

Intelligent Energy for Europe

Special Report 7/2008

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THE INTELLIGENT ENERGY FOR EUROPE (IEE) 2003-2006

According to most scientists climate change is mainly due to greenhouse gas emissions and to the diminishing carbon shaft, in other words deforestation.

In order to fight against greenhouse gas emissions the EC has adopted a global action based around four programmes, horizontal actions and specific support for events. More than 199 million € were allocated for the implementation. A total of 447 projects were funded.

4 sub-programmes:

- **Altener:** to develop new and renewable energies (118 projects for an amount of 61,6 million €);
- **Save:** to improve the energy efficiency notably in buildings and industry: (106 projects for an amount of 56,2 million €);
- **STEER:** energy aspects of the transport (28 projects for an amount of 19,7million€) and finally;
- **Coopner:** cooperation with developing countries (38 projects for an amount of 14,5 million €).

5 horizontal activities combining several of the 4 sub-programmes mentioned above (80 projects for an amount of 44,5 million €)

Complementary actions

AUDIT APPROACH AND SCOPE

- **How did the Commission allocate funds?**
- **How did the Commission monitor and evaluate the programme?**
- **What were the administrative costs of the programme?**
- **What difference did the Executive Agency make to the management of the programme?**

KEY AUDIT ISSUES OF THE AUDIT

Answering the question: How did the Commission allocate funds?

- Though the Court, on the one hand, recognises that the Commission translated the objectives of the programme into specific actions, on the other hand, the report pointed out that designation of as many as 63 target areas for a relatively small expenditure programme reduced the likelihood of the programme achieving a significant impact in any individual area. The Court conclusion on the allocation of the funds is that IEE was not a clearly focused expenditure programme.

KEY AUDIT ISSUES OF THE AUDIT

Answering the question: How did the Commission monitor and evaluate the programme?

- The Financial Regulation (Article 27) requires the Commission to set specific measurable, achievable, relevant and timed objectives (SMART) for all sectors of the budget and to monitor their achievement through performance indicators.
- The audit of the ECA stated that the Commission only established monitoring arrangements at the level of individual projects through the agreement but there was not a set of indicators to measure the success of the programme as a whole (Points 20 to 24 of the Special Report).
- Furthermore, useful evaluation was also handicapped by the low rate of disbursement of funds. The mid term evaluation of IEE was completed towards the end of the programme, in January 2006. However at this stage disbursements amounted to less than 5% of the total expenditure foreseen for the programme.

KEY AUDIT ISSUES OF THE AUDIT

Answering the question: What were the administrative costs of the programme?
(Points 30-33)

- Administrative costs related to the IEE are incurred by:
 - participants in the programme and sometimes by their sponsors;
 - the Executive Agency set up to run the programme and by the responsible Commission service (principally Energy and Transport DG)
- The administrative costs both for Commission and participants should be commensurate with the scale of the programme and no higher than needed for effective implementation of the programme.
- The Commission does not have guidance or benchmarks, based for example on comparable programmers, on the cost of administration and does not collect comprehensive information on these costs.
- However, according a survey carried out by the Court the average cost of submitting and negotiating a proposal is around 10% and the reporting costs are estimated as amounting to at least a further 6% of the EU funding, Applied to the programme as a whole this suggests a cost of magnitude of 22 million € incurred by successful applicants.

KEY AUDIT ISSUES OF THE AUDIT

- Answering the question: What difference does the Executive Agency make to the management of the programme.
- Even if it is too soon to draw definitive conclusions on the performance of the agency the Court audit found that the executive:
 - improved programme communication (through its website, streaming broadcasting and newsletter);
 - improved application documents;
 - reduced some of the administrative burdens on participants;
 - six monthly progress and financial reporting reduced to a nine months reporting with a single progress and financial report.
- Globally, on the criteria “assistance during the application procedure and duration of the procedure, 10% more applicants rated the service provided by the Executive Agency as “good or excellent” than rated the Commission in these categories.

CONCLUSIONS /RECOMMENDATIONS

Planning the programme

- Despite the fact that the Commission translated the objectives of the IEE program into a detailed work programme, in some target area for IEE actions there appear to be a significant potential for cost-effective adoption of greenhouse gas efficient technologies.
- The planning of the program fell short of best practice. The Commission did not:
 - make its policy model explicit;
 - set specific and time related objectives;
 - provide an analysis of key market actors
- The distribution of spending over so many areas of activity necessarily limited the potential to achieve significant and verifiable progress in any particular area. IEE was not a clearly focused expenditure programme.
- Therefore the Commission should ensure that programme proposals are based on an explicit policy model and reflect the expected link between expenditure, output and impact.

CONCLUSIONS /RECOMMENDATIONS

Monitoring and evaluation

- The monitoring and evaluation arrangement did not enable the Commission to form a view of the overall quality and design of the programme. Therefore the Commission was not in a position to assess whether energy agencies made a significant impact, nor to assess whether they improved the coordination of promotion of energy-efficient technology.
- IEE was small in relation to the market for energy which it was intended to influence. IEE projects provided intermediate outputs (often taking the form of advice to policy-makers, of participant's events, or publicity material. It is difficult to determine whether these outputs lead to changes in behaviour.
- The Commission should insure:
 - Those programmes are monitored in a way that provides it, in so far as possible, with useful information on their effects. Such information should look beyond individual projects and assist in forming a view of a programme as a whole;
 - the evaluation, optimally scheduled, of programmes in a way which maximises its usefulness as a source of feedback information which makes it possible to improve spending programmes;
 - the implementation of a robust and comprehensive set of performances indicators.

CONCLUSIONS /RECOMMENDATIONS

Administering the Scheme

- Although the Commission runs many schemes with a similar design to the IEE, it does not have a framework for assessing their administrative costs. It is not therefore possible to easily compare the administrative cost of the IEE with those of other schemes.
- Therefore the Commission should more systematically record and analyse information on the administrative cost of programs including not only cost borne by the Commission but also those borne by the beneficiaries.
- Finally the Executive Agency has had a positive impact on “client” satisfaction. Particularly project coordinators who prefer dealing with the Agency to dealing with the Commission.

Issues/questions for discussion

As climate change is a global issue, policy strategy should:

- include this problematic in several policies (transport, energy, research, agriculture etc);
- fix clear and suitable objectives (increasing security of energy supply ensuring competitiveness of European economies and promoting environmental sustainability and combating climate change;
- define a level of reduction of CO² emissions.

The implementation of this strategy implies:

- a suitable monitoring and evaluation tools;
- a clever allocation of funds.

This SR 7/2008 underlines some shortcomings in the management of the IEE .

However, the global aspect of climate change is also a challenge for auditors. When we want to organise an audit, the following aspects should be discussed:

- Defining a common methodology;
- Proposing to all the SAIs interested in working together to introduce the audits in their respective annual work programmes;
- Elaborating a memorandum of understanding between them;
- Preparing and consolidating a common Audit Planning Memorandum or coherent Audit Planning Memoranda.