# Protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States

2018/0136(COD) - 16/12/2020 - Text adopted by Parliament, 2nd reading

The European Parliament adopted a legislative resolution approving the Council's position at first reading with a view to the adoption of a regulation of the European Parliament and of the Council on a general regime of conditionality for the protection of the Union budget.

The proposed Regulation aims at establishing a general regime of conditionality for the protection of the EU budget where infringements of the principles of the rule of law in a Member State affect or are likely to affect in a sufficiently direct manner the sound financial management of the Union budget or the protection of the Union's financial interests.

***Application to systemic violations of the rule of law***

The new legislation should apply where EU funds are directly misused, such as in cases of corruption or fraud. It should apply to systemic violations of fundamental EU values such as democracy or the independence of the judiciary.

The regulation sets out the measures to be adopted in cases of violation of the principles of the rule of law and the procedure for their adoption. These measures include suspension of payments and commitments, suspension of the disbursement of instalments or early repayment of loans or a reduction in financing under existing commitments.

***Protection of final beneficiaries***

The proposed mechanism would ensure that any measures taken would be proportionate and would provide tools to enhance the protection of the final recipients or beneficiaries. To enhance the protection of final recipients or beneficiaries, the Commission will have to provide information and guidance through a website or internet portal.

The procedure for adopting and lifting the measures should respect the principles of objectivity, non-discrimination and equal treatment of Member States and should be conducted according to a non-partisan and evidence-based approach. Implementing powers should be conferred on the Council, which should act by qualified majority on a proposal from the Commission.

In a joint statement annexed to the Recommendation, the Parliament, the Council and the Commission agreed to consider including the content of this Regulation in Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 (Financial Regulation) when it is next revised.