

EUROPEAN PARLIAMENT

2004



2009

Committee on Development

2005/0090(CNS)

22.2.2006

OPINION

of the Committee on Development

for the Committee on Budgets

on the proposal for a Council regulation amending Regulation (EC, Euratom)
No 1605/2002 on the Financial Regulation applicable to the general budget of
the European Communities
(COM(2005)0181 – C6-0234/2005 – 2005/0090(CNS))

Draftsman: Anders Wijkman

PA_Leg

SHORT JUSTIFICATION

The Financial Regulation of 2002 and its implementing rules have caused many problems for beneficiaries of EU programmes, not least for beneficiaries of development programmes (Development NGOs and other beneficiaries). The Financial Regulation gives the frame and the general rules for the implementation of the EU budget. The Regulation laying down detailed rules for the implementation of the Financial Regulation of 2002 is specifying the rules of the Financial Regulation. Many issues that cause problems are of a more technical nature and can only be tackled with a revision of the implementing rules, such as the problems relating to rule of nationality and rule of origin, the questions of payment periods and the possibility to change a grant agreement after approval.

The draftsman proposes to introduce a couple of elements in the Financial Regulation which would help to improve the implementation such as the establishment of systems to measure and compare efficiency, the budgetary principle which is rather neglected in budget implementation, the introduction of risk analysis for the validation of payments, the connection of the untying of aid regulations to the Financial Regulation and the cost-neutrality of currency conversion operations.

AMENDMENTS

The Committee on Development calls on the Committee on Budgets, as the committee responsible, to incorporate the following amendments in its report:

Text proposed by the Commission¹

Amendments by Parliament

Amendment 1
RECITAL 27 A (new)

(27a) Risk analysis is already used for ex post verification. Its use for the validation of expenditure will make this part of the budget implementation more efficient and should be introduced in Article 79 of the Financial Regulation.

Justification

The implementation rules for the Financial Regulation provide under Article 99 that the

¹ Not yet published in OJ.

payment of grants be dependence on the endorsement 'passed for payment'. This endorsement "shall certify that: ... (b) the payment request itself, or an internal document accompanying the payment request received, has been endorsed 'certified correct' and signed by an official or other servant technically competent, empowered by the authorising officer responsible; by such endorsement he certifies that the action or work programme carried out by the beneficiary is in all respects in compliance with the grant agreement; ..."

As regards to ex post verification of the payments, the same implementing rules (Article 47) allows that these "verifications may be organised on a sample basis using risk analysis." If a statistically based sample check is carried out then it is only possible to certify that 'on the balance of probability (to a level of confidence) that the claim is correct.

In the recasting of the Financial Regulation in 2002, the liability of officials and other servants has been increased (Article 66). Together with increased liability, the requirement to issue an endorsement 'certified correct' has led to insecurity and reluctance on the side of officials to treat payments for grants, requesting more and more documents and certificates from the beneficiaries. As it is sufficient for the ex post verification to "be organised on a sample basis using risk analysis" it should be possible to introduce the notion of risk analysis in the process of validation of expenditure. Risk analysis cannot generally replace other requirements for a "passing of payment of grants", but it would give the official a margin of discretion to pass payments for grants in the absence of a strictly limited number of formal requirements (documentation, certificates). This would allow setting the risks in correlation with efficiency and effectiveness.

Amendment 2
RECITAL 36 A (new)

(36a) The Commission should provide for the possibility of awarding grants for projects in the sector of Community external assistance without a tendering procedure above the general limit set for awarding grants without tendering procedure, if the project is of a very a specific and exceptional nature.

Justification

The possibility to award grants without tendering procedure is strictly limited, which is in principle welcomed by the draftsman. However, there may be project proposals which are of such exceptional and specific nature that it is highly unlikely that they could be proposed or carried out by another tenderer. In this case, the Commission should have the possibility to exceed the limit given for awarding grants without tendering procedure.

Amendment 3
ARTICLE 1, POINT 7 A (new)
Article 16, paragraph 2 a (new) (Regulation (EC, Euratom) No 1605/2002)

(7a) In Article 16, the following paragraph is added:

"Currency conversion operations shall be carried out in such a way that there is no major change to the level of Union cofinancing for project grants."

Justification

This amendment modifies the amendment proposed by the rapporteur of the Committee on Budgets (Amendment 31 of the draft report by Ingeborg Gräßle) and seeks to make the text clearer. The amendment is intended to help avoid situations where the currency conversion leads to losses for the beneficiaries or problems to justify the level of expenses, which would be the level planned in the foreign currency, while it is different in EURO, due to the changes in the exchange rate.

Amendment 4
ARTICLE 1, POINT 12 A (new)
Article 27, paragraph 4 a (new) (Regulation (EC, Euratom) No 1605/2002)

(12a) In Article 27, the following paragraph is added:

"4a. Institutions set up systems for measuring and comparing efficiency and effectiveness as regards procurement procedures and the procedure for the award of grants."

Justification

The Commission seeks to follow the principles of sound financial management in implementing the budget. Three main elements of sound financial management are economy, efficiency and effectiveness. Commission officials are mainly concentrating on 'economy', which can be broken down as "best value through procedural compliance". The principle of efficiency described in the Financial Regulation (Article 27(2)2) as "best relationship between resources employed and results achieved". Taking into account this principle would force the Commission not only to focus on "procedure check lists" but take into account the context of the grant and procurement procedures and the administrative costs resulting from the procedures. Looking on the high costs involved for the potential beneficiaries, the need for emphasising the efficiency criteria seems even more important.

Amendment 5
ARTICLE 1, POINT 37 A (new)
Article 79, paragraph 1 a (new) (Regulation (EC, Euratom) No 1605/2002)

(3) In Article 79, the following paragraph is added:

" Risk analysis can be a criterion used for validation of expenditure."

Justification

See justification of amendment 1.

Amendment 6
ARTICLE 1, POINT 85 A (new)
Article 168, paragraph 1, subparagraph 1 a (new) (Regulation (EC, Euratom) No 1605/2002)

(85a) In Article 168, paragraph 1, the following subparagraph is added :

"As regards Community external assistance the rules for the participation in tendering procedures laid down in Regulation(EC) No 2110/2005 of the European Parliament and the Council of 14 December 2005 on access to Community external assistance¹ and Council Regulation (EC) No 2112/2005 of 21 November 2005 on access to Community external assistance² shall apply."

¹ OJ L 344, 27.12.2005, p. 1.

² OJ L 344, 27.12.2005, p. 23.

Justification

The two regulations for the untying of aid were adopted in 2005. They open the tendering procedures for persons from non-EU and non-beneficiary countries favouring developing countries and applying the principle of reciprocity for non-EU developed countries. These rules have to be applied and should be incorporated in the Financial Regulation.

PROCEDURE

Title	The proposal for a Council regulation amending Regulation (EC, Euratom) No. 1605/2002 on the Financial Regulation
Procedure number	2005/0090(CNS)
Committee responsible	BUDG
Opinion by Date announced in plenary	DEVE 6.9.2005
Enhanced cooperation – date announced in plenary	
Drafts(wo)man Date appointed	Anders Wijkman 1.12.2005
Previous drafts(wo)man	
Discussed in committee	20.2.2006
Date adopted	20.2.2006
Result of final vote	+: 26 -: 0 0: 1
Members present for the final vote	Danutė Budreikaitė, Marie-Arlette Carlotti, Thierry Cornillet, Alexandra Dobolyi, Michael Gahler, Glenys Kinnock, Ģirts Valdis Kristovskis, Maria Martens, Miguel Angel Martínez Martínez, Gay Mitchell, Luisa Morgantini, Józef Pinior, Pierre Schapira, Frithjof Schmidt, Jürgen Schröder, Feleknas Uca
Substitute(s) present for the final vote	John Bowis, Milan Gaľa, Fiona Hall, Linda McAvan, Manolis Mavrommatis, Karin Scheele, Anne Van Lancker, Anders Wijkman, Zbigniew Zaleski, Gabriele Zimmer
Substitute(s) under Rule 178(2) present for the final vote	Robert Sturdy
Comments (available in one language only)	