COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 5.4.2000
COM(2000) 200 final/2

VOLUME I

REFORMING THE COMMISSION

A White Paper- Part I

(presented by the Commission)

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REFORMING THE COMMISSION

INTRODUCTION BY THE MEMBERS OF THE COMMISSION

A strong Europe needs a strong Commission. This motivates our proposals to the IGC and our five year objectives. It also means that we must equip ourselves with a modern organisation and the resources to execute the tasks assigned to us by the Treaties.

The challenges of globalisation and future enlargement require better governance at all levels, including the EU. All political institutions in Europe must rise to this challenge and so must the Commission. Reform is, therefore, an essential pre-condition for realising our vision for Europe.

That is why, as a College and as individuals, we are committed to the Reform Programme set out in this White Paper. We are not alone in that; the staff of the Institution, who deserve tribute for their commitment to the European ideal and their current and past achievements, have made clear their wish to work with us to achieve real progress. The European Council and the European Parliament have expressed clear support for the modernisation of our Institution.

We want the Commission to have a public administration that excels so that it can continue to fulfil its tasks under the Treaties with maximum effectiveness. The citizens of the Union deserve no less, the staff of the Commission want to provide no less. To fulfil that objective, we must keep the best of the past and combine it with new systems designed to face the challenges of the future. The world around us is changing fast. The Commission itself, therefore, needs to be independent, accountable, efficient and transparent, and guided by the highest standards of responsibility.
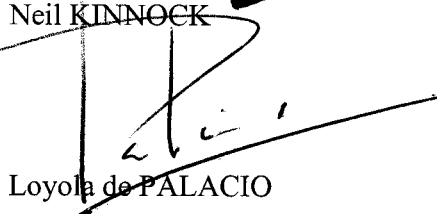
This White Paper sets out an ambitious programme for achieving that. The hard work starts now as we further develop these ideas and implement them.

The founders of the Communities were the profound modernisers of their day. We share their ideals and their sense of determination. That is why we want to honour their legacy by modernising the Commission they built to serve the citizens of Europe.

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I   *MEETING THE CHALLENGE*

The Role of the Commission

The Treaty of Rome assigned a special role and responsibility to the European Commission in the newly created European Community. It was established to act impartially in the interests of the European Community as a whole and to act as guardian of the founding Treaties, notably by exercising its right of legislative initiative; controlling Member States' respect of Community law; negotiating commercial agreements on behalf of the Community, implementing the common policies and ensuring that competition in the Community was not distorted.

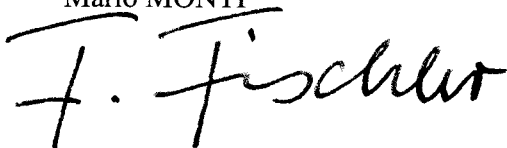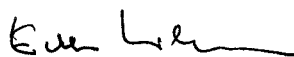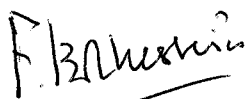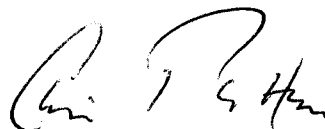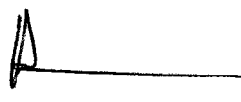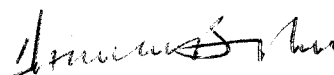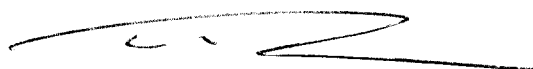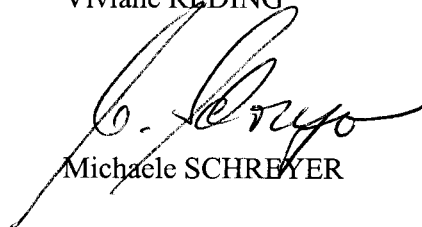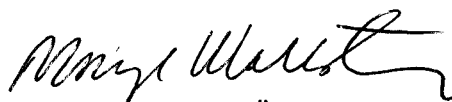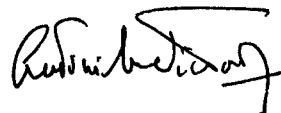Since then much has changed. The Community of six Member States has become a Union of fifteen, with further enlargement on the horizon. The Commission has been an engine of change in the transformation from customs union to economic and then political union. Its achievements have been substantial, providing much-needed vision in the move towards a European integration which serves the interests of the Union and meets the aspirations of its citizens. In addition to the important economic landmarks of a single market and now a common currency, it has laid the foundations for a cohesive Europe built on solidarity between its people and its regions. Along the way, many managerial tasks have been attributed to the Commission by the Council and the European Parliament. The societies and economies of the European Union have themselves changed significantly.

One thing is constant. A strong, independent and effective Commission is essential to the functioning of the European Union as a whole and its standing in the world. Fulfilling the tasks established by the Treaties requires substantial improvement in structures and in systems. Working practices, conventions and obligations that have accumulated over decades now inhibit the Commission's effectiveness. Administrative Reform will help the Commission to fulfil its institutional role as the motor of European integration. It is thus a political project of central importance for the European Union.

The Prodi Commission has made the strategic decision to focus more on core functions such as policy conception, political initiative and enforcing Community law. This approach implies building new forms of partnership between the different levels of governance in Europe and should allow the Commission to better reach its key policy objectives set for the period 2000-2005:

- Promoting new forms of European governance by giving people a greater say in the way Europe is run and making the European Institutions work more transparently and effectively. To this end, the Commission will adopt a White Paper on Governance shortly.

- A stable and enlarged Europe with a stronger voice in the world;

- A new economic and social agenda to modernise our economy for the digital age in a manner that promotes employment and sustainable development;

- Support a better quality of life by giving effective answers to issues which affect the daily lives of our citizens.

However, nowadays, almost half of the Commission officials are fully occupied in executive tasks, notably in managing programmes and projects and directly controlling the latter. This is not an efficient use of scarce resources. More importantly, it detracts from the Commission's role as defined in the Treaties and the Prodi Commission's five year priorities.

Against this background, this Commission has recently launched an overall assessment of its activities and resources. The objective is to concentrate activities on its core policy objectives. The Commission will therefore identify activities which can be stopped because they are not priorities with sufficient value-added at European level. In addition, resources will need to be re-

allocated within and across Commission departments on an unprecedented scale. As part of this the Commission will identify the activities which could be more usefully and efficiently executed by other bodies, where necessary, under the control of the Commission. Together, these projects will enable the Commission to focus better on its core functions. By September 2000, the Commission will have completed a comprehensive assessment of its current activities.

The Commission will then be in a position to assess accurately whether its resources are commensurate with its tasks. If they are proven not to be, additional resources will have to be made available. If such resources are not forthcoming, the Commission will need to discontinue tasks and all Institutions will need to face up to the choices honestly. The Commission will report the results of this assessment to the Council and the European Parliament in September 2000 and make the necessary proposals.

In this context, it is clear that to be effective, the Commission also needs optimal structures and systems for the deployment of its resources. This White Paper therefore sets out a programme for a fundamental review of working practices, the programming of activities and the management of human and financial resources. Obviously, the Commission's political priorities in no way absolve it of responsibility to meet the highest standards of effectiveness and integrity in the handling of public money. A reformed system of financial control will allow it to do so. The events of 1999, including the resignation of the College of Commissioners, graphically demonstrated this need.

Making reform a reality

Upon taking office, the Prodi Commission immediately embarked on preparing a programme of Reform. In doing so, it could draw on the two reports of the Committee of Independent Experts and a series of internal analyses, notably the Williamson report and the DECODE exercise, which provided essential starting points for the present Reform. The SEM 2000 and MAP 2000 programmes have also provided useful experience. However, the scope and ambition of the Reform programme far exceeds that of any previous exercise.

On this basis, the Commission published a consultative document on 18 January for detailed discussion on the proposed Reform strategy within the Commission and with the other European Institutions. The degree to which Commission staff participated individually and collectively in the consultation exercise was unprecedented. It manifested the strong interest of staff, and the overwhelming majority of responses showed the clear commitment of staff to the process. Those responses were highly constructive and they have led to significant modifications in the proposed approach (See Annex 2). The European Parliament's resolution of 19 January on the Committee of Independent Expert's Second Report strongly supported the approach proposed in the Consultative Document and provided an important input to this Reform. Following on from the conclusions of the European Council in Helsinki, the Council too adopted conclusions on the proposed approach on 14 February "warmly welcoming" the approach.

Following this intensive consultation exercise, the Commission now proposes a strategy with three related themes that are reflected in the structure of this document:

- Reform of the way political priorities are set and resources allocated. New policy-driven decision-taking mechanisms will ensure that activities undertaken by the Commission are carried out with the necessary human, administrative, IT and financial resources. The evaluation of results will become a routine part of management activities.

- Important changes to human resources policy, placing a premium on performance, continuous training and quality of management, as well as improving recruitment and career development. These changes will also place an emphasis on improving the working environment and equal opportunities, as well as the evaluation of management and staff, and will enable disciplinary matters or cases of under-performance to be dealt with properly and fairly.

- An overhaul of financial management, empowering each department to establish an effective internal control system appropriate to its own needs. In doing so, departments will be able to draw on the advice of the Commission's specialist services. Reform is predicated upon a precise definition of the responsibilities of each actor, and upon regular checks by the new Internal Audit Service on the quality and reliability of each internal control system.

The Reform is backed by an Action Plan set out in Part II of the White Paper. The programme runs up to the second half of 2002 and a full review will be published in December 2002 and transmitted to the other institutions. Regular monitoring reports will be made to the Commission throughout the period of the programme. These reports will deal not only with the delivery of the measures set out in the Action Plan but also their qualitative impact as measured by staff feedback.

Some of the Reform's effects will be visible in the near future. Others will take longer to be fully evident because certain measures need changes in law to be adopted by the European Parliament and the Council. This ambitious timetable can, therefore, be realised only with the full participation of all European Institutions. All institutions share the need for reform to succeed. And they all have a shared interest in the benefits it will bring – for example improvements in the way external aid is managed brought about through the application of the reform will increase the European Union's standing in the world.

Reform requires technical change. Describing this unavoidably means using technical terms – jargon. This should not obscure the radical nature of the proposals put forward, to which the Commission is fully committed. A glossary of key terms and acronyms is annexed (Annex 3).

II A CULTURE BASED ON SERVICE

Reform must better equip the Commission to carry out the tasks given to it in the Treaties and, thereby, serve the European Union. In line with the tenets of good governance, the Reform is based on the following key principles: independence, responsibility, accountability, efficiency and transparency. There is nothing new about these principles or about the desire of the Commission to implement them. However, by underpinning the Reform, they can now provide an explicit basis for a culture based on service:

Independence

The original and essential source of the success of European Integration is that the EU's executive body, the Commission, is supranational and independent from national, sectoral or other influences. This is at the heart of its ability to advance the interests of the European Union. For Commissioners and individual officials, it means that they shall neither seek nor take instructions from any government or from any other body. Similarly, Member States should not seek to influence Members and staff of the Commission in the performance of their tasks.

Responsibility

Responsibility applies at all levels, starting with the College when it defines what the Commission will do and how. Political responsibility lies with each Commissioner and, collectively, with the College, whereas day-to-day management responsibilities rest with the Directors General. A clear definition of tasks, both for departments and for individuals, will reduce ambiguity about who is responsible for what. Each Commission official should be clear about his or her responsibilities.

Accountability

Accountability goes hand in hand with the exercise of responsibility. The Commission is always accountable for its actions. This is expressed in different ways: for example, the Commission reports to the Council and the Parliament on its activities. But accountability goes further than

that: exercising good stewardship of the variety of resources available to the Commission means ensuring they are used efficiently and effectively. It applies within the Commission too, and relies on a culture of co-operation between staff and between departments which must be strengthened.

Efficiency

All European Institutions are faced with the challenge of ensuring maximum results with limited resources. To achieve this, it is essential to improve procedures, both internal ones and those related to the way the Commission works with other Institutions, Member States and citizens. Simplification has an important role to play since simpler procedures are easier to understand and so are more likely to be effective. Decentralisation too can increase efficiency and, linked to a clear allocation of responsibility, will empower officials to exercise their own initiative.

Transparency

The openness of an administration is an essential sign of its confidence and trust in its employees and in those to whom it is accountable. Transparency within the Commission's own administration is a vital prerequisite for the greater openness towards the outside world required in the Treaty. This means transparency internally in terms of communicating effectively at all levels, showing receptiveness to new ideas and taking a positive attitude to criticism; and externally as an organisation fully open to public scrutiny.

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Whilst the whole reform process will contribute to developing this culture, there are also a number of specific actions of particular importance. For example, the establishment of a code of conduct for relations with the European Parliament will enhance efficiency by facilitating co-operation between the Commission and the European Parliament. New rules to enhance the public's access to documents of Community Institutions will further transparency, in line with the new provisions in the Amsterdam Treaty. It is important that measures are taken to ensure that monies owed by the Commission are paid promptly, in line with good practice.

> **The measures proposed in this Chapter are detailed in Chapter II of the Action Plan in Part II of the White Paper: Actions 1-11**

III   PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

The Commission needs a more effective method for setting its priorities and allocating resources to them. Its limited human resources have become too thinly spread across a wide range of activities and tasks, thus damaging its effectiveness and credibility. We need to re-centre the Commission on its core activities and political objectives.

Resources have not generally been linked to priorities for two reasons. First, the Commission's own decisions on activities have generally been taken separately from those on the allocation of resources. Second, the Council and the Parliament have given additional tasks without approving extra resources. Moreover, the prevailing management culture emphasises control rather than objectives. The fact that results and responsibilities are not always adequately defined or assigned further compounds the problem.

As explained above, the Commission will address the problems inherited from the past through an overall assessment of priorities, activities and resources to be completed by September 2000.

However, that can only be a start. These issues need to be addressed on a more continuous basis within a rigorous framework that focuses on results and efficiency. There are three key areas of action :

- The establishment of priorities, including negative priorities, at every level of the Commission. The adoption of new priorities necessitates a rigorous re-evaluation of existing priorities.

- Striking a better balance between internal and external management of activities.

- Promoting better working methods.

III.1   Activity-Based Management: a tool for delivering policy priorities

The Commission needs to focus its management on obtaining *results on its policy priorities.* These include core activities and new policy priorities and will have to take obligations flowing from the Treaty and international agreements into account. To this end the Commission will introduce a system of Activity-Based Management. This system aims at taking decisions about policy priorities and the corresponding resources together, at every level in the organisation. This allows the resources to be allocated to policy priorities and, conversely, decisions about policy priorities to be fully informed by the related resources requirements.

This will promote efficiency because decisions on priorities, policy objectives and activities will be matched with decisions allocating human, administrative, IT and financial resources. It will allow responsibilities to be assigned and delegated more clearly, including greater flexibility for managers in spending defined budgets. Finally, it will give managers at all levels unprecedented access to information that is currently widely scattered and presented in widely differing formats. More streamlined reporting to individual Commissioners and the College by individual departments and by the College to the European Parliament and the Council should result, thereby significantly improving transparency at the Commission.

The Commission aims at making Activity-Based Management (ABM) fully operational throughout the Commission by July 2002. To do this a number of administrative changes will have to be introduced, including the development of an informatics support system (Integrated Resources Management System), that are set out in Part II of this White Paper (Action Plan, Chapter III).

A key feature of the system is that the planning of Commission activities and the use of its resources will become much more policy-driven. To this end a Strategic Planning and Programming function will be set up in the Secretariat-General in July 2000 to assist the College in taking decisions on policy priorities and the allocation of resources as well as to promote performance management throughout the Commission.

The starting point of this new process is a set of clear policy orientations issued by the Strategic Planning and Programming function under the authority of the President, following an orientation debate in the College.

Following input from the Commission departments, this, subsequently, leads to the establishment by the College of an annual policy strategy that sets out policy objectives, proposed policies and the matching human and financial resources by policy area for the whole Commission (i.e. roughly by Commission Department). The policy strategy will be the Commission's main instrument for deciding on positive and - equally importantly - negative priorities. The strategy will be discussed with the Council and Parliament and will be the main driver of the budgetary process including guidelines for establishing the Preliminary Draft Budget, in which it will be further detailed.

The policy strategy forms the basis of the work programme of the Commission and its departments who are charged with implementing the policy priorities and with translating these

to the level of individual officials' work programmes. In this way, the Commission's policy priorities will directly determine each of its officials' tasks.

Naturally, the Commission will need to be able to adapt its priorities flexibly during the year to cope with unforeseen events. Account will, therefore, have to be taken of the possibility to make fast-track adjustments of the policy strategy.

Better monitoring and evaluation to properly assess the effectiveness and costs of activities will also be introduced. This will provide essential feedback into the process and help identify those activities that should be considered negative priorities. Reporting should also be streamlined. An *Annual Activity Report* produced by each DG will survey the monitoring results for its activities and assess the quality of service provided. Other reporting requirements will need to be re-examined and simplified where possible.

This system will be extended to include the Commission Delegations in non-member countries to enable the management of external aid programmes to be decentralised efficiently.

The policy strategy, the budget and the work programme together will provide all Community Institutions with clearer information about the total resource costs of Community policies. It is essential, however, to clearly define the responsibilities of the individual Institutions. The Commission is accountable to the European Parliament. The European Parliament could not, however, discharge this responsibility under the Treaties if it were to take decisions on operational and management issues in the Commission. In addition, by undermining Commission managers' freedom to manage, such decisions would severely damage the Commission's ability to deliver results. For institutional and efficiency reasons, therefore, micro-management by the Budgetary Authority of Commission activities must be avoided. An inter-institutional agreement will have to be concluded to avoid this.

III.2   *Developing an externalisation policy*

The Prodi Commission has made the political decision to pursue externalisation, that is the delegation by the Commission of all or part of its tasks or activities, as one of the means of implementing its strategy to re-centre the Commission on its core-tasks and policy priorities. Striking the right balance between the use of internal and external resources will be especially important in a system where decisions on resource allocation are integrated with those on priority-setting and programming.

The Commission has long had recourse to external resources, whether through the use of technical assistance in running operational programmes or by buying-in services from outside. However there has not been an explicit policy on externalisation, on the criteria to be applied or the legal instruments to be used. It is time to develop one. The Guide on Technical Assistance Offices published in 1999 was a first step, although, as the European Parliament has indicated, a clear strategy is needed.

Apart from the self-evident need for the Commission to have an adequate level of staffing, there will always be a need for external resources too. The Commission does not have the right internal resources for some new and/or temporary tasks. Increasingly, too, experience shows that many operations are best delivered close to the target group rather than centrally from Brussels. Finally, there are tasks in the operation of any large organisation which can be done more effectively by specialist firms.

Through the development of a policy on externalisation – the term covers devolution to Community bodies, decentralisation to national public bodies, and contracting out to private-sector bodies - the Commission will seek to bring order to what already occurs and, notably, to devise more efficient and accountable methods for handling financial programmes.

Externalisation should only be chosen when it is a more efficient and more cost effective means of delivering the service or goods concerned. Externalisation must never be used for administering ill-defined tasks and it must never be at the expense of accountability: the Commission must be able to exercise its political responsibility under Article 274 of the Treaty for the implementation of the budget.

A basic principle which must be upheld is that regulatory or negotiating activities and actions to allocate funds involving the exercise of discretionary power can only be invested in public administrations. Moreover, the Commission should refuse to take on any task which it does not consider that it is able to handle within an acceptable margin of risk, regardless of whether the task is to be managed in-house or externally.

The externalisation policy being developed will include testing a new type of implementing body headed by Commission staff. Special attention will be given to the external aid sector, which currently handles two-thirds of all external technical assistance offices used by the Commission and thousands of individual experts' contracts. There is an urgent need for solutions which give the Commission ready access to the necessary expertise to deliver projects in a timely and effective way while ensuring the necessary visibility and coherence of EU policy. One option to be examined for the management of external aid is an office-type structure/structures. This and other options need to be linked to the increased de-concentration and decentralisation which is planned as part of improving the delivery of external aid.

The need for externalisation differs between departments according to their activities, so a 'one size fits all' approach will not be appropriate. It must, however, be possible to ensure that there is more coherence so that similar instruments are used for similar cases.

In devising this policy, it is definitely not the Commission's intention to launch a generalised externalisation of its activities or to avoid tackling the question of internal resources. Externalisation will only be undertaken where it is justified on its own merits and will not be regarded as a substitute for shortfalls in the staff required for carrying out core tasks. Indeed the proper use of external resources is conditional on there being an adequate provision of internal resources to exercise control or direction.

III.3   *Performance-oriented working methods*

The consultation process has shown that staff generally agree on the need for working procedures in the Commission to be simplified and modernised. Good administrative practices already exist in various Directorates-General. These need to be spread throughout the Commission. However, there is a limit to how far departments can act autonomously since some of the systems or procedures in question may need to be tackled on a Commission-wide basis or across a set of Commission activities. Moreover, in developing such methods it will be necessary to study which improvements in working methods with other Institutions can be made, for example exercising self-restraint in respect of comitology. The results of that study will be reflected in the Commission's proposals.

Staff have made many helpful suggestions for improving working systems and procedures. Machinery is needed for sending in suggestions of this kind and following them up. Such mechanisms exist already in some Directorates-General. Others that do not yet have them will be encouraged to bring them in. The Secretariat-General will link up the schemes in the Directorates-General into a network constituting a shared 'ideas bank'. Each idea submitted will be evaluated and the official submitting it will be given feedback. Some proposals will be relevant only to a specific Directorate-General, but many others are likely to have a wider application. Having an ideas bank like this will help the Commission to improve its working methods continuously through incremental change.

To begin with, however, a more structured approach is required. A second Deputy Secretary-General will therefore be appointed to the Secretariat General with the specific mandate of improving working methods and promoting their application across the Commission. An action plan will be drawn up by the end of this year for tackling these issues, drawing on internal and external expertise. Areas for attention include new rules on the delegation of responsibility in the College on which a first report should be produced as a priority; simplifying decision-making and administrative procedures at headquarters and in Commission offices world-wide; better interservice co-ordination; improving the keeping of archives throughout the Commission; flexible and adaptable administrative structures; making better use of modern technologies; and introducing quality-management techniques which are already in use in parts of the Commission. Advances in information systems, in particular, such as electronic document management means that we should be making progress towards a paperless Commission.

> **The measures proposed in this Chapter are detailed in Chapter III of the Action Plan in Part II of the White Paper: Actions 12-20**

IV   *HUMAN RESOURCES DEVELOPMENT*

The people working in the Commission are its main asset. Their abilities and dedication have been key to all the Commission's accomplishments. An integrated human resources policy which allows all of its members of staff to fulfil their potential is vital if the Commission is to work effectively. Maintaining an independent, permanent and high-quality European civil service will enable the European Institutions to perform their roles within the European Union to maximum effectiveness. To this end, the modernisation of human resources policy from recruitment to retirement is required for the benefit of staff of all grades.

In the course of this year, consultative documents setting out detailed proposals for reform of recruitment policy, management policy, career structure etc will be available. Each document will set out a policy framework based on analysis of best practice in Member State civil services and in other international organisations. Drafts of the legal texts to implement the policy, either amendments to the Staff Regulations themselves or to implementing texts, will be included. Taking these consultative documents as a basis, staff will be consulted and involved not only regarding the general principles of reform set out in this White Paper but also regarding their implementation.

A comprehensive outline of the reform of human resources policy is set out below. Further details are presented in the Action Plan. Many of the proposed changes can be achieved under the existing Staff Regulations by better application and implementation of the existing rules. In some areas, however, it will be necessary to change the Staff Regulations. In all areas, involving the staff will be a prerequisite for success.

IV.1   Management

As in any other organisation, managers play a key role in the Commission. Their role is a dual one: they must possess specialised professional knowledge and experience but also have a general ability to motivate and lead teams. The Reform will contribute to better management by introducing clearer rules and a better definition of responsibilities. The role of middle management in reforming the Commission is of particular importance. Heads of Unit will be the driving force for decentralised reform activities: such as implementing team work and ensuring incremental improvement in the organisation of work. Specific action is also needed to raise the level of management skills and create a common management culture across the Commission.

The Commission will therefore be giving more weight to management abilities in making appointments, and these will be subject to a probationary period. The principle of reversibility will be applied: managers not demonstrating the required standard of managerial capability, or who voluntarily opt out, would revert to a non-management position, at the same grade.

A programme of management training will be introduced for all managers with provision for specific needs such as those of heads of delegation. Satisfactory participation will be required of anyone exercising management responsibility. Finally, the performance of all managers - including Directors General and Directors - will be systematically assessed.

IV.2   Career development

Recruitment

Current recruitment policy based on open competitions has provided the Commission with highly qualified and reliable staff. A system of open competitions will be maintained for generalists and for specialists. With the improved programming of Commission activities and the definition of the related competency profiles, better forward planning of human resources needs will be possible, in terms of both skills and numbers of people.

Experience and the submissions from the consultation exercise show that the organisation of open competitions and the tests used need to be improved to ensure that the Commission's personnel needs are met and to take account of advances in selection techniques and information technology. In particular, consideration will be given to means of improving the logistics of parts of the competitions. The Commission, however, must retain effective control of its recruitment. The need to ensure a reasonable geographical balance among Commission staff, in keeping with the provisions of the Staff Regulations (notably Article 27), will also be addressed. However, neither competitions organised by nationality, national quotas, nor a general move to competitions by language are appropriate. In developing new tests, full account will be taken of the multicultural dimension of the EU as well as gender so as to set the conditions for geographical balance and equal opportunities.

Recruitment to other European Institutions is also on the basis of competitions. Priority will be given to examining, together with the other Institutions, the possibility of creating an inter-institutional recruitment office.

Career guidance and mobility

After recruitment, the Commission must make best use of the skills of new staff and help them to develop their potential in the multinational environment of the Commission. New officials will follow a thorough induction programme of training during a probationary period of twelve months for all grades. The assessment at the end of this period will be rigorous, reflecting the fact that admission to the status of permanent official carries with it important rights.

The Commission will introduce a central careers guidance function to spread best practice amongst Directorates-General and advise and assist officials in their career development. A network of similar functions will be established within each Directorate-General so that officials have access to the best possible advice throughout their working lives.

Internal mobility will be encouraged by removing barriers such as those caused by the existing promotion system. The mobility rules specific to the External Service will be maintained and improved where necessary. The terms and conditions for mobility among European Institutions, and between them and Member State administrations and possibly other public and private bodies, will be explored with a view to facilitating exchanges. More generally, to respond to limited mobility of certain people and to provide an incentive to mobility, it will be considered an asset in staff appraisals and in appointing managers. The continuity of activities in the face of

greater mobility will be ensured, notably, by better organisation of the handover of responsibilities between officials.

Training

The training budget for Commission staff is proportionately far lower than even the average achieved in national civil services. It is equivalent to two days training per member of staff per year. This figure covers general, language and information technology training. Training also takes time, which means that attendance at training courses needs to be factored into each unit's activities. Task assignments must take account of it. The Commission needs to develop a learning culture which views training as essential rather than an optional extra. Staff of all grades should be encouraged, and allowed, to develop their personal potential. Implementation will require a step-change increase in the budget for training and a higher level of staffing.

The focus will be on continuous training throughout the working life. Specific training may be recommended at certain points in an official's career (such as strengthening drafting skills or 'managing diversity'). Other forms of training will be required. Some would have to be taken by all officials, for example to develop basic legal, economic, drafting and budgetary skills. Others would vary according to the nature of the work or the career stage (for example, induction courses, specific training in budget and finance, training in management skills).

Finally, the creation of a dedicated European Civil Service Training Centre will be explored, together with the other Institutions, in particular for middle and senior management.

Career structure

The present distinction between different categories of staff is very heavily based on qualifications and training at the moment of recruitment. As a consequence, the structure does not adequately reflect the evolution of the capacities of individual members of staff, or provide properly for assessment of broader capabilities – for instance decision-making abilities or managerial potential. In addition, it generally takes too little account of qualifications acquired by B, C and D staff after recruitment, of their skills and of the reality of the tasks that they perform. Movement between categories is difficult and internal competitions are not organised regularly. With only a limited number of grades in each category, most officials are promoted only three or four times in the course of their careers. The limited numbers of grades also means that significant bottlenecks occur at the top of the B, C and D categories and at A4 level.

To sum up, the current system provides little incentive to good performance or reward for personal initiative, whether in the work-place or in acquiring new skills and qualifications. It acts as an artificial constraint on the advancement of those manifesting particular talent and capability. It fails to give due recognition to the tasks performed by B, C and D grade staff, which often involve far greater responsibility than is implied by the standard job descriptions set out in the Staff Regulations. This is to the detriment of both staff and the Institution. It is to the credit of Commission staff that they have performed well despite these structural deficiencies.

In view of the weaknesses in the current system, the Commission proposes to develop a new and more linear career structure without categories. It would contain more grades than in the current system but fewer steps per grade. Recruitment would be to certain levels of the grading scale in line with minimum levels of qualification and professional experience.

The new career structure should also provide for certain well-defined posts or functions to carry a specific grade. Officials occupying these posts, involving special responsibilities, would be rewarded in the form of payment at that grade for the duration that they occupy this post. Appointments to such posts would be on an objective basis following transparent procedures.

Whilst merit would determine promotion from grade to grade, seniority would be acknowledged by progress through the steps in each grade. Finally, the system should ensure that there are good career possibilities for officials who are not managers, but who have knowledge and skills that

are valuable to the organisation. This implies, in particular, that promotion to higher grades should not generally depend on occupying a management post.

In any public administration, the creation of a new career structure is of major significance as the implications can be far-reaching. Developing a new structure also requires a detailed analysis of many issues, including staff appraisal and promotions. This White Paper gives a broad outline of a new career structure for EU civil servants. Following thorough examination of the various options for a linear career structure, the Commission will publish a detailed proposal in November 2000.

The Commission undertakes to ensure that any new career structure honours its commitment that the reform will not result in deterioration either in the overall terms and conditions of employment of existing staff or in its multi-cultural composition. This will be reflected in any Commission proposal to the Council on the subject.

Performance appraisal

Any staff appraisal system serves a number of purposes from providing feedback to staff and assessing performance against agreed objectives to judging their suitability for promotion. The starting point for staff appraisal in the Commission must be clearly defined mission statements for each department and job descriptions and task assignments for each member of staff. These are, in any event, key elements of the system of planning and programming of Commission activities.

While a new system is needed, experience has shown that the key to a successful staff appraisal system lies in its fair and proper application by assessors. As a priority, management will receive special training in appraisal and there will be checks on their application of the system. Further thought will be given to ways to guarantee that appraisals are conducted equitably and efficiently.

The heart of the new system of appraisal should be an annual dialogue between the assessed and their assessor to discuss how far clearly set objectives have been achieved. This is common in other European administrations and would provide staff with objective feedback on their performance, recognising achievement and, if necessary, encouraging them to do better by identifying areas for improvement. Career development issues, such as training and mobility, should also be discussed.

Appraisal should also help in assessing a person's suitability for promotion based on past performance and aptitude for new tasks and responsibilities. Merit is a relative concept requiring staff to be assessed for promotion by comparison with their peers. This means that the appraisal needs to include the attribution of a mark (or marks). At present, appraisals in the Commission are made every two years. The link between the new annual appraisal and promotion procedures will be examined carefully to avoid placing an undue burden on managers and staff. More investment of time and effort in the new appraisal system is, however, needed.

This new staff appraisal system must clearly be fair, transparent and objective. Assessment should be carried out by the staff member's immediate superior, perhaps involving other colleagues, and the use of "two-way feedback".

Finally, the appraisal of managers should include an element of assessment by their staff. Safeguards will be developed for those involved in assessing their managers. A separate appraisal system will be introduced for Directors-General and Directors, which will assist the Commission in judging Directors for promotion to Director-General.

Promotion

One of the benefits of a better appraisal system will be meeting the explicit requirement in the Staff Regulations that promotions should be based on merit. Further improvements to the

promotion system are needed to bolster the aim that good performance should be properly rewarded. This should include taking account of mobility and the development of specialist skills.

Procedures to help under-performing staff

A clear definition of each official's tasks will give them and their managers an agreed basis on which to assess performance. The annual appraisal dialogue ought then to lead to an earlier detection of under-performance. The new career guidance function will include counselling for apparent under-performers and a skills review. There will be a guide to provide a clear definition of under-performance and guidelines for detecting it as well as procedures to be followed. Remedial measures may include additional training and reassignment to other posts.

A specific procedure that is distinct from the disciplinary procedure will be introduced for dealing fairly with established cases of professional incompetence under Article 51 of the Staff Regulations.

Flexible retirement

Flexibility in retirement age is one of the instruments that can contribute to optimum use of human resources. The current rules on the age and conditions of retirement penalise those who wish to leave the service before the age of 60. No official can continue work beyond the age of 65. These issues need to be addressed. A new early-retirement scheme needs to be developed. This will have implications for the Staff Regulations and the pension scheme.

More specifically, it is clear that further enlargement of the European Union will confront the Commission with a significant challenge. An early-retirement scheme could play an important role in easing the integration of members of staff from new Member States. In the light of this, reflection is needed on a special scheme of early retirement directly linked to enlargement.

IV.3   Non permanent staff

Contract staff have always made a useful contribution to the Commission's work bringing in skills not otherwise available within the Commission. In addition, local agents in the representations in Member States and Delegations in non-member countries have played an important role in assuring Commission activities in those countries.

The commitment of such staff to the goals of the European Union is not in doubt. However the variety of the terms and conditions on which they are employed and deployed is confusing. In addition, recourse to contractual staff can be wasteful as the cost of employing them can be greater than for permanent officials, yet the Commission cannot count on retaining their skills. The Commission will continue to use contract staff but intends to reduce its reliance on them, especially at headquarters. It will therefore make a proposal to convert part of its budget for such staff into permanent posts.

Any ambiguity about the rules under which contract staff operate and the tasks which they may and may not perform will be addressed. The new rules should also provide some flexibility for executing certain activities with contractual staff, for example, given the need to attract individuals with specific technical knowledge not otherwise available to the Commission. There is a link between these rules on the one hand and policy on externalisation and the definition of activities on the other hand: the extent to which contract staff are used will vary according to the nature of the activities; and the scope for using contract staff within the Commission can have an impact on the need for externalisation.

IV.4   The working environment and equal opportunities

Working environment

The Commission ought to be a model employer offering its staff a good working environment. The legacies of the past mean that the organisation of work in the Commission tends to be rigid, with insufficient understanding of how the cultural diversity that characterises and enriches the Commission can affect working relationships. Further enlargement of the European Union will increase this diversity. Finally, both the working culture in the Commission and the fact that resources in some areas have been insufficient have extended hours worked and often made it hard for many officials to reconcile their professional and private lives.

Various steps will be taken to improve working conditions. Greater emphasis will be put on training related to working in a multicultural environment and to managing diversity. There is a growing demand from officials of all grades for more flexible working hours. In a more results-oriented organisation, these aspirations must now be met, since they could provide increased flexibility and productivity for the Commission and better motivation and job satisfaction for staff. Measures will be taken to facilitate flexible working, include flexitime, job sharing, part-time working, and teleworking. The issue of replacing staff who work flexible hours will need to be addressed.

In order to allow parents to balance their professional lives with their family obligations, a right to parental leave will be introduced for both natural and adoptive parents. The existing provisions on maternity leave will also need to be improved as will the infrastructure provided by the Commission for childcare. Finally, a right to family leave will be introduced.

Equal opportunities

The improvements sought in the working environment are likely to make a significant contribution to promoting equal opportunities.

Beyond this, gender mainstreaming must be central to the new integrated human resources policy. The Commission has already committed itself to tackling the current gender imbalance in the staffing structure, for example by giving women preference for senior appointments when there are male and female candidates of equal merit. It has also set itself the minimum target of doubling the number of women in top management by the end of its mandate. In no case should geographical balance be an obstacle to appointments. At the entry level, special care will be taken to ensure that the tests for competitions do not disadvantage women and that selection boards include a sufficient number of women. Finally, improved access to, and provision of, training for management should also enhance potential promotion opportunities.

The Commission intends to abolish the existing age limits for recruitment by competition. Consultation with other EU Institutions on this issue is underway and the Commission is willing to lead by example. The conditions for recognising stable partnerships outside marriage will be defined. Further thought should be given to ways of ensuring that the cultural diversity and ethnicity of today's Europe is reflected in the staff of the Commission and the Commission will promote discussions with Member State administrations to that end.

IV.5   Discipline

Few Commission staff members ever have reason to encounter the disciplinary system. However, the current system has shortcomings. The system is too slow, has many layers of procedure and is based around a disciplinary board that varies in composition and is purely internal. Staff are not sufficiently well-informed about their obligations and the possible consequences of breaches of the rules.

A number of administrative measures can be taken to improve the situation without changing the Staff Regulations: clear rules will be set out in a handbook together with an explanation of rights and obligations; guidelines will be developed for penalties related to the gravity of the offence; an enlarged permanent secretariat for the Disciplinary Board will provide greater consistency; and disciplinary decisions will be published (with names removed to protect confidentiality).

Further actions in this field to make the system more effective and less subject to delays will require amendments to the Staff Regulations. These include setting up an Inter-Institutional Disciplinary Board and the possibility for the Administration to present its case to the Disciplinary Board.

IV.6   Whistleblowing

All responsible organisations, particularly public administrations, need provisions which ensure that employees with serious reason to suspect that wrongdoing either has taken, is taking or could take place can report their concerns and be sure there will be a thorough investigation and an effective response. In the Commission, there is a need to clarify the rights and obligations of officials who report alleged wrongdoing and to provide a workable system that is fair to "whistleblowers", to the people accused of wrongdoing, and to the Institution. At the same time, there should be guarantees that when legal or administrative proceedings are undertaken they are not compromised by untimely disclosures of evidence.

The OLAF Regulation that came into effect in June 1999 gives a clear indication of the channels to be used for reporting irregularities. Officials are obliged to report suspected irregularities to their superiors or to the Secretary-General or to OLAF. There is now a need to clarify that reporting a case to OLAF for investigation does not absolve managers from taking the necessary steps themselves to remedy problems brought to their attention.

There is also a need to establish more precisely the rights and obligations of officials to report wrongdoing responsibly through internal channels (but not exclusively through the hierarchical line), and to define appropriate rules for the use of external reporting channels. The external channel should act as a "safety valve": the circumstances in which going outside the Commission would be allowed will have to be carefully defined. A reinforced central mediation service should act as a contact point for cases of alleged wrongdoing that do not involve alleged fraud or action affecting the financial interests of the Community.

In keeping with best practice in Member States, necessary protection consistent with the provisions in the OLAF Regulation will be provided for officials making reports through the legally established means, and – in the interest of all staff and the Institution - safeguards will be provided against frivolous or malicious allegations.

IV.7   Transparent Staff Regulations

A large number of legal texts have been adopted over the years to implement the Staff Regulations. Some of them apply to all EU Institutions, while others apply only within the Commission. Little effort has been made to make these texts accessible to staff, nor have the many administrative decisions adopted by the Commission under the Staff Regulations been made available. As a result, no clear, consolidated set of rules can be consulted. Both the issue of transparency and the proper application of the rules must now be addressed. Common Staff Regulations applying to all EU Institutions will be maintained.

The rules adopted to implement the Staff Regulations will be simplified, consolidated and published. The Commission's administrative procedures for applying the Staff Regulations will also be reviewed. At the same time, the Staff Regulations themselves need to be examined – in full consultation with staff representatives – in order to identify any provisions which are clearly

outdated and which are no longer needed to ensure the permanence, quality and independence of the European Civil Service. In this context, it is important to stress that this Reform in no way calls into question the principle of involvement of joint committees involving staff representatives and the Administration in the Commission's human resources policy. To ensure the effectiveness of involvement in the interests of staff, the operation and function of those committees will be reviewed in each specific area.

These changes will be undertaken as part of an on-going commitment to simplify and clarify the staff's rights and obligations.

IV.8   Other issues

The human resources policy outlined in this White Paper is a key component of the Commission's strategy for reaching the objectives set out in the 2000-2005 programme, for example, the challenge which enlargement of the European Union will bring in terms of integrating members of staff from new Member States. Two further areas of human resources policy which merit particular attention in the years ahead have been identified. The first concerns staff who are paid from the Research budget. Specific rules apply to this category of staff. The longer-term objective of this Commission is to integrate Research Staff into the mainstream of the Commission's personnel policy. The possibility to recruit some specialist staff on a temporary basis will be retained. The second concerns the Commission's external service. Special consideration will be given to managing the career of officials in delegations and at headquarters, including the rotation exercise, the provision of language and other training, the treatment of couples of EU civil servants when one is posted to a Delegation and the policy towards local staff.

Implementing the framework of reforms set out here represent a significant and sustained challenge to the Commission's central administrative services. It is a challenge which they must now meet.

> **The measures proposed in this Chapter are detailed in Chapter IV of the Action Plan in Part II of the White Paper: Actions 21-62**

V   AUDIT, FINANCIAL MANAGEMENT AND CONTROL

One central aim of the Reform is to create an administrative culture that encourages officials to take responsibility for activities over which they have control – and gives them control over the activities for which they are responsible. The Commission as a whole has a particular responsibility for managing EU funds, i.e. the taxpayers' money. Improving and modernising financial management is, therefore, desirable on its own merits and can make a direct and practical contribution to lifting operational performance generally.

The Commission's systems for financial management and control are no longer suited to the type and number of transactions which they have to deal with. When the present centralised systems were designed, the Commission was processing sums of money very much smaller than today's. Financial transactions have grown exponentially – for instance, they have doubled in the past five years to more than 620,000. External aid has increased by a factor of three over the last ten years and is set to grow by a further 44% between 1999 and 2000.

These realities mean that procedures need to be made simpler and faster, more transparent and decentralised. There has to be a clear distribution of tasks and responsibilities among all participants – both financial and 'technical' – who have a role in managing operations that have financial implications. Adequate organisational rules and structures are also essential. Specific

arrangements will be needed to equip the Commission's external delegations to handle these new responsibilities.

A key component of better financial management will be the new approach introduced by Activity-Based Management for allocating resources of all kinds to match the Commission's priorities (see Part III of this White Paper). The Commission should then no longer find itself in a position of having taken on tasks without the means to execute them properly.

In addition, the following actions are needed:

- The *financial management, control and audit system* will be radically overhauled, updated and brought into line with best practice. In order to make the best use of resources and expertise and take account of the different types of spending for which the Commission is responsible, new organisational structures will have to be brought in and others phased out. Benchmarks will be introduced to measure progress in reducing payment delays and recovering funds unduly paid.

- *Authorising officers and indeed all managers must take responsibility* for the quality, correctness and efficiency of what they do. The rules should be communicated to all officials in a consolidated, simplified and easily accessible form.

- Steps to *better protect the Community's financial interests* will be taken, in particular fraud-proofing of legislation not just at the proposal stage but throughout the legislative process. Co-operation between the Commission and the Member States will be significantly improved. As the Court of Auditors points out, it is in the Member States that the "vast bulk" of expenditure that is not properly used and/or accounted for takes place.

V.1 Defining the responsibilities of authorising officers and line managers

Creating a real sense of responsibility for sound financial management means, first of all, clearly defining tasks; secondly, making sure that everyone knows and understands their responsibilities; thirdly, quality controls built into management processes; and finally, fair and trusted ways of dealing with breaches of the rules.

Financial management is only one aspect of operational management. The delegation of powers to authorise expenditure also has to parallel the management chain of command, from the individual official to Director-General, to the individual Commissioner and to the College.

The Commission will draw up clear rules defining the responsibilities of each financial actor. These will be handed out to each one when they are appointed and be accompanied by appropriate training. If they fail to meet these standards, they will have the responsibilities withdrawn.

These rules on the responsibilities of authorising officers will include procedures for delegating responsibility for authorising expenditure within departments. As far as possible, the person taking the operational decision to go ahead with an operation involving expenditure should also be the one authorising the expenditure. However, an adequate system needs to be in place to check the correctness of transactions.

The best way of ensuring that these rules and procedures are followed is to make them readily available to all officials. The rules will therefore be consolidated and presented in simple, clearly set-out manuals that are updated as needed.

Simpler, consolidated rules and procedures are especially necessary in the areas of grants and procurement. A number of principles must be rigorously applied: competitive procedures for allocating funding, full information about funding available, equal treatment of all tenderers, transparent selection procedures, publication of the outcome, and proper follow-up and evaluation.

At the margins, the dividing line between a grant and a procurement procedure is a delicate issue. Authorising officers need to be able to obtain advice on what type of procedure to adopt from the Contracts unit of the Central Financial Service (see Chapter V.2). This problem will be addressed in a separate section of the draft proposal revising the Financial Regulation.

The Commission will also be proposing improvements to its procurement procedures; in particular it will consider the creation of an independent body to handle complaints arising out of procurement procedures.

Without calling into question the role of OLAF, where financial errors or suspected irregularities occur which do not involve fraud, Directors-General will be able, before initiating disciplinary proceedings, to refer a case to a panel which has a helpdesk function advising on possible financial irregularities. This panel will be set up by 1 July 2000. The panel will naturally hear the official or officials involved. This advisory panel is designed to be an intermediary step between detection of an irregularity and the possible start of formal disciplinary procedures. Where possible, the panel should recommend corrective and preventive measures to the Director-General concerned.

Finally, the provisions in the current Financial Regulation which provide that authorising officers are professionally and financially liable are likely to severely hamper the 'responsibilisation' of authorising officers. This clash could be highly counter-productive. The new disciplinary procedures proposed in Chapter IV already provide fair and adequate means of dealing with financial irregularities and fraud through the Staff Regulations' provisions on civil servants' liability for serious misconduct. Accordingly, the Commission will be proposing that these specific provisions be dropped from the Financial Regulation.

V.2 *Overhauling financial management, control and audit*

The Commission's present financial management, control and audit system has been heavily criticised, from both inside and outside the Institution, for not preventing significant wrongdoing in a number of major instances (see, for example, the reports of the Committee of Independent Experts and the Court of Auditors).

Basically, the current financial ex-ante controls consist of centralised checking and approval of financial transactions against largely procedural rules laid down in the Financial Regulation – called the "ex-ante visa" – but this has proved inadequate as a way of comprehensively assessing the added value and correctness of financial operations. As a result, the system gives decision-makers a false sense of security, leading to a culture that "de-responsibilises" managers. At the same time, by being cumbersome and procedurally complex, it has made efficient execution of the budget harder.

Added to this, the Financial Regulation gives responsibility for both ex-ante vetting (the 'visa') and ex-post evaluation of systems ('audit') to the Commission's Financial Controller, giving rise to a significant potential for conflicts of interest within the Financial Control DG.

Proposed changes

The solution proposed in this paper is presented schematically in Figure I. The aim is to devolve controls currently under the responsibility of the Financial Controller to DGs so that Directors-General are made directly answerable for adequate internal controls in their departments and managers are made wholly responsible for the financial decisions they take. This responsibility should find expression in a declaration by each Director-General in their Annual Activity Report that adequate internal controls have been put in place and that, on the basis of the analysis made in the Report, the resources have been used for the intended purposes. Once the Financial Regulation has been changed to create the conditions for more secure, efficient and effective resource management, the centralised 'ex-ante visa' would be abandoned.

Within Directorates-General, the Finance Units will have the basic function of providing advice and assistance to operational units. They may be given additional functions depending on the specific organisational set-up in each DG. Because spending profiles and requirements for financial management vary between departments, each Director-General will have to define the appropriate financial processes to be followed in his or her department, within the framework of a set of minimum standards for all departments to be defined in line with the principles set out in this White Paper. These standards will include the principle of segregating duties, in order to ensure that every decision involving expenditure in any department has been assessed from the operational and financial viewpoints by at least two persons.

A Central Financial Service will be created which will provide advice to operational departments in the Commission. This Service would come under the direct responsibility of the Budget Commissioner and would define financial rules and procedures and common minimum standards for internal controls in DGs as well as advising on their application.

An Internal Audit Service under the authority of the Vice-President for Reform will be set up to assist management within the Commission to (1) control risks, (2) monitor compliance, (3) provide an independent opinion about the quality of management and control systems, and (4) make recommendations for improving the efficiency and effectiveness of operations and ensuring that Commission resources are used cost-effectively ('security for money and value for money').

Each DG will set up a specialised audit capability (that could range from an individual relying largely on the work of the Internal Audit Service to a fully-fledged unit), reporting directly to the Director-General, to carry out reviews of the internal control system of the DG as well as reviews of the management and use of Commission funds paid to external beneficiaries.

Finally, an Audit Progress Committee will be set up. Its job will be to monitor (1) the control processes of the Commission through the results of audits of the Internal Audit Service and the Court of Auditors, (2) the implementation of audit recommendations, including those from the Court of Auditors accepted by the Commission, and (3) the quality of audit work. The Committee will be chaired by the Budget Commissioner and will be further composed of the Vice-President for Reform, two other Commissioners and an external member. The latter will have to have relevant knowledge and experience of corporate governance and controls. All these new Services and the Audit Progress Committee will be set up by 1 May 2000.

The proposed changes will ensure that responsibilities are properly assigned to managers who take decisions with financial implications; they, in turn, will be properly advised and guided by a central financial function. To complement this, the Internal Audit Service will play an important oversight role and its recommendations will be given due attention by the Audit Progress Committee. In the final analysis, this approach should fully remedy the 'de-responsibilising effect' and the potential conflict of interest between financial control and internal audit that mark current arrangements.

The Transition

Moving to the system set out above will be a complex process and cannot be achieved in the very short term. The existing legal framework, in particular the Financial Regulation, requires that the centralised ex-ante visa be maintained and it also assigns responsibility for ex-ante financial controls and internal auditing to the Financial Controller. As a result, the ex-ante visa function as carried out by the Financial Control DG cannot be ended without amendment to the Regulation nor, therefore, be replaced by an automatic technical visa on all transactions.

The Commission will tackle this problem in two ways.

First, to shorten the period of transition to the new system as much as possible, it will propose, as part of the revision of the Financial Regulation, that responsibilities for financial controls and

internal auditing are separated. This should make it legally possible for the Commission to transfer responsibility for internal auditing from the Financial Controller to another senior official with equivalent independence (the Internal Auditor). The Commission hopes that this part of the recasting of the Financial Regulation can be processed speedily and adopted by 1 January 2001.

Secondly, pending adoption of the general revision of the Regulation, the Commission will already begin to decentralise audit and ex-post control activities – currently performed centrally under the responsibility of the Financial Controller – to operational Directorates-General. Before any decentralisation of responsibilities, the obligations of every person intervening in financial decisions will be defined and communicated. The traditional ex-ante visa control will be deconcentrated by locating the controllers in the Directorates-General whilst maintaining their reporting lines to the Financial Controller, as required by the Financial Regulation. During this period, the Financial Controller will report separately to the Vice-President for Reform on internal auditing, so immediately reducing the potential for conflicts of interest.

Human resources and training

A fundamental factor necessary to ensure the robustness of the new audit, financial and control system is that financial operations must be run by highly competent staff. Any shortfall in human resources, skills or expertise would seriously undermine the reliability of the system. Insufficient emphasis may have been given to such jobs, to the support systems, and to specialist training in the past, making a career in this sector less attractive, so increasing the shortfall. Financial management and control should, therefore, be a priority for Directors General in making an assessment of their human resources needs. If necessary, resources should be made available immediately. A specialised competition could be envisaged if - after redeployment of existing staff in the Financial Control DG, the allocation of additional posts and the provision of internal training - there were still insufficient numbers of personnel with the necessary expertise.

To ensure a common understanding of the concepts and vocabulary of the new audit, financial and control system across the Commission, staff will be trained immediately on the principles behind the financial reforms. Managers in charge of spending programmes will be given training courses on strategies for maximising the value for money of their activities. Once the new operational manuals with simplified and consolidated rules and procedures are available, an intensive and thorough training programme will be provided for operational staff responsible for programmes that involve expenditure, in particular dealing with project management, public procurement and award of subsidies. An introduction to the way the Commission's budgeting and financial systems work will be compulsory for all staff.

V.3   *Protecting the Community's financial interests*

A series of measures are necessary to maximise the prevention of irregularities and the fraud-proofing of legislation and financial management rules and procedures. A wide range of actions include:

- Guidelines for sound project management.

- Better co-ordination of the interaction between the independent Anti-Fraud Office (OLAF) and other Commission departments.

- Closer involvement of OLAF in the fraud–proofing of legislation and systems for tender and contract management.

- Optimisation of the central early warning system for beneficiaries of EU funds.

- More effective management of the recovery of unduly paid funds.

In addition, co-operation among Commission departments and between the Commission and Member States, particularly in the area of the Structural Funds and the EAGGF clearance procedure, will need to be better defined to ensure that more effective action is taken to improve the prevention and detection of irregularities, fraud and corruption.

> ***The measures proposed in this Chapter are detailed in Chapter V of the Action Plan in Part II of the White Paper: Actions 63-98***

VI   DELIVERING AND SUSTAINING REFORM

Implementation of many measures can start immediately as set out in this document and in the Action Plan. The Commission attaches particular importance to pressing ahead with Reform to maintain the momentum and to reaping early benefits from the Reform for staff and the other Institutions

Achievements by July 2000

In particular, the Commission is committed to delivering the following essential measures by July 2000:

- The establishment of the Internal Audit Service, the Audit Progress Committee and the Central Financial Service.

- Departments will draw up an inventory and evaluation of their financial organisation and a first assessment of the staff needs in this area.

- The setting up of a Commission-wide programme of training and information on the new Commission financial architecture.

- The establishment of a mission statement for every Directorate and unit on the basis of the mission statement of its Directorate-General.

- Job descriptions for each official/staff member on the basis of clear guidelines and the mission statement of the unit in which he/she works.

- The completion of a comprehensive programme of pilot projects for the new management training scheme and improvements in the operation of the appointment procedure to senior posts.

- The setting up of a representative Customer Panel to advise the Vice-President for Reform on the quality of the services provided by the Department for Personnel and Administration.

- A proposal for a major revision of the Financial Regulation.

- A proposal on the urgent task of improving the management and delivery of external aid programmes and the implementation of the first steps of this Reform.

Implementation 2000-2002

By the end of 2000, consultative documents on all key areas of Human Resources policy such as career development and structure, discipline, and recruitment - including proposals for any necessary legal changes – will have been tabled. These documents will set out detailed proposals in areas where this paper provides general orientations. Full consultation on these proposals will take place. The Commissioners' Group on Reform will be habilitated to adopt draft proposals for consultation. In order to ensure full transparency, all Commissioners will be kept informed throughout.

This will comprise consultation with the Commission's staff representatives and, where changes to the Staff Regulations applying to all Institutions are concerned, also with the Inter-Institutional Committee. The Commission aims at completing the internal consultations by early 2001. Implementation of measures not requiring changes to the Staff Regulations will then commence immediately. The inter-Institutional consultations should be completed by November 2001 at the latest. The Commission will subsequently propose an integrated proposal for modifying the Staff Regulations, covering personnel policy and pay and pensions, to the Council to be presented by December 2001. On this basis, the full implementation of the Reform proposals set out in this White Paper should be achieved by the second half of 2002.

Pay and pensions

The objective of Reform is to ensure that the Commission has an administration where the highest standards of performance, integrity and service prevail. Quality should be properly rewarded and the general conditions of employment of European civil servants must, therefore, not deteriorate.

Meeting these objectives means that major challenges for the pay and pension system will have to be faced. First, the current system for adjusting salaries will expire in June 2001. Secondly, there is a legal obligation to achieve an actuarial balance of the pension regime.

Given the link between pay and pensions and reform – notably insofar as changes to the career structure are concerned - and the complexities of what would be two successive and major sets of negotiations, the best solution for staff, Commission and Council will be a single global negotiation in Council on pay and pensions and revised Staff Regulations.

This objective can be reached by presenting a proposal to the Council in the course of this year, containing two parts. First, a proposal to maintain the status quo for a short period of, say, 2 years by extending the existing Method, crisis levy, salary structure including allowances and pensions regime. Secondly, a firm commitment to present an integrated package for revision of the Staff Regulations together with a new Method and measures to address the long-term equilibrium of the pension regime by December 2001.

This would allow the Commission to present an <u>integrated</u> package to Council allowing time to reach agreement before the expiry of the short term extension of the Method. There are no legal impediments to such an approach and there are considerable practical advantages.

Investing in Reform

Implementing the Reform will require an investment of resources. Accordingly, as already mentioned, posts will be made available immediately by means of administrative measures to reduce the vacancy rate in the Commission, for a period of two years, notably to support the new internal control system and to develop Activity-Based Management in the Directorates-General. In addition, substantial increases will be sought from the Budgetary Authority in the level of resources allocated to training and to information technology. In the latter area, this will help to close the gap between the provision in delegations and the rest of the Commission. Strengthening IT provision in delegations is a prerequisite for greater de-concentration of tasks from headquarters. Resources need to be released to tackle the backlog, notably in the external aid sector.

Structures for delivering and communicating Reform

Establishing and implementing the process of Reform has several aspects and the Commission has consequently set up several structures for delivering the Reform, including the Reform Task Force, Planning and Co-ordination Groups chaired by Directors General to test proposed measures from an implementation point of view and a Reform Group of Commissioners. In parallel, Relex Commissioners are reviewing the management and delivery of external aid in line with the principles of the Reform. In addition, the horizontal Budget and Personnel and

Administration departments have also been given significant responsibilities and a Deputy Secretary General will be appointed with the specific remit of improving working practices and associated tasks. The Vice-President for Reform is setting up an External Advisory Group composed of experienced leaders from public administrations and the private sector to provide advice on the Reform process. The Commission will review the structure for delivering Reform regularly, starting in July 2000 and will make any changes needed.

The Commission will continue to ensure full communication with and involvement of staff and provide for effective means of feedback and input. This communication strategy is intended as a supplement to, and not a replacement for, the normal consultations with staff representatives.

Role of European Parliament and Council

The Commission cannot achieve the objectives of comprehensive Reform on its own. A results-based approach to setting and implementing priorities represents a change of behaviour within the Commission. It can only succeed if there is a parallel change within the Council and the Parliament so that, when they ask the Commission to assume new tasks, they are conscious of the implications for the Commission's ability to execute existing responsibilities. The Commission will have to refuse these tasks when it is not properly resourced: the other institutions should not regard such a refusal as a negation of the democratic will but as responsible and reasonable behaviour necessary to safeguard the interests of EU citizens and taxpayers. Better planning and programming of activities and improved dialogue between the Institutions should, however, prevent matters ever getting to such a situation.

Finally, as legislators, the Council and the European Parliament will handle the revision of the Financial Regulation and the Staff Regulations. The Court of Auditors will also be called on to give an Opinion on the new Financial Regulation. Unlike most other legislative proposals, these measures have a direct impact on the way the other institutions operate. Therefore, achieving the objective of full implementation of the action programme set out in this White Paper by the second half of 2002 requires the active support and commitment of all European Institutions, each of which has emphasised its desire for effective and comprehensive Reform.

VII   CONCLUSION

This White Paper sets out a programme of reform to equip the Commission with an administration that excels. The programme runs to the second half of 2002, and includes legislative changes to the Staff and Financial Regulations. Like all such programmes, it will require a significant investment in change. The Council and the European Parliament must also play their part. They have rightly willed the ends, it is sensible to expect them to will the necessary means

This Reform is a once-in-a-generation programme. One of its purposes is to create a culture of continuous improvement and to ensure that the Commission is flexible enough to change itself in the future as new challenges confront it in an ever-changing world. The Commission will review progress in the second half of 2002, when it expects to have implemented the Reform Strategy set out in this Paper.

As the key principles of independence, accountability, responsibility, efficiency and transparency are further embedded in working practices, further change can be incremental and led by the staff themselves. Indeed, without the full-hearted commitment of staff at all levels, no progress will be made. Part of the purpose of this programme is precisely to release further the energies and talents of the high quality staff of the Institution, and to provide better working lives for them. The scale and nature of many of the changes will pose a challenge to the people in the Commission. It is a challenge to which they will rise, due to their high level of ability and commitment, together with the new support systems and training provision.

But the underlying objective must be to serve the citizens of Europe, and the European ideal, by maintaining and strengthening the key role of the Commission as an independent public service acting as the guardian of the Treaties and the motor of the Union. The Commission has a proud history and an essential role to play now. It is more important than ever as the Union faces up to the challenges of enlargement and globalisation.   Modernising the governance of the Commission, as part of the wider challenge of modernising the governance of the Union, will enable the Commission to play its essential role for the future of Europe.

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ANNEX 1 TO CONSULTATIVE DOCUMENT ON REFORMING THE COMMISSION

◆ KEY REFORM ISSUES ◆

I. KEY CHANGES IN ADMINISTRATIVE FUNCTIONS AND STRUCTURES INTRODUCED BY THE REFORM[1]

A. New

Under the authority of the President, a **Strategic Planning and Programming** function in the Secretariat-General will assist the College in setting priorities and allocating resources and in promoting performance management and a second **Deputy Secretary-General** will have the specific responsibility for devising more efficient working methods, cutting red tape and simplifying systems.

An **Internal Audit Service**, under the responsibility of the Vice-President for Reform, will carry out the ex-post examination of the Commission services' internal control and management systems and performance, and provide necessary advice to management. An **Audit Progress Committee**, under the responsibility of the Budget Commissioner, will ensure that the recommendations are followed up.

An **Committee on Standards in Public Life** will advice on ethics and Standards of Conduct in all European Institutions.

B. Adapted

Building on the existing structure, a central **Career Guidance** function will ensure that the Commission can better match its staff with jobs, assess and guide mobility and provide training.

Bringing together existing functions and adding new ones, a **Central Financial Service**, operating under the responsibility of the Budget Commissioner, will define the financial rules and procedures and the minimum standards for internal control, provide advice to operational departments and develop and manage common financial management information systems.

Building on the existing structure, a **Central Mediation Service** will be created to offer assistance to staff members reporting alleged wrongdoing that does not involve fraud or other action affecting the financial interests of the Community.

An **Inter-institutional Disciplinary Board** will replace the present Disciplinary Board and a function in the Commission will be created to prepare and bring the Administration's case to the Disciplinary Board.

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[1] For a full overview of all administrative functions and structures see action plan.

C. <u>Abolished</u>

The current **DG Financial Control** will be abolished following the incorporation of its internal audit activities into the Internal Audit Service and the abolition, in the new Financial Regulation, of the ex-ante visa by the financial controller.

The **Inspectorate General of Services** will be abolished following the incorporation of its activities into the Internal Audit Service.

As part of the programme of administrative simplification the second Deputy Secretary-General, the Strategic Planning and Programming function and the Internal Audit Service will study any further changes to simplify existing functions and structures.

II. CHRONOLOGY OF KEY REFORM ACTIONS[1]

YEAR	QUARTER	KEY REFORM ACTION
2000	**2000/I**	Commission proposal for a Regulation on public access to European Parliament, Council and Commission documents
		Continuing work on the development of the information technology tool (Integrated Resource Management System) to support the introduction of Activity-Based Management.
	2000/II	Commission proposal for recasting the Financial Regulation (including the suppression of the *ex-ante* visa).
		Creation of an Internal Audit Service, an Audit Progress Committee and a Central Financial Service.
		Strengthening of internal control in Commission departments.
		Diffusion of Activity-Based Management.
	2000/III	Establishment of the new Strategic Planning and Programming cycle (SPP) necessary for the operation of Activity-Based Management.
		Appointment of second Deputy Secretary-General
		Commission Communication on externalisation.
		Commission Communication on the resource implications of reform.
	2000/IV	Consultative documents on discipline, professional incompetence, whistleblowing, new career system and new management policy.
		Commission decision on a financial corrections mechanism for the Structural Funds.
		Commission Action Plan on the simplification of administrative procedures.

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[1] For a full chronology of all actions see Annex 2

YEAR	QUARTER	KEY REFORM ACTION
2001	**2001/I**	Commission Decision on further decentralisation in terms of internal working practices. Consultation of OSPs within Commission on the proposed changes to the Staff Regulations.
	2001/II	Contracts database Commission decisions on a new evaluation system for staff, a new promotion system for staff and a new management policy. Consultation of Inter-Institutional Staff Regulations Committee on the proposed changes to the Staff Regulations.
	2001/IV	Commission submits integrated proposal to Council on Method, pension regime and the changes to the Staff Regulations necessary for Reform.
2002		Agreement by Council to the amendments to the Staff Regulations and the Financial regulation necessary for Reform. Commission adopts review of progress on Reform.

THE CONSULTATION PROCESS

Following the adoption by the Commission on 18 January of a consultation document as the basis for internal debate on the shape of the Reform, staff throughout the Commission took part in structured discussions within their Directorates General as well as participating directly in the consultation whether through direct messages to the Vice President for Reform, through contributions to the Reform Forum website on the Commission's intranet, or in cross-service groups established spontaneously by officials themselves. Comments came from throughout the Commission, regardless of grade or location. Full consultation with staff representatives has also taken place, leading to a clarification of positions as well as a resolution of the General Assembly of personnel, both in Brussels and Luxembourg.

This level of staff interest is important for the success of the Reform and ways will be sought to maintain it at the level of Directorates General and generally across the Commission, both in the formal consultation on detailed measures and on the implementation itself. This will include a mechanism for submitting and acting on suggestions for improving the way the Commission works. Naturally, none of this will replace the existing arrangements for inter-service consultation and the social dialogue on specific proposals in the areas set out in the Action Plan.

This note summarises the main comments and the way the White Paper has taken them into account. Other comments will provide an input to the preparation of implementing measures.

I. THE REFORM CONTEXT

Key concerns	*Key responses in the White Paper*
Political **vision** not evident	Introduction by the College and other references
Reform **strategy** not clearly stated	Reform linked clearly to strategic objectives
Tone of document negative about staff	Text recast plus College introduction
No reference to **external** policy	External service and external aid added
Consultation too short	Consultation continues on measures
Assumes no big change in **staffing** levels	Commission ready to ask for more staff after an internal restructuring and should a needs assessment prove it necessary

II. A SERVICE CULTURE

Key concerns	*Key responses in the White Paper*
Understates **political role** of Commission	Spelt out in Section I and introduction
Retention of Commission's **independence**	Spelt out in Section I and introduction
Empowerment/decentralisation missing	Empowerment/decentralisation added
Responsibility of Commissioners	Responsibilities already clearly stated

III. PRIORITY SETTING AND ALLOCATION OF RESOURCES

Key concerns	*Key responses in the White Paper*
ABM seems complex	Presentation improved
Need for flexibility to respond to events	Room for flexibility more clearly explained
College must take political decisions	Text made more explicit
Role of other institutions in priority setting	Seek agreement with EP and Council
Externalisation text weak	Rewritten
Fear of widespread privatisation	Explicitly ruled out
Control over external bodies	Highlighted as a key issue – ref. to Article 274
Little detail on **working method** improvements	Detail in White Paper and Action Plan
Greater flexibility needed in structures	Specified in Action Plan
Too much centralisation at present	Emphasis on greater delegation

IV. HUMAN RESOURCES

Key concerns	Key responses in the White Paper
• No reference to research or external service	• Both areas specifically mentioned
• Negative tone	• Ambiguous phrases clarified
• Nationality element in **recruitment**	• Nationality element dropped from competitions
• Suggested inter-Institutional recruitment office	• Such an office to be considered urgently
• Temporary contracts for new staff opposed	• Temporary contract for new staff dropped
• Concern about link between pay & **linear** career	• Specific conditions to ensure that there will be no deterioration in terms and conditions
• Time needs to be given to attend **training**	• Emphasis on learning culture and provision
• Training seems to be mainly for managers	• Continuing training for all staff confirmed
• Doubts about annual **staff appraisals**	• Issue of apparent burden to be addressed
• Opposition to quota of notation points	• Further consultation on variety of options
• **Equal opportunities** section weak	• Actions much more specific
• Sexual/other harassment not addressed	• Provision for mediation function
• General concern about **pay and pensions**	• Clear description of the Commission strategy
• Universal opposition to "light" **Statute**	• "Light" Statute suggestion dropped
• **Early retirement** needs to be more attractive	• Commitment to develop a framework
• No reference to joint staff committee system	• Principle of involving staff committees in human resources policy is maintained

V. FINANCIAL MANAGEMENT AND CONTROL

Key concerns	Key responses in the White Paper
• Need for financial **training**	• Detailed outline of training programme
• **Responsibilities** need to be clear	• Text more explicit
• Need to address issue of **financial liability**	• Proposal to change Financial Regulations
• **Staffing** implications of DG level controls	• Additional resources to be made available
• More information needed on **transition** phase	• Detailed outline of the implementation process
• Role of **accounting officer** unclear	• Text more explicit
• **Timetable** tight	• Mobilise resources to meet the objectives
• **Redeployment** of DG Audit's current staff	• Redeployment strategy designed

VI. DELIVERING AND SUSTAINING REFORM

Key concerns	Key responses in the White Paper
• Feasibility of **timetable**	• Some dates adjusted; progress to be monitored
• Complicated implementing **structure**	• System to be reviewed in July
• **Resource** implications	• Extra resources to be allocated; more sought
• **Workload** for all DGs not just lead services	• Extra resources for to additional work in short term
• Need for staff **involvement**	• Further consultation; ideas bank
• Need system for **monitoring** the reform	• Regular reports to the Commission

VII. CONCLUSION

Key concerns	Key responses in the White Paper
• Self-critical **tone** of parts of the document	• Text revised

GLOSSARY

A

Accountability

Obligation to answer for a responsibility that has been conferred.

Accounting Officer

One of the three financial actors defined by the Treaty. In charge of the accounting systems, the treasury and the financial reporting to other institutitons. In the organigramme of the Commission, the director of the Accounting Directorate within DG Budget.

Activity Based Budgeting (ABB)

Budgetary building block of the wider Activity Based Management approach.

Activity Based Management (ABM)

New programming, budgeting, managing and reporting method adopted by the Commission. It encompasses prioritisation and resource allocation at the level of the College and general principles for management at the level of departments.

Audit Progress Committee (APC)

Committee chaired by the Budget Commissioner and further composed of the Vice-President for Reform, two other Commissioners and an external member. It will monitor the control processes of the Commission through the results of audits of the Internal Audit Service and the Court of Auditors; the implementation of audit recommendations, including those from the Court of Auditors accepted by the Commission; and the quality of audit work.

Authorising Officer

One of the three financial actors defined by the Treaty. Authorises expenditure and issues recovery orders. The College has the primary power to authorize expenditure. It can delegate it to officials (i.e. Directors General) who may subdelegate that power under the conditions defined by the Commission's internal rules on the execution of the budget.

C

Central Financial Service (CFS)

Central financial help-desk within DG Budget in charge of defining rules, procedures and minimum standards for internal control, providing advice on their application, developing financial information systems and delivering training.

Committee of Independent Experts (CIE)

In the context of the refusal by the European Parliament (EP) of the 1996 discharge, a resolution of 14 January 1999 called for a Committee to be set up to "examine the way in which the Commission detects and deals with fraud, mismanagement and nepotism, including a fundamental review of Commission practices in the awarding of all financial contracts". The 5 members were appointed jointly by the EP and the Commission and submitted a report on 15 March 1999 which led to the resignation of the Commission the following day. A second report, focusing on financial and human reosurces management practices and listing 90 recommendations to prevent mismanagement, irregularities and fraud was submitted on 10 September 1999.

Committee on Standards in Public Life

Inter-institutional Committee which will provide advice on ethics and standards of conduct in all EU Institutions.

Control

Any action taken by management to enhance the likelihood that established objectives and goals will be achieved. Management plans, organises and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved. The result of proper planning, organising and directing by management.

Control Self-Assessment

Process which involves line management and staff in identifying objectives, controls and risks in their area and agreeing and implementing improvements.

Cost-Effectiveness

Relationship between the cost of a given level of output and the extent to which such output achieves, or helps to achieve an objective.

D

DECODE

Designing Tomorrow's Commission (from French title "Dessiner la Commission de demain"). A "screening exercise" launched in October 1997 by the Commission to provide up-to-date analysis of all activities carried out by the Commission, as well as the resources and working methods. Placed under the responsibility of the Inspectorate General, the exercise resulted in 47 reports on each DG/Service produced by twelve screening teams, and in a series of working documents covering more horizontal issues. A summary report providing a broad picture was issued on 7 July 1999.

E

Early Warning System (EWS)

Computer-based system for the signalling of beneficiaries of EU funds linked to serious administrative errors, irregularities or fraud.

Economy ("doing things cheap")

Minimising the cost of resources acquired or used for an activity, having regard to the appropriate quality. Cost of actual input in comparison with planned input.

Effectiveness ("doing things right")

The extent to which objectives are achieved and the relationship between the intended impact and the actual impact of an activity.

Efficiency ("doing things well")

Relationship between the output, in terms of goods, services and other results, and the resources used to produce them. An efficient activity maximises output for a given input or minimises input for a given output.

Evaluation

Judgement of interventions according to their results, impacts and the needs they aim to satisfy. Ex-ante evaluation is the evaluation of an activity carried out before implementation and examines needs and foreseeable results and impacts. Ex-post evaluation is the evaluation carried out either during or after the completion of an activity and examines impacts.

F

Financial control

(See also internal control) Set of mechanisms designed to ensure that the use of financial resources is made in compliance with rules and procedures. Its scope is, by definition, thinner that the one of internal control.

Financial Irregularities Panel (FIP)

A panel with helpdesk function to advise on possible financial irregularities. Designed to be an intermediary step between detection of an irregularity and the possible start of formal disciplinary procedures.

I

Information and Communication Technology (ICT)

The technology - hardware (computers, personal computers, networks, printers, scanners, etc.) and software (information systems, data-bases, search and retrieval tools, communication and presentation facilities, etc.) - supporting the processes of an organisation by providing appropriate information, supporting procedures, communicating results. ICT enables the redesign of processes to become more efficient and effective not only in administration, but also in policy-making, strategy development and client relations.

Information System

A structured set of hardware and software organised within a functional and technical architecture. It supports a vertical or horizontal business domain by supporting its workflow (e.g. processing transactions, passing documents, accumulating and consolidating information).

Internal Audit

An independent and objective assurance and consulting activity designed to add value and improve an organisation's operations by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance process (Institute of Internal Auditors). The word "internal" is describing the placement within an organisation and not the subject of an audit (complete chain of management, if necessary down to the level of the final beneficiary).

Internal Audit Service (IAS)

New Service, under the responsibility of the Vice-President for Reform, which will carry out the ex-post examination of the Commission services' internal control and management systems and performance, and provide necessary advice to management.

Internal Control

The globality of policies and procedures conceived and put in place by an organisation's management to ensure the economic, efficient and effective achievement of its objectives; the adherence to external rules and to management policies and regulations; the safeguarding of assets and information; the prevention and detection of fraud and error, and the quality of accounting records and the timely production of reliable financial and management information. Internal control has five components: 1) control environment, 2) risk assessment, 3) control activities, 4) information and communication, and 5) monitoring.

Internal Control System

The whole network of systems established in an organisation to ensure that its objectives are achieved and in the most economic and efficient manner.

M

MAP 2000

Modernising the Administration and the Personnel policy with 2000 on the horizon (From French: Modernisation de l'administration et de la politique du personnel à l'horizon 2000). Initiative launched by the Commission in April 1997, building on a report on decentralisation carried out by the Inspectorate General. The objectives were to achieve a higher degree of decentralisation transferring administrative management responsibility to Directorates General, to simplify procedures and to rationalise the usage of human resources. It resulted in 25 measures to be implemented in two different phases: the second one was due to start in March 1999 but the overall process was put on hold after the resignation of the Commission on 15 March 1999.

Monitoring

Observing and testing activities and appropriately reporting to responsible individuals. Monitoring provides an ongoing verification of progress towards the achievement of objectives and goals.

P

Performance Indicators

Direct or indirect measures of the extent to which effectiveness, efficiency and economy, quality and service levels have been achieved in an activity or function.

R

Risk Analysis

A formal method of evaluating the vulnerability of a particular system or group of systems. Risk in systems may be viewed as the chance (or probability) of one or more management's objectives not being met.

S

SEM 2000

Sound and Efficient Management, a reform programme of financial and resources management adopted, in three successive stages by the Commission during 1995. The objectives were the rationalisation and simplification of financial management procedures, the evaluation and the cost effectiveness analysis of Community programmes, and a better taking into account of the observations of the Court of Auditors, the Council and the European Parliament. The implementation of the programme, which has been reviewed and updated since then, is regularly evaluated by external consultants.

Strategic Planning and Programming function

Set up in the Secretariat-General of the Commission, it will assist the College in defining its annual policy strategy (policy priorities and allocation resources) and will promote performance management throughout the Commission.

W

Williamson Report

Report issued in on 6 November 1999 by the "Reflexion Group on personnel policy" chaired by the former Secretary General of the Commission, David Williamson. The Group was composed on an equal basis of representatives of the Administration and of the Trade Unions / Professional Associations (OSPs); it was set up following an agreement between the Commission and Trade Unions/Professional Associations (OSPs) on 18 May 1998 and reviewed, during the July-November 1998 period, a wide range of human resources related issues. The report resulted in a series of conclusions and recommendations for further action.

FIGURE I: OVERVIEW OF THE NEW STRUCTURE FOR FINANCIAL MANAGEMENT, CONTROL AND INTERNAL AUDIT

COMMISSION

Vice-President for Reform

Budget Commissioner

Audit Progress Committee

Commissioner

Internal Audit Service
- Advice on risk management, control and governance processes
- Independent appraisal of adequacy of internal control and management systems
- Performance audit
- Set audit standards

Advice, information

COM Accounting Officer
- Consolidated accounts, legal reporting
- Treasury, payments, bank transactions
- Accounting systems

Central Financial Service for sound an efficient management
- Define financial rules, procedures and minimum standards for internal control and advice on their application
- Deliver training and manuals (including to accession countries)
- Provide support as a help-desk (networking, evaluation, contracts, externalisation)
- Databases (early warning system, contracts database)

Director General
- Responsible for the adequacy of management and control systems (3)

Horizontal functions (2)
- Global budgeting and resource planning
- Assistance and advice
- Management of financial systems
- Financial monitoring
- Annual DG accounts
- Financial quality assurance (4)
- Ex-post on-the-spot checks on legality and regularity
- Audit of decentralised management systems of Community spending programmes
- Evaluation of internal controls, risk assessment
- Evaluation of actions

Line Managers
- Budgeting and resource planning
- Actions design, planning and monitoring
- Define terms of reference (calls for tenders, calls for proposals)
- Decisions on selection of actions for support, monitoring and follow-up.

(1) The Audit Progress Committee will assign responsibilities in the Commission relating to the follow-up to be given to audit reports, to monitor progress and to ensure that the Audit Service's work is fully embedded in the Commission.
(2) The Director General will decide on the most appropriate organisation to undertake these functions.
(3) The authorising officer checks the validity of the discharge ('acquit libératoire') for each transaction. The 'acquit libératoire' implies that the invoice is ready to be paid by the accounting officer.
(4) The Director General to decide whether the financial quality assurance should include ex-ante control of transactions (*watchdog*).

40

II. A CULTURE BASED ON SERVICE

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2001
SG	**I. Standards of behaviour in public life** 1. A Committee on Standards in Public Life Commission Proposal Institutional Agreement				√						√	
SG	**II. A code of good administrative behaviour** 2. A Code of Good Administrative Behaviour		√									
SG	**III. New rules to enhance Public Access to documents of Community Institutions** 3. Proposal for a Regulation on public access to European Parliament, Council and Commission documents											May
SG SG	**IV. Improving the dialogue with civil society** 4. Development of a set of recommentations identifying best practices in consultation 5. Establishment of a list of the committees and working groups involved in formal or structured consultation procedures.									√		June
SG	**V. Code of conduct with the European Parliament framework** 6. Negotiate a new framework agreement in line with Parliament's Resolution of 15 September 1999 on the new Commission.	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
DG ADMIN/DIL, CTI, SG, OPOCE, INFSO, Press Service	**VI. Towards the e-Commission** 7. Towards the e-Commission (a) ICT support (b) Communications networks 8. Meeting users' needs (a) feedback mechanisms and technology developments (b) Moving to interactive policy consultations using Internet (c) Constant improvement of the "Europa" Web site 9. Electronic public procurement and transactions	>> >>	>> >>	>> >>	√ >>	>> >>	>> >>	>> >>	>> >>	>> >>	√ √ >> √	
All DGs BUDG	**VII. Speeding-up payments** 10. *Reporting on the record of individual DGs in meeting payment deadlines* 11. *Central invoices register*											Jan. June

√ = **Target Month**   >> = **Ongoing process or preparation time**

III. PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2001	2002
	VIII. Activity based management (ABM)												
SG with support ABM group	12. *A new strategic planning and programming (SPP) cycle (see Figure 1 and related text of chapter III.1 in White Paper)*												
	Discussion with EP & Council		>>	>>	>>	>>	>>	>>					
	Adoption guidelines to operational services								√				
	First SPP circular										√		
	First annual Activity Report by DGs											Jan	
SG with support ABM	13. *Establishment of a Strategic Planning and Programming (SPP) function*												
	Commission decision on definitions			√									
	Commission decision on establishment SPP function					√							
IRMS working to the ABM group	14 *Development of an activity-based IT instrument to support Activity Based Management*												
	Development IRMS instrument in line with ABM specs	>>	>>	>>	>>	>>	>>	>>					
	Full deployment of IRMS												Jan.
ADMIN/DI with support ABM group	15 Promote diffusion of Activity Based Management practice and 'learning by doing'.			√									
BUDG with support ABM group	16 Strengthening of the evaluation system.			√									
	IX. Developing an Externalisation Policy												
PCG EXT+PCGHR	17 *A framework for externalisation*		√					√					
	X. More efficient, performance-oriented working methods : a work programme												
SG+ADMIN/DI/IAS	18 Decentralisation of decision-making and simplification of administrative procedures							√					
	19 *Promoting personal responsibility and initiative and leaner administrative structures*												
	Guidelines job description & task assignment		√										
	Generalised implementation					√							
	20 Cross-fertilisation, teamwork and quality of services - guidelines									√			

√ = Target Month   >> = Ongoing process or preparation time

IV. HUMAN RESOURCES

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	2001	2002
ADMIN/PCG HR	**XI. Management performance**												
	21. Selection of senior managers												
	a. Proposals to render the selection procedures more professional					√							
	b. An assessment of the application of the new rules on merit based appointments.												Mid
	c. The selection procedures for Heads of Units will also be revised.									√			
	22. Ensure continuing evaluation of management performance												
	Adoption draft Commission Decision							√					
	Adoption Commission Decision											April	
	23. Management training					√							
ADMIN/PCG HR	**XII. Recruitment policy**												
	24. Better identification of the Commission's needs												
	25. Improving the organisation of competitions												
	26. Geographical balance												
	27. Equal opportunities												
	28. Improving selection boards												
	29. Ensuring transparency for candidates												
	All Consultative document									√			
	Inter-institutional consultation											Jun	
	Proposals for changes in Staff Regulations											Dec	
ADMIN/PCG HR	**XIII. Career structure, staff appraisal and promotion**												
	30. Creation of a more linear career system												
	Communication on new career system, incl. proposal to amend the Staff Regulations								√				
	Submission of proposal to SRC											May	
	Submission of proposal to the Council											Dec	
	Agreement by the Council and implementation												√
	31. Simplification of existing grading procedures - draft					√							
	Adoption of Commission Decision									√			
	32. Establishment of a new annual staff appraisal system												
	Draft Commission Decision								√				
	Decentralised system											May	
	33. Promotion based on merit												
	Adoption draft Decision								√				
	Adoption Decision											May	
	Application of new system												√
	34. Flexibility in retirement age												
	Consultative document setting out framework retirement + proposal to amend Staff Regulations & proposal scheme for enlagement									√			
	Submission of proposal to SRC											May	
	Submission of proposal to the Council											Dec	

√ = Target Month   >> = Ongoing process or preparation time

IV.   HUMAN RESOURCES continued…

XIV. Career guidance, mobility and underperformance

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	2001	2002	2003
ADMIN/PCG HR	35 Provide access to career guidance													
	and 36. Encouraging mobility													
	Creation central career guidance function									√				
	Decentralised career guidance system											Jul.		
	New version SYSPER available												√	
	37. Tackling inadequate performance													
	Implementation early warning system									√				
	Consultative document on professional incompetence + draft Commission Decision + proposals to amend Staff Regulations							√						
	Adoption of Commission Decision + submission amendment Staff Regulations to SRC											Apr.		
	Submission of proposal to the Council											Dec		
	Agreement by the Council and implementation												√	

XV. Training

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	2001	2002	2003
ADMIN/PCG HR	38. Promoting a learning culture				√	>>	>>	>>	>>	>>		>>		
	39. Supporting the Reform process								√					
	40. Integrating training with other areas of human resource management	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>		
	41. Reform of language training							√	>>	>>	>>	>>		
	42. Create a New Officials Programme													
	Proposals								√					
	43. Increase training budgets													
	Report on measures to increase internal training activities								√					
	Initial increase in budget of 1,5 Mio€											√		
	Further total increase of at least 4Mio€												√	√

XVI. Non-permanent staff

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	2001	2002	2003
	44. Performance of core activities													
	a. Multiannual programme for transformation of credits											√		
	b. Multiannual programme of transformation of temporary posts											√		
BUDG	c. Amendment Commission Decision on detached national experts									√				
BUDG	Adoption of Commission Decision											May		
ADMIN/PCG/HR	d. Adoption Draft Commission Decision on recruitment of temporary agents									√				
	Adoption of Commission Decision											May		
ADMIN/PCG/HR	e. Phasing out of all other contractual staff on core tasks												Dec	
	43. Use of non-permanent staff for non-core activities													
ADMIN/PCG HR	Adoption of draft Code of Conduct									√				
	45. Adoption of Code of Conduct											May		
	46. Examine the need to change the Staff Regulations										√			

√ = Target Month   >> = Ongoing process or preparation time

IV. HUMAN RESOURCES continued…

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2001	2002
	XVII - Equal opportunities and gender balance												
	47. *Gender balance*												
	Equal opportunities in the work place												
	Modernising the staff regulations												
ADMIN/PCG HR	48. *Disability*												
	49. *Racial and ethnic diversity*												
	50. *Age*												
	51. *Sexual orientation*												
	47-51 Consultative document + Draft Proposal for changes to the Staff Regulations								√				
	Proposal changes Staff Regulations to SRC											May	
	Commission proposal to Council											Dec	
	XVIII. A better working environment and social policy												
	52. *A more service-oriented Directorate General for Personnel & Admin.*	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
ADMIN/PCG HR	53. *Reconciling professional and private lives*												
	Consultative document + draft proposal modification Staff Regulations								√				
	Submission proposal to SRC											May	
	Commission proposal to Council											Dec	
	54. *Social Policy*								√				
	XIX. Transparency of personnel policy												
	55. *Clear rules applied in a clear way*												
	Publication Staff Reg. + other Commission's decisions & documents					√							
ADMIN/PCG HR	Results review admin. proc. for application Staff Regulations									√			
	56. *The Staff Regulations*												
	Results examination + consultative document if necessary + draft proposals to change Staff Regulations									√			
	Submission proposal to SRC											May	
	Submission proposal to Council											Dec	
	XX. Discipline												
	57. + *Improvements at the level of administrative practice*												
	58. *Improvements in the staff Regulations*												
	Consultative document + proposals improving admin.proc. & amendments to S.R.							√					
ADMIN/PCG HR	Adoption Draft Commission Decision							√					
	First reading proposal amendment Staff Regulations							√					
	Adoption Commission Decision											Apr.	
	Submission proposal to amend Staff Regulations to SRC											Apr.	
	Submission proposal to Council											Dec	

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IV.   HUMAN RESOURCES continued…

Lead Service	Actions	Mrch	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	2001	2002
ADMIN/PCG/HRD	**XXI. Rules for whistleblowers**												
	59. Rights and obligations on reporting wrongdoing to be inserted in the Staff Regulations												
	60. Creation of a central mediation service												
	56-60 Communication rules whistleblowing + proposal changes S.R. + clarification reporting wrongdoing to OLAF							√					
	Adoption Draft Commission Decision							√					
	Draft Inter-institutional agreement on whistleblowers							√					
	Creation central mediation service									√			
	Adoption Commission Decision											Mrch	
ADMIN	**XXII. Pay and pension**												
	61. Proposed approach to pay & pensions				√								
BUDG/ADMIN	**XXIII. Resource implications of reform**												
	62. Review of the resource implications of reform and policy action to deal with it.												
	Preliminary Draft Budget		√										
	Decision on allocation of posts			√									
	Communication on requirements							√					

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V. AUDIT, FINANCIAL MANAGEMENT AND CONTROL

Lead Service		Actions	Mrch	Apr	May	Jun	Jul	Aug	Sept	Oct	Nov	Dec	'2001
		XXIV. Empowerment, responsibility and accountability of authorising officers and line managers											
BUDG/TFAR + PCG FC	63.	Description of the responsibilities of each financial actor		√									
All DGs, BUDG+PCG FC	64.	Delegation of powers											Jan
BUDG+PCG FC	65.	Suppression of ex-ante visas			√								
SG, BUDG, TFAR+PCG FC	66.	Financial Irregularities Panel					√						
BUDG	67.	Financial liability governed only by the Staff Regulations			√								
		XXV. Creation of an Internal Audit Service											
ADMIN/TFAR/BUDG	68.	Setting up of an Internal Audit Service by May 2000	>>	>>									
ADMIN/TFAR/BUDG	69.	Reporting and Planning of the Internal Audit Service									√		Mrch
ADMIN/TFAR/BUDG	70.	Separation of internal audit from financial control			√								
SG or BUDG	71.	An Audit Progress Committee	>>	>>									
		XXVI. Creation of a Central Financial Service											
BUDG+PCG FC	72.	Creation of a Central Financial Service			√	>>	>>	>>	>>	>>	>>	>>	Jun
BUDG	73.	Advice on Contracting				√							
BUDG+PCG FC	74.	Contracts database											Jun
BUDG, TFRA +PCG FC	75.	Operational manuals of financial management									√		
BUDG+PCG FC	76.	Contracts and grants		√									
BUDG	77.	User networks	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
		XXVII. Financial Management and Control within Directorates-General											
CFS+IAS, OLAF, PCG FC, TFAR	78.	Minimum standards for internal control											
		Draft Proposal				√							
		Commission decision							√				
All DGs+CFS+ PCG FC, TFAR	79.	Segregation of duties and financial circuits	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
All DGs+CFS+ PCG FC, TFAR	80.	Evolution of the role of finance units in DG	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
All DGs+CFS, TFAR	81.	Strengthening the role of the DGs' control function	>>	>>	>>	>>	>>	>>	>>	>>	>>	>>	
All DGs	82.	Declaration by the Director General in her/his Annual Activity Report											Apr
All DGs	83.	Adequate levels of staffing	>>	>>>	>>	>>	>>	>>	>>	>>	>>	>>	
		XXVIII. The Transition Phase											
All DGs+CFS+ PCG FC, TFAR	84.	Review and assessment of current internal controls and financial processes											
		Description of current systems		√									
		Self-assessment				>>	>>	>>	>>				
All DGs+CFS+ PCG FC, TFAR	85.	Design of adequate internal controls and financial processes											
		Set up of control functions					√						
		Changes in organisation charts							>>	>>	>>	>>	
		Compliance with all minimum standards											Jun
BUDG, TFAR, ADMIN	86.	Decentralisation						>>	>>				
IAS	87.	Review of progress made by Commission's services in the change process								>>	>>	>>	Mar
ADMIN	88.	Financial Control DG and Inspectorate General of Services		√									
BUDG	89.	Consultation of ACPC				√							
		XXIX. Human Resources and Training											
BUDG, TFAR+ PCG FC	90.	Assessment of human resources needs for financial management and control											
		At the level of operational DGs				√							
		At the level of the Commission							√				
	91.	a) Training on the principles of the new Commission's financial system		>>	>>	>>	>>		>>	>>	>>	>>	Jul
		b) Training on 'value for money'							>>	>>	>>		June
		c) Training on budgetary and financial management											>> July
		XXX. Protecting the Community's Financial Interests											
BUDG, SG, LS	92.	Guidelines for sound project management										√	
OLAF, IAS, BUDGET, ADMIN	93.	Better co-ordination of interaction between OLAF and other services										√	
All DGs, OLAF, BUDG	94.	Fraud "proofing" of legislation and contract management		>>	>>	>>	>>	>>	>>	>>	>>	>>	>>
BUDGET, IAS, LS, OLAF+PCG FC	95.	Optimisation of Early Warning System					√						
BUDG, OLAF, LS	96.	More effective management of recovery of unduly paid funds					√						
REGIO	97.	Improved monitoring of Structural Funds									√		
AGRI	98.	Simplified clearance procedure for EAGGF				√							

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ABM	= WORKING GROUP ON B7ACTIVITY BASED MANAGEMENT
ADMIN	= DG PERSONNEL AND ADMINISTRATION
AGRI	= DG AGRICULTURE
AISM	= WORKING GROUP ON ACTIVITY EXT BASED MANAGEMENT
BUDG	= DG BUDGET
DI	= INFORMATICS DIRECTORATE
F.CONTROL	= DG FINANCIAL CONTROL
IAS	= INTERNAL AUDIT SERVICE
IGS	= INSPECTORATE GENERAL
INFSO	= DG INFORMATION SOCIETY
OLAF	= ANTI-FRAUD OFFICE
OPOCE	= OFFICE OF PUBLICATIONS
PCG EXT	= PLANNING COORDINATION GROUP ON EXTERNALISATION
PGG HRD	= PLANNING COORDINATION GROUP ON HUMAN RESOURCES
PCG IAS	= PLANNING COORDINATION GROUP ON INTERNAL AUDIT SERVICE
PCG FIN	= PLANNING COORDINATION GROUP ON THE FINANCIAL CIRCUIT
REGIO	= DG REGIONAL POLICY
SG	= SECRETARIAT GENERAL
SJ	= LEGAL SERVICE
SRC	= STAFF REGULATIONS COMMITTEE
TFAR	= TASK FORCE ON ADMINISTRATIVE REFORM