

Policy Department on Budgetary Affairs

Study on the administrative reforms of the Commission in relation to ABB/ABM

BUDGETARY AFFAIRS

This study was requested by the European Parliament's Committee on Budgets.

Abstract:

This study aims at evaluating the achievements of the Commission's administrative reform objectives presented in the 2000 White Paper, concerning the introduction of tools for the definition of priorities, and a better allocation and use of resources (ABM). It addresses the three main following topics:- state of the play as regards ABB-ABM,

- effectiveness of the new structures and procedures put in place in that context,
- inherent characteristics and efficiency of these new structures and procedures.

The main conclusion is that, although a lot of progress has been made, the system is far from realising its full potential. Several improvements could enhance the efficiency and effectiveness of the SPP/ABM cycle. The recommendations presented concern both the content and the organisation of the SPP/ABM cycle.

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1 OBJECTIVES, SCOPE AND APPROACH

A study on the administrative reforms of the Commission in relation to ABB/ABM was carried out by Deloitte on behalf of the European Parliament, Directorate General Internal Policies.

The Parliament wanted a study to evaluate the achievement of the Commission's administrative reform objectives presented in the 2000 White Paper, concerning the introduction of tools for the definition of priorities, and a better allocation and use of resources (ABM).

In general, the study evaluates whether the specific objectives in the White Paper on the introduction of ABM have been achieved and estimates the extent to which improvements have been implemented on the ground.

The study focuses mainly on the different structures and procedures put in place following the introduction of ABM and consecutively addresses the three main following topics:

- state of the play as regards ABB–ABM
- effectiveness of the new structures and procedures put in place in that context
- inherent characteristics and efficiency of these new structures and procedures.

A review of relevant literature served as an input for the analysis. In order to deepen our understanding of the Commission's and Parliament's views on the subjects, the desk research was complemented by interviews of key officials who were involved in or have a clear view on the Commission's reform.

2 STRATEGIC PLANNING AND PROGRAMMING CYCLE

The main objectives for introducing the SPP/ABM cycle were:¹

- Better identification of priorities and desired policy impact
- Better integration of the decisions on policy priorities and on resource allocation
- Better information on the results of each activity
- Better information on the use of resources allocated to each activity

¹ SPP/ABM Guide, Second Edition, 15 Oct. 2004.

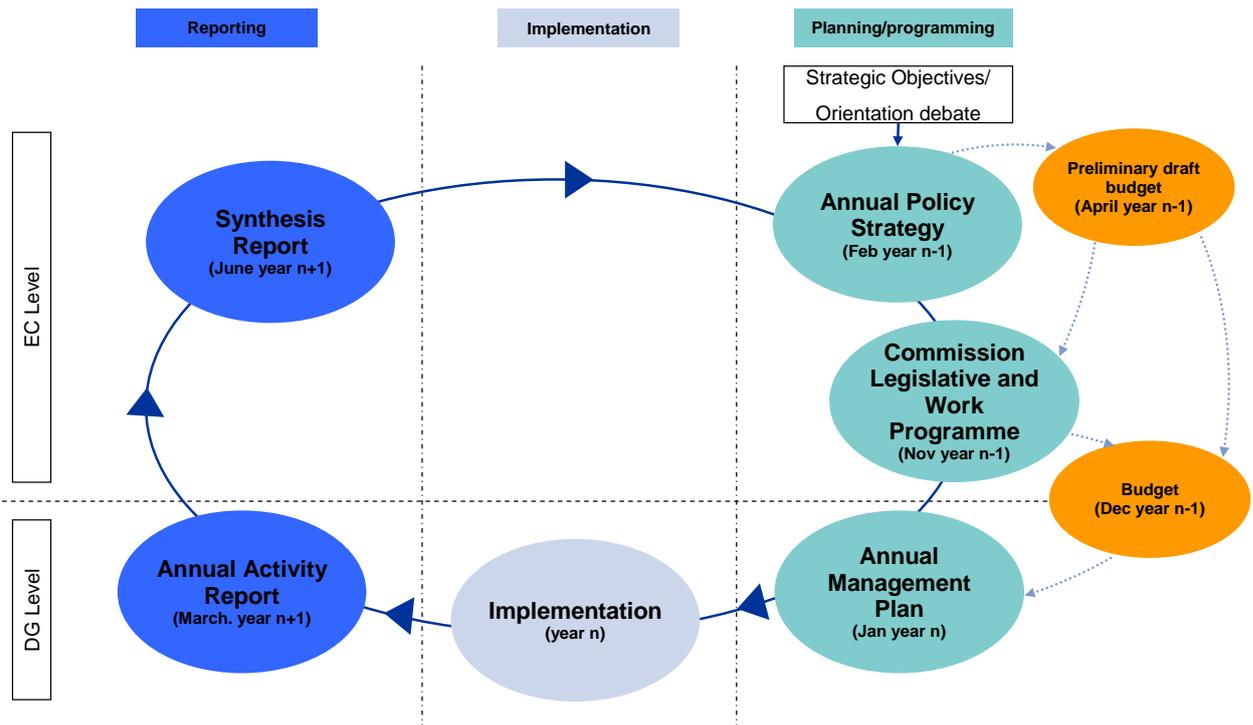


Figure 1: The Strategic Planning and Programming cycle

The Strategic Planning and Programming cycle (SPP) consists of 5 key documents (see figure 1)

- Annual Policy Strategy (APS)
- Commission Legislative and Work Programme (CLWP)
- Annual Management Plan (AMP)
- Annual Activity Report (AAR)
- Synthesis Report

The analysis of the SPP documents mentioned above shows that this cycle has been clearly established in the Commission. The Commission's 2004 Progress Report on completing the reform mandate indicates that the SPP cycle was fully operational for the first time by 2003.²

It is difficult to make specific or quantitative judgements about **the efficiency and effectiveness of the SPP/ABM cycle**. Apart from the confidential IAS report on SPP/ABM, there have been no studies within the Commission on the SPP/ABM cycle. Although a lot has already been written on the White Paper Reforms, there is not much literature that focuses on SPP/ABM.

A potential indicator of the efficiency of the SPP/ABM cycle would be the level of administrative burden that the cycle brought about. However there are no quantitative studies, figures or benchmarks on the administrative costs of the White Paper Reforms.

² COM (2004), 93.

Still, it is generally accepted, both in literature and by the Commission, that the obligations of the SPP/ABM cycle together with the other reforms (financial management, human resources,...) have increased the administrative workload within the European Commission (EC). However, most interviewees are convinced that the initial efforts to introduce SPP/ABM have paid off, since they result in better management.

According to the Internal Audit Service (IAS), further progress is needed on the effectiveness and efficiency of the SPP/ABM cycle, for example through better integration of the different processes described above, and better information exchange.

3 HUMAN RESOURCES ISSUES

One of the main ideas of the White Paper was the creation of a more efficient use of human resources, since there was a feeling that these had become too thinly spread across a wide range of activities and tasks.

The introduction of Activity-Based Management was supposed to overcome these problems. In an Activity-Based Management system, decisions about policy priorities and the corresponding resources are taken together.

However, the allocation of resources in the SPP/ABM cycle mainly focuses on ex-ante planning and programming. More attention should thus be paid to the ongoing and ex-post evaluation of the effective and efficient use of these resources, related to the priorities.

To ensure the realisation of the Commission's core tasks while serving new priorities, the Commission's screening report of May 2007 proposes some new redeployment mechanisms for the future:

- Exploiting all re-prioritisation and redeployment possibilities (concentrating on operational activities, rationalisation prospects within operational activities)
- Externalisation possibilities through contracting out solutions
- Adjusting the staff structure to future needs
- Exploring enhanced inter-institutional cooperation.

We agree that these are important measures to be taken. However we think that redeployment should not only focus on efficiency gains, but also on 'real' redeployment based on the priorities pointed out in the Annual Policy Strategy.

4 CONCLUSION

As a consequence of this report on the administrative reforms of the Commission in relation to ABM, we conclude that much progress has been made in strategic planning and

programming within the Commission, compared to the way priorities were set and resources were deployed prior to the Reform.

Before the White Paper, there was no consistent strategic planning or management of resources. With the introduction of the SPP/ABM cycle, planning and resource allocation became more strategic, systematic and transparent. The allocation process was restructured to attempt to follow priorities. Today the system's principle is that resources be (re)allocated based on the priorities of the EC.

Although a lot of progress has been made, the system is far from realising its full potential. Several elements could enhance the efficiency and effectiveness of the SPP/ABM cycle. Our recommendations below concern both the content and the organisation of the SPP/ABM cycle. The most important remark however, is that stakeholders should be careful not to impose further burdensome administrative workload when enhancing the SPP/ABM cycle. Any further workload should be clearly justified by the disproportionate benefits it brings in terms of effective and efficient management.

4.1 Content of the SPP/ABM cycle

The Commission should pay attention to formulate its objectives, priorities and actions in the SPP/ABM–documents according to **the SMART–principles**.

They should be:

- **Specific**

Today the objectives and actions are sometimes formulated at too high a level. In the future they should be clear with sufficient detail. Moreover the link between the resources and the priorities should be more clearly made in the documents.

- **Measurable**

In our opinion, the current SPP/ABM cycle focuses too much on planning and programming. In order to create a real cycle, more attention should be paid to a genuine follow-up of the priorities and the resource allocation, for example by a more systematic and consistent use of performance indicators at all levels and throughout the whole cycle.

There is not only a need for impact assessments, but also for performance indicators measuring the effectiveness and efficiency of the Directorates General (DGs) in implementing their policy priorities. We encourage the Commission to improve the quality and relevance of the current indicators. Moreover the Commission should move from progress indicators towards indicators on the efficient and effective use of the resources allocated to the priorities.

Furthermore, benchmarking studies between the DGs and with other institutions could usefully illustrate the relative performance of the Commission.

The evaluation system should be more integrated in the SPP/ABM cycle.

- **Acceptable**

The APS initiates a structured dialogue with the other institutions. Furthermore the nature of the SPP/ABM cycle and the procedures require that the documents are formally accepted by all relevant hierarchical levels and entities. However, the structure of the documents

sometimes makes it difficult to assess the *quality* of services' performance. The Synthesis report for example lacks a systematic approach.

Some recent improvements have been made for a better integration of the different components of the SPP/ABM cycle, for example the distinction between **strategic** initiatives (current year) and **priority** initiatives (next year); Grouping initiatives to underline their cross cutting nature; Modifying the structure of AMP to orient it more towards the delivery of added value for stakeholders, using a new format of the Activity Statements accompanying the 2008 PDB, featuring fewer and more relevant specific objectives.

Still, we advise the Commission to continue its efforts to better integrate the components (APS, CLWP, AMP, AAR,...) of the SPP/ABM cycle, with a more consistent structure and a clearer division between the information on policy achievements and management achievements.

A more systematic approach and clear communication of the necessary information will enhance real ownership, moving ahead from mere formal acceptance or compliance.

- **Realisable**

Moving from formal compliance to real ownership requires formulating realistic objectives for both the Directorate-General and the Commission as a whole.

Today, the APS mainly focuses on new (policy) initiatives. This can overemphasise the allocation of resources related to these new initiatives and can consequently be harmful for continuing core business.

Our research revealed that the Commission has difficulties in defining negative priorities. Although we agree that defining negative priorities in a political context is difficult, we are convinced that only a commitment to the definition of negative priorities will bring along real redeployment of resources.

- **Time-limited**

Today the APS concentrates on priorities for the coming year. This limited perspective restricts the scope for strategic planning. The Commission should continue its efforts to overcome this restriction.

4.2 Organisation of the SPP/ABM cycle

Next to the content of the SPP/ABM-documents, some steps forward should also be set out in relation to the organisation of strategic planning and programming.

The integration of the SPP/ABM cycle with other cycles (Human Resources cycle, Risk Management, Evaluation,...) should be improved, both functionally and technically. The planning of the different cycles should be better coordinated so that they can mutually influence each other. There should be a study on the need and the possibilities for an integrated IT-tool. Such a study should also look how an integrated system can decrease rather than increase the administrative burden.

Our research revealed that there is a general culture of ownership among **top management** regarding the SPP/ABM cycle. However, we agree with the IAS that DGs at all levels should

move from formal compliance to **real ownership** and to leveraging the benefits for internal management. Today the SPP/ABM documents are often seen as reporting and communication documents rather than as a management tool.

To create ownership, the SPP/ABM cycle should be more user-friendly and adapted to the needs of the DGs and services. There is a need for an ex-post impact assessment of the administrative costs so that possible administrative simplifications can be identified. The ongoing monitoring of user experiences of the SPP/ABM cycle could provide more information on the effectiveness and efficiency of the whole process. Furthermore the evaluation of the SPP/ABM cycle as a whole can be improved by using more (meta-) indicators.

The role and empowerment of the central services during the SPP/ABM cycle is clearly a key issue with regard to future development. Currently it is more of a coordination function than a decisive one.

In the further promotion and diffusion of ABM practices, the central services should continue their efforts to take into account the specific nature of individual services. In our opinion only an approach to Activity-Based Management that is adapted to the specific needs of the Commission, DGs and services can create real ownership and consequently be successful.

The SPP/ABM cycle should pay more attention to the follow-up of the priorities and resource allocation. In our opinion, this is a task that could be taken up by the central services. Their role should be enlarged through more attention to monitoring achievements and evaluating against performance indicators.

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1 INTRODUCTION

This is the report of the study on the administrative reforms of the Commission in relation to ABB/ABM. This study was carried out by Deloitte on behalf of the European Parliament, Directorate General Internal Policies.

The report is set out in six sections:

- Introduction
- The content and context of the chapter on priority setting in the White Paper of 2000
- An analysis of the White Paper actions on SPP/ABM
- Human resources issues related to the SPP/ABM cycle and analysed in the screening report
- Conclusions and recommendations
- Bibliography of the consulted literature and documents.

In this section we will define the objectives, scope and approach of the study.

1.1 Objectives

In 2000 the European Commission published its White Paper on 'Reforming the Commission', which launched an administrative reform project for the European Commission. The administrative reform in the White Paper was based on the following main pillars:

- a culture based on service,
- strategic planning and programming with priority setting,
- allocation and efficient use of resources, including human resources,
- audit, financial management and control.

The European Parliament decided to launch a study to evaluate the achievement of the Commission's administrative reform objectives presented in the 2000 White Paper, concerning the introduction of tools for the definition of priorities, and a better allocation and use of resources (ABM).

The study carries out an evaluation of the successes and failures of the measures taken as far as the introduction of ABM is concerned. In this framework, the unintended side effects which possibly emerged from the reform process are also taken into consideration and their impact is analysed. The question of whether the Reform was also considered as an opportunity to integrate and streamline the different structures/programmes aiming at similar purposes is addressed through an analysis of the different key components developed by the Commission to implement Strategic Planning & Programming and Activity-Based Management – and through our discussion of the degree to which Human Resources and Evaluation activities have evolved both

stand-alone and in an integrated fashion with other key features of Commission management.

Besides, the results presented by the Commission on 2 May 2007 on "Planning and optimising Commission human resources to serve EU priorities" (the so-called "screening" exercise) are also analysed.

The study evaluates whether the specific objectives initially presented in the White Paper section mentioned above have been achieved, and also estimates the extent to which improvements have been implemented on the ground. The achievement of the White Paper's general objectives concerning the definition of priorities and the better allocation and use of resources, and the extent to which the measures taken have made it possible to remedy the principal weaknesses which were at the root of the decision to reform, featured as key elements of the analysis.

A review of relevant literature served as an input for the analysis. The study focuses mainly on the different structures and procedures put in place following the introduction of ABM and consecutively addresses the three main following topics:

– **state of the play as regards ABB–ABM:**

What are the actual achievements as regards the introduction of ABB/ABM and the setting up of the various tools related to the introduction of the strategic planning and programming cycle (e.g. annual policy Strategy)? Have the different steps initially planned been completed?

– **effectiveness of the new structures and procedures put in place in that context:**

Do they make it possible to define and respect priority initiatives and to better align the programming of activities and the allocation of resources with the latter? If not, why not? To this end, the extent to which the results of the screening exercise in connection with past and foreseen human resources redeployments according to priorities have been analysed. (According to the screening, "1% of staff in all Commission services have been freed and re-assigned each year to priorities through the APS procedure"),

– **inherent characteristics and efficiency of these new structures and procedures:**

Following the introduction of ABB and ABM, what administrative and coordination structures and networks have been put in place? Have these new structure resulted in an increase of the overall level of "bureaucracy" (to be understood as "overheads", i.e. coordination and support expenditures)? (The screening mentioned above could also be used in this perspective, since it mentions that a sharper concentration on operational activities should be envisaged). Has the Reform also been considered as an opportunity to integrate and streamline the different structures/programmes aiming at similar purposes?

When applicable and relevant, the impact of the changes brought to the Commission's structures and procedures in the ABM context on the different actors' responsibilities and accountability is taken into account and analysed.

1.2 Scope

Since the 2000 White Paper is a broad document, elaborating on different aspects of reforming the Commission, it is important to clearly set the scope of this study.

As mentioned in the objectives, the study focuses on only one aspect of the White Paper, namely chapter III.1 (Activity-Based Management: a tool for delivering policy priorities). In our report we concentrate on the analysis of actions 12 to 16 of the White Paper Action Plan concerning the introduction of tools for the definition of priorities, and a better allocation and use of resources.

In general, the study evaluates whether the specific objectives in the White Paper on the introduction of ABM have been achieved and estimates the extent to which improvements have been implemented on the ground.

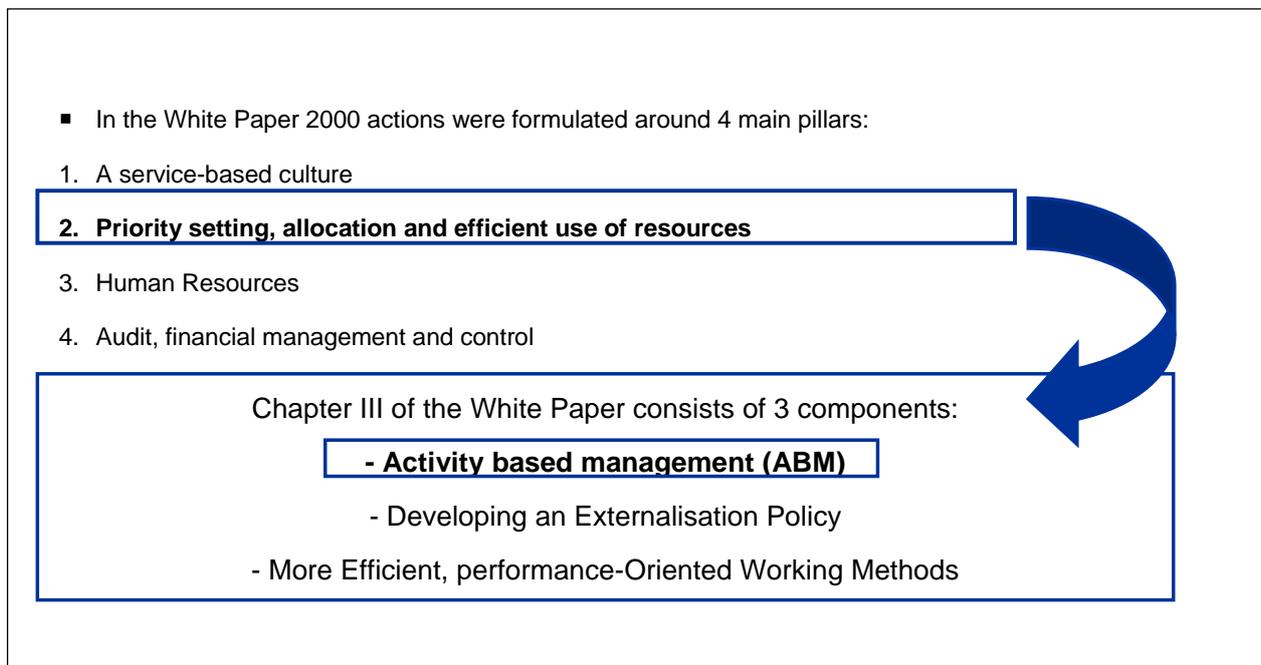


Figure 1: Scope of the study

1.3 Approach

The study consisted of the following steps:

- **Preparation and analysis of relevant documents**

Since much has already been written on ABM, the study started with making up an inventory of the relevant documents for the evaluation of the administrative reforms. This included official Commission publications (White Papers, Progress Reports, Screening Report,,...) as well as other relevant studies from institutions such as the

Court of Auditors and independent academics. A full list of the consulted documents can be found in section 6 (bibliography).

- **Interviewing**

In order to deepen our understanding of the Commission's and Parliament's views on the subjects, the desk research was complemented by interviews of key officials who were involved in or have a clear view on the Commission's reform.

The following people were interviewed:

- Mr. L. Romero Requena, Director-General DG Budget
- Mr. P. Jouret, Head of Unit DG BUDG/A/1
- Mr. M. Will, Head of Unit DG Personnel & Administration/A/5
- Mr. E. Weizenbach, DG ADMIN
- Mr. P. Leardini, Head of Unit Secretariat General SG.C.1
- Messrs. P. Hallez, P. De Boom, Internal Audit Service.

- **Report writing and presentation**

Based on the results of the interviews and the desk research a draft report was submitted to the Parliament. Further discussion took place with members of Parliament , following which we prepared this report.

2 PRIORITY SETTING, ALLOCATION AND EFFICIENT USE OF RESOURCES

This section briefly describes the content and the context of chapter III.1 of the 2000 White Paper. An in depth analysis of the actions related to chapter III.1 can be found in section 3 of this study.

2.1 White Paper Chapter III on priority setting, allocation and efficient use of resources

After the resignation crisis of 1999, the European Commission (EC) published its White Paper on 'Reforming the Commission'¹ which launched an ambitious internal administrative reform project. The White Paper reforms were an answer to several challenges facing the Commission:

- The EC's responsibilities accumulated in different policy areas, whereas the available resources to develop and manage these challenges had not grown in line;
- The EC-6 had become the EU-15 and significant further enlargement was on the horizon;
- The societies and economies of the European Union had changed significantly; and
- The EU's and EC's credibility with external stakeholders and the public in general had been seriously challenged by the 1999 events
- ...

Through the White Paper and Reform process, the EC wanted to move from a traditional centralised bureaucracy towards a more performance-based management organisation. Chapter III of the White Paper dealt with 'Priority setting, allocation and efficient use of resources'. By introducing a new, more effective, method for setting priorities and allocating resources, the Commission sought to re-centre its core activities and political objectives. In the White Paper, three key areas of action were proposed to reach this goal:

- "The establishment of priorities, including negative priorities, at every level of the Commission. The adoption of new priorities necessitates a rigorous re-evaluation of existing priorities.
- Striking a better balance between internal and external management of activities
- Promoting better working methods".²

¹ COM (2000), 200.

² Ibid., page 9.

As mentioned above, this study focuses on the first area of action, namely Activity-Based Management, the tool for delivering policy priorities.

The main objectives for introducing the SPP/ABM cycle were:³

- Better identification of priorities and desired policy impact
- Better integration of the decisions on policy priorities and on resource allocation
- Better information on the results of each activity
- Better information on the use of resources allocated to each activity

The Commission aimed to make Activity-Based Management fully operational by July 2002. To ensure this, the White Paper included an Action Plan, set out in Part II of the White Paper. In the next section we will analyse the actions proposed that are related to the introduction of Activity-Based Management:

- Action 12: A new strategic planning and programming (SPP) cycle
- Action 13: Establishment of a Strategic Planning and Programming function
- Action 14: Development of an activity-based IT instrument to support Activity Based Management
- Action 15: Promote diffusion of Activity Based Management practice and 'learning by doing'
- Action 16: Strengthening of the evaluation system.

³ SPP/ABM Guide, Second Edition, 15 Oct. 2004.

3 ANALYSIS OF THE ACTIONS ON SPP/ABM

In this section the Actions of the White Paper related to SPP/ABM (action 12 to 16) are analysed. For each action we will briefly describe the content and the initial objectives, followed by an analysis of the extent to which these initial objectives were achieved.

3.1 Action 12: A new strategic planning and programming (SPP) cycle

The first action regarding SPP/ABM in the White Paper concerned the introduction of a new, policy driven, **strategic planning and programming (SPP) cycle** that was synchronised with the budgetary process⁴.

The introduction of the SPP cycle sought to contribute to one of the main objectives of the White Paper, namely a reform of the way political priorities were set and resources were allocated. To achieve this objective the EC introduced **Activity Based Management (ABM)**. According to the Commission, Activity Based Management “aims at taking decisions about policy priorities and the corresponding resources together, at every level in the organisation. This allows the resources to be allocated to policy priorities and, conversely, decisions about policy priorities to be fully informed by the related resources requirements”⁵.

The White Paper Action Plan stated that management by activities aimed to:

- “Increase cost awareness through integrated decisions on priorities, objectives, activities and allocation of human, administrative and financial resources,
- articulate strategic planning with the operational programming of activities and the monitoring and evaluation of their implementation
- develop performance management by emphasising results rather than input control.”⁶

According to the White Paper Action Plan, Activity Based Management brought together strategic planning and budgeting, operational programming and management, monitoring and reporting, evaluation and internal audit.

The instrument that was needed to bring all these elements together in a consistent and systematic way was the strategic planning and programming cycle (SPP).

⁴ COM (2000), 200.

⁵ SEC (2001), 1197, op. cit., page 3.

⁶ COM (2000), 200, op. cit., page 13.

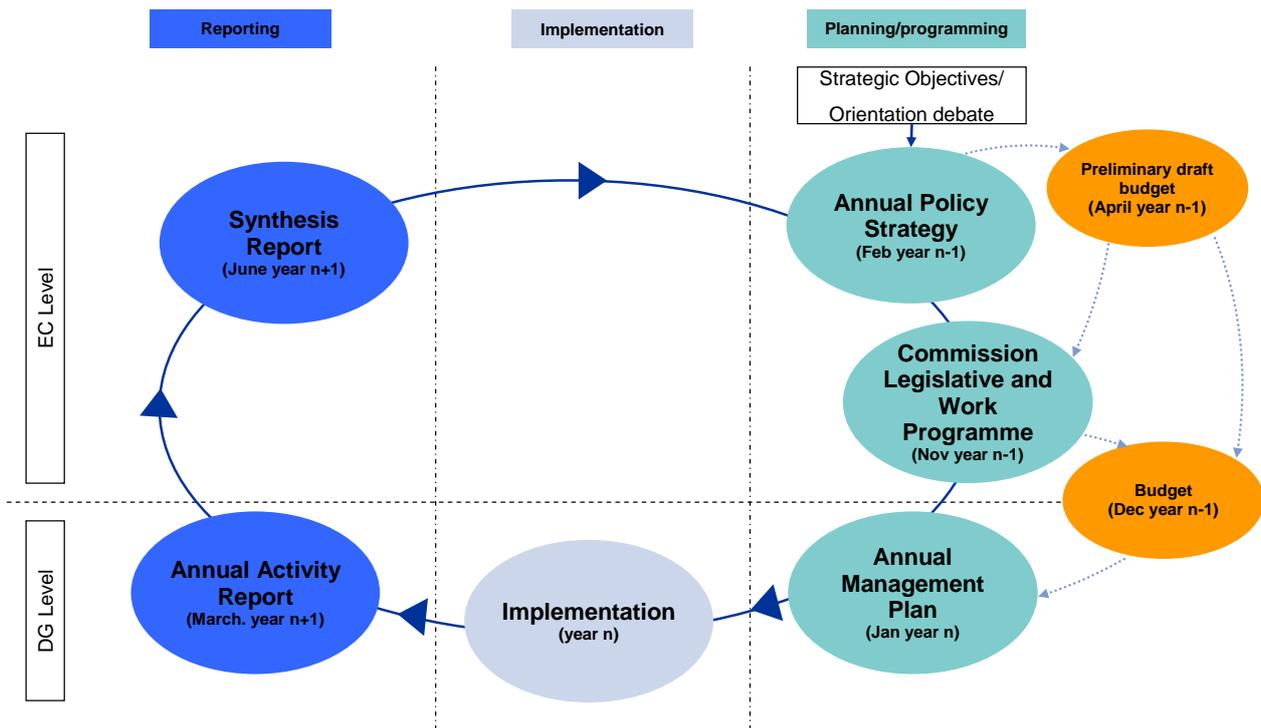


Figure 2: The Strategic Planning and Programming cycle

The SPP consists of 5 key documents (see figure 2)

- Annual Policy Strategy (APS)
- Commission Legislative and Work Programme (CLWP)
- Annual Management Plan (AMP)
- Annual Activity Report (AAR)
- Synthesis Report

In the following paragraphs, we discuss the SPP cycle, the main objectives of each document and an assessment of achievements based on our research.

3.1.1 Analysis of the SPP documents

- **Strategic Objectives**

Upon entering into office, the European Commission comes up with a document containing the strategic objectives it intends to pursue for the duration of its mandate. These strategic objectives are an input for the yearly planning and programming cycle, since they offer the framework for the Commission's priorities.

The Strategic Objectives of 2005–2009⁷ focus on four aspects:

- prosperity,
- solidarity,
- security and freedom, and
- Europe as a world partner.

They are drafted at a high conceptual level. Furthermore, no performance indicators (progress indicators, output indicators,...) are included to support assessment of their degree of achievement. It will thus be very difficult to measure if the Commission has reached its initial strategic objectives by 2009.

- **Annual Policy Strategy (APS)⁸**

The SPP cycle is initiated by the Orientation debate held by the College of Commissioners. During the Orientation debate the priorities and strategic objectives of the Commission for the following year are defined. Based on the conclusions of the debate, each DG comes up with proposals to convert College orientations into specific orientations and implement the corresponding changes in resource allocation.

Both the conclusions of the Orientation debate and the contributions of the DGs and Services are the basis for the Annual Policy Strategy of the Commission. The APS consists of the priority actions for the coming year and the general framework for human and financial resources for the entire Commission.

The APS is a powerful document to assure a coherent strategic policy approach across all organizational levels of the Commission, since it defines the Commission's priorities that DGs must take into account when planning their activities. Furthermore, the general framework for human and financial resources in the APS should guarantee that the resources match the priorities. However, as we discuss in section 4.1, the planned resources allocated to the policy priorities are not systematically tracked or monitored in the other documents of the SPP/ABM cycle.

There remains room for **improvement** in the APS. We note three weaknesses in the APS system that can be overcome.

Firstly, the APS mainly **focuses on new (policy) initiatives**. Consequently DGs launching new initiatives find it easier to include their priorities in the APS than do horizontal or operational services who mainly carry out continuing core business activities. Putting too much stress on new initiatives brings the danger that DGs or services could be tempted to start creating new initiatives purely in order to obtain resources, and which

⁷ COM (2005),12.

⁸ COM (2003), 28.

would consequently create a potential overemphasis on the allocation of resources related to new initiatives.

This is in contradiction with the Commission's initial objectives of decreasing the number of priorities by formulating negative priorities.

According to Christiansen and Gray "the Commission has failed in its efforts to concentrate on a small number of political priorities. The attempt to identify 'negative priorities' which should be removed from the work programme has produced limited results due to the reluctance of individual Directorates General".⁹

A second weakness is the **annual perspective of the APS**. The APS concentrates on priorities for the coming year, implying a limited perspective which obviously restricts the scope for strategic planning.

Finally, the APS does not include any **performance indicators**. The key actions for the coming year regarding the four aspects of the Commission's strategic objectives are listed, but there is no description how for the Commission's delivery of these actions will be measured.

After the adoption of the APS by the Commission, several processes are initiated:

- The structured dialogue with the Council and the European Parliament on the Union's priorities for the coming year,
- The budgetary process,
- The operational planning of the services.

The dialogue with the other institutions results in an update of the APS by the Commission in a stocktaking document, called '**APS+**'.¹⁰

The APS is an important input document for the development of the **Preliminary Draft Budget**. However, the effectiveness of this input could be enhanced by using a more consistent structure and categorisation. We agree with the European Parliament that the APS classifications of prosperity, solidarity, security and external projection are not easily reconciled with the budgetary headings of the Institutional Agreement between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (IIA) of 17 May 2006.¹¹

- **Commission Legislative and Work Programme (CLWP)**

⁹ Christiansen, T., Gray, M., "The European Commission in a period of change: a new administration for a new European Union?", 2004, page 21.

¹⁰ SPP/ABM Guide, Second Edition, 15 Oct. 2004

¹¹ EP, Resolution of 24 April 2007.

The next step in the SPP cycle is the **Commission Legislative and Work Programme (CLWP)**. Based on the processes mentioned above, the College translates the policy strategy into concrete action plans for the reference year:

“The CLWP represents the operational translation of the political priorities and key initiatives developed in the Annual Policy Strategy (February N-1), structured dialogue with the Council and European Parliament (March-May N-1) and the APS stocktaking document (July/August N-1). It confirms and where necessary updates the priorities and key initiatives for the following year.”¹²

In the annex of the CLWP there is a list of the priority items for adoption (legislative and non-legislative proposals) in the reference year.

For the strategic and priority initiatives with potential for significant economic, social and environmental impacts, an impact assessment is carried out.¹³ These impact assessments are presented in the Roadmap of the CLWP.

The CLWP is followed up by a ‘Mid-year review of the Commission’s Work programme’ and an ‘Execution Report’. These documents list the work programme initiatives already adopted by the Commission.

We believe that some **improvements** should be made to the CLWP process. As with the APS, the CLWP is bound by its annual character. Despite this, some progress has been made since the 2007 CLWP. To address the restrictions of the annual priority-setting process, the CLWP of 2007 includes a “series of priority initiatives to be adopted over the next 12 to 18 months depending on the depth and intensity of preparation needed to meet the quality standards of Better Regulation.”¹⁴ According to our interviewees this multi-annual perspective of the CLWP will be enhanced in the future.

Although progress indicators are used to indicate which initiatives have been adopted, the use of real performance indicators should be enhanced in the document. For example clear indicators on the desired outcome of each proposal should be formulated and followed up in the mid-year review and execution report.

Furthermore the link between the APS and the CLWP is not always clear. If, for example, the key actions envisaged in the APS of 2007 are compared to the list of priority and strategic initiatives in the CLWP 2007, they are somewhat differently structured, thereby making it difficult to see which initiative is related to which action.

¹² SPP/ABM Guide 2004, op. cit. page 18;

¹³ “Green Papers, Social Dialogue measures, ‘convergence-type’ reports, and transposition of international agreements normally being exempted from this requirement.” (COM (2006), 629, op. cit. page 4)

¹⁴ COM (2006, 629), op. cit., page 4.

Moreover there is no (updated) resources allocation exercise linked to the initiatives in the CLWP. The general framework for human and financial resources that is presented in the APS does not reappear in the CLWP.

- **Annual Management Plan (AMP)**

While the APS and CLWP are clearly focused on the policy objectives of the Commission, the Annual Management Plan serves two purposes.

First, "Directors General and Heads of Service are invited to establish every year an Annual Management Plan (AMP), translating the Commission's priorities as set out in its Annual Policy Strategy (APS) and taking into account the resources proposed by the Commission in the Preliminary Draft Budget (PDB), as well as the service's longer term strategy into specific objectives by the service within the year in question."¹⁵

Second, apart from translating the Commission's priorities into DG-level objectives, the AMP is also meant to be a management tool for planning, monitoring and reporting of the activities and resources of the DGs and Services. The plan sets out the objectives of the DG/service and defines some indicators to monitor progress vis à vis these objectives. Human and financial resources are allocated to the activities, based on the concept of Activity Based Management.

It seems clear to us that the Commission's top management is convinced of the benefits of the SPP cycle in general and the AMP in particular. They agree that it is a powerful tool for implementing the strategic objectives at operational level. Middle management, however, appears to be less convinced. Initially the AMP was seen by middle management as an obligatory reporting tool rather than as a useful management tool.

Several elements illustrate this. First, reflecting the rigid framework of the AMP for all DGs, it was conceived as a centrally imposed tool that was not useful for the more operational services. The initial framework for the AMP was seen as too rigid and not adapted to the different needs of the DGs. Moreover the SPP/ABM tends to focus on new policy activities. Operational services had difficulties to include their contributions to policies.

Furthermore there was a feeling that information requests to the DGs were not sufficiently coordinated. Sometimes information required to be included in the AMP had already been delivered.

Based on the initial experiences and the IAS-report on SPP/ABM, the Secretariat-General adopted a looser framework for the AMP. This remains identical for all DGs, but leaves more freedom to the services for completion according to their own context. This approach has shown success, since some DGs have now begun to use the AMP for

¹⁵ SPP/ABM Guide 2004, op. cit. page 20.

internal management and to develop lower level plans for internal use. (e.g. DG Sanco and DG Regio).

The AMP includes certain performance indicators. However the Commission agrees that more attention is required to deepen these indicators, with a focus on impact indicators. This is reflected as follows:

“ABM instruments are integrated into the Commission’s working methods and are used to communicate with other institutions. Managers are required to focus on delivering priority objectives, to set related actions, and to monitor and report performance. More remains to be done, however, to increase the influence of the instruments on policy, including more systematic use of performance information (objectives measured by means of indicators) to improve the day-to-day management of activities.”¹⁶

- **Annual Activity Report (AAR)**

To report the achievements of the objectives and indicators defined in their AMPs, Directors General and Heads of service each produce an Annual Activity Report.

The first part of the AAR gives an overview of the policy achievements of the DGs or services and the main policy and core business results at ABB activity level.

Next to the policy results, the AAR consists of the results of the management and internal control system. Reservations and their impact on the declaration of assurance have to be presented if needed. The reservations and assurance declaration tools provide a mechanism which could be used to give more information about internal management issues. So, the AAR is an important management report from the Director-General to the Commission on the performance of his/her duties as Authorising officer by delegation.

The AAR should be the mirror-image of the AMP and permit the drawing of conclusions for the following planning cycles. Our research of the AMP and AAR documents revealed that, in general, the reporting of the policy objectives in the AAR is consistent with the AMP. However we noticed that there are differences in the quality of the reporting on the policy objectives. Some DGs already use impact indicators (for example DG AGRI) while others stick to a more qualitative reporting on the objectives.

These findings are confirmed by the Synthesis Report of 2006 which states: “While an increased number of services presented indicators on legality, regularity and performance in their 2006 Annual Activity Reports, continued efforts to develop such indicators will need to be pursued while ensuring a coherent approach by family of services. The quality of Annual Activity Reports should be further improved: in

¹⁶ COM (2005), 668, op. cit. page 6.

particular, control strategies and results need to be explained clearly and simply, and action plans and their expected impact should be detailed".¹⁷

As we discuss below, there should be a consistent use of performance indicators at every level of the SPP/ABM cycle to follow up the initial priorities and the related resource allocation. The best practices identified in some DGs should be exchanged effectively between the DGs.

The AAR system was not in scope of the audit of the SPP/ABM cycle in the Commission carried out by the Internal Audit Service (IAS) in 2006. However a separate IAS audit of the AAR process should be ready by the end of 2007.

- **Synthesis Reports**

The final step in the SPP cycle is the presentation of two synthesis reports by the Commission, namely the 'Synthesis of main policy achievements' and the 'Synthesis of management achievements'. These documents are part of the Commission's reporting to the other institutions on its commitments undertaken to deliver on policy results and its accountability in exercising its management responsibility.¹⁸

Both Synthesis reports have a different purpose. The synthesis of main policy achievements reveals to what extent the Commission as a whole has achieved its policy objectives, while the synthesis of the Commission's management achievements reports how well the Commission has performed against its management objectives in general (for example implementing an internal control system, the use of indicators, and so on).

The **Synthesis of main policy achievements** is based on the Annual Activity Reports and gives a high level overview of the most important policy results regarding the four aspects of the strategic objectives in the year of reference. Furthermore the Report lists which Work Programme initiatives (listed by strategic objective) that were proposed in the CLWP were adopted by the Commission in the reference year. This shows that, as the Commission states: "the strategic planning and programming cycle [...] is now thoroughly embedded in the work of the Commission".¹⁹

Similarly to the other SPP-documents, there are no real performance indicators used in this Report. The main information concerns the initiatives that were adopted. There is no information on why other proposed initiatives were not (yet) implemented nor on their status, nor are there any indicators on the output or the impact of the adopted

¹⁷ COM (2007), 274, op. cit. page 10.

¹⁸ EC, http://ec.europa.eu/atwork/synthesis/index_en.htm#activity, 2007.

¹⁹ COM (2007), 67, op. cit. page 2.

initiatives. Finally the Report does not include any reporting on the use of the resources allocated to the priorities.

The **Synthesis of the Commission's management achievements** is also based on the AAR of each Director-General and Head of Service. It "reports on how the Commission has performed its management responsibilities and on the assurance its internal controls systems provide, and summarises the conclusions of the Annual Activity Reports. It examines where Directors-General or Heads of Service have made reservations, and presents an initial analysis of how the underlying weaknesses can be addressed. Finally it examines views from beyond the Annual Activity Reports and addresses a number of important cross-cutting issues raised by the Director-General for Budget, the Internal Auditor, the European Court of Auditors, the Discharge Authority or identified by the Audit Progress Committee".²⁰ In the annex there is a progress report on the Commission's multi-annual objectives to address the major crosscutting management issues.

By adopting this Synthesis Report, "the Commission assumes its political responsibility for management by its Directors-General and Heads of Service, on the basis of the assurances and reservations made by them in these Reports, while acknowledging that further efforts are needed to resolve a number of weaknesses".²¹

As we discuss below in relation to Action 13, the European Parliament has serious doubts about the accountability process.

In our opinion two separate actions are needed. To answer the critique of the Parliament, internal control mechanisms should be enhanced to control the *quality* of the information delivered by the DGs. This could for instance be done, as the Committee on Budgetary Control suggests, with functional reporting lines or national management declarations or by a more transparent information exchange. The role the Internal Audit Service can play here also needs further reflection.

However attention should be paid not to over-control and create more administrative burdens.

In line with the scope of this study, actions should also be taken to improve and control the *content* of the information provided in the reports, in order to have a clearer view on the effective realisation of the priorities. The documents of the SPP/ABM cycle should be more integrated and have a common structure. Furthermore the use of real performance indicators should be encouraged. Follow-up and evaluation should be

²⁰ COM (2007), 274, op. cit. page 2.

²¹ COM (2007), 274, op. cit. page 2.

enhanced so that the SPP/ABM process can become a real cycle and to ensure that the information of the AMP and Synthesis Reports offers a genuine input for the new APS.

3.1.2 Efficiency and effectiveness of the SPP/ABM cycle

The objective of action 12 of the 2000 White Paper was to establish a new, policy-driven, planning and programming cycle synchronised with the budgetary process.²²

The analysis of the SPP-documents described above shows that this cycle has been clearly established in the Commission. The Commission's 2004 Progress Report on completing the reform mandate indicates that the SPP cycle was fully operational for the first time by 2003.²³

The introduction of SPP/ABM changed the way the Commission works. Before the White Paper Reforms, there was no consistent strategic planning or management of resources. Today, all DGs are formally compliant with the Commission's rules on SPP/ABM. DGs failing to comply would be ignored in the process and would consequently not get their resources allocated.

Seven years after the White Paper proposed the introduction of SPP/ABM, all interviewees agree that the SPP/ABM cycle has brought about an important cultural change in the Commission, especially when one compares it with the situation before the Reform. Stakeholders see the introduction of the SPP/ABM cycle as a success, even if they recognise that its embedding is an incremental process, given that the specific nature of the Commission makes a faster, more revolutionary approach impossible.

The EC has become more transparent, with a clearer sense of goals and direction. The Commission's yearly priorities in terms of the strategic objectives are set at central level. Subsequently these priorities are translated into DG objectives and followed up at DG level using the Annual Activity Reports.

According to the IAS there is more stability and predictability in the Commission's yearly planning cycle, and more consistency on resource allocation.

Another achievement of the SPP/ABM cycle is the enhanced inter-institutional dialogue. The SPP documents are used to discuss the priorities and resource allocation of the Commission with the Council and the Parliament.

As we described in the analysis of the SPP/ABM documents, the cycle as a whole is still far from realising its full potential. The APS tends to focus on new policy initiatives and

²² COM (2000), 200.

²³ COM (2004), 93.

the annual character of the cycle restricts the scope for strategic planning. As we discuss below, DGs have problems to identify negative priorities. The different deliverables of the cycle should be better integrated with each other. Finally, in the SPP/ABM documents, more attention should be paid to performance indicators.

It is difficult to make more specific or quantitative judgements about **the efficiency and effectiveness of the SPP/ABM cycle**. Apart from the confidential IAS-report on SPP/ABM, there have been no studies within the Commission on the SPP/ABM cycle. Although a lot has already been written on the White Paper Reforms, there is not much literature that focuses on SPP/ABM.

To follow up the White Paper Reforms and the actions planned, the Commission published several progress review reports. They provide details on the status of implementation of each action and identify possible next steps. Still, these progress reports only indicate if the action planned in the White Paper was completed or not. Some progress or qualitative indicators are used, but indicators on the output, impact or efficiency of the White Paper Reforms are absent. We agree with Levy when he says: "The quality of reform is difficult to measure because of the absence of pre-determined performance measures".²⁴

A potential indicator of the efficiency of the SPP/ABM cycle would be the level of administrative burden that the cycle brought about. However there are no studies, figures or benchmarks on the administrative costs of the White Paper Reforms.

Still, it is generally accepted, both in literature and by the interviewees, that the obligations of the SPP/ABM cycle together with the other reforms (financial management, CDR,...) have increased the administrative workload within the EC. However, most interviewees are convinced that the initial efforts to introduce SPP/ABM have paid off, since they result in better management.

According to the IAS, further progress is needed on the effectiveness and efficiency of the SPP/ABM cycle, for example through better integration of the different processes described above, and better information exchange.

3.1.3 Analysis of the academic research

As already mentioned there is not much specific academic literature on SPP/ABM, and most research analyses the White Paper Reforms as a whole.

²⁴ Levy, D., "European Commission overload and the pathology of management Reform: garbage cans, rationality and risk aversion", page 429.

There is no unanimity amongst the scholars on the effectiveness and efficiency of the Kinnock Reform. Some tend to see it as a historic achievement (e.g. Kassim), while others have serious doubts about the output and impact of the reforms (e.g. Schön-Quinlivan).

We briefly describe below the most important **academic research** on the White Paper Reform with, where possible, specific attention to the research on the SPP/ABM cycle. Some of the literature analyses the reforms in a historical perspective and tries to answer the question why the Kinnock Reform was implemented, when earlier attempts to reform the Commission had failed. We do not elaborate on this issue.

Kassim is one of the authors who puts the reform programme in a historical perspective. The last part of his article consists of an evaluation of the reform programme, and he is generally positive on the effects of the White Paper. "The implementation of the package on time is itself a considerable accomplishment. More broadly, the reforms have sought to remedy long-standing problems, identified by observers both inside and outside the institution."²⁵

On the actions on priority setting and the efficient use of resources, Kassim has some doubts. He agrees with Levy that ABM can only work effectively in an organisation where power is strongly concentrated at the centre. Since this is not the case in the Commission, the SPP/ABM cycle will be vulnerable. "In an environment where resources chase success, it is rational for DGs to be more rather than less entrepreneurial in order to ensure that they receive their cut of the cake."²⁶

Another potential problem is the difficulty of the Commission to decide on its competencies. "For its workload to be managed more effectively and with greater predictability, it needs to be sure that governments, and to a lesser extent the EP, will only delegate further responsibilities when accompanied by the necessary resources."²⁷ This potential problem was already raised by the Commission in the White Paper itself, and according to Kassim not much progress has been made.

For **Christiansen and Gray** the introduction of SPP has only been partially successful. They acknowledge that the SPP process has brought about a more strategic approach within the Commission and developed a more effective inter-institutional planning mechanism. Still, they argue that the goal to concentrate on a smaller number of priorities has not been reached.

²⁵ Kassim, H., "The Kinnock Reforms in Perspective: Why reforming the Commission is an Heroic, But Thankless Task", 2004, page 35.

²⁶ Ibid., op. cit. page 36.

²⁷ Ibid., op. cit. page 36.

Levy states that most of the actions of the White Paper (80 out of 98) have increased the workload of officials. Furthermore, the SPP cycle creates a new cycle of dependency relationships which also increase the workload. However, many of the actions augment the legitimacy of the Commission.²⁸

Levy has doubts regarding the quality of the ABM measures, He writes that “the Commission’s conception of ABM bears only a scant resemblance to the systems practiced in private organizations [...] for the Commission ABM is seen primarily as a tool for defining policy objectives and priorities before going on to select the activities necessary to pursue them and allocating resources to these activities.”²⁹ Moreover, real ABM can only be successfully implemented if it is accompanied by an appropriate accounting system, something which is still missing according to Levy.³⁰

Ellinas and Suleiman tried to assess the degree of bureaucratisation of the Commission since the White Paper Reforms by conducting interviews amongst 200 top Commission officials. Their conclusion is that “the emerging view from the top management of the organization is that, despite some positive developments, the recent reforms have led to the ‘bureaucratization’ of the Commission through the proliferation of burdensome rules and cumbersome procedures.”³¹ According to their article, the White Paper Actions help the Commission against fraud and mismanagement, but they may also create a culture of excessive risk aversion.

Schön–Quinlivan is rather sceptical about the White Paper Reform in general. According to her the White Paper was wide-ranging in its scope, but it did not (yet) succeed in making the Commission more efficient and effective. On the contrary, Schön–Quinlivan states: “the time spent on following new procedures and controlling compliance has slowed the Commission down and demotivated further middle management”.³²

²⁸ Levy 2006. op.cit. page 429

²⁹ Levy 2006, op. cit. page 433.

³⁰ Within the Commission people disagree if a full-fledged Activity Based Management system is possible within a public organisation as the Commission.

³¹ Ellinas, A., Suleiman, E., *Reforming the Commission: Has the pendulum swung too far?*, 2007, op. cit. page 1.

³² Schön–Quinlivan 2006, op. cit. page 17–18.

3.2 Action 13: Establishment of a SPP function

Action 13 of the White Paper foresaw the creation of a new central function in the Secretariat-General to support the SPP/ABM cycle. The new **SPP function** was meant to assist the Commission in the setting of policy priorities and resource allocation. According to the White Paper action plan, an important task for the SPP function would be to synthesise the available information on policy evaluations and human and financial resources in order to “facilitate an integrated discussion between the Institutions on policies and budgetary implications”.³³ The SPP function also had to promote performance management throughout the Commission including the coordination of norms and the diffusion of good practice.

In the second half of 2000 the function was set up, becoming fully operational at the beginning of 2001.³⁴

Next to the specific SPP function, three permanent high level interservice groups coordinate the implementation of the Commission’s administrative reform, each with a different composition and mission. The major coordinating mechanism is the **ABM Steering group**, chaired by the Secretary General and composed of the Directors General and cabinets from central services. Its role is to monitor the SPP/ABM progress and coordinate political and strategic issues.

A second interservice group is the **Directors General Group**, which is chaired by the Secretary General. “It is responsible for ensuring the consistency of the implementation of administrative reform in the Commission and overseeing the co-ordination of policy implementation. It also provides a forum for the discussion of issues of horizontal interest.”³⁵

The Group of Resource Directors is also involved in the co-ordination of the implementation of the administrative reforms. Here, operational services can give feedback on their needs and best practices between horizontal and operational services can be exchanged.

In 2002 the Commission decided to launch an **Interservice Co-ordination Group** to examine the CLWP. However it was later abolished.

The establishment of a SPP function is closely related to Action 15 of the White Paper: ‘Promote diffusion of Activity Based Management practice and ‘learning by doing’. As

³³ COM (2000), 200, op. cit. page 15.

³⁴ COM (2003), 40.

³⁵ COM (2004), 93, op. cit. page 53.

we discuss in section 3.4 below, the communications, guidelines and manuals issued by the Secretariat-General clarified the different aspects of the SPP/ABM cycle towards all actors.

In our view, the general objective of action 13 to increase “coherence and co-ordination among the services, facilitating better forward planning, providing a forum for constant feedback and helping to reduce the workload for services”³⁶ has been reached. However, continuing attention is needed to increase the usefulness of the common framework, improve operational templates and focus on the key priorities at all levels. DG-specific adaptations in the use of the SPP documents need to remain possible without departing from the essentials of the common framework. Furthermore, more reflection in the processes of feedback from the different players in the cycle could enhance the user-friendliness of the co-ordination mechanisms.

Within the Commission, there is an ongoing debate about the degree and effectiveness of central direction and control. Some of our interviewees argue that, alongside their role as co-ordinator or facilitator, the central mechanism or horizontal services should play a more important role in *controlling* the SPP/ABM cycle. According to them, the central mechanism should not only check if the DGs and services are formally compliant, but also have more power to examine whether objectives have been met and the resources allocated were used effectively and efficiently.

This vision is in line with Levy and Kassim who states “The difficulty is that ABM works most effectively in organisations where power is strongly concentrated at the centre, but there is no such authority in the Commission. The strategic policy cycle and SPP will be similarly vulnerable.”³⁷

Related to the issue of a more central controlling mechanism is the accountability debate. Recent Working Documents of the European Parliament expressed doubts about the reliability of the content of the Synthesis Report and the overall robustness of the Commission’s way of giving account.

According to these documents, one of the weaknesses of the SPP/ABM cycle is that “the quality of the information given in the annual activity reports by the Directors-General is not checked...In the process leading up to the Commission’s ‘giving account’ there is no one *besides* the managing Director-General who is empowered to give an independent check of the reality as described by the Director-General.”³⁸

³⁶ COM (2004) 93, op. cit. page 6.

³⁷ Kassim, H., 2004, op. cit. page 36.

³⁸ EP Committee on Budgetary Control, Working document on ‘Governance in the European Commission’, Part 1, 2007, op. cit. page 4.

As we already mentioned, the two different purposes of the SPP/ABM documents should not be confused. On the one hand the documents (in particular the APS and CLWP) are used to set out the political priorities and the allocation of resources. On the other hand the AMP and AAR are also used as an internal control mechanism. They are a management instrument for the DGs and Service for planning, monitoring and reporting on activities and resources.

We believe that there should not only be a check on the quality of the information delivered in the AMP and AAR ('is the information they provide correct?') but also on the content ('did the DG or Service meet its goals or priorities and did it use the resources allocated in an effective and efficient manner?'). In our opinion, the SPP/ABM cycle today focuses too much on ex-ante planning and programming. There should be a better follow up and evaluation of the initial priorities and the related resource allocation. Important elements to enhance this follow up are the use of performance indicators at every level and the strengthening and integration of the evaluation system in the SPP/ABM cycle (see action 16, discussed below). Furthermore, as already mentioned, the structure of documents in the SPP/ABM cycle should be made more consistent. We agree with the Recent Working Documents of the European Parliament that the Synthesis reports lack a systematic approach and only offer high-level information.

3.3 Action 14: Development of an activity-based IT instrument to support ABM

The White Paper objective was to develop an 'Integrated Resource Management System' (IRMS) to cover the information systems for planning and programming, budget, financial and human resource management. It was envisaged as being user-friendly and able to provide access to information from different sources in a standard format.

The IRMS was developed and rolled out in all DGs by 2002. However the management module was criticised for low user-friendliness and lack of interoperability with other corporate systems. In September 2003 it was decided to suspend its further development, as its administrative burden was judged to be too high.

Today there is no single/integrated system for the SPP/ABM cycle. DGs and central services continue to use their own systems, sometimes rendering information exchange difficult.

In its confidential report of 2006, the IAS recommended that the Commission conduct a study on the need for an integrated system to support the SPP/ABM cycle. However,

there is no plan in the Commission to develop a new system, since there is no consensus on the issue.

In our opinion a well-functioning, user-friendly integrated system would overcome some of the deficiencies of the current SPP/ABM cycle. An integrated system would enhance communication and information exchange at all levels. It would make the process of priority settings and resource allocation even more transparent and could avoid unnecessary (double) information requests. Furthermore using one system would promote a consistent approach between DGs and services, and should make it easier to use and follow up performance indicators at all levels.

Introducing an integrated system does not necessarily mean that a new kind of IRMS should be developed. A first step should be a better alignment of the current systems within the DGs to enhance the information exchange.

So we agree with the IAS that a study on the need for and essential features of an integrated system to support the SPP/ABM cycle would be useful. Such a study should also assess how an integrated system would decrease the administrative burden, rather than increase it.

3.4 Action 15: Promote diffusion of ABM practice and 'learning by doing'

From the beginning of the Reform, the Commission was aware that the SPP/ABM cycle would only be successful if it was accompanied by a profound cultural change in management practices. So the goal of Action 15 was to create a culture of good management practice, strong and persistent commitment at the highest level, a continual process of 'learning by doing' and effective ownership³⁹.

Part of the central strategic planning and programming function's role was to help to create such a culture, for example through awareness-raising and training programmes and pilot exercises.

According to the progress reports the introduction of SPP/ABM was accompanied by several training courses and the development of the SPP/ABM Guide. For example in 2002, 25 ABM presentations and Workshops were given, in which 1550 people participated.⁴⁰ In 2003 several seminars were carried out and best practices were

³⁹ COM (2000), 200, op. cit. page 15

⁴⁰ COM (2003), 40

exchanged via the interservice ABM working group.⁴¹ Furthermore several communications and guidelines clarified the methodology for the actors.

All our interviewees agree that the introduction of the SPP/ABM cycle has brought about a certain cultural change in the Commission, despite the challenge of achieving such change within an organisation with a strong bureaucratic tradition.

These findings are more or less confirmed by the IAS. Today, the SPP/ABM cycle is known and used throughout the whole organisation. All DGs are formally compliant. However, the IAS Audit stated that efforts were needed so that DGs could move from formal compliance to real ownership. The SPP/ABM cycle is generally accepted by top management but middle management does not always see it as a useful tool for themselves. Most consider it more as a reporting tool than a real management support.

A problem contributing to this feeling was the initial stress on an identical approach to be taken for all DGs. Since the DGs are different, this approach was not always seen as wise. That is why the initial approach was replaced over time by a common framework for all actors with enough room for DG-specific adaptation of the framework.

Within some DGs best practices have been identified but this knowledge is not exchanged effectively between the DGs.

Furthermore, as mentioned above, more attention should be paid to performance management in the SPP/ABM cycle. This does not only involve better identification of indicators but also an important cultural change for all actors. They need to be convinced that measuring and analysing performance can enhance the efficiency of the resource allocation.

In the further promotion and diffusion of ABM practices, the specific nature of the Commission has always to be taken into account. In our opinion only a form of Activity-Based Management that is adapted to the specific needs of the Commission, DGs and services can create real ownership and consequently be successful.

⁴¹ COM (2004), 93

3.5 Action 16: Strengthening of the evaluation system

3.5.1 2000 Communication

A final action of the White Paper considering activity based management was the strengthening of the evaluation system. In the White Paper, evaluation was defined as “Judgement of interventions according to their results, impacts and the needs they aim to satisfy. Ex-ante evaluation is the evaluation of an activity carried out before implementation and examines needs and foreseeable results and impacts. Ex-post evaluation is the evaluation carried out either during or after the completion of an activity and examines impacts.”⁴²

The goal of action 16 was to consolidate and further specify the general principles for evaluation from SEM 2000, to fully coincide with Activity Based Management.

To reach this goal, the Commission adopted a Communication on strengthening the evaluation system on 26/7/2000⁴³. As this Communication states, the Commission had been operating a substantial evaluation system over many years. “An increasing number of evaluation reports are completed in most policy areas, an annual evaluation review is published, evaluation systems are regularly reviewed against agreed good practice guidelines, the Network of Evaluators is operative and evaluation reports are increasingly available to the public.”⁴⁴

However it was agreed that further progress in the evaluation area was needed, in particular as regards the quality and use of evaluation and its relevance for decision making. Furthermore the existing evaluation system was not adapted towards Activity Based Management, since it was centred on the responsibility of operational DGs and Services for regular evaluation of the expenditure programmes rather than on activities.

The Communication proposed several measures to consolidate and improve the evaluation system at that time. For example, it suggested the extension of the principle of regular evaluation from expenditure programmes to all activities by the development of new tools or the organisation of an evaluation function in every DG and Service. Furthermore measures were proposed so that ex ante evaluations would become systematic, and must address economy, efficiency and added value.

New elements required by the White Paper Reform were also added to the evaluation system, relating both to the organisation and the content of the Commission’s evaluation programme.

⁴² COM (2000), 200, op. cit. page 36.

⁴³ SEC (2000), 1051

⁴⁴ SEC (2000), 1051, op. cit. page 3.

3.5.2 Study on the use of evaluation results in the Commission

In 2005 the European Policy Evaluation Consortium conducted a 'Study on the use of evaluation results in the Commission'⁴⁵. The study examined to what extent evaluations had achieved their main purposes, as an indicator of the use of evaluation in the Commission. The study was an input for a new Communication on evaluation.

In the study three questions were addressed:

- "Who are the users and what are the uses of the Commission's evaluations?"
- Within the context of the elaboration of Commission acts/proposals, in the planning and budget cycle and in the management of ongoing activities, to what extent have the Commission's evaluation activities actually contributed to different objectives that can be assigned to evaluation
- Are there certain factors that foster (or discourage) the use of evaluations? If so, what are these factors?"⁴⁶

Some of the conclusions of the study are relevant for the SPP/ABM cycle discussion.

A first important conclusion for our research relates to the users and the uses of the Commission's evaluations. According to the study, most of the evaluations were related to supporting the implementation of on-going programmes or policies and the preparation of their follow-up. Evaluation results are less significantly used as an input to the setting of political priorities or choosing between different political options.

One of the inputs for the study was an examination of the use of evaluation at the level of 10 different ABM cycle activities. According to the study these evaluations were hardly cited in the APS, AAR or the CLWP. The researchers state that in general the SPP/ABM documents make only sporadic reference to evaluation, with the CLWP referring most to evaluations.

A second, related, conclusion concerns the impact of evaluations on the efficient allocation of resources. The study showed this impact is relatively limited. The researchers state "all evidence shows that overall allocation of EU resources is certainly *not* determined on efficiency grounds, but much more by political decision-making".⁴⁷

⁴⁵ European Policy Evaluation Consortium, 2005.

⁴⁶ Ibid 35 op. cit. page ii.

⁴⁷ Ibid 35 op cit. page iii.

Finally the most important factors fostering the use of evaluation are the timing and the purpose of the evaluation, support from senior management, the quality of the evaluation and the monitoring and follow-up of evaluation recommendations. Our interviews revealed that the planning and timing of the evaluations is often not synchronised with the SPP/ABM cycle.

3.5.3 2007 Communication: Responding to Strategic Needs: Reinforcing the use of evaluation

Based inter alia on the 2005 'Study on the use of evaluation results in the Commission' the Commission published a new communication with the title 'Responding to Strategic Needs: Reinforcing the use of evaluation'⁴⁸ in February 2007. The aim of this communication was to stress the Commission's commitment to evaluation. It contained new directions and actions to ensure that "evaluations are of high quality, contribute to better regulation and are better integrated in the Strategic Planning and Programming Cycle"⁴⁹. Given the scope of our study, we will focus on the latter element.

A well functioning planning and programming cycle not only involves setting the goals or objectives but also requires monitoring or evaluation of the extent to which the goals were achieved. Therefore the existing evaluation system should be integrated more in the SPP/ABM cycle.

According to the 2007 Communication the evaluation system should assist the SPP/ABM cycle in:

- "Translating political priorities into meaningful objectives and indicators,
- The efficient allocation of resources,
- Identifying areas of the Community acquis that may lend themselves to the Commission's simplification policy,
- The reporting of the results achieved
- Identifying gaps (or missing links) and emerging needs"⁵⁰

In general, one can say that the strategic aspects of the evaluations have to be increased. To achieve this, some actions need to be taken. First of all a successful integration of the evaluation system and the SPP/ABM cycle requires better co-ordination and co-operation between the evaluation functions and all relevant actors, in particular the SPP functions. The 2005 study proved that one of the key factors that foster (or discourage) the use of evaluation is evaluation planning and timing. This was

⁴⁸ SEC (2007), 213.

⁴⁹ SEC (2007), 213, op. cit. page 4.

⁵⁰ Ibid. op. cit. page 10.

confirmed during our interviews. Some interviewees stated that the results of the evaluations were simply not used because they were not available when the APS was being prepared. More co-ordination should help to address this problem, which cannot be completely solved in an annual-based system.

A second important action to be taken is ensuring support of decision-makers and senior management both at the planning stage and in using the evaluation results.

A further important aspect in the effective and efficient use of evaluations in the SPP/ABM cycle is communication. The communication has to be clear and transparent and meet the needs of the decision-makers. As the 2007 Communication states, this requires an assessment of what type of information is useful to whom.

Finally the strategic level of the evaluations can be increased by including questions in the individual evaluations that put them into a broader policy context. For example: “to what extent have individual interventions contributed to the strategic objectives or what progress has the DG/Commission made towards reaching its strategic-level objectives?”.⁵¹

To reinforce the use of evaluation and to address the problems listed above, the Commission included an action plan in the 2007 Communication.

4 HUMAN RESOURCES ISSUES

One of the main ideas of the White Paper was the creation of a more efficient use of human resources, since there was a feeling that these had become too thinly spread across a wide range of activities and tasks.

According to the White Paper, there were two main reasons why resources were in general not linked to priorities. “First, the Commission’s own decisions on activities have generally been taken separately from those on the allocation of resources. Second, the Council and the Parliament have given additional tasks without approving extra resources. Moreover, the prevailing management culture emphasises control rather than objectives. The fact that results and responsibilities are not always adequately defined or assigned further compounds the problem.”⁵²

⁵¹ SEC (2007), 213, op. cit. page 8.

⁵² COM (2000), 200, op. cit. page 8.

The introduction of Activity-Based Management was supposed to overcome these problems. In an Activity-Based Management system, decisions about policy priorities and the corresponding resources are taken together.

In the following paragraphs we analyse to what extent human resources are more efficiently allocated to the policy priorities now that the SPP/ABM cycle is fully operational. Furthermore we review the screening exercise carried out by the Commission on the Commission's real staff needs.

4.1 Human resources issues in the SPP/ABM documents

The resources needed to achieve the policy priorities are outlined in the Annual Policy Strategy, which includes a chapter on the general framework for human and financial resources. Regarding human resources, three topics are dealt with:

- Enlargement-related Reinforcement

This gives an overview of the human resources the Commission needs to extend its work to new Member States and fulfil its institutional responsibilities.

- Contribution to a Central Pool

Since 2002, the Commission committed itself to maintain stable staffing once all enlargement-related personnel were integrated. One of the most important ways to mobilise additional resources to implement the priority initiatives is to redeploy within and between departments. That is why the APS proposes the setting up of a central redeployment pool, with a 1% contribution to the pool by all DGs.

The efficiency and effectiveness of the 1% contribution to a central pool by all DGs should be analysed. A more differentiated 'tax' (based on DGs' individual situation) could be more appropriate.

Furthermore our interviewees revealed that in practice the redeployment of resources between departments has turned out to be difficult. As already mentioned, DGs and Services have problems in formulating negative priorities. Before the 2006 screening exercise, there was no consistent information on the Commission's potential staff that could be redeployed. There was for example very little information on the competencies of the staff.

- Additional Human Resources to be allocated to the four policy priorities

Finally the APS includes a table that summarises the human resources expected to be needed for launching new initiatives or reinforcing ongoing activities, by priority and according to source. Table 1 shows an example of the allocation of human resources to APS 2008 priorities.

| APS priorities In 2008 | New resources related to enlargement | Redeployment between departments | Redeployment within departments | Total resources available for the priorities |
|---|--|--|---------------------------------------|--|
| 1. Prosperity | 123 | 46 | 53 | 222 |
| 2. Solidarity | 125 | 20 | 79 | 224 |
| 3. Security | 100 | 27 | 12 | 139 |
| 4. External projection | 77 | 109 | 27 | 213 |
| Extension of existing activities in an enlarged Union (including phasing-out of pre-accession activities) or other variation in workload | 465 | 85 | 107 | 657 |
| TOTAL | 890 | 287 | 278 | 1.455 |

Table 1: Allocation of human resources in APS 2008 priorities

Although this is a very interesting table that provides a clear link between the priorities and the resources, it is not followed-up later in the other documents of the SPP/ABM cycle. Resources are not mentioned in the CLWP and the Synthesis Reports, while at DG level, in the AMP and AAR, resources are linked to ABM activities rather than to priorities.

The allocation of resources in the SPP/ABM cycle mainly focuses on ex-ante planning and programming. More attention should thus be paid to the ongoing and ex-post evaluation of the effective and efficient use of these resources, related to the priorities.

4.2 Human resources issues in the screening report

In 2006 the European Parliament requested the Commission to carry out a screening of its staff needs and a reporting of the Commission's staffing of support and coordination

functions. In order to fulfil this request the Commission published a report on ‘Planning and optimising Commission human resources to serve EU priorities’⁵³, which contained several key elements that are relevant for our study.

In line with the APS 2008, the Commission points out in the screening report some main challenges and needs with a cross-cutting nature (Climate change, Lisbon growth and Jobs,...) for the period 2009 until 2013. According to the report around 1.600 FTE⁵⁴ will be necessary over the years 2009 to 2013 to address these challenges and implement the new priorities. However, the Commission commits that it will cover the new needs without requesting new posts. The screening revealed that over the period 300 FTE can be redeployed within specific services, leaving 1.300 FTE to be redeployed between services.

According to the screening report, the Commission has covered the (non-enlargement related) needs for new resources since 2003 through efficiency gains. Between 2003 and 2007 5% (around 1.400 posts) of the Commission’s total posts were freed and re-assigned in this way.

To ensure the realisation of the Commission’s core tasks while serving new priorities, the screening report proposes some new redeployment mechanisms for the future:

- Exploiting all re-prioritisation and redeployment possibilities (concentrating on operational activities, rationalisation prospects within operational activities)
- Externalisation possibilities through contracting out solutions
- Adjusting the staff structure to future needs
- Exploring enhanced inter-institutional cooperation.

We agree that these are important measures to be taken. However we think that redeployment should not only focus on efficiency gains, but also on ‘real’ redeployment based on the priorities pointed out in the Annual Policy Strategy. The screening report only briefly mentions that “This net need for 1.300 posts would be served through the Annual Policy Strategy (APS) process, by a differentiated taxation mechanism founded on a strong scrutiny of activities which can be reduced or discontinued (“negative priorities”)”⁵⁵ According to us the possibilities of a differentiated taxation mechanism should be further analysed. Furthermore there is a clear need for a mentality change so that negative priorities can be defined.

⁵³ SEC (2007), 530.

⁵⁴ Full Time Equivalent

⁵⁵ SEC (2007), 530, op. cit. page 8.

5 CONCLUSION

As a consequence of this report on the administrative reforms of the Commission in relation to ABM, we conclude that much progress has been made in strategic planning and programming within the Commission, compared to the way priorities were set and resources were deployed prior to the Reform.

Before the White Paper, there was no consistent strategic planning or management of resources. With the introduction of the SPP/ABM cycle, planning and resource allocation became more strategic, systematic and transparent. The allocation process was restructured to attempt to follow priorities. Today the system's principle is that resources be (re)allocated based on the priorities of the EC.

Although a lot of progress has been made, the system is far from realising its full potential. Several elements could enhance the efficiency and effectiveness of the SPP/ABM cycle. Our recommendations below concern both the content and the organisation of the SPP/ABM cycle.

The most important remark however, is that stakeholders should be careful not to impose further burdensome administrative workload when enhancing the SPP/ABM cycle. Any further workload should be clearly justified by the disproportionate benefits it brings in terms of effective and efficient management.

5.1 Content of the SPP/ABM cycle

The Commission should pay attention to formulate its objectives, priorities and actions in the SPP/ABM–documents according to **the SMART–principles**.

They should be:

- **Specific**

Today the objectives and actions are sometimes formulated at too high a level. In the future they should be clear with sufficient detail. Moreover the link between the resources and the priorities should be more clearly made in the documents.

- **Measurable**

In our opinion, the current SPP/ABM cycle focuses too much on planning and programming. In order to create a real cycle, more attention should be paid to a genuine follow–up of the priorities and the resource allocation, for example by a more systematic and consistent use of performance indicators at all levels and throughout the whole cycle.

There is not only a need for impact assessments, but also for performance indicators measuring the effectiveness and efficiency of the DGs in implementing their policy

priorities. Furthermore, benchmarking studies between the DGs and with other institutions could usefully illustrate the relative performance of the Commission.

The evaluation system should be more integrated in the SPP/ABM cycle.

- **Acceptable**

The APS initiates a structured dialogue with the other institutions. Furthermore the nature of the SPP/ABM cycle and the procedures require that the documents are formally accepted by all relevant hierarchical levels and entities. However, the structure of the documents sometimes make it difficult to assess the *quality* of services' performance. The Synthesis report for example lacks a systematic approach.

We advise the Commission to better integrate the components (APS, CLWP, AMP, AAR,...) of the SPP/ABM cycle, with a more consistent structure and a clearer division between the information on policy achievements and management achievements.

A more systematic approach and clear communication of the necessary information will enhance real ownership, moving ahead from mere formal acceptance or compliance.

- **Realisable**

Moving from formal compliance to real ownership requires formulating realistic objectives for both the Directorate-General and the Commission as a whole.

Today, the APS mainly focuses on new (policy) initiatives. This can overemphasise the allocation of resources related to these new initiatives and can consequently be harmful for continuing core business.

Our research revealed that the Commission has difficulties in defining negative priorities. Although we agree that defining negative priorities in a political context is difficult, we are convinced that only the definition of negative priorities will bring along real redeployment of resources.

- **Time-limited**

Today the APS concentrates on priorities for the coming year. This limited perspective restricts the scope for strategic planning. The Commission should continue its efforts to overcome this restriction.

5.2 Organisation of the SPP/ABM cycle

Next to the content of the SPP/ABM-documents, some steps forward should also be set out in relation to the organisation of strategic planning and programming.

The integration of the SPP/ABM cycle with other cycles (HR cycle, Risk Management, Evaluation,...) should be improved, both functionally and technically. The planning of the different cycles should be better coordinated so that they can mutually influence

each other. There should be a study on the need and the possibilities for an integrated IT-tool. Such a study should also look how an integrated system can decrease rather than increase the administrative burden.

Our research revealed that there is a general culture of ownership among top management regarding the SPP/ABM cycle. However, we agree with the IAS that DGs at all levels should move from formal compliance to **real ownership** and to leveraging the benefits for internal management. Today the SPP/ABM documents are often seen as reporting and communication documents rather than as a management tool.

To create real ownership, the SPP/ABM cycle should be user-friendly and adapted to the needs of the DGs and services. There is a need for an ex-post impact assessment of the administrative costs so that possible administrative simplifications can be identified. The ongoing monitoring of user experiences of the SPP/ABM cycle could provide more information on the effectiveness and efficiency of the whole process. Furthermore the evaluation of the SPP/ABM cycle as a whole can be improved by using more (meta-) indicators.

The role and empowerment of the central services during the SPP/ABM cycle is clearly a key issue with regard to future development. Currently it is more of a coordination function than a decisive one.

In the further promotion and diffusion of ABM practices, the central services should continue their efforts to take into account the specific nature of individual services. In our opinion only an approach to Activity-Based Management that is adapted to the specific needs of the Commission, DGs and services can create real ownership and consequently be successful.

The SPP/ABM cycle should pay more attention to the follow-up of the priorities and resource allocation. In our opinion, this is a task that could be taken up by the central services. Their role should be enlarged through more attention to monitoring achievements and evaluating against performance indicators.

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- Mr. P. Leardini, Head of Unit Secretariat General SG.C.1
- Messrs. P. Hallez, P. De Boom, Internal Audit Service
- **Several Members of the European Parliament Budget Committee and Committee staff.**