

Basic information	
2005/0090(CNS) CNS - Consultation procedure Regulation	Procedure completed
General budget of the European Communities: review of the recast Financial Regulation	
Amending Regulation (EC, Euratom) No 1605/2002 2000/0203(CNS) Subject 8.70.02 Financial regulations	

Key players			
European Parliament	Committee responsible		Rapporteur
	BUDG Budgets		GRÄSSLE Ingeborg (PPE-DE) 20/09/2004
	Former committee responsible		Former rapporteur
	BUDG Budgets		
	BUDG Budgets		GRÄSSLE Ingeborg (PPE-DE) 20/09/2004
	Committee for opinion		Rapporteur for opinion
	CONT Budgetary Control		GRÄSSLE Ingeborg (PPE-DE) 20/06/2006 PAHOR Borut (PSE) 20/06/2006 PAHOR Borut (PSE) 20/06/2006
	Former committee for opinion		Former rapporteur for opinion
	DEVE Development		WIJKMAN Anders (PPE-DE) 25/01/2006
	CONT Budgetary Control (Associated committee)		GRÄSSLE Ingeborg (PPE-DE) 23/05/2005 PAHOR Borut (PSE) 23/05/2005

Council of the European Union	Council configuration			Meetings	Date
	Economic and Financial Affairs ECOFIN			2742	2006-07-14
	Economic and Financial Affairs ECOFIN			2759	2006-11-07
	Environment			2773	2006-12-18
European Commission	Commission DG		Commissioner		
	Budget		GRYBAUSKAITĖ Dalia		

Key events			
Date	Event	Reference	Summary
04/07/2005	Legislative proposal published	COM(2005)0181 	Summary
06/09/2005	Committee referral announced in Parliament		
17/11/2005	Referral to associated committees announced in Parliament		
06/03/2006	Vote in committee		
08/03/2006	Committee report tabled for plenary, 1st reading/single reading	A6-0057/2006	
14/03/2006	Debate in Parliament		
15/03/2006	Results of vote in Parliament		
15/03/2006	Decision by Parliament	T6-0085/2006	
18/05/2006	Amended legislative proposal for reconsultation published	COM(2006)0213 	Summary
13/06/2006	Results of vote in Parliament		
13/06/2006	Decision by Parliament		
26/06/2006	Formal reconsultation of Parliament		
06/07/2006	Decision by Parliament	T6-0312/2006	Summary
06/07/2006	Results of vote in Parliament		
14/07/2006	Debate in Council		Summary
06/09/2006	Decision by Parliament	T6-0343/2006	Summary
06/09/2006	Results of vote in Parliament		
07/11/2006	Formal reconsultation of Parliament		
30/11/2006	Vote in committee		Summary
05/12/2006	Committee report tabled for plenary, reconsultation	A6-0447/2006	
12/12/2006	Debate in Parliament		

13/12/2006	Decision by Parliament	T6-0557/2006	Summary
13/12/2006	Results of vote in Parliament		
18/12/2006	Act adopted by Council after consultation of Parliament		
18/12/2006	End of procedure in Parliament		
30/12/2006	Final act published in Official Journal		

Technical information

Procedure reference	2005/0090(CNS)
Procedure type	CNS - Consultation procedure
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Amending Regulation (EC, Euratom) No 1605/2002 2000/0203(CNS)
Legal basis	Euratom Treaty A 183 EC Treaty (after Amsterdam) EC 279
Stage reached in procedure	Procedure completed
Committee dossier	BUDG/6/42483 BUDG/6/39775 BUDG/6/29474

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE367.649	16/01/2006	
Committee opinion	CONT	PE367.814	22/02/2006	
Committee opinion	DEVE	PE369.919	22/02/2006	
Committee report tabled for plenary, 1st reading/single reading		A6-0057/2006	08/03/2006	
Text adopted by Parliament, 1st reading/single reading		T6-0085/2006	15/03/2006	Summary
Text adopted by Parliament, 1st reading/single reading		T6-0312/2006	06/07/2006	Summary
Motion for a resolution		B6-0457/2006	04/08/2006	
Text adopted by Parliament, topical subjects		T6-0343/2006	06/09/2006	Summary
Committee opinion	CONT	PE380.981	27/11/2006	
Committee draft report		PE382.295	28/11/2006	
Committee final report tabled for plenary, reconsultation		A6-0447/2006	05/12/2006	
Text adopted by Parliament after reconsultation		T6-0557/2006	13/12/2006	Summary

Council of the EU

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Document type	Reference	Date	Summary	
Supplementary legislative basic document	14259/2006	09/11/2006	Summary	
European Commission				
Document type	Reference	Date	Summary	
Legislative proposal	COM(2005)0181 	04/07/2005	Summary	
Amended legislative proposal for reconsultation	COM(2006)0213 	18/05/2006	Summary	
Other institutions and bodies				
Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	CES1259/2005 OJ C 028 03.02.2006, p. 0083-0085	26/10/2005	
CofA	Court of Auditors: opinion, report	RCC0010/2005 OJ C 013 18.01.2006, p. 0001-0008	07/12/2005	Summary

Additional information		
Source	Document	Date
National parliaments	IPEX	
European Commission	EUR-Lex	

Final act
Regulation 2006/1995 OJ L 390 30.12.2006, p. 0001 Summary

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

2005/0090(CNS) - 06/09/2006 - Text adopted by Parliament, topical subjects

The European Parliament adopted a resolution on the Financial Regulation applicable to the general budget of the European Communities.

The Parliament notes that the Commission has altered its proposal pursuant to Article 250(2) of the EC Treaty and, in particular, that the principle of proportionality, the demand for more transparency, the excluded-participants database and the Member States' annual reports have been incorporated, as called for by Parliament in its amendments adopted on 15 March 2006.

The MEPs welcome the incorporation of the principle of effective and efficient internal control, including a tolerable level of risk. They approve the modified Commission proposal of 18 May 2006 in so far as it takes account of Parliament's amendments, without prejudice, however, to its position of 15 March 2006 and 6 July 2006, which still applies unreservedly.

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

2005/0090(CNS) - 04/07/2005 - Legislative proposal

PURPOSE : to amend Regulation 1605/2002/EC on the Financial Regulation applicable to the general budget of the European Communities, and present a report on the application of the provisions of the new Financial Regulation.

PROPOSED ACT : Council Regulation.

CONTENT : the Financial Regulation ('FR') was adopted in June 2002. In December 2002 the Commission adopted the Implementing Rules ('IR') of the recast FR after extensive consultation of the

institutions. Both these regulations, which apply to all institutions, entered into force on 1 January 2003. The FR is subject to review every three years, or whenever it proves necessary to do so. At the time of the adoption of the new FR in 2002, the Commission undertook to make a report by 1 January 2006 on the application of the provisions of the new FR and, in particular, on the discontinuation of centralised ex ante controls, and, if necessary, to submit appropriate proposals to the Council. This report is annexed to the document.

The main objective of the Commission's review are to improve efficiency and transparency in the operation of the rules, simplification of the procedural and documentation requirements for grants and contracts, and clarification of the rules governing methods of management.

The document describes the methods and criteria used by the Commission in its review. It makes it clear that legislative changes should be reserved for those problems where there is no alternative. Wherever possible, other solutions, such as interpretative notes or administrative measures, should be used.

The main amendments proposed are as follows:

Budgetary principles:

- regarding the principle of unity of the budget, the rule governing interest generated by pre-financing is simplified. The current rule is that pre-financing, and interest generated by it, belongs to the Community, and that interest must be recovered, at least annually. The existing scope of this rule is limited to grants subject to centralised management by the Commission services. This places a disproportionate burden on those programmes where in-house administrative resources are required to administer recovery orders. It is therefore proposed to allow for the amount of interest to be set off against the final payment to the beneficiary. This maintains the principles of Community ownership of prefinancing and accounting for the interest generated. The limits on the scope of application of the general rule should be incorporated in the FR instead of the IR.

- with regard to the principle of annuality, certain changes are made: the carry-over of non-differentiated appropriations will exceptionally be permitted in the case of expenditure on direct payments to farmers. Commitment of expenditure in advance, from 15 December of year n-1, will be exceptionally authorised for crisis management aid and humanitarian aid as referred to in Art. 110 FR. In addition, restrictions on the maximum threshold for advance commitments against the current "EAGGF/Guarantee" (from 15 November of year n-1) to cover routine management expenditure (charged to the budget of the year n) will be removed. Under the new European Agricultural Guarantee Fund, payment requests will be concentrated overwhelmingly at the beginning of the budget year n. Non-differentiated appropriations for veterinary measures, charged against the current "EAGGF/Guarantee" will be converted into differentiated appropriations, more suited to the multi-annual nature of the expenditure.

- Regarding the principle of universality, two items are added to the list of assigned revenue (Art. 18):

the possibility for Member States to make ad hoc contributions for external relations programmes; and

proceeds from the sale of vehicles, equipment, installations, etc.

- At present, the Commission must be authorised by the budgetary authority before accepting any donations. To avoid unnecessary and cumbersome procedures, it would be useful to limit the requirement for authorisation to donations which involve significant charges.

- In relation to the principle of specification of the budget, the rules governing transfers of appropriations are simplified where they have proven cumbersome or unclear: this applies to "Notification procedure" in Articles 22 and 23. Also, for reasons of efficiency, the Commission is allowed to decide autonomously on transfers from the reserve where no basic act exists for the

action concerned when the budget is established but is adopted during the year. Rules on transfers of administrative appropriations are adapted to the new Activity-Based Budgeting (ABB) structure.

Methods of management (Arts 53-57)

- The limitation of shared management to EAGFF and Structural funds is removed, to reflect current practice based on existing regulations as well as proposals for future basic acts after 2006.

- For joint management with international organisations, the definition and requirements need to be clarified and need to be completed in line with operational needs.

- The conditions and criteria for using national public-sector bodies ("national agencies") are simplified in order to facilitate their use, and the scope of the provision is extended to international public bodies.

- The specific case of special advisers/heads of mission appointed by the Council to manage certain actions in common foreign and security policy (CFSP) is included as a special case of indirect centralised management.
- The prohibition on delegating budget implementation tasks to private bodies is modified, since experience has proved the terms of this prohibition to be unnecessarily strict.
- Finally, taking account of the need for a common control framework, controls carried out by the Commission on decentralised or indirect centralised management, and where appropriate in shared management, are reinforced, particularly by adding provisions concerning the Member States' responsibilities under shared management.

Financial Actors

The relationship between the Commission's internal auditor and the agencies (FR) is adjusted (Art. 185 FR). The latter will have their own internal audit function reporting to their own management boards, whereas the Commission's internal auditor reports to the College on the procedures and systems of the Commission. As regards the Accounting Officer, his/her responsibility for certifying the accounts, on the basis of the financial information supplied to him/her by the authorising officers, is clarified.

Recovery of amounts receivable (Arts. 72-73b)

The rules on recovery of amounts receivable should be **clarified** and **strengthened**.

- Enforced recovery is assisted by ensuring that the Community's claims also benefit from the instruments adopted under the Treaty provisions on judicial cooperation in civil law matters having cross-border implications.
- Recoveries should be treated by the Member States in the same way as they treat their own fiscal claims within their jurisdiction and should enjoy the same privileges.
- The practical experience of the Commission services shows that, unlike state authorities in many national jurisdictions, the Community is not subject to a period of limitation under which financial claims extinguish after a certain period of time. The introduction of such a period of limitation corresponds to the principles of sound financial management and of equal treatment of operators. The same period of limitation of five years is already provided for fines and periodic penalty payments by the Council Regulation on the implementation of the rules on competition.

Public procurement and contracts

One of the main objectives, and achievements, of the FR adopted in 2002 was to transpose the EC Public Procurement Directives so that the Community institutions would apply the same standards as the Member States. Given the adoption of the new EC Public Procurement Directive in 2004, some further amendments to the FR are necessary:

- Including the possibility of declaring procurement to be secret.
- Distinguishing between the most serious grounds for exclusion and other grounds which involve a lower level of financial risk : the most serious grounds for exclusion should be obligatory, while the rest should be applied as necessary, on the basis of a risk assessment by the contracting authority.

Experience has proved the following amendments to be necessary:

- Possibility of sharing a common database of those candidates or tenderers in situations of exclusion;
- Extension of simplified rules to govern the awarding contracts to external experts for evaluation and technical assistance (Arts 91, 97 FR).
- Clarification of the obligations of the institutions to suspend a procurement procedure or a contract in cases of fraud, etc.

Grants

Simplification of the rules is needed: requirements for checks and guarantees need to be better adjusted to the financial risks involved.

- The scope of the title on grants is clarified (Art.108 FR) in particular as regards financing related to loan activities and shareholdings.
- As for the public procurement, it is necessary to add the principle of proportionality.
- The scope of the non-profit rule is clarified and its articulation between FR and IR.
- In certain situations, the nature of the action leaves no choice in the selection of beneficiaries. This category is therefore added in Article 110 FR.
- The same action should not give rise to more than one grant to any one beneficiary. However, some basic acts permit Community funding to be combined since it is considered useful for example for the structural funds to be complemented by interventions from other programmes (e.g. TENs). It is also made clear that the same costs can never be financed twice (Art. 111 FR).
- Where grants are given for running costs, the rule that the necessary agreement may not be signed more than four months after the start of the beneficiary's financial year has proved unnecessarily rigid. Since there are strict rules on retrospective funding, this deadline may safely be fixed at six months.

- The use of flat-rate payments is authorised at the level of the FR along with the more traditional method of reimbursing pro rata costs actually incurred (new Art. 113a).
- Certain restrictions on the eligibility of beneficiaries are removed (Art. 114 FR) in order to allow for grants to physical persons and certain types of association without legal personality.
- The rules on exclusion from grant procedures include the same distinction as that for procurement in relation to the level of seriousness (Art. 114 FR).
- The case in which the implementation of an action needs to give a financial support to third parties is expressly provided for.

Specific policy sectors in Part Two of the FR

- Title I: agriculture. Some changes have already been referred to above under the budgetary principles section. In addition, the proposal provides that provisional commitments can be made later than the normal two-month deadline after receipt of the Member States' statements of expenditure in cases where a decision on a transfer of appropriations is expected. And Art. 153 FR concerning transfers is inaccurate: reference should be made only to the notification procedure in Art. 23.

- Title II: structural funds. Terminology is adjusted to refer specifically to the structural funds, cohesion fund, fisheries funds and rural development fund. Furthermore, in the new basic acts proposed by the Commission for structural actions post-2006 the rule on the automatic decommitment of appropriations is suspended in cases of force majeure seriously disrupting the implementation of the actions. The making available again of appropriations is therefore no longer necessary in this case. The Commission, however, considers it justified to keep the case of "manifest error" attributable to itself (Art. 157). This will allow commitment appropriations to be found without disrupting the overall programming of appropriations for the seven-year period.

- Title III: Research

Exceptionally, it should be possible to make decommitted commitment appropriations available again in the case of the framework research programme, under strictly defined conditions; this will enable decommitted appropriations earmarked for projects which were not implemented totally or partially to be re-used for alternative projects of sufficient quality.

Offices

The inter-institutional European Offices are authorised to act as delegated authorising officers for appropriations corresponding to the budget of other institutions.

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

2005/0090(CNS) - 13/12/2006 - Final act

PURPOSE: to amend Regulation 1605/2002/EC on the Financial Regulation applicable to the general budget of the European Communities in order to reinforce the transparency of Community funds.

LEGISLATIVE ACT: Council Regulation 1995/2006/EC amending Regulation (EC/Euratom) 1605/2002/EC on the Financial Regulation applicable to the general budget of the European Communities.

CONTENT: The Council, following a successful conciliation with the European Parliament, adopted a Regulation amending Regulation 1605/2002 (the "financial regulation") on the rules applicable to managing the EU's general budget.

The main objectives of the revised financial regulation are:

- to improve efficiency and transparency concerning the rules' operation, in particular as regards clarification of their interpretation and application;
- simplification of procedural and documentation requirements for contracts and grants, especially for those of low value, and ensuring that requirements are proportionate to the costs and risks involved;
- simplification of requirements for the prior verification of grants, and for financial and legal guarantees, ensuring that requirements, and the administrative burdens they place on beneficiaries, are proportionate to the costs and risks involved;
- clarification and streamlining of the rules governing methods of management.

The financial regulation is subject to review every three years, or whenever it proves necessary to do so.

ENTRY INTO FORCE: 19 January 2007. The new rules will apply at the latest from 1 May 2007, together with revised detailed rules for implementation of the financial regulation.

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

2005/0090(CNS) - 14/07/2006

In response to an initiative from the European Parliament, the Council reaffirmed the importance of finalising the Financial Regulation in good time. The Council also restated its intention to do its utmost to carry out the revision of the Financial Regulation in accordance with the conciliation procedure.

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

2005/0090(CNS) - 09/11/2006 - Supplementary legislative basic document

The Council approved, without debate, the draft Regulation aiming to amend Regulation 1605/2002/EC on the Financial Regulation applicable to the general budget of the European Communities.

This draft will be sent to the European Parliament with the view to reaching an agreement on the text before its adoption by the Council. The Council suggests that the conciliation meeting be held alongside the forthcoming Ecofin (Budget) Council meeting in Brussels on 21 November 2006.

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

2005/0090(CNS) - 06/07/2006 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted a resolution drafted by Ingeborg **GRÄSSLE** (EPP-ED, DE) and approved the Commission proposal as amended. (Please see the summary of 15/03/2006.)

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

2005/0090(CNS) - 07/11/2006

The Council approved, without discussion, a draft Regulation aimed at amending Regulation 1605/2002/EC on the financial regulation applicable to the EU's general budget. The draft will be forwarded to the European Parliament with a view to reaching agreement on the text before its adoption by the Council. The Council suggested that the conciliation meeting be held in the margins of the Ecofin (Budget) council's meeting on 21 November 2006.

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.

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

2005/0090(CNS) - 13/12/2006 - Text adopted by Parliament after reconsultation

The European Parliament adopted a resolution drafted by Ingeborg **GRASSLE** (EPP-ED, DE) accepting the conclusions of the budgetary conciliation meeting with the Council on 21 November 2006 and declaring the budgetary conciliation procedure closed.

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

2005/0090(CNS) - 07/12/2005 - Court of Auditors: opinion, report

The Court of Auditors adopted opinion 10/2005 on the draft Council Regulation amending Regulation 1605/2002/EC.

The Court feels that, as the previous financial management reform is too recent to have been able to achieve all its objectives, there is no justification for the scale of the revision proposed by the Commission. The extent of the revision and the contents of some amendments risk complicating management unnecessarily.

This applies particularly in the case of the new exceptions to budgetary principles that have been introduced in response to difficulties experienced by some Commission departments and as a result of amendments to sectoral regulations. The Court considers that most of these needs could be resolved within the framework of the current Financial Regulation.

The steps taken to simplify financial management in the areas of procurement and grants and the effort made to protect the Communities' financial interests (proposed amendments concerning recoveries, suspension or implementation of contracts, sanctions) represent progress towards better financial management.

Nevertheless, the proposed revision does not provide the solution to certain management needs (flexibility in the management of employees, transactions involving the purchase/ construction of buildings, clarification of the responsibilities of the financial actors). In other cases, the amendments proposed are not radical enough to resolve the problems to which they are trying to respond (methods of implementing the budget, role of the Accounting Officer). Furthermore, the Court considers that greater use should have been made of the possibilities of interinstitutional cooperation.

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

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

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.