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## Financial Regulation: the reference for the EU budget

The Financial Regulation contains provisions applicable to the general budget: principles, establishment, structure, implementation and auditing of the accounts. It also defines the rules for public procurement, the award of grants and prizes and the general rules governing financial instruments. It is thus the main point of reference for the procedures governing the establishment and implementation of the EU budget.

The first Financial Regulation was originally adopted on 21 December 1977. The last revised [Financial Regulation](#) was adopted in 2012<sup>1</sup> after a legislative procedure initiated by the European Commission in 2010 and which was preceded by a public consultation in 2009. It was then amended in May 2014<sup>2</sup> and in October 2015<sup>3</sup>.

Article 211 of the Financial Regulation states that the Regulation shall be reviewed whenever it proves necessary to do so and in any case at the latest two years before the end of the first post-2013 multiannual financial framework. Such review shall cover, inter alia, the implementation of the provisions of Title VIII (i.e. Financial Instruments) and the deadlines set out in Article 163(1), i.e. deadlines linked to the Special reports of the Court of Auditors.

### Issue at stake today

Today, after three years of implementation of the current rules, the European Commission considers that it is necessary to revise those rules in order to:

- simplify the regulatory and financial architecture,
- promote synergies and flexibility in the implementation of the budget and
- promote a clear accountability framework.

The main issue is the need to reduce complexity of the financial rules and administrative burden. This concerns the financial and regulatory architecture, rules on grants, provisions governing indirect management, rules on financial instruments, shared management, reporting obligations and the management of administrative appropriations.

According to the European Commission, the revision of the Financial Regulation will contribute to the implementation of the Better Regulation initiative. It is also an integral part of the initiative "Budget Focused On Results" (BFOR).

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<sup>1</sup> Regulation (EU, Euratom) [No 966/2012](#) of the European Parliament and of the Council of 25 October 2012 on the financial rules applicable to the general budget of the Union and repealing Council Regulation (EC, Euratom) No 1605/2002

<sup>2</sup> Regulation (EU, Euratom) [No 547/2014](#) of the European Parliament and of the Council of 15 May 2014 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union

<sup>3</sup> Regulation (EU, Euratom) [No 2015/1929](#) of the European Parliament and of the Council of 28 October 2015 amending Regulation (EU, Euratom) No 966/2012 on the financial rules applicable to the general budget of the Union

## European Commission stakeholders consultation

From March 04 2016 to May 27 2016, the European Commission asked stakeholders views of a revision of the financial rules applicable to the EU budget. This consultation focused on the financial rules for:

- Financial Instruments (e.g. guarantees)
- Indirect management (using partner organisations for managing EU funds)
- Financing decisions (multiannual duration, essential elements)
- Simplification for beneficiaries including simplified cost options
- Prevention of conflicts of interests
- Creation of a "Single rule book"
- Convergence of rules for various types of expenditure (e.g. grants and financial instruments)

A synopsis report covering the substance of the replies is expected within 3 months after the closure of the consultation, in other words likely in September 2016. Individual feedback or direct talks are not envisaged with the respondents.

## European Commission Awareness Raising Event on the Financial Regulation Revision 2016

A [high-level event](#) hosted by Vice President Georgieva took place on 6 April 2016 in Brussels. Important stakeholders were invited for a panel discussion on the subject: "Making the Financial Regulation simpler and more flexible". It was the opportunity for the panelists to discuss the challenges facing their organisations, including their ideas for the future on direct and indirect management.

In her welcome speech, Vice President Georgieva pinpointed the lack of flexibility to respond adequately to the challenges facing us. She highlighted the contradiction between unpaid bill piled up on the Commission desk and the exceptional resources from fines imposed following a number of rulings made by EU judges, which cannot be used to foot the bills.

European Parliament representative (MEP Ines Ayala-Sender replacing rapporteur MEP Inge Gräßle) reminded the need to have a more flexible multiannual budget to address crises and the challenge on transparency and accountability to citizens. She stressed the European Parliament was always asking for a cycle of five year and not seven. In her views, rules for beneficiaries should be grouped in one book.

Stakeholders raised flat rates and lump sums should not be generalised, too many rules at the EU and at the Member State level exist and some are contradictory. In addition, simplification should target beneficiaries and not only the Commission work. They also mentioned the Commission should not only launch a consultation but also start a dialogue.

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