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 Parliaments 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.