COUNCIL OF
THE EUROPEAN UNION

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Brussels, 26 June 2012
11872/12
PRESSE 292

New rules to simplify access to EU funds

The European Parliament and the Council have agreed on new rules aimed at equipping the EU budget with simpler financial rules while securing sound treatment of European taxpayers' money. Thanks to an expanded room of manoeuvre provided by the Permanent Representatives Committee[1] to the Danish presidency last Friday, subsequent contacts between the European Parliament and the Council have confirmed an agreement on a compromise text. In order to enter into force the new rules have to be formally adopted by the European Parliament and subsequently by the Council in first reading and published in the Official Journal of the EU.

The financial regulation can be considered as a corner stone of the EU legislation since it contains all the principles and rules for the implementation of the EU budget and is applicable to all areas of expenditure and all revenue. The agreement on the financial regulation paves the way for the adoption of around 70 proposals for sector specific legislative acts covering areas such as agriculture, cohesion policy, research, environment, transport, energy and external aid.

The main objectives of the revision of the financial regulation are to cut red tape, increase the leverage effect of limited EU funds and assure more accountability for the EU taxpayer.

1 The Permanent Representatives Committee is composed of the ambassadors of the 27 EU member states. Its role is to prepare decisions of the Council.

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As an example of simplification, beneficiaries of EU funds will no longer be obliged to open a separate bank account to receive an upfront payment at the start of a project and to return to the Commission any interest yielded by this money while it stays on this account. The regime of grants will be shifted from a real-cost based management (inputs) towards a performance-based scheme (outputs). This move is expected to simplify significantly the procedural and documentary requirements for the benefit of beneficiaries.

In order to improve the leverage of the limited EU resources in support of job creation and growth the revised financial regulation includes provisions to facilitate the use of novel financial instruments such as loans, guarantees, equity investments or other risk-sharing instruments. These instruments will have to comply with the principle of sound financial management.

The new rules authorise the Commission to set up and manage multi donor EU trust funds for external actions, which would intervene in emergency, post-emergency crisis operations or for thematic actions. These funds would pool the contribution from the EU budget with funds from other donors and are expected to improve the delivery and visibility of EU aid.

The revised financial regulation facilitates also the pooling of EU resources with private funds via public and private partnerships, notably in the research field.

The new rules also strengthen the accountability for European taxpayers' money. Where member states have been delegated the implementation of the budget by the Commission, ("shared management") they will have to designate and supervise bodies responsible for the management and control of EU funds. These bodies will have to set up and ensure the functioning of an effective internal control system. Once a year they will have to provide the Commission with their accounts and with a management declaration confirming that the money has been spent for the intended purpose and that the control systems works properly.

Once the new financial regulation is formally adopted by the European Parliament and the Council the Commission will adopt rules of application for this regulation. The financial regulation will become applicable the same day as the rules of application, probably on 1 January 2013, a year before the start of the new multiannual financial framework 2014-2020.