Financial Regulation applicable to the general budget of the European Communities

2010/0047(COD) - 03/03/2010 - Legislative proposal

PURPOSE: to amend Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation inh order to bring it into line with the Lisbon Treaty.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

BACKGROUND: the Lisbon Treaty introduces substantial changes concerning budgetary and financial issues which should be reflected in the Financial Regulation, which governs all the rules and procedures applicable to the use of EU funds and which must be respected by all institutions. In accordance with Article 184 of the Financial Regulation, the Commission will present its proposal for the triennial review of the Financial Regulation at the end of the first semester 2010. However, it considers that an ad-hoc, fast-track revision of the Financial Regulation must take place before the triennial review. Such limited revision is indeed necessary in order to ensure a stable legal framework for budget implementation in line with the new Treaty. Other aspects relating to the creation of the European External Action Service (EEAS) will be covered by a separate proposal to be tabled soon by the Commission.

IMPACT ASSESSMENT: no impact assessment was undertaken.

LEGAL BASIS: Article 322 of the Treaty on the Functioning of the European Union

CONTENT: for the first time in decades, the Treaty on the Functioning of the European Union makes important changes concerning budgetary and financial issues, which need to be detailed in the Financial Regulation. Accordingly, the Commission proposes certain amendments to the Financial Regulation in order to take into account the following changes:

the introduction of the multiannual financial framework in the Treaty, and its link to annual budgetary procedure: in this regard, as a consequence of the introduction of the multiannual financial framework in the TFEU, some provisions of the Interinstitutional Agreement on budgetary discipline and sound financial management should be introduced in the Financial Regulation;

the new annual budgetary procedure and the abolition of the distinction between compulsory and non-compulsory expenditure, which have an impact on the provisions relating to transfers and the provisional twelfths;

This proposal also allows for the streamlining of the Financial Regulation in line with the Lisbon Treaty, through both technical adaptations and the deletion of obsolete provisions.

New provisions introduced in Article 317 TFEU concerning the control and audit obligations of the Member States in the implementation of the budget, together with Point 44 of the Interinstitutional Agreement on budgetary discipline and sound financial management, require an in-depth analysis and will therefore be proposed together with the triennial revision of the Financial Regulation. The triennial revision should also be the opportunity to codify or recast the text in order to take into account, in particular, the renumbering of Treaty provisions.

BUDGETARY IMPLICATION: the proposal has no implications for the Community budget.