

The revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework

2021/2162(INI) - 24/11/2021 - Text adopted by Parliament, single reading

The European Parliament adopted by 534 votes to 98, with 57 abstentions, a resolution on the revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework (MFF).

The upcoming revision of the Financial Regulation is necessary following the entry into force of the MFF 2021-2027, including the NextGenerationEU instrument. It is also necessary for the proper implementation of the Interinstitutional Agreement on budgetary discipline, cooperation in budgetary matters and sound financial management and on new own resources (IIA).

Members believe that the revision should aim to **modernise the rules applicable to the EU budget** in line with its latest developments and in accordance with budgetary principles and the Union's values, as well as to improve parliamentary scrutiny, democratic accountability, transparency, civic engagement and the ability to respond to citizens' needs quickly and effectively, especially in times of crisis.

According to Members, the main objectives of the revision of the EU's financial rules should include:

- strengthening the protection of the Union's financial interests;
- aligning the regulation with the rule of law conditionality;
- strengthening public procurement rules to avoid potential conflicts of interest and improve transparency;
- reducing administrative burdens for beneficiaries;
- increasing the efficiency of spending to achieve higher European added value and;
- improving access to EU funding for citizens, SMEs and local and regional authorities.

Democratic accountability for a modern budget

Parliament noted that the NextGenerationEU instrument has taken off-budget instruments into a new dimension by significantly increasing, albeit temporarily, the volume of the Union's budget in the form of external assigned revenue by creating liabilities until 2058 through borrowing for lending and borrowing for direct EU expenditure.

As a branch of the budgetary authority, Parliament considered that it must be able to scrutinise and, where appropriate, authorise the Commission's use and management of external assigned revenue and its borrowing and lending operations. It proposed that the Financial Regulation be revised to **specify that external assigned revenue and the assets and liabilities relating to borrowing and lending operations are included in the EU budget** so that they are subject to audit and reporting by the European Court of Auditors and that the budgetary authority and the discharge authority can be duly informed of any suspected cases of misappropriation, corruption, fraud or breach of the rule of law.

Rule of law

Parliament called on the Commission to present a proposal to include the content of the Conditionality Regulation in the Financial Regulation upon its next revision and to examine opportunities to further improve the alignment of all EU instruments that aim to ensure sound financial management and the protection of the Union's financial interests, including the Commission's annual rule of law report.

The Commission should ensure that the Union budget is spent on projects or organisations that respect the **Union values** and to evaluate whether the relevant provisions of the Financial Regulation are sufficiently effective in preventing and addressing **conflicts of interest** in the implementation and control of the EU budget.

Digital tools

In the light of the Pandora Papers, there is an urgent need to ensure transparency for beneficial owners. Members believe that compulsory centralisation of information in a **single, interoperable reporting and monitoring system** and in a public EU database, including information on direct and final beneficiaries of EU funds, would address the lack of transparency and increase public scrutiny and confidence in EU public spending.

The Financial Regulation should include provisions obliging the responsible actors to establish uniform records of economic operators and beneficial owners to allow their identification in all EU programmes, regardless of who implements them and regardless of the management mode (direct, indirect or shared management).

Public procurement

Parliament called on the Commission to provide for a more explicit definition of '**professional conflict of interest**' and to ensure that its implementation rules on public procurement do not permit the awarding of policy-related service contracts to undertakings that are under the economic control of a parent company or a group that owns shares related to activities that are not in line with the EU's environmental, social and Green Deal objectives.

The Commission is also called on to strengthen the Financial Regulation in order to take account of '**professional conflicting interests**' and to further increase the accuracy and completeness of the voluntary notification thereof by applicants submitting tenders, such as developing adequate sanctions if voluntarily notifications are not complied with, including a temporary ban from public tendering in case of severe breaches.

The upcoming revision of the Financial Regulation should take account of the **EU's autonomous strategic interests** and ensure that ambitious awarding criteria are set, taking into account the European added value of projects as well as the principle of 'the most economically advantageous tender'. Public procurement rules should include safeguards to evaluate the activities of companies that contradict the social and environmental objectives of the Union in the award decision.

Members also insisted that the budget should be gender-sensitive, that climate and biodiversity should be considered and that the Financial Regulation should allow for the proper implementation of the European Pillar of Social Rights.