



Questions and Answers: Targeted adjustments to the Financial Regulation

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Overview

What is the Financial Regulation?

The Financial Regulation lays down the principles and general financial rules for establishing, implementing and controlling the EU budget. It provides guidance to beneficiaries how they can receive EU funds and what rules they need to follow to demonstrate these funds have been well-spent.

In addition, the Financial Regulation sets out rules on how the EU institutions procure works, supplies and services, award grants and prizes, and make use of financial instruments or budgetary guarantees.

The EU financial rules went through a major revision in 2018.

Why is another revision necessary?

A substantial revision of the Financial Regulation took place in 2018, establishing simpler, more transparent, and more flexible rules for the spending of EU funds. This revision also helped make sure the EU budget is better protected.

The trigger for the 2022 proposal is the need to further align the Financial Regulation with the rules governing the 2021-2027 long-term budget (multiannual financial framework, MFF) and the NextGenerationEU recovery instrument. The proposal aims to maintain a single rule book governing the EU spending, making sure that all general financial rules are included in the Financial Regulation. This will provide greater legal certainty for EU funds' recipients and for the EU institutions managing the spending of the budget.

Finally, the proposal reflects declarations made and agreements reached by the EU institutions in the context of the MFF negotiations.

What do you mean by "targeted adjustments"?

The current proposal builds on the already existing very high standards of EU financial rules. It focuses on adjustments that are really necessary, striking a balance between stability and alignment with the MFF package, and some very concrete improvements and simplifications.

What are the elements of the proposal?

The proposal includes targeted improvements and simplifications which seek to make our budget even more transparent, better protected and more agile.

The main novelties include:

- Increased transparency by improving public information on EU funding recipients and the use of the EU budget, reinforcing the effectiveness of control and audits with the mandatory collection of data on the EU funding recipients and their beneficial owners and using an integrated IT system for data-mining and risk-scoring.
- Better protection of EU financial interests, for example by strengthening the system which allows to identify EU funding recipients which are in breach of EU rules, and to exclude them from funding.
- Improved agility of the EU budget by providing a clear legal framework for procurement in crisis situations and by adding a new budget implementation instrument to ensure that the Commission can more easily contribute to global initiatives.

Increased transparency of the EU budget

How do the new rules provide for greater transparency in the way EU funds are spent?

The proposal aims to ensure better information is offered to the public on how the EU budget is spent and who the recipients of EU funding are.

To that end, those implementing the budget under shared or indirect management should send to the Commission information on the recipients of EU funding at least once a year. The Commission will combine it with the information of beneficiaries of the budget under direct management, consolidate, centralise and publish this information on a single website.

This will ensure that comprehensive information about all beneficiaries of EU funding is publicly available online, independently of the management mode.

What does the Commission propose to improve the collection of data for control and audit purposes?

The proposal introduces a single integrated IT system for data-mining and risk-scoring to improve the quality and interoperability of data. This will be beneficial for control and audit purposes – it will help identify the recipients of EU funding which misuse the funds and serves as an effective tool to address irregularities or prevent, detect, investigate and correct fraudulent behaviour.

In addition, Member States' authorities would need to use a central Commission IT system to feed and analyse data on the recipients of EU funding. This would make it easier to detect and identify risks of fraud, corruption, double funding, conflict of interest and other irregularities as early as possible in the process of providing EU funding to recipients. .

Enhanced protection

How will the amended EU financial rules enhance the protection of the EU budget?

The Commission is already running an early detection and exclusion system, which makes it possible to identify and stop funding to recipients which do not respect EU rules. It currently applies to funds under direct management.

Today, the Commission is proposing to extend this system to the shared management mode. In this way, it will be easier to detect fraudulent economic operators and avoid selecting them in award procedures. This will ensure a better protection for the EU budget at an early stage of the process.

In addition, today's proposal adds new autonomous grounds for excluding beneficiaries from EU funding:

- refusal to cooperate in investigations, checks or audits carried out by an authorising officer, the European anti-fraud office OLAF, the European Public Prosecutors' Office, or the European Court of Auditors,
- incitement to hatred or discrimination,
- breach of conflict of interest avoidance rules.

How will the amended financial rules contribute to the digital Commission?

The proposal supports the Commission's commitment to be "digital by default". The revised use foresees greater use of digitalisation and emerging technologies such as data-mining, machine learning, robotic process automation and artificial intelligence to help increase the efficiency and quality of controls and audits. This should also make it easier to guarantee EU funds have been properly used, and at a lower cost.

More agile EU budget

How will the new rules help the EU react more effectively in crisis situations and to global initiatives?

To help the EU react more efficiently in crisis situations, the proposal introduces:

- rules reflecting current practice on non-financial donations, providing a clear legal framework for the EU institutions to donate goods, services, supplies or works. This will also provide a stable legal basis for future emergency situations, more transparency, accountability and legal certainty for recipients of donations.
- new rules in the area of procurement in crisis situations which will enable EU institutions or bodies to procure on behalf of Member States or to act as a central purchasing body. This central purchasing body would be able then to donate or resell supplies and services to Member States, and launch joint procurement procedures even where the EU institutions do not acquire services and supplies for themselves.
- new budget implementation instrument for EU contribution to global initiatives covering

operations complying with EU standards. Global initiatives are multi-donor, pooled funds supporting a global goal (e.g. climate change, education, fight against AIDS, Tuberculosis and Malaria). Participation in these funds can often be considered as an efficient way to contribute to the achievement of EU key policy objectives.

How will amended financial rules contribute to the achievement of the European Green Deal?

Today's amendments seek to ensure that EU budget fully supports the implementation of the European Green Deal. To this end, an explicit reference to the "do-no-significant-harm" principle is made, in line with the Commission's commitment to sustainable financing and the green transition.

Finally, the proposal foresees that when relevant, calls for tenders in public procurement procedures include green award or selection criteria to incentivise economic operators to offer more sustainable solutions.

For More Information

- [Commission proposal](#)
- [Press release](#)
- [Financial Glossary](#)
- [How EU budget is spent](#)
- [EU budget law](#)
- [EU Budget on-line](#)
- [FTS](#)

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