Basic information

2016/0282A(COD) COD - Ordinary legislative procedure (ex-codecision procedure) Regulation	Procedure completed
Financial rules applicable to the general budget of the Union: simplification Repealing Regulation (EU, Euratom) No 966/2012 2010/0395(COD) Amending Regulation (EU) No 1304/2013 2011/0268(COD) Amending Regulation (EU) No 1309/2013 2011/0269(COD) Amending Regulation (EU) No 1296/2013 2011/0270(COD) Amending Regulation (EU) No 1301/2013 2011/0275(COD) Amending Regulation (EU) No 1303/2013 2011/0276(COD) Amending Regulation (EU) No 283/2014 2011/0299(COD) Amending Regulation (EU) No 1316/2013 2011/0302(COD) Amending Regulation (EU) No 223/2014 2012/0295(COD) Amending Decision No 541/2014/EU 2013/0064(COD) Amended by 2022/0370(COD) **Subject** 8.70 Budget of the Union 8.70.02 Financial regulations 8.70.03 Budgetary control and discharge, implementation of the budget	

Key players

European Parliament

Joint committee responsible	Rapporteur	Appointed
BUDG Budgets	GRÄSSLE Ingeborg (PPE)	26/01/2017
CONT Budgetary Control	ASHWORTH Richard (PPE)	26/01/2017
	Shadow rapporteur SARVAMAA Petri (PPE) AYALA SENDER Inés (S&D) MAŇKA Vladimír (S&D) ALI Nedzhmi (ALDE) NÍ RIADA Liadh (GUE/NGL) FLANAGAN Luke Ming (GUE/NGL) STAES Bart (Verts/ALE) TARAND Indrek (Verts/ALE) VALLI Marco (EFDD)	

Committee for opinion	Rapporteur for opinion	Appointed

AFET	Foreign Affairs	CRISTEA Andi (S&D)	12/01/2017
DEVE	Development	MCAVAN Linda (S&D)	11/10/2016
EMPL	Employment and Social Affairs (Associated committee)	LAVRILLEUX Jérôme (PPE)	06/12/2016
ENVI	Environment, Public Health and Food Safety	The committee decided not to give an opinion.	
ITRE	Industry, Research and Energy (Associated committee)	BUZEK Jerzy (PPE)	09/11/2016
TRAN	Transport and Tourism (Associated committee)	VAN DE CAMP Wim (PPE)	08/11/2016
REGI	Regional Development (Associated committee)	KREHL Constanze (S&D)	11/01/2017
AGRI	Agriculture and Rural Development (Associated committee)	DESS Albert (PPE)	25/01/2017
PECH	Fisheries	ITURGAIZ Carlos (PPE)	26/10/2016
LIBE	Civil Liberties, Justice and Home Affairs	VIOTTI Daniele (S&D)	14/11/2016

Committee for opinion on the legal basis	Rapporteur for opinion	Appointed
JURI Legal Affairs	GUTELAND Jytte (S&D)	03/04/2017

Council of the European Union

Council configuration	Meetings	Date
Agriculture and Fisheries	3529	2017-04-03
Agriculture and Fisheries	3632	2018-07-16

European Commission

Commission DG	Commissioner
Budget	KING Julian

European Economic and Social Committee

European Committee of the Regions

Key events

Date	Event	Reference	Summary
14/09/2016	Legislative proposal published	COM(2016)0605	Summary
21/11/2016	Committee referral announced in Parliament, 1st reading		
19/01/2017	Referral to associated committees announced in Parliament		
19/01/2017	Referral to joint committee announced in Parliament		
03/04/2017	Debate in Council		
30/05/2017	Vote in committee, 1st reading		
30/05/2017	Committee decision to open interinstitutional negotiations with report adopted in committee		
08/06/2017	Committee report tabled for plenary, 1st reading	A8-0211/2017	Summary
12/06/2017	Committee decision to enter into interinstitutional negotiations announced in plenary (Rule 72)		
14/06/2017	Committee decision to enter into interinstitutional negotiations confirmed by plenary (Rule 72)		
21/11/2017	Approval in committee of the text agreed at 1st reading interinstitutional negotiations		
14/12/2017	Approval in committee of the text agreed at 1st reading interinstitutional negotiations		
23/04/2018	Approval in committee of the text agreed at 1st reading interinstitutional negotiations	GEDA/A/(2018)003079	
04/07/2018	Debate in Parliament		
05/07/2018	Decision by Parliament, 1st reading	T8-0309/2018	Summary
05/07/2018	Results of vote in Parliament		
16/07/2018	Act adopted by Council after Parliament's 1st reading		
18/07/2018	Final act signed		
18/07/2018	End of procedure in Parliament		
30/07/2018	Final act published in Official Journal		

Technical information

Procedure reference	2016/0282A(COD)
Procedure type	COD - Ordinary legislative procedure (ex-codecision procedure)
Procedure subtype	Legislation
Legislative instrument	Regulation
Amendments and repeals	Repealing Regulation (EU, Euratom) No 966/2012 2010/0395(COD) Amending Regulation (EU) No 1304/2013 2011/0268(COD) Amending Regulation (EU) No 1309/2013 2011/0269(COD)

	Amending Regulation (EU) No 1296/2013 2011/0270(COD) Amending Regulation (EU) No 1301/2013 2011/0275(COD) Amending Regulation (EU) No 1303/2013 2011/0276(COD) Amending Regulation (EU) No 283/2014 2011/0299(COD) Amending Regulation (EU) No 1316/2013 2011/0302(COD) Amending Regulation (EU) No 223/2014 2012/0295(COD) Amending Decision No 541/2014/EU 2013/0064(COD) Amended by 2022/0370(COD)
Legal basis	Rules of Procedure EP 59 Treaty on the Functioning of the European Union TFEU 189 Treaty on the Functioning of the European Union TFEU 153-p2-a1 Treaty on the Functioning of the European Union TFEU 164 Treaty on the Functioning of the European Union TFEU 178-p1 Treaty on the Functioning of the European Union TFEU 209-p1 Treaty on the Functioning of the European Union TFEU 349-p1sub1-as1 Treaty on the Functioning of the European Union TFEU 042-p1 Treaty on the Functioning of the European Union TFEU 046 Treaty on the Functioning of the European Union TFEU 172 Treaty on the Functioning of the European Union TFEU 175-p3 Treaty on the Functioning of the European Union TFEU 212 Treaty on the Functioning of the European Union TFEU 043-p2 Treaty on the Functioning of the European Union TFEU 177-p1 Treaty on the Functioning of the European Union TFEU 322-p2 Treaty on the Functioning of the European Union TFEU 168-p4 Treaty on the Functioning of the European Union TFEU 149
Mandatory consultation of other institutions	European Economic and Social Committee European Committee of the Regions
Stage reached in procedure	Procedure completed
Committee dossier	CJ13/8/09028

Documentation gateway

European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE601.115	10/03/2017	
Committee opinion	PECH	PE599.707	24/03/2017	
Committee opinion	LIBE	PE597.563	12/04/2017	
Committee opinion	AFET	PE597.548	18/04/2017	
Amendments tabled in committee		PE603.011	18/04/2017	
Amendments tabled in committee		PE603.035	18/04/2017	
Committee opinion	ITRE	PE597.745	25/04/2017	
Committee opinion	REGI	PE597.458	27/04/2017	
Committee opinion	DEVE	PE601.032	03/05/2017	
Committee opinion	TRAN	PE597.693	05/05/2017	
Committee opinion	AGRI	PE599.808	12/05/2017	
Committee opinion	EMPL	PE599.609	19/05/2017	
Specific opinion	JURI	PE604.641	22/05/2017	

Committee report tabled for plenary, 1st reading/single reading		A8-0211/2017	08/06/2017	Summary
Text adopted by Parliament, 1st reading/single reading		T8-0309/2018	05/07/2018	Summary

Council of the EU

Document type	Reference	Date	Summary
Coreper letter confirming interinstitutional agreement	GEDA/A/(2018)003079	19/04/2018	
Draft final act	00013/2018/LEX	06/07/2018	

European Commission

Document type	Reference	Date	Summary
Commission document (COM)	COM(2016)0603	14/09/2016	
Legislative proposal	COM(2016)0605	14/09/2016	Summary
Commission working document (SWD)	SWD(2016)0299	14/09/2016	
For information	COM(2020)0130	25/03/2020	
Follow-up document	COM(2021)0676	05/11/2021	
Follow-up document	COM(2022)0213	16/05/2022	
Follow-up document	SWD(2022)0143	16/05/2022	
Follow-up document	COM(2022)0560	28/10/2022	
Follow-up document	COM(2023)0288	31/05/2023	
Follow-up document	SWD(2023)0170	31/05/2023	
Follow-up document	COM(2023)0683	23/10/2023	
Follow-up document	COM(2024)0180	25/06/2024	
Follow-up document	SWD(2024)0161	26/06/2024	

Other institutions and bodies

Institution/body	Document type	Reference	Date	Summary
CofA	Court of Auditors: opinion, report	N8-0015/2017 OJ C 091 23.03.2017, p. 0001	26/01/2017	Summary

CofR	Committee of the Regions: opinion	CDR5838/2016	11/05/2017	

Additional information		
Source	**Document**	**Date**
European Commission	EUR-Lex	

Final act	
Regulation 2018/1046 OJ L 193 30.07.2018, p. 0001	Summary

Delegated acts	
Reference	**Subject**
2019/2646(DEA)	Examination of delegated act
2020/2868(DEA)	Examination of delegated act

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 26/01/2017 - Court of Auditors: opinion, report

OPINION No 1/2017 of the Court of Auditors.

On 9 December 2016, the Council requested an opinion from the Court on the Commission proposal to revise the financial rules applicable to the general budget of the Union. The Financial Regulation (FR) sets out the principles and procedures governing the establishment and spending of the European Union (EU) budget and the control of the EU funds.

The Court made the following observations and recommendations:

Governance: the Court suggested that the Commission should use the revision of the FR as an opportunity to **update** its governance arrangements in order to comply with international best practice. The Commission should in particular:

- further **streamline** reporting, by issuing a single accountability report or a suite of reports;
- publish as part of the annual accounts or accompanying information an **estimate of the level of error** based on a consistent methodology and present this information together with the provisional accounts;
- introduce specific requirements for the creation and functioning of an **audit committee** within EU institutions with a spending role.

Annual report and special reports: the Court opposed the Commission proposal as regards the way in which the Court presents its special reports, considering that this would undermine the legitimate administrative autonomy of the Court.

Simplification for recipients of EU funds: the Court supported the measures introduced by the Commission although it does not see the need to remove the “no-profit” principle for grant recipients.

It suggested that the Commission should clarify: (i) proposals on **combining methods of implementation or budget implementation instruments** by putting in place adequate safeguards to address the risks linked to combining funding sources; (ii) the proposed amendment on the financial instruments, in particular by defining in the FR proposal, the basis for the operation of the common provisioning fund and calculation of the effective provisioning rate.

Budget flexibility: the Court considered that it is possible to **considerably simplify** the budgetary provisions. It suggested rejecting the change proposed for the “flexibility cushion”, “negative reserve” and carry-overs as it introduces further complexity. It considered that budgetary flexibility should not be

achieved by holding more funds in reserve and that a new approach to the carry-over procedure would be simpler, more flexible and promote efficiency. The Court did not support the proposed changes to the use of **assigned revenue**. It recommended that there should be no expansion in the use of internal assigned revenue and that all internally generated revenue should be accounted for as general revenue.

Trust funds: the proposal would enable trust funds to operate within the EU funded through internal policy instruments. The Court considered that the premature extension of the use of trust funds to internal policies raised issues of administration, cost, audit and accountability in relation to the creation of trust funds for external actions. The Court, therefore, did not support the proposal to extend the use of trust funds.

Payment based on conditions fulfilled or results achieved: the Court supported the increased use of payments based on conditions fulfilled or results achieved. It called for a clear definition of performance in relation to sound financial management and not to reduce the number of criteria that need to be covered by *ex ante* evaluations.

Streamlining of reporting: the Court welcomed the consolidation of the reports prepared by the Commission but considered that the implications of such changes have not been fully assessed. The Court considered the proposals on reporting to be inappropriate. The Court suggested that if changes were made, they would constitute a complete reporting package, and include the information from the annual activity reports (AARs) that is significant to external stakeholders. In this way, a significant simplification in reporting would be achieved.

Audit arrangements: the Court shared the Commission's opinion that it should **simplify its relationship with international organisations** by relying upon their existing audit arrangements wherever possible. This could avoid a multiplication of audit examination of the same projects and allow for a more adequate use of financial and human resources. It recommend requiring the Commission to consolidate all information concerning recoveries and corrections into one document presented to us together with the provisional accounts.

Lastly, the Court addressed other proposed changes, including certain issues such as changes in sectoral rules.

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 05/07/2018 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted, by 485 votes to 41, with 109 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307 /2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council.

The proposed Regulation provides, in a single text, for a revision of the general financial rules accompanied by corresponding amendments to the sectoral financial rules contained in 15 legislative acts covering multiannual programmes.

The European Parliament's position, adopted at first reading under the ordinary legislative procedure, has brought changes to the Commission proposal. The amendments concern, *inter alia*, the following points:

Simplification in favour of the recipients of EU funds: in the interest of increased efficiency, Member States and other recipients of Union funds shall be able to make more frequent use of **simplified cost options**. In this context, the conditions for using lump sums, unit costs and flat rates shall be made more flexible.

Performance: the concept of performance as regards the budget shall be clarified. Performance shall be linked to the direct application of the principle of sound financial management. The Regulation defines the principle of sound financial management and a link should be established between objectives set and performance indicators, results and economy, efficiency and effectiveness in the use of appropriations.

Transparency: with regard to budget implementation, the application of that principle implies that citizens should know where, and for what purpose, funds are spent by the Union. Such information fosters democratic debate, contributes to the participation of citizens in the Union's decision-making process, reinforces institutional control and scrutiny over Union expenditure, and contributes to boosting its credibility. Communication shall be more targeted and shall aim to **increase the visibility of the Union contribution for citizens**. Without prejudice to the rules on the protection of personal data, the utmost transparency regarding information on recipients shall be sought.

Indirect budget implementation: the Commission shall have the possibility to implement the budget indirectly through Member State organisations. For reasons of legal certainty, it is therefore appropriate to define a Member State organisation as an entity established in a Member State as a public-law entity, or as a body governed by private law entrusted with a public-service mission and provided with sufficient financial guarantees by the Member State concerned.

Best practice: in order to promote best practices in the implementation of the European Regional Development Fund (ERDF), the European Social Fund (ESF), the Cohesion Fund, the European Agricultural Fund for Rural Development (EAFRD), and the European Maritime and Fisheries Fund (EMFF), as well as the European Agricultural Guarantee Fund (EAGF), the Commission shall, for information purposes, be able to make available to bodies responsible for management and control activities a **non-binding methodological guide** setting out its own control strategy and approach, including checklists, and examples of best practice. That guide should be updated whenever necessary

Internal audit progress committee: each EU institution shall set up an internal audit progress committee to ensure the independence of the internal auditor, monitor the quality of internal audit work and ensure that internal and external audit recommendations are duly taken into account and followed up by its services.

The non-profit principle: in order to protect one of the fundamental principles of public finances, the non-profit principle shall be **maintained** in the Regulation.

Grants: in principle, these shall be awarded following a call for proposals. Where exceptions are allowed, they should be interpreted and applied restrictively in terms of scope and duration.

Trust funds: the Regulation **clarifies the procedure for establishing EU trust funds** and specifies the principles applicable to contributions to trust funds. The Commission shall consult the European Parliament and the Council on its intention to establish a Union trust fund for emergency and post-emergency actions. The establishment of a Union trust fund for thematic actions shall be subject to the approval of the European Parliament and of the Council.

Migrants, refugees: in order to respond to the challenges posed by increasing flows of migrants and refugees, the objectives to which the **ERDF** can contribute in its support of migrants and refugees shall be spelled out with a view to enabling Member States to provide investments focusing on legally staying third-country nationals, including applicants for asylum and beneficiaries of international protection.

Single audit: in order to ease the administrative burden resulting from overlapping controls, especially for small beneficiaries, without undermining the principle of sound financial management, the single audit principle for the ERDF, the ESF, the Cohesion Fund and the EMFF shall prevail and the thresholds below which an operation is not to be subject to more than one audit shall be doubled.

In addition, the visibility of the ESI Funds shall be enhanced in order to better communicate their results and achievements to the public.

Horizontal principles such as sustainable development and gender equality and non-discrimination shall play a leading role in the effective implementation of the ESI funds.

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 14/09/2016 - Legislative proposal

PURPOSE: to revise the financial rules applicable to the general budget of the Union in the aim of simplification.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the Commission considers that simpler and more flexible EU financial rules are key in enhancing EU budget's ability to adapt to changing circumstances and to respond to unexpected developments.

Over the last 30 years, the number of general financial rules contained in the Financial Regulation has increased sharply. In addition, a number of sectoral financial rules have emerged: the rules for participation to the Framework Programme for Research and Innovation, the Common Provisions to the European Structural and Investment Funds and the Common Implementing Rules for the External Action.

Users of EU funds have repeatedly complained about the proliferation of rules both at general and at sectoral level, their heterogeneity and their complexity making it costly and prone to errors.

A first step towards more coherent and simpler financial rules was achieved in 2012, however, **there is room for further simplification**. This is confirmed by the experience gained since 2014 and by the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds.

The Commission proposed that **efforts must continue** in order to remove bottlenecks, ensure synergies and complementarities between ESI Funds and the other EU funds and improve efficiency of delivery and control requirements.

Simpler and more flexible financial rules will contribute to optimising spending and impact of the MFF 2014-2020 and constitute as such one of the key elements of the Commission's initiative for a **Budget Focused on Results** (BFOR).

CONTENT: this legislative proposal forms an integral part of the **mid-term review/revision** of the multiannual financial framework (MFF) 2014-2020. It contributes to two of its main objectives: **simplification and flexibility**. It paves the way for the preparation of the next generation of spending programmes (post-2020).

The Commission therefore proposes in a **single act an ambitious revision of the general financial rules** accompanied by corresponding changes to the sectorial financial rules set out in 15 legislative acts concerning multiannual programmes:

(1) Simplification for recipients of EU funds: many measures aim at simplifying life for recipients of EU funds. They relate to: (i) grants; (ii) simpler rules for "contribution in kind" valuation; (iii) recognition of volunteer work; (iv) grant awards without calls for proposal under specific conditions; (v) simplified forms of grants; (vi) removal of the non-cumulative award check for low-value grants and of the non-profit principle.

(2) From multiple layers of controls to cross reliance on audit, assessment or authorisation, and harmonisation of reporting requirements: the aim of these measures is to encourage reliance as far as possible on one single audit, assessment or authorisation (conformity to State aids for instance), when the audit, assessment or authorisation meets the necessary conditions to be taken into account in the EU system.

More generally, in order to avoid multiple layers of controls, rules for implementing partners (international organisations, EIB/EIF, national promotional banks, national agencies, NGOs) will be simplified by relying increasingly on their procedures and policies once assessed positively.

(3) Allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments: the proposal aims at achieving further simplification for the partners of the EU by a number of measures to avoid the parallel application of different rules and procedures, notably through facilitating the combination of European Structural and Investment Funds (ESIF) funding with financial instruments and the European Fund for Strategic Investments (EFSI).

(4) More effective use of financial instruments: (i) optimise use of reflows; (ii) ensuring a level playing field among key EU implementing partners; (iii) reducing burdensome requirements related to publication of individual data of final recipients or to the exclusion criteria.

(5) More flexible budget management: the proposal sets out several ways for more budgetary flexibility, in order to allow the Union to respond to unforeseen challenges and new tasks more effectively and to achieve swifter crisis management - among which:

- the creation of a "**flexibility cushion**" for unforeseen needs and new crises in the external actions geographic instruments budget;
- a more efficient activation of the **solidarity and globalization adjustment funds**, and the extension of **Trust-Funds** to internal policies;
- the creation of a **EU crisis reserve** with the reuse of decommitted appropriations;
- the creation of a **common provisioning fund holding** the resources provisioned for financial operations.

(6) Focus on results and streamlining of reporting: the proposal includes a series of measures aimed at focusing better the budget on results, establishing a clear performance framework, enhancing transparency and streamlining reporting.

(7) Simpler and leaner EU administration: the proposal provides for a series of simplification measures aims at allowing the EU institutions to work more efficiently, notably by implementing jointly administrative appropriations to achieve economies of scale.

(8) Providing possibility for citizen engagement: the proposal provides a possibility for citizens to be consulted on the implementation of the Union budget by the Commission, Member States and any other entity implementing the Union budget.

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 08/06/2017 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Budgets, in conjunction with the Committee on Budgetary Control, adopted the report drawn up by Ingeborg GRÄSSLE (EPP, DE) and Richard ASHWORTH (ECR, UK) on the proposal for a regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

The Committees on Employment and Social Affairs, Industry, Research and Energy, Transport and Tourism, Regional Development and Agriculture and Rural Development, exercising their prerogatives as associated committees in accordance with Article 54 of the Rules of Procedure, also gave their opinions on the report.

The Commission proposed, in a single text, a revision of the general financial rules accompanied by corresponding amendments to the sectoral financial rules contained in 15 legislative acts on multiannual programmes.

The committee recommended that the European Parliament's position adopted at first reading in accordance with the ordinary legislative procedure should amend the Commission proposal.

The amendments concern in particular the following points:

Timetable: Members regretted the fact that **deadlines** for the examination of the proposal do not allow appropriate consideration of the opinions of the European Parliament and of the Council. They also regretted that the proposal under consideration was not preceded by an **impact assessment** and suggested an amendment in order to ensure that future major amendments to the Financial Regulation are accompanied by an impact assessment.

Performance: Members suggest **integrating performance more** into spending decisions. Performance should be described on the basis of the achievement of objectives and the direct application of the principle of sound financial management. Without seeking to prejudge the relevance of the programme concerned, there should be a link between objectives set and performance, indicators, results, additionality and economy, efficiency and effectiveness in the use of appropriations.

Transparency: communication should be **more targeted at recipients**, aimed at increasing visibility for citizens, while ensuring through defined-measures that the messages are received by beneficiaries. The utmost transparency regarding **data on beneficiaries** should be sought, without prejudice to the rules on the protection of personal data.

Horizontal principles: the report stressed that horizontal principles, i.e. partnership involvement, sustainable development, gender equality and non-discrimination, have generated important contributions to effective implementation of ESI Funds and should be upheld as forerunners for any kind of investment involving the Union budget, including financial instruments and EFSI.

Simplification in favour of recipients of EU funds: Member States should increasingly make use of simplified cost options and of **'single lump sum'** financing in order to make the associated administration less burdensome and to simplify the rules governing the allocation of funds.

Union public procurement should ensure the efficient, transparent and appropriate use of Union funds while **reducing the administrative burden** on recipients of Union funding and on managing authorities.

Audits and controls: these should focus more on beneficiaries who represent a **high risk** for the Union budget, taking into account past irregularities.

Non-profit rule: whereas the Commission intends to abolish the non-profit rule, Members proposed to **retain it**. The non-profit rule should be seen as one of the main instruments to avoid misuse of the public money.

Audit: in line with the principle of sound financial management, additional safeguards should be put in place for cross-reliance on audits. The Commission should therefore preserve the right of audit if necessary. In addition, funds and projects should be audited when EU funds account for more than **50 %** of the funding.

Trust funds: Members considered it too early to extend the scope of Union trust funds to internal actions on the grounds that these funds can significantly change the budgets adopted by the European Parliament and the Council and carry the risk of using funds from financing instruments for purposes not foreseen in the basic acts establishing those instruments.

Blending facilities: this should promote a wide mix of contributions from national and EU budgets or private investors in order to optimise the use of available resources and attract as much private investment as possible and follow a well-defined and transparent governance process.

Reports: Members proposed a number of changes to the reporting requirements. They aim to streamline reporting requirements, reduce the number of reports and ensure that budget authorities have sufficient time to prepare the discharge.

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 26/06/2019 - Follow-up document

The Commission presents the long-term forecast of future inflows and outflows covering the next five years (2020-2024).

This year’s forecast report covers the first four years of the next Multiannual Financial Framework, for which negotiations are still on-going. The payment forecast is therefore based on the Commission's proposals of May 2018.

The analysis takes into account the principles and terms set out in the draft Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community.

The scope of the forecast captures the elements of the current and the next financial frameworks. It is based on the level of appropriations for 2020 as included in the Draft Budget for that year. For the years 2021-2024, the commitments presented in the Commission’s proposal for the next Multiannual Financial Framework are taken into account.

Compared to the forecast of last year which covered the period 2019-2023, this new forecast captures one additional year (2024). The estimates for the payments on the commitments of the current financial framework are updated to take account of the actual implementation results for 2018, the 2019 budget and its proposed amendments (the Draft Amending Budgets N°15, N°26 and N°37), and the Draft Budget for 2020.

As for the payments in relation to the post-2021 commitments, given that the negotiations for the next Multiannual Financial Framework are on-going those estimates remain consistent with the parameters of the Commission proposal for the future financial period, as reflected in last year’s report.

Main results of the forecast

Payments

The report includes the estimates from the Draft Budget 2020, the last year of the current financial framework. The forecast for the 2020 payment levels is in total EUR 7 billion lower than in last year’s long-term forecast report. This is mainly in relation to Headings 1b, 2 and 4. For the funds in shared management, the Draft Budget is built on the latest implementation projections provided by Member States in January 2019, which are slightly lower than their projections of July 2018 on which last year’s forecast was based. In the external action field, the Draft Budget 2020 is actually below the level of the previous year, predominantly due to the lower payments for the Facility for Refugees in Turkey.

Almost all payments in 2020 relate to the commitments made under the 2014-2020 programmes. Less than 1% of the payments will cover commitments outstanding from the pre-2014 financial framework under Headings 1a and 4. The bulk of the 2007-2013 programmes under the cohesion policy is expected to be closed by the end of 2019 with no further payments anticipated in 2020.

Payments in the next financial framework (2021-2024)

Overall, for the first four years of the next financial framework payments are expected to total some EUR 687 billion. This amount is not evenly distributed across the years but follows the expected parallel evolution of: 1) the phasing-in of payments for the new spending programmes (around 62% of the 4-year payments’ total) and 2) the payments for outstanding commitments from the 20142020 period (the remaining 38% of the payments).

Payments on pre-2021 commitments

The proposed level of payments in the Draft Budget 2020 also has an impact on the payment needs in the following years. The lower level of payments for 2020 compared to previous forecasts is expected to lead to additional needs in the following years. As a consequence, the overall payment estimates for 2021 to 2024 are by around EUR 5 billion above the payment ceiling proposed by the Commission for the next period, of which EUR 4 billion would fall in 2024. These additional needs will, in combination with the impact of the future implementing modalities for the cohesion policy

funds, have to be taken into account in setting the payment ceilings for the next financial framework or would automatically lead to a need for mobilising special instruments, in particular the Contingency Margin, which – according to the Commission's proposal – would allow for mobilising payments of up to 0.03% of EU gross national income in a given year (to be offset against the ceilings in later years).

Revenue

The EU budget is financed by own resources and other revenue. The overall amount of own resources needed to finance the budget is determined by total expenditure less other revenue. Accordingly, the forecast of the EU budget revenue for 2020-2024 is based on the principle that expenditure must be matched by revenue; therefore total revenue must equal total expenditure.

De-commitments

The overall amount of de-commitments forecast for 2020-2024 is EUR 8 billion. Around 77% of the de-commitments relate to the programmes of the 2014-2020 period (EUR 6 billion) while the de-commitments of the programmes originating before 2014 continue to phase out as is the case for the related payments. No de-commitments are anticipated for the commitments proposed for the 2021-2027 financial framework.

As only 2024 is within the scope of this report, the tentative assumption is that roughly one third of all decommitments on the 2014-2020 ESI funds could fall in that year. Compared to last year's report, the 5-year de-commitment estimate increases by around EUR 1.6 billion. This is the combined effect of the increased de-commitment forecast for Headings 1b and 2, and decreases across the other Headings.

RAL – outstanding commitments

The build-up of outstanding commitments (or RAL for reste-a-liquider) is a natural consequence of the implementation of the EU budget with differentiated appropriations and the nominally increasing volume of the EU budget over the years. The RAL at the start of the reporting period is expected to stand at around EUR 291 billion and to reach EUR 303 billion at the end of the current financial framework.

By the end of 2024, the RAL is projected at around EUR 313 billion, which results in an 8% increase in nominal value over the five analysed years.

Conclusions

Developments in two areas will be particularly important for payments in the next financial framework:

- the ongoing negotiations on the proposals for the next financial framework show diverging views on key elements influencing future payment needs. Given there is no consensus on those elements at this stage, the current forecast remains based on the Commission proposal of 2018;
- the payment forecast depends on the implementation of the current financial framework and the level of outstanding commitments at the start of 2021. For most of the expenditure headings the 2020 Draft Budget is below the level forecast last year. This automatically shifts payments to the post-2020 period, which come in addition to the payments assumed at the time of proposing the payment ceilings for the years 2021-2027. These developments will have to be taken into account in the negotiations for the next Multiannual Financial Framework. The payment ceilings under negotiation may need to be adjusted to accommodate the additional needs resulting from the higher level of outstanding commitments at the end of 2020 and from amendments of the implementation modalities for future programmes.

Financial rules applicable to the general budget of the Union: simplification

2016/0282A(COD) - 18/07/2018 - Final act

PURPOSE: to revise the financial rules applicable to the general budget of the Union to make them simpler and more focused on results.

LEGISLATIVE ACT: Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309 /2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966 /2012.

CONTENT: the Regulation **amends the existing Financial Regulation**, which establishes the general framework for budgetary management, as well as a number of acts governing the EU's multi-annual programmes in different areas, including cohesion policy. The improvements introduced aim to reduce the administrative burden faced by all actors involved in the implementation of the EU budget.

The main changes include the following:

- broaden the possibility for recipients of EU funds to use simplified cost options and focus on results rather than on determining the costs actually incurred;

- strengthen performance measurement of EU-funded projects. Performance will be linked to the direct application of the principle of sound financial management defined as the implementation of the budget in accordance with the principles of economy, efficiency and effectiveness;
- **avoid multiple controls** by ensuring that any information already available from the Union institutions, managing authorities or other bodies and entities implementing Union funds is reused;
- ensure that the **principle of a single audit** prevails for the ERDF, ESF, Cohesion Fund and EMFF and double the thresholds below which an operation is not subject to more than one audit;

- combine financing from EU structural funds with financial instruments and the European Fund for Strategic Investments through so-called 'blending'. It will also be possible to blend grants and financial instruments under the Connecting Europe Facility to finance projects in the fields of transport, energy, and information and communication technology;
- establish a more comprehensive framework for the use of **financial instruments** and budget guarantees to stimulate investment;
- clarify the procedure for establishing **EU trust funds** and specify the principles applicable to contributions to trust funds;
- make it easier to use EU structural funds for the **integration of migrants and refugees** and to combat tax evasion and money laundering more effectively;
- provide for the provision to the bodies responsible for management and control activities of a **non-binding methodological guide** setting out the Commission's control strategy and method;
- increase **transparency** by improving the visibility of the Union's contribution to citizens.

Horizontal principles such as sustainable development and gender equality and non-discrimination shall play a key role in the effective implementation of the ESI Funds. In addition, in order to protect one of the fundamental principles of public finances, the **no-profit principle** is maintained in this Regulation.

ENTRY INTO FORCE: 2.8.2018. The EU institutions are given additional time to adapt to the new rules on their administrative expenditure. They shall apply them from 1.1.2019.