



Malta-EU Steering & Action Committee

The Financial Regulation applicable to the EC general budget

OVERVIEW

The Financial Regulation lays down the rules applicable to the establishment and implementation of the general budget of the European Communities.

Besides covering budgetary and financial management, it also lays down rules on the keeping and presentation of accounts, public procurement and the award of grants. It establishes the rules governing the liability of authorising officers, accounting officers and internal auditors and sets out the arrangements for external control and the discharge procedure. Finally, the Regulation lays down special provisions applicable among others to the Structural Funds, research and external action.

With regard to grants¹, the Regulation sets out the scope, the procedure for awarding them and the arrangements for payment and controls.

In view of the current financial framework, the amendments to the Financial Regulation were made in December 2006 and applicable with effect from 1 May 2007 (other amending regulations were made previously and after this date). The changes introduced in 2006 were aimed at simplifying the financial rules in order to reduce administrative procedures and simplify access to financing. The changes mainly concern grants and public procurement. The amending Regulation also contains provisions to improve public control, including the provision to make public the names of the beneficiaries of the Structural Funds, external aid programmes and agricultural funds.

Partly in view of the process currently underway towards a reform of the EU Budget, to take place post-2013, the European Commission has launched a consultation exercise² on the financial regulation and its implementing measures - specifically on grants and the Commission's handling of contracts and grants. The European Commission has indicated that it will present its proposals to the European Parliament and the Council in mid-2010.

Questions of interest being asked include:

- Should rules be more flexible on co-financing requirements?
- Should rules allow for costs to be covered according to expected outputs?
- Should the use of lump sums, flat rates become the norm?
- Should rules strictly adhere to the non-profit principle?

¹ Grants are direct financial contributions, by way of donation, from the budget in order to finance:

- either an action intended to help achieve an objective forming part of an EU policy;
- or the functioning of a body which pursues an aim of general European interest or has an objective forming part of an EU policy.

Grants are awarded subject to the principles of transparency and equal treatment. They may not be cumulative or awarded retrospectively and they must involve co-financing. Nor may the grant have the purpose or effect of producing a profit for the beneficiary. All grants awarded must be published annually with due observance of the requirements of confidentiality and security.

² http://ec.europa.eu/budget/consultations/FRconsult2009_en.htm



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- What mechanisms could be proposed with respect to pre-financing payments and reimbursement of payments, and pre-financing guarantees, while keeping in mind the need to safeguard Community funds and taxpayers' money?
- Should threshold for low value contracts, and hence simplified procedures, be increased?
- How could the application procedure for both grants and contracts be improved?

The present exercise is set to be concluded by 18th December 2009. The Commission has indicated that responses to and conclusions from this consultation will be made public. These will also serve as a basis for the Commission's proposal on the review of the Financial Regulation, to be presented in mid-2010.