

## Revising the EU's financial rules

The rules applicable to the general budget of the European Union (EU) – found in the 'Financial Regulation', Regulation (EU, Euratom) No 966/2012 of the European Parliament and Council of 25 October 2012 – set out the operating principles and basic rules governing the EU budget. The proposal to amend the Financial Regulation follows the adoption of new rules on public procurement and the award of concession contracts.

### The revision of the EU financial and legal framework

Between 2010 and 2012 the financial rules applicable to the general budget of the European Union (EU) underwent a wide-ranging review ([2010/0395\(COD\)](#)) covering budget-delivery mechanisms, alignment with the Lisbon Treaty, and adjustments for the newly created European External Action Service.

The revision of the Financial Regulation was aimed at: (1) simplification (e.g. shortening deadlines for procedures, and strengthening the focus on performance); (2) promoting innovation through financial mechanisms designed to enable the mobilisation of third-party funds as leverage for EU funds; and (3) strengthening the accountability of the Commission in its implementation of the budget.

In 2014, the European Parliament and the Council adopted two new Directives on public procurement and the award of concession contracts. The main purpose of [Directive 2014/24/EU](#) is to make the public procurement process faster, less costly and more effective for tenderers and procurers alike. [Directive 2014/23/EU](#) is designed to provide an appropriate, balanced and flexible legal framework governing the award of concession contracts at EU level.

### The procedure

In June 2014 the European Commission adopted a proposal for a regulation of the European Parliament and of the Council to amend the Financial Regulation following the adoption of the two Directives ([COM\(2014\) 358 final](#)). The Commission classifies the proposed modifications to the Regulation in three groups:

- (1) First is the **alignment with the aforementioned Directives** – this includes the introduction of market consultation and new environmental, social and labour standards;
- (2) The second consists of **new rules on exclusion**, with a clear division between exclusion from, and rejection under, a procedure, and renewed remedial measures for economic operators;
- (3) The third concerns **simplification** (such as in respect of publicity measures above and below thresholds, and bank guarantees).

In January 2015, the Court of Auditors delivered its opinion No [1/2015](#) on the proposed changes. The EP Committee on Budgets (BUDG) (rapporteur: Ingeborg Gräßle, EPP, Germany) adopted its report in February 2015, incorporating amendments proposed by the Committee on Budgetary Control and by the Foreign Affairs Committee. It proposed to amend parts of the Financial Regulation left untouched by the Commission proposal, whereas the Council's mandate for mid-April negotiations focused on procurement rules.

On 15 June 2015, the BUDG delegation in trilogue talks agreed a compromise text with the Council, including further improvements, in particular: (1) the absence of conflicting interests as a condition for award; (2) clarification of the grounds for exclusion (including non-payment of taxes or social security contributions); (3) further improvement of transparency in the use of EU funds; (4) a standing panel for early detection and exclusion in given cases (e.g. fraud, corruption, money laundering); (5) performance-oriented and timely annual activity reports; (6) a shorter timeline for Court of Auditors special reports; and (7) separate discharge for public-private partnership bodies.