

Financial Regulation applicable to the general budget: implementation of Regulation (EC, Euratom) No 1605/2002

2006/0900(CNS) - 04/07/2006 - Legislative proposal

PURPOSE : to amend Regulation 2342/2002/EC, Euratom laying down detailed rules for the implementation of Council Regulation 1605/2002/EC, Euratom on the Financial Regulation applicable to the general budget of the European Communities.

PROPOSED ACT : Draft Commission Regulation.

CONTEXT : on 18 May 2006, the Commission approved a modified proposal for revising the Financial Regulation (CNS/2005/0090), incorporating to a large extent the opinions of the other institutions and taking into account the concerns expressed by representatives of civil society. The main objective of the Commission's modified proposal is to improve the efficiency and transparency of the rules by striking a better balance between the cost of control and the financial risks at stake whilst maintaining a high level of protection of the Community funds.

According to Article 184 of the current Financial Regulation (FR), a conciliation procedure between Council and Parliament will now be necessary, if the Parliament so requests, before the Council definitively adopts the revision of the FR. The objective is to rapidly reach agreement on the FR in 2006 so that the amendments can enter into force on 1 January 2007, together with the new generation of spending programmes.

In order to speed-up the legislative process the Commission is now taking the initiative to present a draft Regulation amending Regulation 2342/2002/EC, Euratom laying down the implementing rules (IR) of the FR and to consult the other institutions on the proposed amendments to the IR.

CONTENT : this draft proposal concerns the amendments to the IR which can be made only after prior modification of the FR, i.e. the amendments "linked" to the revision of the FR. It is based to a large extent on the Commission staff working document on the linked IR presented in October 2005 (CNS/2005/0904) which was transmitted to the other institutions for information. In addition, this draft proposal takes into account the amendments voted by the European Parliament on the FR which relate as far as their substance is concerned, to the IR.

In order to give the other institutions the opportunity to express an opinion on them, the changes deriving from those EP's amendments are included in the present draft proposal even if they do not formally require prior modification of the FR.

The proposed amendments concern the following issues:

- **Budgetary principles and interests yielded by pre-financing payments** (the recovery of interest on pre-financing need to be further specified, principle of unity, principle of specification of the budget);
- **Methods of management** (indirect centralised management; checks to be carried out by the Commission in the different methods of management; annual summary of available audits and declarations; joint management);

- **Financial actors** (the possibility for the authorising officer by delegation to refer a matter to the financial irregularities panel);
- **Recovery of debts** (privileges; limitation period);
- **Public procurement and contracts** (framework contracts; information relating to specific contracts based on a framework contract; refrain from requiring the declaration; form of separate lots; available legal remedies; carry out a procurement procedure jointly; common central database on exclusions; situations of legal exclusion; penalties; the modalities of the standstill procedure);
- **Grants** (define certain types of equity investment participation and risk bearing instruments; grants should be awarded either by a Commission decision or by a written agreement with the beneficiary; lump sums; flat rates co-financing rule; the possibility to adopt the annual work programme at an early stage, during the previous year; changes to the content of the call for proposals must remain the exception; award of grants; beneficiaries not having legal personality; information and guidance to the applicants; facilitate the management of the award procedure, very low value grants are defined; information on evident material errors in the applications; lump sums to be determined in the basic act; simplify contracts to be concluded by the beneficiary to implement a grant; organise financial support to third parties);
- **Accounting** (clarify the status of the report on budgetary and financial management);
- **External actions** (introduce a “n + 4” decommitment rule; introduce the possibility of secret procurement procedures for security reasons; lay down the threshold for negotiated procedure on the basis of a single tender (operational expenditure));
- **External experts** (define the selection procedures for external individual experts for the evaluation of proposals and other forms of technical assistance).