

Revision of EU financial rules

During its July plenary session, the Parliament is expected to approve the compromise text of the new Financial Regulation, following the endorsement of the outcome of trilogue negotiations in April 2018 by the BUDG and CONT committees. Prior to that, in December 2017, the co-legislators already adopted separately the part of the original proposal which related to the reform of five sectoral regulations in the common agricultural policy field.

Background

In 2016, the European Commission tabled a [proposal](#) for a new Financial Regulation which would replace the [current version](#) (together with its [Rules of Application](#)), as well as amend 15 other sectoral acts containing financial rules, jointly governing the establishment, spending and control of the [EU budget](#) and EU funds. The agricultural part of the Commission's initial proposal was split off in November 2017 (the AGRI committee being responsible) and was [adopted](#) in December 2017.

BUDG and CONT position

Within Parliament, the proposal was dealt with jointly (under Rule 55) by the BUDG and CONT committees which adopted, in June 2017, a [report](#) on the dossier. Members criticised the fact that deadlines for the examination of the proposal did not allow for appropriate consideration of the views of the European Parliament and the Council, and pointed out that the proposal had not been preceded by an impact assessment. They generally supported the Commission's intent to simply EU financial rules, but put forward a number of amendments concerning various detailed issues such as evaluation, transparency, use of simplified cost options and of 'single lump sums', the non-profit rule, auditing, trust funds and blending facilities. In June 2017, the decision to enter into interinstitutional negotiations was [confirmed](#) by plenary.

The compromise

A political agreement on the dossier was reached in December 2017, but technical work continued until, on 19 April 2018, the Council's Permanent Representatives Committee (Coreper) [endorsed](#) the [compromise text](#) which was then approved by the BUDG and CONT committees on 23 April 2018. The EP negotiators have succeeded in modifying the original proposal on four key issues: trust funds will be limited to external actions; the non-profit principle in grants will not be abolished; there will be no possibility of transfer from structural funds to the European Fund for Strategic Investment (EFSI); and the competences of the budgetary authority will not be reduced. Further changes are concerned with volunteer work (contributions in kind from third parties in the form of volunteers' work will be treated as eligible costs, up to 50 % of the co-financing), internal assigned revenue (the Commission will have to take this into account when proposing the amount for future allocations for financial instruments or budgetary guarantees), and maintenance of the status quo on external assigned revenue, draft amending budgets, reflows of financial instruments, pilot projects and preparatory actions. Furthermore, less but more targeted information will be requested from recipients, use of simplified cost options and payment for results will be widened, as is the cross-reliance on assessment and audits, while the fight against shell companies and against use of tax havens will be strengthened. The rules on the combination of structural funds and EFSI have been simplified, and new rules on budgetary guarantees will increase transparency on the exposure of the Union budget. Finally, a common provisioning fund will be established, making asset management more efficient.

Vote in plenary: [2016/0282A\(COD\)](#); Committees responsible: BUDG and CONT (jointly under Rule 55); Rapporteurs: Ingeborg Gräßle (EPP, Germany) and Richard Ashworth (ECR, UK).

