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REFORMING THE COMMISSION

A White Paper – Part II

ACTION PLAN

(presented by the Commission)

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CHAPTER II – A CULTURE BASED ON SERVICE

I - STANDARDS OF BEHAVIOUR IN PUBLIC LIFE

1. OBJECTIVE

To support holders of public office and officials in maintaining high standards of ethical behaviour thereby contributing to the confidence of the public in the functioning of the European Institutions.

Standards in public life are not static. Although ethical standards must be reflected in the legal framework of the European Institutions, an additional explicit ethical framework can help to focus on results and to clarify remaining grey areas. In the context of the current administrative reform the additional challenges that a clear and workable framework for ethics will have to address are greater decentralisation and delegation of authority, new forms of service delivery and a greater focus on the interests of users.

All this puts greater emphasis on accountability. The purpose of action in this area is to supply a general framework to support holders of public office and officials in dealing with the more complex ethical issues involved in new ways of delivering public services and new management approach, and to prevent corruption.

2. ACTION RECENTLY TAKEN

A Code of Conduct for Commissioners and a Code of Conduct governing relations between Commissioners and Departments were adopted by the Commission in the second half of 1999.

In November 1999 the Commission approved at first reading a draft Code of Good Administrative Behaviour (see Chapter II-II - A Code of Good Administrative Behaviour).

3. NEW ACTION TO BE IMPLEMENTED

Action 1 A Committee on Standards in Public Life

The Commission will propose that such a Committee will be established via an inter-Institutional Agreement. The Committee's role would be to provide advice on ethical standards in the European Institutions. This could include a contribution in the context of a general Code of Conduct applicable to the European Institutions and of specific Codes of Conduct for each Institution as well as assistance in the monitoring and implementation of these codes.

Coherence will be sought with other measures concerning professional standards, in particular with those laid down in legal instruments (see Chapter IV-XIX, Action 55 & Action 56).

4. LEAD SERVICE(S)

Action 1 SG

5. TIMING

Action 1 June 2000 – Commission proposal.

December 2000: target date for inter-Institutional agreement

CHAPTER II – A CULTURE BASED ON SERVICE

II - A CODE OF GOOD ADMINISTRATIVE BEHAVIOUR

1. OBJECTIVE

To establish guidelines for officials in their relations with the public following the call for a Code of Conduct in this area by the Ombudsman in July 1999.

2. ACTION RECENTLY TAKEN

Preparation for a Code of Conduct for staff of the European Commission dates back to Autumn 1997. A first draft code was made available to staff on the Commission's Intranet in April 1998. In November 1999 the Commission approved at first reading a draft Code of Good Administrative Behaviour. The Commission is currently consulting the staff representatives on the draft.

3. NEW ACTION TO BE IMPLEMENTED

Action 2 A Code of Good Administrative behaviour

The Code applies to Staff employed under the Staff Regulations and the Conditions of Employment of Other Servants of the European Communities. It establishes guidelines for good administrative behaviour in the relations with the public.

4. LEAD SERVICE

Action 2 SG

5. TIMING

Action 2 April 2000, second reading by the Commission and adoption of the Code

CHAPTER II – A CULTURE BASED ON SERVICE

III - NEW RULES TO ENHANCE PUBLIC ACCESS TO DOCUMENTS OF COMMUNITY INSTITUTIONS

1. OBJECTIVE

To implement the right of access of citizens and residents in the European Union to documents of the three institutions in line with Art. 255 of the Amsterdam Treaty.

2. ACTION RECENTLY TAKEN

Code of Conduct concerning public access to Commission and Council documents implementing declaration No. 17 attached to the Maastricht Treaty. Adopted on 6.12.1993 by the Council and on 8.4.1994 by the Commission. The European Parliament adopted virtually identical rules on 25.9.1997.

3. NEW ACTION TO BE IMPLEMENTED

Action 3 Proposal for a Regulation on public access to European parliament, Council and Commission documents

In drawing up this proposal for a regulation, the Commission has taken into account, inter-alia, best practices in Member States' legislation on access to documents.

The proposal represents an extension to the existing voluntary code which has existed for five years. It includes incoming documents as well as those drawn up by the institutions. It requires the institutions to provide public registers of documents and to help citizens exercise their rights.

Providing the widest possible access is the rule and the provisions in the proposed regulation which limits the general rule of access are not new restrictions but merely a clarification of existing practice. The definition of what is a document excludes "texts for internal use such as discussion documents, opinions of departments and informal messages". This is in agreement with the second report of the Committee of Independent Experts which emphasised that "like all political institutions, the Commission needs the space to think to formulate policy before it enters the public domain".

4. LEAD SERVICE(S)

Action 3 SG

5. TIMING

Action 3 Adopted by the Commission on 26 January 2000. According to Art. 255.(2) of the Treaty of Amsterdam this regulation will have to be adopted by the Council according to the co-decision procedure before May2001.

CHAPTER II – A CULTURE BASED ON SERVICE

IV - IMPROVING THE DIALOGUE WITH CIVIL SOCIETY

1. OBJECTIVE

The Commission adheres to the principle of open government. Timely consultation with all stakeholders at an early stage of policy-shaping is therefore increasingly part of the Commission's practice of consulting widely, in particular before proposing legislation, to improve policy design and to increase efficacy.

In order to be mutually beneficial, dialogue and consultation require proper planning and a high level of commitment by all participants throughout the process. The Commission therefore wishes to develop a framework of principles for creating a more structured and more transparent dialogue with Civil Society Organisations.

2. ACTIONS RECENTLY TAKEN

On 18 January 2000 the Commission approved the Discussion Paper entitled "The Commission and Non-governmental Organisations: Building a Stronger Partnership". The purpose of this document is two-fold. First of all, it aims to give an overview of the existing relationships between the Commission and NGOs including some current problems. Secondly, it aims to suggest possible ways of developing these relationships by considering the measures needed to improve and strengthen the existing relationship between the Commission and the NGOs. Thus, the Discussion Paper suggests ways of providing a more coherent Commission-wide framework for co-operation that has hitherto been organised on a sector-by-sector basis.

3. NEW ACTION TO BE IMPLEMENTED

Action 4 Development of a set of recommendations identifying best practice in consultation

Action 5 Establishment of a list of the committees and working groups involved in formal or structured consultation procedures, including information about the civil society organisations belonging to them (their legal status, objectives, membership structure, and main sources of financing). This information will be made available to the general public on the EUROPA server.

4. LEAD SERVICE

Action 4 SG

Action 5 SG

5. TIMING

Action 4 December 2000

Action 5 June 2001

CHAPTER II – A CULTURE BASED ON SERVICE

V - FRAMEWORK AGREEMENT WITH THE EUROPEAN PARLIAMENT

1. OBJECTIVE

To negotiate a new Framework Agreement providing a clear codification of relations between the new Commission and Parliament. The new agreement will build on the principles and the practices of the current agreement, bringing them into line with the institutional changes that resulted from the Treaty of Amsterdam.

2. ACTION RECENTLY TAKEN

There is a Code of Conduct in force that was agreed between the previous Commission and Parliament in 1995.

3. NEW ACTION TO BE IMPLEMENTED

Action 6 Negotiate a new framework agreement in line with Parliament's Resolution of 15 September 1999 on the new Commission.

4. LEAD SERVICE(S)

Action 6 SG

5. TIMING

Action 6 Negotiations are underway and they will be concluded at the earliest opportunity.

CHAPTER II – A CULTURE BASED ON SERVICE

VI - TOWARDS THE E-COMMISSION

1. OBJECTIVES

Technological development holds out the potential of modernising the administration and improving its communication and working methods both internally and with its partner organisations and interlocutors.

The Commission's initiative "eEurope – An information Society for all"¹, under its action line 10 "Government online", set ambitious targets for the Member States and the Commission for harnessing information technology and Internet to provide better public services to the citizens. An easy access to public sector statistics and data and electronic public procurement can also give a strong stimulus for new private sector value-added services.

An administration based on a high-performance informatics infrastructure will be able to progressively reduce the usage of paper: it will keep information electronically stored (archiving and management of documents by e-mail) and it will undertake communications and presentations based on computer technology. This requires effective use of security and encryption technologies.

In 1995, "Europa" was established as the single Internet site of the European Commission. The Commission uses this site to provide information to and communicate with European citizens.

The growth of "Europa" has been very significant; recent data shows an impressive level of consultations: 100 million hits were recorded in November 1999. "Europa" has become the main information site on EU affairs in the world. "EuropaPlus", the internal Commission's Intranet site, is also widely used by Commission officials and those of the other EU Institutions.

It is foreseen that the use of the Internet will grow strongly over the coming years. At the same time, the development and introduction of new technologies will have a major impact on the way in which the Internet is used. The Commission must be at the forefront of web-based technologies, which is the only solution to cope with the increased demand and to offer a professional service. This requires a substantial up-grading of Commission's communications networks to ensure appropriate data transmission capacity.

2. NEW ACTION TO BE IMPLEMENTED

Action 7 Definition of a strategy towards the e-Commission: better use of ICT and communications networks

(a) Better use of ICT

The Commission must design a medium-term strategy to adapt its current IT policy, organisation and resources in order to create the e-Commission, thereby progressively reducing the use of paper, and developing an essential building block for the Reform.

It is evident that all working methods have to make use of the potential of ICT. The Reform approach with its intention to improve procedures within new organisational frames is an opportunity to apply business-engineering techniques to streamline and simplify procedures and then to build the appropriate ICT support. This calls for a revision of internal policy, organisation and resources.

ICT support will concentrate on:

- Review of current ICT policy (assessment of services needs – including specific profiles, feedback mechanisms, priorities setting, decision-making process, etc.) and proposal for a new approach;
- Information systems to assist operations like policy making (see ABM) and spending funds;

¹ COM (1999) 687, 8 December 1999

- Information systems to assist administration like accounting, contracts, clients, personnel etc.;
- Electronic document management to support working in groups and to facilitate research of information, composition of documents, communication of documents etc;
- Information tools for researching and aggregating information as input to strategic, conceptual and planning work. The same tools can also be used in audit and evaluation procedures;
- A coherent policy to increase the availability of advanced communications systems and facilities, with a view to improving real-time communication between Commission sites and offices world-wide, as well as with other European institutions and Member States administrations;
- Training, technical advice and helpdesk that will accompany the implementation of information technology supported working methods.

Urgent attention has to be given in particular to the specific needs of delegations some of which do not even have adequate access to the most basic facilities (e-mail, internet, video-conferencing) not to mention the financial management systems they will need in order to take on more responsibilities for project implementation.

(b) Up-grading and improving the security of the Commission's communications networks

The Commission's communications' networks will need to be up-graded and made more secure in order to meet the challenge of the e-Commission. The first step will thus be the definition of a general strategy. Communication networks both internal to the Commission and the Institution's connections to the outside world, as well as supporting server infrastructure and the software it uses need to be at the cutting edge, if the ambitions of the e-Commission are to be achieved. As far as telecommunications costs are concerned, the liberalised markets should offer opportunities for savings.

Action 8 *Meeting users' needs: internally and externally*

(a) Feed-back mechanisms and technology developments

The Commission must set-up a procedure to obtain regular feedback from users and regularly monitor technological developments. This will allow to properly assess the level of equipment of consumers, their needs and their comments, with a view to meeting their requirements (multi-lingual, access for disabled and visually impaired people, presentation of information, a rapid reply system, etc.).

(b) Moving to interactive policy consultations using Internet

In line with the targets of eEurope Initiative, the Commission should extend the use of the Internet to ensure consultation and feedback on major political initiatives. The aim would be to go beyond simply publishing policy documents on Internet, and to establish appropriate feedback mechanisms. Resources will have to be made available to this end.

(c) Constant improvement of the "Europa" Web site

The Commission must allocate the necessary financial, technical and personnel resources for constant maintenance and up-grading of the "Europa" site. Defining the necessary resources will thus be the first step. "Europe" is already a well-known site, and maintaining it up to highest standards is vital for the e-Commission's image and credibility.

Action 9 *Electronic public procurement and transactions*

The Commission will propose changes to the EU's public procurement legal framework to allow the use of electronic means in all public procurement procedures and transactions. For its own part, the Commission will aim to offer the possibility to citizens to carry out all their interaction with the Commission electronically. Internally, the use of electronic signatures will be accepted and encouraged for administrative acts, in line with the electronic signatures directive adopted in November 1999.

3. LEAD SERVICE(S)

Action 7 (a) DG Admin/DIL, CTI, DG BUDG, DG INFSO, SG

(b) DG Admin, DG INFSO, DG BUDG, SG

Action 8

(a) DG Admin, supported by OPOCE, INFSO, Press Service, DG BUDG, SG

(b) DG MARKT to lead pilot exercise, supported by OPOCE, INFSO, SG and Press Service

(c) DG ADMIN, DI, SG

Action 9

Modifications to public procurement Directives: DG MARKT, supported by INFSO, DG ADMIN, and SG

Commission procurement practices: DG BUDG, SG, supported by DG MARKT and DG ADMIN

Electronic Signatures Directive: DG BUDG, SG, supported by DG ADMIN

4. TIMING

Action 7

(a) July 2000: review of the Commission's overall ICT policy.

(b) On-going

Action 8

(a) December 2000

(b) Review by end 2000

(c) On-going

Action 9

Review by end 2000

CHAPTER II – A CULTURE BASED ON SERVICE

VII - SPEEDING UP PAYMENTS

1. OBJECTIVE

Delays in the payment by the Commission of monies it owes causes difficulties for the beneficiaries and is bad for the Commission's image not least because the Commission itself, in its Enterprise Policy, proposed legislation to end such practices.

It is Commission policy that all valid invoices should be submitted within 60 days. For a variety of reasons, this timeframe is respected for only 60% of the current payments respect it. The objective of the Reform is to raise this to 95% by 2002. In addition to the current central monitoring of the performance of departments in this area, Directorates General will be asked to include information about their record on meeting the 60 day rule when reporting on performance generally in their Annual Activity Report. Improved information systems will assist monitoring across the Commission on a consistent basis. In any case, the Commission is committed to working towards the same discipline in its payments as it has proposed for the public authorities of Member States in its proposal for the Directive on combating late payments in commercial transactions.

The sheer scale of the number of individual financial transactions handled annually by the Commission – now over 600 000 and more than double what it was five years ago – is a factor in delaying the processing of payments. When designing their systems for financial management, Directorates General should also take account of the different workload involved in handling grants, say, as opposed to contracts and of the number of payments per commitment.

2. COMPLEMENTARY ACTIONS

Various actions under the Reform will reduce the number of controls and increase the efficiency of the system. Their implementation will have an impact on the time taken to process payments:

- The abolition of the centralised ex-ante visa and the rationalisation of the respective tasks of the authorising officer and the accounting officer

Expected impact on average time to make payments: 15 days.

- The responsabilisation of managers will have a double impact on the shortening of payment delays: first, managers will be directly accountable for the output of their service and their performance assessed against objective criteria such as the payment performance of their service; secondly, the review of financial processes in order to better define tasks and responsibilities will make redundancies visible and therefore allow to avoid them

Expected impact on average time to make payments: 10 days.

- The standardisation of contracts will establish common rules and provisions on the way claims are submitted and this should speed up the processing of invoices.

Expected impact on average time to make payments: 10 days.

3. NEW ACTION TO BE IMPLEMENTED

Action 10 *Reporting on the record of individual DGs in meeting payment deadlines*

Services will be asked to set their own targets for meeting the Commission-wide target of payment in 60 days for 95% of invoices by 2002 and to report on the measures taken as well as the results in their

Annual Activity Report. The appraisal by the Commission of the outputs delivered by services will take into account this indicator.

Action 11 *Central invoices register*

A common information system for registering invoices, also covering delegations, will be available services to allow a better follow-up. This system will be linked to the contracts database, the bank accounts system (third-party file) and the accounting system (Sincom) and will need to be accessible to delegations as well as to headquarters departments.

4. LEAD SERVICE (S)

Action 10 All DGs.

Action 11 DG BUDG.

5. TIMING

Action 10 January 2001 - Annual Activity Reports for 2000 and annually thereafter.

Action 11 June 2001.

CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

VIII - ACTIVITY BASED MANAGEMENT (ABM)

1. OBJECTIVE

Activity Based Management (ABM) is the covering notion for the new programming, budgeting, management and reporting methods 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. It covers all resources managed by the Commission regardless of the budgetary source and thus covers the European Development Fund and the ECSC as well as the Community Budget.

In future, planning and programming must be seen as organising resources to carry out activities that pursue clearly defined policy objectives and priorities. Management by activities aims to: (1) increase cost awareness through integrated decisions on priorities, objectives, activities and allocation of human, administrative and financial resources, (2) articulate strategic planning with the operational programming of activities and the monitoring and evaluation of their implementation, and (3) develop performance management by emphasising results rather than input control.

Activity Based Management brings together the following elements:

a) Strategic planning and budgeting

Planning will take the form of 5-year strategic priorities and of an Annual Policy Strategy (APS) comprising policy objectives, the main activities designed to pursue the objectives for each policy and the corresponding human, administrative and financial resources. Policy priorities and budgetary orientations will provide the basis for the preparation of the activity-based Preliminary Draft Budget (PDB) and the Commission's decision on the allocation of human resources.

b) Operational programming and management

The Annual Policy Strategy will be translated into specific policy objectives and operational activities (DG mission statements and work programmes) and human, financial and administrative resources assigned to these activities. The Commission Work Programme covers the new operational decisions to be taken by the College in execution of the Annual Policy Strategy.

Programming of operational activities must include monitoring, evaluation and reporting provisions.

c) Monitoring and reporting

Monitoring is crucial for timely adjustments in programming. Each DG must design monitoring arrangements that ensure that information on outcomes and use of resources is regularly collected. This information will be aggregated into an *Annual Activity Report* issued by each DG and providing feedback for planning and programming for subsequent years.

An IT instrument will help to stock and process monitoring information and to compile annual reports.

d) Evaluation

Good monitoring is a prerequisite for proper evaluation. Policy and programme/project evaluation, ex-ante and ex-post, must become systematic within operational DGs and address effectiveness and added value in achieving results and economy and efficiency in the use of human,

administrative and financial resources. Evaluation results must be fed into the planning and programming process.

e) Internal Audit

The new Internal Audit Service will contribute to the consolidation of Activity Based Management through its independent appraisals of the management systems of Commission departments. It will report to the Audit Progress Committee on the evolution of ABM practices and on the quality of information supplied in the annual reports.

2. ACTION RECENTLY TAKEN

Since September 1999 the Commission has taken important decisions in order to improve strategic planning and co-ordination and adapt service structure to new needs. These include:

- the adoption of 5-year strategic priorities;
- an annual orientation debate on policy priorities and objectives;
- the allocation of resources in accordance with the priorities and objectives, and on the basis of accurate and transparent assessments of organisational requirements;
- the gradual introduction of activity-based budgeting (ABB) ensuring that:
 - budgeting and financial management takes place in an integrated manner on the basis of activities linked closely to the Commission's priorities and objectives;
 - these decisions are informed through dependable monitoring, evaluation and auditing systems.
- the pilot implementation and introduction throughout the Commission of a computerised instrument to support the planning and programming process.

3. NEW ACTION TO BE IMPLEMENTED

Action 12 *A new strategic planning and programming (SPP) cycle (see Figure 1 and related text of chapter III.1 in White Paper)*

The Commission will institute a new, policy-driven, planning and programming cycle synchronised with the budgetary process. A policy circular issued by the President will provide orientation to Directorates-General for the elaboration of an annual policy strategy (APS) which will set out policy objectives, proposed policies and corresponding resources. The APS will provide the basis for the establishment of the Preliminary Draft Budget, operational programming by the DGs and of the Commission's Work Programme. The length of the budget approval procedure means that this work has to begin thirteen months before the start of the programming year (i.e. for the 2002 budget in December 2000).

The Commission will initiate discussions with the European Parliament and the Council with a view to reaching a satisfactory agreement with them on the scope of the Annual Policy Strategy, the structure of the Activity-Based Budget, their respective roles and the workings of the strategic planning and programming cycle. The latter must also provide for fast-track adjustment of the Policy Strategy and of the Commission's Work Programme in the light of new urgent circumstances.

Action 13 *Establishment of a Strategic Planning and Programming function*

The need to articulate strategic planning and operational programming of activities, to integrate decisions on priorities, policy objectives, activities with those on the allocation of resources and to promote management by objectives and results calls for the creation of a new central function to prepare the Annual Policy Strategy debate, ensure a consistent follow-through and promote performance management.

This *Strategic Planning and Programming (SPP)* function will be created in the Secretariat-General. Its role will be twofold:

- a) Assisting the College in the setting of policy priorities and resource allocation by:
- issuing the annual policy circular on the initiative of the President and following a Commission debate and drafting the Commission's Annual Policy Strategy (APS) and Work Programme, in close co-operation with DG Budget and other DGs. The planning and programming function will synthesise the information available in a common format, including ex-ante and ex-post policy evaluation and human and financial resource implications and will thus facilitate an integrated discussion between the Institutions on policies and budgetary implications. The preparation of the Preliminary Draft Budget (PDB) and the actual allocation of resources will be undertaken by DG Budget in line with the Annual Policy Strategy,
 - assessing the coherence of operational proposals made in implementation of the Work Programme,
 - assisting the Commission in the establishment and overall direction of a coherent evaluation programme with due attention to strategic planning priorities and timetable,
 - monitoring the pertinence of administrative structures and the adequacy of staff forces.
- b) Promoting performance management by ensuring co-ordinated norms and diffusion of good practice in respect of the planning and programming process, monitoring and evaluation, the integration of information systems, and the organisation of administrative structures. Special attention will be given to streamlining reporting arrangements and ensuring that the Annual Activity Report becomes a simple and efficient instrument for presenting monitoring information.

The strategic planning and programming function will be established in July 2000 and endowed with adequate human, administrative and financial resources to fulfil the above duties.

The division of tasks between the strategic planning and programming function, DG Budget and the Internal Audit Service in setting standards and providing advice on different aspects of Activity Based Management, particularly on monitoring, reporting and evaluation, will be defined at the same time.

Action 14 *Development of an activity-based IT instrument to support Activity Based Management*

The successful introduction of Activity Based Management will depend crucially on the deployment of an adequate IT instrument for stocking and transmitting management information both at strategic and at operational level. A prototype has been prepared under the name Integrated Resource Management System (IRMS). The scope of this instrument must be adapted to cover the information systems for planning and programming, budget, financial and human resource management. The instrument should respond flexibly to basic harmonised requirements across the Commission, thus avoiding proliferation of disconnected systems. It will extend to the External Service activities and resources including the European Development Fund.

Action 15 *Promote diffusion of Activity Based Management practice and 'learning by doing'*

More than establishing a planning tool, the introduction of Activity Based Management entails a profound cultural change in management practices, strong and persistent commitment at the highest level, a continual process of 'learning by doing' and effective ownership by users. Its implementation is also closely linked to the actions proposed under the section VIII on 'More efficient working methods' and the chapter IV on 'Human resources development'. It is, therefore, necessary to:

- establish an awareness-raising and training programme on Activity Based Management,
- implement pilot exercises in several DGs (in conjunction with the dissemination of IRMS).

The dissemination of ABM (and of IRMS) will become an essential concern and responsibility of the strategic planning and programming function and of the corresponding planning services within DGs.

Action 16 *Strengthening of the evaluation system*

The general principles for evaluation of SEM 2000 need consolidation and further precision to fully coincide with Activity Based Management. The Commission will issue a Communication on the ways to strengthen the instruments and structures for evaluation following the lines presented above.

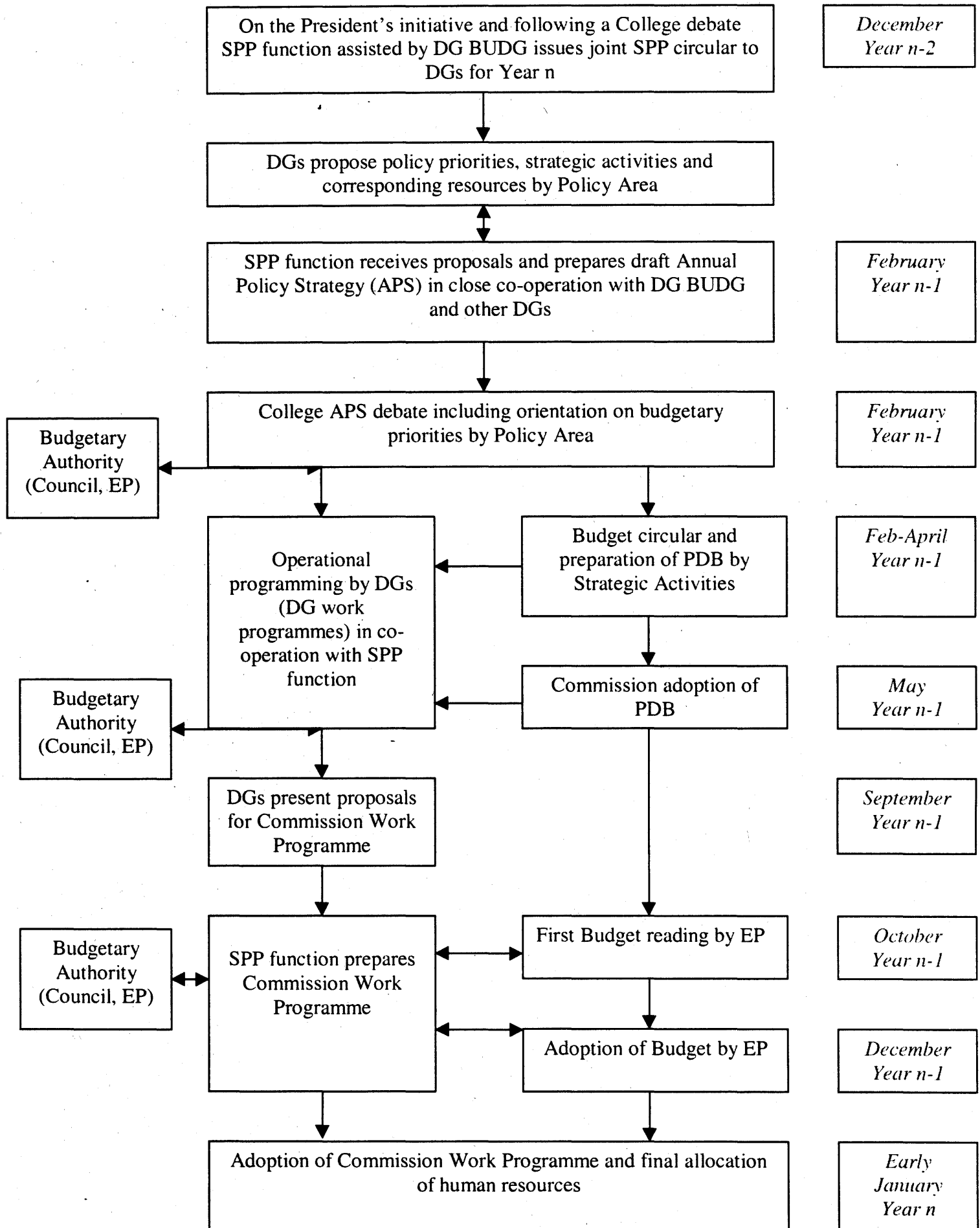
4. LEAD SERVICE(S)

- Action 12** SG with the support of the Activity Based Management (ABM) group, DG BUDG.
- Action 13** SG with the support of the ABM group, DG BUDG.
- Action 14** IRMS working to the ABM group.
- Action 15** DG Admin-DI with the support of the ABM group.
- Action 16** DG Budget (pending the establishment of the strategic planning and programming function) with the support of the ABM group.

5. TIMING

- Action 12** Autumn 2000 – Discussion with EP and Council;
October 2000 – adoption of guidelines to operational services;
December 2000 – 1st Strategic Planning and Programming Circular;
January 2001 First Annual Activity Report by DGs.
- Action 13** May 2000 – Commission decision on definition of organisational structure and resources of Strategic Planning and Programming function;
July 2000 – Commission decision on the establishment of SPP function.
- Action 14** February-September 2000 – Development of IRMS instrument in line with Activity Based Management specifications;
January 2002 – Full deployment of IRMS throughout the Commission.
- Action 15** May 2000 – Definition and launch of Activity Based Management training programme and pilot actions.
- Action 16** May 2000 – Commission Communication on strengthening of the evaluation system.

Figure I: Annual Strategic Planning and Programming Cycle



CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

IX - DEVELOPING AN EXTERNALISATION POLICY

1. OBJECTIVE

The Commission services perform a variety of different activities. The Commission's origins were those of an organisation that initiated measures to further European integration and acted as the guardian of the Treaties – with a heavy emphasis on regulatory activities. With the passage of time, the Commission has concentrated more and more on a third activity - managing significant budgets and operational programmes. It is clear that the Commission will continue in the future to engage in all three activities, but the degree of relative emphasis placed on each of them is crucial in determining resource needs, organisational structures and management requirements.

The more rigorous approach to priority setting, which lies at the heart of the reform process, will contribute to a clearer identification of the Commission's core activities. It provides also the wider context in which to address the central questions of why and when externalisation is to be recommended, how far externalisation can go, and the form it should take. Core activities² are those that the Commission exercises by virtue of its role and powers under the Treaty and are thus central to its *raison d'être*. These are the missions which the Commission carries out in pursuit of the Union's objectives: accordingly they may change as the Union develops. Core activities will always be carried out by the Commission itself, although certain support tasks that are not fundamental to the activity itself could be outsourced.

Non-core activities can be externalised if this is more effective and efficient, without a loss of accountability. Non-core activities are public service activities that do not necessarily have to be done at EU level but, if they are, they must be done by the Commission. The way in which the Commission does so does not preclude a degree of externalisation of related tasks provided that the form chosen enables the Commission to retain the appropriate level of control. Moreover, an alternative to externalisation for certain non-core tasks can be to perform them in-house with contractual staff.

In any event, the Commission should refuse to take on any non-core activity which it does not feel able to discharge within an acceptable margin of risk, regardless of whether the activity is to be managed in-house or externally. The performance of core activities will continue to be confined to the Commission services.

For the execution of non-core activities involving budgetary outlays – notably the running of programmes and actions – a choice needs to be made between carrying these activities out internally, externally, or in a mixed manner. The guiding principles for the choice should be cost-effectiveness and accountability, in particular taking full account of such elements as the political presence and visibility of the European Union as well as the ability of the Commission to exercise its responsibilities under Article 274 of the Treaty for the execution of the budget.

² *Activities* are established following an examination of the strategic objectives of the Commission which have been set by political decisions: Treaties; Council/Parliament; Commissioner; Director General; (*a contrario*, activities can only be deleted by a political decision at the same political level). A *task* relates to any type of work that has to be carried out as part of an activity. The DECODE list included management, co-ordination, policy development and methodology, representation and negotiation, relations with other institutions, drafting and monitoring legislation, case handling, management and execution of programmes/projects, Financial & budgetary management, statistics & economic analysis, 'on the spot' controls, evaluation, informatics, information & communication, staff management, administrative/logistic support, linguistic. See DECODE Vademecum.

2. ACTION RECENTLY TAKEN

Guide to Technical Assistance Offices – July 1999

Decision by the Commission on general guidelines for an externalisation policy - December 1999

3. NEW ACTION TO BE IMPLEMENTED

Action 17 A framework for externalisation

The Commission intends to elaborate a policy on externalisation which will cover the issues of the circumstances in which externalisation is to be recommended, the limits to externalisation, and the types of externalisation which are possible.

By externalisation, the Commission has in mind three main forms of the delegation of all or part of the Commission's activities or tasks, namely:

- **Devolution**, defined as the delegation of responsibilities to public service bodies that can either be part of the Community administrative structures (including, for example, existing agencies, new implementing bodies as suggested by the EP and Committee of Independent experts) or national/transnational public bodies acting as 'intermediaries' for the implementation of certain Community policies. The extent of activities/tasks that may be devolved to these bodies can go much further than what is or could be externalised to private-sector bodies.

This type of externalisation may be appropriate for non-core activities that can be done more flexibly and efficiently, with a certain degree of independence from the Commission services in a strict sense: frequently, these are the technical activities linked to policy implementation which have been given to Agencies such as the European Medicines Evaluation Agency. However, in the case of either other agencies of the traditional type (e.g. the future Food Authority) or new implementing bodies, it is conceivable that the delegation of responsibilities may go beyond purely technical activities.

- **Decentralisation**, defined as the delegation of responsibilities to public service national public bodies acting as intermediaries for the implementation of certain Community policies. A variant of this is the delegation of responsibilities to transnational public such as CENE-CENELEC or the UN). As in the case of devolution, the extent to which activities/tasks may be devolved to these bodies goes further than what is or could be externalised to private-sector bodies.

This type of externalisation may be appropriate for non-core activities or tasks where the execution of clearly defined objectives is carried out in a partnership with public bodies. This is already the case, for example, in the Structural Funds and some internal policy and external aid programmes.

- **Outsourcing** (*Fr. sous-traitance*), defined here as the delegation to private sector entities, typically involving a contractual relationship. This mostly includes non-core tasks (e.g. security guards).

This may be appropriate for non-core activities as well as, possibly, specific tasks related to core activities that can be wholly or partly entrusted to external contractors: these are typically support tasks which can be clearly defined and for which expected outputs can be readily measured. This category covers tasks that require specialist expertise not easily available in the Commission (for example, for evaluations) as well as tasks that are more efficiently externalised, such as the security guards.

The policy will establish a set of criteria so that the decision to externalise for any given task or activity and the way in which it is done is done on a consistent basis across the Commission.

The option of externalisation will only be chosen if it is a more efficient and effective means of delivering the service or goods concerned. Within this, important factors include the respect of the rules set by the legislative and budget authority; the proximity to the target population; the visibility of the European Union's role; the need to retain an appropriate level of expertise in-house; ensuring that the delegation of activities or tasks do not reduce the Commission's freedom of action; and ensuring, where appropriate, that basic principles like objectivity, impartiality, and proportionality are duly taken into account.

Each cost/benefit analysis of the possibility to externalise an activity will take account of opportunity costs and of the resource costs for the Commission in technical preparation, support, supervision and control. There should be clear reporting guidelines for bodies carrying out externalised activities and they should be able to carry out their work for the Commission without interference from outside. The issue of how responsibility is to be exercised by the authorising service in the Commission will need to be given special attention.

A Communication in September will set out a proposed regulatory framework, an inventory of activities that could be externalised, a possible timetable for testing new arrangements by 2001, and a first assessment of the human resource implications. The Communication will review the experience to date of the different types of externalisation. It will take account, among others, of a review launched by DG ADMIN into the future role of the DG which includes consideration of which of its tasks, if any, could be externalised. Finally, the issue of accountability (to whom, by whom, and for what) will be addressed.

The work under the auspices of the Relex Commissioners to improve the management and delivery of external aid will be an integral part of the exercise since there is an urgent need to optimise the use of external resources in this area. This will include the use made by the Commission's Delegations of external resources in implementing aid programmes.

4. LEAD SERVICES

Action 17 Planning and Co-ordination Group on Externalisation in co-operation with the Planning and Co-ordination Group on Human Resources insofar as the latter Group addresses the issue of the work which may be performed by non-permanent staff.

5. TIMING

Action 17 April 2000: Definition of the regulatory framework, structure and mandate of the different instruments of externalisation including the possibility to create a new category of Commission or Community bodies for the implementation of Community programmes and actions.

September 2000: Adoption by Commission of the Communication.

CHAPTER III – PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

X - MORE EFFICIENT, PERFORMANCE-ORIENTED WORKING METHODS: A WORK PROGRAMME

1. OBJECTIVE

The Commission has been a powerful advocate of the benefits of simplifying administrative procedures. Yet it has been slower in simplifying its own procedures, especially internal ones. Simplification is not always easy: rules build up over the years, becoming more complicated as they are amended and adapted to the point where the underlying objective is obscured. It does no disservice to these rules or to the people who made them to develop the habit of systematically questioning whether such rules still have a purpose and, if so, how they can be simplified. A mechanism for the submission and follow-up of staff suggestions on these issues, and to establish a network of DG level schemes so that a common 'ideas bank' will be established.

Along the same lines, the Commission has already embarked on the route of decentralised management (SEM 2000 and MAP 2000), and a number of good practices have developed over the years within the services. The advantages of decentralisation both in terms of financial savings and increased responsibility for the services, is not questioned. In particular, support services should only be provided centrally where added value can be demonstrated. However, the decentralisation of management-related activities should be based on an appropriate cost-effectiveness analysis. Before moving further, it is necessary to carry out a wide review of internal decentralisation and assess benefits and costs, tools and quality of service delivered.

In this context, performance management requires that officials be allowed and aided to take more responsibility for their work by internal devolution and simplification of administrative decisions and structures. However, this calls for a proper definition of each official's role through adequate job-descriptions and task-assignments and the setting of a clear framework allowing for further delegation of responsibility to take place.

In parallel, adequate organisation structure should be devised, including provisions to guarantee the necessary flexibility to tackle new challenges and promote new working habits based on increased co-operation among the services. The fragmentation and lack of coherence in the organisation charts of departments needs to be addressed.

To keep the Commission at the leading edge of modern administrative management, it will be necessary to provide for continuous monitoring and implementation of modern quality assurance methods, including exchanges of information with advanced public and private sector administrations world-wide. Internally, this requires an improvement of the co-operation between horizontal and operational services and a more service-oriented approach.

The use of information communications and web-based technologies is dealt with in Chapter II - VI - Towards the E-Commission.

2. ACTIONS TO BE IMPLEMENTED

The above objectives are all inter-related and must be addressed in a comprehensive framework. They will be pursued through a set of actions carried out under the authority of the second Deputy Secretary General.

Action 18 *Decentralisation of decision-making and simplification of administrative procedures*

A detailed survey will be undertaken rapidly to analyse the current state and cost-effectiveness of decentralisation, and the way it is implemented within the services. Bearing in mind the principle of subsidiarity, the analyses will identify those services currently provided by horizontal DGs which should be provided centrally, as well as further tasks that may be decentralised. It should be clear what the costs and the anticipated benefits (including increased responsibility of the services) at Commission level would be. The resources necessary to deliver an appropriate service will be quantified and transferred accordingly. Horizontal services should provide vademecums, guidelines, help-desk, facilities and advice. Delegation of responsibility in the College will also be covered by this action and should be addressed as a matter of priority.

Simplification means designing and re-designing procedures to offer the quickest, simplest and more transparent way to achieve an objective. Firstly, it will be necessary to engage a systematic review of all current procedures and assess whether they are still justified and implemented in the most effective way. This will result in proposals to simplify and improve the decision-making process.

A permanent mechanism must be provided for to identify and disseminate best practices to formalise proposals for change and to review progress. In order to promote staff involvement, it would typically include designing a staff suggestions scheme about how systems and procedures can be improved and carrying out employee satisfaction surveys on regular basis. A common 'ideas bank' will be created, where each idea submitted should be assessed and the official submitting it given a response.

Action 19 *Promoting personal responsibility and initiative and leaner administrative structures*

Strengthened responsibility and initiative require greater delegation. DG mission statements and work programmes should be translated into job descriptions and flexible task assignments setting out annual targets for each official, the means to achieve them, milestones and deadlines, and performance indicators where possible. Their annual review will be combined with the staff appraisal report (see Chapter IV).

Managers must be able to delegate decisions independently of grade and seniority (subject to special rules for financial management) and to promote teamwork. Heads of Unit must be able to define working arrangements and responsibilities flexibly. For example, 'project leaders' will be given responsibility for a project regardless of grade and seniority. It is, therefore, necessary to revisit the official rules for delegating responsibility (and signature) and to work out the form and procedure for the definition of job descriptions and task assignments. In addition, managers will be expected to respond to any requests and comments made by their staff.

Current practices on job-descriptions and task assignments will be reviewed and tested, and guidelines established including the role and responsibility of each level of hierarchy. Any changes required in Commission rules of procedure and of the Appointing Authority concerning delegation of responsibility will be proposed. Periodic revisions of these measures will be provided.

New guidelines will be elaborated on the design of organisational charts. All organisational arrangements, including the implementation of structures laid down in organisational charts and the allocation of tasks to individuals, will be subject to management audits by the Internal Audit Service.

Action 20 *Cross-fertilisation, teamwork and quality of services*

Sometimes a task cannot be dealt with adequately within current structures yet revising the structures themselves would be a disproportionate response. The use of short-term (e.g. 3-6 months) full-time Task Forces or multidisciplinary groups with specific mandates on crosscutting issues increases managerial flexibility, improves coherence across departmental boundaries and can produce more effective solutions more rapidly. It can also increase job satisfaction for the staff involved. It should be possible to establish such teams by written agreements between departments covering the objectives, mission, respective responsibilities, and duration and staffing arrangements. Some guidance to promote inter-departmental networks will be needed.

With decentralisation horizontal services increasingly play an advisory / guidance role, while operational services assume increased administrative management responsibility. For the benefit of both horizontal and operational services, it is necessary to develop a service-oriented relationship. This approach is

already advanced with those services that are more clearly identified with a 'product' such as Translation, Publications, and Statistics. Steps in this direction have now been taken in other areas (DG ADMIN, DG BUDG) in the form of 'service agreements' with user departments. The benefit of this approach is that the operational departments are called on to define their needs in an explicit way, often for the first time, while the horizontal services now have a sound base on which to plan their activities. Planning of activities in the horizontal services will thus be more in tune with Activity Based Management (ABM).

An examination of the scope for greater use of the 'service agreement' approach will be carried out and will result in designing practical guidelines and explore methods allowing horizontal and operational services to evaluate service delivery and procedures.

Finally the potential for using modern quality assurance methods will be examined: a number of Commission departments already use quality management techniques. The scope for extending their use and for evaluating the applicability of such techniques will be explored.

3. LEAD SERVICE(S)

- Action 18** The SG (second Deputy Secretary General) supported by the operational DGs takes overall lead for the action plan;
- Action 19** DG ADMIN, supported as necessary by SG and the Internal Audit Service;
- Action 20** DG ADMIN, supported as necessary by SG, Internal Audit Service.

4. TIMING

Immediate launching of some preparatory sub-actions :

- Action 18** October 2000: Report on current decision-making and administrative procedures and review of current state of decentralisation.
- Action 19** April 2000: Guidelines for job description and task assignment;
July 2000: Generalised implementation by all services.
- All Actions** The implementation of all actions will be detailed in an "action plan" to be presented at the end 2000.

CHAPTER IV – HUMAN RESOURCES

XI - MANAGEMENT PERFORMANCE

1. OBJECTIVE

The issue of management in the Commission has been addressed critically by the reports of the Committee of Independent Experts and also by the Williamson Report. The accent has been put on the urgent need to put in place a comprehensive approach to improve management standards within the Commission and to develop a culture of accountability. This approach will consist in: a clear definition of competence and responsibilities; transparent and reliable selection procedures ensuring appointments of high quality officials in management posts; measures to ensure regular performance evaluation at all management levels and solid training programmes for managers as well as potential managers.

2. NEW ACTION TO BE IMPLEMENTED

Action 21 Selection of senior managers

The Commission has already established, clear procedures and criteria (18th September 1999) and guidelines (8th December) for merit-based appointments to Director General (A1) and Director (A2) posts including provisions for increasing the number of women. Further action will involve :

- a) proposals to render the selection procedures more professional;
- b) an assessment of the application of the new rules on merit based appointments. The selection procedures for Heads of Units will also be revised.

Action 22 Ensure continuing evaluation of management performance

The Commission will introduce individual performance appraisal for A1 and A2 officials, along the lines that will apply to all officials (see Chapter IV-XIII - Career Structure, Staff Appraisal and Promotion). The procedures for appraising A1 officials will involve the responsible Commissioner and the Secretary General. Mobility rules involving periodic transfers, with safeguards to avoid long periods of vacancies in management positions, will be established for A2 officials as they have been for A1 officials.

A probationary period will be introduced for *all* senior and middle management. The principle of 'reversibility' will be introduced for all management positions: this means that managers who do not reach the required standard, or who voluntarily opt out, would revert to a non-management position in the same grade, without prejudice for further re-appointment in another management position (although a further probationary period would apply). Decisions in this area will be taken following the same procedures as for appointments.

Action 23 Management training

A systematic programme of training, covering all aspects of management – including staff appraisal - will be introduced for all managers from Head of Unit upwards. Satisfactory participation in a preliminary management course will be mandatory for new Heads of Unit.

Commission Heads of Delegation will receive additional management training specific to that function. Training in management skills will also be made available to those who have some managerial responsibilities, regardless of their category and grade. Preparatory management training will be available for all potential managers from A6.

The creation of a dedicated European Civil Service training centre, in particular for middle and senior management, will be explored together with the other Institutions (also dealt with under Action 38).

3. LEAD SERVICE(S)

All Actions DG ADMIN with support of the Planning and Co-ordination Group on Human Resources (PCG)

4. TIMING

- Action 21** July 2000: proposals to improve the operation of the Consultative Committee on Appointments;
December 2000: proposal for appointments of Heads of Unit;
Mid 2002: assessment of the application of new rules on merit based appointments for A1 and A2 officials.
- Action 22** October 2000: adoption of draft Commission Decision on management;
April 2001: adoption of Commission decision on management; introduction of individual performance appraisal for A1 and A2 officials.
- Action 23** July 2000: results of consideration on creation of a training centre.

CHAPTER IV – HUMAN RESOURCES

XII - RECRUITMENT POLICY

1. OBJECTIVE

The Commission's recruitment policy has allowed it to recruit highly qualified personnel. However, its organisation needs to be improved. Recruitment policy should be based on the following principles:

- Open competitions should be retained for the recruitment of both generalists and specialists. Specialist competitions should be organised to meet particular needs;
- The Commission must retain effective overall control of recruitment. Competitions must be organised in a cost-effective manner and the tests used should be designed to attract and identify candidates who most closely match the Commission's needs;
- Tests must take account of the multicultural dimension of the EU in order to ensure equal treatment of candidates from all Member States;
- Equal opportunities and geographical balance must also be addressed at the testing phase.

2. NEW ACTION TO BE IMPLEMENTED

Action 24 Better identification of the Commission's needs

Accurate identification of human resources needs, in terms of both profiles and numbers, is an essential element of any recruitment system. This should also be the starting point for the Commission's recruitment policy.

The new system of Activity-Based Management (ABM) will improve the programming of activities within the Commission and define the related competency profiles. This will already contribute to a more focussed recruitment policy as better forward planning of human resources needs will be possible in terms of both the skills and numbers of people. As ABM will be applied in all Directorates General, individual Directorates General will be in a position to define more specifically the skills which they require in staff. In addition, a new human resources management tool to replace the existing SYSPER system is needed so that management is more aware of the skills and qualifications of existing members of staff.

The Commission should remain focussed on the recruitment of generalists as they ought to be able to adapt to a variety of jobs during their working lives. However, there is also a need for individuals with more specialised skills. More specialised competitions tailored to the needs of individual Directorates General or groups of Directorates General should therefore be organised.

The tests used in competitions should thus be designed to assess candidates in relation to the profile of skills and qualifications sought.

Action 25 Improving the organisation of competitions

As all European Institutions recruit principally by open competition, priority will be given to examining, together with the other Institutions, the possibility of creating an inter-institutional recruitment office. Each Institution would inform the office of its specific human resources needs. The office would then be responsible for the organisation of the appropriate competition.

The most cumbersome aspect of existing competitions is the pre-selection phase as it often involves thousands of candidates. Currently, this phase of competitions involves multiple choice tests. This form of test should be continued but with improved use of information technologies to increase cost-effectiveness.

Action 26 Geographical balance

Ensuring a reasonable geographical balance among staff is one of the aims of the Commission's recruitment policy in accordance with Article 27 of the Staff Regulations. This will be addressed in the first place by ensuring a wide publication of the notices announcing competitions and by ensuring that the tests used take account of the multicultural dimension of the European Union. In this way, equal treatment of candidates from all Member States will be ensured. Neither competitions organised by nationality, national quotas nor a general move to competitions by language, would be appropriate. The Commission will reflect on further means of ensuring reasonable geographical balance.

Action 27 *Non-discrimination and equal opportunities*

The gender and ethnic composition of the Commission's staff will be addressed in the design of tests which ensure equal treatment in conformity with the provisions of Article 27 of the Staff Regulations. The Commission will abolish age limits for recruitment by open competition. Consultation with the other Institutions on the abolition of age limits for recruitment to all EU Institutions is underway, and the Commission is willing to lead by example (also dealt with under Action 50).

Action 28 *Improving Selection Boards*

Competition Selection Boards should be composed of Commission officials and presided by a Commission official. An effort should be made to ensure that a sufficient number of women are appointed to Selection Boards. The task assignments of those appointed to Selection Boards must be adapted to allow them time for this. Specific training will be provided to officials serving on Selection Boards. A limited number of outside specialists should also be involved in an advisory capacity, but the final decision on recruitment must remain with the Commission.

Action 29 *Ensuring transparency for candidates*

All information about recruitment procedures and organisation of competitions will be published on the Internet. It will also be possible to apply via Internet, with official documentation to be provided at an appropriate stage. The Commission will also consider improving its co-operation with European universities to increase students' awareness of career possibilities in the EU Institutions.

The number of successful candidates for each competition will be in reasonable proportion to the posts available. The procedures for recruiting after competitions will be expedited with a view to cutting the delay in filling vacancies. This should also ensure recruitment of candidates within two years of the publication of results of competitions.

Finally, pursuant to the European Ombudsman's recommendation, the Commission will allow candidates access to their corrected tests in all competitions launched after July 2000.

The overhaul of recruitment policy and selection procedures described above will require a Commission Decision and an inter-Institutional agreement for the creation of an Inter-Institutional Recruitment Office. It may also imply modifications to the Staff Regulations (in particular, to Annex III) – this requires further examination.

3. LEAD SERVICE(S)

DG ADMIN with support from the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 24-29 December 2000: Consultative document on recruitment policy, including proposals for any necessary amendments to the Staff Regulations; Draft agreement on the creation of Inter-Institutional Recruitment Office;

June 2001: after consultation of OSPs, Commission submits proposal for any necessary changes to the Staff Regulations to the Inter-Institutional Staff Regulations Committee;

December 2001: Commission submits proposal for any necessary changes to Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XIII - CAREER STRUCTURE, STAFF APPRAISAL AND PROMOTION

1. OBJECTIVE

The present career structure in the EU Institutions distinguishes between A, LA, B, C and D category staff with grades in each category. This distinction is largely based on the level of academic qualifications and length of professional experience acquired before joining the European civil service. The weaknesses of this system have become apparent and now need to be addressed:

- Many staff are frustrated at being excluded from any further progress, often in mid-career.
- The current procedures for grading new recruits are complicated, slow and do not acknowledge different ways in which professional experience and ability is acquired.
- Attempts at reforming the staff report system have been largely unsuccessful.
- Within the service, merit is not sufficiently rewarded, in particular in determining progress within the career system.

An integrated human resources policy which makes optimum use of the Commission's human resources is needed, including more flexible retirement provisions. Such a system would promote job satisfaction by offering members of staff proper career development, involving merit-based promotion linked to fair and meaningful appraisal procedures. As the people working in the Commission are its main asset, it would also increase the effectiveness of the Institution generally.

2. NEW ACTION TO BE IMPLEMENTED

Action 30 Creation of a new and more linear career system

The new system would be linear, without categories. Recruitment of officials would be at certain levels concomitant with requirements in terms of the necessary competence, backed up by qualifications and professional experience where appropriate. Special responsibilities linked to a well-defined time-limited function, will be seen as deserving a time-limited reward in the form of payment at a higher grade.

Whilst merit would determine promotion from grade to grade, seniority would be acknowledged by progress within a grade. However, the number of steps within each grade will be limited, as will the circumstances in which the highest step of any grade allow for higher payment than the basic step in the next grade.

The system must make provision for good career possibilities for officials who do not wish to become managers or who do not possess general management ability, but who do command knowledge and skills which are otherwise of great value to the organisation. This implies in particular that promotion to higher grades should not generally be made dependent on occupying a management post.

New officials would be recruited in accordance with the new system. Officials recruited following the old system would be graded corresponding to the new system with a commitment that their pay conditions will not be affected.

The new career system will require modification of the Staff Regulations. Pending this, the internal competitions system will be improved, thus increasing the possibilities for access to higher categories.

Obviously, various forms of linear career structure could be envisaged within the framework set out above (for example, the number of grades and qualification requirements), taking into account the needs of the Institution and its work. In any public administration, the development of a new career structure represents a significant change, and the transition requires careful handling.

The following specific commitments in terms of the transition to a new system for EU civil servants will be reflected in a detailed proposal for a new career structure:

- the pay of individual members of staff would not be negatively affected at the moment of transition to a new system;
- thereafter, the speed of career of individuals of average achievement would not be affected, although the very best would proceed more quickly, and those below average more slowly; and
- there would be no deterioration in the life-time earnings of existing members of staff of average achievement.

The Commission is well aware of the link between the motivation of its staff and their material security. It will ensure that reform does not result in deterioration in the overall terms and conditions of employment of existing staff, and any proposal to Council for a new career structure will reflect this.

Action 31 *Simplification of existing grading procedures*

All professional experience gained after obtaining relevant professional or academic qualifications will be taken into account by the administration in grading new recruits under a transparent and consistent framework of rules. It will obviously be necessary to consider measures in order to address the issue of equal treatment between new and current members of staff.

A Commission Decision is necessary to change the existing procedures.

Action 32 *Establishment of a new annual staff appraisal system*

A rigorous, objective and fair system for the appraisal of staff performance is essential. It is a prerequisite for the proper functioning of a new more linear career structure.

Achieving such a system requires action on two fronts.

First, assessors must apply the system properly. Specific training in staff appraisal will be provided and there will be checks on assessors' application of the system. Thought will be given to other means of ensuring that the system is properly applied and in particular that there is no inflation of assessments. The attribution of a quota of points to each Directorate General to be shared amongst members of staff of the same grade could be one way of providing assessors with an incentive to avoid such inflation.

Secondly, a new annual system of appraisal is needed based on job descriptions and task assignments for each member of staff. The appraisal would be based on extensive dialogues, possibly mediated by other colleagues, and the use of modern methods such as two-way feed back. Whilst appraisal should be the responsibility of the immediate superior the possibility of involving a third party in the assessment will also be studied. The system would have two distinct roles:

- The first would be to provide staff with objective description of, and feed back on, work carried out, and to encourage staff to do better through a detailed qualitative assessment of each individual's performance judged against their job description and task assignments. Appraisal reports should first and foremost be factual, describing in great detail what officials have done, and what results they have obtained. The system should include discussion of career development issues such as training and mobility.
- The second would be for the administration to assess fairly both past performance and where appropriate the potential that the individual being appraised may have to assume other and/or more significant responsibilities. This appraisal of merit should be more directly linked to the promotion procedures. Criteria will therefore be laid down to assess merit in a coherent manner, and to ensure that less visible, but equally important tasks are evaluated in a fair manner.

Some concern has been raised that an annual evaluation system will impose an undue burden on management and staff. This will be taken account of in the development of a new system.

The appraisal system for management should provide for appraisal by those whom they manage, and possibly a peer review element. Full safeguards would be provided for those assessing managers.

A specific evaluation system for Directors General and Directors will be developed. The procedures for appraising A1 officials will involve the responsible Commissioner and the Secretary General.

A Commission Decision would be needed to set up the new system. It seems unlikely that changes to the Staff Regulations would be required. However, closer examination of whether such a change would be necessary in order to allow for the appraisal of staff at the level of Directorates-General rather than in the Commission as a whole will be necessary.

Action 33 *Promotion based on merit*

The current promotion system can be improved significantly without having to change the Staff Regulations which already provide that promotion should be based on merit.

First, the rules and procedures will be published on EuropaPlus, as will all relevant data on promotion exercises.

Secondly, the system will be simplified. A single system will apply to all categories. The longer-term aim is to apply the same system to staff paid from the operational and research budgets.

Thirdly, there will be a stronger link between promotion and staff appraisal, and a marking system will be kept.

Finally, individual departments will be encouraged to take greater responsibility for their promotion proposals by limiting recommendations to the number of promotion possibilities. As a consequence of the annual appraisal exercise, the notion that unsuccessful candidates on one year's list will be automatically included the following year ("reliquats") will be eliminated. This will give everyone a fairer chance, including those who have moved between departments, and so contribute to mobility.

A Commission decision is required for a new promotion system. The introduction of comparative evaluation of staff at the level of Directorates-General would require a corresponding change to the provisions of the Staff Regulations concerning promotion.

Action 34 *Flexible retirement*

The present system for retirement is inflexible and penalises those who wish to leave the service before the age of 60. It also makes no provision for those who wish to work beyond the age of 65. These issues were examined in the Williamson Report and now need to be addressed by the development of a new framework on retirement. This would require changes to the Staff Regulations.

The forthcoming enlargement of the Union will also create a major challenge for personnel policy. A specific early retirement scheme could have an important role to play in easing the integration of staff from new Member States. Further thought on this issue is needed.

3. LEAD SERVICE(S)

DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 30 November 2000: Consultative document Communication on a new career system, including a proposal to amend the Staff Regulations;

May 2001: After consultation of the OSPs, the Commission will submit a proposal to the Inter-Institutional Staff Regulations Committee (SRC);

December 2001: Commission submits proposal to amend Staff Regulations to Council;

The objective is for a new system to be implemented in 2002 (after consultation of the SRC, submission to the Council and agreement by the Council).

Action 31 July 2000: adoption of draft Commission decision;

November 2000: adoption of Commission Decision.

Action 32

November 2000: adoption of draft Commission Decision.

May 2001: adoption of Commission Decision.

The objective is for the new system to be applied in the course of 2002.

Action 33

November 2000: adoption of draft Commission Decision.

May 2001: adoption of Commission Decision.

The objective is for the new system to be applied in the course of 2002.

Action 34

December 2000: Consultative document on framework for retirement including proposal to amend the Staff Regulations and proposal on specific scheme for enlargement;

May 2001: After consultation of the OSPs, the Commission will submit a proposal to the Inter-Institutional Staff Regulations Committee (SRC).

December 2001: Commission submits proposal to amend Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XIV - CAREER GUIDANCE, MOBILITY AND UNDERPERFORMANCE

1. OBJECTIVE

An integrated human resources policy must make better provision for career guidance, mobility and tackling underperformance. The following specific problems with the current system have been identified and now need to be addressed:

- Career guidance hardly exists.
- There is no early warning system or specific procedure to deal satisfactorily with cases of incompetence. Instead, the Staff Regulations provide that professional incompetence should be dealt with under the same procedures as disciplinary matters.
- The current probationary period (in terms of the use to which it is put and its duration) is not sufficient to identify cases where new recruits are unsuitable.

2. NEW ACTION TO BE IMPLEMENTED

Action 35 Provide access to career guidance

A central function needs to be set up to spread best practice amongst Directorates General and to offer guidance to individuals on career prospects throughout their working lives. A network of similar functions in each Directorate General will be created.

A personnel database to replace the current SYSPER will be developed to include information profiles, job descriptions and skills of individuals. This database will be a useful tool for better career guidance and development. In developing the new database, specific attention will be paid to security aspects, and to the protection of confidential and of personal data in accordance with Community law.

Action 36 Encouraging mobility

Mobility increases officials' experience, range of abilities and knowledge; it also benefits the Institution as a whole.

However, it would be counterproductive to lay down generally binding rules for mobility. In particular, such rules might lead to a loss of specific expertise that is often acquired after years of "training on the job". Other disruptive effects also need to be avoided, including those provoked by the often too long period of vacancy after a mobility. Efforts to speed up the publication and filling of vacancies will continue. A variety of actions are nevertheless needed to facilitate mobility.

Barriers to mobility posed, in particular, by the current promotion system will be removed. Special training in preparation for changing posts will be offered where appropriate. The central career guidance function will develop clear and transparent guidelines for mobility. On this basis, Directorates General will be encouraged to organise mobility in line with their specific needs. Responsibility for monitoring mobility would lie with the personnel departments of each Directorate General. Guidelines need to be established and measures should be taken by each Directorate General for better organisation of the hand-over of responsibilities between officials in order to minimise any loss of continuity.

Conditions for mobility within European Institutions, and between national administrations and possibly also the private sector will be devised.

Special measures will be set up, in co-ordination with the Steering Committee for the External Service, to ensure that the annual rotation system ensures that officials returning from Delegations to Headquarters are found jobs that correspond to their experience and profile and that further the development of their career.

Finally, as an incentive for mobility, it should be regarded positively in the framework of staff appraisal, appointments and promotions.

Action 37 *Tackling inadequate performance*

A series of measures to prevent and deal with inadequate performance will be taken.

A specific system for dealing with inadequate performance will be established, safeguarding the rights of the person concerned. This will involve the following:

- Better use of the probationary period to identify officials who are unlikely ever to meet the required standards. An increase in the length of this period to 12 months will contribute to this objective. The possibility of extending the probationary period should be retained. The measures proposed for better use of the probationary period are set out in Chapter IV-XV - Training.
- An early warning system based on reports (probationary, annual appraisal etc.) triggering corrective measures will be set up. Open discussions, analysis of personal potential, retraining and efforts to find a more appropriate post will help to deal with cases of inadequate performance. The central career guidance function and those in the Directorates General will have an important role to play in addition to that of managers.
- A clear procedure for identifying and dealing with inadequate performance will be established. A Commission Decision is necessary for this action and it will specify management's duty to identify incompetence and deal with it fairly and thoroughly. A Handbook will be made available to all staff.
- A specific procedure for dealing with professional incompetence, distinct from the disciplinary procedure will be instituted.

The measures relating to the probationary period and to the specific procedure for professional incompetence will require modifications of the Staff Regulations.

3. LEAD SERVICE(S)

DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 35-37 December 2000: creation of central career guidance function;
July 2001: creation of decentralised career guidance system;
2003: new version of SYSPER will be available.

Action 37 December 2000: early warning system implemented by administrative measures.
October 2000: Consultative document on professional incompetence, including draft Commission Decision and proposals to amend the Staff Regulations.
April 2001: adoption of Commission decision and submission of amendment of the Staff Regulations to the Inter-Institutional Staff Regulations Committee (following consultation of the OSPs).
December 2001: Commission submits proposal to amend Staff Regulations to Council.
Implementation scheduled for 2002 (after agreement by the Council).

CHAPTER IV – HUMAN RESOURCES

XV - TRAINING

1 OBJECTIVES

Training is of crucial importance for the success of the Reform. The overall objective is to provide the right training to the right people at the right time in a cost-effective way as part of a coherent strategy of human resource management and development in the Commission.

In recent years, some progress has already been made in achieving this objective: Directorates General have begun to develop improved training plans with the advice of the central training service; clear lines of responsibility have been drawn between the central service for general training and Directorates General for specific training; an increasing number of Directorates General have initiated their own internal courses; improved procedures for evaluating training courses have been established; budgets have increased but remain very small.

What is still lacking however is a widespread culture of training and learning during the entire working life. The result is that despite the importance apparently attached to continuing training, it is still regarded too often as a non-priority and takes second place in the event of conflicting priorities. This has to change.

A significant increase in the training budget will be necessary. The current budget equates to two days of training per member of staff per year. This figure includes general, language and IT training and is well below the level in Member State administrations. Moreover, as training takes time and is sometimes best conducted in-house by members of staff, there will be a need to consider the implications of an extended training programme for general human resources needs.

2 ACTION RECENTLY TAKEN

Training in management skills

At the end of 1999, a contract was signed to put in place for the first time in the Commission, a compulsory training programme for senior and middle management. The detailed course design phase is currently under way and pilot courses will run from May to July 2000. The definitive programme will be established shortly thereafter. It is imperative that all senior and middle management attend this programme when invited. At the same time, a completely new set of skills-based courses will be offered from April onwards for people below Head of Unit level who have some managerial responsibilities (irrespective of category and grade).

Improved induction training

With effect from January 2000, induction training has been substantially modified. The main features are: compulsory attendance (12 days training divided into 4 modules during the probationary period), the introduction from April 2000 of an entirely new 5-day course within these 12 days called "Working Together" for *all* new officials, which replaces the rather élitist existing "A-grade" course; an individual training plan to be drawn up by line management for each new entrant to cover the first two years of her/his career; encouragement to use a mentoring system; improved advice to new entrants about training possibilities.

3. NEW ACTION TO BE IMPLEMENTED

Action 38 Promoting a learning culture

Whilst such a culture cannot be introduced by decree, certain specific measures can be introduced. Among these could be the following: obligation on line management to give absolute priority for officials to attend training courses for which they are enrolled in the DG's annual training planning; greater efforts

to provide in-house training events at DG level; more regular availability of appropriately qualified people to provide training services (e.g. in areas such as financial management, budgets, administration etc) together with formal recognition of the services so supplied; awareness-raising campaigns etc.

The creation of a dedicated European Civil Service training centre, in particular for middle and senior management, will be explored together with the other Institutions (also dealt with under Action 23).

Action 39 *Supporting the Reform process*

The success of the actions foreseen in the Action Plan depends on the continual development of the corresponding knowledge and skills. To this end training programmes in the Directorates General must identify the training needs for the proper implementation of the various actions of the Action Plan with respect in particular to: Activity Based Management, new working methods, administrative, financial and budgetary procedures.

Action 40 *Integrating training with other areas of human resource management*

- The assessment of training needs should be made an integral part of the staff appraisal system both in relation to the current post held and future career development. Such a measure would allow the notion of the “individual training plan” decided by the Commission in 1991 to become a reality.
- At certain stages of an official’s career and in relation to certain posts, specific training actions may be advisable or even required, for example:
 - Activity Based Management, new working methods, administrative, financial and budgetary procedures;
 - after promotion;
 - refresher courses for specific skills, such as the use of modern ICT tools and systems;
 - as preparation for managerial responsibilities or before transfer abroad;
 - on specific issues e.g. relating to dealing with inadequate performance, equal opportunities, the multicultural dimension of work in the Commission, discipline and whistle-blowing;

A comprehensive list of situations and the training recommended or required will be drawn up. Directorates General should look at training needs globally and integrate into their overall training strategy and their annual planning of courses *all* training needs irrespective of subject matter or mode of delivery. This will have consequences for the way in which training is delivered by Commission services.

- Arrangements should be made to ensure that officials in the External Service receive adequate targeted training (including language training) before taking up a new posting.

Action 41 *Reform of language training*

The present language training is not sufficiently related to the real needs of the service. There are high rates of absence from courses. A customer survey was conducted by the central training unit in 1999. On that basis, the training unit will propose a series of reforms to make the language training programme more responsive to needs. For example, the creation of a number of “training posts” will be considered to enable officials to undertake full-time language study at certain moments in their career such as before taking up assignments in delegations / representation offices.

Action 42 *Create a new officials training programme*

The measures already taken to improve induction training should only be regarded as a first step to a more ambitious trainee programme for new officials to equip them better with the skills needed to succeed in the Commission and to promote the system of values that must underpin the culture of service in a European Public Administration. This programme will run for a year and will therefore require an extension of the length of the probationary period to 12 months. The possibility for extending the probationary period should be retained (see Chapter IV – XIV - Career guidance, mobility and underperformance)

This new officials programme will provide for thorough training and evaluation of all new recruits. Issues of career planning, mobility and systematic training on the job will have to be addressed. A mentor should be appointed to each new recruit in order to assist him or her in adapting to life in the multicultural environment of the Commission. It would be preferable that these mentors are of a different nationality to the recruit. However, this issue should be dealt with flexibly.

Action 43 *Increase training budgets*

Although appropriations have doubled for general training activities over the last two years, the funds available are inadequate for a properly-developed training policy and fall far short of the amounts devoted to training by organisations which place it high on their list of priorities. Funds should therefore be doubled, at least, over the next three years for non-IT and non-language training. A further need is to make appropriately qualified staff regularly available to provide training when an in-house solution is the best. This requires some form of resource compensation for the providing services in a situation where human resources are already generally over-stretched.

4. LEAD SERVICE(S)

All Actions: DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

5. TIMING

Action 38 July 2000: Guidelines to services and results of consideration of dedicated training facility. Implementation will be on-going thereafter.

Action 39 November 2000: Identification of DGs training needs linked to the Reform and report on specific training actions considered advisory or mandatory.

Action 40 Implementation on-going.

Action 41 September 2000: Phasing-in of new approach.

Action 42 October 2000: Proposals for new officials' programme.

Action 43 October 2000: Report on measures to increase internal training activities.

Initial increase of 1,5 Mio€ in 2001 budget.

Further total increase of, at least, 4 Mio€ in 2002-2003 budgets.

CHAPTER IV – HUMAN RESOURCES

XVI - NON-PERMANENT STAFF

1. OBJECTIVE

In addition to permanent civil servants, the Commission's staffing includes various categories of contractual staff. Some contractual staff are covered by the Staff Regulations, others are not. Statutory staff include temporary, auxiliary and local agents; external staff comprise casual staff, freelancers, staff employed under private law contracts and seconded national experts.

In some Commission departments, the reliance on non-permanent staff is unacceptably high. This is not a criticism of the staff themselves but it does bring risks for departments in maintaining continuity in the performance of activities in the face of a high turnover of staff. This, together with the variety of contracts under which these staff are employed, is confusing for the staff concerned and for the departments which manage their work. Moreover there is an insufficient guarantee that core public service tasks are performed only by staff subject to the standards laid down in the Staff Regulations. Finally, the cost of employing non-permanent staff can be close to, or even above, that of employing a permanent official: while non-permanent staff will always be needed to fill short-term gaps or to bring specialist skills, the high percentage of non-permanent officials in the Commission cannot be justified.

There is a need therefore to address the degree to which the Commission relies on contractual staff and to rationalise the rules on which tasks they may perform. There is a link between this exercise and that of developing a policy of externalisation.

2. NEW ACTION TO BE IMPLEMENTED

Action 44 Performance of core activities

Core tasks should only be carried out by staff directly employed by the Commission who are covered by the high standards laid down in the Staff Regulations.

Where these staff are not permanent officials, they will be required to respect the same ethical and professional standards as officials. Their recruitment or secondment will be strictly time-limited to ensure that they are really temporary. Temporary agents and experts seconded by national administrations will always work under the guidance of permanent officials and they should not account for more than a small minority of overall staff.

The above action will require:

- a) a multiannual programme for the transformation of credits (for auxiliary and casual staff) into permanent posts, starting with the 2001 budget.
- b) a multiannual programme for the transformation of temporary posts into permanent posts, starting with the 2001 budget.
- c) an amendment to the Commission Decision on seconded national experts to ensure their full accountability.
- d) a Commission Decision on the recruitment of temporary agents under Article 2(b), the methods of selection and the maximum proportion of temporary agents.
- e) phasing out of all other contractual staff (e.g. free lancers) on core tasks.

Action 45 Use of non-permanent staff for non-core activities

Simple rules need to be developed to ensure that non-permanent staff working on the execution of policies can be recruited according to the needs of the Commission. Beside local agents used in the Commission's delegations and representations, only two types of contractual staff should be recruited for

non-core activities: auxiliaries and individuals subcontracted by specialised companies (thereby progressively removing the need for other forms of staff). The contracts would be flexible in their timing but with a maximum duration. In general, the Commission will privilege the use of contracts covered by the Staff Regulations.

Action 46 *Examine the need to change the Staff Regulations*

In the context of the externalisation policy and the creation of implementing agencies, the Commission will examine the need to amend the Staff Regulations to provide for the necessary flexibility to recruit contractual staff. The opportunity will also be taken to consider whether the Regulations need to be modified in order to meet the needs in the Parliament since the current rules on temporary agents have little relevance to the employment of such staff by the political groups.

3. LEAD SERVICE(S)

Action 44a, b DG BUDG

Action 44c,d,e,45,46 DG ADMIN supported by the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 44a, b 2001 budget: Multiannual programme of transformation of credits and of temporary posts into permanent posts.

Action 44c November 2000: adoption of draft Commission Decision on detached national experts.

May 2001: adoption of Commission Decision.

Action 44d November 2000: adoption of draft Commission Decision on temporary agents.

May 2001: adoption of Commission Decision.

Action 44e December 2002: phasing out of all other contractual staff on core tasks.

Action 45 November 2000: adoption of draft Code of Conduct for external personnel.

May 2001: adoption of Code of Conduct.

Action 46 December 2000: examination of need to amend Staff Regulations completed.

CHAPTER IV – HUMAN RESOURCES

XVII - EQUAL OPPORTUNITIES AND GENDER BALANCE

1. OBJECTIVE

The basis for the Commission's human resources policy must be a commitment to ensure effective equality of opportunities for, and the elimination of discrimination against, its staff.

This implies not only the development of an environment which favours individual's career development regardless of their race, sex, sexual orientation, disability or religious conviction but also action specifically aimed at increasing access to senior management posts.

This latter point is of particular importance in respect of women. The Commission thus decided in December 1999 that "in making appointments to senior management posts, the Appointing Authority will, in principle, give priority to women where it finds, after conducting an assessment, that candidates are of equal merit". This policy will not be followed automatically, but it will be one of the important means used by the Appointing Authority to reach the objective of the Commission to double the present number of women at Director General and Director level during its mandate.

In addition, for the last five years, the Commission has adopted annual objectives for recruitment to the Commission and appointments of women to middle management posts although these targets have not always been respected.

Measures will also be taken to allow both women and men to reconcile more easily their professional and private lives (see Chapter IV–XVIII - A Better Working Environment and Social Policy).

2. NEW ACTION TO BE IMPLEMENTED

Action 47 Gender balance

The principle of "mainstreaming", that is the systematic consideration of gender issues in all policies and actions, must be a basic parameter for the reform of human resources policy.

The measures necessary to promote equal opportunities will be taken by creating an environment which is favourable to the recruitment of women, to their promotion and career development within the Institution. The document produced by the INTERCOPEC reflection group in 1998 sets out a basis for future work.

Equal opportunities in the work place

- Reversal of the burden of proof in cases of sex discrimination in line with Council Directive 97/80 of 15 December 1997
- Balanced representation of women in competition selection boards and committees based on principle of parity
- Provisions to protect the dignity of the person in the workplace (notably against sexual harassment)
- Professional training (see Chapter IV-XV - Training)

Modernising the Staff Regulations

- The terminology employed will be made gender neutral.
- Modernisation of the job description for C grades in Annex I which no longer reflects the reality of the work of this category of staff.

Action 48 Disability

The Commission will take the necessary measures to facilitate the access of the disabled to work in the European Public Service. The issues which need to be addressed include: the organisation of competitions, career development, administrative assistance and the provision of appropriately equipped offices and buildings. Posts which can be most easily occupied by those with a disability will also be identified.

Action 49 *Racial and ethnic diversity*

Although non-discrimination on grounds of race figures explicitly in the Staff Regulations, the composition of the staff of the EU Institutions does not reflect the racial and ethnic diversity of today's Europe. The Commission will take the measures necessary to put in place a more pro-active policy in favour of racial and ethnic diversity. Co-operation with Member States to this end will be necessary.

Action 50 *Age*

The Commission will abolish age limits for recruitment by open competition. Consultation with the other Institutions on the abolition of age limits for recruitment to all EU Institutions is underway, and the Commission is willing to lead by example (also dealt with in Action 27).

Action 51 *Sexual orientation*

Conditions for recognising stable partnerships outside marriage will be established.

3. LEAD SERVICE

Action 47-51 DG ADMIN with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 47-51 October 2000: Consultative document containing an overall evaluation of its ongoing activities in the area of equal opportunities and its action plan for the coming years, including a draft proposal for the necessary changes to the Staff Regulations.

May 2001: Proposal for changes to the Staff Regulations submitted to the Inter-Institutional Staff Regulations Committee (after internal consultation within the Commission).

December 2001: Commission proposal to Council for amendments to the Staff Regulations.

CHAPTER IV – HUMAN RESOURCES

XVIII - A BETTER WORKING ENVIRONMENT AND SOCIAL POLICY

1. OBJECTIVE

The creation of a better working environment is essential for improving job satisfaction and getting the best out of the people working in the Commission. All aspects of the Reform will contribute to improving working conditions in the Commission from a clearer attribution of responsibilities and a better match between tasks and resources through Activity-Based Management and externalisation; more efficient and decentralised working methods; and an improved system of financial control. The general reform of human resources policy will also contribute to this goal.

More specific action to improve the accessibility of the service provided by the Commission's Directorate General for Personnel and Administration is needed, as is action to allow both men and women to reconcile more easily their professional and private lives. This latter action will also contribute to the promotion of equal opportunities. The Commission's social policy is also in need of an overhaul.

2. NEW ACTION TO BE IMPLEMENTED

Action 52 A more service-oriented Directorate General for Personnel and Administration

An initiative has already been launched to screen the quality of the services provided to the Commission's staff. Vice-President Kinnock will be advised by a representative Customer Panel composed of Commission staff in improving the service provided and in guiding future action.

In particular, consideration will be given to means of better meeting the reasonable expectations of staff in terms of the speed of delivery of classical administrative tasks (sickness insurance repayments, administrative acts); improving the Commission's procurement practices with the aim of providing better offices and office equipment to staff; instituting a system of pay-roll giving which would make it easier for officials to donate part of their income to charitable organisations on a regular basis; and improving the operation of the Commission's central telephone switchboard.

The following concrete improvements are already foreseen:

Creation of an Infoservice by 1 March 2000: this will provide a central contact point for DGs and individual members of staff and will provide both answers to routine questions and the name of the person to contact for issues of a more complex nature. This Infoservice will develop into a "one-stop-shop" for all DG ADMIN's customers providing answers to individuals' questions by telephone, e-mail and in specific meetings.

Commitment to reimburse mission expenses within 30 days.

Action 53 Reconciling professional and private lives

A series of actions will be undertaken:

- Parental leave (the possibility for both parents to take one year's leave after the birth or adoption of a child). The aim will be to provide at least social security provision during this leave. However, the budgetary implications of this, together with seniority, pension rights and remuneration, require further examination;
- Family leave (identical to the above but for family reasons which are not limited to children: parents, siblings etc.). This is particularly important given the, often significant, geographical distance between members of staff and their families in their countries of origin;
- More flexibility in working conditions (flexi-time; part-time; job-sharing; teleworking). The aim will be to introduce a right to part-time working. However, further consideration of the budgetary

implications is required. A working group in DG ADMIN is currently examining the practicalities of introducing more flexibility in working conditions. The results of the pilot projects on tele-working are expected in Spring 2000 and will provide the basis for further reflection;

- Maternity leave: the duration and conditions of the present provisions should be improved taking account in particular of specific situations such as multiple births and pregnancy-related illnesses;
- Paternity leave. The current provisions are very limited and should be improved;

As a counterpart to the measures described above, it will be necessary to consider means to address the difficulties caused by the absence of officials on parental, family, maternity or paternity leave or officials working on flexible conditions. Further work is needed on the appropriate response to this problem as all solutions have budgetary implications: job-sharing; creation of a reserve of posts in the establishment plan or a reserve of credits for the recruitment of auxiliary staff.

Conditions for recognising stable partnerships outside marriage will be established. Better provision for couples of officials is also needed. This applies in particular to the conditions for taking special leave (CCP) when one official is posted to a delegation in a third country: the current maximum for special leave is 5 years while successive postings to delegations can be longer.

Finally, the provision of social infrastructure will need to be addressed (see section on social policy below). In drawing up the new provisions, full account will be taken of the effects on the Commission's ability to recruit on a wide geographical basis, conditions prevailing in Member States, and other administrative and budgetary costs.

Action 54 *Social Policy*

The Commission's social policy needs to be rethought in view of the following objectives:

- Improving the provision of child care facilities;
- Helping newly-recruited members of staff, their partners and families to adapt to life in a new country;
- Providing assistance to members of staff confronted with specific problems and to retired staff;
- Sports centre: the use and purpose of the Overijse centre should be rethought.

3. LEAD SERVICE(S)

DG ADMIN with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 52 July 2000: Creation of Customer Panel.

February 2001: Decision on future role of and improvements to DG ADMIN.

Action 53 October 2000: Consultative document containing an overall evaluation of its ongoing activities for improving working conditions and its action plan for the coming years, including a draft proposal for the necessary changes to the Staff Regulations.

May 2001: Proposal for changes to the Staff regulations submitted to the Inter-Institutional Staff Regulations Committee (after internal consultation within the Commission).

December 2001: Commission proposal to Council for amendments to the Staff Regulations.

Action 54 October 2000: Consultative document on social policy containing an overall evaluation of the policy to date and an action plan for the coming years.

CHAPTER IV – HUMAN RESOURCES

XIX - TRANSPARENCY OF PERSONNEL POLICY

1. OBJECTIVE

Changes in the Staff Regulations will be needed to implement certain reform actions in the field of human resources policy. The areas in which changes will be required are indicated in respect of each action. Where further thought is needed as to whether change is necessary, this is also indicated. There will be no change to the fact that a single set of Staff Regulations applies to all Institutions.

There is a need to simplify and codify the legal texts adopted in implementation of the Staff Regulations. The results of this exercise will be made available to all staff. The Commission's administrative procedures for application of the Staff Regulations must also be improved with the objective of ensuring proper application of the Staff Regulations. There is also a need to conduct an examination of the Staff Regulations with a view to identifying any provisions which are clearly out-dated. The ultimate aim of these actions is to ensure transparency in the staff's rights and obligations.

2. NEW ACTION TO BE IMPLEMENTED

Action 55 Clear rules applied in a clear way

Improvements can be made by means of changes to implementing legislation and administrative procedures. Codification and simplification of texts implementing the Staff Regulations will be pursued in order to ensure transparency and fairness in the application of the Staff Regulations. Pending this simplification, every effort will be made to apply existing rules in the most effective, clear and consistent manner. In any event, the Commission's administrative procedures for applying the Staff Regulations will be reviewed.

Increased transparency will be achieved by publishing a consolidated version of the Staff Regulations, implementing texts, important Commission Decisions and basic administrative decisions on the Commission's Intranet. Regular updating will be assured.

Action 56 The Staff Regulations

The Staff Regulations will be examined – in full consultation with the staff representatives – with the aim of identifying any clearly outdated rules which are not needed to ensure the permanence, independence and quality of the European Civil Service. This exercise will not question the involvement of joint committees composed of staff representatives and the Administration in the Commission's (and other Institutions') human resources policy. However, the function and operation of these committees will be reviewed in order to improve their operation.

3. LEAD SERVICE(S)

Action 55-56 DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources.

4. TIMING

Action 55 July 2000: on-line publication of consolidated version of Staff Regulations and other related Commission's decisions and documents.

December 2000: results of review of administrative procedures for application of Staff Regulations.

Action 56

December 2000: results of examination of Staff Regulations. Depending on the outcome, first reading of proposal to amend the Staff Regulations by the Commission.

May 2001: after consultation of the OSPs the Commission will submit a proposal to the Inter-Institutional Staff Regulations Committee (SRC).

December 2001: submission of proposal to the Council.

CHAPTER IV - HUMAN RESOURCES

XX - DISCIPLINE

1. OBJECTIVE

Fair and effective disciplinary rules are needed in any organisation. In the Commission, this requires a clear set of rules and guidelines on the rights and obligations of civil servants; appropriate incentives; fair, effective and efficient disciplinary procedures; and appropriate sanctions where staff are in breach of their professional obligations.

Currently, the Commission's disciplinary procedures have a number of shortcomings, and in particular the lack of a more stable Disciplinary Board. Furthermore, the proceedings are often too slow and staff are not sufficiently well informed regarding their obligations and the possible consequences of breaches of those obligations.

Many improvements can be made within the existing rules. Some changes to the Staff Regulations will be required to improve the system in the interests of those accused, their colleagues and the Institution.

2. NEW ACTION TO BE IMPLEMENTED

Action 57 Improvements at the level of administrative practice

Preventive measures, including the publication of a handbook clearly explaining officials' rights and obligations; internal rules for the opening of proceedings; the creation of an enlarged permanent secretariat of the Disciplinary Board; guidelines on sanctions based on their proportionality in relation to the gravity of the offence; provisions to enable OLAF to give evidence to the Disciplinary Board where it has conducted relevant investigations; publication of disciplinary decisions (with names removed to protect confidentiality).

Action 58 Improvements in the Staff Regulations

The power to undertake enquiries to be made explicit and clarified; the creation of an Inter-Institutional Disciplinary Board; amendment of the conditions relating to suspension of officials in serious cases during the disciplinary proceedings; the creation of an Attorney's office to prepare the Administration's case and to present it to the Disciplinary Board and answer its questions (currently the accused, often represented by lawyers, is present at the Disciplinary Board. The Administration's case is presented to the Disciplinary Board in writing and the Administration is not represented thereafter in proceedings before the Board).

3. LEAD SERVICE(S)

Action 57-58 DG ADMIN, with the support of the Planning and Co-ordination Group on Human Resources and SG.

4. TIMING

Action 57-58 October 2000: Consultative document on discipline, including proposals for improving administrative procedures and amendments to the Staff Regulations and.

October 2000: adoption of draft Commission Decision on administrative improvements to disciplinary procedures.

October 2000: first reading of a proposal to amend the Staff Regulations by the Commission.

April 2001: adoption of Commission decision on administrative improvements.

April 2001: submission of proposal to amend the Staff Regulations to the Inter-Institutional Staff Regulations Committee, after consultation of the OSPs.

December 2001: submission of proposal to change Staff Regulations to Council.

CHAPTER IV – HUMAN RESOURCES

XXI - RULES ON WHISTLEBLOWING

1. OBJECTIVE

In a Commission Decision of 2nd June 1999, staff were given clear indications of the channels to be used for reporting irregularities as follows.

Members of staff must inform the Head of Service or Director General, the Secretary General or OLAF if they come across evidence of the existence of possible fraud, corruption or any other illegal activity detrimental to the interests of the Communities. The same obligation applies in relation to evidence of serious breaches of professional duties liable to result in disciplinary or criminal proceedings. Persons complying with the above obligations must not suffer inequitable or discriminatory treatment as a result of communicating such information.

2. NEW ACTION TO BE IMPLEMENTED

Action 59 Rights and obligations on reporting wrongdoing to be inserted in the Staff Regulations.

Rules on whistleblowing will ensure, inter alia: protection for the whistleblower who acts in good faith and in the public interest, without aiming for personal gain, and according to departmental procedures; protection from false allegations; the possibility to report wrongdoing through internal channels within each Commission department but not exclusively within the direct hierarchical line; the definition of reporting channels outside the Commission and the circumstances in which disclosures to such channels should be protected; clarification that the reporting of a case to OLAF for investigation does not absolve managers within the Commission from taking the necessary steps themselves to remedy problems which are brought to their attention.

Action 60 Creation of a central mediation service

Building on the existing Mediator structure, the creation of a central mediation service to offer further assistance, impartial advice and a contact point for cases that do not involve alleged fraud or action affecting the financial interests of the Community.

3. LEAD SERVICE(S)

Action 59-60 DG ADMIN with support of the Planning and Co-ordination Group on Human Resources and SG.

4. TIMING

Action 59-60 October 2000: Consultative document on rules on whistleblowing, including proposals for the necessary changes to the Staff Regulations and clarification concerning the reporting of wrongdoing to OLAF.

October 2000: adoption of a draft Commission Decision laying down rules for members of staff reporting misconduct under existing procedures.

October 2000: draft Inter-Institutional agreement on whistleblowers.

December 2000: creation of a central mediation service.

March 2001: adoption of Commission decision.

CHAPTER IV – HUMAN RESOURCES

XXII - PAY AND PENSIONS

1. OBJECTIVE

The objective is to ensure that the European civil service remains independent and permanent and that the Commission is able to attract and to retain appropriate individuals of the highest quality and ability in order to be able to discharge its important functions. In particular, the levels of remuneration must be such as to attract and retain a sufficient number and quality of staff from all Member States in order to maintain the broadest possible geographical balance as required by the Staff Regulations. In light of this, the Commission is committed to ensuring that reform does not result in the deterioration of the terms and conditions of employment of existing staff.

A number of major challenges for the system of pay and pensions will have to be faced in the coming years. First, the existing Method for the annual adjustment of the salaries (including allowances and pensions) of staff of all EU institutions expires on 1 July 2001. It will be necessary for the Commission to propose a system for its replacement in good time in the course of 2000. Secondly, the Commission will have to make a proposal to secure the long-term balance of the pension regime in the coming years.

As staff has rightly pointed out during the consultation process, these issues are in principle unrelated to Reform. However, Reform will add an additional dimension to the negotiations on method & pensions. This Action Plan proposes significant amendments to the Staff Regulations, and some (for example, linear career system, early retirement and social provisions) have implications for Member States' overall budgetary outlay for the staff of the EU Institutions. Time constraints related to the need to go through legally required consultations (see attached timetable) make it impossible for the Commission to present a proposal which takes account of these implications to Council this year. A Commission proposal to Council for the changes to the Staff Regulations necessitated by reform is planned for December 2001.

There is thus the prospect of 2 separate negotiations in Council – the first on the Method from June 2000, the second on the modification of the Staff Regulations from December 2001. Both will have budgetary implications. This scenario is likely to be counterproductive for all concerned. It would not allow the overall budgetary implications of the EU staff salary package to be addressed. For staff, there would be mid-term material insecurity since both sets of negotiations would address financial questions. Those considerations would be likely to result in disruption, and even scaling back, of the Commission's proposals for essential reforms.

The issue is, thus, how best to approach these two subjects – pay and pensions and Reform – with the ultimate goal of achieving both ambitious Reform and maintaining a remuneration package which allows the EU Institutions to attract and retain highly-qualified, multi-lingual staff.

2. NEW ACTION TO BE IMPLEMENTED

Action 61 Proposed approach to pay & pensions

Given the very real link between pay and pensions and reform and the complexities of two successive and major sets of negotiations, the best solution for staff, Commission and Council would be a single global negotiation in Council on pay & pensions and revisions to the Staff Regulations.

This objective could be reached by the Commission presenting a proposal to Council in the course of this year, containing two parts. First, a proposal to extend the existing Method, temporary contribution, salary structure and pensions regime for a short period of up to 2 years. Secondly, a commitment to present an integrated package to Council for revision of the Staff Regulations and a new Method and measures to address the long-term equilibrium of the pension regime by December 2001. This would allow ample

time to reach agreement in Council before the expiry of the method in mid-2003. There are considerable practical advantages to such an approach and no legal impediments.

3. LEAD SERVICE(S)

DG ADMIN

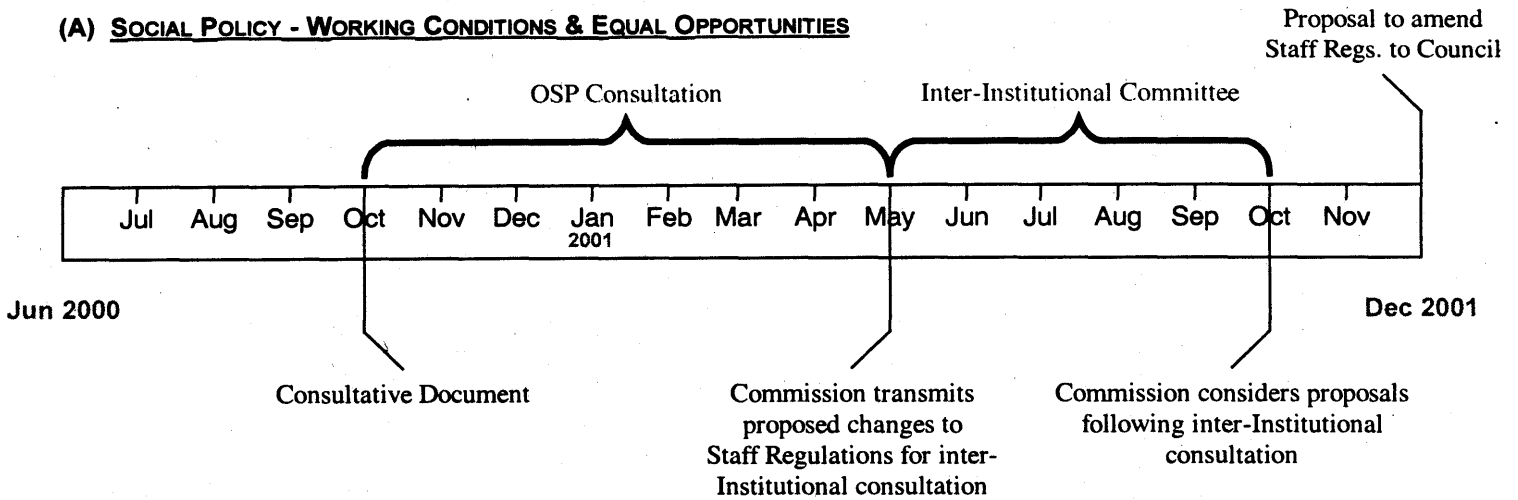
4. TIMING

Action 61 June 2000: Commission Communication

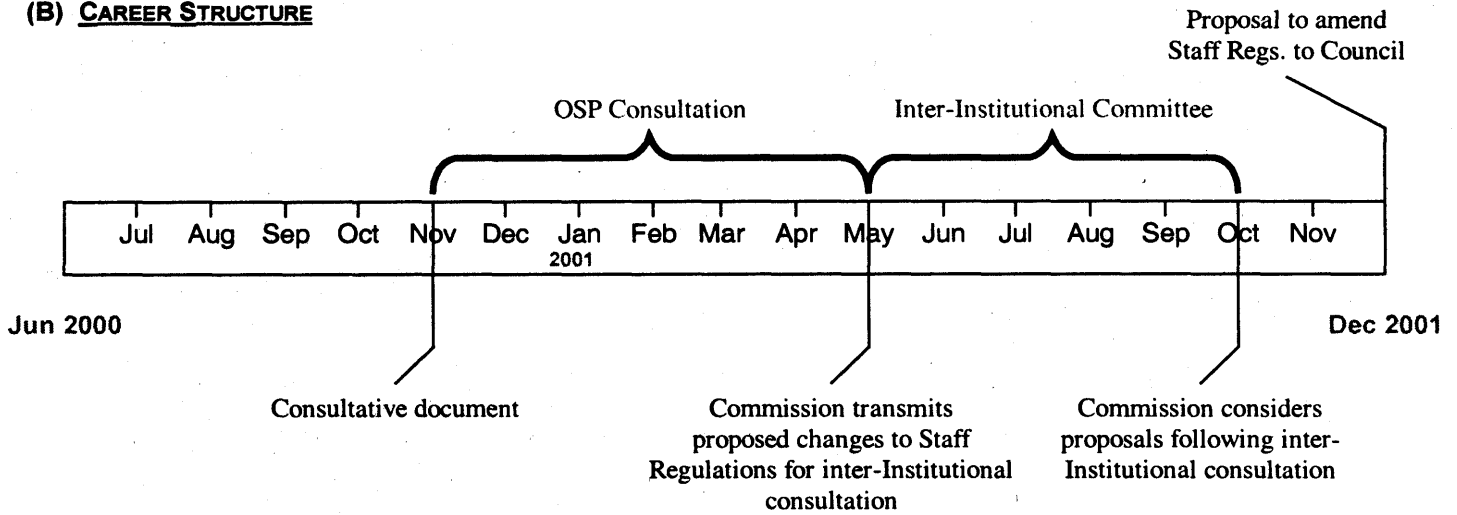
Figure II

I. REFORM OF PERSONNEL POLICY - ILLUSTRATIVE EXAMPLES OF SUBJECT & TIMING

(A) SOCIAL POLICY - WORKING CONDITIONS & EQUAL OPPORTUNITIES

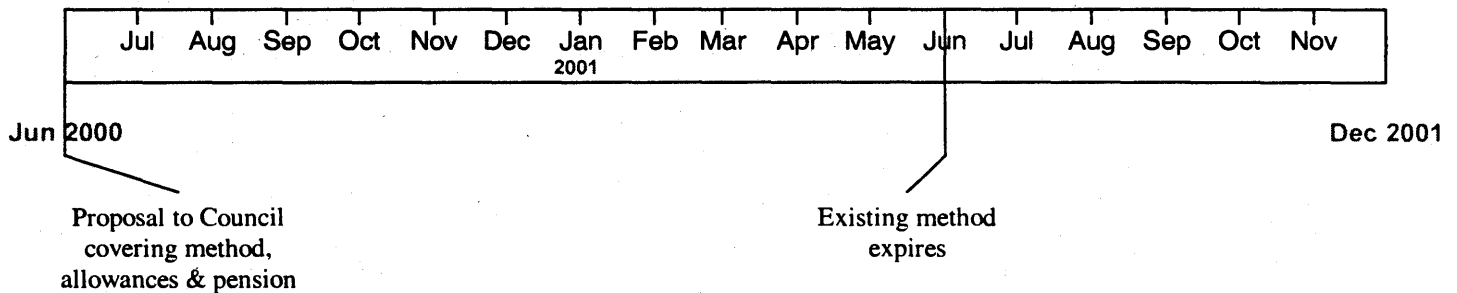


(B) CAREER STRUCTURE

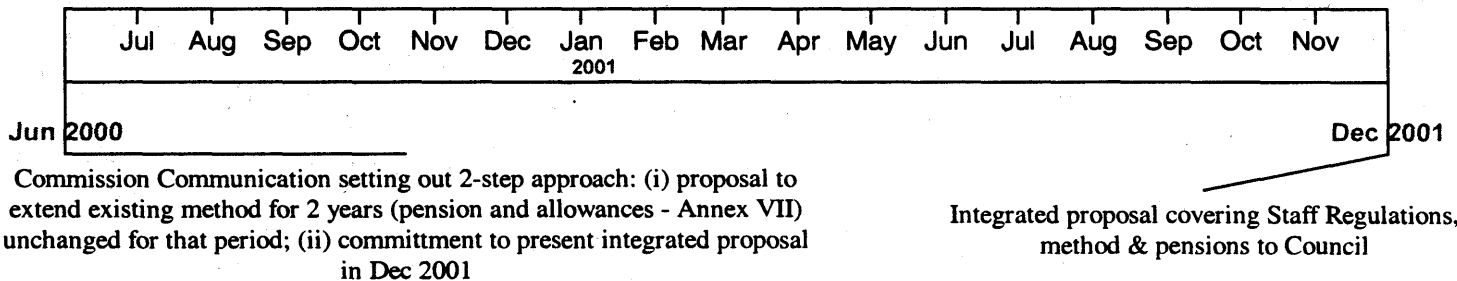


II. PAY & PENSIONS

(A) CURRENT COUNCIL POSITION



(B) COMMISSION APPROACH



CHAPTER IV – HUMAN RESOURCES

XXIII - RESOURCE IMPLICATIONS OF REFORM

1. OBJECTIVE

The Reform will increase the efficiency and the effectiveness of the Commission's work and will release resources for allocation to core functions. However, an initial investment will be needed to reap these benefits as new systems are phased in. The Commission has already diverted human resources towards key reform areas such as the financial control and activity based management systems within Directorates General. The Reform equally requires an investment to upgrade the existing provision of skills and IT facilities and to make a more efficient use of human resources.

It is already clear that certain reform proposals will have permanent resource implications. These include:

- The development of training as a core component of a modern human resources policy;
- Development and extension of the use of information systems at headquarters and in delegations;
- The modernisation of working conditions and social policy and implementation of an improved equal opportunities programme.

In addition, there will be a temporary need for an allocation of resources in a number of areas to deal with the transition to new systems as reform proposals are phased in. This includes:

- The investment in Activity Based Management in Directorates General;
- The development of new guidelines for personnel policy, in the DGs and the central services;
- Tackling the backlog of outstanding commitments and payments. In the external aid sector alone, the backlog involves some 4300 files which have to be checked individually. Some date back twenty years;
- Financial management in DGs as new systems are phased in.

2. NEW ACTION TO BE IMPLEMENTED

Action 62 Review of the resource implications of reform and policy action to deal with it

A review of the full resources implications of Reform will be carried out as part of the resources needs assessment the Commission is preparing for September 2000. The Commission will set up a mechanism to redeploy resources within and across policy areas to ensure that its resources allocation dovetails with its core tasks and policy priorities. A Peer group of Commissioners chaired by the President will be set up to appreciate the full potential for redeployment within and across DGs and assess overall staff needs. This exercise will take full account of the potential for externalising non-core activities where this is more efficient and does not lead to a loss of accountability.

Should this assessment find that, after the comprehensive re-allocation of staff, the Commission would not have sufficient resources to carry out its core tasks and policy priorities, it will, on the basis of recommendations of the Peer group, make a proposal to the budgetary authority to provide the necessary additional human resources. This would be done in the form of an amending letter in September 2000.

In addition, some 200 posts will be made available for two years (2000-2001) to cater for the initial investment that the reform activities require. These posts will be allocated on the basis of a list of eligible activities. These posts will be made available by reducing the number of unused posts in the establishment plan. This measure will obviously respect both the limits defined in the establishment plan and the maximum for appropriations in Title A-1 of the Budget.

3. LEAD SERVICE

DG BUDG and DG ADMIN.

4. TIMING

Action 62 April 2000: Preliminary Draft Budget for 2001.

May 2000: Decision by the College on the allocation of 200 posts.

September 2000: Commission Communication on requirements.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXIV – EMPOWERMENT, RESPONSIBILITY AND ACCOUNTABILITY OF AUTHORISING OFFICERS AND LINE MANAGERS

1. OBJECTIVE

The conditions for creating a real sense of responsibility are, first of all, a clear definition of tasks; secondly, making sure that everyone knows and understands their responsibilities; and, thirdly, fair and trusted means for dealing with breaches of the rules.

Financial management is the managing of activities that use Community funds to reach their objectives; hence financial management is but one aspect of operational management. In this context, the delegation of the power to authorise expenditure has to be consistent with the chain of responsibility of the management process, from the ordinary official to the Director General and the Commission. Therefore, the person who takes the operational decision to go ahead with an action involving expenditure should be, as far as possible, the person who authorises the expenditure.

The logical consequence is that the tasks and responsibilities of an authorising officer cannot be dissociated from those of an operational manager. However, it is important to ensure that the stewardship of Community funds is entrusted to persons who are capable of this type of management.

3. NEW ACTION TO BE IMPLEMENTED

Action 63 Description of the responsibilities of each financial actor

A set of clear rules on the rights and duties of each financial actor (authorising officer, accounting officer, or financial controller) detailing the responsibilities will be drawn up. This will be given to each financial actor at the time of his or her nomination and supported by appropriate training. Failure to meet the standards set in this charter will result in withdrawal of the granted delegation. The withdrawal authority and procedure will be set out in the charter.

Action 64 Delegation of powers

The power to authorise expenditure shall be attributed by the Commission to officials of the Community, to whom the rules on liability foreseen by the Staff Regulations apply. The charter on the responsibility of authorising officers will establish the rules for delegating within departments the power to authorise expenditure. As far as possible, the person who takes the operational decision to go ahead with an action involving expenditure should be the person acting as authorising officer. In some specific areas to be determined, the College itself could retain the power to decide an item of expenditure; in that case, the Commission's internal rules on the execution of the budget will define the administrative responsibility of the department managing the expenditure.

Action 65 Suppression of centralised ex-ante visas

The requirement to obtain prior approval from the Financial Controller before committing or authorising expenditure will be eliminated. Likewise, the compulsory opinion of the Advisory Committee on Procurement and Contracts will no longer be required before concluding a contract. (See Chapter V-XXVIII – The Transition Phase for transitional arrangements pending changes to the Financial Regulation). The Accounting Officer will not check the validity of the discharge (“acquit libérateur”) issued by the authorising officers.

This action requires a unanimous decision of the Council on the recasting of the Financial Regulations, taking into account the opinion of the Court of Auditors and European Parliament.

Action 66 *Financial Irregularities Panel*

Without calling into question the role of OLAF, in cases of financial error or suspected irregularity which do not involve fraud, the Director General of the department concerned will, before initiating a disciplinary procedure, submit the case to a Financial Irregularities Panel of a help-desk nature to advise on possible financial irregularities. This Panel will consider whether there are systemic shortcomings and, if so, the relevant role of the person responsible for the management and control system. The Panel will have an advisory role and it will be an intermediary step between the detection of an irregularity and the launching, if appropriate, of a formal disciplinary procedure. The official involved should have the right to be heard by the Panel. As far as possible, the Panel will recommend corrective and preventative measures to the Director General. The Panel may call on the Internal Audit Service (see Action 68) to establish facts by means of a special audit.

Action 67 *Financial liability governed only by the Staff Regulations*

The financial liability of any official with a role in the management process of activities with a financial impact will be governed by the provisions made in the Staff Regulations. The redundant specific provisions for financial actors made in the existing Financial Regulations will be deleted in the recasting of the Financial Regulations to be proposed. The accounting officers' liability under the Financial Regulation is not affected by this measure.

3. LEAD SERVICE(S)

Action 63 DG Budget, TFAR, supported by the Planning and Co-ordination Group (PCG) on Financial Circuits.

Action 64 All DGs, DG Budget, supported by the PCG on Financial Circuits.

Action 65 DG Budget, supported by the PCG on Financial Circuits.

Action 66 DG Budget, supported by TFAR, DG ADMIN.

Action 67 DG Budget

4. TIMING

Action 63 May 2000 (Commission decision).

Action 64 Early 2001 (approval of the Commission's internal rules on the execution of the budget 2001).

Action 65 April 2000 (Proposal for recasting of the Financial Regulations).

Action 66 June 2000 (Commission decision).

Action 67 April 2000 (Proposal for recasting of the Financial Regulations).

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXV – CREATION OF A CENTRAL INTERNAL AUDIT SERVICE

1. OBJECTIVE

Given the size and complexity of its financial operations, the Commission needs an assurance that financial risks are being properly managed and that resources are being used efficiently. It needs an overall strategy that permits ongoing monitoring of the operation of its internal control systems and of controls on expenditure funded from the EU budget, revenues or own resources.

An appropriate structure for the Commission's audit activities would be for systematic ex-post checks and systems reviews of activities in the field to be carried out by specialist staff in Control Units within operational DGs (see Action 81). This structure would be complemented by a central Internal Audit Service (IAS) whose main task would be to review the internal control functions and systems within the Commission.

The mission of the new service will be to assist management within the Commission in (1) controlling risks, (2) monitoring compliance and by (3) providing an independent opinion on the quality of management and control systems and (4) making recommendations in order to improve the efficiency and the effectiveness of operations and to ensure economy in the use of Commission resources (security for money and value for money). The overall objective of the IAS is to provide reasonable assurance by way of audits of all Commission activities, notably the independent appraisal of the adequacy and quality of the Commission's internal control systems over all its operations as well as the examination of the adequacy and effectiveness of systems and operations and, more widely, the quality of performance of Commission services in carrying out policies, programmes and actions.

The IAS represents a key element in the Commission's new framework for resource management and internal auditing and will have to meet highest standards in terms of management, competence and capacity.

2. ACTION RECENTLY TAKEN

A new post of Deputy Director General, responsible for internal audit, has already been created in the present Financial Control DG. The recruitment process for this post commenced on 3 February.

The planning and co-ordination group on Internal Audit has submitted its final report on "A new Framework for Resource Management and Internal Auditing in the Commission" on 22.02.2000 to the Vice-President for Reform.

3. NEW ACTION TO BE IMPLEMENTED

Action 68 Setting up of an Internal Audit Service by May 2000

An independent and professional Internal Audit Service will be set up under the direct responsibility of the Vice-President for Reform in conformity with the recommendations of the Committee of Independent Experts, second report, 4.13.3. The Head of IAS will need to have the same independence as is currently guaranteed by the Financial Regulation to the Financial Controller, thereby enjoying autonomy in the conduct of internal audits, the maintenance of professional standards and the contents of reports. He/she will be a highly qualified and experienced member of the audit profession recruited specifically for this task.

The Commission will decide in March 2000 on the establishment and organisation of the new Service. The IAS is likely to have a staff of about 80 officials of different grades of whom about 65 will be professionally qualified and experienced auditors. The new service will be progressively built up on the

basis of internal audit experience in the Commission. To make the best use of the available expertise, a general call for interest from all Commission staff who have the necessary professional qualifications and background will be launched to be followed by an internal competition. External recruitment, including national experts coming from audit services in the Member States will also be foreseen. The preparatory work will comprise a draft working plan for the period of 1 May to 31 December 2000, a code of ethics for IAS staff and the design of a common approach to internal auditing. The new organisation will be set up by 1 May 2000.

Before the end of 2000, the Head of IAS will be responsible for preparing an Internal Audit Plan for 2001 and a Forward Audit Plan for 2001-2003. A second call for interest, based on requirements developed by the IAS, will be published as soon as the Head of IAS is reasonably sure of the needs. By March 2001, the IAS will submit to the Audit Progress Committee (see Action 71) and the College the internal audit report for 2000, in which the setting up of the IAS and the results of the auditing of the change process in the operational DGs should be presented.

Action 69 *Reporting and Planning of the Internal Audit Service*

The Head of IAS will be independent of other Services and report to the Vice-President for Reform with access to the President and the College, whenever necessary. The Head of IAS will prepare on the basis of a three-year rolling Forward Audit Plan an Annual Internal Audit Plan for the implementation of audit activities. Both plans will be risk-based. Discussion between the Internal Audit Service and its auditees should last no more than one month, after which the audit report should be finalised. The Head of IAS is responsible for all audit reports and has to present an Annual Audit Report on activities and results. The Annual Audit Report will be published. Before the end of 2000, the Head of the IAS will be responsible for preparing an Internal Audit Plan for 2001 and a Forward Audit Plan for 2001-2003.

Action 70 *Separation of internal audit from financial control*

The concern for rendering internal audit independent by eliminating the potential for conflicts between internal audit and financial control would be met by revising article 24 of the Financial Regulation (FR) in the context of its recasting and, as much as possible in the interim, through a system by which the Head of IAS reports – under the responsibility of the Financial Controller – to the Vice-President for Reform. The proposed revision in the FR would foresee that, in the case of the Commission, the Internal Auditor will exercise with equivalent independence the responsibility of financial controller defined by the Treaty. The Commission will urge Council, Parliament and Court of Auditors to deal rapidly with this change to article 24, which should be treated as a separate train. Until article 24 has been changed the IAS will have to be organised within the present Financial Control DG, though its location will be separate, and the Head of IAS will be a Deputy Director General for internal audit in the Financial Control DG. After the interim period the IAS will form a separate, independent structure.

Action 71 *An Audit Progress Committee*

An Audit Progress Committee shall assist the College of the Commission in fulfilling its obligations under the Treaties and under other statutory instruments and agreements by assuring the maintenance of quality and integrity in the accounting and reporting practices of Commission services. The Audit Progress Committee will ensure the independence of the IAS and monitor (1) the control processes of the Commission through the results of audits of the IAS and the European Court of Auditors, (2) the implementation of audit recommendations, and (3) the quality of audit work. It will also ensure efficient communication between the College, the Court of Auditors, the IAS and the Directors-General and financial services of the Commission. Commissioners and Services could, through the Committee, call on the IAS to provide assistance or carry out specific audits. The Committee will be comprised of a maximum of five members of whom four shall be Members of the Commission, and will be chaired by the Budget Commissioner. The other participant will be selected from outside the Commission and will have relevant experience and knowledge of corporate governance and control. The Audit Progress Committee will be an advisory body without executive powers and will be assisted by a secretariat.

3. LEAD SERVICE(S)

- Action 68** DG ADMIN (for recruitment and logistics), Task Force Reform (for Action 68 coordination of other preparatory work until May 2000), Head of IAS (for proposing audit charters).
- Action 69** Internal Audit Service
- Action 70** DG Budget
- Action 71** Secretariat General or DG Budget (for making arrangements to provide the secretariat).

4. TIMING

- Action 68** Before May 2000 and as soon as possible for the audit charters.
- Action 69** December 2000 (Internal Audit Plan 2001 and Forward Audit Plan 2001-2003) and March 2001 (Annual Internal Audit Report 2000).
- Action 70** April 2000 (presentation of proposal for recasting of Financial Regulation).
- Action 71** As soon as possible after adoption of the charter of the Audit Progress Committee.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVI – CREATION OF A CENTRAL FINANCIAL SERVICE

1. OBJECTIVE

Central professional support and advice need to be available to anyone dealing with budgetary and financial management. This will provide coherence across the Commission in the definition and application of rules, procedures and Commission-wide standards for internal control. It is the corollary of giving more responsibility to financial actors: to be able to act responsibly, they need first the knowledge and means to exercise those responsibilities.

On the other hand, the best means of ensuring respect for rules and procedures is to make them readily accessible to all officials in a form which is consolidated, simplified, clearly set out and easily accessible. The need for clear, common and consolidated rules and procedures is especially urgent for grants and procurement. Competitive procedures for allocating funds, full information about financing possibilities, fair treatment of all bidders, transparent selection procedures, publication of the results, and proper follow-up and evaluation are principles that must be rigorously applied. The problem of drawing the dividing line between a grant and a procurement spending needs to be settled. Last, the Commission needs to set a good example in procurement procedures.

2. ACTION RECENTLY TAKEN

A Central Contracts Cell, established within DG Budget since 1998, has started defining standard contracts, providing advice and designing a contracts database.

A Vademecum on Grant Management was agreed by the Commission in July 1998 and came into force on 1 January 1999. An evaluation of its application is underway and the results will be available in February 2000.

3. NEW ACTION TO BE IMPLEMENTED

Action 72 *Creation of a Central Financial Service*

A Central Financial Service (within DG Budget) will define the regulatory framework - including sectoral financial rules - for using Community finances and the minimum standards for internal control, provide advice on their application to those who manage financial appropriations and who take care of their recovery, develop and manage common financial management information systems and define - together with DG Administration and operational DGs - training courses on financial matters. The Service will establish a user-friendly and interactive Intranet site containing all the rules, manuals and other information on all aspects of direct and indirect financial management. Its service will be attuned to the needs of its 'clients', and feedback from a regular survey of the satisfaction of its users will be included in DG Budget's annual report. When it makes proposals on financial procedures, it should obtain the views of the Internal Audit Service in order to ensure that the expertise of the Internal Audit Service is appropriately taken into account.

Action 73 *Advice on contracting*

Setting up of a Contracts Unit to provide advice on contracting to authorising officers and to the Commission. This Unit will be in charge of defining standard contracts, managing the contracts database (see below), and giving advice on contract management and procurement procedures (See Action 94 for the fraud-proofing of systems for contract and tender management).

Action 74 *Contracts database*

A central database will bring together all contracts and financing agreements concluded by the Commission. It will be a precondition of any proposal to undertake financial commitments that the data related to the envisaged contractor have been entered in the database. The database will contain all relevant information on the object of the contract, the contractor, the beneficiaries (including major indirect beneficiaries) and implementation.

Action 75 *Operational manuals of financial management*

The operating rules will be codified and presented in simple manuals which will be updated as needed. These manuals will translate into practical terms the principles of sound financial management and act as a guide to dealing with a financial file from the conception of the action to the evaluation of the results. The training on financial and budgetary management will be based on these manuals.

Action 76 *Contracts and grants*

The principles for awarding and monitoring contracts and grants will be set out in a separate section of the revised Financial Regulation.

Consideration will have to be given to the creation of a body independent of the authorising officers that could handle complaints against procurement procedures.

Action 77 *User networks*

The Central Financial Service will set up user networks to ensure an effective diffusion of information, to identify and exchange best practices and to obtain feed-back from operational services. The functioning and number of existing user networks will be reviewed and streamlined in this context.

4. LEAD SERVICE(S)

Action 72 DG Budget, supported by the Planning and Co-ordination Group (PCG) on Financial Circuits.

Action 73 DG Budget.

Action 74 DG Budget, supported by the PCG on Financial Circuits.

Action 75 DG Budget, TFRA, supported by the PCG on Financial Circuits.

Action 76 DG Budget, supported by the PCG on Financial Circuits.

Action 77 DG Budget.

5. TIMING

Action 72 May 2000 (Commission's decision on the establishment of the Central Financial Service), intranet site completed by June 2001.

Action 73 June 2000.

Action 74 June 2001 (temporary contracts database operational; decision on the configuration of the future definitive database).

Action 75 November 2000.

Action 76 April 2000 (Commission's proposal for recasting of the Financial Regulations); review the need to change the Commission's internal rules of procedure.

Action 77 Throughout 2000.

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVII – FINANCIAL MANAGEMENT AND CONTROL WITHIN DIRECTORATES-GENERAL

1. OBJECTIVE

A Director General's responsibilities cover the entire management process, starting from the definition of objectives to delivering results. This includes ensuring the legality, regularity and effectiveness of the financial decisions he/she takes, a responsibility that will no longer be shared with the Financial Controller or the accounting officer after the elimination of their responsibility for the ex-ante visa and for the check of the validity of the discharge. Directors General will therefore wish to ensure that they have sound internal control systems. The Commission's Internal Auditor will be responsible for the examination of the efficiency and effectiveness of management and departmental internal control systems.

Internal control covers the globality of the policies and procedures conceived and put in place by an entity's management to ensure the economic, efficient and effective achievement of the entity's 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.

It follows that internal control is the responsibility of all officials. Internal control systems should be integrated with operating activities, so that prompt reaction to changing situations is possible and the quality of decision making and delegation can be improved. The key financial control issue is to define the tasks and responsibilities of each official involved in the decision making process since all tasks carry financial implications at some level.

Each DG will issue an *Annual Activity Report* (See Chapter III-VIII - Activity Based Management (ABM)) comprising a description of the results achieved, a detailed report on the use of the allocated resources and an annex with the financial accounts of the DG following a framework to be defined by the Commission's Accounting Officer. The Director General shall declare explicitly in the report that the internal control procedures in place give adequate assurance as to the legality and regularity of the underlying transactions.

Each DG will have to adopt the organisational structure which suits its needs to ensure that its internal controls function properly. Finance Units are to continue to have important roles in the budget procedures and in creating and managing the DGs' financial systems. The Director General must decide to what extent the Finance Unit can and should have an ex-ante approval role on critical operations. While the structures and instruments throughout the Commission should be as uniform as possible, an identical system for all DGs would not be appropriate given that spending profiles, requirements for financial management and control capability, and corresponding models for internal control systems vary across DGs. It seems prudent to set uniform minimum standards – validated by external expertise – rather than to impose a harmonised framework on all services. In parallel, an analysis of human resource requirements will be needed and ways found to attract and retain competent staff. Management skills, especially in financial management, should be developed through recruitment and training (see Chapter V-XXIX – Human Resources and Training).

Particular attention will need to be given to the area of external relations, both in respect of the current split in responsibility for different stages of the project cycle and of the deconcentration and decentralisation of financial interventions.

2. ACTION RECENTLY TAKEN

External Evaluation of the Implementation and Results of SEM 2000: July 1999

3. NEW ACTION TO BE IMPLEMENTED

Action 78 *Minimum standards for internal control*

The Central Financial Service will define common minimum standards for internal control within DGs and will provide advice on their implementation. These standards will describe the systems and functions that must be in place in all spending departments (e.g. written assignment of tasks, definition of responsibilities, principle of segregation of duties, control function, monitoring, internal manuals, codification of processes, training, etc.). Each authorising service must take ultimate responsibility for reviewing its own internal control systems, and it will be for Directors General to ensure the adequacy of internal controls in their services. Each DG will set out in writing its financial management and control systems following a format defined by the Central Financial Service. This document should be accessible to all staff and kept up to date. A copy would be sent for information to the Central Financial Service and the Internal Audit Service. These documents, the user networks and the audit reports from DGs and from the Internal Audit Service will provide the Central Financial Service with the necessary information to oversee the implementation of the minimum standards across the Commission. The Central Financial Service will update them when necessary.

Action 79 *Segregation of duties and financial circuits*

Every single financial transaction will be assessed from the operational and the financial point of view, prior to the authorisation of the expenditure. On the basis of a risk assessment of activities and a cost-effectiveness analysis of the use of resources and expertise, each Director General will decide on the most appropriate division of duties and the resulting organisation chart. Recommended organisational models will be designed for each type of expenditure (see the indicative basic models of financial circuits annexed to this fiche).

Action 80 *Evolution of the role of Finance Units in DGs*

Finance Units will be the main point of contact with DG Budget, ensuring that rules and procedures are known throughout the DG and feeding back the experience of users. They will create and manage the DGs' financial systems, produce the financial section of the DG's Annual Activity Report and ensure that accounting information is complete, comprehensible, and available to all officials. These Units will provide advice and assistance to operational units. In some financial circuits they will carry out the financial assessment of a financial transaction (see Action 79), this will be generally the case for public procurement procedures. They could combine an ex-ante approval role, if considered appropriate by the Director General, with other aspects of financial planning and monitoring. This ex-ante check will be an additional guarantee for the authorising officer but it will not diminish his responsibility.

Action 81 *Strengthening the role of the DGs' control function*

An Audit Capability will be created in each DG, the primary objective of which is to provide assurance to the Director General as to the functioning of internal controls over the activities of the DG, including financial activities. This function (depending on the scale of the DG's financial responsibilities, this might be one person or a sector rather than a unit) should also be involved in the evaluation and improvement of internal control mechanisms, internal rules and procedures and risk assessment. It will report directly to the Director General, to ensure its necessary independence and authority within the DG. This function will undertake an independent review of the use made of the budget by the DG, and undertake systems, programme and performance reviews, and ex-post checks on activities in the field. The annual programme of the function would be prepared in agreement with the Director General and take account of requests of any Unit, or Directorate, involved in the management of the DG's funds. The resulting programme will be communicated to the Internal Audit Service, with a view to avoiding duplication. Finally, under the overall responsibility of the DG Budget, the audit capability within DGs would also be responsible for liaising with the Court of Auditors on matters of interest to the DG.

Action 82 *Declaration by the Director General in her/his Annual Activity Report*

Each Director General is accountable for sound and efficient resource management both in decision making and through the follow up of decisions taken, i.e. internal control. This responsibility should be

expressed in a declaration by each Director General in her/his Annual Activity Report, that adequate internal controls have been put in place and that, on the basis of the analysis made in the report, resources have been used for the intended purposes. The DG's annual accounts shall be included in the Annual Activity Report. The Heads of Unit and Directors should take responsibility for their contributions to this report. By signing the annual report, the Director General takes responsibility for the accuracy and completeness of the information presented, confirms that the resources were used as intended and that the internal control procedures in place give adequate assurance as to the legality and regularity of the underlying transactions. These annual activity reports should be presented by the College to the Council, the European Parliament and the Court of Auditors.

Action 83 *Adequate levels of staffing*

Directors General should only accept new spending obligations if they are satisfied that there are adequate levels of staffing, in qualitative and quantitative terms, to manage them. In line with Activity Based Management (ABM), new programmes of financial interventions will earmark in their legal base the human and administrative resources needed for their proper monitoring and control, these resources being expressed as a percentage of the financial envelope for the programme.

4. LEAD SERVICE(S)

Action 78 Central Financial Service (CFS), supported by the Internal Audit Service, OLAF, the Planning and Co-ordination Group (PCG) on Financial Circuits and the TFAR.

Action 79 All DGs, with the assistance of the CFS, the PCG on Financial Circuits and the TFAR.

Action 80 All DGs, with the assistance of the CFS, the PCG on Financial Circuits and the TFAR.

Action 81 All DGs, with the assistance of the CFS and the TFAR.

Action 82 All DGs.

Action 83 All DGs.

5. TIMING

Action 78 June 2000 (draft proposal), September 2000 (Commission's decision).

Action 79 Throughout 2000.

Action 80 Throughout 2000.

Action 81 Throughout 2000.

Action 82 April 2001 for the first Annual Activity Report. For the following years, the optimal timing will be defined to ensure a proper use of that Report as a reporting tool in the annual cycle of resources allocation.

Action 83 As of 2000.

Action with a financial impact

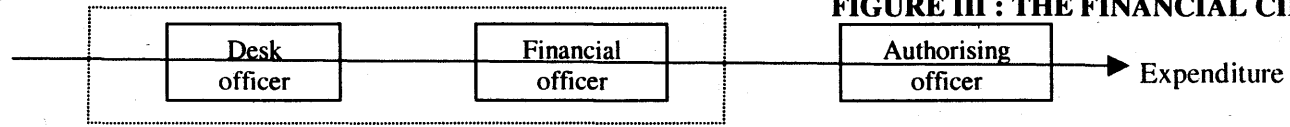


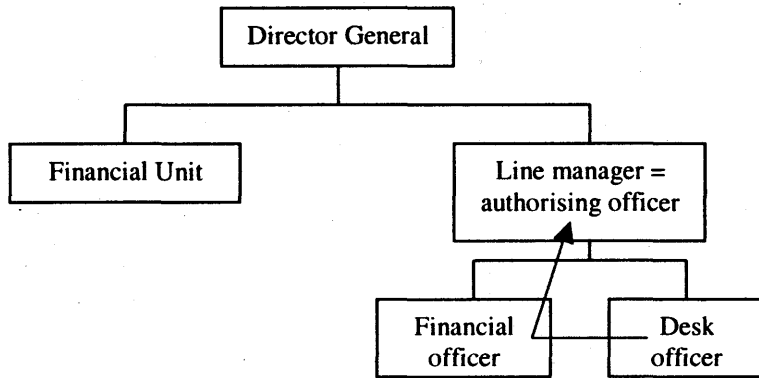
FIGURE III : THE FINANCIAL CIRCUIT

Double assessment
(principle of segregation of duties)

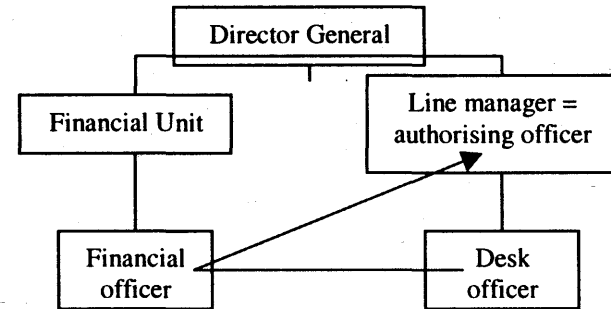
BASIC MODELS OF FINANCIAL CIRCUITS

To be defined by the Director General. Criteria for choice: risk analysis and cost-effectiveness in the use of resources. One DG could have various financial circuits if it manages several types of expenditure.

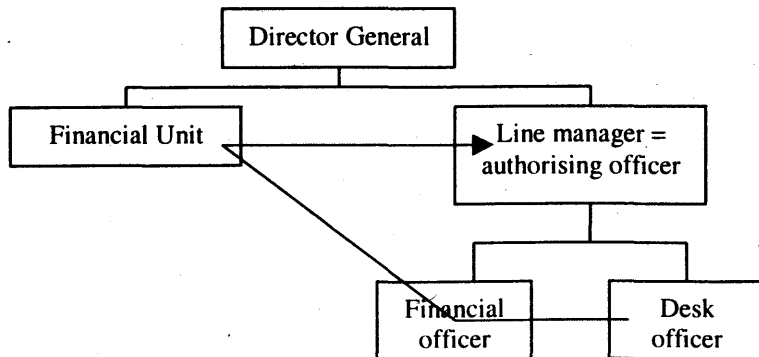
Model 1 : fully decentralised without « counter-weight »
(Example: direct management of a high number of projects)



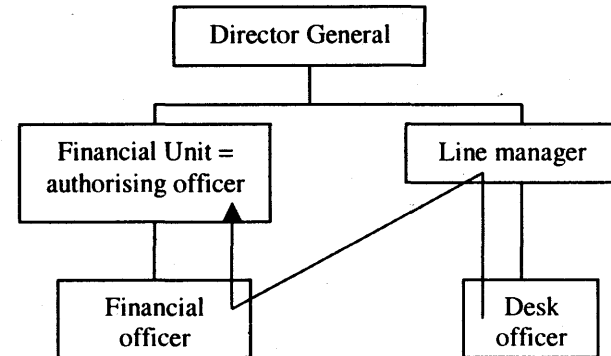
Model 2 : partially decentralised
(Examples: public procurement procedures; direct management of a small number of projects; shared management)



Model 3 : fully decentralised with « counter-weight »
(Examples: sensitive transactions; probatory period for the line manager)



Model 4 : centralised
(Example: very small spending DGs)



CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXVIII – THE TRANSITION PHASE

1. OBJECTIVE

The existing legal framework, notably the current Financial Regulation, requires the maintenance of a centralised ex-ante visa and enshrines the role of the Financial Controller as being responsible for ex-ante financial control and internal audit. As a result, the ex-ante visa as carried out by the Financial Control DG cannot be totally abandoned immediately or be replaced by an automatic technical visa on all transactions. However, the recasting of the Financial Regulation is no obstacle to the reinforcement of departmental internal controls and the strengthening of internal audit's independence and professionalism.

The Commission will ensure that responsibilities of officials during the transition period are fully clarified and that ex-ante control – whether centralised or decentralised – operates swiftly and effectively. To this end, the implementation process has been designed so as to guarantee that any change will be preceded by the provision of the necessary means and tools to allow a safe implementation (see overview of the implementation process annexed to this fiche): the charter of responsibilities of financial actors (Action 63) will specify their financial liability; operational DGs' financial departments will be reinforced by the redeployment of financial controllers (Action 86); assistance will be given to operational DGs for setting up their action plan to comply with the minimum standards for internal control (Action 85); simplified and consolidated rules and procedures will be produced (Action 75); all staff dealing with financial matters will be thoroughly trained (Action 91); progress in the process of change will be reviewed (Action 87); Directors General will declare whether they have put in place the adequate internal controls (Action 82). This implementation process should make, by mid-2001, the Commission's financial and control systems effective and reliable enough to be ready to operate without centralised ex-ante visa. However, if some spending departments do not reach the high standards pursued by this reform by the time the New Financial regulation enters into force, then the ex-ante visa on their transactions will be maintained until they have done so.

2. NEW ACTION TO BE IMPLEMENTED

Action 84 *Review and assessment of current internal controls and financial processes*

Each DG will describe in writing, according to a format defined by DG Budget, its current internal controls and financial processes. It will also undertake a control self-assessment of the adequacy of the systems in place. The current state of play of the financial management and control practices in the Commission will be assessed against the draft proposal for minimum standards (see Action 78). The state of play will be taken into account in the finalisation of the minimum standards.

Action 85 *Design of adequate internal controls and financial processes*

Taking into account the results of the assessment of current systems, each DG will design a basic control model (in conformity with Figure III) to put in place adequate internal controls. DGs will also design a plan to provide their staff with the necessary means and training to perform sound financial management.

Action 86 *Decentralisation*

The ex-ante visa will be carried out by delegated financial controllers in operational DGs reporting to the Financial Controller of the Commission. A central unit in the Financial Control DG will ensure the co-ordination and assistance to delegated financial controllers. The redeployment of financial controllers will be made according to the needs of operational DGs.

Action 87 *Review of progress made by Commission's services in the change process*

The Internal Audit Service will review the improvement and reinforcing of the DG's internal control systems. Formal statements on the progress made by services will be provided (but no formal opinion on the quality of the services' internal control systems). These statements will be used for DG's Annual Activity Reports for 2000. The Internal Audit Service will advise the College through the Audit Progress Committee on the Annual Activity Reports from the operational and horizontal DGs for 2000. It is to be expected that from April 2001 to December 2002, the Internal Audit Service will carry out a complete cycle of in-depth audits of management and control systems in all DGs.

Action 88 *Financial Control DG and Inspectorate General of Services*

Once the Financial Regulation frees the Financial Control function from delivering an ex-ante visa, the Financial Control service will cease to exist. Its current tasks, other than the ex-ante visa, will be progressively decentralised in parallel with the implementation process: internal audit transferred to the Internal Audit Service in May 2000, training and co-ordination of co-operation protocols on administrative agreements with Member States transferred to the Central Financial Service in May 2000, ex-post verifications and system audits in Member States transferred to operational DGs in July-August 2000. As to the IGS, it will cease to exist in May 2000 following the incorporation of its activities into the Internal Audit Service.

Action 89 *Consultation of ACPC*

Pending the recast of the Financial Regulation, the Commission will adopt new implementing rules under the current Financial Regulation for the compulsory consultation of the Advisory Committee on Procurement and Contracts (ACPC). Higher thresholds will be foreseen without preventing services from consulting the ACPC on a voluntary basis for any procurement under the thresholds.

3. LEAD SERVICE(S)

Action 84 All DGs, supported by the Central Financial Service (provide common format), the Planning and Consultation Group (PCG) on Financial Circuits and the TFAR.

Action 85 All DGs, supported by the Central Financial Service, the PCG on Financial Circuits and the TFAR.

Action 86 DG Budget, TFAR, DG Administration.

Action 87 Internal Audit Service.

Action 88 DG Administration.

Action 89 DG Budget.

4. TIMING

Action 84 April 2000 (description of current systems); June-September 2000 (self-assessment).

Action 85 September 2000 (definition of control model), September-December 2000 (changes in organisation charts), June 2001 (compliance with all minimum standards).

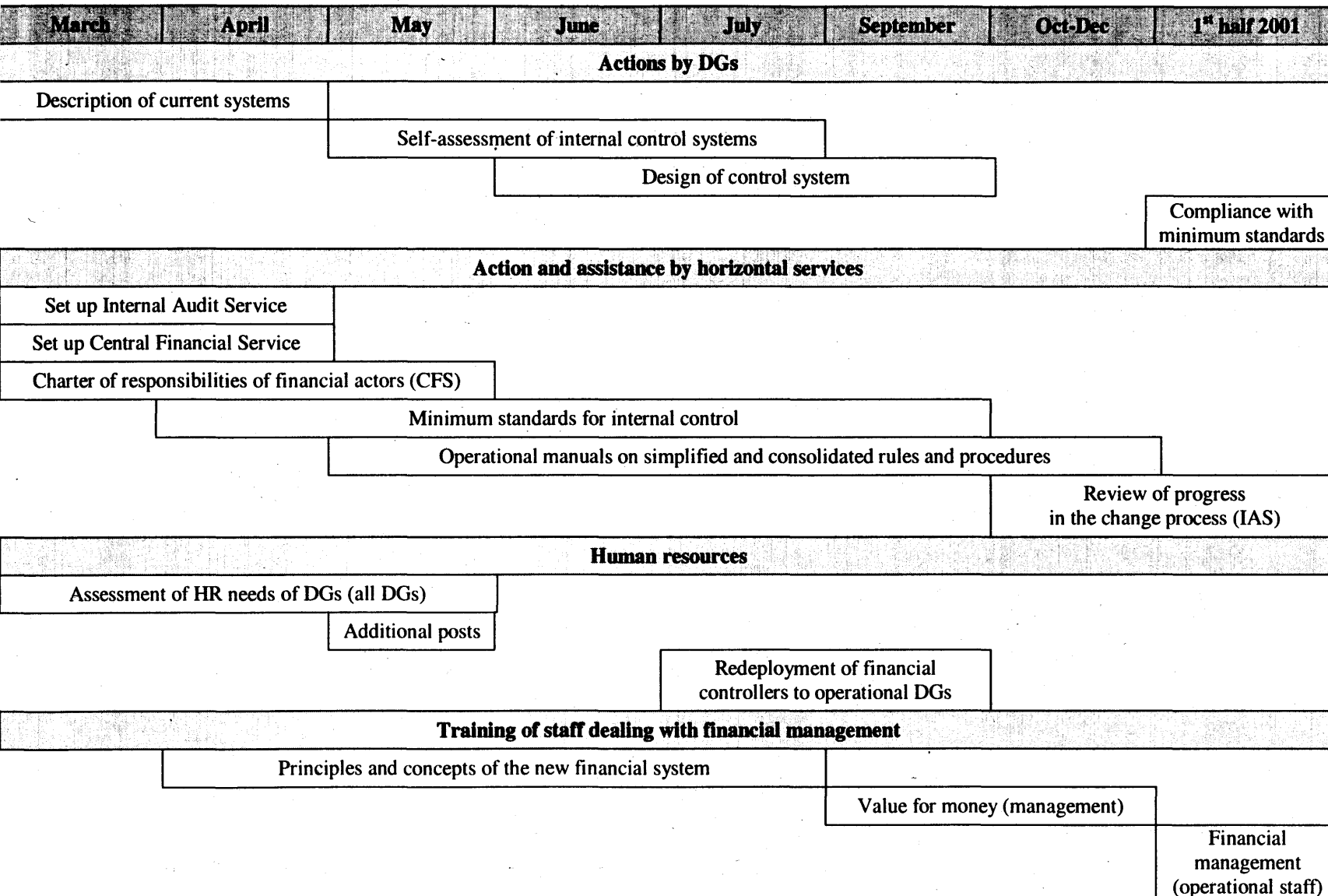
Action 86 July-August 2000.

Action 87 October 2000 – March 2001.

Action 88 April 2000 (Commission's decision on the abolition of the IGS). Commission Decision on the abolition of the Financial Control DG once the new financial regulations adopted.

Action 89 June 2000 (Commission's decision on new implementing rules).

**FIGURE IV: OVERVIEW OF THE IMPLEMENTATION PROCESS
FOR STRENGTHENING FINANCIAL MANAGEMENT AND CONTROL CAPACITY WITHIN DGs**



P.M. An assessment of the Commission's global Human Resources needs will be carried out in the period March-September 2000

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXIX – HUMAN RESOURCES AND TRAINING

1. OBJECTIVE

A fundamental element for the robustness of the new Commission's audit, financial and control system is to ensure that financial operations are run by highly competent staff. Any shortage in human resources, skills or expertise will seriously undermine the reliability of the system. Moreover, given the sensitiveness of financial matters, this would give staff an incentive to apply for functions not involving financial responsibilities as a result of which the shortage would widen. Financial management and control will, therefore, be a priority in the global assessment of the human resources needs of the Commission.

Training is equally crucial. Firstly, all staff will follow awareness sessions on the principles of the financial reform in order to develop a common understanding of the concepts and vocabulary underlying the new audit, financial management and control system of the Commission. Then, thorough training will be provided to operational staff on budgetary and financial matters, while managers will be trained on how to obtain the maximum value for money from spending programmes. Training modules will have to be customised to the services' daily work and make extensive use of case studies.

2. NEW ACTION TO BE IMPLEMENTED

Action 90 Assessment of human resources needs for financial management and control

An overall assessment of the needs for human resources in the financial management field will be made in parallel with the description of current financial circuits (see Action 84). This assessment will take into account the quantitative needs as well as the needs in terms of skills and expertise. Guidance will be given by DG Budget to operational DGs in order to draw up comparable justifications of the needs and to envisage alternative ways of implementation for significantly human resources consuming spending activities. The assessment will also seek to identify benchmarks in the use of resources for financial management and control across the Commission.

The human resources needs will be met progressively by means of redeployment of the current DG Audit's staff (see Action 86), allocation of part of the 200 posts that will be made available at the beginning of May 2000 for the implementation of the reform, retraining of staff and, if needed, by a letter of amendment to the PDB 2001 and/or specialised competitions.

Action 91 Training

A) Training on the principles of the new Commission's financial system

The principles of the reform (e.g. responsibility, a culture of accountability, internal control, financial organisation of DGs, etc.) will be explained to all staff in order to build up a common understanding of concepts and vocabulary. This training will be supported by a practical manual comprising concrete examples of the application of these principles in services' daily work. Staff performing financial management and/or control tasks (following the definition of financial management, see Action 63) will be trained before July 2000 and it will be made sure that they have acquired the basic principles. The training will be delivered to the rest of staff afterwards.

B) Training on "value for money"

Managers of spending programmes will be trained on the strategic aspects of the management of a programme in order to maximise the “value for money”: objectives, means to reach the targeted population, who applies and why, assessment of strengths and weaknesses, feed-back from the various constituencies, diffusion of results, etc. The design of the training modules will require external support but a strong emphasis will be put on the set up of a completely customised product. The training will be followed by a visit to an international organisation – public or private – to exchange experiences. Trainees will be asked to apply the knowledge acquired by producing a synthetic strategic assessment of their programmes to be presented to Commission’s political and budgetary decision-makers.

C) Training on budgetary and financial management

All staff performing financial management and/or control tasks will be thoroughly trained on sound financial management, Commission’s financial rules and procedures, establishment and execution of the budget, internal control systems, contract management, monitoring and control of actions, evaluation, information systems, anti-fraud methods, etc. The rest of staff will follow a compulsory training to raise their awareness on financial and budgetary matters. Training will be supported by operational manuals (see Action 75) and case studies.

3. LEAD SERVICE (S)

Action 90 DG Budget, TFAR, supported by the Planning and Consultation Group (PCG) on Financial Circuits.

Action 91

- A) DG Budget, TFAR, supported by the PCG on Financial Circuits (practical manual for training);
 DG Budget, TFAR (financial management and control staff);
 DG Budget, DG Administration (rest of the staff);
- B) DG Budget, DG Administration, TFAR, supported by the PCG on Financial Circuits.
- C) DG Budget, DG Administration, OLAF, TFAR, supported by the PCG on Financial Circuits.

4. TIMING

Action 90 June 2000 (at the level of operational DGs), September 2000 (at the level of the Commission).

Action 91

- A) April-July 2000 (financial management and control staff);
 September 2000 – July 2001 (rest of the staff).
- B) September-November 2000 (training);
 April-June 2001 (synthetic strategic assessment).
- C) January-June 2001 (financial management and control staff);
 September 2001 – July 2002 (rest of the staff).

CHAPTER V – AUDIT, FINANCIAL MANAGEMENT AND CONTROL

XXX – PROTECTING THE COMMUNITY'S FINANCIAL INTERESTS

1. OBJECTIVE

The Reform needs to address the issue of how the irregularity and fraud “proofing” of legislation and of financial management rules and procedures can be maximised. Co-operation between the Commission services and between the Commission and Member States 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.

2. NEW ACTION TO BE IMPLEMENTED

Action 92 Guidelines for sound project management

To contribute to a proper business conduct of officials throughout the life cycle of programmes and projects, from the conceptual level to the evaluation of final results, guidelines will be put in place. The aim will be to prevent an administrative behaviour detrimental to the Communities' political, legal and financial interests by raising awareness on the part of officials and beneficiaries to forms of conduct which in certain phases of the life cycle of programmes and projects might lead to unintentional errors, conflicts of interest and irregularities.

Action 93 Better co-ordination of interaction between OLAF and other services

Notwithstanding the legal framework for the creation of OLAF, a more effective fight against irregularities, fraud and corruption requires the improvement of co-ordination and co-operation between OLAF, the new Internal Audit Service and DG Budget as well as, in certain cases, the Financial Irregularities Committee and DG ADMIN. A more practical agreement will be elaborated to promote an efficient and timely exchange of information. This must lead to a more efficient use of available resources and a more rapid finalisation of investigation and special audit reports, at the same time improving the irrefutability of results. OLAF will keep those DGs, which are directly concerned by its administrative investigations, regularly informed about progress.

Action 94 Fraud “proofing” of legislation and contract management

To render the present system of fraud-proofing more effective, Commission services will be required, when proposing new legislation with a potential impact on the Community budget, to submit draft proposals to OLAF for a risk assessment during inter-service consultations. DG Budget will be assisted by OLAF in the review of the Commission's systems for contract management (e.g. standard contracts, central contracts database, management tools). OLAF will also provide advice on fraud-proofing throughout the legislative process.

Action 95 Optimisation of Early Warning System

The establishment of a central database for all contracts and grants (refer to Action 74) will permit the monitoring of funds granted to beneficiaries. While the setting up of the database will take time, the functioning of the existing Early Warning System (EWS) will be optimised through a mechanism making the consultation of the EWS compulsory before entering any commitments in the accounting system as well as through a better definition of the responsibilities of the involved services, greater involvement of authorising services, and effective monitoring regarding identifiable links of signalled entities to the same or any other authorising department in the Commission.

Action 96 More effective management of recovery of unduly paid funds

To improve efficiency and effectiveness of the follow-up to and the legal enforcement of recovery orders the definition of responsibilities, which are now dispersed between DG Budget, the Financial Control DG, the Legal Service and – in the case of irregularities or fraud – OLAF, needs to be reviewed. To deal for the Commission as a whole with all issues related to the recovery of unduly paid funds, an adequately staffed central organisational structure will be set up by July 2000. Dispute settlement procedures will be clarified and simplified in order to help in the recovery process. In this context the existing arrangements for the recovery of own resources will be reviewed as well.

Action 97 *Improved monitoring of Structural Funds*

The Member States should make available detailed information on project progress and on payments to final beneficiaries, together with a set of information on financial corrections, project substitution and additionality, so as to allow better monitoring of actions. The Commission will reinforce its audits of the information submitted by the Member States, as well as its audits of the effectiveness of their procedures. Financial corrections enforced through compensation mechanisms will be applied if a Member State fails to introduce sufficient controls or provide adequate information.

Action 98 *Improved clearance procedure for EAGGF*

A statistical review of the length of the various steps of the clearance procedure since 1996 will be produced and improvements will be proposed.

3. LEAD SERVICE(S)

Action 92 DG Budget, SG, Legal Service

Action 93 OLAF, Internal Audit Service, DG Budget, DG ADMIN

Action 94 All DGs, OLAF, DG Budget

Action 95 DG Budget, Internal Audit Service, Legal Service and OLAF, supported by PCG on Financial Circuits

Action 96 DG Budget, OLAF, Legal Service, DG AGRI

Action 97 DG REGIO

Action 98 DG AGRI

4. TIMING

Action 92 December 2000

Action 93 December 2000

Action 94 From May 2000 onwards

Action 95 July 2000

Action 96 July 2000

Action 97 December 2000

Action 98 June 2000

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