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

2016/0282A(COD) - 08/06/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Budgets, in conjunction with the Committee on Budgetary Control, adopted the report drawn up by Ingeborg GRÄSSLE (EPP, DE) and Richard ASHWORTH (ECR, UK) on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

The Committees on Employment and Social Affairs, Industry, Research and Energy, Transport and Tourism, Regional Development and Agriculture and Rural Development, exercising their prerogatives as associated committees in accordance with Article 54 of the Rules of Procedure, also gave their opinions on the report.

The Commission proposed, in a single text, a revision of the general financial rules accompanied by corresponding amendments to the sectoral financial rules contained in 15 legislative acts on multiannual programmes.

The committee recommended that the European Parliament's position adopted at first reading in accordance with the ordinary legislative procedure should amend the Commission proposal.

The amendments concern in particular the following points:

Timetable: Members regretted the fact that **deadlines** for the examination of the proposal do not allow appropriate consideration of the opinions of the European Parliament and of the Council. They also regretted that the proposal under consideration was not preceded by an **impact assessment** and suggested an amendment in order to ensure that future major amendments to the Financial Regulation are accompanied by an impact assessment.

Performance: Members suggest **integrating performance more** into spending decisions. Performance should be described on the basis of the achievement of objectives and the direct application of the principle of sound financial management. Without seeking to prejudge the relevance of the programme concerned, there should be a link between objectives set and performance, indicators, results, additionality and economy, efficiency and effectiveness in the use of appropriations.

Transparency: communication should be **more targeted at recipients**, aimed at increasing visibility for citizens, while ensuring through defined-measures that the messages are received by beneficiaries. The utmost transparency regarding **data on beneficiaries** should be sought, without prejudice to the rules on the protection of personal data.

Horizontal principles: the report stressed that horizontal principles, i.e. partnership involvement, sustainable development, gender equality and non-discrimination, have generated important contributions to effective implementation of ESI Funds and should be upheld as forerunners for any kind of investment involving the Union budget, including financial instruments and EFSI.

Simplification in favour of recipients of EU funds: Member States should increasingly make use of simplified cost options and of **‘single lump sum’** financing in order to make the associated administration less burdensome and to simplify the rules governing the allocation of funds.

Union public procurement should ensure the efficient, transparent and appropriate use of Union funds while **reducing the administrative burden** on recipients of Union funding and on managing authorities.

Audits and controls: these should focus more on beneficiaries who represent a **high risk** for the Union budget, taking into account past irregularities.

Non-profit rule: whereas the Commission intends to abolish the non-profit rule, Members proposed to **retain it**. The non-profit rule should be seen as one of the main instruments to avoid misuse of the public money.

Audit: in line with the principle of sound financial management, additional safeguards should be put in place for cross-reliance on audits. The Commission should therefore preserve the right of audit if necessary. In addition, funds and projects should be audited when EU funds account for more than **50 %** of the funding.

Trust funds: Members considered it too early to extend the scope of Union trust funds to internal actions on the grounds that these funds can significantly change the budgets adopted by the European Parliament and the Council and carry the risk of using funds from financing instruments for purposes not foreseen in the basic acts establishing those instruments.

Blending facilities: this should promote a wide mix of contributions from national and EU budgets or private investors in order to optimise the use of available resources and attract as much private investment as possible and follow a well-defined and transparent governance process.

Reports: Members proposed a number of changes to the reporting requirements. They aim to streamline reporting requirements, reduce the number of reports and ensure that budget authorities have sufficient time to prepare the discharge.