Revision of EU financial rules

In September 2016, the Commission tabled a proposal for a new Financial Regulation which would replace the current one (together with its Rules of Application), as well as amend 15 other sectoral instruments each containing financial rules. The Commission justifies its proposal by the need to simplify EU financial rules and make them more flexible. In April 2018, the BUDG and CONT committees approved the outcome of trilogue negotiations on the main part of the proposal for a new Financial Regulation, and that is expected to be voted in plenary in July 2018. Prior to that, in December 2017, the co-legislators had already adopted part of the proposal relating to the reform of five sectoral regulations within the common agricultural policy.

See separate EPRS ‘At a glance’ note on the agricultural part, 2016/0282B(COD).


Committees responsible: Budget (BUDG) and Budgetary Control (CONT) – jointly under Rule 55
Rapporteurs: Ingeborg Gräßle (EPP, Germany) and Richard Ashworth (ECR, UK)
Shadow rapporteurs: Petri Sarvamaa (EPP, Finland); Inés Ayala Sender (S&D, Spain); Vladimír Maňka (S&D, Slovakia); Nedzhmi Ali (ALDE, Bulgaria); Liadh Ní Riada, Luke Ming Flanagan (both GUE/NGL, Ireland); Bart Staes (Greens/EFA, Belgium) / Indrek Tarand (Greens/EFA, Estonia); Marco Valli (EFD, Italy)

Next steps expected: First-reading vote in plenary
Introduction

On 14 September 2016, the 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 14 other sectoral regulations plus one decision also containing financial rules, jointly governing the establishment, spending and control of the EU budget and EU funds. As the European Commission (‘EC’) points out, users of EU funds have complained about the increasing complexity and heterogeneity of EU financial rules, and it considers that there is a need to make these simpler and more flexible, to allow for a greater capacity of adaptation and responsiveness. The Commission’s initial proposal was formally split in November 2017 into dossiers 2016/0282A(COD) (Financial Regulation and amendment of non-agricultural sectoral regulations) and 2016/0282B(COD) (amendment of sectoral regulations in the field of agriculture). The part amending the sectoral regulations in the field of agriculture was adopted in December 2017, whilst work on the main regulation was still on-going, and is expected to be voted in the EP plenary session in July 2018.

Existing situation

At present, the body of EU financial rules consists of Regulation 966/2012 on the financial rules applicable to the general budget of the Union (the Financial Regulation), which sets out the operating principles and basic rules governing the EU budget, including the rules on the budget principles, establishment, structure, implementation and audit. It is supplemented by Delegated Regulation No 1268/2012 of 29 October 2012 on the rules of application of the Financial Regulation (Rules of Application) which contains detailed technical rules implementing the Financial Regulation. Article 211 of the Financial Regulation states that it must be reviewed whenever necessary, but in any case no later than two years before the end of the first post-2013 multiannual financial framework.

Parliament’s starting position

In its resolution of 26 October 2016 on the mid-term revision of the MFF, the Parliament indicated that it ‘fully shares the Commission’s intention of simplifying the financial rules and considers this element to be an important part of the MFF mid-term revision’ adding that the proposal ‘should aim at improving and rationalising the implementation environment for beneficiaries; Parliament also committed itself ‘to work towards a successful outcome in this spirit, in an appropriate timeframe.’

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1 Although submitted by the Commission on 14 September 2016, the proposal was only made available in all official languages two months later (on 14 November 2016), and only the latter date is considered as official reception by the Parliament.
Preparation of the proposal

A public consultation on the revision of the Financial Regulation was carried out in the spring of 2016, which demonstrated the overall support for simplification and flexibility. With respect to simplifying EU grant rules, stakeholders continued to prefer the reimbursement of actual costs, but do not oppose simplified reimbursement through unit costs, lump sums or flat rates, or reimbursement on the basis of predefined results, as long as those are not compulsory. However, the Commission did not perform an impact assessment, when, according to the Court of Auditors, this should have been the case (see below). That fact was also criticised in the joint report of the BUDG and CONT committees. In the future, such situations will be prevented thanks to an appropriate legislative amendment, requiring impact assessments before any major overhaul of the Financial Regulation.

The changes the proposal would bring

Simplification for recipients of EU funds

The EC presented its proposal as being aimed at increasing the simplification and flexibility of EU financial rules. The proposal formed an integral part of the mid-term revision of the 2014-2020 multiannual financial framework (MFF). The proposal was aimed at replacing the existing Financial Regulation (966/2012) and its implementing rules with a single text, as well as to modify the sectoral acts accordingly. The proposal puts simplified forms of EU contribution on an equal footing with financing based on reimbursement of eligible costs.

The proposal empowers authorising officers to approve simplified forms of payments (lump sums, unit costs and flat rates), regardless of the amount involved. According to the rules currently in force, if an amount above €60 000 per grant is involved, the college of Commissioners is required to take the decision. The EC justifies its proposal by pointing out that such decisions have a technical content (involving, inter alia, calculation methodologies and overview of data). It also argues that the current system of authorisation is lengthy and burdensome.

The EC proposed to scrap the obligation to provide information demonstrating the applicants’ financial and operational capacity, if there is no verification of that capacity (e.g. in the case of public bodies), as well as to align the obligation to provide an audit report with the applicable EU and national law in the area of accounting.

Currently, a no-profit principle is in place, whereby EU grants may not have the purpose or effect of producing a profit, and if such profit is generated by the recipient nonetheless, the EC may recover such profit from the beneficiary. The proposal would allow grant recipients to make a profit on EU funds. The proposal also intends to allow recipients of EU funding to present the unpaid work of volunteers as costs incurred.
The EC proposed to exempt grants to natural persons for study, research, training, or educational or direct support to unemployed persons or refugees, from the principle of non-cumulative award and double funding. Simplifying the determination of the value of contributions in kind is also proposed. The proposal extended the possibility to award direct grants to entities mandated by the Member States, to cases of a factual or legal monopoly or where direct beneficiaries have been chosen for their technical competency, high degree of specialisation, or administrative powers.

The Commission also proposed to introduce a uniform, five-year record-keeping period (and a shorter, three-year period for funding below €60 000). This would also apply in cases of indirect implementation. The proposal also envisaged that, where grants are expressed only as an absolute value (as opposed to a percentage of eligible costs), the eligibility of costs should be verified at the latest at the time of the payment of the balance. The proposal allowed the use of a simplified (‘notional’) approach.

Single set of rules for hybrid actions and combined measures or instruments

The proposal suggested that a single set of rules be applicable when methods of implementation or budget implementation instruments are combined. The same would apply if the EC is working with ‘trusted partners’, i.e. entities with which it has a more trusted relationship based on an ex-ante assessment or on the requirement to use specific procedures. The changes to the sectoral regulations also included the possibility to combine the European structural and investment funds (ESIF) with a European Fund for Strategic Investments (EFSI)-supported instrument.

Single regulatory framework for financial operations

The proposal envisaged a single regulatory framework for the different forms of EU financial operations. Furthermore, it suggests standardising the treatment of internally assigned revenue generated by financial operations. The proposal envisaged creating a common provisioning fund, and introducing an effective provisioning rate. Global profits or losses from the investment of the resources would be allocated proportionately among the respective financial instruments, budgetary guarantees or financial assistance. The EC would keep a minimum amount of resources of the fund in cash, or cash equivalents, in accordance with prudential rules and the forecasts for payments provided by the authorising officers of the financial instruments, budgetary guarantees, or financial assistance. The EC could enter into repurchase agreements, with the assets of the common provisioning fund as collateral, to make payments out of the fund when this procedure is reasonably expected to be more beneficial for the budget of the Union than the divestment of assets within the timeframe of the payment request.

Budgetary flexibility

It was proposed to create a ‘flexibility cushion’ for certain external action instruments, to allow the EC to carry forward up to 10 % of the annual appropriations of three budgetary instruments (Instrument for Pre-accession Assistance, the European Neighbourhood Instrument, and the financing instrument for development cooperation) to the following year.

The proposal would relax the rules concerning ‘special instruments’. This would lead to increased flexibility for autonomous transfers by the EC through enlarging the current scope, i.e. by also allowing transfers of operational expenditure between different titles if they are covered by the same basic act, including support
chapters, and from the administrative support lines to the corresponding operational lines. Another aspect is the simpler mobilisation of the EU Solidarity Fund and the European Globalisation Fund.

Trust funds

The Commission would enable trust funds to operate within internal policy instruments. With regard to emergency, post-emergency or thematic actions, the EC would be allowed to create, after informing both the European Parliament and the Council, trust funds under an agreement concluded with other donors. The objectives of a trust fund would be defined in its specific constitutive act. The EP and the Council would have the right to request the EC to discontinue appropriations for a given trust fund or to revise the constitutive act.

Assigned revenue

The Commission sought to expand the use of reflows from assigned revenue and to allow their use to create payment appropriations in different budget lines. Revenue and repayments arising from financial operations would also be included under internal assigned revenues, but the EC proposed that such revenue should be used for the same financial instrument or budgetary guarantee during the entire period of its implementation, and at the end of this period any outstanding amount from the EU budget would return there.

Payment based on conditions fulfilled or results achieved

The EC proposed to introduce a novel form of financing based on conditions fulfilled or results achieved without requiring statements indicating the actual costs. This would apply for programmes under direct, indirect and shared management. The solution would be additional to the reimbursement of costs and the simplified cost options already available. Under the proposed scheme, the achievement of concrete specified outputs would become the default condition, triggering the payment of simplified forms of grants awarded under direct and indirect implementation. Likewise, controls and checks on beneficiaries related to simplified grant forms would also become output-focused. In consequence, ex-post checks would no longer challenge payments when authorising officers assess compliance ex ante, and allow recourse to usual cost accounting practices in their decisions.

Performance framework

The Commission proposed to overhaul the rules on sound financial management by introducing the new concept of ‘performance’, specifying that appropriations must focus on performance and therefore objectives should be established ex-ante, progress in the achievement of objectives should be monitored with performance indicators, and achievements should be reported upon through the programme statements, as well as stipulating that programmes and activities which entail significant spending must be evaluated.
Reporting and audits

The rules on reporting would be simplified and consolidated under the proposal. Reporting obligations would be focused around two key moments: reports accompanying the draft budget (all reporting on EU-level financial instruments would be merged into a single document accompanying the draft budget) and reports submitted as part of the discharge process (the integrated financial reporting package). The proposal would allow reliance on previous audits, under certain conditions.

Rules concerning farmers

The EC proposed to allow Member States to reduce the criteria applicants may use to demonstrate active farmer status, or to stop applying provisions requiring beneficiaries to be ‘active farmers’ as from 2018. It also proposes to remove the 90-hectare limit on payment entitlements for young farmers.
Views

Stakeholders’ views

The European Association of Craft, Small and Medium-sized Enterprises (UEAPME), the SME umbrella organisation, pointed out that reporting requirements should be simplified as much as possible, preserving the principle of proportionality. The European Federation of Guarantee Institutions (AECM) indicated that it fully supports the EC’s objectives, namely a simpler regulatory and financial set-up, additional synergies and flexibility for budget implementation, and a clear accountability framework which are in line with the practical experience gained by AECM’s members in using financial instruments. AECM added that the main reason why some of its members do not work with EU-supported programmes is the existing reporting requirements, which they consider too extensive. The European Association of Research and Technology Organisations (EARTO) expressed the view that the increased use of financial instruments such as loans can only be a complement to grants in the research and innovation (R&I) sector. Likewise, lump-sum flat rates and unit costs should not be generalised for R&I programmes which rely on actual costs. EARTO welcomed the willingness to simplify auditing and reporting rules for direct beneficiaries and authorities under shared management, and saw a need to focus on reaching better synergies between funds as a means to create more impact from EU R&I funds. EARTO welcomed more flexibility in answering crises using the trust funds, but warned that this should not entail situations in which existing and well-functioning funds are scrapped and replaced with a new fund with different purposes.

Advisory committees

European Economic and Social Committee

On 14 December 2016, the European Economic and Social Committee (EESC) adopted its opinion on the proposal (rapporteur: Stefano Palmieri, Group II-Workers, Italy). The EESC agreed with the Commission’s objective of introducing simpler, more flexible general and sectoral financial rules, and therefore particularly welcomes the streamlining of administrative requirements applying to beneficiaries of EU resources, as well as of controls, auditing and reporting. It also expressed support for incentives that can promote responsible and efficient spending, as well as putting in place an adequate and rapid system that could monitor objectives in the various sectors.

Committee of the Regions

The Committee of the Regions (CoR) adopted its opinion in May 2017 (rapporteur: Michiel Rijsberman, ALDE, Netherlands). The CoR welcomed the fact that a number of simplification proposals found their way into the legislative proposal, in particular the move towards a more performance-based approach to payment by the Commission. However, the Committee would like to see more simplification, especially by introducing the possibility of a tailor-made audit strategy for operational programmes, based on proportionality principles,

3 This section aims to provide a flavour of the debate and is not intended to be an exhaustive account of all different views on the proposal. Additional information can be found in related publications listed under ‘EP supporting analysis’.
rewarding good results on previous audits and the use of national audit methods. CoR welcomed the proposals to improve the combination of ESIF and EFSI, nonetheless it expressed certain doubts about the added value of having two delivery mechanisms. The Committee criticised the fact that the proposal allows to shift resources from cohesion policy to other centrally managed programmes. It underlined that many causes of complexity in the EU’s financial rules can be found within delegated and implementing acts, as well as in the Commission’s guidelines. In the Committee’s view, this secondary regulation also needs to be simplified.

National parliaments

A number of national parliaments scrutinised the proposal, without raising any subsidiarity objections. The German Bundesrat entered into political dialogue, indicating inter alia that simplifications of financial rules must not jeopardise proper budget management.
Legislative process

Opinion of the European Court of Auditors

On 26 January 2017, the European Court of Auditors (ECA) adopted its Opinion No 1/2017, pursuant to Article 322 TFEU concerning the EC proposal. On a formal note, the ECA considers that the EC should have performed an impact assessment before publishing the proposal, as this is – in their view – required on the basis of the Interinstitutional Agreement on Better Law-Making of 13 April 2016. However, the proposal was presented without having performed such an impact assessment. The ECA pointed out that the EC did not quantify the likely budgetary implications of its proposal. To avoid similar situations in the future, the Court proposed to introduce a formal requirement to carry out impact assessments for legislative and non-legislative initiatives, delegated acts and implementing measures expected to have a significant economic, environmental or social impact, in the Financial Regulation.

On the merits, the main points raised by the ECA included:

> criticism of the Commission's idea of removing the ‘no-profit’ principle

> criticism of the possibility for a beneficiary to be allowed to satisfy the requirement for co-financing solely by declaring the ‘value’ of the work of unremunerated volunteers,

> need to introduce adequate safeguards to address the risks linked to combining funding sources (e.g. double funding, crowding out of private investments, which will need to be managed)

> rejection of the changes regarding the ‘flexibility cushion’, the ‘negative reserve’ and ‘carry-overs’, as they would bring about more complexity

> there should be no expansion in the use of internal assigned revenue, and all internally generated revenue should be accounted for as general revenue (i.e. in compliance with the principle of universality)

> need to define the concept of ‘performance’

> payments based on results should apply to all organisations implementing EU funds.

> cross-reliance (on previous audits) should only be a possible option, and not a mandatory solution.

Parliamentary consideration

Committees responsible

Initially, in November 2016, the proposal was referred to the Budget Committee (BUDG), with the Budgetary Control Committee (CONT) consulted for opinion. However, as from January 2017 both committees are jointly responsible (Rule 55 EP Rules of Procedure). Opinions were sought from five committees, consulted
under Rule 54 and enjoying associated status as provided for in a memorandum of understanding (the Committees on Agriculture & Rural Development (AGRI), Regional Development (REGI), Employment & Social Affairs (EMPL), Transport (TRAN), and Industry (ITRE)), as well as from other four committees delivering an opinion (the Committees on Fisheries (PECH), Civil Liberties, Justice & Home Affairs (LIBE), Foreign Affairs (AFET), and Development (DEVE)). Eventually, the agricultural part of the file was split off and entrusted to the AGRI committee (see below).

Co-rapporteurs’ draft report

On 10 March 2017, the co-rapporteurs presented a draft report. They shared the broad objectives put forward by the Commission, noting that some of the proposed changes may lead to simplification in managing and receiving EU funds. However, at the same time they considered that the Commission’s proposals are very ambitious in view of the tight deadlines. They agreed with the Court of Auditors that the proposal should have been preceded by an impact assessment. Whilst they supported the Commission’s simplification agenda with regard to recipients of EU funds in general, they nonetheless noted that many rules in the proposal are ambiguous and need to be rephrased to make them more precise. Furthermore, they considered that the Commission had used the idea of simplification to justify abandoning principles that have governed the EU budget process for a long period, especially the no-profit principle. The draft report was sceptical about the proposal to allow the creation of internal trust funds before any conclusions could be drawn from their use in external policies. Whilst the draft report welcomed a number of the Commission’s proposed measures on flexibility, it noted that such rules should not infringe upon long-established principles; instead, a balance ought to be struck between flexibility, sound financial management and the rights of the budgetary authority. The draft report also underlined that the goal of ‘budget focused on results’ is not fully achieved in the Commission’s proposal, although there are some steps in the right direction. The rapporteurs support the Commission’s aim to increase cross-reliance on audits, nonetheless this principle should not be made mandatory. Finally, the draft report made a number of detailed proposals concerning reporting requirements.

Report of BUDG and CONT

On 8 June 2017 the BUDG and CONT committees jointly adopted their report on the dossier, with a series of amendments to the proposal. 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, also gave their opinions on the proposal.

Members criticised the fact that deadlines for the examination of the proposal did not allow for appropriate consideration of the opinions of the European Parliament and of the Council. They also pointed out that the proposal was not preceded by an impact assessment. To prevent such a situation in the future, they suggested an amendment in order to ensure that future major amendments to the Financial Regulation are accompanied by an impact assessment.

Concerning performance, the report suggested to integrate it 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.
As regards transparency, the report highlighted that 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.

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.

The rapporteurs considered that 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. EU 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.

As regards the non-profit rule, whereas the Commission intended to abolish it, Members proposed to retain it, considering that it should be seen as one of the main instruments to avoid misuse of public money.

According to the report, audits and controls should focus more on beneficiaries who represent a high risk for the Union budget, taking into account past irregularities. 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.

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.

As regards blending facilities, Members considered that these 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.

Finally, concerning reporting requirements, Members proposed a number of changes aimed at streamlining them, reducing the number of reports and ensuring that budget authorities have sufficient time to prepare the discharge.

Council

Within the Council, the Slovak Presidency entrusted the proposal to five Council working parties: the Budget Committee (COMBUD), the Working Party on Structural Measures (SMWP), the Working Party on Social Questions (SQWP), the Special Committee on Agriculture (SCA), and the Working Party Transport - Intermodal Questions and Networks (INTERMODAL). Member States have asked for an impact assessment
of the entire proposal and for concrete examples or case studies to be provided by the Commission in order to justify the proposed changes. They generally welcomed the proposal's aim to simplify budget management, create some flexibility and focus on results. The Commission insisted on the need for speedy adoption to allow entry into force on 1 January 2018 and stressed that the co-legislators should avoid tabling additional amendments beyond the original legislative proposal.

### Splitting off agricultural aspects into a separate regulation

A formal splitting of the Commission proposal into two distinct dossiers took place in November 2017, when Coreper (on the Council side) and the Conference of Presidents (on the European Parliament side) formally approved the split, allowing the AGRI committee to draw up a separate legislative report for these areas, independently of the joint BUDG/CONT report. Hence the part of the original Commission proposal concerning agriculture became a separate file: ‘Financial rules applicable to the general budget of the Union: agricultural provisions’ and received the file number 2016/0282B(COD), whilst the remaining part was renumbered as 2016/0282A(COD).

On 28 November 2017, the AGRI committee adopted its report (rapporteur: Albert Deß, EPP, Germany). Following that, on 12 December 2017 the Parliament sitting in plenary adopted its position on the regulation amending the basic regulations governing the Common Agricultural Policy (CAP). Following this vote, the Council adopted the regulation, which entered into force on 1 January 2018. It amends five regulations concerned with the CAP:

- allowing recognised farmers’ organisations to plan production and negotiate supply contracts on behalf of their members (as an exception from EU competition law),
- introduction of a new sector-specific income stabilisation tool,
- giving the Member States more flexibility in defining what constitutes an ‘active farmer’,
- allowing Member States to increase the direct payment top-ups for young farmers,
- simplification and extension of the ‘greening rules’ for direct payments.

### Trilogue negotiations and their outcome

**Proceedings**

On 14 June 2017, the decision to enter into interinstitutional negotiations was confirmed by plenary (Rule 69c). On 11 December 2017, an agreement was reached on the main political issues, however, work continued at technical level to sort out all detailed issues and to prepare a commonly agreed text to submit to Members’ approval as required by Rule 69f(4). Finally, on 19 April 2018, the Council’s Permanent Representatives Committee (Coreper) endorsed an agreement reached with the European Parliament on the proposal. The text was then approved by the BUDG and CONT committees on 23 April 2018. It needs
Most important changes to the original proposal

The European Parliament negotiators have succeeded in modifying the original proposal on four key issues:

- **no trust funds** in internal policies,
- **no abolition of the non-profit principle** in grants,
- **no possibility of transfer from structural funds** to EFSI,
- **full respect of the Parliament’s budgetary competences** – there will be no modification of the rules on transfers, provisional twelfths, mobilisation of European Globalisation Fund and EU Solidarity Fund.

Further changes include:

- insertion of the **principle of payment on conditions fulfilled**, focusing on payment for results obtained or conditions fulfilled, instead of focusing on cost verification,
- **appropriate consideration of volunteer work** (volunteers are defined as persons ‘working on a non-compulsory basis for an organisation without being paid’; contributions in kind from third parties in the form of volunteers’ work will be treated as eligible costs, and may comprise up to 50% of the co-financing),
- **compromise solution on the internal assigned revenue** (internal assigned revenue will consist of annual repayments, including capital repayments, guarantees released, and repayments of the principal of loans, paid back to the Commission, or fiduciary accounts opened for financial instruments or budgetary guarantees and attributable to the support from the budget under a financial instrument or a budgetary guarantee; the Commission will have to take into account such internal assigned revenue when proposing the amount for future allocations for financial instruments or budgetary guarantees)
- **maintenance of the status quo on external assigned revenue**, draft amending budgets, reflows of financial instruments, pilot projects and preparatory actions,
- **concerning trust funds** in the area of external policies of the Union, the position of the Parliament has been strengthened with regard to prior consultation before a fund is created,
- **rules on the combination of structural funds** and the European Fund for Strategic Investment have been simplified,
- **new rules on budgetary guarantees** will increase transparency on the exposure of the Union budget,
a Common Provisioning Fund (CPF) will be established, allowing asset management to become more efficient; by 30 June 2019, the Commission will submit to the European Parliament and Council an independent external evaluation of the advantages and disadvantages of entrusting the financial management of the assets of the CPF to the Commission, to the European Investment Bank, or to a combination of the two, and make an appropriate legislative proposal,

there will be a single set of rules for combination of financial instruments with ancillary forms of support.

The Parliament’s proposal for a requirement for an impact assessment to precede any future reform of the Financial Regulation was not approved by the Council or Commission.

Expected entry into force and delegated acts

The date of entry into force has been set at the third day following that of its publication in the Official Journal of the European Union. However, some rules amending Regulation 1301/2013 on the European Regional Development Fund and Regulation 1303/2013 on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund will apply retroactively (from 1 January 2014 or from 1 January 2018), while certain other rules – only from 1 January 2019, but only as regards the implementation of the administrative appropriations of the Union institutions (otherwise those rules will apply from the third day after publication in the OJ).

Once the new regulation enters into force, the Commission will adopt implementing measures. In particular, the regulation provides for the following delegated acts:

a model financial regulation laying down the principles necessary to ensure sound financial management of Union funds,

to amend Annex 1 to the regulation, containing detailed rules on public procurement,

to supplement the regulation with detailed conditions for the calculation of the effective provisioning rate, including a methodology for that calculation,

to amend the minimum ratio (in the form of a percentage – between the amount of cash and cash equivalents in the common provisioning fund required to honour guarantee calls, and the total amount of cash and cash equivalents that would be required in each guarantee fund to honour guarantee calls)

The power to adopt delegated acts is conferred on the Commission until 31 December 2020, and will be tacitly extended for the periods of duration of the subsequent multiannual financial frameworks, unless the Parliament or the Council opposes it.
Next steps

Following the approval of the trilogue compromise in committee, the new Financial Regulation is expected to be voted in plenary in July 2018.
References

EP supporting analysis

Other sources
*Financial rules applicable to the general budget of the Union: simplification*, European Parliament, Legislative Observatory (OEIL)
*Financial rules applicable to the general budget of the Union: agricultural provisions*, European Parliament, Legislative Observatory (OEIL)

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