

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

2005/0090(CNS) - 18/05/2006 - Amended legislative proposal for reconsultation

The Commission presents a modified proposal for revising the Financial Regulation, incorporating to a large extent the opinions of the other institutions and taking account of the concerns expressed by the representatives of civil society. This modified proposal should help to build inter-institutional consensus by accepting the most important requests of the institution and reducing the areas of disagreement, notably between Council and Parliament. The amendments proposed by the Commission do not change the basic structure of the Commission's initial proposal and its key elements. They preserve the "acquis" of the financial reform, and strike a better balance between the protection of the financial interests and the proportionality of administrative costs and user-friendly procedures. The Commission's amendments must be adopted by unanimity in the Council after a conciliation procedure with the European Parliament. The Commission will then decide on the necessary amendments to the Implementing Rules, which further specify the provisions of the Financial Regulation.

The main changes basically aim to do the following:

## **Simplification of access to EU funds:**

- In light of the principle of proportionality, which is now clearly mentioned, paperwork for Small and Medium Enterprises (SMEs), schools, universities, development agencies and small municipalities will be reduced. These are the usual beneficiaries of small grants and contracts – for them access to EU funding will be easier;
- various obligations such as the supply of evidence of clean financial health, clean criminal or professional records, or guarantees for up-front payments will be adjusted so as to be 'appropriate and proportionate'.

## **Flexible and effective management mechanisms:**

- EU institutions and Member States will be able to publish joint calls for tender when this is more appropriate;
- it will be easier for the European Commission to delegate tasks to the European Investment Bank and the European Investment Fund to benefit from their expertise;
- for actions involving many beneficiaries, such as exchange grants for students, deadlines will be shortened by allowing the Commission to simply notify the beneficiary of the award without signing a formal agreement;
- in end-of-year humanitarian or crisis management situations, the Commission will be able to react immediately and commit funds foreseen for the following year;
- similarly, legal constraints before the launch of pilot and preparatory actions in the field of the Common Foreign and Security Policy will be adjusted to increase responsiveness;
- finally, a possibility to delegate the management of the funds to duly recognized national organisations will be given to third countries receiving EU aid.

**Tighter controls and transparency:** the new proposals include an explicit reference to the principle of effective and efficient internal control, to which all EU institutions and Member States will adhere.

- levels of risk on the legality and regularity of financial transactions and related control measures will have to be fixed before launching new policies;
- in addition, control resources will be improved as the Commission and Member States will cooperate and exchange information on their audits and controls;
- the obligation to publish annually the list of all beneficiaries of EU funds will be extended to those policies managed by the Commission in partnership with Member States (agricultural policy, structural funds, etc.);
- for the purpose of better protection of the EU's financial interests, the Commission's system of identification of beneficiaries of grants and contracts with a proven record of professional malpractice or fraud will be extended to Member States managing the EU budget. This will ensure consistent exclusion from further EU funding for these beneficiaries.