

Member states jeopardising the rule of law will risk losing EU funds

- New tool to protect EU budget and uphold EU values
- Suspension or reduction of payments
- Parliament and EU ministers may lock or unlock funding
- Protection of final beneficiaries, like researchers or civil society organisations

Governments interfering with courts or failing to tackle fraud and corruption will risk suspension of EU funds, according to a draft law endorsed by MEPs on Thursday.

Assisted by a panel of independent experts, the EU Commission would be tasked with establishing “generalised deficiencies as regards the rule of law” and decide on measures that could include suspending EU budget payments or reducing pre-financing. The decision would only be implemented once approved by Parliament and Council. Once the member state remedies the deficits identified by the EU Commission, Parliament and EU ministers could unlock the funds.

Independent experts to assist the European Commission

The European Commission may establish that the rule of law is under threat, if one or more of the following are undermined:

- proper functioning of the authorities of the member state implementing the EU budget;
- proper functioning of the authorities carrying out financial control;
- proper investigation of fraud - including tax fraud -, corruption or other breaches affecting the implementation of the EU budget;
- effective judicial review by independent courts;
- recovery of funds unduly paid;
- preventing and penalising tax evasion and tax competition;
- cooperation with the European Anti-Fraud Office and, if applicable, the European Public Prosecutor's Office.

To assist the Commission, a panel of independent experts in constitutional law and financial matters, comprising one expert appointed by the national parliament of each member state and

five named by the European Parliament, would assess the situation in all member states on a yearly basis and make a public summary of its findings.

Protecting final beneficiaries

Depending on the scope of the shortcomings and the budget management procedure, the Commission can decide on one or several measures, including:

- suspending commitments,
- interrupting payment deadlines,
- reducing pre-financing and
- suspending payments.

Unless the decision states otherwise, the government would still have to implement the respective EU programme or fund and make payments to final beneficiaries, like researchers or civil society organisations. The Commission would have to assist the beneficiaries and strive to make sure they receive the due amounts.

The Commission would submit a proposal to Parliament and EU ministers to transfer an amount matching the value of the proposed measures to the budgetary reserve. The decision would take effect after four weeks, unless Parliament, acting by majority of votes cast, or Council, acting by [qualified majority](#) (so no single member state can block a decision), amend or reject it. Once the EU Commission establishes that the deficits have been lifted, the locked amount would be unfrozen using the same procedure.

Quotes

Committee on Budgets co-rapporteur [Eider Gardiazabal Rubial](#) (S&D, ES) said: “The respect of rule of law and all EU values are core principles upon which we built the European project. No government can violate those values without suffering the consequences.”

Budgetary Control Committee co-rapporteur [Petri Sarvamaa](#) (EPP, FI) said: “The most important aspect of this mechanism is the protection of the final beneficiaries – in our model, this is strengthened as compared to the original Commission proposal. We have also included the European Parliament in the decision-making procedure, thus strengthening the democratic accountability of any measures taken.”

Next Steps

The Plenary endorsed the rules by show of hands with a clear majority to close the Parliament’s first reading. MEPs had initially agreed on the Parliament’s negotiating mandate in January. However, with EU ministers having not yet agreed on their common approach, it will be up to Parliament in its next term to negotiate the final wording of rules.

Background

The proposal for the regulation “On the protection of the Union’s budget in case of generalised deficiencies as regards the rule of law in the Member States” is an integral part of the EU’s long-term budget package, the 2021-2027 Multiannual Financial Framework.

Further information

[Video recording of the plenary debate \(16.01.2019\)](#)

[Draft report on the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States](#)

[Procedure file](#)

[Press release following the adoption of the negotiating mandate \(13.12.2018\)](#)

[Legislative train schedule: Protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States](#)

[EP Research Service: Protecting the EU budget against generalised rule of law deficiencies](#)

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