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Delegation of the management of the 2021-2027 EU programmes to executive agencies

{SWD(2021) 20 final}

Executive Summary

- The 2021-2027 EU programmes will play a crucial role in supporting the recovery from the Covid-19 pandemic, and in building a more sustainable and resilient European economy for the future.
- Based on the successful experience of the current multiannual financial framework, the Commission has decided to make greater use of executive agencies for the implementation of the new EU programmes
- The Commission has designed the portfolios of the six executive agencies to ensure a strong thematic focus and close alignment with the headline ambitions of President von der Leyen.
- The new portfolios will ensure that each of the agencies is of sufficient size to operate efficiently, and will allow synergies between EU programmes to be more fully exploited.
- The Commission will work to ensure a smooth transition to the new agencies and programmes. The Commission will be particularly attentive to supporting the dedicated and specialised staff working in executive agencies in making this transition.
- The decision on the new portfolios is supported by a cost-benefit analysis that shows that the new portfolios offer advantages both in terms of the quality and efficiency of programme implementation, and that they are cost-effective.
- On the basis of the new portfolios, the necessary staffing levels for each programme and executive agency have been determined. To promote further efficiency improvements, productivity targets have been set per programme and should be achieved by the end of the next financial framework. The Commission will monitor the actual achievement of the productivity increase announced in the cost-benefit analysis.
- The proposed staff increases in agencies will be offset by reducing Commission staffing levels.
- The communication also sets out how the operational framework under which executive agencies will operate will be modernised and strengthened.
- The budgetary authority has been informed and the Committee for Executive Agencies has issued a positive opinion upon the delegation package presented to it.
- In parallel to this Communication, the Commission is adopting the decision establishing the six new executive agencies and the six delegation instruments.
- Under this decision, five new executive agencies will be established on 1 April 2021. The management of the new programmes will be delegated to the executive agencies only once they enter into force.
- To ensure a smooth transition of activities between executive agencies and a rapid start of implementation, the European Health and Digital Executive Agency (HaDEA) will be established earlier, on 16 February 2021. This will allow additional time for the necessary preparatory work to set-up an entirely new agency before implementation begins.

Introduction

The European Parliament and the Council reached a political agreement on an ambitious and modern multiannual financial framework for the 2021-2027 period on 10 November 2020. This was followed by formal adoption by the Council on 17 December 2020. The new financial framework, together with the temporary recovery instrument, NextGenerationEU, constitutes the largest package ever supported through the EU budget. It will play a crucial role in supporting the recovery from the Covid-19 pandemic, and in building a more sustainable and resilient European economy for the future.

The focus is now on completing the legislative work on the new EU programmes and moving ahead swiftly with programme implementation. Building on the successful experience to date, the Commission has decided to make greater use of executive agencies for the implementation of the new EU programmes. Executive agencies are specialised EU bodies created by the Commission and dedicated to programme implementation. For over a decade, they have overseen the investment of billions of euros, achieving a high level of stability and maturity, ensuring that financial rules are respected, meeting high efficiency standards, and achieving very high satisfaction rates among stakeholders. Via the EU programmes they implement, the executive agencies have supported thousands of projects, small businesses, students, researchers and other beneficiaries across the Union.

New portfolios

The Commission is establishing six executive agencies to support the implementation of EU programmes under the new financial framework. The portfolios have been designed to ensure a strong thematic focus and close alignment with the headline ambitions of the von der Leyen Commission.

For example, one agency will bring together programmes to support the European Green Deal (such as the LIFE programme, the Just Transition Mechanism, Horizon Europe's cluster related to climate, energy and mobility). The experience of the pandemic has underlined the importance of an ambitious and integrated approach to health issues. To achieve this, the implementation of the new health programme – EU4Health – will be grouped with health research and the new Digital Europe programme in a dedicated health and digital agency. Another agency will bring together programmes related to innovation and small and medium-sized enterprises.

Cost-benefit analysis

In accordance with the legal requirements, the Commission services have performed a cost-benefit analysis to assess the alternative scenarios. The figures used in the cost-benefit analysis and in this Communication are based on the political agreement reached on 10 November 2020 between the European Parliament and the Council.

The cost-benefit analysis demonstrates that the new portfolios offer advantages both in terms of the quality and efficiency of programme implementation, and that the delegation of programme implementation to executive agencies is cost-effective. The design of the portfolios will ensure that each of the agencies is of sufficient size to operate efficiently, and will allow synergies between EU programmes to be more fully exploited.

The results of this analysis are presented in this Communication, which is supported by an accompanying Staff Working Document. The necessary staffing levels for each programme and each executive agency under the chosen scenario are also described. This will ensure that the agencies are adequately staffed to deliver this unprecedented recovery package, while taking full account of the budgetary constraints.

Boosting efficiency and strengthening governance

Substantial efficiency gains have already been made in programme implementation during the current period, and this will continue thanks to simplification in the management of funds, further digitalisation, increasing the average size of the agencies, and a more thematically coherent allocation of EU programmes managed by each executive agency. Productivity targets have been set per programme and should be achieved by the end of the period.

The chosen scenario reflects the Commission's commitment to working under constant resources in delivering policies. This means that the staff increases in agencies will have to be offset by a reduction in Commission staffing levels. This offsetting will be achieved through resources freed up directly by the transfer of programme implementation tasks from the Commission to the agencies, and by targeted staff reductions in other areas.

The launch of the new EU programmes is also an opportune moment to review and strengthen the operational framework under which executive agencies operate. Based on the evaluations of the current period[1], the Commission has identified a number of areas where further improvements are necessary to enable the agencies and the Commission to cooperate more flexibly and effectively. Supervisory mechanisms need to be more structured and streamlined. The Commission needs to receive timely and substantive feedback from the agencies to shape future EU policies, initiatives and EU programmes. The human resources framework in the agencies also needs to be updated to reflect new ways of working, and the transition to a more digital and greener working environment. This Communication sets out the steps that will be taken to set these important changes in motion.

Next steps

The preparation for the launch of the six agencies is now in its final stages. Throughout this transition, the Commission will be particularly attentive to supporting the dedicated and specialised staff working in executive agencies, upon whom the success of the executive agencies depends.

In parallel to this Communication, the Commission is adopting the decision establishing the six new executive agencies and the six delegation instruments. These proposals have been shared with the European Parliament and the Council. In accordance with the legal requirements, the Committee for Executive Agencies has also been presented with the draft Commission decision establishing the new agencies, the delegation instruments and the cost-benefit analysis. The Committee issued a positive opinion on this delegation package on 1 February 2021.

Taking account of the late adoption of the new EU programmes, five new executive agencies will be established on 1 April 2021. All transfer of activities and staff will only take place as of this date. The management of the new EU programmes will be delegated to the respective agencies only once they enter into force.

To ensure a smooth transition of activities between executive agencies and a rapid start of implementation, the European Health and Digital Executive Agency (HaDEA) will be

[1] Report from the Commission to the European Parliament, the Council and the Court of Auditors COM(2020)184 and SWD(2020) 73-78).

established earlier on 16 February 2021. However, transfer of activities and staff will only take place at the date of establishment of the other executive agencies (1 April 2021).

I. The costs and benefits of the selected scenario

In accordance with the legal framework[2], prior to any delegation of EU programme to an executive agency, the Commission services are required to perform a cost-benefit analysis (CBA) to ensure that the delegation is cost-effective. The Commission is required to compare alternative scenarios to establish which one will allow for the most efficient implementation of the future EU programmes.

The Commission services have performed a dedicated CBA for the delegation of the 2021-2027 EU programmes. This CBA is based on three main sources:

1) the triennial evaluations of the six existing executive agencies and in particular the chapeau report summarising the key findings identified in the evaluations;

2) a study undertaken by the Joint Research Centre (JRC), which provides a quantitative and qualitative analysis of the delegation to executive agencies;

3) constant dialogue and exchange of information with and between central services, the delegating Directorates-General and the executive agencies.

1. The three scenarios under assessment

a. In-house scenario

The starting point is the comparison with in-house implementation, i.e. implementation of the EU programmes by the delegating Directorates-General. In the past, cost-benefit analyses performed for previous EU programmes to be delegated showed that in-house implementation was more costly and less efficient in comparison to the executive agencies. This was mainly due to the higher staff costs in the Commission and the specialisation of the executive agencies, which are dedicated to programme management, while the Commission services perform a wider range of activities that also include, for example, policy-making, coordination, interinstitutional relations, etc. This assessment was also confirmed by the latest triennial evaluations, the JRC study and feedback from DGs and agencies.

The CBA offers the necessary comparison with an *in-house scenario* but, as it would be artificial to reintegrate all the delegated programmes in-house, the CBA does not build a detailed *in-house* scenario. It is focused rather on how to organise the delegation efficiently.

b. Status quo scenario

A second scenario is *the status quo scenario*, under which the allocation of (sub)programmes by agency is unchanged compared to the current situation. Only the delegated budgets change in line with the new financial framework. EU programmes currently implemented by Commission services and new programmes are entrusted to the agencies according to a

[2] Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes.

thematic approach. As a consequence, the portfolios of the agencies remain relatively similar to the current situation.

c. Optimised allocation of programmes scenario

A third scenario was identified to test an alternative and potentially more optimal organisation of the delegation compared to the status quo scenario.

Based on the qualitative assessment in the triennial evaluations, the JRC study and the feedback from DGs and agencies, the following qualitative guiding principles were identified, with a view to achieving an optimal allocation of the delegated programmes:

- Stability: in order to minimise disruption of programme implementation, unnecessary transfers of tasks between agencies are to be avoided.
- One programme in one agency: different strands of the same programme should be grouped and implemented by the same agency. This offers benefits from specialised implementation (same legal basis, same procedure, same type of support, same targeted sector(s) or beneficiaries, same delegating DG), avoids duplication of tasks between agencies, and benefits from economies of scale. In the case of EU programmes too large to be implemented by a single agency, for example Horizon Europe, this principle was applied at the level of strand or cluster of the programme.
- Streamlined governance: as far as possible the EU programmes of a delegating DG will be grouped in a single agency. This streamlines the governance of the executive agencies (fewer DGs involved), creates economies of scope (expertise on the same sector grouped in one agency), facilitates mobility of staff between programmes, and helps direct potential applicants to the programme that could finance their activity. All these aspects reduce implementation costs, and increase the quality of implementation.
- Thematic consistency and visibility: EU programmes related to the same theme will be grouped, as far as possible, within the same agency. Thematic consistency in the agency portfolio ensures synergies between EU programmes covering a given theme and gives greater visibility to the Union’s priorities.
- Size matters: agencies should have a sufficient size to be efficient. A minimum critical size is necessary to ensure efficiency, whilst at the same time an excessively large structure can hamper effective organisational management.

The objective was to find an appropriate balance between these principles, while recognising that not all criteria can be satisfied in full simultaneously.

Based on these qualitative criteria, the *status quo scenario* immediately raised significant issues in some agencies. For example, under this scenario programmes and sub-programmes would be split between agencies leading to duplication of tasks, and the lack of thematic coherence in the portfolios would impede synergies and the visibility of key Union actions.

Using the qualitative guiding principles, an *optimised allocation of programmes scenario* was developed. The scenario takes account of the characteristics of the new EU programmes to be delegated and the change in the structure of the existing EU programmes, in particular the changes in Horizon Europe as compared to Horizon 2020.

Initial orientations were set out in the Commission Communication of 29 April 2020. This approach was further refined in the following months to take into account recent developments and draw the lessons of the Covid-19 pandemic. The proposed approach presents the following main features:

- The transfer of the tasks of the Consumers, Health, Agriculture and Food Executive Agency (CHAFEA) currently situated in Luxembourg to Brussels-based agencies. The transfer of all tasks to Brussels enables more coherent agency portfolios, an efficient size of all agencies, as well as the possibility to develop synergies across agencies, both in programme management and administrative functions. The proposed transfer of the activities is based on a combination of elements pointing to issues with the current set up of CHAFEA. Firstly, the sub-optimal size and fragmented portfolio, as well as relatively higher staff costs had a combined effect on the relative cost efficiency of CHAFEA compared to the counterparts in Brussels. Many attempts to develop CHAFEA into a bigger agency with a more coherent portfolio have failed after careful analysis and intensive discussions with the Directorates-General concerned. Increasing the size of CHAFEA would have entailed a bigger transfer of activities from Brussels to Luxembourg that would have been more disruptive than the transfer of the current activities of CHAFEA to Brussels. It would have added more distance between delegating Directorates-General and the executive agency in Luxembourg than the current distance of CHAFEA from some of its current parent Directorates-General. The political agreement reached on 10 November 2020 between the European Parliament and the Council resulted in a significant increase in the budget of the EU4Health programme. Even with this increase, the size of the agency would be limited and this increase will consist mainly in new activities, not currently carried out in the existing Public Health programme. Those new activities require close coordination with the Commission services in Brussels, including with the Brussels-based staff engaged in health research. These activities also require hiring a significant amount of staff – mainly contract agents – in a short time frame. The experience of recent years shows that recruitments in certain staff categories (in particular contract agents) has proved more challenging in Luxembourg due to the characteristics of the labour market.

- Stability in the portfolios of the European Education and Culture Executive Agency (EACEA) (former Education, Audio-visual and Culture Executive Agency (EACEA)), and the European Research Council Executive Agency (ERCEA): The portfolios of these two agencies are proposed to be kept stable, since they have both already reached a significant size in terms of staff. Furthermore, each agency has specific characteristics that would complicate the implementation of additional EU programmes within their portfolios.

- The European Research Executive Agency (REA) remains focussed on research activities: the Horizon programme remains the centrepiece of the agency's portfolio, with a limited transfer of current Horizon activities to the European Health and Digital Executive Agency and the European Innovation Council and SMEs Executive Agency, to align the distribution of the activities with the new structure of Horizon Europe. The agency will also take over a programme from CHAFEA. The Common Support Service remains in REA, to avoid disruption to a well-functioning entity and unnecessary staff transfers.

- The European Climate, Infrastructure and Environment Executive Agency (CINEA) – the main successor of the Innovation and Networks Executive Agency (INEA): in the current period, INEA focused on infrastructure activities through the implementation of the Connecting Europe Facility. Building public transport connections or more efficient energy supply networks are expected to have a strong impact on the climate in the long term. In addition, as of June 2020, INEA is implementing the Climate Innovation Fund, a fund that is dedicated to supporting innovative technologies in the field of climate change. This agency will be entrusted with a portfolio that gives it a clear focus as a climate and environment agency, including the LIFE programme, which implements activities to tackle climate change, encourage the protection of the environment, and promote energy transition. In addition to the LIFE programme and the Innovation Fund, the Horizon Europe cluster related to climate, energy and mobility and the 3rd pillar of the Just Transition Mechanism will strongly support the goals of the European Green Deal. The agency will also implement the European maritime and fisheries fund given its focus on contributing to safer, cleaner, more secure, and sustainably managed seas and oceans, as well as on fostering a sustainable blue economy.

- Establishment of a new European Health and Digital Executive Agency (HaDEA): this agency will group all the programmes dedicated to health (the new EU4Health programme, the health research strand of Horizon Europe, and the health components of the Single Market Programme). The grouping of Horizon Europe's cluster "Digital, industry and space", as well as the Connecting Europe Facility's digital strand and the new Digital Europe Programme will create a strong digital pole to stimulate the digital transition and the economic recovery. Placing together health and digital reflects also the fact that economic recovery must go hand-in-hand with building up the resilience of the Union for future health crises, including through digital means. This agency will be the sixth agency in Brussels and will have the scale and specialisation needed to operate efficiently.
- The European Innovation Council and SMEs Executive Agency (EISMEA) – the main successor of the Executive Agency for Small and Medium-sized Enterprises (EASME): the agency gathers all the activities of the European Innovation Council (EIC) and will continue to implement the programmes related to small and medium-sized enterprises (COSME/SME policy). It will have a strong economic oriented portfolio grouping the EIC with other relevant strands of the Single Market Programme. The EIC and Interregional Innovation Investments will ensure visibility for EU and local-based innovation, key to supporting the modernisation and sustainability of the EU economy. The objective is to create strong synergies to support the recovery of the European economy, and in particular small and medium-sized enterprises, notably through innovation.

The following table is an illustration of the optimised allocation of programmes scenario.

Table 1: Repartition of 2021-2027 EU programmes among executive agencies according to the optimised allocation of programmes scenario

		European Education and Culture Executive Agency *(former EACEA)*	European Research Council Executive Agency *(former ERCEA)*	European Research Executive Agency *(former REA)*	European Climate, Infrastructure and Environment Executive Agency *(former INEA)*	European Innovation Council and SMEs Executive Agency *(former EASME)*	European Health and Digital Executive Agency *(NEW)*	Former Consumers, Health, Agriculture and Food Executive Agency (CHAFEA)
Programmes already delegated in the 2014-2020 MFF	Remaining at same agency	Erasmus +	Pillar 1: European Research Council	Pillar 1, Excellent Science: Marie Skłodowska-Curie Actions	CEF Transport (incl. cohesion and military mobility)	Competitiveness of enterprises and SMEs (COSME)		
				Pillar 2, cluster 2: Culture, creativity and inclusive society				
				Pillar 2, cluster 3: Civil security for Society				
		Creative Europe		Reforming and enhancing the European R&I system	CEF Energy			
		Solidarity Corps		Sharing excellence	Innovation Fund	European Innovation Council *(partly from EASME and REA)*		
		Citizens, Equality, Rights and Values		Common Support Service (CSS)				
	Transfer to new agency			Pillar 2, cluster 6: Food, Bioeconomy, Natural Resources, Agriculture and Environment *(partly from EASME)*	Pillar 2, Cluster 5: Climate, Energy & Mobility *(partly from EASME)*		Food chain (Better Training for Safer Food) *(from CHAFEA)*	
					LIFE Climate Action *(from EASME)*		EU4Health *(partly from CHAFEA)*	
				Agricultural promotion measures *(from CHAFEA)*	LIFE Environment - Circular Economy *(from EASME)*	Consumers*(from CHAFEA)*	Horizon Europe, Cluster 4: Digital, Industry and Space research *(Space from REA and Industry from EASME)*	
					LIFE Clean Energy Transition*(from EASME)*			
					European Maritime and Fisheries Fund *(from EASME)*		CEF Digital *(from INEA)*	
Newly delegated programmes				Research infrastructure *(from RTD and CNECT)*		Int.Mark., Stand. *(from GROW)*	Horizon Europe, Cluster 1: Health Research *(from RTD and CNECT)*	
				Research programme for coal and Steel (RFCS) *(from RTD)*				
							Horizon Europe, Cluster 4: Digital, Industry and Space research *(from RTD)*	
							Food chain (Eradication and reference laboratories) *(from SANTE)*	
New programmes					Just Transition Mechanism: 3rd pillar	Interregional innovation projects	EU4Health *(partly new)*	
					Renewable Energy Financing Mechanism		Digital Europe Programme	

In summary, the three scenarios assessed in the CBA are as follows:

- *the in-house scenario*, which is a theoretical reinternalisation of all EU programmes in the Commission;
- *the status quo scenario*, in which the delegated budgets change in line with the new financial framework but the allocation of (sub)programme by agency is unchanged compared to the current situation;
- *the optimised allocation of programmes scenario* adjusting the allocation of some activities between agencies, transferring the activities of CHAFEA to other agencies and creating a new agency dedicated to health and digital programmes.

2. Comparison of costs

a. Model used to calculate staff costs

As the main costs for implementing programmes are the staff costs, the Commission services developed a model to estimate the staff levels, hence determining the costs of the scenarios. This model is based on four building blocks:

1) The observed number of staff implementing a given programme in 2020;

2) The variation of the budget to implement, in constant prices, between the current and the future financial framework;

3) The increase of staff needed to improve policy feedback from the agency to the delegating DGs;

4) The reduction in the labour intensiveness of the implementation of each programme.

The model envisages that labour intensiveness diminishes progressively over the seven years of the 2021-2027 financial framework for each delegated programme, i.e. a target of increased productivity has been set for each delegated programme compared to the current situation. The situation of each delegated programme has been taken into account when setting the targets (historical evolution, type of implementation, type of calls, profiles of beneficiaries, number of participants in grants consortium, etc.). The expectation that the labour intensiveness can be progressively reduced is based on several factors, not least that the agencies will be larger on average and have a more consistent portfolio (compared e.g. to the status quo scenario). This should allow economies of scale and synergies. The Commission will also monitor that the increased productivity included in this communication and the cost-benefit analysis is achieved. This will be ensured by setting the level of staffing of the agencies (as part of the annual budgetary procedure) in line with this cost-benefit analsysis, while ensuring the delegated budget also remains in line with the budget included in the cost-benefit analysis.

A number of other effects have been identified that relate to the organisation as well as complexity of the implementation. The executive agencies will have to be strongly supported by the parent DGs to put in place appropriate measures to reduce the labour intensiveness of implementation and to reach the productivity targets set for all EU programmes at the end of the next financial framework. To make this happen, they should become more efficient by:

- More efficiently organising the necessary feedback to policy;
- Relying on new or improved IT tools;

- Implementing additional simplification measures made possible by the latest revision of the Financial Regulation, e.g. wider use of lump sums;
- Increasing the average grant size where possible, keeping in mind policy delivery objectives;
- Organising calls and procurement in a less resource intensive way;
- Reassessing the reporting requirements; and
- Increasing the flexibility in the allocation of staff between the various EU programmes implemented by an agency, allowing a better response to the variation in the workload of the different EU programmes of the agency. This will lead to higher productivity.

The model assumes that, in the *status quo* scenario, the activities which would be split between two agencies, instead of being grouped in a single one, could not achieve an increase of productivity as significant as in the optimised allocation of programmes scenario. It also takes into account the difference of staff cost observed between the agencies based in Brussels and the one based in Luxembourg.

The model also assumes that, in the *in-house* scenario, implementation of the EU programme within each DG would not achieve the same level of scale, specialisation and synergies, and hence the productivity per head would be slightly lower. It also takes into account the different (and more costly) staff composition in the Commission, where the percentage of contract agents is significantly lower than in the agencies.

b. Comparison of the three scenarios

The model described above has been applied to the three scenarios. In the *optimised allocation of programmes scenario*, it is estimated that in order to manage the financial envelope of EUR 104,9 billion[3] in 2021-2027 of EU programmes whose implementation will be delegated to executive agencies (an increase of 39% compared to 2014-2020 in constant prices), the six agencies will need 3329 FTEs[4] by 2027 (an increase of 26 %, i.e. additional 678 FTEs compared to 2020).

By adding up the programmes financed outside the EU budget and delegated to the executive agencies (i.e. including the Innovation fund, Renewable Energy Financing Mechanism and the Just Transition Mechanism 3rd Pillar), the increase of budget would reach to 49% in constant prices compared to 2014-2020 and the corresponding increase of staff would be 29%, or 3429 FTEs in 2027.

When further adding staff for supervision in Directorates-General the staff in 2027 in the *optimised allocation of programmes scenario* is 3511 FTEs. This compares favourably to the

[3] This amount in constant prices excludes the delegated budget on the Innovation Fund and the Renewable Energy Financing Mechanism, which are entirely financed from assigned revenues to the EU budget, and the Just Transition Mechanism 3rd Pillar, which is mostly financed by assigned revenue outside the EU budget.

[4] Excluding the additional staff needed to manage the Innovation Fund (+46 FTEs compared to 2020 level) and REFM (+9 FTEs) compared to 2020 level, which will be entirely financed from assigned revenues, and the Just Transition Mechanism 3rd Pillar (+31 FTEs), which is mostly financed by assigned revenue outside the EU budget. It also excludes the temporary reinforcement from NextGenerationEU (up to 114 FTEs by 2022 and fully phased out by 2027).

in-house scenario, which would require by 2027 3772 FTEs to manage the same EU programmes. In addition, the *optimised allocation of programmes scenario* leads to the highest estimated efficiency gains in the form of cost savings (EUR 1118 million over the period) in relation to the *in-house* scenario. Conversely, when comparing the *optimised allocation of programmes scenario* to the *status quo scenario*, it is estimated that the six agencies will need 3470 FTEs by 2027 (3553 FTEs when adding staff for supervision in Directorates-General), an increase of 30 %, i.e. additional 805 FTEs compared to 2020 in the *status quo scenario*.

In the *optimised allocation of programmes scenario*, the executive agencies will benefit from economies of scale as they become larger and the programme strands are grouped into more thematically coherent portfolios. In addition, according to the CBA and thanks to the productivity targets that can be better reached in the *optimised allocation of programmes scenario*, the average budget managed per 'head' in the executive agencies is expected to increase on average from EUR 28 million in 2020 to EUR 33 million per staff member in 2027.

Taking into account the above-mentioned aspects of the analysis and the targeted productivity increase, the table below translates into costs the staffing of the three scenarios. The analysis points to the *optimised allocation of programmes scenario* as the most efficient in terms of cost savings, at the same time ensuring a more streamlined implementation of EU programmes through a thematically coherent architecture of portfolios and simplified governance.

Table 2: FTEs and costs of each scenario[5]

		2021	2022	2023	2024	2025	2026	2027	Total 2021-2027
Optimised allocation of programmes scenario	FTEs	3.169	3.220	3.277	3.337	3.398	3.454	3.511	
	Cost (million EUR)	310	322	334	347	360	373	387	**2.433**
Status quo scenario	FTEs	3.206	3.258	3.316	3.377	3.438	3.495	3.553	
	Cost (million EUR)	317	329	342	355	369	383	397	**2.491**
In-house scenario	FTEs	3.400	3.456	3.518	3.583	3.649	3.710	3.772	
	Cost (million EUR)	453	469	487	506	526	545	565	**3.551**

As a conclusion, based on the qualitative elements identified in section 1 and the costs calculated in section 2, the optimised allocation of programmes scenario was retained as the most advantageous and the most cost-efficient scenario.

[5] The cost comparisons between scenarios do include the additional staff needed for the implementation of the Innovation Fund, the Renewable Energy Financing Mechanism and Just Transition Mechanism 3rd Pillar in order to show a full and transparent situation. The cost also includes staff for supervision in Directorates-General the optimal scenario and the status-quo scenario.

II. Future staffing of executive agencies

Based on the model developed and described in section I.2, the staffing figures provided in the table below are estimates and are a comparison at the end of the current and next financial frameworks. It shows also the improvements in terms of productivity expected from the agencies and DGs. It also takes into account the additional need for improved feedback to policy to the Commission (see section IV.2).

Table 3: CBA – Budget managed (excluding NextGenerationEU) and human resources in executive agencies in 2014-2020 and 2021-2027 financed under the EU budget[6]

Executive Agencies	**Budget managed by Executive Agency 2014-2020 (billion EUR)**	**FTEs in Executive Agencies 2020 (excl. IF, REFM, JTM)**	**Budget to be managed 2021-2027 (billion EUR, constant prices)**	**Envisaged FTEs in Executive Agencies 2027 (excl. IF, REFM, JTM)**	**Envisaged FTEs in Executive Agencies 2027 (incl. IF, REFM, JTM)**
CHAFEA	1	79	-	-	-
European Education and Culture Executive Agency (former EACEA)	5	438	7,8	613	613
European Health and Digital Executive Agency (new)	-	-	15,9	501	501
European Innovation Council and SMEs Executive Agency (former EASME)	10	506	9,1	326	326
European Climate, Infrastructure and Environment Executive Agency (former INEA)	34	313	39,2	476	576
European Research Council Executive Agency (former ERCEA)	13	529	13,2	488	488
European Research Executive Agency (former REA)	13	785	19,8	925	925
Total	**75**	**2650**	**104,9**	**3329**	**3429**

The staffing figures provided above are estimates for the last year of the multiannual financial framework, which is expected to be the peak year in terms of staffing. 100 FTEs financed outside the EU budget will be involved in the implementation of the Innovation Fund (60 FTEs in 2027, which is an increase of +46 FTEs compared to 2020), the Renewable Energy Financing Mechanism (+9 FTEs) and the Just Transition Mechanism 3rd Pillar (+31 FTEs).

Moreover, the annual profile of the staffing will be also impacted by the productivity gains to be achieved, and by NextGenerationEU (NGEU). Up to 114 additional staff are estimated for the implementation of the temporary Horizon Europe top-up financed from NGEU appropriations by the executive agencies. Agencies will face a significant temporary increase

[6] This amount excludes the delegated budget on and the staff of the Innovation Fund, the Renewable Energy Financing Mechanism and the Just Transition Mechanism 3rd Pillar.

of the workload to implement the NGEU contribution. The temporary reinforcement will peak by 2022 and will decrease thereafter.

As regards the staff composition, traditionally, executive agencies are mainly supported by contract agents (up to 75% of staff). The staff estimates are also based on this approach even if, with the secondment of Commission officials working on the EU programmes to be transferred to executive agencies, the share of contract agents might decrease temporarily in the initial phase.

As regards its financing, the staff in executive agencies will be mainly financed from the EU budget but some EU programmes will also be financed from other sources. This will be the case for the Climate Innovation Fund financed from the right of the EU emissions trading system (ETS) (60 staff in 2027), the Renewable Energy Financing Mechanism (REFM) (9 staff in 2027) financed by contributions of Member States and the Just Transition Mechanism 3rd Pillar (31 staff in 2027) which is mostly financed with assigned revenues from financial instruments reflows. Staff financed from third country participation in a specific programme are not included in the above figures because the levels of participation by third countries are not yet known.

Table 4: Evolution of the staffing of the executive agencies over the 2021-2027 period

Executive Agencies	2021		2022		2023		2024		2025		2026		2027	
	TAs	CAs	TAs	CAs	TAs	CAs	TAs	CAs	TAs	CAs	TAs	CAs	TAs	CAs
European Education and Culture Executive Agency	121	362	126	379	132	395	137	411	142	427	148	444	153	460
European Health and Digital Executive Agency	89	268	95	286	101	304	107	322	113	340	119	358	125	376
European Innovation Council and SMEs Executive Agency	110	278	107	270	104	263	101	256	98	248	95	241	93	234
European Climate, Infrastructure and Environment Executive Agency[7]	125	372	127	378	131	387	134	400	139	412	142	421	145	431
European Research Council Executive Agency	132	390	131	385	129	382	128	377	127	372	127	366	124	364
European Research Executive Agency	212	636	215	645	218	655	222	665	225	674	228	684	231	694
Total	789	2306	802	2343	815	2385	829	2430	845	2474	860	2514	871	2558

[7] Including the staff to the Innovation Fund (14 FTEs in 2020 and an increase of additional 46 FTEs between 2021-2027), the Renewable Energy Financing Mechanism (9 FTEs) and the Just Transition Mechanism 3rd Pillar (31 FTEs).

Estimates for the staffing in agencies have been carefully calibrated, in particular taking into account a request for a productivity increase for all EU programmes.

III. Impact on Commission level of staffing

Council Regulation 58/2003 requires that any delegation of tasks to an executive agency should be cost efficient and consistent with the principle of sound financial management. As indicated in the previous sections, in the course of the 2021-2027 financial framework, the delegated budget to executive agencies will increase by up to 40%[8] in comparison to the current programming period. This is the combined result of three distinct effects:

1) Existing programmes are newly delegated: programmes managed until now within the Commission by Commission staff (e.g. Research for Coal and Steel Fund, Health Research, currently implemented in DG RTD) are entrusted to executive agencies.
2) New programmes: By definition, they are currently not implemented either within the Commission or within an existing executive agency (e.g. Digital Europe Programme) and it is envisaged to delegate them to executive agencies.
3) Already delegated existing programmes have an increase in budget (budgetary top-ups for programmes): executive agencies will have to implement larger programmes.

Implementing a larger budget will entail a higher workload for the executive agencies and the need for more staff to manage the programmes effectively. As previously indicated, it is estimated that, by 2027, executive agencies will need an additional 26% (corresponding to 678[9]) full-time equivalents (FTE) under the EU budget in comparison to their 2020 staffing level.

The three effects mentioned above will affect Commission staffing differently. As a consequence, a differentiated approach is required:

1) The “headcount neutrality principle” will apply to the existing programmes that are newly delegated (i.e. to the transfer to executive agencies of programmes currently managed by Commission staff). The staff resources granted to the executive agencies for managing these transferred programmes would be offset by an identical reduction in the Commission (i.e. offset “one for one”), even though the cost of Commission staff is higher.
2) The “budget neutrality principle”, by which 2 FTEs in the agencies would be offet by 1 FTE in the Commission, will apply to new programmes and to budgetary top-ups for programmes that are already delegated to executive agencies. The budget neutrality principle has been applied in the previous large delegation

[8] Excluding the delegated budget on the Innovation Fund and the Renewable Energy Financing Mechanism, which are entirely financed from assigned revenues to the EU budget, and the Just Transition Mechanism 3rd Pillar mostly financed from assigned revenues to the EU budget.

[9] Excluding the staff estimated for the implementation of NGEU in executive agencies (up to 114 FTEs) as well as the Innovation Fund (+46 FTEs compared to 2020) and the REFM (+9 FTEs compared to 2020), and the Just Transition Mechanism 3rd Pillar (+31 FTEs compared to 2020).

exercises (e.g. for the 2014-2020 EU programmes). It ensures that implementation by the executive agencies does not incur additional costs in terms of staff. As such, the additional costs associated with increased staffing levels in agencies are compensated by a corresponding reduction of costs in staffing in the Commission. The sources of reduction in the Commission for these two categories of programmes are not systematically linked to the delegating DGs. Hence, it does not systematically correspond to an equal increase and decrease in headcount on both sides. The rationale of this method is as follows:

- since new programmes were not implemented by Commission staff in the current financial framework, there cannot be any transfer of existing Commission resources currently devoted to implementation to executive agencies. Thus, reducing the Commission staff by an equivalent number is unrealistic and could be considered as a stand-alone staff cut not linked to workload;
- likewise, in the case of budgetary top-ups for programmes already delegated to agencies, there is no reduction in the workload for Commission staff either. In fact, the Commission staffing was already reduced when the programme was initially delegated, hence the proposed budget-neutral offsetting method, which limits the increase of staffing overall. The offsetting will be distributed based on the delegated budget shares by DG.

This constitutes a fair effort from the Commission to ensure budget neutrality as a minimum, even though in these cases the workload within the Commission remains unchanged.

The following table shows the repartition of the offsetting per DG.

Table 5: Distribution of the offsetting on the DGs

	2021		2022		2023		2024		2025		2026		2027	
	posts	**CA**	**posts**	**CA**	**posts**	**CA**	**posts**	**CA**	**posts**	**CA**	**posts**	**CA**	**posts**	**CA**
AGRI									1					
CLIMA									1					
CNECT			1		1		1							
DEVCO/NEAR (Erasmus +)														
EAC			1		1		1		1					
ENER			1		1		1	1	1					
ENV			1				1							
GROW	7	3												
JUST														
MARE														
MOVE														
REGIO														
RTD (Research Programme for Coal and Steel)	5	4	7		4									
RTD/CNECT (Horizon Europe)	72	57			10		10		10		10		19	
SANTE	8	4												
Targeted reductions in other areas[10]			26		24		19		37		37		30	7
Grand Total	92	68	37	0	41	0	33	1	51	0	47	0	49	7

[10] For the years 2022-2024 the additional reductions required will come from reductions in the Joint Research Centre, which also takes account of the changing budgetary allocation following the political agreement on the multiannual financial framework on 10 November 2020. The remainder will be drawn from the pool created by the research allocation model during the years 2025-2027.

The staffing of executive agencies will also be impacted by other types of funding where offsetting will not be implemented for Commission staffing for the following reasons:

- As regards new programmes implementing third party funds: the Committee for Executive Agencies agreed on 27 April 2020 that the 60 staff needed to implement the Climate Innovation Fund are not to be offset in the Commission staffing since this fund was financed from ETS rights (i.e. not from the EU budget).
- The same rationale will be applied to the Renewable Energy Financing Mechanism (REFM) that will implement a voluntary contribution from Member States that do not meet their climate target. This will require limited (only 9) FTEs in one executive agency, and should not lead to offsetting, as the task was not carried out within the Commission, and concerns external revenues. Similarly, the Just Transition Mechanism 3rd Pillar (31 FTEs) is a completely new instrument to be set up in the new programming period financed with assigned revenues from financial instruments reflows and for which the administrative costs of the programme will be also financed with the assigned revenue part.
- NextGenerationEU: up to 114 additional staff are estimated for the implementation of the temporary Horizon Europe top-up financed from NextGenerationEU (NGEU) by the executive agencies. This temporary reinforcement will peak by 2022 and will decrease thereafter, so it does not represent a structural staff increase in executive agencies. Given its temporary nature and increased workload for the Commission staff in charge of programming and monitoring of NGEU, no offsetting is applied within the Commission.

As a result of the application of these methods, a large share of the staffing increase in agencies will be subject to offsetting in the Commission ensuring budget neutrality and partial headcount neutrality concerning programmes financed under the EU budget.

IV. Future framework for the agencies

Executive agencies will receive new mandates and new EU programmes to implement. The next financial framework will be the start of a new era for the agencies and their staff. Building on the conclusions of the previous triennial evaluations of the agencies and on the consultancies provided by the Internal Auditor of the Commission, improvements and updates in the framework for the agencies are necessary. The following sections give orientations for the next period.

1. Supervision of executive agencies by the Commission

The principles governing the Commission's supervision of the executive agencies are laid down in Regulation 58/2003. The operationalisation of these principles needs to be updated to take into account the new architecture of the new EU programmes (such as Horizon Europe), the resource constraints within the Commission services, and the maturity of the relationship developed between agencies and Commission services. An enhanced supervisory framework has been designed taking into account advice from the Internal Auditor of the Commission.

Roles and responsibilities should be updated. Without prejudice to the role of the Director of each executive agency (Authorising Officer for the administrative budget and Authorising Officer by delegation for the operational appropriations), the role of the Commission services in the Steering Committees of the executive agencies should be better defined. In particular, a lead parent DG should be identified for each executive agency coordinating the parent DGs of that executive agency and leading supervision of horizontal aspects not related to the implementation of a specific programme.

For supervisory purposes, agencies already provide extensive reporting to facilitate monitoring by the Commission. More reporting is not needed but information needs to be better targeted. Reporting should reach the appropriate level of supervision (Steering Committee rather than management or operational level). In particular the monitoring of and reporting on the internal control systems should be streamlined.

2. Supporting the policy work of the Commission

Executive agencies provide extensive information on the projects they finance to the Commission. This information is vital for the Commission as it demonstrates how the EU programmes deliver concretely on the ground. The Commission needs this information to shape future EU policies and programmes.

This type of reporting has developed organically and there is now a need to frame it more clearly. Taking into account the limited resources in both Commission and agencies, this process should be automated to the greatest extent possible, making full use of IT tools and avoiding ad hoc requests. It should be organised by programme and/or by agency, to allow for the swift provision of the information needed on particular themes or EU programmes. Access to databases for the delegating Directorates-General and training on how to use them should be encouraged.

3. Developments in human resources and buildings policy

a. Career opportunities

The attractiveness of executive agencies as an employer will remain a priority over the next financial framework. Offering attractive career opportunities and ensuring engaging working conditions will be essential to ensuring efficient and effective programme implementation and addressing future challenges. A range of new HR policies will be needed to ensure the continued wellbeing and motivation of agency staff and to achieve productivity targets. The Commission will therefore support executive agencies in:

- Creating the necessary flexibility to move staff between EU programmes in function of the work priorities, while reporting regularly on the use of resources to the Steering Committee. This will allow agencies to better respond to the variation in the workload of different EU programmes and thereby increase productivity.
- Building on the work of recent years in developing further synergies and efficiencies in horizontal services, in order to allow the agencies to deliver more with fewer resources. Shared services between agencies and Service Level Agreements with the Commission will be maximised, whenever relevant and cost efficient.
- Encouraging increased mobility of all categories of staff within and between agencies in order to strengthen knowledge of other professional areas, give a wide perspective on agency working methods, and support the development of professional communities across the executive agencies.
- Setting up mentoring programmes to facilitate short-term exchanges between Commission and agency staff, to improve policy feedback by strengthening

competencies and increasing mutual understanding in both the parent DGs and the agencies.

- Increasing career opportunities for temporary staff directly recruited by the agencies, by opening access to junior management positions such as heads of sector.
- Allowing for flexibility in the allocation of staff among programmes within an agency to address temporary workload peaks. This would also support the best possible use of the competences of staff in each agency to achieve synergies between the programmes managed.

b. Gender balance in executive agencies

The Gender Equality Strategy 2020-2025 (COM(2020)152) frames the Commission's work on gender equality and sets out the policy objectives and key actions for the 2020-2025 period. The strategy affirms that EU institutions and bodies should lead by example by ensuring gender balance in leadership and specifically it includes the commitment that the Commission will step up efforts towards reaching a larger share of female managers in EU agencies.

Managers in executive agencies are seconded Commission officials. Full attention will be paid to ensuring an overall share of 50% female deputy heads of unit including through the creation of deputy heads of unit positions whenever relevant and 50% women on management positions in line with the ambition of President von der Leyen's political guidelines. The creation of deputy heads of units whenever relevant should not impact the overall number of posts of responsibility in each agency.

In line with the Commission's Decision on middle[11] management staff[12], the Commission's Decisions on measures to reach gender equality at all levels of management by the end of 2024[13] and the related provisions on the selection and appointment of middle managers[14], the following principles for management selection procedures will therefore be strictly respected:

- gender-balanced pre-selection panels and gender-neutral vacancy notices;
- the possibility to extend the deadline for applications if there are no or few female applicants.

Moreover, eligible female candidates aspiring to management functions will be able to benefit from a targeted training offer and other support actions such as mentoring, coaching or career guidance. Eligible staff in executive agencies can participate in the Female Talent Development Programme set up by the Commission.

Both middle and senior management appointment prospects and plans will be discussed and reviewed regularly between the parent DGs and the agencies' Directors.

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[11] The functions of head of unit and head of department are hereby defined as middle management functions.

[12] C(2016) 3288 final of 15 June 2016.

[13] PV_2020_2332 final of 1 April 2020 and PV_2020_2351 of 30 September 2020.

[14] Selection and Appointment of Middle Managers following publication – Guidelines on the procedure.

c. EMAS for all

Executive agencies have an important role to play in the European Green Deal, through the EU programmes they implement but also by striving for excellence in their own environmental management. As all EU bodies, they need to set an example in greening their operations. To achieve this goal, executive agencies will implement the environmental management system (EMAS) by 2023. In concrete terms, they will monitor their environmental impacts, define objectives, plan and act to improve their performance, set up environmental awareness actions and training for their staff and sub-contractors and communicate about their environmental performance to external stakeholders.

Executive agencies must join the Commission’s efforts to become climate neutral by 2030 and to contribute to public information on how EU institutions and bodies participate actively in the European Green Deal on a daily basis.

V. Transition measures

The new multiannual financial framework and EU programmes will have a vital role to play in the Union’s response to the Covid-19 pandemic. It is therefore critically important to get the new EU programmes up and running and supporting Europe’s recovery without delay. Ensuring a smooth transition to the new mandates of the executive agencies is an important part of this.

The Commission will give strong support to the agencies throughout this transition phase. A particular priority will be to ensure business continuity for programmes being transferred between agencies or from the Commission to an agency, such that beneficiaries and applicants do not experience any adverse effects during the transition phase. The Commission will also pay particular attention to agencies receiving brand new EU programmes to be set up.

To ensure a smooth transition of activities between executive agencies and a rapid start of implementation, the European Health and Digital Executive Agency (HaDEA) will be established earlier, on 16 February 2021. This will allow for the necessary preparatory work to set-up HaDEA, which will be a newly established agency, to be done in a timely manner before HaDEA takes over implementation activities. However transfer of activities and staff will only take place as of the date of establishment of the other executive agencies (1 April 2021).

The Commission will also put in place all necessary measures to support staff affected by the changes in the agency mandates. The impact will be particularly significant for CHAFEA staff members due to the transfer of programmes from Luxembourg to Brussels. The Commission will support and accompany CHAFEA and its staff members throughout the entire process. The Commission will ensure more generally that all staff members whose activities are transferred from one executive agency to another will be able to continue their tasks in the new agency without a negative impact on their rights, including pension rights. Contract staff working in the Commission on tasks to be delegated to agencies will be offered a new contract by the relevant agency with the possibility of indefinite duration and without the need for a further selection procedure. A limited number of temporary staff engaged by the Commission to perform tasks to be delegated will also be offered new contracts by the relevant agency for a limited duration. Additional Commission officials will be seconded to executive agencies to perform tasks of responsibility for the newly delegated programmes.

To support agencies in their substantial recruitments for brand new programmes and to budgetary top-ups for programmes already delegated to the agencies, the Commission will help to identify Commission contract staff who have the relevant profile and whose contract is ending; this will create a source of skilled and immediately employable staff.

Finally, in line with the Communication to the Commission SEC(2013) 493 and the role entrusted to OIB regarding executive agencies, in view of the synergies and savings expected through the close connection of the housing of executive agencies with the Commission's middle- and long-term real estate planning, the changes of staffing levels in executive agencies and their future accommodation should be communicated by the agencies to OIB. It would enable OIB to help in the office space research, provide its expertise on the real estate market and define the type working place in accordance with Commission standards and conditions.