Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 14/09/2016 - Legislative proposal

PURPOSE: to revise the financial rules applicable to the general budget of the Union in the aim of simplification.

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

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the Commission considers that simpler and more flexible EU financial rules are key in enhancing EU budget's ability to adapt to changing circumstances and to respond to unexpected developments.

Over the last 30 years, the number of general financial rules contained in the <u>Financial Regulation</u> has increased sharply. In addition, a number of sectoral financial rules have emerged: the <u>rules for participation to the Framework Programme</u> for Research and Innovation, the <u>Common Provisions</u> to the European Structural and Investment Funds and the <u>Common Implementing Rules</u> for the External Action.

Users of EU funds have repeatedly complained about the proliferation of rules both at general and at sectoral level, their heterogeneity and their complexity making it costly and prone to errors.

A first step towards more coherent and simpler financial rules was achieved in 2012, however, **there is room for further simplification**. This is confirmed by the experience gained since 2014 and by the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds.

The Commission proposed that **efforts must continue** in order to remove bottlenecks, ensure synergies and complementarities between ESI Funds and the other EU funds and improve efficiency of delivery and control requirements.

Simpler and more flexible financial rules will contribute to optimising spending and impact of the MFF 2014-2020 and constitute as such one of the key elements of the Commission's initiative for a **Budget Focused on Results** (BFOR).

CONTENT: this legislative proposal forms an integral part of the **mid-term review/revision** of the <u>multiannual financial framework (MFF) 2014-2</u>020. It contributes to two of its main objectives: **simplification and flexibility**. It paves the way for the preparation of the next generation of spending programmes (post-2020).

The Commission therefore proposes in a **single act an ambitious revision of the general financial rules** accompanied by corresponding changes to the sectorial financial rules set out in 15 legislative acts concerning multiannual programmes:

(1) Simplification for recipients of EU funds: many measures aim at simplifying life for recipients of EU funds. They relate to: (i) grants; (ii) simpler rules for "contribution in kind" valuation; (iii) recognition of volunteer work; (iv) grant awards without calls for proposal under specific conditions; (v) simplified

forms of grants; (vi) removal of the non-cumulative award check for low-value grants and of the non-profit principle.

(2) From multiple layers of controls to cross reliance on audit, assessment or authorisation, and harmonisation of reporting requirements: the aim of these measures is to encourage reliance as far as possible on one single audit, assessment or authorisation (conformity to State aids for instance), when the audit, assessment or authorisation meets the necessary conditions to be taken into account in the EU system.

More generally, in order to avoid multiple layers of controls, rules for implementing partners (international organisations, EIB/EIF, national promotional banks, national agencies, NGOs) will be simplified by relying increasingly on their procedures and policies once assessed positively.

- (3) Allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments: the proposal aims at achieving further simplification for the partners of the EU by a number of measures to avoid the parallel application of different rules and procedures, notably through facilitating the combination of European Structural and Investment Funds (ESIF) funding with financial instruments and the European Fund for Strategic Investments (EFSI).
- (4) More effective use of financial instruments: (i) optimise use of reflows; (ii) ensuring a level playing field among key EU implementing partners; (iii) reducing burdensome requirements related to publication of individual data of final recipients or to the exclusion criteria.
- (5) More flexible budget management: the proposal sets out several ways for more budgetary flexibility, in order to allow the Union to respond to unforeseen challenges and new tasks more effectively and to achieve swifter crisis management among which:
 - the creation of a "**flexibility cushion**" for unforeseen needs and new crises in the external actions geographic instruments budget;
 - a more efficient activation of the **solidarity and globalization adjustment funds**, and the extension of **Trust-Funds** to internal policies;
 - the creation of a **EU crisis reserve** with the reuse of decommitted appropriations;
 - the creation of a **common provisioning fund holding** the resources provisioned for financial operations.
- **(6) Focus on results and streamlining of reporting**: the proposal includes a series of measures aimed at focusing better the budget on results, establishing a clear performance framework, enhancing transparency and streamlining reporting.
- (7) Simpler and leaner EU administration: the proposal provides for a series of simplification measures aims at allowing the EU institutions to work more efficiently, notably by implementing jointly administrative appropriations to achieve economies of scale.
- (8) Providing possibility for citizen engagement: the proposal provides a possibility for citizens to be consulted on the implementation of the Union budget by the Commission, Member States and any other entity implementing the Union budget.