Financial rules applicable to the general budget of the Union. Financial Regulation

2010/0395(COD) - 26/10/2011 - Text adopted by Parliament, partial vote at 1st reading/single reading

The European Parliament amended the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the annual budget of the Union.

The vote on the legislative resolution was postponed until a later plenary session.

Definitions: Members clarified that the term '**institution'** refers to the European Parliament, the European Council and the Council, the European Commission, the Court of Justice of the European Union and the European Court of Auditors, the European Economic and Social Committee, the Committee of the Regions, the European Ombudsman, the European Data Protection Supervisor and the European External Action Service ('EEAS').

The European Central Bank shall not be considered as an institution of the Union.

Any reference to the 'Union' shall be understood as a reference to the European Union and the European Atomic Energy Community.

Revenue and expenditure: Parliament wants to stress that **all revenue and expenditure have to be included in the budget** and its annexes, including, for each financial year, forecasts and all authorised revenue and expenditure considered necessary for the Union. The expenditure of the Union shall include:

1. administrative expenditure, including expenditure occasioned for the institutions by the provisions of the Treaty on European Union relating to the Common Foreign and Security Policy and the operating expenditure occasioned by implementation of those provisions where this is charged to the budget; and
2. the operational expenditure, occasioned by implementation of those provisions where this is charged to the budget, including related support expenditure.

Furthermore, the budget shall record the guarantee for borrowing-and-lending operations entered into by the Union in the management of the European Financial Stability Facility (EFSF) and the European Financial Stability Mechanism (EFSM) and payments to the Guarantee Fund for external actions.

Protection of personal data: this Regulation is without prejudice to the requirements of Directive 95/46 /EC of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data and on the free movement of such data and of Regulation (EC) No 45/2001 of the European Parliament and of the Council on the protection of individuals with regard to the processing of personal data by the Community institutions and bodies and on the free movement of such data.

Of the changes suggested by Members, those relating to the following aspects should be mentioned in particular:

- underlining the **increased role** of the European Parliament;
- the **financial rules governing the establishment and implementation of the general budget**, must ensure sound and effective management, control and protection of the financial interests of the Union, as well as increasing transparency;

- as regards the Union's **research framework programmes**, further simplification and harmonisation of rules and procedures should be introduced;
- the obligation to generate **interest on pre-financing** and to recover such interest should be lifted immediately;
- certain provisions of the **interinstitutional agreement on budgetary discipline** and sound financial management need to be integrated in the Regulation;
- **revenue received by non-state third parties** in the pursuit of the Union's legitimate aims such as the fight against smuggling and counterfeiting of cigarettes (e.g. the 'Phillip Morris' agreement) should be treated as assigned revenue, in particular where these are the results of agreements concluded in the process of alternative dispute resolution;
- in order to **assess the risk of error**, taking account of the principle of sound financial management and appropriate controls, and to react accordingly, a management tool showing the risk of error should be used;
- in the interest of **transparency,** citizens should be able to know where and for what purpose funds are spent by the Union. This objective should be achieved by the publication of relevant information concerning final contractors and final beneficiaries of Union funds. This publication should take into account their legitimate interests of confidentiality and security and, as far as natural persons are concerned, their rights to respect for their private lives and the protection of their personal data;
- for **very low and low-value grants**, simplified procedures in accounting and authorisation should be applied in order to create a beneficiary-driven approach;
- grants should also be able to be authorised in the field of **basic research**, where no outcome or result can be presented in consequence of the research activity;
- given the **basic control and audit obligations** of Member States where they implement the budget indirectly in shared management should be introduced in this Regulation, it is necessary to include provisions, setting out a coherent framework for all policy areas concerned, on a harmonised administrative structure at national level to allow the Member States to accredit bodies entrusted with the implementation of Union funds. The Member States should have the competence to determine the entity or organisation carrying out the functions of the accrediting authority;
- it is necessary to create a coherent legislative framework which also improves the **overall legal certainty** and the efficiency of controls and remedial actions as well as the protection of the Union' s financial interests;
- all draft proposals submitted to the legislative authority should be suitable for the application of user-friendly information technologies ('**egovernment**') and the interoperability of data processed in the management of the budget should be ensured, which should improve efficiency. Uniform data transmission standards for data available in electronic format should be foreseen. A transitional period of two years from the entry into force of this Regulation should be granted for the attainment of these targets;
- **lump sums and flat rates** should be used on a voluntary basis and only applied where appropriate. The terminology in use on flat rates and lump sums should be clarified;
- a further clarification or a **reasonable definition of eligible costs** should be proposed, as it would enhance compliance with the full cost principle, namely direct and indirect costs, upstream and downstream of research;
- in order to close the **discharge procedure** during the year following the year being audited, a working group will be set up to make proposals aimed at shortening the time taken by the procedure. In the context of discharge, the evaluation report on the Union's finances based on the results achieved should include in particular elements on the achievements in the field of gender aspects of staff policy;
- as regards the specific provisions relating to the **implementation of external actions**, it is necessary to propose a differentiated approach when the European Union is required to respond to humanitarian emergencies, international crises or third countries undergoing a process of democratic transition;
- it is of particular importance that the Commission carry out **appropriate consultations** during its preparatory work for **delegated acts**, including at expert level.