluation activities should be based on the economic expertise present in the DG: either ECFIN limits its intervention to the analysis of the macroeconomic implications of policy proposals, and/or it extends it to some relevant issues (for ECFIN) on which to invest by increasing its microeconomic expertise.



4.2 Specific Evaluation questions and recommendations

The main results in relation to the specific questions addressed in the terms of references are the following.

Question 1 - Addresses the issues of value added, utility and relevance to the users; aims to tap into the views of all types of users in respect to where economic evaluation outputs could additionally focus in the future. Indirectly looks at coherence issues (complementarity with outputs of other external actors

Q.1.1: *Who are the current users of the economic evaluation activities and for what reason do they use them? What are the actual needs of the different users of the economic evaluation activities and to what extent are they met, including in terms of policy relevance, methodological approach adopted, quality, timeliness, reliability of outputs?*

The main users of DG ECFIN economic evaluation activities are all the DGs which are involved in policy proposals and the Secretariat - General. IA and ISC procedures have increased and strengthened ECFIN role in the policy making process. Some DGs have more frequent contacts with ECFIN :

- a) because the economic aspect is more relevant in their area of intervention (such as DG MARKT and DG COMP)
- b) because they share the same economic paradigm as DG ECFIN desk officials within ECFIN .

Overall the perception of the quality of ECFIN competences is very high, especially in relation to the quality of analysis, the timeliness, and the reliability of outputs. The Commission services appreciate overall macroeconomic analysis and the knowledge at country level. However, the survey emphasizes that DG ECFIN support activities are problematic in relation to the approach adopted, especially with “politically sensitiveness”. Criticalities are more present in downstream phases, where policy constraints are stronger.

On the contrary, the survey shows that, in the upstream phase, the users’ perception is that DG ECFIN performs its activities above their expectations.



Q1.2: *How are the current needs of the users being addressed by similar activities from external actors (think tanks, federations, etc.)?*

The DGs use intensely external actors, from research institutes, think tanks as well as lobbying bodies. The contribution of these actors to the policy delivery is quite different from ECFIN's, both in relation to the economic expertise and to the relationship with the commissioning DG, while the nature of the service is quite similar to what DG ECFIN could potentially deliver.

Research institutes and consultancies are mainly used because:

- c) they provide more out-of-box, timely and ad hoc answers to the needs of the DGs in a "client-customer relationship";
- d) in some cases, they offer specialised expertise in specific policy fields or are committed with the same policy paradigms followed by the DG that use these expertises.

Q1.3: *What are possible future needs of users? What areas are not adequately covered by the DG's economic evaluation activities from the point of view of both internal (to the DG) and external (other DGs) users of the outputs?*

The future needs of the other DGs are connected to two main policy development, both internal and external:

- the adoption of the Impact Assessment procedure which compels all the DGs to carry out an economic, social and environmental analysis every time they develop a new policy proposal. DG ECFIN is part of the Impact Assessment Board together with DG Employment, DG Environment, DG Enterprise and the Secretariat General.
- Empowerment of the economic analysis expertise inside each single DG. Most of the DGs are setting up their own teams of Economists. This can be seen either as a threat or as an opportunity for DG ECFIN. On the one hand, they can provide a sort of self refereeing to the sector DGs. On the other hand, they can be suitable counterparts in fostering the economic approach and consistency in the Commission Policy development
- the Lisbon process requires a constant macro economic contribution which is institutionally located in DG ECFIN.
- The actual internal need of DG ECFIN, in terms of Economic Evaluation, is represented by the Country Desk Officials. They need data and information, and even



more, guidelines from the horizontal Units especially for the structural economic aspect of the surveillance over the MS reform process.

Recommendation

The actual and future needs of the DGs rely on building their own capability in performing economic analysis. DG ECFIN shall support other DGs investing in training and networking with the economic teams. DG ECFIN is naturally recognised as the excellence pole of economic thinking inside the Commission so it shall exploit this common understanding to build a solid community of economists. DG ECFIN shall:

- empower the existing economists network;
- invest in training and education,
- introduce Peer Reviewing activities;
- adopt ICT modalities for knowledge management- WIKI modalities
- Some Units have already put in place several similar activities but they are still based on a "personal" rather than "strategic" approach of the Head of Unit.

Question 2 - "Addresses the issues of value added, utility and relevance of activities that support economic evaluation activities in DG ECFIN"

Q2.1: *To what extent is DG ECFIN's capacity to conduct economic evaluation activities strengthened by support activities (externally contracted reports, papers, workshops, databases)?*

The Economic evaluation activities seem to be adequately sustained by support activities. The most relevant help comes from Unit A1 which is in charge of running the economic model (QUEST). Seminars, internal trainings, and workshops, with the participation of other DGs economists and academics, play an important role in up dating and up grading the internal economic know how. For the day by day work, it is essential the role of the Economic researches implemented internally and the knowledge of Member States financial status by the Country Desk.



Q2.2: *To what extent do support activities contribute to analytical capacity building in other DGs?*

DG ECFIN has not a strategic approach on the capacity building and transfer of know how to other DGs. Despite the fact that there is a perception of need within other DGs in this direction, DG ECFIN contribution is rather episodic and focussed only on specific external request.

Recommendation

It is recommended a more strategic and systematic use of internal support activities, building synergies with internal economic tools developed by other Units within DG ECFIN (for example Unit A dealing with economic research activities) in order to support the development of internal know how and economic tools for policy analysis also in other DGs. To this regard there is room for Dir E to foster its function by playing the role of 'liaison' of the research Directorate in DG ECFIN (Unit A and related) with the policy orientation of the other DGs.

Recommendation

Even if the level of support activities is acceptable, it seems strategic to invest resources to empower Unit A1 (Quest model) and to exploit all the formal and informal exchanges of know how externally and internally given DG ECFIN's role of economic knowledge pole.



Question 3 - Covers effects likely to occur within the DG and in other DGs resulting from DG ECFIN's economic evaluation activities. Addresses efficiency and effectiveness, utility, impacts

Q3.1: *To what extent are the results of DG ECFIN's economic evaluation activities effectively channelled into policy debate within the Commission? Both internally to ECFIN and its Cabinet and to other DGs.*

The effectiveness of economic evaluation in influencing the policy proposal development is not always clear and evident. It seems that DG ECFIN is not effective when its intervention takes place in the final phase of the process, which means in the drafting of the Impact Assessment and, even less, in the Interservice Consultation. On the contrary, the contribution of DG ECFIN has a greater chance to influence policy making when it is focused in the so called "up stream phase"; in these cases, and if some basic conditions for cooperation are present, the other DGs are more open to share information and views, and it is easier to integrate DG ECFIN "vision" with the policy constraints of the other DGs.

This relative weakness of DG ECFIN interventions is due mainly to:

- a) limited human resources: often one or two DG ECFIN experts have to be the counterpart of an entire research and policy development Unit of the other DGs. Furthermore the confrontation takes place on fields where the sector micro know-how is very relevant;
- b) its double role: on the one hand DG ECFIN plays the role of a methodological authority to serve as an expert in helping the technical debate; and on the other hand it is itself a policy actor. In this sense, DG ECFIN faces methodological (and in some cases ideological) clashes with the other DGs in some paradigmatic dimensions: Neoclassical vs. Neokeynesian; Micro vs. Macro; General interests vs. Sector/Policy networks interests. This implies an implicit and potential conflict between approaches and positions, which could undermine, and sometimes actually do, an open discussion and exchange;
- c) lack of a pre-selection procedure. DG ECFIN perceived mission is to improve the economic rationale of the Commission policy proposals, which means that its perceived main role is to supervise all the key political processes which take place within the Commission. Furthermore DG ECFIN Commissioner is in charge of tracking



and evaluating the policy reforms in the framework of the Lisbon process and in the Stability and Growth Pact. The political asset of DG ECFIN has to be preserved for crucial issues and not spread too thin. This means that at the cabinet level the positions adopted by the economic evaluation units in IA and ISC could be shared and supported only if there is a clear and shared selection of relevant cases on which to spend the “political capital” of ECFIN.

Q3.2: *To what extent do DG ECFIN's economic evaluation activities contribute to integrating economic rationale in the Commission's work? How much do they contribute to enhancing the overall economic consistency and analytical quality of other DG's work, including the economic analysis of impact of new Community initiatives, and hence support the achievement of the Commission's policy objectives?*

DG ECFIN economic evaluation activities have still an important role in fostering economic rationale in the policy making process in several fields. The main and, in our view, the most important field is Lisbon. Here, maybe, DG ECFIN has lost its predominance, but still it is able to influence the Commission policy debate and outcome. There are also other several sectors where DG ECFIN contribution is widely recognised as important. In all the case studies we examined, the crucial variables are the capability to cooperate with the other DGs, the involvement in up stream and the degree of understanding of policy constraints. Furthermore the Impact Assessment procedure can enhance the capacity of DG ECFIN to improve the rationale and consistency of economic analysis performed in the Commission.

Recommendation

As already presented in the overall Recommendations, it is necessary to concentrate economic evaluation activities in the up stream phase and on a selected number of political fields. This approach is currently partially adopted and needs to be pursued with a specific strategy. On the one hand the Heads of Unit have autonomously limited their interventions in the Impact Assessment process and in the Interservice Consultation to a selected number of cases. On the other hand the reorganisation of the Directorate has reduced the human resources devoted to some structural policies. This trend is to be reinforced with more investments in the up stream phase. In order to have an internal coherence it is necessary to have a clear definition of priorities and to establish a kind of “blue print” of the engagement rules in Impact Assessment and Interservice consultation, fixing rules and procedures.



Question 4 - Covers effects likely to occur in other DGs resulting from similar activities from external actors. Aims to compare the influence of DG ECFIN's economic evaluation activities with that of similar activities undertaken by external actors. Addresses efficiency and effectiveness, utility, impacts

Q4.1: *What other similar activities from external actors (think tanks, federations, etc.) exist that target the policy formulation and debate in other DGs? How do they compare with DG's economic evaluation activities in terms of scope, reliability, timeliness and usability?*

Q4.2: *To what extent are the results of similar activities from external actors effectively channelled into the policy debate of other DGs? How does this compare to the channels used by DG ECFIN?*

The DGs use broadly external resources. But they cannot be seen as competitors of DG ECFIN and neither replace DG ECFIN economic evaluation function. This is due to the following reasons:

- The DGs have very tight time constrain. They need to be able to activate and check the delivery of studies and researches. This is not possible with DG ECFIN since the relation is on equal basis and not on custom – client.
- DG ECFIN does not have the human resources to supply all the requests coming from the other DGs
- Most of the analyses are micro and sector oriented which are not the core expertises of DG ECFIN
- Often, DGs wish to collect opinions coming from outside their institutional environment, “out of the box” views.
- The DGs want to drive the studies also in relation with their political goals.

Most of all, the other DGs do not see DG ECFIN as a service provider because of its institutional role, which assures autonomy and independence of judgement.



Q4.3: *How much do similar activities from external actors influence the economic underpinning of the Commission's work and how does this compare to the influence of DG ECFIN's economic evaluation activities?*

The nature and extent of the influence cannot be compared (see above), however there are policy issues where external actors are more influential than DG ECFIN and vice versa. Lobbying bodies are of course a category of highly influential actors.

Recommendation

Since outsourcing activities in the Commission is a natural and common trend, there is not much sense for DG ECFIN to compete with external actors in the provision of economic expertise. Nevertheless, it is important that DG ECFIN provides a methodological framework to check the standard quality of the outsourced research and study. In order to accomplish this, it is strategic to take part in the selection, monitoring and final assessment of those activities which are more and more relevant in policy formulation.



Table 4.1: Recommendations by priority

#	Priority H=high M=medium L=low	Recipient	Recommendation	Time span for implementation S=short-term M=medium-term L=long-term	Means of verification
01	H	Director General	<p>The mandate of DG ECFIN in the economic evaluation activities should be better defined DG ECFIN needs to clarify the mandate and the mission of the economic evaluation activities (relevance in relation to other functions, and objectives) to obtain better results in influencing the content of policy proposals.</p> <p>This requires defining ECFIN position according to the different issues involved and the behaviour (co-operative, negotiating, conflicting) of the other DGs, in relation to the two possible roles:</p> <ul style="list-style-type: none"> • Playing a role of Service Provider, pursuing a more cooperative approach in interacting with other DGs, especially in the upstream, but also in the downstream phases; or • Playing a role of Gatekeeper of economic rationality, negotiating or conflicting against other DGs, with the scope to defend a position judged of great importance. 	S	New mandate drafted and included in the mission statement of DG ECFIN
02	H	Commissioner and Director General	<p>Development of a formalised and transparent pre-evaluation procedure The introduction of a pre-evaluation procedure helps to select those policy proposals on which ECFIN is more able to offer analysis and added value, given the existing internal expertise and lack of human resources. Priorities and approaches should be defined according to the importance of the issue at stake for the Commission and the expected impact of ECFIN role.</p> <p>The DG Director General, backed by the Commissioner, should head the pre-evaluation procedure. It should be as much as possible shared, especially concerning downstream activities.</p> <p>In this way ECFIN resources will be used more efficiently and ECFIN positions could be better backed and defended.</p>	S	Definition of the strategic approach on pre-evaluation activity; Drafting and adoption of procedures for the pre-evaluation activity.
03	H	Heads of Unit and policy officers	<p>Strengthen the “Service Provider” approach (also via the improvement of the micro-economic expertise) ECFIN has to develop a more pro-active and collaborative style of interaction in order to improve the potential impact of ECFIN positions on policy proposals, especially when it is relevant to assume a role of service provider. Face to face interviews and case studies show that there are opportunities (and a sort of expectations from other DGs and other institutional actors) to pursue this strategy, both in the early stage of a proposal formulation and in the downstream procedures.</p>	M	Improvement in the relationships with other DGs
04	H	Director General	<p>Development of a network of alliances to pursue a wider involvement since the early stages in the policy process ECFIN intervention in the upstream phase should be a priority, since at this stage the other DGs generally show a greater openness in sharing information and opinions, discussing in depth policy constraints and, ultimately, finding cooperative solutions. This means for ECFIN Units to pursue actively the construction of a network of alliances in order to obtain a wider involvement since the early stages of the policy process and to facilitate the collaboration in the IA and ISC procedures (where limits of time and other constraints restrict the opportunities to change the proposals).</p>	L	Briefings between ECFINs directors in order to develop and then pursue an alliances networking activity; Organization of round tables on specific issues of interest for the DG ECFIN, involving other DGs Directors;



					Head of Units' level round tables to develop alliances, partnerships and plan of actions on specific issue of common interest.
05	M	Director general and Head of Units	<p>Investing resources to empower the Units involved in the entire process of economic evaluation</p> <p>Even if the level of support activities is acceptable, it seems strategic for DG ECFIN to invest resources to empower both the Units directly involved in the economic evaluation activities and the research support Units and to valorise all the formal and informal exchanges of know how externally and internally, given DG ECFIN's role of economic knowledge pole.</p>	L	<p>Definition of an investment programme and periodical assessments;</p> <p>Specification of the activities to be implemented in order to reach the strategic objective;</p> <p>Units specific fine tuning of the strategic approach.</p>
06	M	Head of Unit	<p>Improvement of the internal exchange and sharing of knowledge</p> <p>Internal know how and capacities of DG ECFIN, especially country desk officials and economic analysis (especially Unit A1 which developed the QUEST model), should be better exploited for the economic evaluation activities. To this regard there is room for Dir E to foster its function by playing the role of 'liaison' of the economic expertise in DG ECFIN with the policy orientation of the other DGs.</p>	S	<p>Organisation of meetings with units from other DGs with whom there is the intention to collaborate;</p> <p>Having resources from other DGs spending periods internally in DG ECFIN, in order to have insights on the working methodologies used;</p> <p>Having DG ECFIN officials spending working periods in other DGs.</p>
07	L	Heads of Unit	<p>ECFIN's internal expertise in economic analysis should be better promoted and exploited</p> <p>DG ECFIN is naturally recognised as the excellence pole of economic thinking inside the Commission. Thus it could play a more significant role in building a solid community of economists by:</p> <ul style="list-style-type: none"> - empowering the existing economists network; - investing in training and networking with other DGs' economic teams; - introducing peer reviewing activities; - adopting ICT modalities for knowledge management. 	M	<p>Briefing among Head of Units to set up the strategic approach of DG ECFIN, in order to better promote and exploit its economic analysis expertise;</p> <p>Specification of the activities to be implemented in order to reach the strategic objective;</p> <p>Units specific fine tuning of the strategic approach.</p>



08	L	Heads of Units	<p>Support and quality checking of the outsourced economic evaluation activities</p> <p>A specific role in this direction could be played in supporting and quality checking the outsourced economic evaluation activities. Since outsourcing activities in the Commission is an ordinary and common trend, there are rooms for ECFIN, rather than competing with them, to provide a methodological framework to check the standard quality of the outsourced research and study. To do so, it is strategic to take part in the selection, monitoring and final assessment of those activities which are more and more relevant in policy formulation.</p>	M	<p>Inclusion of DG ECFIN representatives into the Steering Committees following studies commissioned by other DGs to external consultants;</p> <p>Development of a plan of action at unit level, in order to implement the action.</p>
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