

## EU's financial rules (recast)

In May 2022, the European Commission published a proposal to adjust and align the EU's financial rules to the 2021-2027 multiannual financial framework. The Parliament and Council have now reached a provisional agreement on a new version of the EU's financial rules, enhancing the EU's financial interests. The new rules will ensure that EU funding is more transparent, more digital and clearly reflects the Union's values, as defended by Parliament. Parliament is due to vote on the provisional agreement during its March plenary session.

### Background

The [Financial Regulation](#) lays down the principles and procedures governing the establishment, implementation and scrutiny of the EU budget. Review of these rules was needed following the entry into force of the [2021-2027 multiannual financial framework](#) (MFF) and the establishment of [Next Generation EU](#) in December 2020. On 24 November 2021, Parliament [adopted](#) an own-initiative report defining [expectations](#) for the forthcoming revision, notably greater transparency on beneficiaries of EU funds and better protection of the EU's financial interests. The Commission presented a [proposal](#) on 16 May 2022 with a double aim: adjusting to the new MFF and enhancing the budget's protection, transparency and agility.

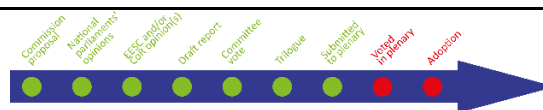
### What will change with the new EU financial regulation?

The Parliament entered into [negotiations](#) on the basis of the [report](#) adopted jointly by the Committees on Budgets and Budgetary Control on 27 April 2023, while the Council adopted its mandate for negotiations on [14 June](#). The first trilogue meeting followed on 28 June. An [agreement](#) was reached six months later, on 7 December 2023. Parliament's negotiators succeeded in reinforcing three key aspects:

- Enhanced transparency and tracking of EU funds: the internal control system is reinforced, and essential information on the recipients of EU funds will be published in a centralised database on the Commission's website, as from 30 June in the financial year following the allocation of the funds. Furthermore, the [Early Detection and Exclusion System](#) (EDES), which protects the EU budget from fraud and irregularities, will be extended to funds implemented under shared management from January 2028, and will cover the most serious offences.
- Simplification: to reduce bureaucracy for small and medium-sized enterprises and individual applicants, a new category is established for very low grants, capped at €15 000.
- Reinforced respect for EU values and social conditionality: the text highlights the commitment to the Union's values and introduces social conditionality (compliance with essential employment and occupational safety standards) as a prerequisite for the disbursement of EU funds. Financial rules will incorporate more effectively the '[do no significant harm](#)' principle, while implementation of EU programmes will have to take gender equality and environmental sustainability into account.

Further improvements include: clarification of the rules applicable to crisis management; instructions on the assessment of conflicts of interest, greater flexibility through new rules on procurement in crisis situations, a legal framework for EU participation in global initiatives, and more transparency and accountability in borrowing and lending operations. The co-legislators' [provisional agreement](#) is set for a vote in plenary in March and, if adopted, should be confirmed at a later stage, following final linguistic verification (European Parliament [Rule 241](#)).

First-reading report: [2022/0162\(COD\)](#); Committees responsible: BUDG and CONT ([Rule 58](#)); Rapporteurs: Monika Hohlmeier (EPP, Germany) and Nils Ušakovs (S&D, Latvia).



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