

Financial rules applicable to the general budget of the Union: agricultural provisions

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

PURPOSE: simplify the financial rules applicable to the general budget of the Union as regards the allocation of EU funds to the Member States and other beneficiaries.

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 proliferation of rules** both at general and at sectoral level, **their heterogeneity and their complexity** due to the fact that they follow the architecture of the programme and multiple layers of controls, have all slowed down the implementation of EU funds, making it costly and prone to errors.

Whilst a first step towards more coherent and simpler financial rules was achieved in 2012 with the proposals for the programmes covered by the MFF 2014-2020, the Commission considers that **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. (ESI Funds).

The Commission wishes to **continue efforts** to remove bottlenecks, ensure **synergies** and complementarities between ESI Funds and the other EU funds and improve efficiency of delivery and control requirements. The simplification of the Union's financial rules should also help to reduce the **costs and time** involved in the implementation of EU funds, as well as the number of errors. It should also **increase the impact of policies** and improve their results on the ground.

CONTENT: the proposal forms an integral part of the mid-term review/revision of the multiannual financial framework (MFF) 2014-2020. It consists of 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.

The main thrusts of the simplification proposed by the Commission are:

- **easier access for recipients of EU funds:** measures relate to grants (removal of the non-cumulative award check for low-value grants and of the non-profit principle; simpler rules for "contribution in kind" valuation; recognition of volunteer work; grant awards without calls for proposal under specific conditions) and simplified forms of grants;
- **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;
- allowing the application of **only one set of rules** to hybrid actions or in the case of combination of measures or instruments;
- **more effective use of financial instruments**, reducing burdensome requirements related to publication of individual data of final recipients or to the exclusion criteria;
- **the establishment of several ways to increase budgetary flexibility**, through the creation of a "**flexibility cushion**" for unforeseen needs and new crises in the external actions geographic

instruments budget, a more effective activation of the Solidarity Fund and the Globalisation Adjustment Fund and the extension of **trust funds** to internal policies and the creation of an EU **crisis reserve** based on the reuse of decommitted appropriations;

- a **stronger focus on results** through lump sums, prizes, payment based on output and results rather than on reimbursement of costs, payment against conditions to be fulfilled. **Reports are regrouped** around the draft budget and the integrated financial reporting package, in order to increase efficiency and transparency both towards the general public and the budgetary authority;
- a **simpler and leaner Union administration**, in particular through agreements or delegations between institutions or bodies with a view to pooling the execution of administrative appropriations in the European Offices or in the executive agencies;
- **greater participation of citizens** who could be consulted on the implementation of the Union budget by the Commission, the Member States and any other entity implementing the Union budget.

With regard to **agricultural provisions** in particular, the proposal aims, inter alia, at:

- ensuring legal certainty and harmonised and non-discriminatory implementation of **support to young farmers**; it is provided that the "date of setting up" is the date when the setting up process begins by means of an action to be performed by the applicant, and that the application for support is to be submitted within 24 months from that date;
- clarifying the rules on the joint setting up of young farmers and the thresholds for access to aid;
- providing that start-up support granted to young farmers under Article 19 of Regulation (EU) No 1305/2013 may also be provided in the form of financial instruments;
- providing for the possibility for Member States, in duly justified cases, to support farmers through **sector-specific income stabilisation tools**, in particular for sectors experiencing severe income drops;
- establishing that **when the investment is linked to emergency measures** following natural disasters, catastrophic events, adverse climatic events or a sudden and significant change in the socio-economic situation of the Member State or region, expenses incurred after the occurrence event in question would be eligible;
- reducing the administrative burden of implementing the **three criteria to be met in order to be considered an active farmer**;
- authorising the Commission to adopt delegated acts to continue to provide **voluntary coupled support** until 2020 on the basis of production units for which such support has been granted during a previous reference period.