Amendment 1
Joachim Kuhs, Hélène Laporte, Anna Bonfrisco
on behalf of the ID Group

Report
Nils Ušakovs, Monika Hohlmeier
Revision of the Financial Regulation in view of the entry into force of the 2021-2027
multiannual financial framework
(2021/2162(INI))

Motion for a resolution (Rule 181(3) of the Rules of Procedure) replacing non-legislative
motion for a resolution A9-0295/2021

European Parliament resolution on the revision of the Financial Regulation in view of
the entry into force of the 2021-2027 multiannual financial framework

The European Parliament,

– having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and
of the Council of 18 July 2018 on the financial rules applicable to the general budget of
the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No
223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation
(EU, Euratom) No 966/2012 (‘the Financial Regulation’),

– having regard to the Interinstitutional Agreement between the European Parliament, the
Council of the European Union and the European Commission on budgetary discipline,
on cooperation in budgetary matters and on sound financial management, as well as on
new own resources, including a roadmap towards the introduction of new own
resources;

– having regard to the Joint Declaration of the European Parliament, the Council and the
Commission on reassessing the external assigned revenue and borrowing and lending
provisions in the Financial Regulation (‘the Joint Declaration’),

– having regard to the Commission staff working document of 3 November 2021 on
Better Regulation Guidelines (SWD(2021)0305),

– having regard to the Commission notice of 9 April 2021 on guidance on the avoidance
and management of conflicts of interest under the Financial Regulation,

having regard to Rule 54 of its Rules of Procedure,

having regard to the joint deliberations of the Committee on Budgets and the Committee on Budgetary Control under Rule 58 of the Rules of Procedure,

A. whereas, following the entry into force of the multiannual financial framework (MFF) for 2021-2027, the Commission published a roadmap and launched a public consultation with a view to aligning the Financial Regulation, where appropriate, with the rules agreed by the legislator as part of the MFF 2021-2027 package;

B. whereas, against the background of NextGenerationEU, Parliament, the Council and the Commission agreed in the Joint Declaration that the provisions on the external assigned revenue, in particular as referred to in Article 21(5) of the Financial Regulation, and the provisions on reporting on borrowing and lending operations, would be assessed and, as appropriate, revised in the framework of the next revision of the Financial Regulation; whereas the three institutions acknowledged that the existing rules on audits and discharge procedure apply to assigned revenue;

1. Shares the view that the Financial Regulation must be subject to targeted improvements and simplifications, in particular where they increase transparency, accountability and improve the implementation of the EU budget; agrees with the position that a global overhaul of the rules applicable to the budget is not needed at this time;

2. Believes that the main objectives of the revision of the EU financial rules should include reinforcing the protection of the Union’s financial interests, strengthening public procurement rules to avoid any potential conflict of interests and increase transparency, reducing the administrative burden for beneficiaries and strengthening the efficacy of spending;

Accountability for off-budget instruments

3. Is concerned by the fact that the central budgetary principles, such as unity and budgetary accuracy, equilibrium and universality, are put at risk by a rising number of off-budget instruments;

4. Stresses the importance of the challenge ahead of the European Court of Auditors to provide assurance on the legality and regularity of the spending arising from the Recovery and Resilience Facility and other thematic components of NextGenerationEU;

Conflict of interests

5. Takes note of the Commission’s guidance on the avoidance and management of conflicts of interest under the Financial Regulation; calls for better alignment between the guidance and the Financial Regulation;

Digital tools

6. Shares the view that the most efficient and effective way to ensure enhanced protection of Union finances and enable further transparency is to create an integrated, interoperable and harmonised system to collect, monitor and analyse information about
final beneficiaries in all Member States, while fully respecting the General Data Protection Regulation⁵;

7. Agrees with the fact that the existing Early Detection and Exclusion System plays an important role in the protection of the Union’s financial interests; is concerned, however, that it only applies to funds under direct management, which only represent about 20% of EU funds;

**Public procurement**

8. Calls for the revised Financial Regulation to address the issues of complex public procurement rules, unbalanced award criteria, professional conflicting interests and the potential exposure of the EU to the risk of foreign subsidies distorting the internal market;

**Technical budgetary management and reporting improvements**

9. Believes that the autonomous transfers between programmes and budget chapters practised by the Commission should be duly monitored and, where possible, reduced to a minimum;

10. Recalls that assigned revenue is an exception to the budgetary principle of universality and calls for this to be reflected properly in the Financial Regulation; stresses that in 2021, EUR 220 billion of commitments and EUR 46.1 billion of payments will be available as assigned revenue;

11. Regrets the fact that the outstanding commitments reached EUR 303.2 billion by the end of 2020; calls, therefore, for the issue of increasing outstanding commitments to be addressed by improving the budgetary implementation provisions, especially with regard to the annual gaps between commitments and payments;

12. Calls for the inclusion in the revised Financial Regulation of stricter, more detailed drafting guidelines for declarations of assurance, which are issued annually by the Commission’s Directorates-General;

13. Stresses the need, by means of a revision of the Financial Regulation, to narrow down the methodology used by the Commission to estimate payment risk, which for years was repeatedly lower than the level of error estimated by the European Court of Auditors;

14. Underlines the necessity of resolving the systemic complexity of the Commission’s Annual Management and Performance Report (AMPR) for the EU budget, which, by consequence, will lead to an improvement in the regularity of its information;

15. Recalls that the Commission, in line with the Financial Regulation, provides information in the AMPR on preventive and corrective measures to protect the budget from illegal or irregular expenditure; regrets the fact that the AMPR presents several different figures for the financial corrections and recoveries that occur each year, which

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makes it extremely difficult to get a clear idea of the total amount of irregular expenditure that has been corrected and ultimately returned to the EU budget; calls for this issue to be resolved in the revised Financial Regulation;

16. Draws attention to the fact that reimbursement-based payments, unlike entitlement-based payments, are more prone to error; calls, therefore, for the further simplification of the rules regulating the eligibility of which costs can be reimbursed; recalls that, in 2020, eligibility errors made a significant contribution of 65.9 % to the estimated level of error for high-risk expenditure (in 2019 the rate was 74 %);

17. Recommends the introduction of uniform rules in the Financial Regulation for estimating fiscal risk due to contingent liabilities, and standards for reporting of fiscal risk, which would allow for its constant monitoring at EU level⁶;

18. Recommends reducing the time allowed for declaring costs (the ‘n+3’ rule) and speeding up the start of spending programmes in order to improve the slow rate of absorption of shared management funds;

19. Notes that while the Financial Regulation is the main point of reference for the principles and procedures governing the establishment, implementation and control of the EU budget, the Better Regulation Guidelines set out the principles for the Commission to follow when preparing new initiatives and proposals and managing and evaluating existing legislation; calls, therefore, for further synchronisation and alignment between the Financial Regulation and the Better Regulation Guidelines;

Agriculture

20. Recalls that the European Agricultural Fund for Rural Development is not fully subject to the Common Provisions Regulation⁷; considers that derogations from the rule that European Agricultural Guarantee Fund expenditure must be accounted for in a financial year on the basis of the repayments made by the Commission to the Member States by 31 December of that year should still be possible; calls on the Commission to adapt the Financial Regulation accordingly;

21. Instructs its President to forward this resolution to the Council and the Commission.

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