

# General budget of the European Communities: review of the recast Financial Regulation

2005/0090(CNS) - 15/03/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Ingeborg **GRÄSSLE** (EPP-ED, DE) and made several amendments to the Commission's proposal. (Please see the summary of 06/03/2006.)

In addition, Parliament stated that supply and service contract award procedures must be streamlined and brought more into line with the needs of tenderers. In this connection, attention should be paid in particular to ensuring that the principle of proportionality also extends to documentation efforts. Framework contracts should be reflected in the Financial Regulation. Competition should not be constrained as a result of unnecessarily long contractual ties in framework contracts, and small and medium-sized undertakings should not be effectively debarred right from the outset, because of their size, from contract award procedures. Furthermore:

- The exclusion of tenderers should be subject to the principle of proportionality. The exclusion period should be limited to no more than 10 years so as to prevent disproportionate penalties. Exclusions for more than five years should take place only on the basis of an unappealable judgment.
- The requirement to provide supporting documents should be confined to what is necessary. The documentation effort required should be based, inter alia, on the value of the contract concerned. The obligation for grant beneficiaries to provide supporting documents and the penalties to which they are subject should at all times be proportionate to the risk involved.
- To preserve the institutions' reputation for administrative fairness and propriety, Community servants involved in grant procedures should always notify their superiors accordingly so as to rule out any conflict of interest.
- Tenderers who have been passed over should have effective legal safeguards, which the Member States are also required to provide. To that end, independent vetting bodies should be set up which can verify award procedures quickly, without disproportionate effort, and provide effective legal protection.
- Protecting the Union's financial interests must not demand too much of contractors. The provision of security by contractors should therefore be restricted to instances where this is justified and must not go beyond the purpose of providing the security.
- To enhance information for applicants, a joint service should be set up to deal with standardising applications for similar types of funding, providing applicants with information, and benchmarking for awarding funding. The joint service shall have the task of providing information and advice to applicants. In particular, this service shall: lay down joint standards for application forms for similar grants and monitor the size and readability of the application forms; supply information to potential applicants (in particular by means of seminars and the provision of handbooks), and maintain a database with the help of which the Commission can notify applicants.
- With regard to the liability of the authorising officer to pay compensation, in keeping with the principle of proportionality, the level of liability of the authorising officer shall be assessed primarily on the basis of the degree of misconduct. If the authorising officer acts negligently, the liability shall be restricted to a maximum of 12 months salary. If the authorising officer acts intentionally or deliberately, he shall be liable for the entire loss suffered.

- The duration of the framework contract for the provision of services may not exceed 24 months, although tacit extension for a period of up to 24 months shall be admissible. Provision may be made for partial termination, provided that this is consistent with the purpose of the contract.

- With regard to operating grants, the following, in particular, may be claimed as costs eligible for financing: the costs of a bank guarantee or comparable surety to be lodged by the beneficiary of the grant; the amounts of turnover tax which the beneficiary of the grant cannot claim as a deduction of input tax; the costs of an external audit; administrative expenditure and staff and equipment costs;

depreciation.

- Finally, Parliament specified that the award procedure shall be divided into several procedural stages, the first of which shall comprise solely an approximate evaluation of the permissible applications submitted. If an application has already no prospect of success after this stage of the procedure, the applicant shall be informed accordingly. Each subsequent stage of the procedure must be clearly distinct from the previous one, particularly as regards the quantity and substance of the evidence to be submitted by the applicant. If evidence is required from an applicant, it may be required only once in the course of the procedure. Data which have been obtained shall be stored in a database. Efforts shall be made to complete the procedure speedily. The authorising officer shall, throughout the procedure, take particular care to ensure that the effort required of an applicant for purposes of publication, documentation and the provision of other compulsory evidence pertaining to a grant is not disproportionate to the value of the grant to be awarded.