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

2016/0282A(COD) - 18/07/2018 - Final act

PURPOSE: to revise the financial rules applicable to the general budget of the Union to make them simpler and more focused on results.

LEGISLATIVE ACT: Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012.

CONTENT: the Regulation **amends the existing Financial Regulation**, which establishes the general framework for budgetary management, as well as a number of acts governing the EU's multi-annual programmes in different areas, including cohesion policy. The improvements introduced aim to reduce the administrative burden faced by all actors involved in the implementation of the EU budget.

The main changes include the following:

- broaden the possibility for recipients of EU funds to use simplified cost options and focus on results rather than on determining the costs actually incurred;

- strengthen performance measurement of EU-funded projects. Performance will be linked to the direct application of the principle of sound financial management defined as the implementation of the budget in accordance with the principles of economy, efficiency and effectiveness;
- **avoid multiple controls** by ensuring that any information already available from the Union institutions, managing authorities or other bodies and entities implementing Union funds is reused;
- ensure that the **principle of a single audit** prevails for the ERDF, ESF, Cohesion Fund and EMFF and double the thresholds below which an operation is not subject to more than one audit;
- combine financing from EU structural funds with financial instruments and the European Fund for Strategic Investments through so-called 'blending'. It will also be possible to blend grants and financial instruments under the Connecting Europe Facility to finance projects in the fields of transport, energy, and information and communication technology;
- establish a more comprehensive framework for the use of **financial instruments** and budget guarantees to stimulate investment;
- clarify the procedure for establishing **EU trust funds** and specify the principles applicable to contributions to trust funds;
- make it easier to use EU structural funds for the **integration of migrants and refugees** and to combat tax evasion and money laundering more effectively;
- provide for the provision to the bodies responsible for management and control activities of a **non-binding methodological guide** setting out the Commission's control strategy and method;
- increase **transparency** by improving the visibility of the Union's contribution to citizens.

Horizontal principles such as sustainable development and gender equality and non-discrimination shall play a key role in the effective implementation of the ESI Funds. In addition, in order to protect one of the fundamental principles of public finances, the **no-profit principle** is maintained in this Regulation.

ENTRY INTO FORCE: 2.8.2018. The EU institutions are given additional time to adapt to the new rules on their administrative expenditure. They shall apply them from 1.1.2019.