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2016/0282 (COD)

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council**

## EXPLANATORY MEMORANDUM

### 1. CONTEXT OF THE PROPOSAL

#### • **Reasons for and objectives of the proposal**

The Financial Regulation<sup>1</sup> sets out the principles and procedures governing the establishment and implementation of the EU budget and the control of the EU funds. Over the last 30 years, the **number of general financial rules** contained in the Financial Regulation has increased sharply<sup>2</sup>. In addition, a **number of sectoral financial rules** have emerged: the rules for participation to the Framework Programme for Research and Innovation<sup>3</sup>, the Common Provisions to the European Structural and Investment Funds<sup>4</sup> and the Common Implementing Rules for the External Action<sup>5</sup>.

**Users of EU funds have repeatedly complained** about the proliferation of rules both at general and at sectoral level, their heterogeneity and their complexity due to the fact that they follow the architecture of the programme and multiple layers of controls. In addition, the complexity of the financial set of rules has slowed down implementation of the EU funds, making it costly and prone to errors.

A first step **towards more coherent and simpler financial rules** was achieved in 2012: the Commission tabled proposals for the programmes covered by the MFF 2014-2020 which reduced the number of programmes and instruments, grouped them under a single framework with common rules, simplified procedures for application and declaration of costs by final beneficiaries, facilitated the deployment of innovative financial instruments, enabled EU Trust-Funds and improved the cost-efficiency of controls. Recent revisions have aligned the Financial Regulation on the results of the negotiation to the MFF 2014-2020 (2013 revision) as well as to the new Procurement Directive (2015 revision).

However, **there is room for further simplification**. This is confirmed by the experience gained since 2014 and by the work of the High Level Group of Independent Experts on Monitoring Simplification for Beneficiaries of the European Structural and Investment Funds<sup>6</sup>. The public consultation on the revision of the Financial Regulation<sup>7</sup> also shows stakeholders' clear expectations in the area.

**Efforts must therefore continue** in order to remove bottlenecks, ensure synergies and complementarities between ESI Funds and the other EU funds and improve efficiency of delivery and control requirements. Simpler and more flexible financial rules will contribute to

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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, OJ L 298, 26.10.2012, p.1)

<sup>2</sup> From the 71 pages of the 1977, to 319 pages in 2006 and 345 pages in 2012

<sup>3</sup> Regulation (EU) No 1290/2013 laying down the rules for participation and dissemination in "Horizon 2020 - the Framework Programme for Research and Innovation (2014-2020)" and repealing Regulation (EC) No 1906/2006.

<sup>4</sup> Regulation (EU) No. 1303/2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund,

<sup>5</sup> Regulation (EU) No. 236/2014 laying down common rules and procedures for the implementation of the Union's instruments for financing external action

<sup>6</sup> Group of experts chaired by former Vice-President Siim Kallas set-up by the Commission on 10 July 2015 in order to advise it with regard to simplification and reduction of administrative burden for beneficiaries of the European Structural and Investment Funds.

<sup>7</sup> See synthesis on [http://ec.europa.eu/budget/consultations/index\\_en.cfm](http://ec.europa.eu/budget/consultations/index_en.cfm)

optimising spending and impact of the MFF 2014-2020 and constitute as such one of the key elements of the Commission's initiative for a *Budget Focused on Results* (BFOR) which aims at making sure that resources are allocated to priorities and that every action delivers maximum performance and added value<sup>8</sup>. In addition, this will reduce the costs related to implementation of EU rules as well the number of errors.

Simpler and more flexible EU financial rules are key in enhancing EU budget's ability to adapt to changing circumstances and to respond to unexpected developments.

The present legislative proposal forms an **integral part of the mid-term review/revision of the multiannual financial framework** (MFF) 2014-2020<sup>9</sup>. It contributes to two of its main objectives: **simplification** and **flexibility**.

The Commission therefore proposes in a single act an **ambitious revision of the general financial rules** accompanied by **corresponding changes to the sectorial financial rules** set out in 15 legislative acts concerning multiannual programmes. The inclusion of sectoral changes in the same legislative proposal aims at ensuring a coherent negotiation process as well as at facilitating a speedy adoption by the legislator. The focus is put on the following key areas:

**1. Simplification for recipients of EU funds:** many measures aim at simplifying life for recipients of EU funds. They relate to grants (removal of the non-cumulative award check for low-value grants and of the non-profit principle; simpler rules for "contribution in kind" valuation; recognition of volunteer work; grant awards without calls for proposal under specific conditions) and simplified forms of grants (Title VIII).

**2. From multiple layers of controls to cross reliance on audit, assessment or authorisation, and harmonisation of reporting requirements:** the aim of these measures is to encourage reliance as far as possible on one single audit, assessment or authorisation (conformity to State aids for instance), when the audit, assessment or authorisation meets the necessary conditions to be taken into account in the EU system. More generally, rules for implementing partners (international organisations, EIB/EIF, national promotional banks, national agencies, NGOs) will be simplified by relying increasingly on their procedures and policies once assessed positively. Financial framework partnership agreements concluded with long term partners will allow progressing in the harmonisation of audit, reporting and other administrative requirements among donors (Title V Articles 122, 123 and 126).

**3. Allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments:** the proposal aims at achieving further simplification for the partners of the EU by a number of measures to avoid the parallel application of different rules and procedures, notably through facilitating the combination of European Structural and Investment Funds (ESIF) funding with financial instruments and the European Fund for Strategic Investments (Title V).

**4. More effective use of financial instruments:** optimise use of reflows, ensuring a level playing field among key EU implementing partners, reducing burdensome requirements related to publication of individual data of final recipients or to the exclusion criteria (Title X).

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<sup>8</sup> [http://ec.europa.eu/budget/library/biblio/documents/2015/2015\\_eu\\_budget\\_focused\\_on\\_results\\_conference\\_summary\\_en.pdf](http://ec.europa.eu/budget/library/biblio/documents/2015/2015_eu_budget_focused_on_results_conference_summary_en.pdf)

<sup>9</sup> COM... (2016)

**5. More flexible budget management:** the proposal sets out several ways for more budgetary flexibility, in order to allow the Union to respond to unforeseen challenges and new tasks more effectively and to achieve swifter crisis management - among which the creation of a "flexibility cushion" for unforeseen needs and new crises in the external actions geographic instruments budget, a more efficient activation of the solidarity and globalization adjustment funds, and the extension of Trust-Funds to internal policies (Articles 14 and 227), the creation of a EU crisis reserve with the reuse of decommitted appropriations, and for the next Multiannual Financial Framework, the possibility that financial operations other than financial instruments generate a contingent liability for the Union exceeding the financial assets provided to cover the financial liability of the Union (Article 203) and the creation of a common provisioning fund holding the resources provisioned for financial operations (Article 205). Recent initiatives (such as the European Fund for Strategic Investments (EFSI) or the European Fund for Sustainable Development (EFSD)), have indeed shown the need to fully use the leverage of the EU budget by creating non-provisioned contingent liabilities. Title X sets the framework to authorise, manage and control these financial risks.

**6. Focus on results and streamlining of reporting:** a stronger focus on results through lump sums, prizes, payment based on output and results rather than on reimbursement of costs, payment against conditions to be fulfilled (Article 121, Title XIII). This should contribute to further reducing the costs of implementing EU funds as well as the number of errors. On the reporting side, reports are regrouped around the draft budget and the integrated financial reporting package, in order to increase efficiency and transparency both towards the general public and the budgetary authority (Articles 39 and 239-245).

**7. Simpler and leaner EU administration:** facilitating agreements or delegations between Institutions or bodies in order to pool the implementation of administrative appropriations in European Offices or within Executive Agencies (Articles 57, 58, 64, 65 and 68); merging consultative panels competent for financial irregularities (Article 73 (6)) with the EDES panel (Article 139) and moving from annual to multiannual financing decisions (Article 108).

**8. Providing possibility for citizen engagement:** the proposal provides a possibility for citizens to be consulted on the implementation of the Union budget by the Commission, Member States and any other entity implementing the Union budget (Article 54).

In simplifying and making EU financial rules more flexible, the present proposal **paves the way for the preparation of the next generation of spending programmes (post-2020).**

- **Consistency with existing provisions on the policy area**

In designing simpler and more flexible EU financial rules the Commission has made sure that it does not weaken sound financial management which remains a key objective. Quite to the contrary, the present proposal also strengthens rules on tax avoidance to be respected by EU implementing partners and clarifies that the duty to avoid conflicts of interest fully applies to all modes of implementation of EU funds (including at the level of Member States). It also consolidates the systems in place to protect EU budget against fraud and financial irregularities (extending the authorising officer's competence to take action with regard to the Early Detection and Exclusion System in indirect implementation). The simplification of EU financial rules will also contribute to **reduce the costs and time** needed to implement EU funds as well as **the number of errors**. It should also increase the **impact of the policies** and their **results** on the ground.

## **2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY**

- **Legal basis**

The proposal is based on Article 322 of the Treaty on the Functioning of the European Union (TFEU) for the part relating to the revision the Financial Regulation and on the sectoral legal basis for the legislative acts modified by the second part.

- **Subsidiarity (for non-exclusive competence)**

The adoption of EU general financial rules and of the modifications proposed to the sectoral legislative acts falls under the exclusive competence of the EU.

- **Proportionality**

This proposal focused on simplification and does not contain rules which would not be necessary to achieve the objectives of the Treaty. In particular, the modifications to the sectoral legislative acts proposed in its omnibus part are limited to those necessary to allow the simplifications proposed in the Financial Regulation to deploy their full effect on the ground.

## **3. RESULTS OF EX-POST EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS**

- **Stakeholder consultations**

A public consultation on the revision of the Financial Regulation was carried out in April/May 2016. A total of 111 contributions were received from a wide range of stakeholders.

The replies show overall support for the simplification (65%) and flexibility (79%) measures proposed. With respect to simplifying EU grant rules, stakeholders continue to prefer the reimbursement of actual costs but do not oppose simplified reimbursement through unit costs, lump sums or flat rates or reimbursement on the basis of pre-defined results as long as those are not compulsory. These concerns are reflected in the proposal. In particular, simplified reimbursement of costs will remain only an additional option to be used by the authorising officer with regards to the nature of the supported actions and recipients. Implementing partners of the EU (national development agencies, international organizations, EIB/EIF, NGOs) request the Commission to rely more on their rules and policies once positively assessed. They complain about multiple prior assessments of their systems or procedures or repeated audits of the same activities by the EU and other donors, when cross-reliance on such assessments and audits could be possible. They also criticize different reporting requirements among donors<sup>10</sup>.

An Awareness Raising Event took place on 6 April 2016 in Brussels to allow stakeholders to voice their concerns/suggestions about the Financial Regulation. Their comments made are in line with the replies to the public consultation.

The measures contained in this proposal address these concerns.

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<sup>10</sup> In several opinions, the Committee of the Region has also called for simpler and more flexible EU rules (e.g. opinions on the simplification of the Common Agricultural Policy, CDR 2798/2015, and of European Structural and Investment Funds from the perspective of Local and Regional Authorities, CDR 8/2016).

- **Impact assessment**

No impact assessment for this revision of the Financial Regulation has been carried out. The Financial Regulation as such has a limited economic, environmental or social impact (it provides the general rules for the implementation of the spending programmes, but the concrete economic or social impact incurs when making policy choices implementing the sectorial programmes). Changes proposed to the sectoral legislative acts are merely consequential to the simplifications proposed in the Financial Regulation

- **Regulatory fitness and simplification**

While the revision of the Financial Regulation and the corresponding changes to the sectoral legislative acts do not fall under the Regulatory Fitness Programme, they are in line with – and contribute significantly to – the Better Regulation agenda: indeed, this proposal **reduces the overall number** of general financial rules applicable to the EU budget by some 25% and regroups them in a **single rule book** which will replace both the Financial Regulation and its Rules of Application:

- Key provisions of the **Rules of Application** are moved into the Financial Regulation, while less important elements will be integrated if needed and on a case by case basis in Commission’s internal rules or in guidelines made public by the Commission.
- The detailed **procurement rules** applicable to EU institutions and bodies are consolidated in an annex of the revised Financial Regulation, which could be modified by delegated act.
- Provisions of **Part Two** of the Financial Regulation relating to **special provisions** applicable to the **European Agricultural Guarantee Fund**, to **Research**, **external action** and to other specific **EU funds** are inserted in the relevant parts of the Financial Regulation unless they are no longer relevant.

The proposal to revise the Financial Regulation also stresses commonalities and reduces specificities to the minimum so as to make the rules easier to apply for the users: **emphasis is put on common rules applicable to all methods of implementation (direct, indirect and shared) as well as for all legal instruments** by regrouping them in dedicated chapters. Provisions on European offices, executive agencies, decentralised agencies and public-private partnership bodies currently spread over the Financial Regulation are pulled into the same chapter. Rules on EU trust funds, budget support and experts (including research experts) are regrouped under a new title “Other budget implementation instruments”.

The proposal also strongly focuses on **achieving substantive simplification** of the current EU financial rules. As mentioned in point 1 above, it contains numerous elements reducing the administrative burden for applicants and recipients of EU funds.

The proposal does not exempt micro-enterprises from its scope. Such enterprises can be beneficiaries of EU funds and must therefore be subject to the rules. However, in certain areas, it reduces the costs for businesses which are often **SMEs** (replacing in the area of financial instruments the publication of individual data of beneficiaries by aggregate statistics) and more generally the numerous simplification measures should benefit to all enterprises

- **Fundamental rights**

The proposal is in line with the protection of fundamental rights.

#### **4. BUDGETARY IMPLICATIONS**

The proposal does not have budgetary implications.

- **Detailed explanation of the specific provisions of the proposal**

## **1. Simplification for recipients of EU funds**

### **1.1. Simplify grant use, lump sums and cost calculations**

Many measures aim at simplifying life for recipients of EU funds. They relate to the content of grant applications, the value of contributions in kind, recognition of volunteers work, the conditions for award of grants without a call for proposals to Member States under specific conditions, the principle of no profit, the principles of non-cumulative award and the phasing out of grant decisions. Other measures demonstrate the move towards a simpler and leaner administration.

#### **1.1.1. General financial rules**

The proposal promotes the use of **simplified forms** of grants, open to all EU funded programmes where the nature of the actions and underlying expenditure allow such approach (e.g. training and mobility actions, travel costs, etc.). This would alleviate the administrative burden, reinforce certainty on the reimbursed amount to beneficiaries and stimulate the uptake of simplified forms of grants and their combinations (Article 175).

**Use of expert judgment:** the implementation of simplified forms of grants has been hampered by the lack of data needed to establish a reasonable approximation of the actual costs. This is often due to the innovative nature of the actions concerned or to the fact that actions are implemented only in certain countries and no data are available for other countries. In order to bridge this gap, it is proposed to make use of **expert judgement** in complement of or as an alternative to the statistical or historical data, depending on the nature of the action (Article 175).

**Simplifying the authorisation of lump sums, unit costs and flat rates:** to replace the lengthy and burdensome process of authorisation (College decision for amounts higher 60.000 EUR per grant) by enabling the responsible authorising officer to adopt decisions authorising simplified forms. This level is more appropriate given the highly technical content (calculation methodologies, overviews of data, etc.) of the decision (Article 175).

**Simplifying and clarifying the content of grant applications including the accompanying supporting documents:** no obligation to provide information demonstrating the applicants' financial and operational capacity if those are not verified (e.g. for public bodies); aligning the obligation to provide an audit report with the applicable EU and national law in the area of accounting (Article 189).

**Simplification of the principle of non-cumulative award:** grants like scholarships to natural persons, direct support to refugees, unemployed and other persons in most need will be exempted from this rule since traditionally their value is quite low (Article 185).

**Removing the no profit principle:** the practical importance of the no-profit principle has diminished substantially: revenue-generating projects are in principle supported through financial instruments. For projects that are in principle not revenue-generating, the no profit principle creates disincentives: beneficiaries are not encouraged to ensure that their projects become sustainable or profitable. This has in turn a negative impact on the economy.

**Simplifying the determination of the value of contributions in kind:** these contributions do not constitute eligible costs. Therefore, their exact value is irrelevant. However, they may continue to be accepted as part of the co-financing. Any value reasonably established by the

authorising officer at the time of acceptance of the estimated budget can demonstrate that there are other sources of financing of the action, apart from the EU grant, and that the co-financing principle is complied with (Article 184).

**Recognition of volunteer work:** In order to facilitate the participation of small organisations in the implementation of the EU policies in an environment of limited availability of resources, it is necessary to recognise the value of the work provided by volunteers as eligible costs. As a result, such organisations may rely to a greater extent on volunteers' work for sake of providing co-financing to the action (Articles 175, 180 and 184 ).

**Simplifying and harmonising the conditions for award of grants without a call for proposals:** it is proposed to extend the possibility to award direct grants to entities mandated by the Member States to the cases of a *de facto* or *de jure* monopoly or where direct beneficiaries have been chosen for their technical competencies, high degree of specialisation or administrative powers. In addition, the authorising officer would be authorised to combine the evaluation report and the award decision in one document. This will alleviate the administrative burden and will speed up the award of direct grants (Article 188).

**Simpler record-keeping:** the record-keeping period shall be a uniform five years (three years if the funding is of an amount lower than or equal to € 60.000), also for indirect implementation (Article 128).

**Notional approach for grants:** where grants are expressed only as an absolute value (not as a percentage of eligible costs), the eligibility of costs shall be verified at the latest at the time of the payment of the balance (Article 180). For this verification, a simplified ("notional") approach can be used (Article 150). **Phasing out of grant decisions:** it is proposed to phase out grant agreement and use predominantly grant agreements, subject to a review in the progress made towards e-grants at the end of the current MFF (Article 277).

### 1.1.2. Sectoral rules

The improvements for using simplified cost options in the Financial Regulation are complemented by changes proposed for sectorial legislation extending the use of simplified cost options in

- Regulation (EU) No. 1303/2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund,
- European Social Fund Regulation (EU) No 1304/2013,
- Regulation (EU) No 223/2014 on the Fund for European Aid for the most deprived.

## 2. From multiple layers of controls to cross reliance on audit, assessment or authorisation, and harmonised reporting requirements

The aim of these measures is to encourage reliance as far as possible on one single audit, assessment or authorisation (conformity to State aids for instance), when they meet the necessary conditions to be taken into account in the EU system. In order to avoid multiple layers of controls, the Commission shall promote the recognition of internationally accepted standards or international best practices in that area, as well as common reporting requirements among donors:



- Cross-reliance on **ex-ante assessments** and checks of recipients already conducted by other entities (donors) with regard to conditions equivalent to the EU ones (Article 122).
- Cross-reliance on **audits** conducted in accordance with internationally accepted standards is also encouraged always with a view of avoiding multi-audits of the same persons/entities for the same activities. This would allow the Commission to rely on independent audits conducted on the use of the EU funds by international partners (UN, World Bank etc.) or Member States (Article 123).
- Harmonisation of its **reporting requirements** with those of other donors: the Commission shall promote the adoption of common reporting requirements through the financial framework partnership agreements concluded with its main international partners (Article 126).
- Allowing the Commission to rely possible on the systems and procedures of the partners of the EU under **indirect implementation** if they have been **positively assessed** (Article 149) and impose remedies if certain rules/procedures are not sufficient to protect the EU financial interests; where the Commission requires the use of its own or specific procedures no assessment will be carried out. In all cases the level of supervision/control exercised should be adapted on the basis of the principle of proportionality.
- **Enhancing Financial framework partnership agreements** (Article 126): such agreements established with trusted partners for long term cooperation will in the future cover all the actions in direct and indirect implementation and reflect the extent to which the Commission may rely on the systems and procedures positively assessed as well as the application of a single set of rules for all legal instruments. Long term partnership agreements will offer a flexible framework for cross-reliance on assessments and audits where possible as well as for harmonising audit, reporting and other administrative requirements among donors.

### **3. Allowing the application of only one set of rules to hybrid actions or in the case of combination of measures or instruments**

The proposal aims at achieving further simplification for the partners of the EU under **indirect implementation to the maximum extent possible**.

#### **3.1. General financial rules**

- The application to an implementation partner of the Commission of only one set of rules instead of two would be allowed in certain cases – regardless of the nature of the action and of the role of the partner as a manager of funds or a "do-er". Where hybrid actions combine indirect and direct implementation and currently imply two sets of rules, accessory elements that are currently submitted to direct implementation rules (very often the case for technical assistance) would follow the rules of the main elements of the action (e.g. the running of a financial instrument with guarantees or else (Article 208(2))).
- In order to facilitate combinations between grants and financial instruments, a single set of rules (those of the financial instruments) shall apply to **grants complementary to financial instruments** if combined in a single action (Article 208(2));
- The period for **record-keeping** for grants and financial instruments shall be aligned to five years (three years for amounts up to € 60.000 Article 128).

### 3.2. Sectoral rules

- **Limiting state aid verifications** to the state aid consistency check for the EU-level financial instruments foreseen under the Financial Regulation when ESI funds contribute to EU- level financial instruments (no double verification): Member States contributions to EU-level financial instruments which are made without any additional conditions as to the use of the contributions other than in relation to the geographic area for the use of the contribution shall not require another separate state aid verification as the financial instrument is already consistent with state aid rules based on the Financial regulation. This will be clarified through appropriate guidance.
- **Extension of SME Initiative(SMEI)**, allowing for the use of the SME Initiative beyond 2016, making it possible for Member States to commit funding to the SMEI up to 2020.
- Extension and clarifications of CPR provisions on **combinations between financial instruments and grants** in order to facilitate their combined use.
- Introducing a new possibility to **combine ESI Funds/EFPI** and a new structure for combining **ESI Funds with EIB and EIF**: ESI Funds programmes should be able to contribute to financial instruments combined with EIB financing under EFPI.

## 4. More effective use of financial instruments

### 4.1. General financial rules

Experience with financial instruments and in particular input from key implementation partners (EIB/EIF) point at the following possibilities to improve further their management and effectiveness:

- **All reflows** (revenues + repayments) generated by a financial instrument should be used for the same instrument to pursue efficiency gains; full transparency is guaranteed through reporting (Article 202(2));
- **EIB /EIF** would retain their status as key EU partners in implementation but **direct negotiations** should be authorised between the Commission and a greater number of potential entities, to ensure a level-playing field amongst them (Article 149);
- Given the impossibility to impose the full respect of EU rules where the EU participates in a financial instrument as **minority shareholder** of a fund, it is proposed to allow a proportionate application of EU rules in such cases instead (Article 208(4));
- The **publication of individual data of final recipients** would be replaced with statistical data, aggregated per relevant criteria proposed for final beneficiaries receiving EU support of less than € 500.000 (policy area, type of support, type of beneficiary, geographical distribution (Article 36(5)).
- Final beneficiaries and intermediaries shall not be required to provide a declaration of honour confirming that they are not in one of the exclusion situations where the implementing partner has an exclusion policy considered equivalent to that of the EU (Article 131).
- Two new sections are proposed to **regulate other instruments bearing a financial risk**, such as budgetary guarantees and financial assistance to Member States or third countries (Sections 2 and 3 of Chapter 2 of Title X).

- Rules to authorise, manage and control non-provisioned **contingent liabilities** have been introduced (Articles 203 to 206).

## 4.2. Sectoral rules

To further optimise management and use of financial instruments in shared implementation, **changes to the Common Provisions Regulation 1303/2013 (CPR)** are proposed:

- Clarifying the possibility for Member State Management Authorities to directly award a contract, including technical assistance, to the EIB/EIF, other International Financial Institutions as well as National Promotional Banks.
- Treasury management: where the temporary investment of ESI Fund money paid into a Financial Instrument before the investments in final recipients generates negative interests, their payment from resources paid back when at least one cycle of investments has been carried out shall be authorised.
- Certain EAFRD measure specific rules shall be removed that have hindered the programming of financial instruments in Rural Development and their implementation by the fund managers, to increase the leverage effect of the EAFRD funding through a higher use of financial instruments.

## 5. More flexible budget management

### 5.1. General financial rules

The proposal sets out several ways for more budgetary flexibility, in order to allow the Union to respond to unforeseen challenges and new tasks more effectively:

- Allow for the establishment of **EU trust funds** also for emergency, post-emergency or thematic actions *within* the EU (and not only for third countries). Recent events in the European Union show the need for increased flexibility for funding within the EU. As the boundaries between external and internal policies are increasingly blurred, this would also provide a tool for replying to challenges crossing the borders (Article 227).
- Increase the "**negative reserve**" from EUR 200 million to EUR 400 million and thus also follow up to a Council request to limit the number of Draft Amending Budgets linked to payments (Article 48).
- Create a flexibility cushion for external action via the carry-over of non-allocated funds for the Instrument for Pre-accession Assistance (IPAI), the European Neighbourhood Instrument (ENI) and the financing instrument for development cooperation (DCI) to year N+1 in the limit of 10% of the initial appropriations of each instrument (Article 12).
- **Foresee more flexibility for crisis and emergency situations and humanitarian aid in grants:** Administrative procedures are simplified to enable quick and efficient response (e.g. retroactive eligibility before the submission of the application to be decided by the authorising officer responsible, Article 186).
- Use of **imprest accounts** in the Union Delegations would be allowed for payment of limited amounts by budgetary procedures. Non-statutory staff in the field of crisis management aid and humanitarian aid operations could administrate such accounts and sign legal commitments executed from them up to EUR 2 500 (Article 109).
- Increase flexibility for **autonomous transfers** by the Commission by enlarging the current scope, i.e. by also allowing transfers of operational expenditure between

different titles if they are covered by the same basic act, including support chapters, and from the administrative support lines to the corresponding operational lines (Article 28).

- Simpler mobilisation of the **EU Solidarity Fund EUSF** via an autonomous transfer from the reserve to the budget line once the decision of mobilisation has been adopted by the European Parliament and the Council (Article 28).
- Simpler mobilisation of the **European Globalisation Fund EGF** via automatic approval of transfers from the reserve to the budget line upon adoption by the Budgetary Authority on the mobilisation of the Fund (Article 30).
- Clarify that amounts corresponding to commitment appropriations for the **Emergency Aid Reserve** and the **EU Solidarity Fund EUSF** are carried over automatically (Article 12).
- Remove the obligation to first use the appropriations authorised for the current financial year until they are exhausted before using appropriations carried over.
- Allow use of **internal assigned revenue for another purpose** than the one for which it is assigned in case there are no identified needs allowing such revenue to be used for the same purpose (Article 30(3)).
- Allow the institutions and bodies to accept corporate in kind sponsoring for specific events or activities (i.e. not receptions or other exclusively social events). For that provision to be implemented, each institution would first authorise the principle of acceptance of sponsoring in kind and set out specific guidelines covering notably ethical aspects (Article 24).
- Foresee that, as part of the approval procedure of the sale of buildings or land, the Budget Authority may accept, on a case by case basis that **the proceed of that sale** is considered assigned revenue, in order to improve facility management by the Commission and facilitate the purchase of other buildings (Article 20(3)(g)).
- Create a EU crisis reserve with the reuse of decommitted appropriations.
- For the next Multiannual Financial Framework, create the possibility that financial operations other than financial instruments generate a contingent liability for the Union exceeding the financial assets provided to cover the financial liability of the Union (Article 203) and a common provisioning fund holding the resources provisioned for financial operations (Article 205).

## 5.2 Sectoral rules

- The possibility for the Member States to help also in case of man-made catastrophes like the refugee crisis and to use available funds immediately (without having to wait for the submission of a programme amendment) is introduced in Regulation (EU) No 1305/2013 on support for rural development by the European Agricultural Fund for Rural Development. Also, a specific investment priority for migrants and refugees is added to simplify the programming of measures to help migrants and refugees under the European Regional Development Fund Regulation (EU) No 1301/2013.
- **European Union Programme for Employment and Social Innovation** (EaSI-Regulation No 1296/2013): in order to increase the adjustment capacity of EaSI to crisis and changing political priorities, flexibility is needed concerning the indicative spending levels foreseen for each of the three axis of the program and for each of the thematic priorities within these. In addition, the derogation allowing use of the

**European Globalisation Fund** for the benefit of young people not in employment, education or training should be maintained given the current economic context.

- **Connecting Europe Facility Regulation Nr 1316/2013:** Given the success of the Multi-Annual Work Programmes, it is necessary to increase the flexibility so that 95% can be spent on multi-annual programmes and further projects supported with most value added for the Trans European Transport Network (Core Network Corridors, cross border projects and projects on the other sections of the Core Network).
- **Management of expenditure for the food chain, animal health and animal welfare** (Regulation (EU) No 652/2014): given the positive experience with the application of this rule and the substantial reduction of the related workload on the part of the beneficiaries and of Commission services, it is proposed to extend the possibility to use budgetary commitments divided into annual instalments.
- In Regulation (EU) No 1305/2013 on support for rural development, targeting mutual funds helping farmers in case of sharp drops in income in *specific* sectors shall be allowed, and subsidisation of the initial capital stock of such funds.

## 6. Focus on results and streamlining reporting

The proposal includes a series of measures aimed at focusing better the budget on results, establishing a clear performance framework, enhancing transparency and streamlining reporting.

### 6.1 Focus on results

A number of proposals open to all policy areas and focusing on results rather than on what has been actually spent. They demonstrate the Commission's commitment to provide the necessary conditions for a result-oriented approach:

- Allowing for payments based on **conditions fulfilled, output or performance** in *all* management modes (e.g. payments per resettled refugee in the AMIF funds or the support for young farmer setting up, Article 121). In such cases, the financing of projects is delinked from the reimbursement of the costs incurred by the recipients of EU funds: it depends directly on the results delivered on the ground. What matters is either the fulfilment of certain conditions as set out *ex ante* in the basic act or Commission Decisions and/or the achievement of results measured through performance indicators (*ex-post*). Such system enhances ownership/commitment by the recipients of funds to achieve results. They allow a significant reduction of the administrative burden and of the cost of controls. Controls can indeed be limited to verifying whether the conditions/agreed results have been met and the administrative burden. This in turn limits the risk of legality and regularity errors. It has been advocated by the European Court of Auditors under the name “entitlements”.
- **Facilitating "Prizes"**(Title IX): the title on “Prizes” is shortened and simplified; the obligation to announce prizes of a value of EUR 1 million or more in the statements accompanying the draft budget is replaced by prior information of the European Parliament and an explicit announcement of such prizes in the financing decision.
- **Single lump sum** (Article 176): a "single lump sum" could in the future cover all eligible costs of the action. Checks and controls will focus exclusively on the outputs/deliverables. The single lump sum is based on the assessment of the budget proposed by the grant applicant in view of the principles of efficiency, economy and effectiveness including by reference to relevant data and/or expert judgment.

- **Priority to simplified forms of grants where payment is triggered by output and results** (Article 175): an input based approach should only be considered if the output based approach is impossible or not appropriate. Currently simplified forms are predominantly used to cover the value of inputs (e.g. number of man-days, number of travels, number of days spent in mission, etc.). The possibility to pay simplified forms against the delivery of concrete outputs (e.g. a conference delivered, a festival organized, a prototype built, etc.) is similarly encouraged.
- **Clarifying the scope of controls of simplified forms of grants and of their consequences if outputs are not delivered** (Article 177): controls concentrate on the fulfilment of the conditions triggering the payment (e.g. whether a supported European movie was produced with the needed quality and distributed with the needed quantity, whether an Erasmus student actually studied abroad, etc.). No reporting on the costs actually incurred by the beneficiary is required. If the conditions triggering the payment were not fulfilled or if the agreed activities were implemented poorly, partially or late, the Commission shall reduce the amount of the grant proportionately to the failure and to recover amounts unduly spent.

## 6.2 A clear performance framework

To complement the stronger focus on results, a clear performance framework is proposed:

- Linking performance, objective-setting, indicators, results and the principles of economy, efficiency and effectiveness in the use of appropriations (Article 31).
- Providing for performance based fees to remunerate organisations for managing EU funds (Article 150);
- Considering programme statements as the main source of programme performance information (Article 39);
- Merging of the "Synthesis" and "Article 318 TFEU" reports in one "Annual Management and Performance Report for the EU Budget" to deliver annually a single performance report on the EU budget (as from the 2015 financial year, Article 239).
- Aligning the terminology on evaluation to the provisions of the 2016 Inter Institutional Agreement on better law making and creating a link between ex-ante evaluations under the Financial Regulation and Impact Assessments (Article 32).

## 6.3 Streamlining reporting

### 6.3.1. General financial rules

Successive revisions of the Financial Regulation have significantly increased the number of reports and information requested including on accounts: reporting is now provided through scattered documents, delivered along a differed calendar. In order to increasing efficiency and transparency not only towards the budgetary authority but also towards the general public, without however affecting the level of information currently provided, it is proposed:

- To gather reporting obligations around two key moments: reports accompanying
  - the **draft budget**; all reporting on EU-level financial instruments would be merged into a single document accompanying the draft budget (Article 39).
  - and those submitted as part of the discharge process: "**the integrated financial reporting package**" – a separate Chapter would deal with budgetary and other financial reporting (Articles 239-245).

- To make the new **Annual Management and Performance Report for the EU Budget**, resulting from the merge as from the 2015 financial year, of the Synthesis and of the Article 318 TFEU report is a key element of the integrated reporting package (Article 239).
- To specify that the external audit by the Court of Auditors takes account of the **multiannual character of programmes** (Article 247(1)).

### 6.3.2. Reporting:

- Reporting obligations are streamlined by eliminating certain redundancies (CPR).

## 7. A simpler and leaner EU administration

### 7.1. General financial rules

A series of simplification measures aims at allowing the EU institutions to work more efficiently, notably by implementing jointly administrative appropriations to achieve economies of scale:

- Providing an explicit legal basis for Service Level Agreements (SLA) between departments of the EU institutions, EU bodies and European offices and extending to all institutions the possibility to conclude service-level agreements facilitating the implementation of administrative appropriations. In the future it will also be possible to delegate implementation of administrative appropriations to an office set up by the Commission.
- Clarifying the distinction between obligatory and non-obligatory tasks of offices (Articles 64 and 65): obligatory tasks must be covered by appropriations entered in the section of the budget relating to the office. Non-obligatory tasks which an office agrees voluntarily to conduct at the request of another institution or body are covered from the budget of the respective institution or body.
- Allowing multiannual financing decisions and reducing the amount of obligatory elements in a financing decision (Article 108). In addition, it is proposed that the financing decision constitutes at the same time the annual or the multi annual work programme. These changes would speed up the implementation of the budget in years 2 and following of a programme.
- Clarifying the rules on Executive Agencies (Article 68): they shall receive an annual contribution; their director acts as authorising officer by delegation when implementing operational appropriations; the delegation of an operational programme to an executive agency may include pilot projects and preparatory actions as well as the implementation of administrative expenditure in order to achieve synergies and economies of scale.
- Merging the Article 139 of the Financial Regulation Panel with the Financial Irregularity Panel (Article 90): for efficiency reasons, the Financial Regulation Panel recommending exclusion and financial penalties on economic operators would also become competent for financial irregularities by EU staff members, while the Disciplinary Board would continue to draw the consequences of these irregularities under the Staff Regulations.

### 7.2. Sectoral rules

- Several changes of the Common Provisions Regulation are proposed to facilitate programme management and nation-wide programmes as well as Joint Action Plans comprising projects focussing on output and results.
- In the area of direct payments for farmers, support is granted to active farmers and certain measures focus the support on young farmers. Proportionality for financial corrections linked to public procurement errors is introduced to avoid that such errors are always considered as affecting 100% of aid concerned.

## 8. Other changes

**Revenue operations:** the following changes are proposed:

- The provision on **negative adjustments** of own resources for accounting purposes is modified for reasons of transparency (Article 94).
- A new provision sets a time limit within which a debit note shall be sent to the debtor (Article 96 (2)), reflecting recent case law of the Court of Justice.
- A new Article 107 sets the rules concerning the rate to be applied for compensatory interests in cases where an amount shall be reimbursed following a judgement of the Court of Justice of the European Union or an amicable settlement.
- The provision concerning **finances, other penalties** or sanctions is modified to make clear that the amounts provisionally cashed shall be repaid to the third party concerned taking into account the return; and that fines imposed by institutions other than the Commission (e.g. Council in line with Regulation 1173/2011) are also covered by the Financial Regulation (currently limited to fines imposed by the Commission, Article 106).
- Wording on **assigned revenue** is modified to reflect contributions to measures like the Turkey refugee facility (Article 20(2)).

List of sectoral acts modified by the proposal:

- Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p.3);
- Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347 20.12.2013, p. 238);
- Regulation (EU) No 1301/2013 of the European Parliament and of the Council of 17 December 2013 on the European Regional Development Fund and on specific provisions concerning the Investment for jobs and growth goal and repealing Regulation (EC) No 1080/2006 (OJ L 347, 20.12.2013, p. 289–302);
- Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347 20.12.2013, p. 320);



- Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (OJ L 347 20.12.2013, p. 470);
- Regulation (EU) No 1305/2013 of the European Parliament and of the Council of 17 December 2013 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347, 20.12.2013, p. 487–548);
- Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 (OJ L 347, 20.12.2013, p.549);
- Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347 20.12.2013, p. 608);
- Regulation (EU) No 1308/2013 of the European Parliament and of the Council of 17 December 2013 establishing a common organisation of the markets in agricultural products and repealing Council Regulations (EEC) No 922/72, (EEC) No 234/79, (EC) No 1037/2001 and (EC) No 1234/2007 (OJ L 347, 20.12.2013, p.671);
- Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006 (OJ L 347, 20.12.2013, p. 855–864);
- Regulation (EU) No 1316/2013 of the European Parliament and of the Council of 11 December 2013 establishing the Connecting Europe Facility, amending Regulation (EU) No 913/2010 and repealing Regulations (EC) No 680/2007 and (EC) No 67/2010 Text with EEA relevance (OJ L 348, 20.12.2013, p. 129–171);
- Regulation (EU) No 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014, p. 1–41);
- Regulation (EU) No 283/2014 of the European Parliament and of the Council of 11 March 2014 on guidelines for trans-European networks in the area of telecommunications infrastructure and repealing Decision No 1336/97/EC Text with EEA relevance (OJ L 86, 21.3.2014, p. 14–26);
- Regulation (EU) No 652/2014 of the European Parliament and of the Council of 15 May 2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005 of the European Parliament and of the Council, Directive 2009/128/EC of the European Parliament and of the Council and Regulation (EC) No 1107/2009 of the European Parliament and of the Council and repealing Council Decisions 66/399/EEC, 76/894/EEC and 2009/470/EC (OJ L 189, 27.6.2014, p. 1–32);

- Decision No 541/2014/EU of the European Parliament and of the Council of 16 April 2014 establishing a Framework for Space Surveillance and Tracking Support (OJ L 158, 27.5.2014, p. 227–234).

Proposal for a

**REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the financial rules applicable to the general budget of the Union and amending Regulation (EC) No 2012/2002, Regulations (EU) No 1296/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Articles 42, 43(2), 46(d), 149, 153(2)(a), 164, 168(4)(b), 172, 175, 177, 178, 189(2), 209(1), 212(2), 322(2) and 349 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Articles 106a thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>11</sup>,

Having regard to the opinion of the Committee of the Regions<sup>12</sup>,

Having regard to the opinion of the Court of Auditors<sup>13</sup>

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Since following three years of implementation further amendments are to be made to the financial rules applicable to the general budget of the Union in order to remove bottlenecks in implementation by increasing flexibility, to simplify delivery for the stakeholders and the services and to focus more on results, Regulation (EU, Euratom) No 966/2012<sup>14</sup> of the European Parliament and of the Council should be repealed and replaced by this Regulation.
- (2) In order to reduce the complexity of financial rules applicable to the general budget of the Union ('the budget') and to include the relevant rules in one single regulation ("single rule book"), Commission Delegated Regulation (EU) No 1268/2012<sup>15</sup> should

<sup>11</sup> OJ C , , p. .

<sup>12</sup> OJ C , , p. .

<sup>13</sup> OJ C , , p. .

<sup>14</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 (OJ L 298, 26.10.2012, p. 1).

<sup>15</sup> Commission Delegated Regulation (EU) No 1268/2012 on the rules of application of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (OJ L 362, 31.12.2012, p. 111).

be repealed. In the interest of clarity, main rules from Regulation (EU) No 1268/2012 should be included in this Regulation, others should be included in guidance for services.

- (3) The fundamental budgetary principles should be maintained. Derogations from those fundamental principles for specific areas such as research, external actions and structural funds should be reviewed and simplified as far as possible, taking into account their continuing relevance, their added-value for the budget, and the burden they impose on stakeholders.
- (4) Up to 10% of the funds of the Instrument for Pre-accession Assistance (IPA II), the European Neighbourhood Instrument and the financing instrument for development cooperation (DCI) may be kept unallocated at the beginning of the financial year to allow additional funding to respond to major unforeseen needs, new crises situations or significant political shifts in third countries, in addition to the amounts already programmed. These unallocated funds, if not committed during the year, should be carried over by a Decision of the Commission.
- (5) Carry-over rules should be presented more clearly, making a distinction between the automatic and non-automatic carry-overs.
- (6) In order to optimise the implementation of the budget, it is important to allow for the carrying over and use of external assigned revenues for the succeeding programme or action. It should be possible to carry over internal assigned revenue for one year only, except where this Regulation provides otherwise.
- (7) The rules governing transfers of appropriations should allow for greater flexibility in order to ensure better budget implementation. To that end, it is important for the Commission to have the possibility of deciding on transfers, of up to 10%, of operational appropriations between Titles when they are covered by the same basic act. Transfers from administrative support lines to the corresponding operational lines should also be done autonomously by the Commission.
- (8) In order to improve agility of the implementation of special instruments, simplified mobilisation and transfer procedures are necessary for the European Globalisation Adjustment Fund and the European Union Solidarity Fund.
- (9) Concerning internal assigned revenue, derogation from the principle of specification should be introduced to allow optimal use of all types of appropriations available. In this respect, in case there are no identified needs allowing such revenue to be used for the purposes for which it is assigned, its use for a different purpose should be allowed.
- (10) Union institutions should be able to accept any donation made to the Union.
- (11) An enabling clause should be introduced to allow for in-kind sponsoring by a legal person of an EU event or activity for promotional or corporate social responsibility purposes.
- (12) The concept of performance as regards the EU budget should be clarified. Performance should be described as a direct application of the principle of sound financial management. There should be a link between performance, objective-setting, indicators, results and economy, efficiency and effectiveness in the use of appropriations. To avoid conflicts with existing performance frameworks of the different programmes, references in terms of performance terminology should be limited to objectives and monitoring progress in achieving them.

- (13) Union legislation should be of high quality, focus on areas where it produces greatest added value for European citizens and is as effective and efficient as possible in delivering the common policy objectives of the Union<sup>16</sup>. Subjecting existing and new spending programmes and activities entailing significant spending to evaluation can help achieve these objectives.
- (14) The principle of transparency, enshrined in Article 15 TFEU which requires the institutions to work as openly as possible, implies, in the area of the implementation of the budget, that citizens are able to know where, and for what purpose, funds are spent by the Union. Such information fosters democratic debate, contributes to the participation of citizens in the Union's decision-making process and reinforces institutional control and scrutiny over Union expenditure. Such objectives should be achieved by the publication, preferably using modern communication tools, of relevant information concerning all recipients of Union funds which takes into account such all recipients' legitimate interests of confidentiality and security and, as far as natural persons are concerned, their right to privacy and the protection of their personal data. Institutions should therefore adopt a selective approach in the publication of information, in accordance with the principle of proportionality. Decisions to publish should be based on relevant criteria in order to provide meaningful information.
- (15) The information on the use of Union funds implemented under direct implementation should be published on an internet website of the institutions and should include at least the name, the locality, the amount and the purpose of the funds. That information should take into account relevant criteria such as the periodicity, the type and the importance of the measure.
- (16) The name and locality of the recipients of Union funds should be published for prizes, grants and contracts awarded following the opening-up of a public procedure to competition, as it is the case in particular for contests, call for proposals and call for tenders, in the respect of the principles of the TFEU and in particular the principles of transparency, proportionality, equal treatment and non-discrimination. Moreover such publication should contribute to the control of the public selection procedures by the rejected applicants of the competition.
- (17) The publication of personal data referring to natural persons should not exceed the duration during which the funds are being used by the recipient and should therefore be removed after two years. The same should apply to personal data referring to legal persons for whom the official title identifies one or more natural persons.
- (18) In most of the cases covered by this Regulation, the publication concerns legal persons.
- (19) When natural persons are concerned, such publication should only be envisaged respecting the principle of proportionality between the importance of the amount granted and the need to control the best use of the funds. Where natural persons are concerned, the publication of the region on NUTS 2 level is consistent with the objective of publication of recipients, ensures equal treatment between Member States of different sizes while respecting the recipients' right to private life and in particular the protection of their personal data.

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<sup>16</sup> OJ L 123, 12 May 2016, p.1. – Interinstitutional agreement on Better Law-Making.

- (20) Information on scholarships, and other direct support paid to natural persons in most need should remain exempt from publication.
- (21) In order to ensure the respect of the principle of equal treatment between recipients, the publication of information related to natural persons should also be ensured in line with the obligation for the Member States to establish a large transparency of the contracts above the amount laid down in Directive 2004/18/EC of the European Parliament and of the Council of 31 March 2004 on the coordination of procedures for the award of public works contracts, public supply contracts and public service contracts.
- (22) The name and the locality of the recipient and the amount and the purpose of the funds should not be published if it risks endangering the integrity of the recipient as protected by the Charter of Fundamental Rights of the European Union or would harm the legitimate commercial interests of the recipient.
- (23) In the case of indirect and shared implementation, it should be for the persons, entities or designated bodies implementing Union funds to make available information on recipients and final recipients. Where applicable, the level of detail and criteria should be defined in the relevant sector specific rules and may be further defined in the financial framework partnership agreements. The Commission should make available a reference of the website where the information on recipients and final recipients can be found.
- (24) In the interest of increased readability and transparency of data on financial instruments implemented under direct and indirect implementation, it is appropriate to merge all reporting requirements in one single working document attached to the draft budget.
- (25) It is appropriate to provide for a possibility for the Commission to conclude service-level agreements with other institutions in order to facilitate the implementation of administrative appropriations and also for an explicit possibility to conclude such agreements between departments of the institutions, Union bodies, European offices, bodies or persons entrusted with implementation of specific actions in the CFSP pursuant to Title V of the TEU and the Office of the Secretary General of the Board of Governors of the European schools for the provision of services, supply of products, execution of works or the implementation of building contracts.
- (26) It is appropriate to define the European offices and to distinguish between obligatory and non-obligatory tasks of such offices. A possibility for the Union institutions, Union bodies and other European offices to delegate authorising officer powers to the director of the European office should be introduced. European offices should also have the possibility to conclude service-level agreements for the provision of services, supply of products, for execution of works or for implementation of building contracts. It is appropriate to set out specific rules for the provision of accounting records, provisions authorising the Commission's accounting officer to delegate some of his tasks to staff in those offices and operating procedures for the bank accounts which the European offices may be authorised to open in the Commission's name.
- (27) In order to further improve the cost-efficiency of executive agencies and in the light of the practical experience gained with other Union bodies, the accounting officer of the Commission should be allowed to be entrusted with all or part of the tasks of the accounting officer of the executive agency.

- (28) For reasons of legal certainty, it is necessary to clarify that the directors of executive agencies act as authorising officers by delegation when managing operational appropriations of programmes delegated to their agency. To achieve the full effect of efficiency gains resulting from a global centralisation of certain support services the possibility for executive agencies to implement administrative expenditures should be explicitly mentioned.
- (29) It is necessary to establish rules on the powers and responsibilities of financial actors, in particular authorising officers and the accounting officers.
- (30) The European Parliament and Council should be informed of the appointment or termination of duties of an authorising officer by delegation, internal auditor and accounting officer within two weeks.
- (31) Authorising officers should be fully responsible for all revenue and expenditure operations executed under their authority, including in terms of internal control systems, and should be held accountable for their actions, including, where necessary, through disciplinary proceedings.
- (32) Consequently, the tasks, responsibilities and principles of the procedures to be observed should also be laid down. It is also necessary to provide that the authorising officers by delegation shall ensure that the authorising officers by subdelegation and their staff receive information concerning the control standards and respective methods and techniques and that measures are taken in order to ensure the functioning of the control system which should replace the obligation to establish specific code of professional standards applicable to financial verifications only. The responsibilities assumed are accounted for in an annual report to the institution and the report shall include the required financial and management information to support the authorising officer by delegation's declaration of assurance on the performance of his or her duties, including the information on the overall performance of the operations carried out. The supporting documents relating to the operations carried out should be kept. Finally, all the various forms of negotiated procedure for the award of public contracts should, since those contracts represent derogations from the usual award procedures, be the subject of a special report to the institution and of a communication to the European Parliament and Council.
- (33) The double role of the Head of Union delegation, and of their deputies in their absence, as authorising officer by subdelegation for the European External Action Service (hereinafter 'EEAS') and, as regards operational appropriations, for the Commission should be taken into account.
- (34) The delegation of powers of budget implementation by the Commission concerning the operational appropriations of its own section to the deputy Heads of Delegations is restricted to situations where the performance of these tasks by the deputy Heads of Delegations is strictly necessary in order to ensure business continuity during the absence of the Heads of Delegations. The deputy Heads of Delegations cannot exercise these powers on a systematic basis or for reasons of internal work division.
- (35) The accounting officer continues to be responsible for the proper execution of payments, the collection of revenue and the recovery of amounts receivable. He/She manages the treasury, bank accounts and third party files, keeps the accounts and is responsible for drawing up the institution's financial statements. The accounting officer of the Commission is the only person who is entitled to define the accounting

rules and harmonised charts of accounts, while accounting officers of all other Union institutions define accounting procedures applicable in their institutions.

- (36) The arrangements for the appointment and termination of the accounting officer's duties should also be established.
- (37) It is appropriate that the accounting officer should set up procedures to ensure that the accounts opened for the requirements of treasury management and imprest accounts are not in debit.
- (38) The conditions for the use of imprest accounts, a system of management which constitutes an exception to normal budgetary procedures, should also be laid down, and the tasks and responsibilities of the imprest administrators, as well as those of the authorising officer and accounting officer in connection with the control of imprest accounts, should be set out. The European Parliament and Council should be informed of any appointment or termination of duties. For reasons of efficiency, imprest accounts should be set up in Union delegations, for appropriations from both the Commission and EEAS sections of the budget. It is also appropriate to allow under specific conditions for the use of imprest accounts in the Union delegation for payments of limited amounts by budgetary procedures. As regards the appointment of imprest administrators, it has proven necessary to choose them also from personnel employed by the Commission in the field of crisis management aid and humanitarian aid operations whenever there is no Commission statutory staff available.
- (39) In order to take into account the situation in the field of humanitarian aid operations whenever there is no respective Commission statutory staff available and the technical difficulties to have all legal commitments signed by the authorising officer responsible, it should be allowed for the personnel employed by the Commission in that field to sign legal commitments of a very low value up to EUR 2500 which are linked to the payments executed from the imprest accounts, and for the Heads of Union delegations or their deputies to sign legal commitments on the instruction of the authorising officer responsible.
- (40) Once the tasks and responsibilities of each financial actor have been defined, they may be held liable only under the conditions laid down in the Staff Regulations of Officials of the European Union and the Conditions of Employment of Other Servants of the European Union. The specialised financial irregularities panels have been set up in the Union institutions, however due to limited number of cases submitted to them and for reasons of efficiency, it is appropriate to transfer their functions to the newly established inter-institutional panel which has been set up to assess requests and issue recommendations on the imposition on administrative sanctions (exclusion and financial penalty) referred to it by the Commission or other Union institutions and Union bodies. This transfer also aims at avoiding duplication and mitigating the risks of contradictory recommendations or opinions, in cases where both an economic operator and an EU staff member are involved. The procedure should be maintained by which an authorising officer may seek confirmation of an instruction which that officer considers to be irregular or contrary to the principle of sound financial management, and thus be released from any liability. The composition of this panel should be modified when it fulfils this role.
- (41) As regards revenue, it is necessary to address negative adjustments of own resources covered by Council Regulation on the system of the European Union's own resources. Except for the special case of own resources, it is necessary to keep the tasks and



controls falling within the responsibility of the authorising officers at the different stages of the procedure: establishment of the estimate of amounts receivable, recovery order, dispatch of the debit note informing the debtor that the amount receivable has been established, calculation of any default interest due, and the decision, where necessary, to waive an entitlement subject to criteria guaranteeing compliance with sound financial management in order to ensure an efficient collection of revenue.

- (42) The authorising officer should be able to waive totally or partially the recovery of an established amount receivable when the debtor has entered into any of the insolvency proceeding as defined by Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, in particular in cases of judicial arrangements, compositions and analogous proceedings.
- (43) Specific provisions on procedures of adjustment or cancellation of an estimate of amount receivable should be applied.
- (44) Due to the recent developments on the financial markets and the ECB rate applied to its principal refinancing operations, it is necessary to review the provisions concerning interest rate for fines or other penalties and to provide for rules in cases of negative interest rate.
- (45) To reflect the specific nature of receivables consisting in fines or other penalties imposed by the Institutions under the TFEU or Euratom Treaty, it is necessary to introduce specific provisions on the interest rates applicable on amounts due but not yet paid, in the case such amounts are increased by the Court of Justice of the European Union.
- (46) The rules on recovery should be both clarified and strengthened. In particular, it should be specified that the accounting officer shall recover amounts by offsetting them also against amounts owed to the debtor by an executive agency when it implements the Union budget.
- (47) For the sake of legal security, the rules regarding the delays when a debit note is to be sent should be defined.
- (48) In order to secure the management of assets whilst also yielding financial remuneration, it is necessary to have the amounts provisionally cashed, such as competitions fines which are being contested, invested in financial assets, and to determine the assignment of the return on them. Since the Commission is not the only institution which is entitled to impose fines or other penalties, it is necessary to set provisions concerning such fines or other penalties imposed by other institutions and to set rules for their recovery which should be equivalent to those for the fines or penalties imposed by the Commission.
- (49) In order to ensure that the Commission has all the necessary information for the adoption of the financing decisions, it is necessary to lay down the minimum requirements for the contents of financing decisions on grants, procurement, trust funds, prizes, financial instruments, blending facilities and budgetary guarantees. At the same time, in order to give a longer-term perspective to the potential recipients, it is necessary to allow that the financing decisions are adopted for more than one year but the implementation being subject to the availability of budget appropriations for the respective year. In order to enable such longer-term perspective it is necessary to reduce the number of the elements required for the financing decision. With the aim of simplification, the financing decision should at the same time constitute an annual

or multi-annual programme. Since the contribution to the bodies referred to in Articles 69 and 70 is already established in the annual budget, it should not be required to adopt a specific financing decision in this respect.

- (50) As regards expenditure, the relationship between financing decisions, global commitments and individual commitments as well as concepts of budgetary and legal commitment of expenditure should be clarified in order to establish a clear framework for the different stages of budget implementation.
- (51) In order to take into account in particular the number of legal commitments concluded in the Union delegations and representations and the exchange rate fluctuations experienced by them, the provisional commitments should be possible also in cases where the final recipients and the amounts are known.
- (52) In order to make better use of the appropriations available for the implementation of external actions, the time limit during which individual legal commitments may be made on the basis of global budgetary commitment should be removed as well as the obligation to conclude a contribution agreement until 31 December of year n+1 in cases where a financing agreement with the third country presents the global budgetary commitment covering also the contribution agreement.
- (53) As regards the typology of payments which may be made by authorising officers, clarification of the various types of payments should, in accordance with the principle of sound financial management, be provided. The rules for clearing of pre-financing payments should further be clarified in particular for situations where no interim clearing is possible. To this effect, appropriate provisions should be included in legal commitments signed.
- (54) This Regulation should stipulate that the payments must be made within a specified time limit and that in the event of failure to respect this time limit creditors will be entitled to default interests to be charged to the budget, with the exception of Member States and as newly introduced, also the European Investment Bank and the European Investment Fund.
- (55) It is considered appropriate to integrate the provisions concerning validation and authorisation of expenditure in one article and to introduce a definition of de-commitments. Since the transactions are carried out in computerised systems, the concept of "signing a 'passed for payment' voucher" has been replaced by "electronically secured signature" except in a limited number of cases. It is also necessary to clarify that the validation of expenditure applies to all eligible costs, i.e. also such which are not associated with a request for payment, this being the case for the clearing of pre-financing.
- (56) In order to reduce complexity, streamline existing rules and improve the readability of this Regulation rules common to more than one budget implementation instruments should be established. For those reasons certain provisions should be regrouped, the wording and scope of other provisions should be aligned and unnecessary repetitions and cross referencing should be removed.
- (57) More emphasis should be put on performance and results. It is thus appropriate to define an additional form of financing not linked to costs of the relevant operations in addition to the forms of Union contribution already well established (reimbursement of the eligible costs actually incurred, unit cost, lump sums and flat-rate financing). This form of financing should be either based on the fulfilment of certain conditions

ex ante or the achievement of results measured by reference to the previously set milestones or through performance indicators.

- (58) Where the Commission carries out assessments of the operational and financial capacity of recipients of EU funds or of their systems and procedures, it should be able to rely on the assessments already conducted by other entities or donors such as international organizations, in order to avoid duplicating assessments of the same recipients. The possibility to cross-rely on assessments conducted by other entities should be used where these assessments were made with regard to conditions equivalent to those set out in this Regulation for the applicable method of implementation. Therefore, in order to foster cross reliance on assessments among donors, the Commission should promote the recognition of internationally accepted standards or international best practices.
- (59) It is also important to avoid that recipients of EU funds are audited several times by different entities on the use of these funds. It is therefore necessary to foresee the possibility to rely on audits already carried out by independent auditors provided that they are based on internationally accepted standards, that they provide reasonable assurance, and that they have been conducted on the financial statements and reports setting out the use of the Union contribution. Such audits should then form the basis of the overall assurance on the use of EU funds.
- (60) It is important to allow Member States to request that resources allocated to them under shared implementation are transferred at Union level and implemented by the Commission in direct or indirect implementation, where possible for the benefit of the Member State concerned. This would optimise the use of these resources and of the instruments established under this Regulation or under sector specific Regulations including the EFSI Regulation, to which the Member States would request these resources to be transferred. In order to guarantee an efficient implementation of these instruments, it is necessary to foresee that where resources are transferred to instruments established under this Regulation or under sector specific Regulations including the EFSI Regulation, the rules of those regulations shall apply.
- (61) In order to provide for a long term cooperation mechanism with recipients of Union funding, the possibility of signing financial framework partnership agreements should be provided for. Financial framework partnerships should be implemented through grants or through cooperation agreements with entities implementing Union funds. For this purpose the minimum content of such agreements should be specified. Financial framework partnerships should not unduly restrict access to Union funding.
- (62) The conditions and procedures for suspending, terminating and reducing the Union contribution should be harmonised across the different budget implementation instruments (for example grants, procurement, indirect implementation, prizes, etc.). The grounds for such suspension, termination or reduction should be defined.
- (63) This Regulation should establish standard periods for which documents relating to Union contributions should be kept by recipients so as to avoid divergent or disproportionate contractual requirements while still providing the Commission, the European Anti-fraud office and the Court of Auditors with sufficient time to obtain access to such data and documents and perform the ex post checks and audits. In addition, participants and recipients should be obliged to cooperate in the protection of the Union's financial interest.

- (64) In order to provide adequate information to participants and recipients and to ensure that they have the possibility to exercise their right of defence this Regulation should allow participants and recipients to submit their observations before adoption of any measure adversely affecting their rights and to be informed on the means of redress they dispose of for challenging such a measure.
- (65) In order to protect the Union's financial interests, a single early detection and exclusion system should be set up by the Commission.
- (66) The early detection and exclusion system should apply to participants, recipients, entities on whose capacity the candidate or tenderer intends to rely or to subcontractors of a contractor, any person or entity receiving Union funds where the budget is implemented under indirect implementation, any person or entity receiving Union funds under financial instruments directly implemented and participants or recipients of entities implementing the budget under shared implementation.
- (67) It should be clarified that where a decision to register a person or entity in the early detection and exclusion system database is taken on the basis of the exclusion situations of a natural or legal person who is a member of the administrative, management or supervisory body of that person or entity, or who has powers of representation, decision or control with regard to that person or entity or a natural or legal person that assumes unlimited liability for the debts of that person or entity or a natural person who is essential for the award or for the implementation of the legal commitment, the information registered in the database shall include the information concerning these persons.
- (68) The decision to exclude a person or entity from participation in award procedures or the imposition of a financial penalty and the decision to publish the related information should be taken by the authorising officer responsible, in light of their autonomy in administrative matters. In the absence of a final judgment or final administrative decision and in cases related to a serious breach of contract, the authorising officers responsible should take their decision having regard to the recommendation of the panel on the basis of a preliminary classification in law.. The panel should also assess the duration of an exclusion in cases where the duration has not been set by the final judgment or the final administrative decision.
- (69) The role of the panel should be to ensure the coherent operation of the exclusion system. The panel should be composed of a standing chair, representatives of the Commission and a representative of the authorising officer responsible.
- (70) The preliminary classification in law does not prejudice the final assessment of the conduct of the person or entity concerned by the competent authorities of Member States under national law. The recommendation of the panel, as well as the decision of the authorising officer responsible, should therefore be reviewed following the notification of such a final assessment.
- (71) A person or entity should be excluded by the authorising officer responsible when a final judgment or a final administrative decision has been taken in the case of grave professional misconduct, non-compliance, whether intentional or not, with the obligations related to the payment of social security contributions or the payment of taxes, fraud affecting the budget , corruption, participation in a criminal organisation, money laundering, terrorist financing, terrorist related offences, child labour or other forms of trafficking in human beings or irregularity. It should also be excluded in the case of a serious breach of a legal commitment or bankruptcy.

- (72) When deciding on the exclusion or the imposition of a financial penalty and on the publication thereof or on the rejection of person or entity, the authorising officer responsible should ensure compliance with the principle of proportionality by taking into particular account the seriousness of the situation, its budgetary impact, the time which has elapsed since the relevant conduct, its duration and its recurrence, the intention or degree of negligence and the degree of collaboration of the person or entity with the relevant competent authority and its contribution to the investigation.
- (73) The authorising officer responsible should also be able to exclude a person or entity where a natural or legal person assuming unlimited liability for the debts of that economic operator is bankrupt or in a similar situation of insolvency or where that natural or legal person fails to comply with its obligations to pay social security contributions or taxes, where such situations impact the financial situation of the economic operator.
- (74) A person or entity should not be subject to a decision of exclusion when it has taken remedial measures, thus demonstrating its reliability. That possibility should not apply in case of the most severe criminal activities.
- (75) In light of the principle of proportionality, cases where a financial penalty may be imposed as an alternative to the exclusion and cases where the gravity of the conduct of the recipient concerned in respect of attempting to unduly obtain Union funds justifies the imposition of a financial penalty in addition to the exclusion so as to ensure a deterrent effect should be distinguished. The minimum and maximum financial penalty which can be imposed by the contracting authority should also be defined.
- (76) A financial penalty should only be imposed on a recipient and not on a participant given that the amount of the financial penalty to be imposed is calculated on the basis of the value of the legal commitment at stake.
- (77) The possibility to apply administrative and/or financial penalties on a regulatory basis is independent from the possibility to apply contractual penalties, such as liquidated damages and should be noted.
- (78) The duration of exclusion should be limited in time, as is the case in Directive 2014/24/EU<sup>17</sup> and in accordance with the principle of proportionality.
- (79) It is necessary to determine the commencement date and the duration of the limitation period for imposing administrative sanctions.
- (80) It is important to be able to reinforce the deterrent effect achieved by the exclusion and the financial penalty. In that regard, the deterrent effect should be reinforced by the possibility to publish the information related to the exclusion and/or to the financial penalty, with full respect for the data protection requirements set out in Regulation (EC) No 45/2001 of the European Parliament and of the Council (6) and in Directive 95/46/EC of the European Parliament and of the Council (7). This should contribute to ensuring that the same conduct is not repeated. For reasons of legal certainty and in accordance with the principle of proportionality it should be specified in which situations a publication should not take place. In its assessment, the

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<sup>17</sup> Directive 2014/24/EU of the European parliament and of the Council of 26 February 2014 on public procureemnt and repealing Directive 2004/18/EC (OJ L 94, 28.3.2014, p.65).

authorising officer responsible should have regard to any recommendation of the panel. As far as natural persons are concerned, personal data should only be published in exceptional cases justified by the seriousness of the conduct or its impact on the Union's financial interests.

- (81) The information related to an exclusion or a financial penalty should only be published in the case of grave professional misconduct, fraud, a significant deficiency in complying with the main obligations of a contract financed by the budget or an irregularity.
- (82) The criteria for exclusion should be clearly separated from the criteria leading to a possible rejection from a given procedure.
- (83) The information on the early detection of risks and on the imposition of administrative sanctions on a person of entity should be centralised. For that purpose, related information should be stored in a database set up and operated by the Commission as the owner of the centralised system. That system should operate in full compliance with the right to privacy and the protection of personal data.
- (84) While the setting up and the operation of the early detection and exclusion system should be the responsibility of the Commission, other institutions and bodies, as well as all entities implementing the budget under direct, shared and indirect implementation should participate in that system by transmitting relevant information to the Commission. The authorising officer responsible and the panel should guarantee the right of defence of economic operators. The same right should be given to a person of entity, in the context of an early detection, where an act envisaged by an authorising officer could adversely affect the rights of the person of entity concerned. In cases of fraud, corruption or any other illegal activity affecting the Union's financial interests which are not yet subject to a final judgment, the authorising officer responsible and the panel should be given the possibility to defer the opportunity given to the person of entity to submit its observations. Such deferral should only be justified where there are compelling legitimate grounds to preserve the confidentiality of the investigation.
- (85) The Court of Justice of the European Union should be given unlimited jurisdiction with regard to penalties imposed pursuant to this Regulation, in accordance with Article 261 of the Treaty on the Functioning of the European Union (TFEU).
- (86) In order to facilitate the protection of the Union's financial interests across all implementation modes, it should be possible for the entities involved in the implementation of the budget in shared and indirect implementation to take into account, as appropriate, exclusions decided upon by the authorising officers at Union level.
- (87) This Regulation should foster the objective of e-Government, and in particular the use of electronic data in the exchange of information between the institutions and third parties.
- (88) Progress towards the electronic exchange of information and electronic submission of documents, which constitute a major simplification measure, should be accompanied by clear conditions for the acceptance of the systems to be used, so as to establish a legally sound environment while preserving flexibility in the management of Union funds for the participants, recipients and the authorising offices as provided for in this Regulation.

- (89) Rules on the composition and tasks of the committee in charge of assessing application documents in procurement, grant award procedures and in contests for prizes should be laid down. The committee may be composed of external experts if provided so in the basic act.
- (90) In line with the principle of good administration the authorising officer should request clarifications or missing documents while respecting the principle of equality of treatment and without substantially changing the application documents. The authorising officer may decide not to do so only in duly justified cases. In addition, the authorising officer should be able to correct an obvious clerical error or request the participant to correct it.
- (91) Sound financial management should require that the Commission protects itself by requesting guarantees at the time of paying pre-financing. The requirement for contractors and beneficiaries to lodge guarantees should not be automatic, but should be based on a risk analysis. Where during the course of implementation the authorising officer discovers that a guarantor is no longer authorised to issue guarantees in accordance with the applicable national law, the authorising officer should be able to require replacement of the guarantee.
- (92) The different sets of rules for direct and indirect implementation, in particular the definition of budget implementation tasks, have created confusion and entailed risk in errors of qualification both for the Commission and for the partners and should thus be simplified and harmonised.
- (93) The provisions on the ex-ante pillar assessment should be revised to enable the Commission to rely as much as possible on the systems and procedures of the partners which have deemed equivalent to the ones used by the Commission. In addition, it is important to clarify that where the assessment reveals areas where the procedures in place are not sufficient to protect the financial interests of the Union, the Commission may sign contribution agreements while imposing additional supervisory measures. It is also important to clarify where the Commission does not require a pillar assessment in order to sign contribution agreements.
- (94) It is appropriate to indicate that the remuneration of the Organisations implementing the EU budget should, where relevant and possible, have a performance based nature.
- (95) The Commission enters into partnerships with third countries by means of financing agreements. It is important to clarify the content of the financing agreement particularly for those parts that are implemented by the third country in indirect implementation.
- (96) It is important to recognise the specific nature of blending facilities where the Commission blends its contribution with that of Financial Institutions and to clarify the application of Title X on Financial Instruments.
- (97) Procurement rules and principles applicable to public contracts awarded by the Union institutions on their own account should be based on the rules contained in the Directive 2014/23/EU of the European Parliament and of the Council<sup>18</sup> and Directive 2014/24/EU.

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<sup>18</sup> Directive 2014/23/EU of the European Parliament and of the Council of 26 February 2014 on the award of concessions contracts (OJ L 94, 28.3.2014, p.1)

- (98) In the case of mixed contracts, the methodology of the contracting authorities for determining the applicable rules should be clarified.
- (99) The ex ante and ex post publicity measures necessary to launch a procurement procedure should be clarified in the case of contracts above and below the thresholds set out in Directive 2014/24/EU and for those falling outside the scope of that Directive..
- (100) This Regulation should include an exhaustive list of all the procurement procedures available to the Union institutions regardless of the thresholds.
- (101) In the interests of administrative simplification and in order to encourage the participation of small and medium-sized enterprises, negotiated procedures for middle-value contracts should be provided for.
- (102) As is the case in Directive 2014/24/EU, this Regulation should allow for market consultation prior to the launch of a procurement procedure. In order to ensure that the innovation partnership is used only when the desired product does not exist on the market, an obligation to carry out such preliminary market consultation before using an innovation partnership should be laid down in this Regulation.
- (103) The contribution of contracting authorities the protection of the environment and the promotion of sustainable development, while ensuring that they can obtain the best value for money for their contracts, in particular through requiring specific labels or through the use of appropriate award methods, should be clarified.
- (104) In order to ensure that, when executing contracts, economic operators comply with the applicable environmental, social and labour law obligations established by Union law, national law, collective agreements or the applicable international social and environmental conventions listed in Annex X to Directive 2014/24/EU, such obligations should be part of the minimum requirements defined by the contracting authority and should be integrated in the contracts signed by the contracting authority.
- (105) It is appropriate that different cases usually referred to as situations of conflict of interest be identified and treated distinctly. The notion of a ‘conflict of interest’ should be solely used for cases where an entity or person with responsibilities for budget implementation, audit or control or an official or an agent of a Union institution is in such a situation. In cases where an economic operator attempts to unduly influence a procedure or obtain confidential information, this should be treated as grave professional misconduct. In addition, economic operators may be in a situation where they should not be selected to implement a contract because of a professional conflicting interest. For instance, a company should not evaluate a project in which it has participated or an auditor should not be in a position to audit accounts it has previously certified.
- (106) In accordance with Directive 2014/24/EU, it should be possible to verify whether an economic operator is excluded, to apply selection and award criteria, as well as to verify compliance with the procurement documents in any order. As a result, it should be possible to reject tenders on the basis of award criteria without a prior check on exclusion or selection criteria of the corresponding tenderer.
- (107) Contracts should be awarded on the basis of the most economically advantageous tender in line with Article 67 of Directive 2014/24/EU. It should be clarified that selection criteria are strictly linked to the evaluation of candidates or tenderers and award criteria are strictly linked to the evaluation of the tenders.



- (108) Union public procurement should ensure that Union funds are used in an effective, transparent, and appropriate way. In that regard, electronic procurement should contribute to the better use of Union funds and enhance access to contracts for all economic operators.
- (109) The existence of an opening phase and an evaluation for any procedure should be clarified. An award decision should always be the outcome of an evaluation.
- (110) When notified of the outcome of a procedure, candidates and tenderers should be informed of the grounds on which the decision was taken and should receive a detailed statement of reasons based on the content of the evaluation report.
- (111) Given that criteria are applied in no particular order, rejected tenderers who submitted compliant tenders should receive the characteristics and relative advantages of the successful tender if they so request.
- (112) For framework contracts with reopening of competition, the obligation to provide the characteristics and relative advantages of the successful tender to an unsuccessful contractor should be waived on the basis that the receipt of such information by parties to the same framework contract each time a competition is reopened might prejudice fair competition between them.
- (113) A contracting authority should be able to cancel a procurement procedure before the contract is signed, without the candidates or tenderers being entitled to claim compensation. This should be without prejudice to situations where the contracting authority has acted in such a way that it may be held liable for damages in accordance with the general principles of Union law.
- (114) As is the case in Directive 2014/24/EU, it is necessary to clarify the conditions under which a contract may be modified during its performance without a new procurement procedure. In particular, cases such as administrative changes, universal succession and application of clear and unequivocal revision clauses or options do not alter the minimum requirements of the initial procedure. A new procurement procedure should be required in the case of material modifications to the initial contract, in particular to the scope and content of the mutual rights and obligations of the parties, including the distribution of intellectual property rights. Such modifications demonstrate the parties' intention to renegotiate the essential terms or conditions of that contract, in particular if the modifications would have had an influence on the outcome of the procedure had they been part of the initial procedure.
- (115) It is necessary to provide for the option of a performance guarantee in relation to works, supplies and complex services in order to guarantee compliance with substantial contractual obligations and to ensure proper performance throughout the duration of the contract. It is also necessary to provide for a retention money guarantee to cover the contract liability period, in line with customary practice in these sectors.
- (116) In order to determine the applicable thresholds and procedures, it is necessary to clarify whether Union institutions, executive agencies and bodies are deemed to be contracting authorities. They should not be deemed to be contracting authorities in cases where they purchase from a central purchasing body. In addition, Union institutions form a single legal entity and cannot conclude contracts but only service-level agreements between their departments.

- (117) It is appropriate to include a reference in this Regulation to the two thresholds set out in Directive 2014/24/EU applicable to works and to supplies and services, respectively. Those thresholds should also be applicable to concession contracts for reasons of simplification as well as sound financial management, considering the specificities of the Union institutions' contracting needs. The revision of those thresholds as provided for in Directive 2014/24/EU should therefore be directly applicable to procurement by Union institutions.
- (118) For harmonisation and simplification purposes, the standard procedures applicable for public procurement should also be applied to purchases provided for under the light regime in Directive 2014/24/EU. Therefore, the threshold for light regime purchases should be aligned with the threshold for service contracts.
- (119) It is necessary to clarify the conditions of application of the standstill period.
- (120) The rules applicable to procurement in the field of external actions should be consistent with the principles laid down in the Directive 2014/23/EU and Directive 2014/24/EU.
- (121) In order to reduce complexity, streamline existing rules and improve the readability of the procurement rules, it is necessary to regroup the general provisions on procurement and the specific provisions applicable to procurement in external actions and to remove unnecessary repetitions and cross referencing.
- (122) It is necessary to clarify which economic operators have access to procurement by Union institutions depending on their place of establishment and to provide explicitly for the possibility of such access also to international organisations.
- (123) In order to achieve a balance between the need for transparency and greater coherence of procurement rules on the one hand, and the need to provide flexibility on certain technical aspects of these rules on the other hand, the technical rules on procurement should be aggregated in the Annex to this Regulation and the power to adopt acts in accordance with Article 290 TFEU should be delegated to the Commission in respect of amendments to this Annex.
- (124) It is necessary to clarify the scope of the Title on grants, particularly with regard to the type of action or body eligible for a grant as well as with regard to legal commitments that may be used to cover grants. In particular, grant decisions should be phased out due to their limited use and progressive introduction of e-grants. The structure should be simplified by moving the provisions on instruments which are not grants to other parts of the Regulation. The nature of bodies which may receive operating grants should be clarified since the notion of bodies pursuing an aim of general Union interest is covered by the notion of bodies having an objective forming part of and supporting a Union policy. In addition, the restrictive definition of a body pursuing an aim of general Union interests should be removed.
- (125) In order to simplify procedures and improve the readability of this Regulation provisions related to the content of the grant application, of the call for proposals and of the grant agreement should be simplified and streamlined.
- (126) In order to facilitate the implementation of actions financed by multiple donors where the overall financing of the action is not known at the time of commitment of the Union contribution, it is necessary to clarify the way the Union contribution is defined and the method of verifying its use.

- (127) Experience gained in the use of lump sums, unit costs or flat-rate financing has shown that, such forms of financing significantly simplified administrative procedures and reduced the risk of error substantially. Lump sums, flat rates and unit costs are a suitable form of financing independently of the area of Union intervention and in particular for standardised and recurrent actions, e.g. mobility, institutional twinning, training activities, etc. In this context, the conditions for using lump sums, unit costs and flat rates should be made more flexible. It is necessary to provide explicitly for the establishment of single lump sums covering the entire eligible costs of the action or the work programme. In addition, in order to foster focus on results, priority should be given to output-based funding. Input based lump sums, unit costs and flat rates should remain an option where output based ones are not possible or appropriate.
- (128) The administrative procedures for authorising lump sums, unit costs and flat rates should be simplified by vesting the power for such authorisation in the authorising officer. Where appropriate, this authorisation may be given by the Commission in light of the nature of the activities or of the expenditure or in light of the number of authorising officers concerned.
- (129) In order to bridge the gap in the availability of data used to establish lump sums, unit costs and flat rates, the use of an expert judgement should be allowed.
- (130) The scope of checks and controls as opposed to the periodic assessment of lump sums, unit costs or flat rates should be clarified. Those checks and controls should focus on the fulfilment of the conditions triggering the payment of lump sums, unit costs or flat-rates, including, where required, the achievement of outputs. Those conditions should not require reporting on the costs actually incurred by the beneficiary. Where the amounts of lump sums, unit costs or flat-rate financing have been decided ex ante by the authorising officer responsible or the Commission they should not be challenged by ex post controls. The periodic assessment of lump sums, unit costs or flat rates may require access to the accounts of the beneficiary for statistical and methodological purposes. The periodic assessment may lead to updates of the lump sums, unit costs or flat rates applicable to future agreements but should not be used for questioning the value of the lump sums, unit costs or flat rates already agreed upon. Access to the beneficiary's accounts is also necessary for fraud-prevention and detection purposes.
- (131) In order to facilitate the participation of small organisations in the implementation of the EU policies in an environment of limited availability of resources, it is necessary to recognise the value of the work provided by volunteers as eligible costs. As a result, such organisations may rely to a greater extent on volunteers' work for sake of providing co-financing to the action. Without prejudice to the maximum co-financing rate specified in the basic act, in such cases, the Union grant needs to be limited to the estimated eligible costs other than those covering volunteers' work. As volunteers work is a work provided by third parties without a remuneration being paid to them by the beneficiary, the limitation avoids reimbursing costs which the beneficiary did not incur.
- (132) As a valuable type of financial support not related to predictable costs, the use of prizes should be facilitated and the applicable rules should be clarified. Prizes should be seen as complementing, not substituting, other funding instruments such as grants.
- (133) In order to allow for the more flexible implementation of prizes, the obligation to announce prizes of value of EUR 1 000 000 or more in the statements accompanying

the draft budget should be replaced by prior information of the European Parliament and an explicit announcement of such prizes in the financing decision.

- (134) Prizes should be subject to the principles of transparency and equal treatment. In that context, the minimum characteristics of contests should be laid down, notably the conditions for paying the prize to the winners in case of award, and the appropriate publication means. It is also necessary to establish a clearly defined award procedure, from submission of the entries to information of applicants and notification to the winning applicant, which mirrors the procedure for award of grants.
- (135) This Regulation should lay down the principles and conditions for financial instruments, budgetary guarantees and financial assistance and the rules on the limitation of the financial liability of the Union, the fight against fraud and money laundering, the winding down of financial instruments and reporting.
- (136) In recent years the Union has increasingly used financial instruments that allow a higher leverage of the EU budget to be achieved but, at the same time, they generate a financial risk for that budget. Among those financial instruments are not only the financial instruments already covered by the Financial Regulation, but also other instruments such as budgetary guarantees and financial assistance that previously have been governed only by the rules established in their respective basic acts. It is important to establish a common framework to ensure the homogeneity of the principles applicable to that set of instruments and to regroup them under a new Title, comprising sections on budgetary guarantees and on financial assistance to Member States or third countries in addition to the existing rules applicable to Financial Instruments.
- (137) Financial instruments can be valuable in multiplying the effect of Union funds when those funds are pooled with other funds and include a leverage effect. Financial instruments should only be implemented if there is no risk of market distortion or inconsistency with state aid rules.
- (138) Within the framework of the annual appropriations authorised by the European Parliament and the Council for a given programme, financial instruments should be used on the basis of an ex ante evaluation demonstrating that they are effective for the achievement of the Union's policy objectives.
- (139) Financial instruments, budgetary guarantees and financial assistance should be authorised by means of a basic act. Where financial instruments are established without a basic act in duly justified cases, they should be authorised by the European Parliament and the Council in the budget.
- (140) The instruments that potentially fall under Title X, such as loans, guarantees, equity investments, quasi-equity investment and risk-sharing instruments should be defined. The definition of risk-sharing instruments should allow for the inclusion of credit enhancements for project bonds, covering the debt service risk of a project and mitigating the credit risk of bond holders through credit enhancements in the form of a loan or a guarantee.
- (141) Any reflow from a financial instrument should be used for the instrument which produced them with a view to enhance the efficiency of the instrument and possibly reduce the allocation of fresh resources from the budget to that instrument, unless specified otherwise in the basic act.

- (142) It is appropriate to recognise the alignment of interests in pursuing Union policy objectives and, in particular, that the European Investment Bank and the European Investment Fund have the specific expertise to implement financial instruments.
- (143) The European Investment Bank and the European Investment Fund, acting as a group, should have the possibility to transfer part of the implementation to each other, where it may benefit the implementation of a given action and as further defined in the relevant agreement with the Commission.
- (144) It should be clarified that, where financial instruments are combined with other forms of support from the Union budget, the rules on financial instruments should apply. Such rules should be complemented, where applicable, by specific requirements stemming from the sector specific legislation.
- (145) In addition, the implementation of financial instruments and budgetary guarantees should comply with Union's tax policy objectives and achievements regarding tax avoidance, in particular aggressive tax planning and tax good governance. In that respect, attention should be given to the Commission Recommendation on aggressive tax planning (C(2012)8806), the Commission Recommendation regarding measures to encourage third countries to apply minimum standards of good tax governance in tax matters (C(2012)8805), the Commission Communication on an Anti-Tax Avoidance Package: Next steps towards delivering effective taxation and greater tax transparency in the EU (COM(2016)23), including in particular the Commission Communication on an External Strategy for Effective Taxation (COM(2016)24), and related developments at Union level.
- (146) Budgetary guarantees and financial assistance to Member States or third countries are off-budget operations that have a significant impact on the balance sheet of the Union. While remaining off-budget operations, their inclusion in the Financial Regulation provides a stronger protection of the financial interests of the Union and a clearer framework for their authorisation, management and accounting.
- (147) The Union has recently launched important initiatives based on budgetary guarantees such as the European Fund for Strategic Investments (EFSI) or the European Fund for Sustainable Development (EFSD). The characteristics of those instruments are that they generate a contingent liability for the Union and imply the provisioning of funds to make available of a liquidity cushion that allows the budget to respond in an orderly manner to the payment obligations that may arise from those contingent liabilities. In order to guarantee the credit rating of the Union and, hence, its capacity to deliver effective financing, it is essential that the authorisation, provisioning and monitoring of contingent liabilities follow a robust set of rules that should be applied to all budgetary guarantees.
- (148) The contingent liabilities arising from budgetary guarantees may cover a wide range of financing and investment operations. The possibility of the budgetary guarantee being called cannot be scheduled with full certainty on a yearly basis as in the case of loans that have a defined schedule for repayment. It is, therefore, indispensable to set up a framework for the authorisation and monitoring of contingent liabilities ensuring the full respect, at any moment, of the annual ceiling for payments established in the Decision (EC, Euratom) 2007/436 on the system of own resources of the Union.
- (149) That framework should also provide for management and control, including reporting regularly on the financial exposure of the Union. The rate of provisioning of financial liabilities should be set on the basis of a proper risk assessment of the financial risks

stemming from the related instrument. The sustainability of the contingent liabilities should be assessed annually in the context of the annual budgetary procedure. An early warning mechanism should be established to avoid a shortage of provisions to cover financial liabilities.

- (150) The increasing use of financial instruments, budgetary guarantees and financial assistance requires a significant volume of payment appropriations to be mobilised and provisioned. In order to deliver leverage while ensuring an adequate level of protection against financial liabilities, it is important to optimise the amount of provisioning required and to achieve efficiency gains by pooling those provisions into a common provisioning fund. In addition, the more flexible use of those pooled provisions permits an effective global provisioning rate that delivers the protection requested with an optimised amount of resources.
- (151) The rules applicable to provisioning and to the common provisioning fund should provide a solid internal control framework. The guidelines for the asset management of the provisions should be established at the level of the Commission after having consulted the accounting officer. The authorising officers should actively monitor the financial liabilities under their responsibility and the authorising officer for the common provisioning fund should manage the cash and the assets in the fund following the rules and procedures set out by the accounting officer.
- (152) Budgetary guarantees and financial assistance should follow the same set of principles already established for financial instruments. Budgetary guarantees, in particular, should comply with the following principles: they should be irrevocable, unconditional and on demand; they should be indirectly implemented or, only in exceptional cases, directly; they may only cover financing and investment operations and their counterparts should contribute with their own resources to the operations covered.
- (153) Financial assistance to Member States or third countries should take the form of a loan, of a credit line or any other instrument deemed appropriate to ensure the effectiveness of the support. The resources to be provided are borrowed by the Commission that should be empowered to that end, on the capital markets or from financial institutions, avoiding the involvement of the Union in any transformation of maturities that would expose it to an interest risk or any other market risk.
- (154) The provisions related to financial instruments should apply as soon as possible and at the latest from 1 January 2018 in order to achieve the simplification and effectiveness sought. The provisions related to the budgetary guarantees and to financial assistance, as well as the common provisioning fund, should apply as from the post 2020 multiannual financial framework. That calendar will allow a thorough preparation of the new tools for managing contingent liabilities. It will also permit an alignment between the principles set out in the Title X and, on the one hand, the proposal for the multiannual financial framework after 2020 and, on the other hand, the specific programmes related to the latter.
- (155) On 22 October 2014 the European Parliament and the Council adopted Regulation (EU, Euratom) No 1141/2014 (5) repealing Regulation (EC) No 2004/2003 and laying down new rules for, inter alia, the funding of political parties and political foundations at European level, in particular with regard to funding conditions, the award and distribution of funding, donations and contributions, financing of campaigns for elections to the European Parliament, reimbursable expenditure, the prohibition of

funding, accounts, reporting and audit, implementation and control, penalties, cooperation between the Authority for European political parties and foundations, the Authorising Officer of the European Parliament and the Member States, and transparency. This Regulation shall apply from 1 January 2017.

- (156) Rules should be included on contributions from the general budget of the Union to European political parties as envisaged by Regulation (EU, Euratom) No 1141/2014. Those rules should allow political parties at European level to have a broader degree of flexibility as regards the time limits for using those contributions, as the nature of their activities so requires.
- (157) The financial support given to European political parties should take the form of a specific contribution, to match the specific needs of the European political parties.
- (158) Although financial support is awarded without an annual work programme being required, European political parties should justify ex post the sound use of Union funding. In particular, the authorising officer responsible should verify if the funding has been used to pay reimbursable expenditure as established in the call for contributions within the time limits laid down in this Regulation. Contributions to European political parties should be spent by the end of the financial year following that of their award, after which, any unspent funding should be recovered by the authorising officer responsible.
- (159) Union funding awarded to finance the operating costs of the European political parties should not be used for other purposes than those established in Regulation (EU, Euratom) No 1141/2014, in particular to directly or indirectly finance other entities such as national political parties. The European political parties should use the contributions to pay a percentage of current and future expenditure and not expenditure or debts incurred before the submission of their applications for contributions.
- (160) The award of contributions should also be simplified and adapted to the specificities of the European political parties, in particular by the absence of selection criteria, the establishment of a single full prefinancing payment as a general rule, and by the possibility to use lump sums, flat-rate, unit cost financing and financing not linked to costs of the relevant operations.
- (161) The contributions from the general budget of the Union should be suspended, reduced or terminated if the European political parties infringe the obligations laid down in Regulation (EU, Euratom) No 1141/2014.
- (162) Penalties that are based both on the Financial Regulation and on Regulation (EU, Euratom) No 1141/2014, should be imposed in a coherent way and should respect the principle of ne bis in idem. In accordance with Regulation (EU, Euratom) No 1141/2014, administrative and/or financial penalties provided for by the Financial Regulation are not to be imposed in one of the cases for which penalties have already been imposed on the basis of Regulation (EU, Euratom) No 1141/2014.
- (163) This Regulation should establish a general framework under which budget support may be used as an instrument in external action including the obligation for the third country to provide the Commission adequate and timely information to evaluate the fulfilment of the agreed conditions and provisions ensuring the protection of the financial interests of the Union.

- (164) The Commission should be authorised to create and manage Union trust funds for emergency, post-emergency or thematic actions not only in external actions but also in EU-internal actions. Recent events in the European Union show the need for increased flexibility for funding within the EU. As the boundaries between external and internal policies are increasingly blurred, this would also provide a tool for replying to cross-border challenges. It is necessary to specify the principles applicable to the contributions to Union Trust Funds, to clarify the responsibilities of the financial actors and of the Board of the Trust Fund. It is also necessary to define rules ensuring a fair representation of the participating donors in the Board of the Trust Fund and a mandatory positive vote of the Commission for the use of the funds.
- (165) In line with the streamlining of the existing rules and in order to avoid undue repetition, the Part two of the Financial Regulation, dedicated to special provisions applicable to the European Agricultural Guarantee Fund, to Research, external action and to specific EU funds, should be removed. The provisions of this Part two should be either introduced in the relevant parts of the Financial Regulation, or, in case the provisions are not used or no longer relevant, simply deleted.
- (166) The provisions on the presentation of accounts and accounting should be simplified and clarified. It is therefore relevant to gather all provisions on annual accounts and other financial reporting under a specific Title.
- (167) The manner in which the institutions currently report on building projects to the European Parliament and the Council should be maintained. Institutions should be allowed to finance new building projects with the appropriations received for buildings already sold, therefore a reference to assigned revenue provisions should be introduced. This would allow meeting the changing needs in the building policy of the institutions, while saving costs and introducing more flexibility.
- (168) In order to adapt technical elements and detailed rules on procurement and on the rules applicable to certain Union bodies, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the Annex to this Regulation, the Framework Financial Regulation for bodies set up under the TFEU and the Euratom Treaty and the Model Financial Regulation for public-private partnership bodies. It is of particular importance that the Commission carries out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (169) In order to improve agility of implementation of special instruments, it is appropriate to simplify mobilisation and transfer procedures by using Commission internal transfers for the European Globalisation Adjustment Fund and the European Union Solidarity Fund.
- (170) In order to ensure that the European Union Programme for Employment and Social Innovation (EaSI) provides swiftly adequate resources to support changing political priorities, the indicative shares for each of the three axis and the minimum percentages for each of the thematic priorities within the individual axis should allow



for a greater flexibility. This should improve the management of the Programme and allow focussing budgetary resources on actions producing better employment and social results.

- (171) In order to facilitate investments in cultural and sustainable tourism infrastructure, without prejudice to the full application of EU environmental legislation, in particular the Directives on Strategic Environmental Assessment and Environmental Impact Assessment as appropriate, certain restrictions as regards the scope of support for these investments should be removed.
- (172) With a view to responding to the challenges posed by increasing flows of migrants and refugees, the objectives to which the ERDF may contribute in its support of migrants and refugees should be spelled out.
- (173) As the amendment of provisions of Regulation (EU) No 1303/2013 of the European Parliament and of the Council<sup>19</sup> provides more favourable conditions for certain revenue generating operations for which amounts or rates of support are defined in Annex II to EMFF Regulation it is necessary to establish a different date of entry into force for these provisions to ensure equal treatment of operations supported on the basis of Regulation (EU) No 1303/2013.
- (174) With a view to facilitating the implementation of operations the scope of potential beneficiaries should be enlarged. Therefore, natural persons should be eligible for cohesion policy support.
- (175) With a view to ensure sound financial management in ESI Funds which are managed under shared implementation, and clarify Member States obligations, the general principles should explicitly refer to the principles of internal control of budget implementation and of avoidance of conflict of interests established in the Financial Regulation.
- (176) In view of maximising the synergies between all Union funds to address the challenges of migration and asylum in an effective way, it should be ensured that, when the thematic objectives are translated into priorities in the Fund-specific rules, such priorities cover the appropriate use of each Fund for these areas.
- (177) In order to ensure coherence of programming, an alignment between Partnership Agreements and operational programmes should be carried out once per year.
- (178) In view of optimising the use of the financial resources allocated to Member States under Cohesion policy, it is necessary to allow Member States to transfer ESI Funds allocation to instruments established under the Financial Regulation or under sector specific Regulations.
- (179) In order to facilitate the preparation and implementation of community-led local development strategies the lead fund should be allowed to cover preparatory, running and animation costs.

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<sup>19</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347 20.12.2013, p. 320)

- (180) In order to facilitate the implementation of community-led local development and integrated territorial investments, the roles and responsibilities of local action groups in the case of community-led local development strategies and local authorities, regional development bodies or non-governmental organisations in the case of ITIs in relation to other programme bodies should be clarified. Designation as intermediate body should only be required in cases where the relevant bodies carry out tasks which go beyond those described in the relevant Article or where it is required by the Fund specific rules.
- (181) It is necessary to clarify that managing authorities should have the possibility to implement financial instruments through a direct contract award to the EIB and to international financial institutions (IFIs).
- (182) Many Member States have established publicly-owned banks or financial institutions that operate under a public policy mandate to promote economic development. Such banks or financial institutions have specific characteristics which differentiate them from private commercial banks in relation to their ownership, their development mandate and the fact that they do not have the objective of maximising profits. The role of such banks is notably to mitigate market failures, where in certain regions or for certain policy areas or sectors financial services are underprovided by commercial banks. These publicly-owned banks or financial institutions are well-placed to promote access to the ESI funds while maintaining competitive neutrality. Their specific role and characteristics can allow Member States to increase the use of financial instruments for delivering ESI funds in order to maximise the impact of these funds in the real economy. Such an outcome would be in line with the Commission policy to facilitate the role of such banks or institutions as fund managers both in the implementation of ESI funds as well as in the combination of ESI funds with EFSI financing, as set out in particular in the Investment Plan for Europe. It is justified therefore to allow managing authorities to award contracts directly to such public banks or financial institutions. Nevertheless, in order to ensure that this possibility of direct award remains consistent with the principles of the internal market, strict conditions to be fulfilled by public banks or institutions should be laid down for this provision to be applicable.
- (183) In order to maintain the option of the SME Initiative as an instrument to help increase the competitiveness of the SMEs, it is necessary to provide that Member States can contribute to joint uncapped guarantee and securitisation financial instruments in favour of SMEs during the entire programming period and to update relevant provisions relating to this option, such as those on ex-ante assessments and evaluations.
- (184) In adopting Regulation (EU) 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal – the European Fund for Strategic Investments (EFSI) – it was desired to enable Member States to use ESI Funds to contribute to the financing of eligible projects that are supported by the EU guarantee covered by the EFSI. A specific provision should be introduced to set out the terms and conditions to allow for better interaction and complementarity that will facilitate the possibility to combine ESI funds with EIB financial products under the EFSI's Union Guarantee.
- (185) In order to simplify and harmonise the control and audit requirements and to improve the accountability of the financial instruments implemented by EIB and other

International Financial Institutions, it is necessary to amend the provisions on management and control for financial instruments to facilitate the assurance process.

- (186) In order to ensure uniform conditions for the implementation of this Regulation, implementing powers should be conferred on the Commission in respect of the model of the control reports and the annual audit reports as defined in Article 40(1) of this Regulation. Those powers should be exercised in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>20</sup>.
- (187) In order to ensure consistency with the treatment of financial corrections during the 2007-2013 programming period, it is necessary to clarify that in the case of financial instruments, it should be possible to allow for an individual irregularity to be replaced by regular expenditure within the same operation so that the related financial correction will not have the consequence of a net loss for the financial instrument operation.
- (188) In order to incentivise private investors to co-invest in public policy projects, the concept of differentiated treatment of investors, which allows under specific conditions that ESI Funds can take a subordinated position to a private investor and EIB financial products under the EFSI's EU Guarantee, should be introduced. At the same time, the conditions for application of such a differentiated treatment when implementing ESI funds should be laid down.
- (189) Given the protracted low interest environment and in order not to unduly penalise bodies implementing financial instruments, it is necessary, subject to active and diligent treasury management, to enable financing of negative interest generated as a result of investments of ESI Funds pursuant to Article 43 of the Common Provisions Regulation from resources paid back into the financial instrument.
- (190) In order to align reporting requirements with the new Article 43(a) on differentiated treatment of investors and to avoid a duplication between the 'value of investments' in Article 46(2)(h) and 'equity investments' in Article 46(2)(i), it is necessary to update Article 46 of the Common Provisions Regulation.
- (191) In order to facilitate the implementation of the ESI funds, it is necessary to grant Member States the possibility of direct award for technical assistance actions implemented by EIB/EIF, other IFIs and publicly-owned banks or financial institutions.
- (192) With a view to facilitate the implementation of revenue generating operations, reduction of the co-financing rate should be allowed at any time of the programme implementation and possibilities for the establishment of flat rate net revenue percentages at national level should be provided.
- (193) Due to the late adoption of the Regulation (EU) No 508/2014 of the European Parliament and of the Council and the fact that aid intensity levels have been established by that Regulation, it is necessary to set out certain exemptions for the EMFF as regards revenue generating operations.

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<sup>20</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers (OJ L 55, 28.2.2011, p. 13).

- (194) To reduce administrative burden for beneficiaries the threshold which exempts certain operations from calculating and taking into account revenue generated during their implementation should be raised.
- (195) In order to facilitate synergies between ESI Funds and other Union instruments, expenditure incurred may be reimbursed from different ESI Funds and Union instruments based on a proportion agreed in advance.
- (196) In order to promote the use of lump sums, and given the fact that lump sums need to be based on a fair, equitable and verifiable calculation method which should ensure sound financial management, the applicable upper limit for their use should be removed.
- (197) In view of the aim to reduce the administrative burden of the implementation of projects by beneficiaries a new form of simplified costs option for financing based on conditions others than costs of operations should be introduced.
- (198) Taking into account the fact that, in accordance with Article 71 of Regulation (EU) No 1303/2013, the obligation to ensure the durability of investment operations applies from the last payment to the beneficiary, and that, when the investment consists in the lease purchase of a new machinery and equipment, the last payment occurs at the end of the contract period, this obligation should not apply to this type of investment.
- (199) In order to ensure a broad application of simplified cost options, an obligatory use of standard scales of unit costs, lump sums or flat rates should be set out for operations below a certain threshold for the ERDF and ESF. At the same time the use of draft budgets as an additional methodology for determining simplified costs should be introduced.
- (200) In order to facilitate earlier and more targeted application of simplified cost options, the power to adopt acts in accordance with Article 290 of the Treaty on the Functioning of the European Union should be delegated to the Commission in respect of the definition of the standard scales of unit costs or the flat rate financing, the fair, equitable and verifiable method on which they may be established, and the financing based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes rather than on costs. It is of particular importance that the Commission carry out appropriate consultations during its preparatory work, including at expert level, and that those consultations be conducted in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016. In particular, to ensure equal participation in the preparation of delegated acts, the European Parliament and the Council receive all documents at the same time as Member States' experts, and their experts systematically have access to meetings of Commission expert groups dealing with the preparation of delegated acts.
- (201) In order to reduce the administrative burden, the use of flat rates which do not require a methodology to be established by Member States should be increased. Two additional flat rates should therefore be introduced; one for calculating direct staff costs and the other one for calculating the remaining eligible costs based on staff costs. In addition, further clarification should be provided on the methods to calculate staff costs.
- (202) With a view to improving the effectiveness and impact of operations implementation of nation-wide operations or operations covering different programme areas should be

facilitated and possibilities for expenditure outside the Union for certain investments should be increased .

- (203) In order to encourage Member States to make use of major projects appraisal by independent experts, the declaration of expenditure relating to the major project to the Commission prior to the positive appraisal by the independent expert should be allowed once the Commission has been informed about the submission of the relevant information to the independent expert.
- (204) In order to promote the use of joint action plans which will reduce administrative burden for beneficiaries it is necessary to reduce regulatory requirements linked to the setting up of a joint action plan.
- (205) In order to avoid unnecessary administrative burden for beneficiaries, the rules on information and communication should respect the principle of proportionality. Accordingly, it is important to clarify the scope of application of the rules on information and communication.
- (206) With a view to reducing the administrative burden and ensuring the effective use of technical assistance across Funds and categories of regions flexibility for the calculation and monitoring of the respective limits applicable to technical assistance of Member States should be increased
- (207) With a view to streamline implementation structures, it should be clarified that the possibility for the managing authority, certifying authority and the audit authority to be part of the same public body is also available to programmes under the European Territorial Cooperation Goal.
- (208) The responsibilities of the managing authorities regarding the verification of expenditure when simplified cost options are being used should be specified more in detail.
- (209) To ensure that beneficiaries can fully benefit from the simplification potential of e-governance solutions in the implementation of the ESI Funds and the Fund for European Aid to the Most Deprived (FEAD), especially with a view to facilitating full electronic document management, it is necessary to clarify that a paper trail is not necessary if certain conditions are met.
- (210) In order to ensure equal treatment of operations supported on the basis of this Regulation, it is necessary to establish the date of application of certain amendments to Regulation (EU) No 1303/2013 of the European Parliament and of the Council<sup>21</sup>.
- (211) With a view to facilitate certain target groups' access to the ESF, the collection of data for certain indicators should be based on representative samples and twice in the programming period.
- (212) In order to ensure legal certainty and harmonised and non-discriminatory implementation of support to young farmers, it is necessary to provide that in the

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<sup>21</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347 20.12.2013, p. 320)

context of Rural Development the "date of setting up", referred to in the relevant rules, is the date when the setting up process begins by means of an action to be performed by the applicant, and that the application for support is to be submitted within 24 months from that date. Moreover, experience from the negotiations of the programmes has shown that rules for joint setting up of young farmers and thresholds for access to support required in Article 19(4) of Regulation (EU) No 1305/2013 should be clarified, and that provisions on duration of the business plan should be streamlined.

- (213) In order to be sufficiently attractive to the private sector, it is essential that financial instruments are designed and implemented in a flexible manner. However, experience has shown that certain measure-specific eligibility rules limit the uptake of financial instruments in the rural development programmes, as well as the flexible use of financial instruments by fund managers. Therefore, it is appropriate to provide that certain measure-specific eligibility rules do not apply to financial instruments. For the same reason, it is also appropriate to provide that start-up support to young farmers under Article 19 of Regulation (EU) No 1305/2013 may also be provided in the form of financial instruments. In view of these changes, it should be provided that where support for investments under Article 17 of Regulation (EU) No 1305/2013 is granted in the form of financial instruments, the investment must contribute to one or more Union priorities for rural development.
- (214) Nowadays farmers are exposed to increasing economic risks as a consequence of market developments. However, those economic risks do not affect all agricultural sectors equally. Consequently, Member States should have the possibility, in duly justified cases, to help farmers with sector-specific income stabilisation tools, in particular for sectors affected by a severe income drops, which would have a significant economic impact for a specific rural area, provided that the international obligations of the Union are respected. In addition, in order to monitor the expenditure made in relation to this new tool, the content of the financial plan of the programme should be adapted. Moreover, the specific reporting requirement for the risk management measure in 2018 referred to in Article 36(5) of Regulation (EU) No 1305/2013 is already covered by the report to the European Parliament and the Council on the monitoring and evaluation of the CAP referred to in Article 110(5) of Regulation (EU) No 1306/2013. Therefore the second subparagraph of Article 36(5) should be deleted.
- (215) Concerning mutual funds, it appears that the prohibition of any contribution by public funds to initial capital stock laid down in Articles 38(3) and 39(4) of Regulation (EU) No 1305/2013 hinders the effective functioning of these funds. This prohibition should therefore be deleted.
- (216) Support for investments for the restoration of production potential after natural disasters and catastrophic events under Articles 18(1)(b) and 24(1)(d) of Regulation (EU) No 1305/2013 is usually granted to all eligible applicants. Therefore, Member States should not be obliged to define selection criteria for restoration operations. Moreover, in duly justified cases, where it is not possible to define selection criteria due to the nature of the operations, Member States should be allowed to define alternative selection methods.
- (217) Article 59 of Regulation (EU) No 1305/2013 defines the maximum EAFRD contribution rates. In order to ease the pressure on the national budget of some Member States and to accelerate much-needed investments in Cyprus, the maximum

contribution rate of 100% referred to in Article 59(4)(f) should be extended until the programme closure. In addition, a reference to the specific contribution rate introduced in Regulation (EU) No 1303/2013 for the new financial instrument referred to in point (c) of Article 38(1) of the same Regulation should be mentioned in Article 59(4).

- (218) Pursuant to Article 60(1) of Regulation (EU) No 1305/2013, in cases of emergency measures due to natural disasters, eligibility of expenditure relating to programme changes may start from the date when the natural disaster occurred. This possibility to make eligible expenditure made before the submission of a programme amendment should be extended to other circumstances, such as catastrophic events or a significant and sudden change in the socio-economic conditions of the Member State or region, including sudden and significant demographic changes resulting from migration or reception of refugees.
- (219) According to the second subparagraph of Article 60(2) of Regulation (EU) No 1305/2013, in respect of investments in the agricultural sector, only expenditure incurred after the submission of an application is eligible. Member States should be given the possibility to provide in their programmes that, where the investment is related to emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, expenditure incurred after the occurrence of event is eligible.
- (220) In order to increase the use of the simplified cost options referred to in points (b) to (d) of Article 67(1) of Regulation (EU) No 1303/2013, it is necessary to limit the EAFRD specific rules laid down in Article 62(2) of Regulation (EU) No 1305/2013 to aid granted in accordance with points (a) and (b) of Article 21(1), concerning income forgone and maintenance costs, and Articles 28 to 31, 33 and 34 of Regulation (EU) No 1305/2013.
- (221) Article 74 of Regulation (EU) No 1305/2013 requires the Member States to consult the Monitoring Committee of the rural development programme on the selection criteria within four months from the approval of the programme. This creates an indirect obligation for the Member States to have defined all the selection criteria by that date even for the calls for applications which will be launched subsequently. In order to reduce unnecessary administrative burden, whilst ensuring that financial resources are used in the best possible way, the Member States should be allowed to define the selection criteria and to ask for the opinion of the Monitoring Committee at any time before the publication of the calls for applications.
- (222) The financial discipline is used to ensure that the budget for the European Agricultural Guarantee Fund complies with the respective annual ceilings and to establish the reserve for crises in the agricultural sector. Given the technical character of the determination of the adjustment rate and its inherent links with the Commission's estimates of expenditure set out in its annual Draft Budget, the procedure for setting the adjustment rate should be simplified by authorising the Commission to adopt it in accordance with the advisory procedure. The new Financial Regulation does not define the population of beneficiaries eligible for reimbursement of financial discipline. The present regulation should be adapted to that while maintaining the current definition of eligible beneficiaries.

- (223) In order to harmonise the rules on automatic decommitment of Article 87 of Regulation (EU) No 1303/2013 and Article 38 of Regulation (EU) No 1306/2013, the date by which Member States have to send to the Commission information on exceptions to the decommitment, referred to in Article 38(3), should be adapted.
- (224) In order to provide for the legal clarity as regards the treatment of the recoveries generated from the temporary reductions under Article 41(2) of Regulation (EU) No 1306/2013, the latter should be included in the list of sources of the assigned revenue under Article 43 of that Regulation.
- (225) Experience has shown that the rule, first introduced with Regulation (EU) No 1290/2005, of equally sharing between the budget and the Member States the risk of the lack of recovery of sums due for irregularities when these sums had not been recovered within reasonable deadlines (so called 50/50 rule), has worked well for the safeguarding of the budget. However, such a system entails a heavy administrative and book-keeping burden for both the European Commission and the Member States. It is therefore considered appropriate to further change this approach and charge the related sums entirely to the Member States concerned after the expiry of the related deadlines allowing them, on the other side, to keep in their national budgets the sums subsequently recovered at the end of the related recovery procedures.
- (226) In order to ensure that the refusal or recovery of payments affected by a non-compliance with public procurement rules reflects the gravity of such non-compliance and respects the principle of proportionality, such refusal or recovery should be limited to the levels laid down by the Commission for financial corrections to be made to expenditure under shared implementation for non-compliance with such rules. It is further appropriate to clarify that such non-compliances affect the legality and regularity of the transactions only by the same level.
- (227) The experience gained so far shows that through implementing the three criteria for being regarded an active farmer, listed in the third subparagraph of Article 9(2) of Regulation (EU) No 1307/2013 of the European Parliament and of the Council<sup>22</sup>, has proven difficult for many Member States. In order to reduce the administrative burden associated with the implementation of the three criteria, Member States should have the possibility of making available only one or two of them. The experience further shows that in some Member States the administrative costs of implementing the active farmer clause as a whole outweighs the benefit of excluding a very limited number of non-active beneficiaries from the direct support schemes. In order to allow Member States to address such situations in future claim years, the application of Article 9 as a whole should become optional for them.
- (228) The experience gained in the first year of implementation of Regulation (EU) No 1307/2013 has shown that certain Member States applying the single area payment scheme did not use the entire amount of the funds available under the budgetary ceilings laid down in the Commission Implementing Regulation (EU) No 2015/1089. Member States applying the basic payment scheme have already the possibility, within certain limits, of distributing payment entitlements for a higher value than the

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<sup>22</sup> Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009 (OJ L 347 20.12.2013, p. 608)



amount available for their basic payment scheme in order to ensure a more efficient use of the funds. Member States applying the single area payment scheme should also be allowed, within the same common limits and without prejudice to the respect of the net ceilings for direct payments, to calculate the necessary amount by which their single area payment scheme ceiling may be increased.

- (229) In order to ensure a maximum outreach of the young farmer payment under Regulation (EU) No 1307/2013, it is appropriate for Member States to limit the number of payment entitlements or eligible hectares but only in cases where this limitation serves to ensure respecting the relevant provisions on financing the young farmer payment.
- (230) Pursuant to Article 52 of Regulation (EU) No 1307/2013, Member States may grant, under certain conditions, coupled support to farmers in specific agricultural sectors or types of farming, to the extent necessary to create an incentive to maintain current levels of production in the sectors or regions concerned. In order to avoid that the levels of production are to be maintained where this is not appropriate due to structural market imbalances, the Commission should be empowered to adopt delegated acts allowing that voluntary coupled support can continue to be paid until 2020 on the basis of the production units for which such support was granted in a past reference period. In the context of the current crisis this temporary derogation aims at attaining in the long term the objective of voluntary coupled support of maintaining the level of production in the areas concerned.
- (231) One of the major obstacles to the formation of producer organisations, mainly in Member States which are lagging behind as regards the degree of organisation, appears to be the lack of mutual trust and past experiences. In this context, coaching, whereby producer organisations which are functioning show the way to other producer organisations, producer groups or individual producers of fruit and vegetables, could offset that obstacle and should thus be included among the objectives of producer organisations in the fruit and vegetables sector.
- (232) In addition to withdrawals for free distribution, it is also appropriate to grant coaching actions intended to encourage producers to set up organisations meeting the criteria to be recognised a full Union financing within the operational programmes of existing producer organisations.
- (233) Crisis prevention and management measures should be extended to cover refilling of mutual funds which could as new instruments help to combat crises.
- (234) In Member States where the organisation of production in the fruit and vegetables sector is weak, granting of additional national financial contributions should be allowed.
- (235) In order to ensure an efficient, targeted and sustainable support of producer organisations and their associations in the fruit and vegetables sector, the power to adopt certain acts should be delegated to the Commission in respect of the list of Member States that may grant national financial assistance to producer organisations.
- (236) In order to simplify the current procedure of first authorising Member States to grant additional national financial assistance to producer organisations in regions of the Union where the organisation degree is particularly low and second reimbursing a part of the national financial assistance if further conditions are complied with, a new system could be established. Member States where the organisation rate is particularly

low was below 20% at national level in 2013 could grant an additional percentage of the value of the marketed production as national aid with a result similar to the current scheme of prior authorisation and subsequent Union reimbursement. The Commission should regularly review the list of Member States that may grant additional national assistance to keep it updated.

- (237) The experience gained through the application of Article 188 of Regulation (EU) No 1308/2013 of the European Parliament and of the Council<sup>23</sup> has proven that the need to adopt implementing acts for the management of simple, mathematical processes linked to the way quotas are allocated is cumbersome and resource intense without any specific advantage linked to such an approach. The Commission has in fact no margin of discretion in this context considering that the related formula is already fixed by the provisions of Article 7 (2) of Commission Regulation (EC) 1301/2006<sup>24</sup>. In order to reduce the related administrative burden and streamline the process it should be provided that the Commission makes the results of the allocation of the import tariff quotas public through an appropriate web-publication. Moreover a specific provision should be included providing that Member States should only issue licences following the publication of the allocation results by the Commission.
- (238) The EGF should continue after 31 December 2017 to temporarily provide assistance to young people not in employment, education or training (NEETs) who reside in regions eligible under the Youth Employment Initiative, since those regions are disproportionately impacted by major redundancies.
- (239) In order to increase the efficiency of the intervention, a blending facility or blending facilities may be established under the Connecting Europe Facility (CEF). Such blending facilities should finance blending operations which are actions combining non-reimbursable forms of support and/or financial instruments from the Union budget, including combination of CEF equity and CEF debt financial instruments, and financing from EIB Group (including EIB financing under EFSI) development or other finance institutions as well as investors.
- (240) A blending facility under CEF should aim to enhance the multiplier effect of Union spending by attracting additional resources from private investors. In addition, it should ensure that the actions supported become economically and financially viable.
- (241) In order to support the implementation of projects with most value added for the Trans European Transport Network concerning the Core Network Corridors, cross border projects and projects on the other sections of the Core Network, it is necessary to allow flexibility in the use of the multiannual work programme allowing to reach up to 95% of the financial budgetary resources indicated in the Regulation (EU) No 1316/2013.
- (242) Only grants and procurement may currently be used to support actions in the area of Digital Service Infrastructures. In order to ensure as efficient as possible, financial instruments should also be made available to support these actions.
- (243) The intervention in the area of Digital Service Infrastructures should be based on simple and flexible principles to enable the Union react to emerging political priorities and related funding needs. In particular, to achieve the objectives of an intervention in

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<sup>23</sup> Full title, OJ.

<sup>24</sup> Full title, OJ.

a given area it may be necessary to finance "gateway services" linking one or more national infrastructure(s) to core service platform(s) such as elements of a given Digital Service Infrastructure: computing, data storage and management, connectivity.

- (244) In order to avoid unnecessary administrative burden for managing authorities that could hinder efficient implementation of the FEAD, it is appropriate to simplify and facilitate the procedure for amendment of non-essential elements of operational programmes.
- (245) With a view to further simplify the use of the FEAD, it is appropriate to establish additional provisions as regards eligibility of expenditure, in particular, as regards the use of standard scales of unit costs, lump sums and flat rates.
- (246) In order to avoid unfair treatment of partner organisations, irregularities that are imputable only to the body in charge of purchasing the assistance, should not affect the eligibility of expenditure of partner organisations.
- (247) It is appropriate to clarify the definition of 'eligibility rules' in order to ensure legal certainty in operations supported by the FEAD.
- (248) In order to simplify the implementation of the FEAD and avoid legal uncertainty, certain responsibilities of Member States on management and control should be clarified.
- (249) In order to simplify the implementation of the ESI Funds and the FEAD and avoid legal uncertainty, certain responsibilities of Member States on management and control should be clarified.
- (250) Regulation (EU) No 652/2014 of the European Parliament and of the Council<sup>25</sup> provides for the possibility to divide budgetary commitments into annual instalments only in the case of approval of multiannual programmes for the eradication, control and surveillance of animal diseases and zoonoses, for survey programmes concerning the presence of pests and for programmes concerning the control of pests in outermost regions of the Union. In the interest of simplification and in order to reduce the administrative burden this possibility should be extended to the other actions provided for in Regulation (EU) No 652/2014.
- (251) The Space Surveillance and Tracking (SST) support framework established by Decision No 541/2014/EU is financed from the budgets of three Union funding programmes, Copernicus programme established by Regulation (EU) No 377/2014, satellite navigation programmes established by Regulation (EU) No 1285/2013 and specific programme implementing Horizon 2020 established by Council Decision No 2013/743/EU. As a result, the SST support framework has been subject to three sets of applicable rules. This has led to suboptimal implementation of the framework and caused disproportionate administrative burden for the Commission and the

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Regulation (EU) No 652/2014 of the European Parliament and of the Council of 15 May 2014 laying down provisions for the management of expenditure relating to the food chain, animal health and animal welfare, and relating to plant health and plant reproductive material, amending Council Directives 98/56/EC, 2000/29/EC and 2008/90/EC, Regulations (EC) No 178/2002, (EC) No 882/2004 and (EC) No 396/2005 of the European Parliament and of the Council, Directive 2009/128/EC of the European Parliament and of the Council and Regulation (EC) No 1107/2009 of the European Parliament and of the Council and repealing Council Decisions 66/399/EEC, 76/894/EEC and 2009/470/EC (OJ L 189, 27.6.2014, p. 1).

beneficiaries. While the aims, objectives and the scope of each of the three funding programmes need to be respected, in order to simplify the implementation of the SST support framework in the future, only one set of rules should be applicable to the award and management of grants within SST support framework.

- (252) This Regulation should be revised only when necessary, and at the latest two years before the end of each multiannual financial framework. Excessively frequent revisions generate a disproportionate cost in adjusting administrative structures and procedures to the new rules. Furthermore, time may be too short to allow for valid conclusions to be drawn from the application of the rules in force.
- (253) Transitional provisions should be set out. In order not to hamper the application of the relevant sector-specific rules which may refer to grant decisions, it is appropriate to specify that grants decisions may still be adopted in accordance with their basic act. In order to ensure the transition with the new adoption mechanism of decisions authorising the use of lump sum, unit costs or flat rates, it is appropriate to allow the authorising officer responsible to amend the relevant existing decisions.

HAVE ADOPTED THIS REGULATION:

# PART ONE

## FINANCIAL REGULATION

### TITLE I

#### SUBJECT MATTER, SCOPE AND DEFINITIONS

##### *Article 1* *Subject matter*

This Regulation lays down the rules for the establishment and the implementation of the general budget of the European Union and of Euratom and the presentation and auditing of the accounts.

##### *Article 2* *Definitions*

For the purposes of this Regulation, the following definitions shall apply:

1. ‘applicant’ means a natural person or an entity with or without a legal personality who has submitted an application in a grant award procedure or in a contest for prizes;
2. ‘application documents’ means a tender, a request to participate, a grant application or an application in a contest for prizes;
3. ‘award procedure’ means a procurement procedure, a grant award procedure, a contest for prizes, or a procedure for the selection of experts or entities implementing Union funds pursuant to point (c) of Article 61 (1);
4. ‘basic act’ means a legal act which provides a legal basis for an action and for the implementation of the corresponding expenditure entered in the budget or of the budgetary guarantee or financial assistance backed by the budget.

A basic act may take any of the following forms:

- (a) in implementation of the Treaty on the Functioning of the European Union (TFEU) and the Treaty establishing the European Atomic Energy Community (the Euratom Treaty), the form of a regulation, a directive or a decision within the meaning of Article 288 TFEU; or
- (b) in implementation of Title V of the Treaty on European Union (TEU), one of the forms specified in Articles 28(1), 31(2), 33, 42(4) and 43(1)TEU.

Recommendations and opinions shall not constitute basic acts.

5. ‘beneficiary’ means a natural person or an entity with or without a legal personality with whom a grant agreement has been signed;
6. ‘blending operation’ means an action carried out within a blending facility which combines non-repayable forms of support and/or financial instruments from the EU budget and financial instruments from development or other public finance institutions as well as from commercial finance institutions and investors. Blending operations may include preparatory action leading to potential investments from finance institutions;

7. 'blending facility' means a facility established as a cooperation framework between the Commission and development or other public finance institutions as well as commercial finance institutions and investors which aims at achieving certain Union priority objectives and policies in using blending operations and other individual actions;
8. 'budgetary commitment' means the operation by which the authorising officer responsible reserves appropriations in the budget for subsequent payments.
9. 'budgetary guarantee' means a legal commitment of the Union to support a programme of actions by taking on the budget of the Union a financial obligation should a specified event materialise during the implementation of the programme;
10. 'building contracts' means a contract covering the purchase, long lease, usufruct, leasing, rental or hire purchase, with or without option to buy, of land, buildings or other immovable property. It shall cover both existing buildings and buildings before completion provided that the candidate has obtained a valid building permit for it, save when the building has been designed in accordance with the specifications of the contracting authority;
11. 'candidate' means an economic operator that has sought an invitation or has been invited to take part in a restricted procedure, a competitive procedure with negotiation, a competitive dialogue, an innovation partnership, a design contest or a negotiated procedure;
12. 'central purchasing body' means a contracting authority providing centralised purchasing activities and, where applicable, ancillary purchasing activities;
13. 'check' means the verification of a specific aspect of a revenue or expenditure operation;
14. 'concession contract' means a contract for pecuniary interest concluded in writing between one or more economic operators and one or more contracting authorities within the meaning of Articles 168 and 172, in order to entrust the execution of works or the provision and management of services to an economic operator (the 'concession'). The remuneration shall consist either solely in the right to exploit the works or services or in that right together with payment. The award of a concession contract shall involve the transfer to the concessionaire of an operating risk in exploiting those works or services encompassing demand risk or supply risk, or both. The concessionaire shall be deemed to assume an operating risk where, under normal operating conditions, there is no guarantee of recouping the investments made or the costs incurred in operating the works or the services at stake;
15. 'contingent liability' is a potential financial obligation that may be incurred depending on the outcome of a future event;
16. 'contract' means a public contract or a concession contract;
17. 'contractor' means an economic operator with whom a procurement contract has been signed;
18. 'control' means any measure taken to provide reasonable assurance regarding the effectiveness, efficiency and economy of operations, the reliability of reporting, the safeguarding of assets and information, the prevention and detection and correction of fraud and irregularities and their follow-up, and the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into

account the multiannual character of programmes as well as the nature of the payments concerned. Controls may involve various checks, as well as the implementation of any policies and procedures to achieve the objectives described in the first sentence;

19. 'contribution agreement' means an agreement concluded with entities and persons pursuant to points (ii) to (viii) of Article 61(1)(c);
20. 'counterpart' is the other party that is granted a budgetary guarantee of the Union;
21. 'Crisis situations' shall be understood as situation of immediate or imminent danger threatening to escalate into an armed conflict or to destabilise a country. Crisis situations shall also be understood as situations caused by natural disasters, manmade crisis such as wars and other conflicts or extraordinary circumstances having comparable effects related inter alia to climate change, environmental degradation, privation of access to energy and natural resources or extreme poverty.
22. 'dynamic purchasing system' means a completely electronic process for making commonly used purchases;
23. 'economic operator' means any natural or legal person, including a public entity, or a group of such persons, which offers to supply products, execute works or provide services or immovable property;
24. 'equity investment' means the provision of capital to a firm, invested directly or indirectly in return for total or partial ownership of that firm and where the equity investor may assume some management control of the firm and may share the firm's profits;
25. 'final administrative decision' means a decision of an administrative authority having final and binding effect in accordance with the applicable law;
26. 'financial asset' is any asset that is cash, an equity instrument of another entity or a contractual right to receive cash or another financial asset from another entity;
27. 'financial instruments' means Union measures of financial support provided from the budget in order to address one or more specific policy objectives of the Union. Such instruments may take the form of equity or quasi-equity investments, loans or guarantees, or other risk-sharing instruments, and may, where appropriate, be combined with other forms of financial support or with funds under shared implementation or EDF funds;
28. 'financial liability' is any liability that is a contractual obligation to deliver cash or another financial asset to another entity;
29. 'framework contract' means a public contract concluded between one or more economic operators and one or more contracting authorities, the purpose of which is to establish the terms governing specific contracts under it to be awarded during a given period, in particular with regard to price and, where appropriate, the quantity envisaged;
30. 'guarantee' means a written commitment to assume responsibility for all or part of a third party's debt or obligation or for the successful performance by that third party of its obligations if an event occurs which triggers such guarantee, such as a loan default;

31. 'guarantee on demand' means a guarantee that must be honoured by the guarantor upon counterpart's demand, notwithstanding any deficiencies in the enforceability of the underlying obligation;
32. 'legal commitment' means the act whereby the authorising officer responsible enters into or establishes an obligation which results in subsequent payment or payments and the recognition of expenditure a charged to the budget. For the purposes of Title V of Part I, with the exception of Article 134, 'legal commitment' encompasses also financial framework partnership agreements and framework contracts;
33. 'leverage effect' means the amount of finance to eligible final recipients divided by the amount of the Union contribution;
34. 'loan' means an agreement which obliges the lender to make available to the borrower an agreed sum of money for an agreed period of time and under which the borrower is obliged to repay that amount within the agreed time;
35. 'low value grant' means a grant lower than or equal to EUR 60 000;
36. 'method of implementation' means the methods of budget implementation described in Articles 61, 62 or 149, i.e. direct implementation, indirect and shared implementation;
37. 'multi-donor action' means any action where Union funds are pooled with at least one other donor;
38. 'multiplier effect' means the investment by eligible final recipients divided by the amount of the Union contribution.
39. 'pari passu' means an equal claim on some right;
40. 'participant' means a candidate or tenderer in a procurement procedure, an applicant in a grant award procedure, an expert in a procedure for selection of experts, an applicant in a contest for prizes or an entity or person participating in a procedure for implementing Union funds pursuant to point (c) of Article 61(1);
41. 'procurement document' means any document produced or referred to by the contracting authority to describe or determine elements of the procurement procedure, including:
  - (a) the publicity measures set out in Article 157;
  - (b) the invitation to tender;
  - (c) the tender specifications, which shall include the technical specifications and the relevant criteria, or the descriptive documents in case of a competitive dialogue;
  - (d) the draft contract;
42. 'public contract' means a contract for pecuniary interest concluded in writing between one or more economic operators and one or more contracting authorities within the meaning of Articles 168 and 172, in order to obtain, against payment of a price paid in whole or in part from the budget, the supply of movable or immovable assets, the execution of works or the provision of services.
43. Public contracts comprise:
  - (a) building contracts;



- (b) supply contracts;
  - (c) works contracts;
  - (d) service contracts;
44. 'prize' means a financial contribution given as a reward following a contest;
45. 'procurement' means the acquisition by means of a contract of works, supplies or services and the acquisition or rental of land, buildings or other immovable property, by one or more contracting authorities from economic operators chosen by those contracting authorities;
46. 'quasi-equity investment' means a type of financing that ranks between equity and debt, having a higher risk than senior debt and a lower risk than common equity. Quasi equity investments can be structured as debt, typically unsecured and subordinated and in some cases convertible into equity, or as preferred equity;
47. 'recipient' means a beneficiary, a contractor, a remunerated external expert, any person or entity receiving prizes or funds under a financial instrument or implementing Union funds pursuant to point (c) of Article 61(1);
48. 'repurchase agreement' means the sale of securities for cash with an agreement to repurchase them on a specified future date, or on demand;
49. 'research and technological development appropriations' means the appropriations entered either in one of the titles of the budget relating to the policy areas linked to "Indirect research" and "Direct research" or in a chapter relating to research activities in another title;
50. 'risk-sharing instrument' means a financial instrument which allows for the sharing of a defined risk between two or more entities, where appropriate in exchange for an agreed remuneration;
51. 'service contracts' means a contract covering all intellectual and non-intellectual services other than those covered by supply contracts, works contracts and building contracts;
52. 'Staff Regulations' means the Staff Regulations of Officials of the European Union and the Conditions of Employment of Other Servants of the European Union laid down in Council Regulation (EEC, Euratom, ECSC) No 259/68;
53. 'subcontractor' means an economic operator that is proposed by a candidate or tenderer or contractor to perform part of a contract or by a beneficiary to perform part of the tasks co-financed by the grant.
54. 'subscription' means sums paid to bodies of which the Union is member, in accordance with the budgetary decisions and the conditions of payment established by the body concerned;
55. 'supply contracts' means a contract covering the purchase, leasing, rental or hire purchase, with or without option to buy, of products. A supply contract may include, as an incidental matter, siting and installation operations.
56. 'technical assistance' means, without prejudice to sector-specific rules, support and capacity-building activities necessary for the implementation of a programme or an action, in particular preparatory, management, monitoring, evaluation, audit and control activities.

57. ‘tenderer’ means an economic operator that has submitted a tender;
58. ‘Union’ means the European Union, the European Atomic Energy Community, or both, as the context may require.
59. ‘Union institution’ means the European Parliament, the European Council, the Council, the European Commission, the Court of Justice of the European Union, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions, the European Ombudsman, the European Data Protection Supervisor and the European External Action Service (the ‘EEAS’); the European Central Bank shall not be considered as an institution of the Union;
60. ‘vendor’ means an economic operator registered in a list of vendors to be invited to submit requests to participate or submit tenders;
61. ‘work’ shall mean the outcome of building or civil engineering works taken as a whole that is sufficient in itself to fulfil an economic or technical function;
62. ‘works contracts’ means a contract covering either the execution, or both the execution and design, of work(s) related to one of the activities referred to in Annex II to Directive 2014/24/EU of the European Parliament and of the Council on public procurement<sup>26</sup> or the realisation, by whatever means, of a work corresponding to the requirements specified by the contracting authority exercising a decisive influence on the type or design of the work;

### *Article 3*

#### *Compliance of secondary legislation with this Regulation*

1. Provisions concerning the implementation of the revenue and expenditure of the budget, and contained in a basic act, shall comply with the budgetary principles set out in Title II.
2. Without prejudice to paragraph 1, any proposal or amendment to a proposal submitted to the legislative authority containing derogations from provisions other than those in Title II or from delegated acts adopted pursuant to this Regulation shall clearly indicate such derogations and shall state the specific reasons justifying them in the recitals and in the explanatory memorandum of such proposals.

### *Article 4*

#### *Periods, dates and time limits*

Unless otherwise provided, Council Regulation (EEC, Euratom) No 1182/71<sup>(27)</sup> shall apply to deadlines set by this Regulation.

### *Article 5*

#### *Protection of personal data*

Personal data collected pursuant to this Regulation shall be processed in accordance with Directive 95/46/EC<sup>(28)</sup> and Regulation (EC) No 45/2001. A candidate or tenderer in a

<sup>26</sup> OJ L 94, 28.03.2014, p. 65.

<sup>27</sup> Council Regulation (EEC, Euratom) No 1182/71 of 3 June 1971 determining the rules applicable to periods, dates and time limits (OJ L 124, 8.6.1971, p. 1).

procurement procedure, an applicant in a grant award procedure, an expert in a procedure for the selection of experts, an applicant in a contest for prizes or an entity or person participating in a procedure for implementing Union funds in accordance with point (c) of Article 61(1) as well as a beneficiary, a contractor, a remunerated external expert or any person or entity that receives prizes or implements Union funds pursuant to point (c) of Article 61(1) shall be informed accordingly.

## **TITLE II**

# **BUDGET AND BUDGETARY PRINCIPLES**

### *Article 6* *Respect for budgetary principles*

The budget shall be established and implemented in accordance with the principles of unity, budgetary accuracy, annuality, equilibrium, unit of account, universality, specification, sound financial management which requires effective and efficient internal control, and transparency as set out in this Regulation, unless otherwise provided for in this Regulation.

## **CHAPTER 1**

### **Principles of unity and of budgetary accuracy**

### *Article 7* *Scope of the budget*

1. For each financial year, the budget shall forecast and authorise all revenue and expenditure considered necessary for the Union. It shall comprise:
  - (a) the revenue and expenditure of the Union, including administrative expenditure resulting from the provisions of the TEU relating to the common foreign and security policy, and the operational expenditure occasioned by implementation of those provisions where it is charged to the budget;
  - (b) the revenue and expenditure of the European Atomic Energy Community.
2. The budget shall contain differentiated appropriations, which consist of commitment appropriations and payment appropriations, and non-differentiated appropriations.

The appropriations authorised for the financial year shall consist of:

  - (a) appropriations provided in the budget, including by amending budgets;
  - (b) appropriations carried over;
  - (c) appropriations made available again in accordance with Article 14;
  - (d) appropriations arising from pre-financing payments which have been repaid in accordance with point (b) of Article 12(3);
  - (e) appropriations provided following the receipt of revenue assigned during the financial year or during previous financial years and not used.
3. Commitment appropriations shall cover the total cost of the legal commitments entered into during the financial year, subject to Article 112(2).
4. Payment appropriations shall cover payments made to honour the legal commitments entered into in the financial year or preceding financial years.
5. Paragraphs 2 and 3 of this Article shall not prevent appropriations being committed globally or budgetary commitments being made in annual instalments as respectively provided for in point (b) of Article 110(1) and 110(2).

*Article 8*

*Specific rules on the principles of unity and budgetary accuracy*

1. All revenue and expenditure shall be booked to a line in the budget.
2. No expenditure may be committed or authorised in excess of the authorised appropriations.
3. Interest generated by pre-financing payments made from the budget shall not be due to the Union except as otherwise provided for in the contribution agreements or financing agreements.

## **CHAPTER 2**

### **Principle of annuality**

*Article 9*

*Financial year*

The appropriations in the budget shall be authorised for a financial year which shall run from 1 January to 31 December.

*Article 10*

*Budgetary accounting for revenue and appropriations*

1. The revenue of a financial year shall be entered in the accounts for the financial year on the basis of the amounts collected during that financial year. However, the own resources for the month of January of the following financial year may be made available in advance pursuant to Council Regulation (EU, Euratom) No 609/2014<sup>29</sup>.
2. The entries in respect of Value Added Tax and Gross National Income-based own resources may be adjusted in accordance with Regulation (EU, Euratom) No 609/2014.
3. Commitments shall be entered in the accounts on the basis of the legal commitments entered into up to 31 December. By way of exception, the global budgetary commitments referred to in Article 110(4) shall be entered in the accounts on the basis of the budgetary commitments up to 31 December.
4. Payments shall be entered in the accounts for a financial year on the basis of the payments made by the accounting officer by 31 December of that year.
5. By way of derogation from paragraphs 3 and 4:
  - (a) the expenditure of the European Agricultural Guarantee Fund (EAGF) shall be booked to the accounts for a financial year on the basis of the repayments made by the Commission to the Member States by 31 December of that financial year, provided that the payment order has reached the accounting officer by 31 January of the following financial year;
  - (b) expenditure managed under shared implementation with the exception of the EAGF shall be booked to the accounts for a financial year on the basis of

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<sup>29</sup> Council Regulation (EU, Euratom) No 609/2014 of 26 May 2014 on the methods and procedure for making available the traditional, VAT and GNI-based own resources and on the measures to meet cash requirements (OJ L 168, 7.6.2014, p. 39).

reimbursements made by the Commission to the Member States by 31 December of that financial year, including the expenditure charged by 31 January of the following financial year as laid down in Articles 28 and 29.

#### *Article 11*

##### *Commitment of appropriations*

1. The appropriations entered in the budget may be committed with effect from 1 January, once the budget has been adopted,
2. As of 15 October of the financial year, routine administrative expenditure and routine management expenditure for the EAGF may be committed in advance against the appropriations provided for the following financial year.

Such commitments shall not, however, exceed:

- a) one quarter of the appropriations decided upon by the European Parliament and the Council on the corresponding budget line for the current financial year for routine administrative expenditure provided that this expenditure has been approved in the last budget duly adopted;
- b) three quarters of the total corresponding appropriations decided upon by the European Parliament and the Council for the current financial year for routine management expenditure for the EAGF provided that the principle of this expenditure is laid down in an existing basic act.

#### *Article 12*

##### *Cancellation and carry-over of appropriations*

1. Appropriations which have not been used by the end of the financial year for which they were entered shall be cancelled, unless they are carried over in accordance with paragraphs 2 and 3.
2. Appropriations may be carried over, but only to the following financial year, by a decision taken by 15 February by the institution concerned in respect of:
  - (a) amounts corresponding to commitment appropriations and non-differentiated appropriations, for which most of the preparatory stages of the commitment procedure have been completed by 31 December. Such amounts may then be committed up to 31 March of the following year, with the exception of the non-differentiated appropriations related to building projects which may be committed up to 31 December of the following financial year;
  - (b) amounts which are necessary when the legislative authority has adopted a basic act in the final quarter of the financial year and the Commission has been unable to commit the appropriations provided for this purpose by 31 December. Such amounts may be committed up to 31 December of the following financial year;
  - (c) payment appropriations which are needed to cover existing commitments or commitments linked to commitment appropriations carried over, where the payment appropriations provided for in the relevant budget lines for the following financial year are not sufficient to cover requirements;

- (d) non-committed appropriations relating to the actions referred to in Article 4(1) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council.

Such carryover shall not exceed, within a limit of 2 % of the initial appropriations voted by the Budgetary Authority, the amount of the adjustment of direct payments applied in accordance with Article 26 of Regulation (EU) No 1306/2013 during the preceding financial year. Appropriations which are carried over shall be returned to the budgetary lines which cover the actions referred to in point (b) of Article 4(1) of Regulation (EU) No 1306/2013.

- (e) appropriations kept unallocated at the beginning of the financial year relating to the funds referred to in Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11 March 2014 establishing an Instrument for Pre-accession Assistance (IPA II), Regulation (EU) No 232/2014 of the European Parliament and of the Council of 11 March 2014 establishing a European Neighbourhood Instrument (ENI) and Regulation (EU) No 233/2014 of the European Parliament and of the Council of 11 March 2014 establishing a financing instrument for development cooperation for the period 2014-2020 (DCI), within a limit of 10% of the initial appropriations of each instrument.

The institution concerned shall inform the European Parliament and the Council by 15 March of the carry-over decision it has taken. It shall also state, for each budget line, how the criteria in points (a), (b) and (c) have been applied to each carry-over.

3. Appropriations shall be automatically carried over in respect of:

- (a) amounts corresponding to commitment and payment appropriations for the Emergency Aid Reserve and for the European Union Crisis Reserve and to commitment appropriations for the European Union Solidarity Fund;
- (b) amounts corresponding to internal assigned revenue;

The amounts referred to in points (a) and (b) may be carried over only to the following financial year and may be committed up to 31 December, with the exception of the internal assigned revenue from lettings and the sale of buildings and land referred to in point (g) of Article 20(3) which may be carried over until it is fully used. Commitment appropriations, referred to in Regulation (EU) No 1303/2013 and in Regulation (EU) No 514/2014<sup>30</sup>, available on 31 December arising from repayments of pre financing payments may be carried over until the closure of the programme and used when necessary provided that other commitment appropriations are no longer available.

- (c) amounts corresponding to external assigned revenue.

These amounts shall be carried over automatically and shall be fully used by the time all the operations relating to the programme or action to which it is assigned have been carried out or may be carried over and used for the succeeding programme or action.

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<sup>30</sup> Regulation (EU) No 514/2014 of the European Parliament and of the Council of 16 April 2014 laying down general provisions on the Asylum, migration and Integration Fund and on the instrument for financial support for police cooperation, preventing and combating crime and crisis management

This shall not apply to the revenue referred to in point (iii) of Article 20(2)(g) for which appropriations not committed within five years shall be cancelled.

The treatment of external assigned revenue resulting from the participation from European Free Trade Association (EFTA) States in certain Union programmes as referred to in point (e) of Article 20(2) shall be in line with Protocol 32 annexed to the Agreement on the European Economic Area (EEA Agreement).

- (d) payment appropriations related to the EAGF resulting from suspensions in accordance with Article 41 of Regulation (EU) No 1306/2013.
- 4. Non-differentiated appropriations legally committed at the end of the financial year shall be paid until the end of the following financial year.
- 5. Without prejudice to paragraph 3, appropriations placed in reserve and appropriations for staff expenditure shall not be carried over. For the purposes of this Article, staff expenditure comprises the remuneration and allowances for members and staff of the institutions subject to the Staff Regulations.

### *Article 13*

#### *Decommitment of appropriations*

- 1. Where appropriations are decommitted in any financial year after that in which the appropriations were committed as a result of total or partial non-implementation of the actions for which they were earmarked, the appropriations concerned shall be cancelled, unless otherwise provided for in paragraph 3 and Article 14.
- 2. In the case of amounts which have to be committed up to 31 March in accordance with Article 12(2), where the corresponding appropriations are decommitted after 31 March, they shall be cancelled.
- 3. Appropriations referred to in Regulation (EU) No 1303/2013 shall be decommitted automatically in accordance with that Regulation.
- 4. Appropriations referred to in Regulation (EU) No 514/2014 shall be decommitted automatically in accordance with that Regulation.
- 5. Paragraphs 1, 2 and 3 of this Article shall not apply to external assigned revenue referred to in Article 20(2).

### *Article 14*

#### *Making decommitted appropriations available again*

- 1. The decommitted appropriations referred to in Regulation (EU) No 1303/2013 and Regulation (EU) No 223/2014<sup>31</sup> may be made available again in the event of a manifest error attributable solely to the Commission.

To that end, the Commission shall examine decommitments made during the preceding financial year and decide, by 15 February of the current financial year, on

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<sup>31</sup> Regulation (EU) N° 223/2014 of the European Parliament and of the Council of 11 March 2014 on the Fund for European Aid to the Most Deprived (OJ L 72, 12.3.2014, p.1)



the basis of requirements, whether it is necessary to make the corresponding appropriations available again.

2. The decommitted appropriations shall be made available again in the event of:
  - (a) the decommitment of appropriations from a programme under the arrangements for the implementation of the performance reserve established in Article 20 of Regulation (EU) No 1303/2013;
  - (b) the decommitment of appropriations from a programme dedicated to a specific financial instrument in favour of SMEs following the discontinuance of the participation of a Member State in the financial instrument, as referred to in the seventh subparagraph of Article 39(2) of Regulation (EU) No 1303/2013.
3. Without prejudice to paragraphs (1) and (2), decommitted appropriations made in year n-2 shall be made available again to the European Union Crisis Reserve in the framework of the budgetary procedure for the year n.

When the Commission considers that the Reserve needs to be called on, it shall present to the European Parliament and the Council a proposal for a transfer from the Reserve to the corresponding budgetary lines, in line with Article 30 (4).
4. The commitment appropriations corresponding to the amount of the decommitted appropriations as a result of total or partial non-implementation of the corresponding research projects may also be made available again to the benefit of the research programme the projects belong to or its successor in the context of the annual budgetary procedure.

#### *Article 15*

##### *Rules applicable in the event of late adoption of the budget*

1. If the budget has not been definitively adopted at the beginning of the financial year, the procedure set out in the first paragraph of Article 315 TFEU (the provisional twelfths regime) shall apply. Commitments and payments may be made within the limits laid down in paragraph 2 of this Article.
2. Commitments may be made per chapter up to a maximum of one quarter of the total appropriations authorised in the relevant chapter of the previous financial year plus one twelfth for each month which has elapsed.

The limit of the appropriations provided for in the draft budget shall not be exceeded.

Payments may be made monthly per chapter up to a maximum of one twelfth of the appropriations authorised in the relevant chapter of the preceding financial year. That sum shall not, however, exceed one twelfth of the appropriations provided for in the same chapter of the draft budget.
3. The appropriations authorised in the relevant chapter of the preceding financial year, as specified in paragraphs 1 and 2, shall be understood as referring to the appropriations voted in the budget, including by amending budgets, and after adjustment for the transfers made during that financial year.
4. If the continuity of action by the Union so require, the Council, acting by qualified majority on a proposal of the Commission, may authorise expenditure in excess of one provisional twelfth but not exceeding the total of four provisional twelfths,

excluding the one twelfth made automatically available, except in duly justified cases, both for commitments and for payments over and above those automatically made available in accordance with paragraphs 1 and 2. It shall forward the decision on authorisation without delay to the European Parliament.

The decision referred to in the first subparagraph shall enter into force 30 days following its adoption unless the European Parliament takes any of the following actions:

- (a) acting by a majority of its component Members, decides to reduce that expenditure within that time limit, in which case the Commission shall submit a new proposal;
- (b) informs the Council and the Commission that it does not wish to reduce that expenditure, in which case the decision shall enter into force before the expiry of the 30 days.

The additional twelfths shall be authorised in full and shall not be divisible.

5. If, for a given chapter, the authorisation of four provisional twelfths granted in accordance with paragraph 4 is not sufficient to cover the expenditure necessary to avoid a break in continuity of action by the Union in the area covered by the chapter in question, authorisation may exceptionally be given to exceed the amount of the appropriations entered in the corresponding chapter of the budget of the preceding financial year. The European Parliament and the Council shall act in accordance with the procedures provided for in paragraph 4. However, the overall total of the appropriations available in the budget of the preceding financial year or in the draft budget, as proposed, may in no circumstances be exceeded.

## **CHAPTER 3**

### **Principle of equilibrium**

#### *Article 16*

#### *Definition and scope*

1. Revenue and payment appropriations shall be in balance.
2. The Union and the Union bodies referred to in Articles 69 and 70 may not raise loans within the framework of the budget.

#### *Article 17*

#### *Balance from financial year*

1. The balance from each financial year shall be entered in the budget for the following financial year as revenue in the case of a surplus or as a payment appropriation in the case of a deficit.
2. The estimates of such revenue or payment appropriations shall be entered in the budget during the budgetary procedure and in a letter of amendment presented

pursuant to Article 40. The estimates shall be drawn up in accordance with Article 1 of Council Regulation (EU, Euratom) No 608/2014<sup>32</sup>.

3. After the presentation of the provisional accounts for each financial year, any discrepancy between those accounts and the estimates shall be entered in the budget for the following financial year through an amending budget. In such a case, the Commission shall submit the draft amending budget simultaneously to the European Parliament and the Council within 15 days of submission of the provisional accounts.

## **CHAPTER 4**

### **Principle of unit of account**

#### *Article 18* *Use of euro*

1. The multiannual financial framework and the budget shall be drawn up and implemented in euro and the accounts shall be presented in euro. However, for the cash-flow purposes referred to in Article 76, the accounting officer and, in the case of imprest accounts, the imprest administrators, and, for the needs of the administrative management of the Commission and the European External Action Service (EEAS), the authorising officer responsible, shall be authorised to carry out operations in other currencies.
2. Without prejudice to specific provisions arising from the application of sector-specific regulations, or from specific procurement contracts, grant agreements, contribution agreements and financing agreements, conversion by the responsible authorising officer shall be made using the daily euro exchange rate published in the C series of the *Official Journal of the European Union* of the day on which the payment order or recovery order is drawn up by the authorising department.  
  
If no such daily rate is published, the responsible authorising officer shall use the one referred to in paragraph 3.
3. For the purposes of the accounts provided for in Articles 80 and 81, conversion between the euro and another currency shall be made using the monthly accounting rate of the euro. That accounting exchange rate shall be established by the Commission's accounting officer by means of any source of information regarded as reliable, on the basis of the exchange rate on the penultimate working day of the month preceding that for which the rate is established.
4. Currency conversion operations shall be carried out in such a way as to avoid having a significant impact on the level of the Union co-financing or a detrimental impact on the Union budget. Where appropriate, the rate of conversion between the euro and other currencies may be calculated using the average of the daily exchange rate in a given period.

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<sup>32</sup> Council Regulation (EU, Euratom) No 608/2014 of 26 May 2014 laying down implementing measures for the system of own resources of the European Union

## CHAPTER 5

### Principle of universality

#### *Article 19*

##### *Scope*

Without prejudice to Article 20, total revenue shall cover total payment appropriations. Without prejudice to Article 25, all revenue and expenditure shall be entered in full without any adjustment against each other.

#### *Article 20*

##### *Assigned revenue*

1. External assigned revenue and internal assigned revenue shall be earmarked to finance specific items of expenditure.
2. The following shall constitute external assigned revenue:
  - (a) financial contributions from Member States, third countries and bodies not set up under the TFEU and the Euratom Treaty to certain actions or programmes financed by the Union as well as to supplementary research and technological development programmes, and managed by the Commission on their behalf;
  - (b) appropriations relating to the revenue generated by the Research Fund for Coal and Steel established by Protocol No 37 on the financial consequences of the expiry of the European Coal and Steel Community (ECSC) Treaty and on the Research Fund for Coal and Steel annexed to the TEU and the TFEU.
  - (c) interest on deposits and the fines provided for in Council Regulation (EC) No 1467/97<sup>33</sup>;
  - (d) revenue earmarked for a specific purpose, such as income from foundations, subsidies, gifts and bequests, including the earmarked revenue specific to each institution;
  - (e) financial contributions to Union activities from third countries or from non-Union bodies not covered by point (b);
  - (f) internal assigned revenue referred to in paragraph 3, to the extent that it is ancillary to the other revenue under this paragraph;
  - (g) revenue from the activities of a competitive nature conducted by the Joint Research Centre (JRC) which consist of any of the following:
    - (i) grant and procurement procedures in which the JRC participates;
    - (ii) activities of the JRC on behalf of third parties;
    - (iii) activities undertaken under an administrative agreement with other institutions or other Commission departments, in accordance with Article 57, for the provision of technical-scientific services.

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<sup>33</sup> Council Regulation (EC) No 1467/97 of 7 July 1997 on speeding up and clarifying the implementation of the excessive deficit procedure (OJ L No 209, 2.8.1997, p.6)

3. The following shall constitute internal assigned revenue:
  - (a) revenue from third parties in respect of goods, services or work supplied at their request;

- (b) proceeds from the sale of, vehicles, equipment, installations, materials, and scientific and technical;
  - (c) revenue arising from the repayment, in accordance with Article 99, of amounts wrongly paid;
  - (d) revenue arising from interest on pre-financing payments, subject to Article 8(3);
  - (e) proceeds from the supply of goods, services and works for other departments within an institution, institutions or bodies, including refunds by other institutions or bodies of mission allowances paid on their behalf;
  - (f) insurance payments received;
  - (g) revenue from lettings and from the sale of buildings and land;
  - (h) revenue from the sale of publications and films, including those on an electronic medium;
  - (i) revenue and repayments arising from financial operations other than borrowing and lending and their assets held in the common provisioning fund;
  - (j) revenue arising from subsequent reimbursement of taxes pursuant to point (b) of Article 25(3). Assigned revenue shall be carried over and transferred in accordance with the provisions of points (b) and (c) of Article 12(3) and Article 30.
4. A basic act may also assign the revenue for which it provides to specific items of expenditure. Unless specified otherwise in the basic act, such revenue shall constitute internal assigned revenue.
  5. The budget shall include lines to accommodate external assigned revenue and internal assigned revenue and wherever possible shall indicate the amount.

#### *Article 21*

##### *Structure to accommodate assigned revenue and provision of corresponding appropriations*

1. Without prejudice to point (c) of paragraph 2 of this Article and to Article 22, the structure to accommodate assigned revenue in the budget shall comprise:
  - (a) in the statement of revenue of each institution's section, a budget line to receive the revenue;
  - (b) in the statement of expenditure, the budget remarks, including general remarks, showing which lines may receive the appropriations corresponding to the assigned revenue which are made available.

In the case referred to in point (a) of the first subparagraph, a token entry *pro memoria* shall be made and the estimated revenue shall be shown for information in the remarks.
2. The appropriations corresponding to assigned revenue shall be made available automatically, both as commitment appropriations and as payment appropriations, when the revenue has been received by the institution, save in any of the following cases:
  - (a) in the case provided for in point (a) of Article 20(2) for Member States and where the contribution agreement is expressed in euro, commitment

appropriations may be made available upon signature by the Member State of the contribution agreement.

- (b) in the case provided for in Article 20(2)(b) and points (i) and (iii) of Article 20(2)(g), the commitment appropriations shall be made available as soon as the amount receivable has been estimated.
- (c) in the case provided for in point (c) of Article 20(2), the entry of those amounts in the statement of revenue shall give rise to the provision, in the statement of expenditure, of commitment and payment appropriations.

Appropriations referred to in point (c) of this paragraph shall be implemented in accordance with Article 19.

- 3. The estimates of amounts receivable referred to in point (b) of Article 20(2) and point (h) of Article 20(2) shall be sent to the accounting officer for registration.

#### *Article 22*

#### *Assigned revenue resulting from the participation of EFTA States in certain Union programmes*

- 1. The budget structure to accommodate the revenue provided for in Article 20(2)(e) shall be as follows:
  - (a) in the statement of revenue, a line with a token entry *pro memoria* shall be entered to accommodate the full amount of the EFTA States' contribution for the financial year in question;
  - (b) in the statement of expenditure, an annex, forming an integral part of the budget, shall set out all the lines covering the Union activities in which the EFTA States participate.
- 2. Under Article 82 of the EEA Agreement the amounts of the annual participation of the EFTA States, as confirmed to the Commission by the Joint Committee of the European Economic Area in accordance with Article 1(5) of Protocol 32 annexed to the EEA Agreement, shall give rise to the provision, at the start of the financial year, of the full amounts of the corresponding commitment appropriations and payment appropriations.

#### *Article 23*

#### *Donations*

- 1. Union institutions may accept any donation made to the Union, such as income from foundations, subsidies, gifts and bequests.
- 2. Acceptance of a donation of a value of EUR 50 000 or more which involves a financial charge, including follow-up costs, exceeding 10 % of the value of the donation made, shall be subject to the authorisation of the European Parliament and of the Council. In light of such an authorisation, the European Parliament and the Council, shall act on the matter within two months of receiving the request from the Commission. If no objection is made within that period, Union institutions shall take a final decision regarding the acceptance of the donation. Union institutions shall explain the financial charges entailed by the acceptance of donations made to the Union.

*Article 24*  
*Corporate sponsoring*

1. Corporate sponsoring means an agreement by which a legal person supports in-kind an event or an activity for promotional or corporate social responsibility purposes.
2. On the basis of specific internal rules Union institutions and bodies may exceptionally accept in kind corporate sponsoring provided that:
  - (a) there is due regard to the principles of non-discrimination, proportionality, equal treatment, transparency;
  - (b) it contributes to the positive image of the Union and is directly linked to the to the core objective of an event or of an action;
  - (c) it does neither generate conflict of interest nor concern exclusively social events.

*Article 25*  
*Rules on deductions and exchange rate adjustments*

1. The following deductions may be made from payment requests which shall then be passed for payment of the net amount:
  - (a) penalties imposed on parties to procurement contracts or beneficiaries;
  - (b) discounts, refunds and rebates on individual invoices and cost statements;
  - (c) interest generated by pre-financing payments;
  - (d) adjustments for amounts unduly paid.

The adjustments referred to in point (d) of the first subparagraph may be made, by means of direct deduction, against a new interim payment or payment of a balance to the same payee under the chapter, article and financial year in respect of which the excess payment was made.

Union accounting rules shall apply to the deductions referred to in points (c) and (d) of the first subparagraph.

2. The cost of products or services, provided to the Union, incorporating taxes refunded by the Member States pursuant to the Protocol on the Privileges and Immunities of the European Union, shall be charged to the budget for the ex-tax amount.
3. The cost of products or services, provided to the Union, incorporating taxes refunded by third countries on the basis of relevant agreements, may be charged to the budget for any of the following amounts:
  - (a) the ex-tax amount;
  - (b) the tax-inclusive amount. In such a case, subsequently reimbursed taxes shall be treated as internal assigned revenue.
4. Adjustments may be made in respect of exchange differences occurring in the implementation of the budget. The final gain or loss shall be included in the balance for the year.



## CHAPTER 6

### Principle of specification

#### *Article 26* *General provisions*

1. Appropriations shall be earmarked for specific purposes by title and chapter. The chapters shall be further subdivided into articles and items.
2. The Commission and the other institutions may transfer appropriations within the budget subject to the specific conditions laid down in Articles 27 to 30.

Appropriations may only be transferred to budget lines for which the budget has authorised appropriations or which carry a token entry *pro memoria*.

The percentages referred to in Articles 27 and 28 shall be calculated at the time the request for transfer is made and with reference to the appropriations provided in the budget, including amending budgets.

The amount to be taken into consideration shall be the sum of the transfers to be made on the line from which transfers are being made, after adjustment for earlier transfers made. The amount corresponding to the transfers which shall be carried out autonomously by the Commission or the institution concerned without a decision of the European Parliament and Council shall not be taken into consideration.

Without prejudice to the additional conditions for transfer requests laid down in Article 30, proposals for transfers and all information for the European Parliament and Council concerning transfers made under Articles 27, 28 and 29 shall be accompanied by appropriate and detailed supporting documents showing the most recent information available for the implementation of appropriations and estimates of requirements up to the end of the financial year, both for the lines to which the appropriations are to be transferred and for those from which they are to be taken.

#### *Article 27* *Transfers by institutions other than the Commission*

1. Any institution other than the Commission may, within its own section of the budget, transfer appropriations:
  - (a) from one title to another up to a maximum of 10% of the appropriations for the year shown on the line from which the transfer is made;
  - (b) from one chapter to another without limit.
2. Three weeks before making a transfer, as referred to in paragraph 1, the institution shall inform the European Parliament and the Council of its intention to do so. In the event that duly justified reasons are raised within that period by either the European Parliament or the Council, the procedure laid down in Article 29 shall apply.
3. Any institution other than the Commission may propose to the European Parliament and the Council, within its own section of the budget, transfers from one title to another exceeding the limit of 10 % of the appropriations for the year shown on the line from which the transfer is to be made. Those transfers shall be subject to the procedure laid down in Article 29.

4. Any institution other than the Commission may, within its own section of the budget, make transfers within articles and within each chapter without informing the European Parliament and the Council beforehand. It may also make transfers from one chapter to another of the same title up to a maximum of 10% of the appropriations for the year shown on the line from which the transfer is to be made without informing the European Parliament and the Council beforehand.

*Article 28*

*Transfers by the Commission*

1. The Commission may, within its own section of the budget, autonomously:
  - (a) transfer appropriations within each chapter;
  - (b) with regard to expenditure on staff and administration which is common to several titles, transfer appropriations from one title to another up to a maximum of 10 % of the appropriations for the year shown on the line from which the transfer is made, and up to a maximum of 30 % of the appropriations for the year shown on the line to which the transfer is made;
  - (c) with regard to operational expenditure, transfer appropriations between chapters within the same title or between different titles covered by the same basic act, including the administrative support chapters, up to a maximum of 10 % of the appropriations for the year shown on the line from which the transfer is made;
  - (d) with regard to research and technological development appropriations implemented by the JRC, the Commission may, within the title of the budget relating to the "Direct research" policy area, make transfers between chapters of up to 15 % of the appropriation in the line from which the transfer is made;
  - (e) with regard to the European Union Solidarity Fund (EUSF), transfer appropriations from the reserve to the line upon the adoption by the Parliament and the Council of the decision of mobilisation of the Fund;
  - (f) with regard to operational expenditure of the funds managed under shared implementation, with the exception of the EAGF, transfer appropriations from one title to another, provided that the appropriations concerned are for the same objective within the meaning of the Regulation concerned or are technical assistance expenditure;
  - (g) transfer appropriations from the budgetary item of a budgetary guarantee to the budgetary item of another budgetary guarantee when the provisioned resources in the common provisioning fund of the latter are insufficient to pay a guarantee call.

For the purposes of point (c) of the first subparagraph autonomous transfers from the administrative support lines to the corresponding operational lines shall be allowed.

The Commission shall take its decisions by 31 January of the following financial year.

The expenditure referred to in point (b) of the first subparagraph of this Article shall cover, for each policy area, the items referred to in Article 45(3).

Where the Commission transfers EAGF appropriations pursuant to paragraph 1 after the 31 December, it shall take its decision by 31 January of the following financial year. The Commission shall inform the European Parliament and the Council within two weeks after its decision on those transfers.

Three weeks before making the transfers referred to in point (b) of the first subparagraph of this Article, the Commission shall inform the European Parliament and the Council of its intention to do so. In the event that duly justified reasons are raised within that period by the European Parliament or the Council, the procedure laid down in Article 29 shall apply.

By way of exception from the second subparagraph, the Commission may, during the last two months of the financial year, autonomously transfer appropriations concerning expenditure on staff, external staff and other agents from one title to another within the total limit of 5 % of the appropriations for the year. The Commission shall inform the European Parliament and the Council within two weeks after its decision on those transfers.

2. The Commission may, within its own section of the budget, decide on the following transfer of appropriations from one title to another, provided it immediately informs the European Parliament and the Council of its decision:
  - (a) transfer of appropriations from the ‘provisions’ title referred to in Article 47 of this Regulation, where the only condition for lifting the reserve is the adoption of a basic act pursuant to Article 294 TFEU;
  - (b) in duly justified exceptional cases such as international humanitarian disasters and crises occurring after 1 December of the financial year, transfer unused appropriations for that financial year still available in the budget titles falling under heading 4 of the multiannual financial framework to the budget titles concerning crisis management aid and humanitarian aid operations.

Proposals for transfers and all information for the European Parliament and Council concerning transfers made under Articles 27 and 28 shall be accompanied by appropriate and detailed supporting documents showing the implementation of appropriations and estimates of requirements up to the end of the financial year, both for the lines to which the appropriations are to be transferred and for those from which they are to be taken.

#### *Article 29*

##### *Transfer proposals submitted to the European Parliament and the Council by the institutions*

1. Each institution shall submit its transfer proposals simultaneously to the European Parliament and the Council.
2. The Commission may submit proposals for transfers of payment appropriations to the funds managed under shared implementation with the exception of the EAGF to the European Parliament and the Council by 10 January of the following financial year. The transfer of the payment appropriations may be made from any item of the budget. The six-week period referred to in paragraph 3 shall be reduced to three weeks.

If the transfer is not approved or only partially approved by the European Parliament and the Council, the corresponding part of the expenditure referred to in point (b) of

Article 10(5) shall be charged to the payment appropriations of the following financial year.

3. The European Parliament and the Council shall take decisions on transfers of appropriations as provided for in paragraphs 4 to 8.
4. Except in urgent circumstances, the European Parliament and the Council, the latter acting by qualified majority, shall deliberate upon each transfer proposal within six weeks of its receipt by both institutions.
5. Where the Commission transfers EAGF appropriations in accordance with this Article it shall submit transfer proposals to the European Parliament and the Council by 10 January of the following financial year.

The six-week period referred to in paragraph 4 shall be reduced to three weeks.

6. The transfer proposal shall be approved, if, within the six-week period, any of the following occurs:
  - (a) the European Parliament and the Council approve it;
  - (b) either the European Parliament or the Council approves it and the other institution refrains from acting;
  - (c) the European Parliament and the Council refrain from acting or do not take a decision to amend or refuse the transfer proposal.
7. The six-week period referred to in paragraph 4 shall be reduced to three weeks, unless either the European Parliament or the Council requests otherwise, in the following cases:
  - (a) the transfer represents less than 10% of the appropriations of the line from which the transfer is made or does not exceed EUR 5 000 000;
  - (b) the transfer concerns only payment appropriations and the overall amount of the transfer does not exceed EUR 100 000 000.
8. If either the European Parliament or the Council has amended the amount of the transfer while the other institution has approved it or refrains from acting, or if the European Parliament and the Council have both amended the amount of the transfer, the lesser of the two amounts shall be deemed approved, unless the institution concerned withdraws its transfer proposal.

#### *Article 30*

##### *Transfers subject to special provisions*

1. Appropriations corresponding to assigned revenue may be transferred only if such revenue is used for the purpose for which it is assigned.
2. A token entry *pro memoria* shall be added on an entry without appropriations authorised through a specific request from the Commission. The rules for adoption of the request of the Commission shall be the ones laid down in Article 29.
3. Paragraph 1 shall not apply to internal assigned revenue in the event that there are no identified needs allowing such revenue to be used for the purpose for which it is assigned.

4. Decisions on transfers to allow the use of the emergency aid reserve and the European Union Crisis Reserve shall be taken by the European Parliament and the Council on a proposal from the Commission.

For the purposes of this paragraph, the procedure provided for in paragraphs 3 and 4 of Article 29 shall apply. If the European Parliament and the Council do not agree to the Commission proposal and cannot reach a common position on the use of this reserve, they shall refrain from acting on the Commission's transfer proposal.

Proposals for transfers from the emergency aid reserve and the European Union Crisis Reserve shall be accompanied by appropriate and detailed supporting documents demonstrating:

- (a) the most recent information available for the implementation of appropriations and the estimate of requirements up to the end of the financial year for the line to which the transfer is to be made;
  - (b) an analysis of the possibilities of reallocating appropriations.
5. Transfers from the reserve for the European Globalisation Adjustment Fund shall be deemed approved by the European Parliament and the Council upon the adoption of the decision to mobilise the Fund.

## **CHAPTER 7**

### **Principle of sound financial management and performance**

#### *Article 31*

#### *Performance and principles of economy, efficiency and effectiveness*

1. Appropriations shall respect the principle of sound financial management, and thus be implemented in accordance with the following principles:
  - (a) the principle of economy which requires that the resources used by the institution in the pursuit of its activities shall be made available in due time, in appropriate quantity and quality and at the best price
  - (b) the principle of efficiency which concerns the best relationship between resources employed and achievement of objectives.
  - (c) the principle of effectiveness which concerns the extent to which the intended objectives are achieved.
2. In line with the principle of sound financial management, the use of appropriations shall focus on performance and for this purpose:
  - (a) objectives for programmes and activities shall be established ex ante;
  - (b) progress in the achievement of objectives shall be monitored with performance indicators;
  - (c) achievements shall be reported to the European Parliament and the Council in accordance with point (h) of Article 39(3) and with point (ii) of Article 239(1)(b).

*Article 32*  
*Evaluations*

1. Programmes and activities which entail significant spending shall be subject to ex-ante and retrospective evaluation ("evaluation"), which shall be proportionate to the objectives and expenditure.
2. Ex-ante evaluations supporting the preparation of programmes and activities shall be based on evidence on the performance of related programmes or activities and shall identify and analyse the issues to be addressed, EU added value, objectives, expected effects of different options and monitoring and evaluation arrangements.
3. Retrospective evaluations shall assess the performance of the programme or activity, including aspects such as effectiveness, efficiency, coherence, relevance and EU added value. They shall be undertaken periodically and in sufficient time for the findings to be taken into account in ex-ante evaluations which support the preparation of related programmes and activities.

*Article 33*  
*Compulsory financial statement*

1. Any proposal or initiative submitted to the legislative authority by the Commission, the High Representative of the Union for Foreign Affairs and Security Policy (the 'High Representative') or by a Member State, which may have an impact on the budget, including changes in the number of posts, shall be accompanied by a financial statement and by an *ex ante* evaluation as provided for in Article 32.

Any amendment to a proposal or initiative submitted to the legislative authority which may have appreciable implications for the budget, including changes in the number of posts, shall be accompanied by a financial statement prepared by the institution proposing the amendment.

The financial statement shall contain the financial and economic data for the assessment by the legislative authority of the need for Union action. It shall provide appropriate information as regards coherence with other activities of the Union and any possible synergy.

In the case of multiannual operations, the financial statement shall contain the foreseeable schedule of annual requirements in terms of appropriations and posts, including for external staff, and an evaluation of their medium-term financial impact.

2. During the budgetary procedure, the Commission shall provide the necessary information for a comparison between changes in the appropriations required and the initial forecasts made in the financial statement in the light of the progress of deliberations on the proposal or initiative submitted to the legislative authority.
3. In order to reduce the risk of fraud, irregularities and non-achievement of objectives, the financial statement referred to in paragraph 1 shall provide information on the internal control system set up, an estimate of the costs and benefits of the controls implied by such system and an assessment of the expected level of risk of error, as well as existing and planned fraud prevention and protection measures.

Such analysis shall take into account the likely scale and type of errors, as well as the specific conditions of the policy area concerned and the rules applicable thereto.

4. When presenting revised or new spending proposals, the Commission shall estimate the costs and benefits of control systems, as well as the level of risk of error as referred to in paragraph 3.

#### *Article 34*

##### *Internal control of budget implementation*

1. Pursuant to the principle of sound financial management, the budget shall be implemented in compliance with effective and efficient internal control as appropriate in each method of budget implementation, and in accordance with the relevant sector-specific rules.
2. For the purposes of the implementation of the budget, internal control is defined as a process applicable at all levels of management and designed to provide reasonable assurance of achieving the following objectives:
  - (a) effectiveness, efficiency and economy of operations;
  - (b) reliability of reporting;
  - (c) safeguarding of assets and information;
  - (d) prevention, detection, correction and follow-up of fraud and irregularities;
  - (e) adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned.
3. Effective internal control shall be based on best international practices and include, in particular, the following:
  - (a) segregation of tasks;
  - (b) an appropriate risk management and control strategy including control at recipient level;
  - (c) avoidance of conflict of interest;
  - (d) adequate audit trails and data integrity in data systems;
  - (e) procedures for monitoring effectiveness and efficiency and for follow-up of identified internal control weaknesses and exceptions;
  - (f) periodic assessment of the sound functioning of the internal control system.
4. Efficient internal control shall be based on the following elements:
  - (a) the implementation of an appropriate risk management and control strategy coordinated among appropriate actors involved in the control chain;
  - (b) the accessibility for all appropriate actors in the control chain of the results of controls carried out;
  - (c) reliance, where appropriate, on management declarations of implementation partners and independent audit opinions, provided that the quality of the underlying work is adequate and acceptable and that it was performed in accordance with agreed standards;
  - (d) the timely application of corrective measures including, where appropriate, dissuasive penalties;

- (e) clear and unambiguous legislation underlying the policies;
  - (f) the elimination of multiple controls;
  - (g) improving the cost-benefit ratio of controls.
5. If, during implementation, the level of error is persistently high, the Commission shall identify the weaknesses in the control systems, analyse the costs and benefits of possible corrective measures and take or propose appropriate action, such as simplification of the applicable provisions, improvement of the control systems and redesign of the programme or delivery systems.

## **CHAPTER 8**

### **Principle of transparency**

#### *Article 35*

##### *Publication of accounts, budgets*

1. The budget shall be established and implemented and the accounts presented in accordance with the principle of transparency.
2. The President of the European Parliament shall have the budget and any amending budget, as definitively adopted, published in the *Official Journal of the European Union*.

The budgets shall be published within three months of the date on which they are declared definitively adopted.

Pending official publication in the *Official Journal of the European Union*, the final detailed budget figures shall be published in all languages on the Internet site of the institutions, on the Commission's initiative, as soon as possible and no later than four weeks after the final adoption of the budget.

The consolidated annual accounts shall be published in the *Official Journal of the European Union*.

#### *Article 36*

##### *Publication of information on recipients and other information*

1. The Commission shall make available, in an appropriate and timely manner, information on recipients, as well as the nature and purpose of the measure financed from the budget, where the latter is implemented directly in accordance with point (a) of Article 61(1).

The obligation set out in the first subparagraph shall also apply to other institutions when they implement the Union budget.

The information on recipients of Union's funds implemented under direct implementation shall be published on an internet site of the Union institutions, no later than 30 June of the year following the financial year in which the funds were legally committed.

2. The information referred to in paragraph 1 of the first subparagraph shall be made available, having due regard for the requirements of confidentiality and security, in particular the protection of personal data and shall include the following:
  - (a) the name of the recipient;



- (b) the locality of the recipient;
- (c) the amount legally committed;
- (d) the nature and purpose of the measure.

For the purposes of point b) of the first subparagraph the term ‘locality’ shall mean:

- (i) the address of the recipient when the latter is a legal person;
- (ii) the Region on NUTS 2 level when the recipient is a natural person.

This information shall only be published for prizes, grants and contracts which have been awarded as a result of contests or grant award procedures or public procurement procedures, and for experts which have been selected pursuant to Article 230(2). The information shall not be published for:

- (a) education supports paid to natural persons and other direct support paid to natural persons most in need as referred to in point (b) of Article 185(4);
- (b) very low value contracts awarded to experts selected pursuant to Article 230(2) as well as very low value contracts below the amount referred to in point 14.4 of the Annex to this Regulation.

The internet site of the Union institutions shall contain at least a reference to the address of the website where the information can be found if it is not published directly on the dedicated place of the internet site of the Union institutions.

3. Where natural persons are concerned, the publication shall be limited to the name and locality of the recipient, the amount legally committed and the purpose of the measure. The disclosure of those data shall be based on relevant criteria such as the periodicity, or the type or importance of the measure. As far as personal data are concerned, the information shall be removed two years after the end of the financial year in which the amount was legally committed. The same shall apply to personal data referring to legal persons for whom the official title identifies one or more natural persons.
4. The publication shall be waived if such disclosure risks threatening the rights and freedoms of individuals concerned as protected by the Charter of Fundamental Rights of the European Union or harm the commercial interests of the recipients.
5. Persons or entities implementing Union funds pursuant to point (c) of Article 61 (1) and bodies designated pursuant to paragraph 3 of Article 62 shall make information on their recipients available in an appropriate and timely manner.

The information on final recipients of funds provided through financial instruments who receive support from the Union budget for an amount lower than EUR 500 000, shall be limited to statistical data, aggregated in accordance with relevant criteria, such as geographical situation, economic typology of recipients, type of support received and the Union policy area under which such support was provided.

Where applicable, the level of detail and criteria shall be defined in the relevant sector-specific rules and may be further refined in the financial framework partnership agreements.

The Commission shall make information about the website where the information referred to in the first subparagraph can be found available in an appropriate and timely manner.

# TITLE III ESTABLISHMENT AND STRUCTURE OF THE BUDGET

## CHAPTER 1 Establishment of the budget

### *Article 37 Estimates of revenue and expenditure*

1. Each institution other than the Commission shall draw up an estimate of its revenue and expenditure, which it shall send to the Commission, and in parallel, for information, to the European Parliament and the Council, before 1 July each year.
2. The High Representative shall hold consultations with the Members of the Commission responsible for development policy, neighbourhood policy and international cooperation, humanitarian aid and crisis response, regarding their respective responsibilities
3. The Commission shall draw up its own estimates, which it shall also send, directly after their adoption, to the European Parliament and the Council.

In preparing its estimates, the Commission shall use the information referred to in Article 38.

### *Article 38 Estimated budget of the bodies referred to in Article 69*

By 31 January each year, each body referred to in Article 69 shall, in accordance with the instrument establishing it, send the Commission, the European Parliament and the Council its draft single programming document.

### *Article 39 Draft budget*

1. The Commission shall submit a proposal containing the draft budget to the European Parliament and the Council by 1 September of the year preceding that in which the budget is to be implemented. It shall transmit that proposal, for information, also to the national parliaments.

The draft budget shall contain a summary general statement of the revenue and expenditure of the Union and shall consolidate the estimates referred to in Article 37. It may also contain different estimates from those drawn up by the institutions.

The draft budget shall follow the structure and presentation set out in Articles 45 to 50.

Each section of the draft budget shall be preceded by an introduction drawn up by the institution concerned.

The Commission shall draw up the general introduction to the draft budget. The general introduction shall comprise financial tables covering the main data by titles and justifications for the changes in the appropriations from one financial year to the next by categories of expenditure of the multiannual financial framework.

2. In order to provide more precise and reliable forecasts of the budgetary implications of legislation in force and of pending legislative proposals, the Commission shall attach to the draft budget an indicative financial programming for the following years, structured by category of expenditure, policy area and budget line. The complete financial programming shall cover all

categories of expenditure with the exception of agriculture, cohesion policy and administration for which only summary data shall be provided

The indicative financial programming shall be updated after the adoption of the budget, to incorporate the results of the budgetary procedure and any other relevant decisions.

3. The Commission shall attach to the draft budget

- (a) the reasons for which the draft budget contains different estimates from those drawn up by other institutions;
- (b) any working document it considers useful in connection with the establishment plans of the institutions. Any such working document, showing the latest authorised establishment plan, shall present:
  - (i) all staff employed by the Union, displayed by type of contract;
  - (ii) a statement of the policy on posts and external personnel and on gender balance;
  - (iii) the number of posts actually filled at the beginning of the year in which the draft budget is presented, indicating their distribution by grade and administrative unit;
  - (iv) a list of posts broken down per policy area;
  - (v) for each category of external staff, the initial estimated number of full-time equivalents on the basis of the authorised appropriations, as well as the number of persons actually in place at the beginning of the year in which the draft budget is presented, indicating their distribution by function group and, as appropriate, by grade.
- (c) for the bodies referred to in Articles 69 and 70, a working document presenting the revenue and expenditure, as well as all information on staff as referred to in points (i) to (v) of subparagraph (b).

Where Public Private Partnershipss make use of financial instruments, the information relating to those instruments shall be included in the working document referred to in paragraph 4.

- (d) a working document on the planned implementation of appropriations for the financial year and on commitments outstanding;
- (e) as regards appropriations for administration, a working document presenting administrative expenditure to be implemented by the Commission under its section of the budget;
- (f) a working document on pilot projects and preparatory actions which shall also contain an assessment of the results and follow-up envisaged;
- (g) as regards funding to international organisations, a working document containing:
  - (i) a summary of all contributions, with a breakdown per Union programme or fund and per international organisation;
  - (ii) a statement of reasons explaining why it was more efficient for the Union to fund those international organisations rather than to act directly;
- (h) programme statements or any other relevant document containing the following:
  - (i) an indication of which Union policies and objectives the programme shall contribute to;
  - (ii) a clear rationale for intervention at Union level in accordance, inter alia, with the principle of subsidiarity;
  - (iii) updates in achieving programme objectives;

- (iv) a full justification, including a cost-benefit analysis for proposed changes in the level of appropriations;
  - (v) information on the implementation rates of the programme for the current and preceding years;
  - (i) a summary statement of the schedule of payments due in subsequent financial years to meet budgetary commitments entered into in previous financial years.
4. Where the Commission makes use of financial instruments, it shall attach to the draft budget a working document presenting for each financial instrument the following:
- (a) a reference to the financial instrument and its basic act, together with a general description of the instrument, its impact on the budget and the added value of the Union contribution;
  - (b) the financial institutions involved in implementation, including any issues relating to the application of Article 150(2);
  - (c) its contribution to the achievement of the objectives of the programme concerned as measured by the established indicators including, where applicable, the geographical diversification;
  - (d) the envisaged operations, including target volumes based on the target leverage or, when unavailable, on the leverage effect arising from the existing financial instruments;
  - (e) budget lines corresponding to the relevant operations and the aggregate budgetary commitments and payments from the budget;
  - (f) the average duration between the budgetary commitment to the financial instruments and the legal commitments for individual projects in the form of equity or debt, where their duration exceeds three years. The Commission shall explain the reasons and provide, where appropriate, an action plan for the reduction of the duration in the framework of the annual discharge procedure;
  - (g) revenues and repayments under Article 202(2), including an evaluation of their use;
  - (h) the value of equity investments, with respect to previous years;
  - (i) the total amount of provisions for risks and liabilities, as well as any information on the financial risk exposure of the Union;
  - (j) impairments of assets and called guarantees both for the preceding year and the respective accumulated figures;
  - (k) the performance of the financial instrument, including the investments realised, the target leverage effect and the achieved leverage effect;
  - (l) the provisioned resources in the common guarantee fund and, when applicable, the balance on the fiduciary account.

This working document shall also include an overview of the administrative expenditure arising from management fees and other financial and operating charges paid for the management of financial instruments in total and per managing party and per financial instrument managed.

5. Where the Commission has given a budgetary guarantee, it shall attach to the draft budget a working document presenting for each budgetary guarantee and for the common guarantee fund the following:
- (a) a reference to the budgetary guarantee and its basic act, together with a general description of the guarantee, its impact on the financial liabilities of the budget and the added value of the Union support;

- (b) the counterparts for the guarantee, including any issues relating to the application of Article 150(2);
  - (c) its contribution to the achievement of the objectives of the budgetary guarantee as measured by the established indicators, including, where applicable, the geographical diversification and the mobilisation of private sector resources;
  - (d) information on operations covered by the guarantee on an aggregated basis by sectors, countries and instrument, including, where applicable, portfolios and combined support with other Union actions;
  - (e) the financial amount transferred to beneficiaries as well as an assessment of the leverage effect achieved by the projects supported under the guarantee;
  - (f) information aggregated on the same basis than in point (d) on calls on the guarantee, losses, returns, amounts recovered and any other payments received;
  - (g) information about the financial management, the performance and the risk of the common guarantee fund at the end of the previous calendar year;
  - (h) the effective provisioning rate of the common guarantee fund and, where applicable, the subsequent transfers following Article 206(3);
  - (i) the financial flows in the common provisioning fund during the previous calendar year as well as the significant transactions and any relevant information on the financial risk exposure of the Union;
  - (j) pursuant to Article 203(3), an assessment of the sustainability of the contingent liabilities borne by the budget of the Union arising from financial operations.
6. Where the Commission makes use of Union Trust Funds, it shall attach to the draft budget a working document on the activities supported by Union Trust Funds, on their implementation and performance.
  7. The Commission shall also attach to the draft budget any further working document it considers useful to support its budget requests.
  8. In accordance with Article 8(5) of Council Decision 2010/427/EU <sup>(34)</sup> and in order to ensure budgetary transparency in the area of external action of the Union, the Commission shall transmit to the European Parliament and the Council, together with the draft budget, a working document presenting, in a comprehensive way:
    - (a) all administrative and operational expenditure relating to the external actions of the Union, including common foreign and security policy (CFSP) and common security and defence policy tasks, and financed from the budget;
    - (b) the EEAS' overall administrative expenditure for the preceding year, broken down into expenditure per Union delegation and expenditure for the EEAS' central administration; together with operational expenditure, broken down by geographic area (regions, countries), thematic areas, Union delegation and mission.
  9. The working document referred to in paragraph 6 shall also:
    - (a) show the number of posts for each grade in each category and the number of permanent and temporary posts, including contractual and local staff authorised within the limits of

<sup>34</sup> Council Decision 2010/427/EU of 26 July 2010 establishing the organisation and functioning of the European External Action Service (OJ L 201, 3.8.2010, p. 30).

the appropriations in each Union delegation, as well as in the central administration of the EEAS;

- (b) show any increase or reduction of posts by grade and category in the central administration of the EEAS, and in all Union delegations based on the preceding financial year.

#### *Article 40*

##### *Letter of amendment to the draft budget*

On the basis of any new information which was not available at the time the draft budget was established, the Commission may, on its own initiative or if requested by one of the other institutions in respect of its respective section, submit simultaneously to the European Parliament and the Council letters of amendment to the draft budget before the Conciliation Committee referred to in Article 314 TFEU is convened. The letters may include a letter of amendment updating, in particular, expenditure estimates for agriculture.

#### *Article 41*

##### *Obligations of the Member States stemming from the adoption of the budget*

1. The President of the European Parliament shall declare the budget definitively adopted in accordance with the procedure provided for in Article 314(9) TFEU and Article 106a of the Euratom Treaty.
2. Once the budget has been declared definitively adopted, each Member State shall, from 1 January of the following financial year or from the date of the declaration of definitive adoption of the budget if this occurs after 1 January, be bound to make the payments due to the Union, as specified in Regulation (EU, Euratom) No 609/2014.

#### *Article 42*

##### *Draft amending budgets*

1. The Commission may present draft amending budgets which are primarily revenue-driven in the following circumstances:
  - (a) to enter in the budget the balance of the preceding financial year, in accordance with the procedure laid down in Article 17;
  - (b) to revise the forecast of own resources on the basis of updated economic forecasts;
  - (c) to update the revised forecast of own resources and other revenue, as well as to review the availability of, and need for, payment appropriations.

As far as possible, and when justified, the Commission may propose expenditure-driven amendments combined with the revenue-driven amendments referred to in the first subparagraph.

If there are unavoidable, exceptional and unforeseen circumstances, the Commission may present draft amending budgets which are primarily expenditure-driven.

2. Requests for amending budgets, in the same circumstances as referred to in paragraph 1, from institutions other than the Commission shall be sent to the Commission.

Before presenting a draft amending budget, the Commission and the other institutions shall examine the scope for reallocation of the relevant appropriations, with particular reference to any expected under-implementation of appropriations.

Article 41 shall apply to amending budgets. Amending budgets shall be substantiated by reference to the budget the estimates of which they are amending.

3. The Commission shall, except in duly justified exceptional circumstances submit its draft amending budgets simultaneously to the European Parliament and the Council by 15 October at the latest of each financial year. It may attach an opinion to the requests for amending budgets from the other institutions.
4. Draft amending budgets shall be accompanied by statements of grounds and the information on the implementation of the budget for the preceding and current financial years available at the time of their establishment.

*Article 43*

*Early transmission of estimates and draft budgets*

The Commission, the European Parliament and the Council may agree to bring forward certain dates for the transmission of the estimates, and for the adoption and transmission of the draft budget. Such an arrangement may not, however, have the effect of shortening or extending the periods for which provision is made for consideration of those texts under Article 314 TFEU and Article 106a of the Euratom Treaty.

## **CHAPTER 2**

### **Structure and presentation of the budget**

*Article 44*

*Structure of the budget*

The budget shall consist of the following:

- (a) a general statement of revenue and expenditure;
- (b) separate sections for each institution, with the exception of the European Council and the Council which shall share the same section, subdivided into statements of revenue and expenditure.

*Article 45*

*Budget nomenclature*

1. Commission revenue and the revenue and expenditure of the other institutions shall be classified by the European Parliament and the Council according to their type or the use to which they are assigned under titles, chapters, articles and items.
2. The statement of expenditure for the Commission section shall be set out on the basis of a nomenclature adopted by the European Parliament and the Council and classified according to purpose.

Each title shall correspond to a policy area and each chapter shall, as a rule, correspond to a programme or an activity.

Each title may include operational appropriations and administrative appropriations. The administrative appropriations for a title shall be grouped in a single chapter.

The budget nomenclature shall comply with the principles of specification, transparency and sound financial management. It shall provide the clarity and transparency necessary for the budgetary process, facilitating the identification of the main objectives as reflected in the relevant legal bases, making possible choices on political priorities and enabling efficient and effective implementation.

3. When presented by purpose, administrative appropriations for individual titles shall be classified as follows:

- (a) expenditure on staff authorised in the establishment plan: there shall be an amount of appropriations and a number establishment plan posts corresponding to that expenditure;
- (b) expenditure on external personnel and other expenditure referred to in point (b) of the first subparagraph of Article 28(1) and financed under the "administration" heading of the multiannual financial framework;
- (c) expenditure on buildings and other related expenditure, including cleaning and maintenance, rental and hiring, telecommunications, water, gas and electricity;
- (d) external personnel and technical assistance directly linked to the implementation of programmes.

Any administrative expenditure of the Commission of a type which is common to several titles shall be set out in a separate summary statement classified by type.

*Article 46*  
*Negative revenue*

1. The budget shall not contain negative revenue, except where it results from negative remuneration of deposits.
2. The own resources paid under the Council Decision on the system of own resources of the European Union shall be net amounts and shall be shown as such in the summary statement of revenue in the budget.

*Article 47*  
*Provisions*

1. Each section of the budget may include a "provisions" title. Appropriations shall be entered in that title in any of the following cases:
  - (a) no basic act exists for the action concerned when the budget is established;
  - (b) there are serious grounds for doubting the adequacy of the appropriations or the possibility of implementing, under conditions in accordance with the principle of sound financial management, the appropriations entered on the lines concerned.

The appropriations in that title may be used only after transfer in accordance with the procedure laid down in point (c) of the first subparagraph of Article 28(1) of this Regulation, where the adoption of the basic act is subject to the procedure laid down in Article 294 TFEU, and in accordance with the procedure laid down in Article 29 of this Regulation, for all other cases.

2. In the event of serious implementation difficulties, the Commission may propose, in the course of a financial year, that appropriations be transferred to the "provisions" title. The European Parliament and the Council shall take a decision on such transfers as provided for in Article 29.

*Article 48*  
*Negative reserve*

The Commission section of the budget may include a "negative reserve" limited to a maximum amount of EUR 400 000 000. Such a reserve, which shall be entered in a separate title, shall comprise payment appropriations only.

That negative reserve shall be drawn upon before the end of the financial year by means of transfer in accordance with the procedure laid down in Articles 28 and 29.



*Article 49*  
*Emergency Aid Reserve and European Union Crisis Reserve*

1. The Commission section of the budget shall include a reserve for emergency aid for third countries and a European Union Crisis Reserve.
2. The reserves referred to in paragraph 1 shall be drawn upon before the end of the financial year by means of transfer in accordance with the procedure laid down in Articles 28 and 30.

*Article 50*  
*Presentation of the budget*

1. The budget shall show:
  - (a) in the general statement of revenue and expenditure:
    - (i) the estimated revenue of the Union for the financial year concerned ('year n');
    - (ii) the estimated revenue for the preceding financial year and the revenue for year n – 2;
    - (iii) the commitment and payment appropriations for year n;
    - (iv) the commitment and payment appropriations for the preceding financial year;
    - (v) the expenditure committed and the expenditure paid in year n – 2, the latter also expressed as a percentage of the budget of year n;
    - (vi) appropriate remarks on each subdivision, as set out in Article 45(1). The budget remarks shall include the references of the basic act, where one exists as well as all appropriate explanations concerning the nature and purpose of the appropriations;
  - (b) in each section, the revenue and expenditure in the same structure as in point (a);
  - (c) with regard to staff:
    - (i) for each section, an establishment plan setting the number of posts for each grade in each category and in each service and the number of permanent and temporary posts authorised within the limits of the appropriations;
    - (ii) an establishment plan for staff paid from the research and technological development appropriations for direct action and an establishment plan for staff paid from the same appropriations for indirect action; the establishment plans shall be classified by category and grade and shall distinguish between permanent and temporary posts, authorised within the limits of the appropriations;
    - (iii) an establishment plan setting the number of posts by grade and by category for each body referred to in Article 69 which receives a contribution charged to the budget. The establishment plans shall show, next to the number of posts authorised for the financial year, the number authorised for the preceding year. The staff of the Euratom Supply Agency shall appear separately in the Commission establishment plan.
  - (d) with regard to financial assistance and budgetary guarantees::
    - (i) in the general statement of revenue, the budget lines corresponding to the relevant operations and intended to record any reimbursements received from recipients who initially defaulted. Those lines shall carry a token entry *pro memoria* and be accompanied by appropriate remarks;
    - (ii) in the Commission section:

- the budget lines containing the Union’s guarantees in respect of the operations concerned. Those lines shall carry a token entry *pro memoria*, provided that no effective charge which has to be covered by definitive resources has arisen;
  - remarks giving the reference to the basic act and the volume of the operations envisaged, the duration and the financial guarantee given by the Union in respect of such operations;
- (iii) in a document annexed to the Commission section, as an indication, also of the corresponding risks:
- ongoing capital operations and debt management;
  - the capital operations and debt management for year n;
- (e) with regard to the funding implemented by entities pursuant to Article 61(1)(c):
- (i) a reference to the basic act of the relevant programme;
  - (ii) corresponding budget lines;
  - (iii) a general description of the action, including its duration and its impact on the budget;
- (f) the total amount of CFSP expenditure entered in a chapter, entitled ‘CFSP’, with specific articles. Those articles shall cover CFSP expenditure and shall contain specific lines identifying at least the single major missions.
2. In addition to the documents referred to in paragraph 1, the European Parliament and the Council may attach any other relevant documents to the budget.

#### *Article 51*

#### *Rules on the establishment plans for staff*

1. The establishment plans described in point (c) of Article 50(1) shall constitute an absolute limit for each institution or body. No appointment may be made in excess of the limit set.

However, save in the case of grades AD 16, AD 15 and AD 14, each institution or body may modify its establishment plans by up to 10 % of posts authorised, subject to the following conditions:

- (a) the volume of staff appropriations corresponding to a full financial year is not affected;
- (b) the limit of the total number of posts authorised by each establishment plan is not exceeded;
- (c) the institution or body has taken part in a benchmarking exercise with other institutions and bodies of the Union as initiated by the Commission's staff screening exercise.

Three weeks before making the modifications referred to in the second subparagraph, the institution shall inform the European Parliament and the Council of its intention to do so. In the event that duly justified reasons are raised within this period by either the European Parliament or the Council, the institution shall refrain from making the modifications and the procedure referred to in Article 42 shall apply.

2. By way of derogation from the first subparagraph of paragraph 1, the effects of part-time work authorised by the appointing authority in accordance with the Staff Regulations may be offset by other appointments.

## **CHAPTER 3**

### **Budgetary discipline**

#### *Article 52*

*Compliance with the multiannual financial framework.*

The budget shall comply with the multiannual financial framework.

#### *Article 53*

*Compliance of Union acts with the budget*

Where the implementation of a Union act exceeds the appropriations available in the budget, such an act may be implemented in financial terms only after the budget has been amended accordingly.

# TITLE IV IMPLEMENTATION OF THE BUDGET

## CHAPTER 1 General provisions

### *Article 54*

*Budget implementation in accordance with the principle of sound financial management and citizens' opinion*

1. The Commission shall implement the revenue and expenditure of the budget in accordance with this Regulation, under its own responsibility and within the limits of the appropriations authorised.
2. The Member States shall cooperate with the Commission so that the appropriations are used in accordance with the principle of sound financial management.
3. Citizens may be consulted on the implementation of the Union budget by the Commission, Member States or any other entity implementing the Union budget.

### *Article 55*

*Information on transfers of personal data for audit purposes*

In any call made in the context of grants, procurement or prizes implemented in direct implementation, potential beneficiaries, candidates, tenderers and participants shall, in accordance with Regulation (EC) No 45/2001 of the European Parliament and of the Council<sup>(35)</sup> be informed that, for the purposes of safeguarding the financial interests of the Union, their personal data may be transferred to internal audit services, to the European Court of Auditors or to the European Anti-Fraud Office and between authorising officers of the Commission, and the executive agencies and the Union bodies referred to in Article 70.

### *Article 56*

*Basic act and exceptions*

1. A basic act shall first be adopted before the appropriations entered in the budget for any action by the Union may be used.
2. By way of derogation from paragraph 1 the following may be implemented without a basic act provided the actions which they are intended to finance fall within the competences of the Union
  - (a) appropriations for pilot projects of an experimental nature designed to test the feasibility of an action and its usefulness. The relevant commitment appropriations may be entered in the budget for not more than two consecutive financial years;  
  
The total amount of appropriations for the pilot projects shall not exceed EUR 40 000 000 in any financial year.
  - (b) appropriations for preparatory actions in the field of application of the TFEU and the Euratom Treaty, designed to prepare proposals with a view to the adoption of future actions. The preparatory actions shall follow a coherent approach and may take various forms. The relevant commitment appropriations may be entered in the budget for not more

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<sup>35</sup> OJ L 8, 12.1.2001, p. 1.

than three consecutive financial years. The procedure for the adoption of the relevant basic act shall be concluded before the end of the third financial year. In the course of that procedure, the commitment of appropriations shall correspond to the particular features of the preparatory action with regard to the activities envisaged, the aims pursued and the recipients. Consequently, the means implemented shall not correspond in volume to those envisaged for financing the definitive action itself;

The total amount of appropriations for new preparatory actions referred to under this point shall not exceed EUR 50 000 000 in any financial year, and the total amount of appropriations actually committed for preparatory actions shall not exceed EUR 100 000 000.

- (c) appropriations for preparatory measures in the field of Title V of the TEU. Such measures shall be limited to a short period of time and shall be designed to establish the conditions for Union action in fulfilment of the objectives of the CFSP and for the adoption of the necessary legal instruments;

For the purpose of Union crisis management operations, preparatory measures shall be designed, inter alia, to assess the operational requirements, to provide for a rapid initial deployment of resources, or to establish the conditions on the ground for the launching of the operation.

Preparatory measures shall be agreed by the Council, on a proposal by the High Representative.

In order to ensure the rapid implementation of preparatory measures, the High Representative shall inform the European Parliament and the Commission as early as possible of the Council's intention to launch a preparatory measure and, in particular, of the estimated resources required for this purpose. The Commission shall take all the measures necessary to ensure a rapid disbursement of the funds.

The financing of measures agreed by the Council for the preparation of Union crisis management operations under Title V of the Treaty on European Union shall cover incremental costs directly arising from a specific field deployment of a mission or team involving inter alia personnel from the Union institutions, including high risk insurance, travel and accommodation costs and per diem payments.

- (d) appropriations for one-off actions, or even actions for an indefinite duration, carried out by the Commission by virtue of tasks resulting from its prerogatives at institutional level pursuant to the TFEU and the Euratom Treaty, other than its right of legislative initiative referred to in point (b), and under specific powers directly conferred on it by those Treaties, a list of which is to be given in the delegated acts adopted pursuant to this Regulation;
- (e) appropriations for the operation of each institution under its administrative autonomy.

#### *Article 57*

##### *Implementation of the budget by institutions other than the Commission*

1. The Commission shall confer on the other institutions the requisite powers for the implementation of the sections of the budget relating to them.
2. The Commission may conclude agreements with the other Union institutions in order to facilitate the implementation of appropriations, in particular administrative ones governing the provision of services, supply of products, execution of works or the implementation of building contracts.
3. Such service-level agreements may also be agreed upon between departments of the Union institutions, Union bodies, European offices, bodies or persons entrusted with implementation of

specific actions in the CFSP pursuant to Title V of the TEU and the Office of the Secretary General of the Board of Governors of the European schools. Those agreements shall enable the recovery of costs incurred as a result of their implementation.

#### *Article 58*

##### *Delegation of budget implementation powers*

1. The Commission and each of the other institutions may, within their departments, delegate their powers of budget implementation in accordance with the conditions laid down in this Regulation and by their internal rules and within the limits which they lay down in the instrument of delegation. Those so empowered shall act within the limits of the powers expressly conferred upon them.
2. However, the Commission may delegate its powers of budget implementation concerning the operational appropriations of its own section to the Heads of Union delegations and, in order to ensure business continuity during their absence, to the deputy Heads of Delegations. When Heads of Union delegations act as subdelegated authorising officers of the Commission and their deputies in the absence of the latter, they shall apply the Commission rules for the implementation of the budget and shall be subject to the same duties, obligations and accountability as any other subdelegated authorising officer of the Commission.

The Commission may withdraw the delegation in accordance with its own rules.

For the purposes of the first subparagraph, the High Representative shall take the measures necessary to facilitate cooperation between Union delegations and Commission departments.

3. The EEAS may exceptionally delegate its powers of budget implementation concerning the administrative appropriations of its own section to Commission staff of the delegation where this is necessary in order to ensure the continuity in the administration of Delegations in the absence of the EEAS competent authorising officer. In the exceptional cases where Commission staff of Union Delegations act as sub-delegated authorising officers of the EEAS, they shall apply the EEAS internal rules for the implementation of the budget and shall be subject to the same duties, obligations and accountability as any other sub-delegated authorising officer of the EEAS.

The EEAS may withdraw the delegation in accordance with its own rules.

#### *Article 59*

##### *Conflict of interest*

1. Financial actors as defined in Chapter 4 of Title IV and other persons involved under direct, indirect and shared implementation in budget implementation and management, including acts preparatory thereto, audit or control shall not take any action which may bring their own interests into conflict with those of the Union. They shall also take appropriate measures to prevent conflict of interest from arising in the functions under their responsibility and to address situations which may objectively be perceived as a conflict of interest.
2. For the purposes of paragraph 1, a conflict of interest exists where the impartial and objective exercise of the functions of a financial actor or other person, as referred to in paragraph 1, is compromised for reasons involving family, emotional life, political or national affinity, economic interest or any other direct or indirect personal interest.

#### *Article 60*

##### *Conflict of interest of members of the staff*

Where the risk of conflict of interest referred to in Article 59 involves a member of the staff covered by the Staff Regulations, he or she shall refer the matter to the authorising officer by delegation who shall

confirm in writing whether a conflict of interest exists. The member of the staff in question shall also inform his or her hierarchical superior. Where a conflict of interest is found to exist, the Appointing Authority shall relieve the official from responsibility in this matter. The authorising officer by delegation shall personally ensure that any further appropriate action is taken.

## **CHAPTER 2**

### **Methods of implementation**

#### *Article 61*

#### *Methods of implementation of the budget*

1. The Commission shall implement the budget in any of the following ways:
  - (a) directly ('direct implementation'), by its departments, including its staff in the Union delegations under the authority of their respective Head of delegation, in accordance with Article 58(2), or through executive agencies as referred to in Article 68;
  - (b) under shared implementation with Member States ('shared implementation');
  - (c) indirectly ('indirect implementation'), where this is provided for in the basic act or in the cases referred to in points (a) to (d) of the first subparagraph of Article 56(2), with:
    - (i) third countries or the bodies they have designated;
    - (ii) international organisations or their agencies, as defined in Article 151;
    - (iii) the European Investment Bank or the European Investment Fund ('the EIB group');
    - (iv) bodies referred to in Articles 69 and 70;
    - (v) public law bodies;
    - (vi) bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
    - (vii) bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
    - (viii) bodies or persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V TEU, and identified in the relevant basic act.
2. The Commission is responsible for the implementation of the budget in accordance with Article 317 TFEU and shall not delegate implementation of the budget to third parties, where such tasks involve a large measure of discretion implying political choices.

The Commission shall not, through contracts in accordance with Title VII, outsource tasks involving the exercise of public authority and discretionary powers of judgement.

#### *Article 62*

#### *Shared implementation with Member States*

1. Where the budget is implemented under shared implementation the Commission and the Member States shall respect the principles of sound financial management, transparency and non-discrimination and shall ensure the visibility of Union action. To this end, the Commission and the Member States shall fulfil their respective control and audit obligations and assume the resulting responsibilities laid down in this Regulation. Complementary provisions shall be laid down in sector-specific rules.

2. Member States shall take all the necessary measures, including legislative, regulatory and administrative measures, to protect the Union's financial interests, namely by:
  - (a) ensuring that actions financed from the budget are implemented correctly and effectively and in accordance with the applicable sector-specific rules and, for that purpose, designating in accordance with paragraph 3, and supervising bodies responsible for the management and control of Union funds;
  - (b) preventing, detecting and correcting irregularities and fraud.

In order to protect the Union's financial interests, Member States shall, respecting the principle of proportionality, and in compliance with this Article, and the relevant sector-specific rules, carry out *ex ante* and *ex post* controls including, where appropriate, on-the-spot checks on representative and/or risk-based samples of transactions. They shall also recover funds unduly paid and bring legal proceedings where necessary in this regard.

Member States shall impose effective, dissuasive and proportionate penalties on recipients where provided for in sector-specific rules and in specific provisions in national legislation.

As part of its risk assessment and in accordance with sector-specific rules, the Commission shall monitor the management and control systems established in the Member States. The Commission shall, in its audit work, respect the principle of proportionality and shall take into account the level of assessed risk in accordance with the sector-specific rules.

3. In accordance with the criteria and procedures laid down in sector-specific rules, Member States shall, at the appropriate level, designate bodies to be responsible for the management and control of Union funds. Such bodies may also carry out tasks not related to the management of Union funds and may entrust certain of their tasks to other bodies, including the bodies indicated in Article 61(1) (c) (ii) and (iii).

When deciding on the designation of bodies, Member States may base their decision on whether the management and control systems are essentially the same as those already in place for the previous period and whether they have functioned effectively.

If audit and control results show that the designated bodies no longer comply with the criteria set out in the sector-specific rules, Member States shall take the measures necessary to ensure that deficiencies in the implementation of the tasks of these bodies are remedied, including by ending the designation in accordance with the sector-specific rules.

The sector-specific rules shall define the role of the Commission in the process set out in this paragraph.

4. Bodies designated pursuant to paragraph 3 shall:
  - (a) set up and ensure the functioning of an effective and efficient internal control system;
  - (b) use an accounting system that provides accurate, complete and reliable information in a timely manner;
  - (c) provide the information required under paragraph 5;
  - (d) ensure *ex post* publication in accordance with Article 36(2). Any processing of personal data shall comply with national provisions implementing Directive [95/46/EC](#).
5. Bodies designated pursuant to paragraph 3 shall, by 15 February of the following financial year, provide the Commission with:
  - (a) their accounts on the expenditure that was incurred, during the relevant reference period as defined in the sector-specific rules, in the execution of their tasks and that was presented to the Commission for reimbursement. Those accounts shall include pre-financing and sums for which recovery procedures are underway or have been completed. They shall be



accompanied by a management declaration confirming that, in the opinion of those in charge of the management of the funds:

- (i) the information is properly presented, complete and accurate,
  - (ii) the expenditure was used for its intended purpose, as defined in the sector-specific rules,
  - (iii) the control systems put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions;
- (b) an annual summary of the final audit reports and of controls carried out, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective action taken or planned.

The accounts referred to in point (a) of the first subparagraph and the summary referred to in point (b) of the first subparagraph shall be accompanied by an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards. That opinion shall establish whether the accounts give a true and fair view, whether expenditure for which reimbursement has been requested from the Commission is legal and regular, and whether the control systems put in place function properly. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration referred to in point (a) of the first subparagraph.

The deadline of 15 February may exceptionally be extended by the Commission to 1 March, upon communication by the Member State concerned.

Member States may, at the appropriate level, publish the information referred to in this paragraph.

In addition, Member States may provide declarations signed at the appropriate level based on the information referred to in this paragraph.

6. In order to ensure that Union funds are used in accordance with the applicable rules, the Commission shall:
- (a) apply procedures for the examination and acceptance of the accounts of the designated bodies, ensuring that the accounts are complete, accurate and true;
  - (b) exclude from Union financing expenditure for which disbursements have been made in breach of applicable law;
  - (c) interrupt payment deadlines or suspend payments where provided for in the sector-specific rules.

The Commission shall end all or part of the interruption of payment deadlines or suspension of payments after a Member State has presented its observations and as soon as it has taken any necessary measures. The annual activity report referred to in Article 73(9) shall cover all the obligations under this subparagraph.

7. Sector-specific rules shall take account of the needs of European Territorial Cooperation programmes as regards, in particular, the content of the management declaration, the process set out in paragraph 3 and the audit function.
8. The Commission shall compile a register of bodies responsible for management, certification and audit activities under the sector-specific regulations.

In order to promote best practices in the implementation of the Structural Funds, the Cohesion Fund, the European Agricultural Fund for Rural Development, the EAGF and the European Fisheries Fund, the Commission may, for information purposes, make available a methodological guide setting out its own control strategy and approach, including checklists, and

best practice examples to bodies responsible for management and control activities. That guide shall be updated whenever necessary.

9. Resources allocated to Member States under shared implementation may also be used in combination with operations and instruments carried out under Regulation 2015/1017 of the European Parliament and of the Council of 25 June 2015 on the European Fund for Strategic Investments, the European Investment Advisory Hub and the European Investment Project Portal and amending Regulations (EU) No 1291/2013 and (EU) No 1316/2013.

## **CHAPTER 3**

### **EUROPEAN OFFICES AND UNION BODIES**

#### **SECTION 1**

##### **EUROPEAN OFFICES**

###### *Article 63*

###### *Definition and scope*

1. "European offices" are administrative structures set up by the Commission or by the Commission with one or more institutions to perform specific cross-cutting tasks, provided that that can be justified by a cost-benefit study and an assessment of the associated risks.
2. Within their scope of their competences, European offices:
  - (a) shall perform obligatory tasks provided for in their act of establishment or in other Union legislation;
  - (b) may perform non-obligatory tasks authorised by their Management Committees having considered the costs-benefits and associated risks for the parties involved. For the performance of these tasks the office may receive delegation of authorising officer powers, or may conclude ad hoc service-level agreements with the Union institutions, Union bodies, other European offices or third parties.
3. This Section shall apply to the operation of European Anti-Fraud Office, with the exception of paragraph 4 of this Article, Article 65 and paragraphs 1, 2 and 3 of Article 66.
4. The internal auditor of the Commission shall exercise all responsibilities laid down in Chapter 8 of this Title.

###### *Article 64*

###### *Appropriations regarding the European Offices*

1. The appropriations authorised to implement obligatory tasks of each European office shall be entered in a specific budget line within the section of the budget relating to the Commission and shall be set out in detail in an Annex to that section.

The Annex referred to in the first subparagraph shall take the form of a statement of revenue and expenditure, subdivided in the same way as the sections of the budget.

The appropriations entered in that Annex:

- (a) shall cover all the financial requirements of each European office in the performance of the obligatory tasks provided for in its act of establishment or in other Union legislation;
- (b) may cover financial requirements of a European office in the performance of tasks requested by the Union institutions, Union bodies, European offices and agencies

established by or under the Treaties and authorised in accordance with the act of establishment of the office;

2. The Commission shall, in respect of the appropriations entered in the Annex for each European office delegate the powers of authorising officer to the Director of the European office concerned, in accordance with Article 72.
3. Each European office's establishment plan shall be annexed to that of the Commission.
4. The Director of each European office shall take decisions on transfers within the Annex referred to in paragraph 1. The Commission shall inform the European Parliament and the Council of such transfers.

#### *Article 65*

##### *Non-obligatory tasks*

For the non-obligatory tasks referred to in point (b) of Article 63(2), a European office may:

- (a) receive delegation to its Director from Union institutions, Union bodies and other European offices, together with a delegation of the authorising officer powers concerning appropriations entered in the section of the budget of the Union institution, Union body or other European office. The Union institutions, Union bodies and other European offices concerned shall set the limits and conditions for this delegation of powers. Such delegation shall be agreed in accordance with the act of establishment of the European office, notably on the conditions and modalities of this delegation;
- (b) conclude ad hoc service-level agreements. In such cases, the Director of the European office shall adopt, in accordance with its act of establishment, the specific provisions governing the implementation of those tasks, the recovery of costs incurred, and the keeping of the corresponding accounts. The office shall report to the institutions, Union bodies or other European offices concerned of the results of such accounts.

#### *Article 66*

##### *Accounts of the European offices*

1. Each European office shall draw up accounting records of its expenditure, enabling the proportion of its services supplied to each of the institutions, Union bodies or other European offices to be determined. The Director of the European office concerned shall adopt, after approval by its Management Committee, the criteria upon which the accounting records shall be based.
2. The remarks concerning the specific budget line in which the total appropriations for each European office to which authorising officer powers have been delegated in accordance with point (a) of Article 65 are entered shall show an estimate of the costs of services supplied by that office to each of the Union institutions, Union bodies and other European offices concerned. This shall be based on the accounting records provided for in paragraph 1 of this Article.
3. Each European office to which authorising officer powers have been delegated in accordance with point (a) of Article 65 shall notify the Union institutions, Union bodies and other European offices concerned of the results of the accounting records provided for in paragraph 1 of this Article.
4. Each European office's accounts shall form an integral part of the Union's accounts in accordance with Article 234.
5. The Commission accounting officer, acting on a proposal from the Management Committee of the European office in question, may delegate to a member of the staff of the office some of his

tasks relating to the collection of revenue and the payment of expenditure made directly by the European office in question.

6. To meet the cash requirements of the European office, bank accounts or post office giro accounts may be opened in its name by the Commission, acting on a proposal from the Management Committee. The final cash position for each year shall be reconciled and adjusted between the European office in question and the Commission at the end of the financial year.

## **SECTION 2**

### **UNION BODIES**

#### *Article 67*

##### *Applicability to the Euratom Supply Agency*

This Regulation shall apply to the implementation of the budget for the Euratom Supply Agency.

#### *Article 68*

##### *Executive agencies*

1. The Commission may delegate powers to the executive agencies to implement all or part of a Union programme or project, including pilot projects and preparatory actions and the implementation of administrative expenditures, on its behalf and under its responsibility, in accordance with Council Regulation (EC) No 58/2003<sup>(36)</sup>. The executive agencies shall be created by means of a Commission Decision and shall be legal persons under Union law. They shall receive an annual contribution.
2. The directors of the executive agencies shall act as authorising officers by delegation as regards the implementation of the operational appropriations relating to the Union programmes which they manage in whole or in part.
3. The steering committee of the executive agencies may agree with the Commission that the accounting officer of the Commission shall also act as accounting officer of the executive agency. The steering committee may also entrust the accounting officer of the Commission with part of the tasks of the accounting officer of the executive agency taking into account cost-benefit considerations. In both cases, necessary arrangements shall be made in order to avoid any conflict of interest.

#### *Article 69*

##### *Bodies set up under the TFEU and the Euratom Treaty*

1. The Commission is empowered to adopt delegated acts in accordance with Article 261 to supplement the Financial Regulation with a framework financial regulation for bodies which are set up under the TFEU and the Euratom Treaty and which have legal personality and receive contributions charged to the budget.
2. The framework financial regulation shall be based on the principles and rules set out in this Regulation.
3. The financial rules of those bodies shall not depart from the framework financial regulation except where their specific needs so require and with the Commission's prior consent.

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<sup>36</sup> Council Regulation (EC) No 58/2003 of 19 December 2002 laying down the statute for executive agencies to be entrusted with certain tasks in the management of Community programmes (OJ L 11, 16.1.2003, p. 1).

4. Discharge for the implementation of the budgets of the bodies referred to in paragraph 1, shall be given by the European Parliament on the recommendation of the Council. The bodies referred to in paragraph 1 shall fully cooperate with the institutions involved in the discharge procedure and provide, as appropriate, any additional necessary information, including through attendance at meetings of the relevant bodies.
5. The Commission's internal auditor shall exercise the same powers over the bodies referred to in paragraph 1 as those exercised in respect of the Commission.
6. An independent external auditor shall verify that the annual accounts of each of the bodies referred to in paragraph 1 of this Article properly present the income, expenditure and financial position of the relevant body prior to the consolidation in the Commission's final accounts. Unless otherwise provided in the basic act referred to in paragraph 1 of this Article, the Court of Auditors shall prepare a Specific Annual Report on each body in line with the requirements of Article 287(1) TFEU. In preparing this report, the Court shall consider the audit work performed by the independent external auditor and the action taken in response to the auditor's findings.

#### *Article 70*

#### *Public-private partnership bodies*

The bodies having legal personality set up by a basic act and entrusted with the implementation of a public-private partnership shall adopt their financial rules.

Those rules shall include a set of principles necessary to ensure sound financial management of Union funds.

The Commission is empowered to adopt delegated acts in accordance with Article 261 to supplement the Financial Regulation with a model financial regulation laying down the principles necessary to ensure sound financial management of Union funds and which shall be based on Article 149.

The financial rules of those bodies shall not depart from the model financial regulation except where their specific needs so require and with the Commission's prior consent.

Paragraphs 2, 3 and 4 of Article 69 shall apply to public-private partnership bodies.

## **CHAPTER 4**

### **Financial actors**

#### **SECTION 1**

#### **PRINCIPLE OF SEGREGATION OF DUTIES**

#### *Article 71*

#### *Segregation of duties*

1. The duties of authorising officer and accounting officer shall be segregated and mutually exclusive.
2. Each institution shall provide each financial actor with the resources required to perform his duties and a charter describing in detail his tasks, rights and obligations.

## SECTION 2 AUTHORISING OFFICER

### *Article 72 Authorising officer*

1. Each institution shall perform the duties of authorising officer.
2. For the purposes of this Title, the term ‘staff’ refers to persons covered by the Staff Regulations.
3. Each institution shall delegate, in compliance with the conditions in its rules of procedure, the duties of authorising officer to staff of an appropriate level. It shall indicate, in its internal administrative rules, the staff to whom it delegates those duties, the scope of the powers delegated and whether the persons to whom those powers are delegated may subdelegate them.
4. The powers of authorising officer shall be delegated or subdelegated only to staff.
5. Authorising officers responsible shall act within the limits set by the instrument of delegation or subdelegation. The authorising officer responsible may be assisted by one or more members of staff entrusted, under his or her responsibility, with the carrying out of certain operations necessary for the implementation of the budget and the production of the financial and management information.
6. Each institution or each body referred to in Article 69 shall inform the Court of Auditors, the European Parliament, the Council and the accounting officer of the Commission within two weeks of the appointment and release of authorising officers by delegation, internal auditors and accounting officers, and of any internal rules it adopts in respect of financial matters.
7. Each institution shall inform the Court of Auditors of the appointment of imprest administrators and of delegation decisions under Article 78 and Article 85.

### *Article 73 Powers and duties of the authorising officer*

1. The authorising officer shall be responsible in each institution for implementing revenue and expenditure in accordance with the principle of sound financial management and for ensuring compliance with the requirements of legality and regularity and equal treatment of recipients of a programme.
2. For the purposes of paragraph 1 of this Article, the authorising officer by delegation shall, in accordance with Article 34 and the minimum standards adopted by each institution and having due regard to the risks associated with the management environment and the nature of the actions financed, put in place the organisational structure and the internal control systems suited to the performance of his or her duties. The establishment of such structure and systems shall be supported by a comprehensive risk analysis, which takes into account their cost effectiveness.
3. To implement expenditure, the authorising officer responsible shall make budgetary and legal commitments, shall validate expenditure and authorise payments and shall undertake the preliminary steps for the implementation of appropriations.
4. Implementation of revenue shall comprise drawing up estimates of amounts receivable, establishing entitlements to be recovered and issuing recovery orders. It shall involve waiving established entitlements, where appropriate.
5. Each operation shall be subject at least to an *ex ante* control relating to the operational and financial aspects of the operation, on the basis of a multiannual control strategy which takes risk into account. The purpose of the *ex ante* controls is to prevent errors and irregularities before the authorisation of operations.

The extent in terms of frequency and intensity of the *ex ante* controls shall be determined by the authorising officer responsible taking into account the results of prior controls as well as risk-based and cost-effectiveness considerations. In case of doubt, the authorising officer responsible for validating the relevant operations shall request complementary information or perform an on-the-spot control in order to obtain reasonable assurance as part of the *ex ante* control.

For a given operation, the verification shall be carried out by staff other than those who initiated the operation. The staff who carry out the verification shall not be subordinate to the members of staff who initiated the operation.

6. The authorising officer by delegation may put in place *ex post* controls to detect and correct errors and irregularities or operations after they have been authorised. Such controls may be organised on a sample basis according to risk and shall take account of the results of prior controls and cost-effectiveness considerations.

The *ex post* controls shall be carried out by staff other than those responsible for the *ex ante* controls. The staff responsible for the *ex post* controls shall not be subordinate to the members of staff responsible for the *ex ante* controls.

Where the authorising officer by delegation implements financial audits of beneficiaries as *ex-post* controls, the related audit rules shall be clear, consistent and transparent, and shall respect the rights of both the Commission and the auditees.

7. Authorising officers responsible and staff responsible for budget implementation shall have the necessary professional skills.

In each institution, the authorising officer by delegation shall ensure the following:

- (a) that the authorising officers by sub-delegation and their staff receive regularly updated and appropriate information concerning the control standards and the methods and techniques available for that purpose;
- (b) that measures are taken, where needed, to ensure the effective and efficient functioning of the control systems in accordance with paragraph 2.

8. If a member of staff, involved in the financial management and control of transactions, considers that a decision he or she is required by his or her superior to apply or to agree to is irregular or contrary to the principle of sound financial management or the professional rules which that member of staff is required to observe, he or she shall inform his or her hierarchical superior accordingly. If the member of staff does so in writing, the hierarchical superior shall reply in writing. If the hierarchical superior fails to take action or confirms the initial decision or instruction and the member of staff believes that such confirmation does not constitute a reasonable response to his or her concern, the member of staff shall inform the authorising officer by delegation in writing. If that officer does not reply within a reasonable time given the circumstances of the case and, in any event, within a month at most, the member of staff shall inform the relevant panel referred to in Article 139.

In the event of any illegal activity, fraud or corruption which may harm the interests of the Union, the member of staff shall inform the authorities and bodies designated in the Staff Regulations and the decisions of the Union institutions concerning the terms and conditions for internal investigations in relation to the prevention of fraud, corruption and any other illegal activity detrimental to the Union's interests. Contracts with external auditors carrying out audits of the financial management of the Union shall provide for an obligation of the external auditor to inform the authorising officer by delegation of any suspected illegal activity, fraud or corruption which may harm the interests of the Union.

9. The authorising officer by delegation shall report to his or her institution on the performance of his or her duties in the form of an annual activity report containing financial and management

information, including the results of controls, declaring that, except as otherwise specified in any reservations related to defined areas of revenue and expenditure, he or she has reasonable assurance that:

- (a) the information contained in the report presents a true and fair view;
- (b) the resources assigned to the activities described in the report have been used for their intended purpose and in accordance with the principle of sound financial management;
- (c) the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

The annual activity report shall include information on the operations carried out, by reference to the objectives set in the strategic plans, the risks associated with those operations, the use made of the resources provided and the efficiency and effectiveness of internal control systems. This includes an overall assessment of the costs and benefits of controls and information on the extent to which the operational expenditure authorised contributes to the achievement of EU strategic objectives and generates EU added value. The Commission shall prepare a summary of the annual activity reports for the preceding year.

10. The authorising officer by delegation shall record, for each financial year, contracts concluded by the negotiated procedures referred to in points (a) to (f) of point 11.1 and point 39 of the Annex to this Regulation. If the proportion of negotiated procedures in relation to the number of contracts awarded by the same authorising officer by delegation increases significantly in relation to earlier years or if that proportion is distinctly higher than the average recorded for the institution, the authorising officer responsible shall report to the institution setting out any measures taken to reverse that trend. Each institution shall send a report on negotiated procedures to the European Parliament and Council. In the case of the Commission, that report shall be annexed to the summary of the annual activity reports referred to in paragraph 9 of this Article.

#### *Article 74*

##### *Keeping of supporting documents by authorising officers*

The authorising officer shall set up paper-based or electronic systems for the keeping of original supporting documents relating to and subsequent to budget implementation and budget implementation measures. Such documents shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the documents relate.

Documents relating to operations not definitively closed shall be kept until the end of the year following that in which the operations are closed.

Personal data contained in supporting documents shall be deleted where possible when those data are not necessary for budgetary discharge, control and audit purposes. Article 37(2) of Regulation (EC) No 45/2001 shall apply to the conservation of traffic data.

#### *Article 75*

##### *Powers and duties of Heads of Union Delegations*

1. Where Heads of Union delegations act as authorising officers by subdelegation in accordance with Article 58(2), they shall be subject to the Commission as the institution responsible for the definition, exercise, monitoring and appraisal of their duties and responsibilities as authorising officers by subdelegation and shall cooperate closely with the Commission with regard to the proper implementation of the funds, in order to ensure, in particular, the legality and regularity of financial transactions, respect for the principle of sound financial management in the management of the funds and the effective protection of the financial interests of the Union.



They shall be subject to the Internal Rules of the Commission and to the Commission Charter for the implementation of the financial management tasks subdelegated to them. They may be assisted in their duties by staff of the Commission.

To this effect, they shall take the measures necessary to prevent any situation susceptible to put at stake the responsibility of the Commission for the implementation of the budget subdelegated to them, as well as any conflict of priorities which is likely to have an impact on the implementation of the financial management tasks subdelegated to them.

Where a situation or conflict referred to in the second subparagraph arises, the Heads of Union delegations shall inform the Directors-General responsible of the Commission and of the EEAS thereof without delay. Those Directors-General shall take appropriate steps to remedy the situation.

2. If Heads of Union delegations find themselves in a situation as referred to in Article 73(8), they shall refer the matter to the panel referred to in Article 139. In the event of any illegal activity, fraud or corruption which may harm the interests of the Union, they shall inform the authorities and bodies designated by the applicable legislation.
3. Heads of Union delegations acting as authorising officers by subdelegation in accordance with Article 58(2) shall report to their authorising officer by delegation so that the latter can integrate their reports in his or her annual activity report referred to in Article 73(9). The reports of the Heads of Union delegations shall include information on the efficiency and effectiveness of internal control systems put in place in their delegation, as well as on the management of operations subdelegated to them, and provide the assurance referred to in the third subparagraph of Article 89(5). Those reports shall be annexed to the annual activity report of the authorising officer by delegation, and shall be made available to the European Parliament and the Council having due regard, where appropriate, to their confidentiality.

The Heads of Union delegations shall fully cooperate with institutions involved in the discharge procedure and provide, as appropriate, any necessary additional information. In this context, they may be requested to attend meetings of the relevant bodies and assist the authorising officer by delegation responsible.

Heads of Union delegations acting as authorising officers by subdelegation in accordance with Article 58 shall reply to any request by the Commission's authorising officer by delegation at the Commission's own request or, in the context of discharge, at the request of the European Parliament.

The Commission shall ensure that subdelegating powers are not detrimental to the discharge procedure under Article 319 TFEU.

4. Paragraphs 1, 2 and 3 shall also apply to the deputy Heads of Union delegations when they act as authorising officers by subdelegation in the absence of the Heads of Union delegations.

### **SECTION 3**

#### **ACCOUNTING OFFICER**

##### *Article 76*

##### *Powers and duties of the accounting officer*

Each institution shall appoint an accounting officer who shall be responsible in each institution for the following:

- (a) properly implementing payments, collecting revenue and recovering amounts established as being receivable;
- (b) preparing and presenting the accounts in accordance with Title XIII ;

- (c) keeping the accounts in accordance with Articles 80 and 81;
- (d) laying down the accounting rules, procedures and the chart of accounts, in accordance with Articles 79 to 81;
- (e) laying down and validating the accounting systems and where appropriate validating systems laid down by the authorising officer to supply or justify accounting information; in this respect, the accounting officer shall be empowered to verify at any time compliance with validation criteria;
- (f) treasury management.

The responsibilities of the accounting officer of the EEAS shall concern only the EEAS section of the budget as implemented by the EEAS. The accounting officer of the Commission shall remain responsible for the entire Commission section of the budget, including accounting operations relating to appropriations subdelegated to Heads of Union delegations.

The accounting officer of the Commission shall also act as the accounting officer of the EEAS in respect of the implementation of the EEAS section of the budget.

#### *Article 77*

##### *Appointment and termination of duties of the accounting officer*

1. Each institution shall appoint an accounting officer from officials subject to the Staff Regulations of Officials of the European Union.

The accounting officer shall be chosen by the institution on the grounds of his particular competence as evidenced by diplomas or by equivalent professional experience.

2. Two or more institutions or bodies may appoint the same accounting officer.

In such case, they shall make the necessary arrangements in order to avoid any conflict of interest.

3. A trial balance shall be drawn up without delay in the event of termination of the duties of the accounting officer.

4. The trial balance accompanied by a hand-over report shall be transmitted by the accounting officer who is terminating his duties or, if it is not possible, by an official in his department to the new accounting officer.

The new accounting officer shall sign the trial balance in acceptance within one month from the date of transmission and he may make reservations.

The hand-over report shall also contain the result of the trial balance and any reservations made.

#### *Article 78*

##### *Powers which may be delegated by the accounting officer*

The accounting officer may, in the performance of his or her duties, delegate certain tasks to subordinate staff and to imprest administrators appointed in accordance with Article 86(1).

The instrument of delegation shall set out those tasks.

#### *Article 79*

##### *Accounting rules*

1. The accounting rules to be applied by all the Union institutions, the European offices referred to in Section 1 of Chapter 3 of this Title and the Union bodies referred to in Article 234 shall be based on internationally accepted accounting standards for the public sector. Those rules shall be

adopted by the accounting officer of the Commission following consultation with the accounting officers of other Union institutions, European offices and Union bodies.

2. The accounting officer may diverge from those standards if he or she considers this necessary in order to give a fair presentation of the assets and liabilities, charges, income and cash flow. Where an accounting rule diverges materially from those standards, the notes to the financial statements shall disclose this fact and the reasons for it.
3. The accounting rules referred to in paragraph 1 shall lay down the structure and content of the financial statements, as well as the accounting principles underlying the accounts.
4. The budget accounts referred to in Article 234 shall respect the budgetary principles laid down in this Regulation. They shall provide a detailed record of the implementation of the budget. They shall record all budgetary revenue and expenditure operations provided for in this Title and give a fair presentation thereon.

*Article 80*  
*Keeping the accounts*

1. The accounting officer of the Commission shall be responsible for laying down the harmonised charts of accounts to be applied by all the Union institutions, the European offices referred to in Section 1 of Chapter 3 of this Title and the Union bodies referred to in Article 234.
2. The accounting officers shall obtain from authorising officers all the information necessary for the production of accounts which give a fair presentation of the institutions' financial situation and of budgetary implementation. The authorising officers shall guarantee the reliability of that information.
3. Before the adoption of the accounts by the institution, or body referred to in Article 69, the accounting officer shall sign them off, thereby certifying that he or she has reasonable assurance that the accounts give a fair presentation of the financial situation of the institution or body referred to in Article 69.

For that purpose, the accounting officer shall verify that the accounts have been prepared in accordance with the accounting rules, referred to in Article 79, and the accounting procedures, referred to in point (d) of the first subparagraph of Article 76, and that all revenue and expenditure is entered in the accounts.

4. The authorising officer by delegation shall send the accounting officer, in accordance with the rules adopted by the latter, any financial and management information required for the performance of the accounting officer's duties.

The accounting officer shall be informed, regularly and at least for the closure of the accounts, by the authorising officer of the relevant financial data of the fiduciary bank accounts in order to allow the use of Union funds to be reflected in the accounts of the Union.

The authorising officers shall remain fully responsible for the proper use of the funds they manage, the legality and regularity of the expenditure under their control and the completeness and accuracy of the information forwarded to the accounting officer.

5. The responsible authorising officer shall notify the accounting officer of all developments or significant modifications of a financial management system, an inventory system or a system for the valuation of assets and liabilities, if it provides data for the accounts of the institution or is used to substantiate data thereof, so that the accounting officer can verify compliance with the validation criteria

At any time, the accounting officer may reexamine a financial management system already validated and may request that the responsible authorising officer establishes an action plan in order to correct, in due time, possible weaknesses.

The responsible authorising officer shall be responsible for the completeness of information transmitted to the accounting officer.

6. The accounting officer shall be empowered to check the information received as well as to carry out any further checks he or she deems necessary in order to sign off the accounts.

The accounting officer shall make reservations, if necessary, explaining exactly the nature and scope of such reservations.

7. An institution's accounting system shall serve to organise the budgetary and financial information in such a way that figures can be entered, filed and registered.
8. The accounting system shall consist of general accounts and budget accounts. The accounts shall be kept in euro and on the basis of the calendar year.
9. The authorising officer by delegation may also keep detailed management accounts.
10. Supporting documents for the accounting system and for the preparation of the accounts referred to in Article 234 shall be kept for at least five years from the date on which the European Parliament grants discharge for the budgetary year to which the documents relate.

However, documents relating to operations not definitively closed shall be kept until the end of the year following that in which the operations are closed. Article 37(2) of Regulation (EC) No 45/2001 shall apply to the conservation of traffic data.

#### *Article 81* *General accounts*

1. The general accounts shall record, in chronological order using the double-entry method, all events and operations which affect the economic and financial situation and the assets and liabilities of the institutions and of the bodies referred to in Article 234.
2. Balances and movements in the general accounts shall be entered in the accounting ledgers.
3. All accounting entries, including adjustments to the accounts, shall be based on supporting documents, to which the entries shall refer.
4. The accounting system shall be such as to leave a clear audit trail for all accounting entries.

#### *Article 82* *Bank accounts*

1. For the requirements of treasury management, the accounting officer may open accounts in the name of the institution with financial institutions or national central banks or cause such accounts to be opened. The accounting officer shall also be responsible for closing those accounts or for ensuring that they are closed.
2. The terms governing the opening, operation and use of bank accounts shall provide, depending on internal control requirements, that cheques, bank credit transfer orders or any other banking operations must be signed by one or more duly authorised members of staff. Manual instructions shall be signed by at least two duly authorised members of staff, or by the accounting officer in person.
3. Within the implementation of a programme or an action, fiduciary accounts may be opened on behalf of the Commission in order to allow for their management by an entity pursuant to points (ii), (iii), (v) or (vi) of Article 61(1)(c).

Such accounts shall be opened under the responsibility of the authorising officer in charge of the implementation of the programme or action in agreement with the accounting officer of the Commission.

Such accounts shall be managed under the responsibility of the authorising officer.

4. The accounting officer of the Commission shall lay down rules for the opening, management and closure of fiduciary accounts and their use.

### *Article 83*

#### *Treasury management*

1. Unless otherwise provided for in this Regulation, only the accounting officer shall be empowered to manage cash and cash equivalents. The accounting officer shall be responsible for their safekeeping.
2. The accounting officer shall ensure that his institution has at its disposal sufficient funds to cover the cash requirements arising from budgetary implementation within the provisions of the applicable regulatory framework and shall set up procedures to ensure that none of the accounts opened in accordance with Article 82(1) and Article 86(2) is in debit.
3. Payments shall be made by bank credit transfer, by cheque or, from imprest accounts, or if specifically authorised by the Accounting Officer, by debit card, direct debit or other means of payment, in accordance with the rules laid down by the accounting officer.
4. The accounting officer may only make payments if the payee's legal entity and payment details have first been entered in a common file by institution for which he/she is responsible.

Before entering into a commitment towards a third party, the authorising officer shall establish the legal entity and payment details of payees and enter them in the common file by institution for which the accounting officer is responsible in order to ensure transparency, accountability and proper payment implementation.

Authorising officers shall inform the accounting officer of any change in the legal and payment details communicated to them by the payee and shall check that these details are valid before they authorise any payment.

### *Article 84*

#### *The inventory of assets*

1. Each Union institution and body referred to in Article 234 shall keep inventories showing the quantity and value of all the Union's tangible, intangible and financial assets in accordance with a model drawn up by the accounting officer of the Commission.

Each Union institution and body referred to in Article 234 shall check that entries in the inventory correspond to the actual situation.

All items acquired with a period of use greater than one year, which are not consumables, and whose purchase price or production cost is higher than that indicated by the accounting procedures referred to in Article 76 shall be entered in the inventory and recorded in the fixed assets accounts.

2. The sale of the Union's tangible assets shall be suitably advertised.
3. Each of the Union institutions and bodies referred to in Article 234 shall adopt provisions on safeguarding the assets included in their respective balance sheets and decide which administrative departments are responsible for the inventory system.

## SECTION 4 IMPREST ADMINISTRATOR

### *Article 85 Imprest accounts*

1. Imprest accounts may be set up for the collection of revenue other than own resources and for the payment of expenditure, where owing to the limited amounts involved, it is materially impossible or inefficient to carry out payment operations by budgetary procedures.

However, in the field of crisis management aid and humanitarian aid operations, imprest accounts may be used without any limitation on the amount, while respecting the level of appropriations decided by the European Parliament and the Council on the corresponding budget line for the current financial year and in accordance with the Commission's internal rules.

In Union delegations, imprest accounts may also be used to execute payments, of limited amounts, by budgetary procedures, if such use is efficient and effective due to local requirement.

2. In Union delegations, imprest accounts shall be set up for the payment of expenditure from both the Commission section of the budget and the EEAS section of the budget, ensuring full traceability of expenditure.

### *Article 86 Creation and administration of imprest accounts*

1. The creation of an imprest account and the appointment of an imprest administrator shall be the subject of a decision by the accounting officer of the institution, on a duly substantiated proposal from the authorising officer responsible. That decision shall set out the respective responsibilities and obligations of the imprest administrator and the authorising officer.

Imprest administrators shall be chosen from officials or, should the need arise and only in duly substantiated cases, from other members of staff or subject to the limits established in the Commission's internal rules from personnel employed by the Commission in the field of crisis management aid and humanitarian aid operations provided that their employment contracts guarantee equivalent level of protection in terms of liability as applicable to the staff pursuant to Article 93. Imprest administrators shall be chosen on the grounds of their knowledge, skills and particular qualifications as evidenced by diplomas or by appropriate professional experience, or after an appropriate training programme.

In deciding to create an imprest account, the accounting officer shall specify the operating terms and the conditions for use of the imprest account.

The amendment of the operating terms for an imprest account shall also be the subject of a decision by the accounting officer on a duly substantiated proposal from the authorising officer responsible.

2. Bank accounts for the imprest shall be opened by the accounting officer, who shall also authorise delegated signatures on them on the basis of a justified proposal from the authorising officer.
3. Imprest accounts shall be endowed by the institution's accounting officer and shall be placed under the responsibility of imprest administrators.
4. Payments made shall be followed by formal final validation decisions or payment orders signed by the authorising officer responsible.

The imprest transactions shall be settled by the authorising officer by no later than the end of the following month, so that the accounting balance and the bank balance can be reconciled.

5. The accounting officer shall carry out, or have carried out by a staff member in his own department or in the authorising department specially empowered for that purpose, checks, which must as a general rule be effected on the spot and, where appropriate, without warning, to verify the existence of the funds allocated to the imprest administrators and the bookkeeping and to check that imprest transactions are settled within the time-limit set. The accounting officer shall communicate the findings of those checks to the authorising officer responsible.

## **CHAPTER 5**

### **Liability of financial actors**

#### **SECTION 1**

#### **GENERAL RULES**

##### *Article 87*

##### *Withdrawal of delegation and suspension of duties given to financial actors*

1. Authorising officers responsible may at any time have their delegation or subdelegation withdrawn temporarily or definitively by the authority which appointed them.
2. The accounting officer or imprest administrators, or both, may at any time be suspended temporarily or definitively from their duties by the authority which appointed them.
3. Paragraphs 1 and 2 shall be without prejudice to any disciplinary action taken in respect of the financial actors referred to in those paragraphs.

##### *Article 88*

##### *Liability of financial actors for illegal activity, fraud or corruption*

1. This Chapter is without prejudice to any liability under criminal law which the financial actors referred to in Article 87 may incur as provided for in applicable national law and in the provisions in force concerning the protection of the Union's financial interests and the fight against corruption involving Union officials or officials of Member States.
2. Without prejudice to Articles 89, 92 and 93 of this Regulation, each authorising officer responsible, accounting officer or imprest administrator shall be liable to disciplinary action and payment of compensation as laid down in the Staff Regulations or for the personnel referred to in Article 86 in their employment contracts. In the event of illegal activity, fraud or corruption which may harm the interests of the Union, the matter shall be submitted to the authorities and bodies designated by the applicable legislation, in particular to the European Anti-Fraud Office.

#### **SECTION 2**

### **RULES APPLICABLE TO AUTHORISING OFFICERS RESPONSIBLE**

##### *Article 89*

##### *Rules applicable to authorising officers*

1. The authorising officer responsible shall be liable for payment of compensation as laid down in the Staff Regulations.
2. The obligation to pay compensation shall apply in particular if the authorising officer responsible, whether intentionally or through gross negligence on his or her part:
  - (a) determines entitlements to be recovered or issues recovery orders, commits expenditure or signs a payment order without complying with this Regulation;

- (b) omits to draw up a document establishing an amount receivable, neglects to issue a recovery order or is late in issuing it or is late in issuing a payment order, thereby rendering the institution liable to civil action by third parties.
3. An authorising officer by delegation or subdelegation who considers that a decision, which is his or her responsibility to take, is irregular or contrary to the principle of sound financial management shall inform the delegating authority in writing. If the delegating authority then gives a reasoned instruction in writing to the authorising officer by delegation or subdelegation to take that decision, that authorising officer shall not be held liable.
  4. In the event of subdelegation within his or her service, the authorising officer by delegation shall continue to be responsible for the efficiency and effectiveness of the internal management and control systems put in place and for the choice of the authorising officer by subdelegation.
  5. In the event of subdelegation to the Heads of Union delegations and their deputies, the authorising officer by delegation shall be responsible for the definition of the internal management and control systems put in place, as well as their efficiency and effectiveness. The Heads of Union delegations shall be responsible for the adequate setting up and functioning of those systems, in accordance with the instructions of the authorising officer by delegation, and for the management of the funds and the operations they carry out within the Union delegation under their responsibility. Before taking up their duties, they shall complete specific training courses on the tasks and responsibilities of authorising officers and the implementation of the budget.

Heads of Union delegations shall report on their responsibilities pursuant to the first subparagraph of this paragraph in accordance with Article 75(3).

Each year, Heads of Union delegations shall provide to the Commission's authorising officer by delegation assurance on the internal management and control systems put in place in their delegation, as well as on the management of operations subdelegated to them, and the results thereof, in order to allow the authorising officer to make the statement of assurance provided for in Article 73(9).

This paragraph shall also apply to the deputy Heads of Union delegations when they act as authorising officers by subdelegation in the absence of the Heads of Union delegations.

#### *Article 90*

##### *Treatment of financial irregularities on the part of a member of staff*

1. Without prejudice to the powers of the European Anti-Fraud Office, any infringement of a provision of the Financial Regulation or of a provision relating to financial management or the checking of operations resulting from an act or omission of a member of staff shall be referred to the panel referred to in Article 139 of this Regulation for an opinion by any of the following:
  - (a) the appointing authority in charge of disciplinary matters;
  - (b) a member of staff in accordance with Article 73(8). In such case, the panel shall transmit the file to the appointing authority and shall inform the member of staff accordingly. The appointing authority may request the panel's opinion on the case;
  - (c) the responsible authorising officer, including Heads of Union delegations and their deputies in their absence acting as authorising officers by subdelegation in accordance with Article 58(2) of this Regulation.
2. In the cases referred in paragraph 1, the panel referred to in Article 139 of this Regulation shall be competent to determine whether a financial irregularity has occurred. On the basis of the opinion of the panel referred to in Article 139 for cases referred to in paragraph 1, the institution concerned shall decide whether to initiate proceedings for disciplinary action or payment of



compensation. If the panel detects systemic problems, it shall make a recommendation to the authorising officer and to the authorising officer by delegation, unless the latter is the member of staff involved, as well as to the internal auditor.

3. Before adopting any opinion in cases of irregularities referred to in paragraph 1 of this Article, the panel shall give the member of staff involved the opportunity to submit its observations.
4. Where the panel gives the opinion referred to in paragraph 1, it shall have the composition laid down in Article 139(2) and two additional members:
  - (a) a representative of the appointing authority in charge of disciplinary matters of the institution or body concerned, and
  - (b) another member appointed by the staff committee of the institution or body concerned. The appointment of those additional members shall take into account the need for avoiding any conflict of interests.
5. Where the panel gives the opinion referred to in Article paragraph 1, it shall be addressed to the disciplinary Board established by each institution or body in accordance to its internal rules.
6. The Member States shall fully support the Union in the enforcement of any liability, under Article 22 of the Staff Regulations of Officials of the European Union, of temporary staff to whom point (e) of Article 2 of the Conditions of Employment of Other Servants of the European Union applies.

*Article 91*  
*Confirmation of instructions*

1. An authorising officer by delegation or subdelegation who receives a binding instruction which he considers to be irregular or contrary to the principle of sound financial management, in particular because the instruction cannot be carried out with the resources allocated to him, shall, in writing, so inform the authority from which he received the delegation or subdelegation. If the instruction is confirmed in writing and that confirmation is received in good time and is sufficiently clear, in that it refers explicitly to the points which the authorising officer by delegation or subdelegation has challenged, the authorising officer by delegation or subdelegation may not be held liable. He shall carry out the instruction, unless it is manifestly illegal or constitutes a breach of the relevant safety standards.
2. Paragraph 1 shall also apply in cases where an authorising officer learns, in the course of acting on a binding instruction, that the circumstances of the case may give rise to an irregular situation.  
Any instructions confirmed in the circumstances described in Article 89(3) shall be recorded by the authorising officer by delegation responsible and mentioned in his annual activity report.

**SECTION 3**  
**RULES APPLICABLE TO ACCOUNTING OFFICERS AND IMPREST ADMINISTRATORS**

*Article 92*  
*Rules applicable to accounting officers*

An accounting officer shall be liable to disciplinary action and payment of compensation, as laid down in, and in accordance with, the procedures in the Staff Regulations. An accounting officer may, in particular, become liable as a result of any of the following forms of misconduct on his or her part:

- (a) losing or damaging funds, assets or documents in his or her keeping;
- (b) wrongly altering bank accounts or postal giro accounts;

- (c) recovering or paying amounts which are not in conformity with the corresponding recovery or payment orders;
- (d) failing to collect revenue due.

#### *Article 93*

#### *Rules applicable to imprest administrators*

Without prejudice to Article 88(2), an imprest administrator may in particular become liable as a result of any of the following forms of misconduct on his or her part:

- (a) losing or damaging funds, assets or documents in his or her keeping;
- (b) not providing proper supporting documents for the payments he or she has made;
- (c) making payments to persons other than those entitled to such payments;
- (d) failing to collect revenue due.

## **CHAPTER 6**

### **Revenue operations**

#### **SECTION 1**

#### **MAKING OWN RESOURCES AVAILABLE**

#### *Article 94*

#### *Own resources*

1. An estimate of revenue constituted by own resources, as referred to in the Council Decision on the system of own resources of the European Union shall be entered in the budget in euros. It shall be made available in accordance with Regulation (EC, Euratom) No 609/2014.
2. The authorising officer shall draw up a schedule indicating when the own resources defined in the Decision on the system of the own resources of the European Union will be made available to the Commission.

Own resources shall be established and recovered in accordance with the rules adopted pursuant to the Decision referred to in the first paragraph.

For accounting purposes, the authorizing officer shall issue a recovery order for credits and debits to the account for own resources referred to in Regulation (EU, Euratom) No 609/2014.

#### **SECTION 2**

#### **ESTIMATE OF AMOUNTS RECEIVABLE**

#### *Article 95*

#### *Estimate of amounts receivable*

1. When the authorising officer responsible has sufficient and reliable information in respect of any measure or situation which may give rise to an amount owing to the Union, the authorising officer responsible shall make an estimate of the amount receivable.
2. The estimate of the amount receivable shall be adjusted by the authorising officer responsible as soon as he or she is aware of an event modifying the measure or the situation which gave rise to the estimate being made.

When establishing the recovery order on a measure or situation that had previously given rise to an estimate of amounts receivable, that estimate shall be adjusted accordingly by the authorising officer responsible.

If the recovery order is drawn up for the same amount as the original estimate of amounts receivable, that estimate shall be reduced to zero.

3. By way of derogation from paragraph 1, no estimate of the amount receivable shall be made before Member States make available to the Commission the amounts of own resources defined in the Council Decision on the system of own resources of the European Union, which are paid at fixed intervals by the Member States. The authorising officer responsible shall issue a recovery order in respect of those amounts.

### **SECTION 3**

#### **ESTABLISHMENT OF AMOUNTS RECEIVABLE**

##### *Article 96*

##### *Establishment of amounts receivable*

1. The establishment of an amount receivable is the act by which the authorising officer responsible:
  - (a) verifies that the debt exists;
  - (b) determines or verifies the reality and the amount of the debt;
  - (c) verifies the conditions according to which the debt is due.

It shall constitute recognition of the right of the Union in respect of a debtor and establishment of entitlement to demand that the debtor pay the debt.

2. Any amount receivable that is identified as being certain, of a fixed amount and due shall be established by a recovery order to the accounting officer. It shall be followed by a debit note sent to the debtor, except for the cases where a waiver procedure is immediately carried out. The recovery order and the debit note shall be both drawn up by the authorising officer responsible.

The authorising officer shall send the debit note immediately after establishing the amount receivable and at the latest within a period of five years from the point at which the institution was, in normal circumstances, in a position to claim its debt. Such period shall not apply where the authorising officer responsible establishes that, despite the efforts which the institution has made, the delay in acting was caused by the debtor's conduct, particularly time-wasting manoeuvres or bad faith.

The recovery order shall be the operation by which the authorising officer responsible instructs the accounting officer to recover the amount established.

3. To establish an amount receivable the authorising officer responsible shall ensure that:
  - (a) the receivable is certain, meaning that it is not subject to any condition;
  - (b) the receivable is of fixed amount, expressed precisely in cash terms;
  - (c) the receivable is due and is not subject to any payment time;
  - (d) the particulars of the debtor are correct;
  - (e) the amount to be recovered is booked to the correct budget item;
  - (f) the supporting documents are in order; and
  - (g) the principle of sound financial management is complied with, in particular with regard to the criteria referred to in point (a) or (b) of second subparagraph of Article 99(2).

4. The debit note shall be to inform the debtor that
  - (a) the Union has established the amount receivable;
  - (b) if payment of the debt is made before the deadline, as specified in the debit note, no default interest will be due;
  - (c) failing reimbursement by the deadline referred to in point (b) the debt shall bear interest at the rate referred to in Article 97, without any prejudice to any specific regulations applicable;
  - (d) failing reimbursement by the deadline referred to in point (b) the institution shall effect recovery either by offsetting or by enforcement of any guarantee lodged in advance;
  - (e) the accounting officer may in exceptional circumstances effect recovery by offsetting before the deadline referred to in point (b), where it is necessary to protect the Union's financial interests when he has justified grounds to believe that the amount due to the Commission would be lost, after the debtor has been informed of the reasons and date of the recovery by offsetting;
  - (f) if, after taking all the steps set out in points (a) to (e) of this subparagraph, the amount has not been recovered in full, the institution shall effect recovery by enforcement of a decision secured either in accordance with Article 98(2) or by legal action.

Where following the verification of the particulars of the debtor or on the basis of other relevant information available at the time, it is clear that the debt falls under cases referred to in points (a) or (b) of the second subparagraph of Article 99(2), or that the debit note has not been sent according to paragraph 2 of this Article, the authorising officer may, after establishing the amount receivable, decide to proceed directly to the waiver according to the provisions laid down in Article 99 without sending a debit note, in agreement with the accounting officer.

In all other cases, the authorising officer shall print out the debit note and send it to the debtor. The accounting officer shall be informed of that dispatch through the financial information system.

5. Amounts wrongly paid shall be recovered.

*Article 97*  
*Default interest*

1. Without prejudice to any specific provisions deriving from the application of specific regulations, any amount receivable not repaid on the deadline referred to in point (b) of the first subparagraph of Article 96(4) shall bear interest in accordance with paragraphs 2 and 3 of this Article.
2. Except in the case referred to in paragraph 4 of this Article, the interest rate for amounts receivable not repaid on the deadline referred to in point (b) of the first subparagraph of Article 96(4) shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the *Official Journal of the European Union*, in force on the first calendar day of the month in which the deadline falls, increased by:
  - (a) eight percentage points where the obligating event is a public supply and service contract referred to in Title V;
  - (b) three and a half percentage points in all other cases.
3. Interest shall be calculated from the calendar day following the deadline referred to in point (b) of the first subparagraph of Article 96(4) and specified in the debit note up to the calendar day on which the debt is repaid in full.

The recovery order corresponding to the amount of the default interest shall be issued when this interest is actually received.

4. In the case of fines or other penalties, the interest rate for amounts receivable not paid by the deadline referred to in point (b) of the first subparagraph of Article 96(4) shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the *Official Journal of the European Union*, in force on the first calendar day of the month in which the decision imposing a fine or other penalty has been adopted, increased by:
  - (a) one and a half percentage points where the debtor provides a financial guarantee which is accepted by the accounting officer instead of payment;
  - (b) three and a half percentage points in all other cases.

Where the Court of Justice of the European Union, in the exercise of its competence under Article 261 TFEU, increases the amount of a fine or other penalty, interest on the amount of the increase shall run from the date of the judgment of the Court.

In cases where the overall interest rate would be negative it will be set at zero percentage points.

## **SECTION 4**

### **AUTHORISATION OF RECOVERY**

#### *Article 98* *Authorisation of recovery*

1. The authorisation of recovery is the act by which the authorising officer responsible instructs the accounting officer, by issuing a recovery order, to recover an amount receivable which that authorising officer responsible has established.
2. The institution may formally establish an amount as being receivable from persons other than Member States by means of a decision which shall be enforceable within the meaning of Article 299 TFEU.

If the efficient and timely protection of the Union's financial interests so requires, the Commission may also, in exceptional circumstances, adopt such an enforceable decision for the benefit of other institutions at their request with respect to claims arising in relation to staff to whom the Staff Regulations apply or in relation to Members or former Members of an Union institution.

The exceptional circumstances are met when the possibility to have a voluntary payment and to recover the debt by offsetting as provided for in Article 99(1) of this Regulation have been exhausted by the institution concerned and the debt represents a significant amount. In such case, the institutions concerned other than those mentioned under Article 299 TFEU may request the Commission to adopt an enforceable decision.

In all cases, the enforceable decision shall specify that the amounts claimed shall be entered in the section of the budget corresponding to the institution concerned, which shall act as authorising officer. The revenue shall be entered as general revenue except if it falls within the specified cases of assigned revenues as provided for in Article 20(3).

The requesting institution shall inform the Commission of any event likely to alter the recovery and shall intervene in support of the Commission in case of appeal against the enforceable decision.

The Commission and the institution concerned shall agree on the practical modalities for the implementation of this Article.

## **SECTION 5 RECOVERY**

### *Article 99 Rules on recovery*

1. The accounting officer shall act on recovery orders for amounts receivable duly established by the authorising officer responsible. The accounting officer shall exercise due diligence to ensure that the Union receives its revenue and shall ensure that the Union's rights are safeguarded.

Partial reimbursement by a debtor subject to several recovery orders shall first be posted on the oldest entitlement unless otherwise specified by the debtor. Any partial payments shall first cover the interest.

The accounting officer shall recover amounts due to the Union budget by offsetting them against amounts owed to the debtor by the Union or an executive agency executing the Union budget. The claims related to those amounts shall be certain, of a fixed amount and due.

2. Where the authorising officer responsible plans to waive or partially waive recovery of an established amount receivable, he or she shall ensure that the waiver is in order and is in accordance with the principles of sound financial management and proportionality. The waiver decision shall be substantiated. The authorising officer may delegate the waiver decision.

The authorising officer responsible may waive recovery of all or part of an established amount receivable only in the following cases:

- (a) where the foreseeable cost of recovery would exceed the amount to be recovered and the waiver would not harm the image of the Union;
  - (b) where the amount receivable cannot be recovered in view of its age, delay in the dispatch of the debit note in the terms defined in Article 96(2), or the insolvency of the debtor, or as a result of any other insolvency proceedings;
  - (c) where recovery is inconsistent with the principle of proportionality.
3. In the case referred to in point (c) of paragraph 2, the authorising officer responsible shall act in accordance with predetermined procedures established within each institution and shall apply the following criteria which are compulsory and applicable in all circumstances:
    - (a) the facts, having regard to the gravity of the irregularity giving rise to the establishment of the amount receivable (fraud, repeated offence, intent, diligence, good faith, manifest error);
    - (b) the impact that waiving recovery would have on the operation of the Union and its financial interests (amount involved, risk of setting a precedent, undermining of the authority of the law).
  4. Depending on the circumstances of the case, the authorising officer responsible may also have to take the following additional criteria into account:
    - (a) any distortion of competition that would be caused by the waiving of recovery;
    - (b) the economic and social damage that would be caused were the debt to be recovered in full.
  5. Each institution shall send to the European Parliament and Council each year a report on the waivers referred to in this paragraph involving EUR 100 000 or more. In the case of the Commission, that report shall be annexed to the summary of the annual activity reports referred to in Article 73(9).

6. The authorising officer responsible may cancel an established amount receivable in full or in part. The partial cancellation of an established amount receivable does not imply the waiver of the remaining established Union entitlement.

In the event of a mistake, the authorising officer responsible shall cancel totally or partially the established amount receivable and include adequate reasons.

Each institution shall lay down in its internal rules the conditions and procedure for delegating the power to cancel an established amount receivable.

7. The Member States shall in the first instance be responsible for carrying out controls and audits and for recovering amounts unduly spent, as provided for in the sector-specific rules. To the extent that Member States detect and correct irregularities on their own account, they shall be exempt from financial corrections by the Commission concerning those irregularities.

8. The Commission shall make financial corrections on Member States in order to exclude from Union financing expenditure incurred in breach of applicable law. The Commission shall base its financial corrections on the identification of amounts unduly spent, and the financial implications for the budget. Where such amounts cannot be identified precisely, the Commission may apply extrapolated or flat-rate corrections in accordance with the sector-specific rules.

The Commission shall, when deciding on the amount of a financial correction, take account of the nature and gravity of the breach of applicable law and the financial implications for the budget, including the case of deficiencies in management and control systems.

The criteria for establishing financial corrections and the procedure to be applied may be laid down in the sector-specific rules.

9. The methodology for applying extrapolated or flat-rate corrections shall be laid down in accordance with the sector-specific rules with a view to enabling the Commission to protect the financial interests of the Union.

#### *Article 100* *Recovery by offsetting*

1. Where the debtor has a claim on the Union or on the executive agency when it implements the Union budget that is certain as defined in point (a) of Article 96(3), of a fixed amount and due relating to a sum established by a payment order, the accounting officer shall, following the deadline referred to in point (b) of first subparagraph of Article 96(4) recover established amounts receivable by offsetting.

In exceptional circumstances, where it is necessary to safeguard the financial interests of the Union and where the accounting officer has justified grounds to believe that the amount due to the Union would be lost, the accounting officer may recover by offsetting before the deadline referred to in point (b) of the first subparagraph of Article 96(4).

The accounting officer shall also recover by offsetting before the deadline referred to in point (b) of first subparagraph of Article 96(4) when the debtor agrees.

2. Before proceeding with any recovery in accordance with paragraph 1, the accounting officer shall consult the authorising officer responsible and inform the debtors concerned, including the means of redress in accordance with Article 129.

Where the debtor is a national authority or one of its administrative entities, the accounting officer shall also inform the Member State concerned at least 10 working days in advance of his intention to resort to recovery by offsetting. However, in agreement with the Member State or administrative entity concerned, the accounting officer may proceed with the recovery by offsetting before the deadline has passed.

3. The offsetting referred to in paragraph 1 shall have the same effect as a payment and discharge the Union for the amount of the debt and, where appropriate of the interest due.

#### *Article 101*

##### *Recovery procedure failing voluntary payment*

1. Without prejudice to Article 100, if the full amount has not been recovered by the deadline referred to in point (b) of the first subparagraph of Article 96(4) and specified in the debit note, the accounting officer shall inform the authorising officer responsible and shall without delay launch the procedure for effecting recovery by any means offered by the law, including, where appropriate, by enforcement of any guarantee lodged in advance.
2. Without prejudice to Article 100, where the recovery method referred to in paragraph 1 of this Article cannot be used and the debtor has failed to pay in response to the letter of formal notice sent by the accounting officer, the accounting officer shall enforce a recovery decision secured either in accordance with Article 98(2) or by legal action.

#### *Article 102*

##### *Additional time for payment*

The accounting officer, in collaboration with the authorising officer responsible, may allow additional time for payment only at the written request of the debtor, with due indication of the reasons, and provided that the following two conditions are fulfilled:

- (a) the debtor undertakes to pay interest at the rate specified in Article 97 for the entire additional period allowed, starting from the deadline referred to in point (b) of the first subparagraph of Article 96(4);
- (b) in order to safeguard the rights of the Union, the debtor lodges a financial guarantee covering the debt outstanding in both the principal sum and the interest, which is accepted by the institution's accounting officer.

The guarantee referred to in point (b) of the first subparagraph may be replaced by a joint and several guarantee by a third party approved by the institution's accounting officer.

In exceptional circumstances, following a request by the debtor, the accounting officer may waive the requirement of a guarantee referred to in point (b) of the first subparagraph when, on the basis of his assessment, the debtor is willing and able to make the payment in the additional time period but is not able to lodge such guarantee and is in a distressed situation.

#### *Article 103*

##### *Limitation period*

1. Without prejudice to the provisions of specific regulations and the application of Council Decision on the system of own resources of the European Union, entitlements of the Union in respect of third parties and entitlements of third parties in respect of the Union shall be subject to a limitation period of five years.
2. The limitation period for entitlements of the Union in respect of third parties shall begin to run on the expiry of the deadline communicated to the debtor in the debit note as specified in point (b) of the first subparagraph of Article 96(4).

The limitation period for entitlements of third parties in respect of the Union shall begin to run on the date on which the payment of the third party's entitlement is due according to the corresponding legal commitment.



3. The limitation period for entitlements of the Union in respect of third parties shall be interrupted by any act of an institution or Member State acting at the request of an institution, notified to the third party and aiming at recovering the debt.  
The limitation period for entitlements of third parties in respect of the Union shall be interrupted by any act notified to the Union by its creditors or on behalf of its creditors aiming at recovering the debt.
4. A new limitation period of five years shall begin to run on the day following the interruptions referred to in paragraph 3.
5. Any legal action relating to an amount receivable as referred to in paragraph 2, including actions brought before a court which later declares itself not to have jurisdiction, shall interrupt the limitation period. The new limitation period of five years shall not begin until a judgment having the force of *res judicata* is given or there is an extrajudicial settlement between the same parties on the same action.
6. Where the accounting officer allows the debtor additional time for payment in accordance with Article 102, this shall be considered as an interruption of the limitation period. The new limitation period of five years shall begin to run on the day following the expiry of the extended time for payment.
7. Entitlements of the Union shall not be recovered after the expiry of the limitation period, as established in paragraphs 2 to 6.

#### *Article 104*

##### *National treatment for Union entitlements*

In the event of insolvency proceedings, Union entitlements shall be given the same preferential treatment as entitlements of the same nature due to public bodies in the Member States where the recovery proceedings are being conducted.

#### *Article 105*

##### *Fines, penalties, sanctions and accrued interest imposed by the institutions*

1. Amounts received by way of fines, penalties and sanctions, and any accrued interest or other income generated by them shall not be recorded as budgetary revenue as long as the decisions imposing them may be overruled by the Court of Justice of the European Union.
2. The amounts referred to in paragraph 1 shall be recorded as budgetary revenue as soon as possible and at the latest in the year following the exhaustion of all legal remedies. Amounts that are to be returned to the entity that paid them, following a judgment of the Court of Justice of the European Union, shall not be recorded as budgetary revenue.
3. Paragraph 1 shall not apply to decisions on clearance of accounts or financial corrections.

#### *Article 106*

##### *Recovery of fines, other penalties or sanctions imposed by the institutions*

1. Where an action is brought before the Court of Justice of the European Union against a decision of an institution imposing a fine or other penalty under the TFEU or Euratom Treaty and until such time as all legal remedies have been exhausted, the debtor shall either provisionally pay the amounts concerned on the bank account designated by the accounting officer of the Commission or provide a financial guarantee acceptable to the accounting officer of the Commission. The guarantee shall be independent of the obligation to pay the fine or penalty payment or other

penalties and shall be enforceable upon first demand. It shall cover the claim as to principal and the interest due as specified in Article 97(4).

2. The Commission shall secure the provisionally cashed amounts by having them invested in financial assets thus ensuring the security and liquidity of the monies whilst also aiming at yielding a positive return.
3. After the exhaustion of all legal remedies and where the fine or penalty has been confirmed any of the following measures shall be taken:
  - (a) the provisionally collected amounts and the return on them shall be entered into the budget in accordance with Article 105 at the latest during the financial year following the year in which all legal remedies have been exhausted;
  - (b) where a financial guarantee has been lodged, the latter shall be enforced and the corresponding amounts entered in the budget.

Where the amount of the fine or of the penalty has been increased by the Court of Justice of the European Union, points (a) and (b) of the first subparagraph of this paragraph shall apply up to the amounts of the original decision of the institution or, if applicable, to the amount defined in a former judgment by the Court of Justice of the European Union in the same proceedings. The accounting officer of the Commission shall collect the amount corresponding to the increase and the interest due as specified in Article 97(4), which will be entered into the budget.

4. After all legal remedies have been exhausted and where the fine or penalty has been cancelled or reduced any of the following measures shall be taken:
  - (a) the amounts provisionally cashed, or part thereof, taking into account any return shall be repaid to the third party concerned;
  - (b) where a financial guarantee has been lodged, it shall be released accordingly.

#### *Article 107*

#### *Compensatory interests*

Without prejudice to Article 97(2) and for cases other than those referred to in Article 105, when an amount has to be reimbursed following a Court of Justice of the European Union judgment or within an amicable settlement, the interest rate shall be the rate applied by the European Central Bank to its principal refinancing operations, as published in the C series of the *Official Journal of the European Union*, in force on the first calendar day of the month, from the date of payment of this amount until the date at which the reimbursement is due increased by zero percentage points.

In cases where the overall interest rate would be negative it will be set at zero percentage points.

## **CHAPTER 7**

### **Expenditure operations**

#### *Article 108*

#### *Financing decisions*

1. The budgetary commitment shall be preceded by a financing decision adopted by the institution or the authorities to which powers have been delegated by the institution. This shall not apply in the case of appropriations for the operations of each institution under its administrative autonomy that can be implemented without a basic act in accordance with point (e) of the first subparagraph of Article 56(2), of administrative support expenditure and of contributions to the bodies referred to in Articles 69 and 70. The financing decisions shall be annual or multiannual.

2. The financing decision shall also constitute at the same time the annual or multiannual work programme and shall be adopted as soon as possible after the adoption of the draft budget and in principle no later than 31 March of the year of implementation. The part which contains the work programme shall be published on the internet site of the institution concerned immediately after its adoption and prior to its implementation. The financing decision shall indicate the total amount covered by the financing decision and contain a description of the actions to be financed. It shall specify:

- (a) the basic act and the budgetary line;
- (b) the objectives pursued and, the expected results;
- (c) the methods of implementation;
- (d) any additional information required by the basic act for the work programme.

In addition, it shall set out the following:

- (a) for grants: type of applicants targeted by the call for proposals or direct award; global budgetary envelope reserved for grants;
- (b) for procurement: the global budgetary envelope reserved for the procurements;
- (c) for contributions to trust funds referred to in Article 227 the appropriations reserved for the trust fund for the year together with the amounts planned over its duration;
- (d) for prizes: the type of participants targeted by the contest, the global budgetary envelope reserved for the contest and specific reference to prizes with a unit value of EUR 1 000 000 or more;
- (e) for financial instruments: the amount allocated to the financial instrument;
- (f) in the case of indirect implementation: the entity or person pursuant to point (c) of Article 61(1) or, the criteria to be used to select the entity or person;
- (g) for contributions to blending facilities: the amount allocated to the blending facility and the list of entities participating in the blending facility;
- (h) for budgetary guarantees: the amount of annual provisioning and, when applicable, the amount of the budgetary guarantee to be released.

The authorising officer by delegation may add any additional information considered appropriate either in the respective financing decision constituting the work programme or in any other document published on the internet site of the institution.

A multiannual financing decision shall be consistent with the financial programming referred to in Article 39(2) and shall specify that the implementation of the decision is subject to the availability of budget appropriations for the respective financial years after the adoption of the annual budget or as provided for in the system of provisional twelfths, unless it is the basis for budgetary commitments broken down into annual instalments as referred to in Article 110(2).

3. Without prejudice to any specific provision of a basic act, any substantial change in a financing decision already adopted shall follow the same procedure as the initial decision.

#### *Article 109* *Expenditure operations*

1. Every item of expenditure shall be committed, validated, authorised and paid.

At the end of the periods referred to in Article 112, the unused balance of budgetary commitments shall be subject of a de-commitment.

When executing operations, the authorising officer responsible shall ensure that the expenditure is in compliance with the Treaties, the budget, this Regulation, and other acts and regulations adopted pursuant to the Treaties as well as with the principle of sound financial management.

2. Budgetary commitments and legal commitments shall be adopted by the same authorising officer, except in duly justified cases. In particular, in the field of crisis management aid and humanitarian aid operations, legal commitments may be signed by the Heads of Union delegations, or in their absence by their deputies, on the instruction of the Commission's authorising officer responsible who remains fully responsible, however, for the underlying transaction. The personnel employed by the Commission in the field of crisis management aid and humanitarian aid operations may sign legal commitments linked to the payment executed from the imprest accounts of a value not exceeding EUR 2 500.

The authorising officer responsible shall make a budgetary commitment before entering into a legal commitment with third parties or transferring funds to a trust fund referred to in Article 227.

This obligation shall not be applicable to:

- (a) legal commitments concluded following a declaration of a crisis situation in the framework of a business continuity plan, in accordance with the procedures adopted by the Commission or by any other institution under its administrative autonomy;
  - (b) in the case of humanitarian aid operations, civil protection operations and crisis management aid, if efficient delivery of the Union's intervention requires that the Union enter into a legal commitment with third parties immediately and prior booking of the individual budgetary commitment is not possible. The booking of the budgetary commitment shall be done without delay after entering into a legal commitment with third parties.
3. The validation of expenditure is the act whereby the authorising officer responsible accepts charging an item of expenditure, after checking the supporting documents attesting the creditor's entitlement as per the conditions set in the legal commitment when there is a legal commitment. For this purpose, the authorising officer responsible shall:
    - (a) verify the existence of the creditor's entitlement;
    - (b) determine or verify the reality and the amount of the claim through the endorsement "certified correct";
    - (c) verify the conditions according to which payment is due.

Notwithstanding the above, the validation of expenditure shall not be limited to expenditure that is charged to the budget. It shall also apply to interim or final reports not associated with a request for payment in which case the impact on the accounting system will be limited to the general accounts. The validation decision shall be expressed through electronically secured signature as referred to in Article 141 by the authorising officer or by technically competent member of staff, duly empowered by a formal decision of the authorising officer or, exceptionally, for paper workflow, take the form of a stamp incorporating that signature.

With the endorsement "certified correct" the authorising officer responsible or a technically competent member of staff, duly empowered by the authorising officer responsible shall certify that:

- (a) for the pre-financing the conditions required in the legal commitment for the payment of the pre-financing are met;

- (b) for interim and balance payments in contracts the services provided for in the contract have been properly provided, the supplies properly delivered or that the work has been properly carried out;
  - (c) for interim and balance payments in grants the action or work programme carried out by the beneficiary is in all respects in compliance with the grant agreement, including, where applicable that the costs declared by the beneficiary are eligible. The same principle is valid also for interim and final reports not associated to a payment request.
4. The authorisation of expenditure is the act whereby the authorising officer responsible, having verified that the appropriations are available, instructs the accounting officer, by issuing a payment order, to pay an amount of expenditure which has been previously validated.
- Where periodic payments are made with regard to services rendered, including rental services, or goods delivered, and subject to the authorising officer's risk analysis, the authorising officer may order the application of a direct debit system from an imprest account, or if specifically authorised by the accounting officer in accordance with Article 83(3).
5. The de-commitment is the operation whereby the responsible authorising officer cancels wholly or partly the reservation of appropriations previously made with a budgetary commitment.

*Article 110*  
*Types of budgetary commitments*

1. Budgetary commitments shall fall into one of the following categories:
- (a) individual: when the recipient and the amount of the expenditure are known;
  - (b) global: when at least one of the elements necessary to identify the individual commitment is still not known;
  - (c) provisional: to cover routine management expenditure for the EAGF as referred to in Article 11(2) and routine administrative expenditure where either the amount or the final payees are not definitively known.

Routine administrative expenditure relating to Union delegations and Union Representations may however be covered by provisional commitments also when the amount and final payee are known.

2. Budgetary commitments for actions extending over more than one financial year may be broken down over several years into annual instalments only where the basic act so provides or where they relate to administrative expenditure.
3. A global budgetary commitment shall be made on the basis of a financing decision.
- The global budgetary commitment shall be made at the latest before the decision on the recipients and amounts is taken and, where implementation of the appropriations concerned involves the adoption of a work programme, at the earliest after that programme has been adopted.
4. The global budgetary commitment shall be implemented either by the conclusion of a financing agreement, itself providing for the subsequent conclusion of one or more legal commitments, or by the conclusion of one or more legal commitments.

Financing agreements in the field of direct financial assistance to third countries, including budget support, which constitute legal commitments may give rise to payments without the conclusion of other legal commitments.

Where the global commitment is implemented by the conclusion of a financing agreement, the second subparagraph of paragraph 3 shall not apply.

5. Each individual legal commitment adopted following a global budgetary commitment shall, prior to signature, be registered by the authorising officer responsible in the central budgetary accounts and booked to the global budgetary commitment.
6. Provisional budgetary commitments shall be implemented by the conclusion of one or more legal commitments giving rise to an entitlement to subsequent payments. However, in cases relating to expenditure on staff management or relating to communication expenditures engaged in by the institutions for the coverage of Union events or in cases referred to in point 14.5 of the Annex to this Regulation, they may be implemented directly by payments.

### *Article 111*

#### *Commitments for EAGF appropriations*

1. For each financial year, the EAGF appropriations shall include non-differentiated appropriations, with the exception of the expenditure related to the measures referred to in Article 4(2) and Article 6 of Regulation (EC) No 1306/2013, with the exception of measures financed under non-operational technical assistance and contributions to executive agencies, which shall be covered by differentiated appropriations.
2. The Commission decisions fixing the amount of reimbursement of such expenditure shall constitute global provisional commitments, which may not exceed the total appropriations entered for the EAGF.
3. Global provisional commitments for the EAGF which have been made for a financial year and which have not given rise to a commitment on specific lines in the budget nomenclature by 1 February of the following financial year shall be cancelled in respect of the financial year concerned.
4. Expenditure effected by the authorities and bodies referred to in the rules relating to the EAGF shall, within two months of receipt of the statements sent in by Member States, be the subject of a commitment by chapter, article and item. Such
5. commitments may be made after the lapse of that two-month period where a procedure for a transfer of appropriations concerning the relevant budget lines is necessary. Except where payment has not yet been made by the Member States or where eligibility is in doubt, the amounts shall be charged as payments within the same two-month period.

The commitments referred to in the first sub-subparagraph shall be deducted from the global provisional commitment referred to paragraph 1.

6. Paragraphs 2 and 3 shall apply subject to the examination and acceptance of accounts.

### *Article 112*

#### *Time limits for commitments*

1. Subject to Articles 109(2) and 256(3), legal commitments relating to individual or provisional budgetary commitments shall be concluded by 31 December of year n.
2. Global budgetary commitments shall cover the total cost of the corresponding legal commitments concluded up to 31 December of year n + 1.

Where the global budgetary commitment gives rise to the award of a prize referred to in Title IX, the legal commitment referred to in Article 200(4) shall be concluded by 31 December of year n+3.

In external actions, where the global budgetary commitment gives rise to a financing agreement concluded with a third country, the financing agreements shall be concluded by 31 December of year n+1, year n being the one in which the budgetary commitment was made. In this case, the

global budgetary commitment shall cover the costs of legal commitments implementing the financing agreement concluded until the end of the period of implementation of the financing agreement.

3. The individual and provisional budgetary commitments for actions extending over more than one financial year shall, except in the case of staff expenditure, have a final date for implementation set, in accordance with the conditions in the legal commitments to which they refer, and taking into account the principle of sound financial management.
4. Any parts of budgetary commitments which have not been executed by payments six months after the final date for implementation shall be decommitted in accordance with Article 13.
5. The amount of a budgetary commitment for which no payment within the meaning of Article 113 has been made within two years of the signing of the legal commitment shall be decommitted, except where that amount relates to a case under litigation before judicial courts or arbitral bodies, where the legal commitment takes the form of a financing agreement with a third country or where there are special provisions laid down in sector-specific rules.

*Article 113*  
*Types of payments*

1. Payment of expenditure shall be made by the accounting officer within the limits of the funds available.
2. Payment shall cover one or more of the following operations:
  - (a) payment of the entire amount due;
  - (b) payment of the amount due in any of the following ways:
    - (i) pre-financing providing a float, which may be divided into a number of payments in accordance with sound financial management and paid either on the basis of the contract, the agreement or the basic act, or on the basis of supporting documents which make it possible to check that the terms of the contract or agreement in question are complied with;
    - (ii) one or more interim payments as a counterpart of a partial execution of the action or performance of the contract. It may clear pre-financing in whole or in part, without prejudice to the provisions of the basic act;
    - (iii) payment of the balance of the amounts due where the action or contract is completely executed.
  - (c) payment of a provision into the common provisioning fund established pursuant to Article 205.

The payment of the balance may not be repeated and shall clear all preceding expenditure, a recovery order shall be issued to recover unused amounts.

3. A distinction shall be made in budgetary accounting between the different types of payment referred to in paragraph 2 at the time each payment is made.
4. The accounting rules referred to in Article 79 shall include the rules for clearing the pre-financing in the accounts and for the acknowledgment of the eligibility of costs.
5. Pre-financing payments shall be cleared regularly by the authorising officer responsible, according to the economic nature and at the latest at the end of the project. The clearing will be performed on the basis of information on costs incurred or confirmation of the conditions for payment being achieved in accordance with Article 121 as validated by the authorising officer in accordance with Article 109(3).

For grant agreements, contracts or contribution agreements above EUR 5 000 000, the authorising officer shall obtain at each year-end at least the information needed to calculate a reasonable estimate of those costs. Although this cannot be used for clearing the pre-financing it will enable both the authorising officer and the accounting officer to comply with the obligations set out in Article 80(2).

For the purposes of the second subparagraph, appropriate provisions shall be included in the legal commitments signed.

*Article 114*  
*Time limits for payments*

1. Payments shall be made within:
  - (a) 90 calendar days for contribution agreements, contracts and, grant agreements involving technical services or actions which are particularly complex to evaluate and for which payment depends on the approval of a report or a certificate;
  - (b) 60 calendar days for all other contribution agreements, contracts and, grant agreements for which payment depends on the approval of a report or a certificate;
  - (c) 30 calendar days for all other contribution agreements, contracts, and grant agreements.

2. The time allowed for making payments shall be understood to include validation, authorisation and the payment of expenditure.

It shall begin to run from the date on which a payment request is received.

A payment request shall be registered by the authorised department of the authorising officer responsible as soon as possible and is deemed to be received on the date it is registered.

The date of payment is deemed to be the date on which the institution's account is debited.

A payment request shall include the following essential elements:

- (a) the creditor's identification;
- (b) the amount;
- (c) the currency;
- (d) the date.

Where at least one essential element is missing, the payment request shall be rejected.

The creditor shall be informed in writing of the rejection and the reasons for it as soon as possible and in any case within 30 calendar days from the date on which the payment request was received.

3. The authorising officer responsible may suspend the time limit for payment where:

- (a) the amount of the payment request is not due; or
- (b) the appropriate supporting documents have not been produced.

If information comes to the notice of the authorising officer responsible which puts in doubt the eligibility of expenditure in a payment request, he or she may suspend the time limit for payment for the purpose of verifying, including by means of on-the-spot checks, that the expenditure is indeed eligible. The remaining time allowed for payment shall begin to run again from the date on which the requested information or revised documents are received or the necessary further verification, including on-the-spot checks, is carried out.

The creditors concerned shall be informed in writing of the reasons for that suspension.



4. Except in the case of Member States, the European Investment Bank and the European Investment Fund, on the expiry of the time limits laid down in paragraph 1, the creditor shall be entitled to interest in accordance with the following conditions:
  - (a) the interest rates shall be those referred to in Article 97(2);
  - (b) the interest shall be payable for the period elapsing from the calendar day following expiry of the time limit for payment laid down in paragraph 1 up to the day of payment.

However, in the event that the interest calculated in accordance with the first subparagraph is lower than or equal to EUR 200, it shall be paid to the creditor only upon a demand submitted within two months of receiving late payment.

5. Each institution shall submit to the European Parliament and Council a report on the compliance with the time-limits and on the suspension of the time-limits laid down in paragraphs 1 to 4 of this Article. The report of the Commission shall be annexed to the summary of the annual activity reports referred to in Article 73(9).

## Chapter 8

### Internal auditor

#### *Article 115*

#### *Appointment of the internal auditor*

1. Each institution shall establish an internal auditing function which shall be performed in compliance with the relevant international standards. The internal auditor appointed by the institution shall be accountable to the latter for verifying the proper operation of budgetary implementation systems and procedures. The internal auditor may be neither authorising officer nor accounting officer.
2. For the purposes of the internal auditing of the EEAS, Heads of Union delegations, acting as authorising officers by subdelegation in accordance with Article 58(2), shall be subject to the verifying powers of the internal auditor of the Commission for the financial management subdelegated to them.  
  
The internal auditor of the Commission shall also act as the internal auditor of the EEAS in respect of the implementation of the EEAS section of the budget.
3. Each institution shall appoint its internal auditor in accordance with arrangements adapted to its specific features and requirements. The institution shall inform the European Parliament and Council of the appointment of the internal auditor.
4. Each institution shall determine, in accordance with its specific features and its requirements, the scope of the mission of the internal auditor and shall lay down in detail the objectives and procedures for the exercise of the internal audit function with due respect for international internal audit standards.
5. The institution may appoint as internal auditor, by virtue of their particular competence, an official or other servant covered by the Staff Regulations chosen from nationals of the Member States.
6. If two or more institutions appoint the same internal auditor they shall make the necessary arrangements for him to be declared liable for his actions as laid down in Article 119.
7. The institution shall inform the European Parliament and Council when the duties of the internal auditor are terminated.

#### *Article 116*

#### *Powers and duties of the internal auditor*

1. The internal auditor shall advise his or her institution on dealing with risks, by issuing independent opinions on the quality of management and control systems and by issuing recommendations for improving the conditions of implementation of operations and promoting sound financial management.  
  
The internal auditor shall be responsible, in particular, for:
  - (a) assessing the suitability and effectiveness of internal management systems and the performance of departments in implementing policies, programmes and actions by reference to the risks associated with them;
  - (b) assessing the efficiency and effectiveness of the internal control and audit systems applicable to each budgetary implementation operation.
2. The internal auditor shall perform his or her duties in relation to all the institution's activities and departments. He or she shall enjoy full and unlimited access to all information required to

perform his or her duties, if necessary on the spot access, including in the Member States and in third countries.

The internal auditor shall take note of the annual report of the authorising officers and any other pieces of information identified.

3. The internal auditor shall report to the institution on his or her findings and recommendations. The institution shall ensure that action is taken with regard to recommendations resulting from audits. The internal auditor shall also submit to the institution an annual internal audit report indicating the number and type of internal audits carried out, the recommendations made and the action taken with regard to those recommendations.

Each institution shall consider whether the recommendations made in the reports of its internal auditor are suitable for an exchange of best practices with the other institutions.

4. The internal auditor shall also submit to the institution an annual internal audit report indicating the number and type of internal audits carried out, the principal recommendations made and the action taken with regard to those recommendations.

That annual report shall also mention any systemic problems detected by the panel set up pursuant to Article 139 where it gives the opinion referred to under Article 90.

5. The internal auditor shall, during the elaboration of his report, particularly focus on the overall compliance with the principle of sound financial management and shall ensure that appropriate measures have been taken in order to steadily improve and enhance its application.

6. Each year, the Commission shall, in the context of the discharge procedure and in accordance with Article 319 TFEU, forward on request its annual internal audit report within the meaning of paragraph 3 of this Article with due regard to confidentiality requirements.

7. The institution shall make available the contact details of the internal auditor to any natural or legal person involved in expenditure operations, for the purposes of confidentially contacting the internal auditor.

8. Each year the institution shall draft a report containing a summary of the number and type of internal audits carried out, the recommendations made and the action taken on those recommendations and forward it to the European Parliament and the Council as provided for in Article 239.

9. The reports and findings of the internal auditor, as well as the report of the institution, shall be accessible to the public only after validation by the internal auditor of the action taken for their implementation.

10. The institution shall provide the internal auditor with the resources required for the proper performance of his audit function and a mission charter detailing his tasks, duties and obligations.

#### *Article 117*

##### *Work programme of the internal auditor*

1. The internal auditor shall adopt his work programme and shall submit it to the institution.
2. The institution may ask the internal auditor to carry out audits not included in the work programme referred to in paragraph 1.

*Article 118*  
*Independence of the internal auditor*

1. The internal auditor shall enjoy complete independence in the conduct of his audits. Special rules applicable to the internal auditor shall be laid down by the institution and shall be such as to guarantee that the internal auditor is totally independent in the performance of his or her duties, and to establish the internal auditor's responsibility.
2. He may not be given any instructions nor be restricted in any way as regards the performance of the functions which, by virtue of his appointment, are assigned to him under the Financial Regulation.
3. If the internal auditor is a member of staff, he or she shall exercise exclusive audit functions in full independence and assume responsibility as laid down in the Staff Regulations and set out in the delegated acts adopted pursuant to this Regulation.

*Article 119*  
*Liability of the internal auditor*

The institution alone, proceeding in accordance with this Article, may act to have the internal auditor, as an official or other servant subject to the Staff Regulations, declared liable for his actions.

The institution shall take a reasoned decision to open an investigation. That decision shall be communicated to the interested party. The institution may put in charge of the investigation, under its direct responsibility, one or more officials of a grade equal to or higher than that of the member of staff concerned. In the course of the investigation, the views of the interested party shall be heard.

The investigation report shall be communicated to the interested party, who shall then be heard by the institution on the subject of that report.

On the basis of the report and the hearing, the institution shall adopt either a reasoned decision terminating the proceedings or a reasoned decision in accordance with Articles 22, 86 and Annex IX of the Staff Regulations. Decisions imposing disciplinary measures or financial penalties shall be notified to the interested party and communicated, for information purposes, to the other institutions and the Court of Auditors.

The interested party may bring an action in respect of such decisions before the Court of Justice of the European Union, as provided for in the Staff Regulations.

*Article 120*  
*Action before the Court of Justice of the European Union*

Without prejudice to the remedies allowed by the Staff Regulations, the internal auditor may bring an action directly before the Court of Justice of the European Union in respect of any act relating to the performance of his duties as internal auditor. Such an action must be lodged within three months running from the calendar day on which the act in question is notified.

Such actions shall be investigated and heard as provided for in Article 91(5) of the Staff Regulations of Officials of the European Union.

## TITLE V COMMON RULES

### CHAPTER 1 RULES APPLICABLE TO DIRECT, INDIRECT AND SHARED IMPLEMENTATION

#### *Article 121*

##### *Forms of Union contribution*

1. Union contributions in direct, shared and indirect implementation shall help achieve a Union policy objective and results specified and may take any of the following forms:
  - (a) reimbursement of eligible costs actually incurred;
  - (b) unit costs, which cover all or certain specific categories of eligible costs which are clearly identified in advance by reference to an amount per unit;
  - (c) lump sums, which cover in global terms all or certain specific categories of eligible costs which are clearly identified in advance;
  - (d) flat-rate financing, which covers specific categories of eligible costs, which are clearly identified in advance, by applying a percentage;
  - (e) financing not linked to costs of the relevant operations based on:
    - i) either the fulfilment of conditions set out in sector specific legislation or Commission Decisions or
    - ii) the achievement of results measured by reference to the previously set milestones or through performance indicators;
  - (f) a combination of the forms referred to in points (a) to (e).

Union contributions under points (b), (c) and (d) shall be established in accordance with Article 175 or sector specific legislation. Union contributions under point (e) shall be established in accordance with Article 175, sector specific legislation or a Commission decision.
2. When determining the appropriate form of a contribution, the potential recipients' interests and accounting methods shall be taken into account to the greatest possible extent.

#### *Article 122*

##### *Cross-reliance on assessment*

The Commission may rely in full or in part on assessments made by itself or other entities, including donors, insofar as these assessments were made with regard to conditions equivalent to those set out in this Regulation for the applicable method of budget implementation. To this end, the Commission shall promote the recognition of internationally accepted standards or international best practices.

#### *Article 123*

##### *Cross-reliance on audits*

Where an audit based on internationally accepted standards providing reasonable assurance has been conducted by an independent auditor on the financial statements and reports setting out the use of the Union contribution, that audit shall form the basis of the overall assurance, as further specified, where appropriate, in sector specific rules.

*Article 124*  
*Cooperation for protection of Union's financial interests*

1. Any person or entity receiving Union funds shall fully cooperate in the protection of the Union's financial interests and grant as a condition for receiving the funds the necessary rights and access required for the authorizing officer responsible, the European Anti-Fraud Office (OLAF) and the European Court of Auditors (ECA), and where appropriate the relevant national authorities, to comprehensively exert their respective competences. In the case of OLAF, this shall include the right to carry out investigations, including on-the-spot checks and inspections.
2. Any person or entity receiving Union funds under direct and indirect implementation shall agree in writing to grant the necessary rights as referred to in paragraph 1. This includes the obligation for any third parties involved in the implementation of Union funds to ensure equivalent rights.

*Article 125*  
*Transfer of resources to instruments established under this Regulation or sector specific Regulations*

Resources allocated to Member States under shared implementation may, at their request, be transferred to instruments established under this Regulation or under sector specific Regulations. The Commission shall implement these resources in accordance with point (a) or (c) of Article 61(1), where possible for the benefit of the Member State concerned. In addition resources allocated to Member States under shared implementation may at their request be used to enhance the risk-bearing capacity of the EFSI. In such cases, EFSI rules shall apply.

## **CHAPTER 2**

### **RULES APPLICABLE TO DIRECT AND INDIRECT IMPLEMENTATION**

#### **SECTION 1**

#### **RULES ON PROCEDURES AND IMPLEMENTATION**

*Article 126*  
*Financial framework partnerships*

1. The Commission may establish financial framework partnership agreements for a long-term cooperation with persons and entities implementing Union funds pursuant to point (c) of Article 61(1) or beneficiaries. Financial framework partnership agreements shall be reviewed at least once every multiannual financial framework without prejudice to point (c) of paragraph 4. Contribution agreements or grant agreements may be signed under such agreements.
2. The financial framework partnership agreement shall specify the forms of financial cooperation, the common objectives of the cooperation as well as the principles governing such cooperation between the Commission and persons and entities implementing Union funds pursuant to point (c) of Article 61(1) or beneficiaries. These agreements shall also reflect the extent to which the Commission may rely on the systems and the procedures of the persons or entities implementing Union funds pursuant to point (c) of Article 61(1) or beneficiaries, including audit procedures.
3. With a view to optimise costs and benefits of audits and facilitate coordination, audit or verification agreements may be concluded with persons and entities implementing funds pursuant to point (c) of Article 61(1) or beneficiaries of grants. In the case of the European Investment Bank the tripartite agreement concluded with the Commission and the European Court of Auditors shall apply.
4. In case of financial framework partnerships implemented through specific grants:

- (a) the agreement shall, in addition to paragraph 2, specify:
    - (i) the nature of the actions or work programmes foreseen;
    - (ii) the procedure for awarding specific grants, in compliance with the principles and procedural rules in Title VIII;
  - (b) the provisions of the financial framework partnership agreement and the specific grant agreement shall together comply with the requirements of Article 194;
  - (c) the duration of the partnership may not exceed four years save in duly justified cases;
  - (d) the financial framework partnership shall be used in compliance with the principles of transparency and equal treatment of applicants;
  - (e) the financial framework partnership shall be treated as a grant with regard to programming, *ex ante* publication and award;
  - (f) specific grants based on such a partnership shall be subject to the *ex post* publication procedures referred to in paragraph 2 of Article 183.
5. The financial framework partnership agreement implemented through specific grants may provide for the reliance on the systems and the procedures of the beneficiary in accordance with paragraph 2, where those systems and procedures have been assessed in accordance with paragraphs 2, 3 and 4 of Article 149. In such a case point (d) of Article 189(1) shall not apply. Where the procedures of the beneficiary for providing financing to third parties referred to in point (d) of Article 149(4) were positively assessed, Article 197 and Article 198 shall not apply.
  6. In the case of financial framework partnership agreement implemented through specific grants the verification of the operational and financial capacity referred to in Article 191 shall be performed before signature of the financial framework partnership agreement. The Commission may rely on an equivalent verification of the financial and operational capacity carried out by other donors.
  7. In case of financial framework partnerships implemented through contribution agreements the provisions of the financial framework partnership agreement and the contribution agreement shall together comply with the requirements of Article 150(4) and Article 124.
  8. The Commission shall endeavour to harmonise its reporting requirements with those of other donors.

#### *Article 127*

#### *Suspension, termination and reduction*

1. Where the award procedure has been subject to irregularities or fraud, the authorising officer responsible shall suspend the procedure and may take whatever measures are necessary, including the cancellation of the procedure. The authorising officer responsible shall inform European Anti-Fraud Office immediately of suspected cases of fraud.
2. Where, after the award, the award procedure proves to have been subject to irregularities or fraud, the authorising officer responsible may:
  - (a) refuse to sign the legal commitment or cancel the award of a prize;
  - (b) suspend payments;
  - (c) suspend the implementation of the legal commitment;
  - (d) where appropriate, terminate the legal commitment in whole or with regard to one recipient.

3. The authorising officer responsible may also suspend payments or the implementation of the legal commitment where:
  - (a) the implementation of the legal commitment proves to have been subject to irregularities, fraud or breach of obligations;
  - (b) it is necessary to verify whether presumed irregularities, fraud or breach of obligations have actually occurred;
  - (c) irregularities, fraud or breach of obligations call into question the reliability or effectiveness of the internal control systems of an entity or person implementing Union funds pursuant to point (c) of Article 61(1) or the legality and regularity of the underlying transactions.

Where the presumed irregularities, fraud or breach of obligations referred to in point (b) of the first subparagraph are not confirmed, the implementation or payments shall resume as soon as possible.

The authorising officer responsible may terminate the legal commitment in whole or with regard to one recipient in the cases referred to in points (a) and (c) of the first subparagraph.

4. In addition to measures referred to in paragraphs 2 or 3, the authorising officer responsible may reduce the grant, the prize, the contribution under the contribution agreement or the price under a contract in proportion to the seriousness of the irregularities, fraud or of the breach of obligations, including where the activities concerned were not implemented or were implemented poorly, partially or late.

In case of financing referred to in point (e) of Article 121(1) the authorising officer responsible may reduce the contribution proportionally if the results have been achieved poorly, partially or late or the conditions have not been fulfilled.

5. Points (b), (c) and (d) of paragraph 2 and paragraph 3 shall not apply to applicants in a contest for prizes.

#### *Article 128* *Record-keeping*

1. Recipients shall keep records, supporting documents, statistical records and other records pertaining to the funding, including records and documents in an electronic format, for five years following the payment of the balance or, in the absence of such payment, the transaction. This period shall be three years where the funding is of an amount lower than or equal to 60 000 EUR.
2. Records and documents pertaining to audits, appeals, litigation, the pursuit of claims relating to the legal commitment or to European Anti-Fraud Office investigations if notified to the recipient, shall be retained until such audits, appeals, litigation, claims or investigations have been closed.
3. Records and documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic versions of original documents or documents existing in electronic version only. In the latter case, no originals shall be required where these documents meet the applicable legal requirements in order to be considered conform to originals and to be relied on for audit purposes.



*Article 129*  
*Adversarial procedure and means of redress*

1. Before adopting any measure adversely affecting the rights of a participant or a recipient the authorising officer responsible shall ensure that the participant or the recipient has been given the opportunity to submit observations.
2. Where a measure of an authorising officer adversely affects the rights of a participant or a recipient, the act establishing that measure shall contain an indication of the available means of administrative and/or judicial redress for challenging it.

*Article 130*  
*Interest rate rebates and guarantee fee subsidies*

1. Interest rate rebates and guarantee fee subsidies shall be provided in accordance with Title X where they are combined in a single measure with financial instruments.
2. Where interest rate rebates and guarantee fee subsidies are not combined in a single measure with financial instruments they may be provided in accordance with Title VI or Title VIII.

**SECTION 2**  
**EARLY DETECTION AND EXCLUSION SYSTEM**

*Article 131*  
*Protection of the Union's financial interests by means of detection of risks and imposition of administrative sanctions*

1. In order to protect the Union's financial interests, the Commission shall set up and operate an early detection and exclusion system on participants and recipients.

The purpose of such a system shall be to facilitate:

- (a) the early detection of participants and recipients which pose a risk to the Union's financial interests;
- (b) the exclusion of participants and recipients which are in one of the exclusion situations listed in Article 132(1);
- (c) the imposition of a financial penalty on a recipient pursuant to Article 134.

The early detection and exclusion system shall also apply to:

- (a) entities on whose capacity the candidate or tenderer intends to rely or subcontractors of a contractor;
- (b) any person or entity receiving Union funds where the budget is implemented under point (c) of Article 61(1) on the basis of information notified in accordance with paragraph 4 of Article 150. For financial instruments, in the absence of rules and procedures fully equivalent to those referred to in point (d) of Article 149(4), final recipients and intermediaries shall provide the person or entity implementing Union funds pursuant to point (c) Article 61(1) with a signed declaration on honour confirming that they are not in one of the situations referred to in points (a), (b), (c) and (d) of Article 132(1) or points (b) and (c) of Article 137(1) or in a situation deemed equivalent following the assessment carried out in accordance with Article 149(4);
- (c) any person or entity receiving Union funds under financial instruments exceptionally implemented in accordance with point (a) of Article 61 (1). Final recipients shall provide financial intermediaries with a signed declaration on honour confirming that they are not in

one of the situations referred to in points (a), (b), (c) and (d) of Article 132(1) or points (b) and (c) of Article 137(1);

- (d) participants or recipients on which entities implementing the budget in accordance with Article 62 have provided information in accordance with point (d) of Article 138(2).
2. The decision to register an early detection information, to exclude and/or to impose a financial penalty shall be taken by the authorising officer responsible. Information related to such decisions shall be registered in the database referred to in paragraph 1 of Article 138. Where such a decision is taken on the basis of paragraph 4 of Article 132, the information registered in the database shall include the information concerning the persons referred to in paragraph 4 of Article 132.
  3. The decision to exclude or impose financial penalties may be based on a final judgment or on a final administrative decision in the situations referred to in Article 132(1) or on a preliminary classification in law by the panel referred to in Article 139 in the situations referred to in Article 132(2) in order to ensure a centralised assessment of those situations. In the cases referred to in Article 137, the authorising officer responsible shall reject a participant from a given procedure.

### *Article 132*

#### *Exclusion criteria and administrative sanctions*

1. The authorising officer responsible shall exclude a person or entity referred to in Article 131(1) from participating in award procedures governed by this Regulation or from being selected for implementing Union funds where:
  - (a) the person or entity is bankrupt, subject to insolvency or winding-up procedures, where its assets are being administered by a liquidator or by a court, where it is in an arrangement with creditors, where its business activities are suspended, or where it is in any analogous situation arising from a similar procedure provided for under EU or national laws or regulations;
  - (b) it has been established by a final judgment or a final administrative decision that the person or entity is in breach of its obligations relating to the payment of taxes or social security contributions in accordance with the applicable law;
  - (c) it has been established by a final judgment or a final administrative decision that the person or entity is guilty of grave professional misconduct by having violated applicable laws or regulations or ethical standards of the profession to which the person or entity belongs, or by having engaged in any wrongful conduct which has an impact on its professional credibility where such conduct denotes wrongful intent or gross negligence, including, in particular, any of the following:
    - (i) fraudulently or negligently misrepresenting information required for the verification of the absence of grounds for exclusion or the fulfilment of eligibility or selection criteria or in the performance of the legal commitment;
    - (ii) entering into agreement with other persons or entities with the aim of distorting competition;
    - (iii) violating intellectual property rights;
    - (iv) attempting to influence the decision-making of the authorising officer responsible during the award procedure;
    - (v) attempting to obtain confidential information that may confer upon it undue advantages in the award procedure;

- (d) it has been established by a final judgment that the person or entity is guilty of any of the following:
- (i) fraud, within the meaning of Article 1 of the Convention on the protection of the European Communities' financial interests, drawn up by the Council Act of 26 July 1995<sup>37</sup>;
  - (ii) corruption, as defined in Article 3 of the Convention on the fight against corruption involving officials of the European Communities or officials of Member States of the European Union, drawn up by the Council Act of 26 May 1997<sup>38</sup>, and in Article 2(1) of Council Framework Decision 2003/568/JHA<sup>39</sup>, as well as corruption as defined in the applicable law;
  - (iii) participation in a criminal organisation, as defined in Article 2 of Council Framework Decision 2008/841/JHA<sup>40</sup>;
  - (iv) money laundering or terrorist financing, as defined in Article 1 of Directive 2005/60/EC of the European Parliament and of the Council<sup>41</sup>;
  - (v) terrorist-related offences or offences linked to terrorist activities, as defined in Articles 1 and 3 of Council Framework Decision 2002/475/JHA<sup>42</sup>, respectively, or inciting, aiding, abetting or attempting to commit such offences, as referred to in Article 4 of that Decision;
  - (vi) child labour or other forms of trafficking in human beings as defined in Article 2 of Directive 2011/36/EU of the European Parliament and of the Council<sup>43</sup>;
- (e) the person or entity has shown significant deficiencies in complying with main obligations in the performance of a legal commitment financed by the budget;
- (f) it has been established by a final judgment or final administrative decision that the person or entity has committed an irregularity within the meaning of Article 1(2) of Council Regulation (EC, Euratom) No 2988/95<sup>44</sup>.

2. In the absence of a final judgment or, where applicable, a final administrative decision in the cases referred to in points (c), (d) and (f) of paragraph 1, or in the case referred to in point (e) of paragraph 1, the authorising officer responsible shall exclude a person or entity referred to in Article 131(1) on the basis of a preliminary classification in law of a conduct referred to in those points, having regard to established facts or other findings contained in the recommendation of the panel referred to in Article 139.

The preliminary classification referred to in the first subparagraph does not prejudice the assessment of the conduct of the person or entity referred to in Article 131(1) concerned by the

<sup>37</sup> OJ C 316, 27.11.1995, p. 48.

<sup>38</sup> OJ C 195, 25.6.1997, p. 1.

<sup>39</sup> Council Framework Decision 2003/568/JHA of 22 July 2003 on combating corruption in the private sector ([OJ L 192, 31.7.2003, p. 54](#)).

<sup>40</sup> Council Framework Decision 2008/841/JHA of 24 October 2008 on the fight against organised crime ([OJ L 300, 11.11.2008, p. 42](#)).

<sup>41</sup> Directive 2005/60/EC of the European Parliament and of the Council of 26 October 2005 on the prevention of the use of the financial system for the purpose of money laundering and terrorist financing ([OJ L 309, 25.11.2005, p. 15](#)).

<sup>42</sup> Council Framework Decision 2002/475/JHA of 13 June 2002 on combating terrorism ([OJ L 164, 22.6.2002, p. 3](#)).

<sup>43</sup> Directive 2011/36/EU of the European Parliament and of the Council of 5 April 2011 on preventing and combating trafficking in human beings and protecting its victims, and replacing Council Framework Decision 2002/629/JHA ([OJ L 101, 15.4.2011, p. 1](#)).

<sup>44</sup> Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests ([OJ L 312, 23.12.1995, p. 1](#)).

competent authorities of the Member States under national law. The authorising officer responsible shall review its decision to exclude the person or entity referred to in Article 131(1) and/or to impose a financial penalty on a recipient without delay following the notification of a final judgment or a final administrative decision. In cases where the final judgment or the final administrative decision does not set the duration of the exclusion, the authorising officer responsible shall set this duration on the basis of established facts and findings and having regard to the recommendation of the panel referred to in Article 139.

Where such final judgment or final administrative decision holds that the person or entity referred to in Article 131(1) is not guilty of the conduct subject to a preliminary classification in law, on the basis of which it has been excluded, the authorising officer responsible shall, without delay, bring an end to that exclusion and/or reimburse, as appropriate, any financial penalty imposed.

The facts and findings referred to in the first subparagraph shall include, in particular:

- (a) facts established in the context of audits or investigations carried out by the Court of Auditors, European Anti-Fraud Office or internal audit, or any other check, audit or control performed under the responsibility of the authorising officer;
  - (b) non-final administrative decisions which may include disciplinary measures taken by the competent supervisory body responsible for the verification of the application of standards of professional ethics;
  - (c) decisions of entities and persons implementing Union funds pursuant to point (c) of Article 61(1) or of entities implementing the budget pursuant to Article 62;
  - (d) decisions of the Commission relating to the infringement of the Union's competition rules or of a national competent authority relating to the infringement of Union or national competition law.
3. Any decision of the authorising officer responsible taken under Articles 131 to 138 or, where applicable, any recommendation of the panel referred to in Article 139, shall be made in compliance with the principle of proportionality, in particular taking into account:
- (a) the seriousness of the situation, including the impact on the Union's financial interests and image;
  - (b) the time which has elapsed since the relevant conduct;
  - (c) its duration and its recurrence;
  - (d) the intention or degree of negligence;
  - (e) the limited amount at stake for point (b) of paragraph 1 of this Article;
  - (f) any other mitigating circumstances, such as the degree of collaboration of the person or entity referred to in Article 131(1) concerned with the relevant competent authority and its contribution to the investigation as recognised by the authorising officer responsible, or the disclosure of the exclusion situation by means of the declaration referred to in Article 133(1).
4. The authorising officer responsible shall exclude the person or entity referred to in Article 131(1) where:
- (a) a natural or legal person who is a member of the administrative, management or supervisory body of the person or entity referred to in Article 131(1), or who has powers of representation, decision or control with regard to these persons or entities is in one or more of the situations referred to in points (c) to (f) of paragraph 1;

- (b) a natural or legal person that assumes unlimited liability for the debts of that person or entity referred to in Article 131(1) is in one or more of the situations referred to in point (a) or (b) of paragraph 1;
  - (c) a natural person who is essential for the award or for the implementation of the legal commitment and is in one or more of the situations referred to in point (c) to (f) of paragraph 1.
5. In the cases referred to in paragraph 2 of this Article, the authorising officer responsible may exclude a person or entity referred to in Article 131(1) provisionally without the prior recommendation of the panel referred to in Article 139, where their participation in an award procedure or their selection for implementing Union funds would constitute a serious and imminent threat to the Union's financial interests. In such cases, the authorising officer responsible shall immediately refer the case to the panel and shall take a final decision no later than 14 days after having received the recommendation of the panel.
6. The authorising officer responsible, having regard, where applicable, to the recommendation of the panel referred to in Article 139, shall not exclude a person or entity referred to in Article 131(1) from participating in an award procedure and from being selected to implement Union funds where:
- (a) the person or entity has taken remedial measures specified in paragraph 7, to an extent that is sufficient to demonstrate its reliability. This point shall not apply in the case referred to in point (d) of paragraph 1 of this Article;
  - (b) it is indispensable to ensure the continuity of service, for a limited duration and pending the adoption of remedial measures specified in paragraph 7;
  - (c) such an exclusion would be disproportionate on the basis of the criteria referred to in paragraph 3 of this Article.

In addition, point (a) of paragraph 1 of this Article shall not apply in the case of the purchase of supplies on particularly advantageous terms from either a supplier which is definitively winding up its business activities or the liquidators in an insolvency procedure, an arrangement with creditors, or a similar procedure under EU or national laws or regulations.

In the cases of non-exclusion referred to in the first and second subparagraphs of this paragraph, the authorising officer responsible shall specify the reasons for not excluding the person or entity referred to in Article 131(1) and inform the panel referred to in Article 139 of those reasons.

7. The measures referred to in paragraph 6, which remedy the exclusion situation may include, in particular:
- (a) measures to identify the origin of the situations giving rise to exclusion and concrete technical, organisational and personnel measures within the relevant business or activity area of the person or entity referred to in Article 131(1), appropriate to correct the conduct and prevent its further occurrence;
  - (b) proof that the person or entity referred to in Article 131(1) has undertaken measures to compensate or redress the damage or harm caused to the Union's financial interests by the underlying facts giving rise to the exclusion situation;
  - (c) proof that the person or entity referred to in Article 131(1) has paid or secured the payment of any fine imposed by the competent authority or of any taxes or social security contributions referred to in point (b) of paragraph 1.
8. The authorising officer responsible, having regard, where applicable, to the revised recommendation of the panel referred to in Article 139, shall, without delay, revise its decision to exclude a person or entity referred to in Article 131(1) *ex officio* or on request from that

person or entity , where the latter has taken remedial measures sufficient to demonstrate its reliability or has provided new elements demonstrating that the exclusion situation referred to in paragraph 1 of this Article no longer exists.

### *Article 133*

#### *Declaration and evidence of absence of situation of exclusion*

1. A participant shall declare whether it is in one of the situations referred to Article 132(1) or Article 137(1), and, where applicable, whether it has taken any remedial measures referred to in point (a) of Article 132(6).

The candidate or tenderer shall provide the same declaration signed by a subcontractor or by any other entity on whose capacity it intends to rely, as the case may be. In case where an entity on whose capacity the candidate or tenderer intends to rely or a subcontractor of a contractor is in an exclusion situation, the authorising officer responsible shall require that the candidate or tenderer replaces them.

The authorising officer responsible shall not request such a declaration when this declaration has already been submitted for the purposes of another award procedure, provided that the situation has not changed, and that the time that has elapsed since the issuing date of the declaration does not exceed one year.

The authorising officer responsible may waive the requirements under the first and second subparagraphs for very low value contracts to be defined in the Annex.

2. Whenever requested by the authorising officer responsible and where this is necessary to ensure the proper conduct of the procedure, the participant, the entity on whose capacity a candidate or tenderer intends to rely or a subcontractor of such a candidate or tenderer shall provide:

- (a) appropriate evidence that it is not in one of the exclusion situations referred to in Article 132(1);
- (b) information on natural or legal persons that are members of the administrative, management or supervisory body of the participant or that have powers of representation, decision or control with regard to that participant and appropriate evidence that one or several of those persons are not in one of the exclusion situations referred to in points (c) to (f) of Article 132(1).
- (c) appropriate evidence that natural or legal persons that assume unlimited liability for the debts of that participant are not in an exclusion situation referred to in point (a) or (b) of Article 132(1).

3. The authorising officer responsible shall accept as satisfactory evidence that a participant or an entity referred to in paragraph 2 is not in one of the situations described in points (a), (c), (d) or (f) of Article 132(1), a recent extract from the judicial record or, failing that, an equivalent document recently issued by a judicial or administrative authority in its country of establishment showing that those requirements are satisfied.

The authorising officer responsible shall accept, as satisfactory evidence that a participant or an entity referred to in paragraph 2 is not in the situation described in point (a) or (b) of Article 132(1), a recent certificate issued by the competent authority of the State concerned. Where the certificate is not issued in the country concerned the participant may provide a sworn statement made before a judicial authority or notary or, failing that, a solemn statement made before an administrative authority or a qualified professional body in its country of establishment.

4. The authorising officer responsible shall waive the obligation of a participant or an entity referred to in paragraph 2 to submit the documentary evidence referred to in paragraph 2 and 3:

- (a) if it can access it on a national database free of charge;
  - (b) if such evidence has already been submitted to it for the purposes of another procedure and provided that any submitted documents are still valid and that the time that has elapsed since the issuing date of the documents does not exceed one year;
  - (c) if there is a material impossibility to provide such evidence recognised by the authorising officer responsible.
5. Paragraphs 1 to 4 shall not apply to persons and entities implementing Union funds pursuant to point (c) of Article 61(1) or to bodies within the meaning of Articles 69 and 70.

*Article 134*  
*Financial penalties*

1. In order to ensure a deterrent effect, the authorising officer responsible may, having regard, where applicable, to the recommendation of the panel referred to in Article 139, impose a financial penalty on a recipient with whom a legal commitment has been concluded and who is in a situation referred to in points (c), (d), (e) or (f) of Article 132(1).
- Regarding the situations referred to in points (c), (d), (e) and (f) of Article 132(1), the financial penalty may be imposed as an alternative to a decision to exclude a recipient, where such an exclusion would be disproportionate on the basis of the criteria referred to in Article 132(3).
- Regarding the situations referred to in points (c), (d), (e) and (f) of Article 132(1), the financial penalty may be imposed in addition to an exclusion which is necessary to protect the Union's financial interests, where the recipient has adopted a systemic and recurrent conduct with the intention to unduly obtain Union funds.
2. The amount of the financial penalty shall not exceed 10 % of the total value of the legal commitment. In case of a grant agreement signed with a number of beneficiaries the financial penalty shall not exceed 10 % of the grant amount the beneficiary concerned is entitled to in accordance with the grant agreement.

*Article 135*  
*Duration of exclusion and limitation period*

1. The duration of exclusion shall not exceed any of the following:
- (a) the duration, if any, set by the final judgement or the final administrative decision of a Member State;
  - (b) five years for the cases referred to in point (d) of of Article 132(1);
  - (c) three years for the cases referred to in points (c), (e) and (f) of Article 132(1).
- A person or entity referred to in Article 131(1) shall be excluded as long as it is in one of the situations referred to in points (a) and (b) of Article 132(1).
2. The limitation period to exclude and/or impose financial penalties on a person or entity referred to Article 131(1) shall be five years calculated from any of the following:
- (a) the date of the conduct giving rise to exclusion or, in the case of continued or repeated acts, the date on which the conduct ceases, in the cases referred to in points (b), (c), (d) and (e) of Article 132(1);
  - (b) the date of the final judgment of a national jurisdiction or of the final administrative decision in the cases referred to in points (b), (c) and (d) of Article 132(1).

The limitation period shall be interrupted by an act of a national authority, of the Commission, European Anti-Fraud Office, the panel referred to in Article 139 or of any entity involved in the implementation of the budget, if such an act is notified to the person or entity referred to in Article 131(1) and is relating to investigations or judicial proceedings. A new limitation period shall begin to run on the day following the interruption.

For the purpose of point (f) of Article 132(1), the limitation period to exclude person or entity referred to in Article 131(1) and/or impose financial penalties on a recipient provided for in Article 3 of Regulation (EC, Euratom) No 2988/95 shall apply.

Where the conduct of the person or entity referred to in Article 131(1) concerned qualifies under several of the grounds listed in Article 132(1), the limitation period of the most serious of those grounds shall apply.

### *Article 136*

#### *Publication of exclusion and financial penalties*

1. In order to, where necessary, reinforce the deterrent effect of the exclusion and/or financial penalty, the Commission shall, subject to a decision of the authorising officer responsible, publish on its internet site the following information related to the exclusion and, where applicable, the financial penalty in the cases referred to in points (c), (d), (e) and (f) of Article 132(1):

- (a) the name of the person or entity referred to in Article 131(1) concerned;
- (b) the exclusion situation ;
- (c) the duration of the exclusion and/or the amount of the financial penalty.

Where the decision on the exclusion and/or financial penalty has been taken on the basis of a preliminary classification as referred to in Article 132(2) the publication shall indicate that there is no final judgment or, where applicable, final administrative decision. In those cases, information about any appeals, their status and their outcome, as well as any revised decision of the authorising officer responsible shall be published without delay. Where a financial penalty has been imposed, the publication shall also indicate whether that penalty has been paid.

The decision to publish the information is taken by the authorising officer responsible either following the relevant final judgment or, where applicable, final administrative decision, or following the recommendation of the panel referred to in Article 139, as the case may be. That decision shall take effect three months after its notification to the person or entity referred to in Article 131(1) concerned.

The information published shall be removed as soon as the exclusion has come to an end. In the case of a financial penalty, the publication shall be removed six months after payment of that penalty.

In accordance with Regulation (EC) No 45/2001, where personal data is concerned, the authorising officer responsible shall inform the person or entity referred to in Article 131(1) concerned of its rights under the applicable data protection rules and of the procedures available for exercising those rights.

2. The information referred to in paragraph 1 of this Article shall not be published in any of the following circumstances:
  - (a) where it is necessary to preserve the confidentiality of an investigation or of national judicial proceedings;



- (b) where publication would cause disproportionate damage to the person or entity referred to in Article 131(1) concerned or would otherwise be disproportionate on the basis of the proportionality criteria set out in Article 132(3) and to the amount of the financial penalty;
- (c) where a natural person is concerned, unless the publication of personal data is exceptionally justified, inter alia, by the seriousness of the conduct or its impact on the Union's financial interests. In such cases, the decision to publish the information shall duly take into consideration the right to privacy and other rights provided for in Regulation (EC) No 45/2001.

#### *Article 137*

##### *Rejection from a given award procedure*

1. The authorising officer responsible shall reject from a given award procedure a participant who:
  - (a) is in an exclusion situation established in accordance with Article 132;
  - (b) has misrepresented the information required as a condition for participating in the procedure or has failed to supply that information;
  - (c) was previously involved in the preparation of documents used in the award procedure where this entails a breach of the principle of equality of treatment, including distortion of competition that cannot be remedied otherwise.

The authorising officer responsible shall communicate to the other participants in the award procedure the relevant information exchanged in the context of or resulting from the involvement of the participant in the preparation of the award procedure as referred to in point (c). The authorising officer responsible shall fix adequate time limits for the receipt of tenders or applications. Prior to any such rejection the participant shall be given the opportunity to prove that its involvement in preparing the award procedure does not breach the principle of equality of treatment.

2. Article 129(1) shall apply unless the rejection has been justified in accordance with point (a) of paragraph 1 by an exclusion decision taken with regard to the participant, following an examination of its observations.

#### *Article 138*

##### *The early detection and exclusion system*

1. Information exchanged within the early detection and exclusion system referred to in Article 131 shall be centralised in a database set up by the Commission ('the database') and shall be managed in accordance with the right to privacy and other rights provided for in Regulation (EC) No 45/2001.

Information on early detection, exclusion and/or financial penalty cases shall be entered in the database by the authorising officer responsible after notifying the person or entity referred to in Article 131(1) concerned. Such notification may be exceptionally deferred, where there are compelling legitimate grounds to preserve the confidentiality of an investigation or of national judicial proceedings, until such compelling legitimate grounds to preserve the confidentiality cease to exist.

In accordance with Regulation (EC) No 45/2001, any person or entity referred to in Article 131(1) subject to the early detection and exclusion system shall have the right to be informed of the data stored in the database upon its request to the Commission.

The information contained in the database shall be updated, where appropriate, following a rectification or an erasure or any modification of data. It shall only be published in accordance with Article 136.

2. The early detection and exclusion system, as referred to Article 131(1) of this Regulation, shall be based on information as referred to in the fourth subparagraph of Article 132(2) and on the transmission of information to the Commission, in particular, by:
  - (a) the European Anti-Fraud Office in accordance with Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council<sup>45</sup> where an European Anti-Fraud Office investigation completed or in progress shows that it might be appropriate to take precautionary measures or actions to protect the Union's financial interests, with due regard to the respect for procedural and fundamental rights, and to the protection of whistle-blowers;
  - (b) an authorising officer of the Commission, of a European office set up by the Commission or of an executive agency;
  - (c) an institution, a European office or an agency other than those referred to in point (b) of this paragraph, a body or a person entrusted with implementation of CFSP actions;
  - (d) entities implementing the budget in accordance with Article 62, in cases of detected fraud and/or irregularity and their follow up, where required by sector-specific rules;
  - (e) entities or persons implementing Union funds pursuant to point (c) of Article 61(1), in cases of detected fraud and/or irregularity and their follow up.
3. Except where information is to be submitted in accordance with sector-specific rules, the information to be transmitted pursuant to paragraph 2 of this Article shall include:
  - (a) the identification of the entity or person concerned;
  - (b) a summary of the risks detected or the facts in question;
  - (c) information that could assist the authorising officer in carrying out the verification referred to in paragraph 4 of this Article or in taking a decision on exclusion as referred to in Article 132(1) or (2), or a decision to impose a financial penalty as referred to in Article 134;
  - (d) where applicable, any special measures necessary to ensure the confidentiality of the information transmitted, including measures for the safeguarding of evidence to protect the investigation or the national judicial proceedings.
4. The Commission shall transmit the information referred to in paragraph 3 of this Article without delay to its authorising officers and those of its executive agencies, all other institutions, bodies, European offices and agencies through the database referred to in paragraph 1 in order to allow them to carry out the necessary verification in respect of their ongoing award procedures and existing legal commitments.

In carrying out this verification, the authorising officer responsible shall exercise his or her powers as foreseen under Article 73 and shall not go beyond what is foreseen in the terms and conditions of the award procedure and contractual provisions.

The retention period for the information related to the early detection transmitted in accordance with paragraph 3 shall not exceed one year. If, during this period, the authorising officer responsible requests the panel to issue a recommendation in an exclusion or financial penalty

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<sup>45</sup> OJ L 248, 18.9.2013, p. 1.

case, the retention period may be extended until such time as the authorising officer responsible has taken a decision.

5. The authorising officer responsible may take a decision to exclude and/or to impose a financial penalty and a decision to publish the related information only after having obtained a recommendation of the panel where such a decision is based on a preliminary classification as referred to in Article 132(2).
6. All entities participating in the implementation of the budget in accordance with Article 61 shall be granted access by the Commission to the information on exclusion decisions pursuant to Article 132 to enable them to verify whether there is an exclusion in the system with a view to taking this information into account, as appropriate and on their own responsibility, when awarding contracts in the implementation of the budget.
7. As part of the annual report of the Commission to the European Parliament and to the Council, as referred to in Article 325(5) TFEU, the Commission shall provide aggregate information on the decisions taken by the authorising officers under Articles 131 to 138. That report shall also provide further information on any decisions taken by the authorising officers pursuant to point (b) of Article 132(6) and Article 136(2) and on any decisions by the authorising officers to deviate from the recommendation of the panel pursuant to the last subparagraph of Article 139(6).

The information referred to in the first subparagraph of this paragraph shall be provided with due regard to confidentiality requirements and shall, in particular, not allow for the identification of the person or entity referred to in Article 131(1) concerned.

#### *Article 139* *Panel*

1. A panel shall be convened at the request of an authorising officer of any institution, Union bodies, European Offices and bodies and persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU.
2. The panel shall be composed of:
  - (a) a standing high-level independent chair appointed by the Commission;
  - (b) two permanent representatives of the Commission as the owner of the system, who shall express a joint position; and
  - (c) one representative of the requesting authorising officer.

The composition of the panel shall ensure the appropriate legal and technical expertise. The panel shall be assisted by a permanent secretariat, provided by the Commission, which shall ensure the continuous administration of the panel.

3. The Chair shall be chosen from among former members of the Court of Auditors, the Court of Justice or former officials who have had at least the rank of Director-General in an institution of the Union other than the Commission. He or she shall be selected on the basis of his/her personal and professional qualities, extensive experience in legal and financial matters and proven competence, independence and integrity. The term of office shall be five years and shall not be renewable. The Chair shall be appointed as special adviser within the meaning of Article 5 of the Conditions of Employment of Other Servants of the European Union. The Chair of the panel shall preside at all sessions of the panel. He/she shall be independent in the performance of his or her duties. He/she shall not have a conflict of interests between his or her duties as Chair of the panel and any other official duties.
4. The rules of procedure of the panel shall be adopted by the Commission.

5. The panel shall uphold the right of the person or entity referred to in Article 131(1) concerned to submit observations on the facts or findings referred to in Article 132(2), on the preliminary classification in law and before adopting its recommendations. The opportunity to submit observations may exceptionally be deferred where there are compelling legitimate grounds to preserve the confidentiality of an investigation or of national judicial proceedings, until such legitimate grounds cease to exist.
6. The recommendation of the panel to exclude and/or impose a financial penalty shall contain, where applicable, the following elements:
  - (a) the facts or findings referred to in Article 132(2) and their preliminary classification in law;
  - (b) an assessment of the need to impose a financial penalty and its amount;
  - (c) an assessment of the need to exclude the person or entity referred to in Article 131(1) concerned and, in that case, the suggested duration of such an exclusion;
  - (d) an assessment of the need to publish the information related to the person or entity referred to in Article 131(1) who is excluded and/or subject to a financial penalty;
  - (e) an assessment of remedial measures taken by the person or entity referred to Article 131(1), if any.

Where the authorising officer responsible envisages taking a more severe decision than what has been recommended by the panel, it shall ensure that such a decision is taken with due respect for the right to be heard and for the rules of personal data protection.

Where the authorising officer responsible decides to deviate from the recommendation of the panel, it shall justify such decision to the panel.

7. The panel shall revise its recommendation during the exclusion period on request from the authorising officer responsible in the cases referred to in Article 132(8) or following the notification of a final judgment or a final administrative decision establishing the grounds for exclusion where such a judgment or decision does not set the duration of the exclusion, as referred to in the second subparagraph of Article 132(2).
8. The panel shall notify the requesting authorising officer without delay of its revised recommendation, following which the authorising officer shall review its decision.
9. The Court of Justice of the European Union shall have unlimited jurisdiction to review a decision whereby the authorising officer excludes a person or entity referred to in Article 131(1) and/or imposes a financial penalty on a recipient, including annulling the exclusion, reducing or increasing its duration and/or annulling, reducing or increasing the financial penalty imposed. Article 22(1) of Council Regulation (EC) No 58/2003 shall not apply when the decision of the authorising officer to exclude or impose a financial penalty is taken on the basis of a recommendation of the Panel.

*Article 140*  
*Exceptions applicable to the Joint research centre*

Articles 131 to 139 shall not apply to the Joint Research Centre.

### SECTION 3 IT SYSTEMS AND E-GOVERNMENT

#### *Article 141*

##### *Electronic management of operations*

1. Where revenue and expenditure operations or document exchanges are managed by means of computer systems, documents may be signed by a computerised or electronic procedure providing sufficient authentication of the signatory. Such computer systems shall include a full and up-to-date description of the system defining the content of all data fields, describing how each individual operation is treated and explaining in detail how the computer system guarantees the existence of a complete audit trail for each operation.
2. Subject to the prior agreement of the institutions and Member States concerned, any transmission of documents between them may be done by electronic means.

#### *Article 142*

##### *e-Government*

1. The institutions, the executive agencies and the bodies referred to in Articles 69 and 70 shall establish and apply uniform standards for the electronic exchange of information with participants. In particular, they shall, to the greatest possible extent, design and implement solutions for the submission, storage and processing of data submitted in award procedures, and to this end, shall put in place a single 'electronic data interchange area' for participants.
2. Under shared implementation, all official exchanges of information between the Member States and the Commission shall be carried out by means indicated in the sector-specific rules. Those rules shall provide for interoperability of data gathered or received, and transmitted in the management of the budget.

#### *Article 143*

##### *Electronic exchange systems*

1. All exchanges with recipients, including the conclusion of legal commitments and any amendments thereto, may be done through electronic exchange systems.
2. The electronic exchange systems shall meet the following requirements:
  - (a) only authorised persons may have access to the system and to documents transmitted through it;
  - (b) only authorised persons may electronically sign or transmit a document through the system;
  - (c) authorised persons must be identified through the system by established means;
  - (d) the time and date of the electronic transaction must be determined precisely;
  - (e) the integrity of documents must be preserved;
  - (f) the availability of documents must be preserved;
  - (g) where appropriate, the confidentiality of documents must be preserved;
  - (h) the protection of personal data in accordance with the requirements of Regulation (EC) No 45/2001 must be ensured.

3. Data sent or received through such a system shall enjoy legal presumption of the integrity of the data and the accuracy of the date and time of sending or receiving the data indicated by the system.

A document sent or notified through such a system shall be considered as equivalent to a paper document, shall be admissible as evidence in legal proceedings, shall be deemed original and shall enjoy legal presumption of its authenticity and integrity, provided it does not contain any dynamic features capable of automatically changing it.

The electronic signatures referred to in point (b) of paragraph 2 shall have the equivalent legal effect of handwritten signatures.

#### *Article 144*

##### *Submission of application documents*

1. The arrangements for the submission of application documents shall be determined by the authorising officer responsible who may choose an exclusive method of submission.

The means of communication chosen shall be such as to ensure that there is genuine competition and that the following conditions are satisfied:

- (a) each submission contains all the information required for its evaluation;
  - (b) the integrity of data is preserved;
  - (c) the confidentiality of application documents is preserved;
  - (d) the protection of personal data in accordance with the requirements of Regulation (EC) No 45/2001 is ensured.
2. The Commission shall ensure by appropriate means and in accordance with paragraph 1 of Article 142 that participants may enter the application documents and any supporting evidence in an electronic format. Any electronic communication system used to support communications and information exchanges shall be non-discriminatory, generally available and interoperable with information and communication technology (ICT) products in general use and shall not restrict participants' access to the award procedure.
  3. Devices for the electronic receipt of application documents shall guarantee, through technical means and appropriate procedures, that:
    - (a) the participant can be authenticated with certainty;
    - (b) the exact time and date of the receipt of application documents can be determined precisely;
    - (c) only authorised persons have access to data transmitted under these requirements and may set or change the dates for opening them;
    - (d) during the different stages of the award procedure only authorised persons may have access to all data submitted and may give access to these data as needed for the procedure;
    - (e) it may be reasonably ensured that any attempt to infringe any of the conditions set out in points (a) to (e) can be detected.

The first subparagraph shall not apply to contracts below the thresholds laid down in paragraph 1 of Article 169.

4. Where the authorising officer responsible authorises submission of application documents by electronic means, the electronic documents submitted by means of such systems shall be deemed to be the originals.
5. Where submission is by letter, participants may choose to submit application documents:

- (a) either by post or by courier service, in which case the evidence shall be constituted by the postmark or the date of the deposit slip;
  - (b) by hand-delivery to the premises of the authorising officer responsible by the participant in person or by an agent, in which case the evidence shall be constituted by the acknowledgement of receipt.
6. By submitting application documents, participants accept to receive notification of the outcome of the procedure by electronic means.
7. Paragraphs 1 to 6 shall not apply to the selection of persons or entities implementing Union funds pursuant to point (c) of Article 61 (1).

## **CHAPTER 3**

### **RULES APPLICABLE TO DIRECT IMPLEMENTATION**

#### *Article 145* *Evaluation committee*

1. Application documents shall be evaluated by an evaluation committee.
2. The evaluation committee shall be appointed by the authorising officer responsible.  
The committee shall be made up of at least three persons.
3. The members of the committee evaluating grant applications or tenders shall represent at least two organisational entities of the institutions or bodies referred to in Articles 67, 69 and 70 with no hierarchical link between them, at least one of which does not come under the authorising officer responsible. In the representations and local units outside the Union and in the bodies referred to in Articles 67, 69 and 70, if there are no separate entities, the requirement of organisational entities with no hierarchical link between them shall not apply. A local unit shall be, for instance, a Union delegation, office or branch office in a third country.  
  
External experts may assist the committee by decision of the authorising officer responsible.  
Members of the committee may be external experts where that possibility is provided for in the basic act.
4. The members of the committee evaluating applications in a contest for prizes may be persons referred to in the first subparagraph of paragraph 3 or external experts.
5. The members of the evaluation committee and the external experts shall comply with the obligations laid down in Article 59.

#### *Article 146* *Clarification and correction of application documents*

The authorising officer responsible may correct obvious clerical errors in the application documents after confirmation of the intended correction by the participant.

Where a participant fails to submit evidence or to make statements, the evaluation committee or, where appropriate, the authorising officer responsible shall, except in duly justified cases, ask the participant to provide the missing information or clarify supporting documents.

Such information, clarification or confirmation shall not substantially change the application documents.

### *Article 147*

#### *Guarantees*

1. Except for low value contracts and low value grants, the authorising officer responsible may, if proportionate and subject to a risk-analysis, require a guarantee to be submitted:
  - (a) by contractors or beneficiaries in order to limit the financial risks connected with payment of pre-financing ('guarantee on pre-financing');
  - (b) by contractors to ensure compliance with substantial contractual obligations in the case of works, supplies or complex services ('performance guarantee');
  - (c) by contractors to ensure full performance of the contract during the contract liability period ('retention money guarantee').

The JRC shall be exempted from lodging guarantees.

As an alternative to requesting a guarantee on pre-financing, for grants, the authorising officer responsible may decide to split the payment into several instalments.

2. The authorising officer responsible shall decide whether the guarantee shall be denominated in euro or in the currency of the contract or of the grant agreement.
3. The guarantee shall be supplied by a bank or by an authorised financial institution accepted by the authorising officer responsible.

At the request of the contractor or the beneficiary and provided it is accepted by the authorising officer responsible:

- (a) the guarantee referred to points (a), (b) and (c) of paragraph 1 may be replaced by a joint and several guarantee by a third party;
  - (b) the guarantee referred to in point (a) of paragraph 1 may be replaced by the irrevocable and unconditional joint guarantee of the beneficiaries who are parties to the same grant agreement.
4. The guarantee shall have the effect of making the bank or financial institution or the third party stand as irrevocable collateral security, or first-call guarantor of the contractor's or beneficiary's obligations.
  5. Where in the course of implementation of the contract or the grant agreement the authorising officer responsible discovers that a guarantor is not or no longer authorised to issue guarantees in accordance with the applicable national law, he shall require that the contractor or the beneficiary replaces the guarantee supplied by such a guarantor.

### *Article 148*

#### *Guarantee on pre-financing*

1. The guarantee shall be for an amount not exceeding the amount of the pre-financing.
2. The guarantee shall be released as and when the pre-financing is deducted from interim payments or payments of the balance to the contractor or the beneficiary in accordance with the terms of the contract or the conditions of the grant agreement.



## Title VI

### Indirect implementation

#### *Article 149* *Indirect implementation*

1. The selection of the entities and persons implementing Union funds or budgetary guarantees pursuant to point (c) of Article 61 (1) shall be transparent, justified by the nature of the action and shall not give rise to a conflict of interests. For entities mentioned in points (ii), (v), (vi) and (vii) of Article 61(1)(c) the selection shall also take due account of their operational and financial capacity.

Where the entity or person is identified in a basic act, the financial statement provided for in Article 33 shall include a reasoned justification for the choice of that particular entity or person.

In cases of implementation by a network, requiring the designation of at least one body or entity by Member State or by country concerned, the body or entity shall be designated by the Member State or the country concerned in accordance with the basic act. In all other cases, the Commission shall designate such bodies or entities in agreement with the Member States or countries concerned.

2. Entities and persons implementing Union funds or budgetary guarantees pursuant to point (c) of Article 61(1) shall respect the principles of sound financial management, transparency, non-discrimination and visibility of Union action. Where the Commission establishes financial partnership agreements in accordance with Article 126 those principles shall be further described in such agreements.
3. Prior to signing contribution agreements, financing agreements or guarantee agreements, the Commission shall ensure a level of protection of the financial interests of the Union equivalent to that when the Commission implements the funds in accordance with point (a) of Article 61(1). It shall do so by carrying out an assessment of the systems and procedures of the entities or persons implementing the Union funds if it intends to rely on them for the implementation of the action or by applying appropriate supervisory measures.
4. The Commission shall assess in accordance with the principle of proportionality and with due consideration for the nature of the action and the financial risks involved, that the entities and persons implementing EU funds pursuant to point (c) of Article 61(1):
  - (a) set up and ensure the functioning of an effective and efficient internal control system based on international best practices and allowing in particular to prevent, detect and correct irregularities and fraud;
  - (b) use an accounting system that provides accurate, complete and reliable information in a timely manner;
  - (c) are subject to an independent external audit, performed in accordance with internationally accepted auditing standards by an audit service functionally independent of the entity or person concerned;
  - (d) apply appropriate rules and procedures for providing financing to third parties including appropriate review procedures, rules for recovering funds unduly paid and rules for excluding from access to funding;
  - (e) make public adequate information on their recipients;
  - (f) ensure equivalent protection of personal data to that referred to under Article 5.

In addition, in agreement with the entities or persons, the Commission may assess other rules and procedures such as the administration cost accounting practices of the entities. On the basis on the results of this assessment the Commission may decide to rely on those rules and procedures.

Entities or persons which have been assessed under these requirements shall inform the Commission without undue delay if any substantive changes are made to the rules, systems or to the procedures of the entity or person which may impact the reliability of the Commission's assessment.

5. Where these entities or persons comply only in part with the requirements referred to in paragraph 4, the Commission shall take appropriate supervisory measures ensuring the protection of the Union's financial interests. These measures shall be specified in the relevant agreements.
6. An ex-ante assessment may not be required:
  - (a) for the bodies referred to in Articles 69 and 70 and for persons referred to in point (viii) of Article 61(1)(c) which have adopted financial rules with prior consent of the Commission;
  - (b) for third countries or the bodies they designate, in so far as the Commission retains financial management responsibilities that guarantee a sufficient protection of the financial interests of the Union; or
  - (c) for those procedures specifically required by the Commission, including its own or those specified in basic acts.
7. Where the systems or procedures of the entities or persons referred to in point (c ) of Article 61(1) are assessed as appropriate, Union contributions to these entities or persons may be implemented in accordance with this Title. Where such entities or persons participate in a call for proposals they shall abide by the rules of the call for proposals in accordance with Title VIII. In such a case the authorising officer may decide to sign a contribution agreement or a financing agreement instead of a grant agreement.

#### *Article 150 Implementation*

1. Entities and persons implementing EU funds or budgetary guarantees shall provide the Commission with:
  - (a) a report on the implementation of the Union funds or the budgetary guarantee, including the fulfilment of the conditions or results referred to in point (e) of Article 121(1);
  - (b) where the contribution reimburses expenditure, their accounts drawn up for the expenditure incurred;
  - (c) a management declaration covering the information referred to in point(a) and where appropriate point (b) confirming that:
    - (i) the information is properly presented, complete and accurate;
    - (ii) the EU contribution was used for its intended purpose, as defined in the contribution agreements, financing agreements or guarantee agreements, where applicable, in the relevant sector-specific rules;
    - (iii) the control systems put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions;
  - (d) a summary of the final audit reports and of controls carried out, including an analysis of the nature and extent of errors and weaknesses identified in systems, as well as corrective action taken or planned.

In case of actions terminating before the end of the financial year concerned, the final report for such action may replace the management declaration referred to in point (c), provided it is submitted before 15 February of the year following the financial year concerned.

The documents referred to in the first subparagraph shall be accompanied by an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards. That opinion shall establish whether the control systems put in place function properly and are cost-effective, and whether the underlying transactions are legal and regular. The opinion shall also state whether the audit work puts in doubt the assertions made in the management declaration under point (c) of the first subparagraph. Where such an opinion is absent, the authorising officer may seek an equivalent level of assurance through other independent means.

The documents referred to in the first subparagraph shall be provided to the Commission no later than 15 February of the following financial year. The opinion referred to in the third subparagraph shall be provided to the Commission no later than 15 March.

The obligations set out in this paragraph shall be without prejudice to agreements concluded with the EIB group, international organisations and third countries. With regard to the management declaration, such agreements shall include at least the obligation of those entities to provide the Commission annually with a statement that, during the financial year concerned, the Union contribution was used and accounted for in compliance with the requirements set out in paragraphs 3 and 4 of Article 149 and with the obligations laid down in such agreements. Such statement may be incorporated in the final report if the action implemented is limited to 18 months.

2. Entities and persons implementing EU funds or budgetary guarantees shall:
  - (a) comply with relevant standards and applicable legislation on the prevention of money laundering, and the fight against terrorism, tax fraud and tax evasion;
  - (b) not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes, or practices not complying with good governance criteria on taxation, as set out in EU legislation or communications and recommendations or any formal instruction by the Commission;
  - (c) not be established, and, in relation to the implementation of the financial instruments and budgetary guarantees, not maintain business relations with entities incorporated in jurisdictions that do not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information.
3. The Commission shall verify that the Union funds or budgetary guarantee has been used in accordance with the conditions laid down in the relevant agreements. Where the costs of the entity or person are reimbursed based on a simplified cost option in accordance with points (b) to (d) of Article 121 the provisions of points (1) to (4) of Article 175 and Articles 176 to 178 shall apply mutatis mutandis. Where the Union funds or budgetary guarantee has been used in breach of the obligations laid down in the relevant agreements, Article 127 shall apply.
4. In multi-donor actions, where the Union contribution reimburses expenditure, the procedure referred to in paragraph 3 shall consist in verifying that an amount corresponding to that paid by the Commission for the action concerned has been used by the entity in accordance with the conditions laid down in the relevant grant, contribution agreement or financing agreement.
5. Contribution agreements, financing agreements or guarantee agreements shall clearly define the responsibilities and obligations of the entity implementing EU funds, including the obligations referred to in Article 124, the conditions for payment of the contribution as well as, where

applicable, the remuneration which should, where appropriate, be performance-based. Those agreements shall also include rules on reporting to the Commission on how the tasks are performed, the results expected including indicators on measuring performance and the obligation for entities implementing EU funds to notify the Commission without delay of cases of detected fraud and irregularities and their follow-up.

6. All contribution agreements, financing agreements and guarantee agreements shall be made available to the European Parliament and the Council at their request.
7. Article 150 shall not apply to the contribution of the Union to entities which are subject to a separate discharge procedure under Articles 69 and 70, with the exception of possible ad hoc contribution agreements.

#### *Article 151*

##### *Indirect implementation with International Organisations*

1. International organisations shall be international public-sector organisations set up by international agreements and specialised agencies set up by such organisations. Those agreements shall be transmitted to the Commission as part of the assessment carried out by the Commission referred to in Article 149 (3).
2. The following organisations shall be assimilated to international organisations:
  - (a) the International Committee of the Red Cross;
  - (b) the International Federation of National Red Cross and Red Crescent Societies.
3. The Commission may adopt a duly justified decision assimilating a non-profit organisation to an international organisation providing that it satisfies the following conditions:
  - (a) it has its own legal personality and autonomous governance bodies;
  - (b) it has been established to perform specific tasks of general international interest;
  - (c) at least six Member State are members of the non-profit organisation;
  - (d) it provides adequate financial guarantees;
  - (e) it operates on the basis of a permanent structure and in accordance with systems, rules and procedures which may be assessed in accordance with Article 149(3).
4. Where international organisations implement funds under indirect implementation, verification agreements concluded with them shall apply.

#### *Article 152*

##### *Indirect implementation with third countries*

1. The Commission may implement the budget in partnership with a third country as referred to point (i) of Article 61 (1) (c) through the signature of a financing agreement describing the Union's intervention in the third country and laying down the implementation method for each part of the action.
2. For the part of the action implemented indirectly by the third country or the bodies it has designated, the financing agreement shall, in addition to the elements referred to in Article 150 (4), clearly define the roles and responsibilities of the third country and of the Commission in the implementation of the funds. The financing agreement shall also determine the rules and procedures applied by the third country when implementing EU funds.

*Article 153*  
*Blending operations*

1. Blending operations are operations financed within blending facilities or platforms.
2. Where financial instruments are implemented within a blending facility Title X applies.
3. For financial instruments within blending facilities, point (h) of Article 202(1) shall be deemed to be complied with if an ex ante evaluation is carried out prior to the establishment of the relevant blending facility;
4. Annual reports pursuant to Article 241 shall be established at the level of the blending facility taking into account all financial instruments grouped under it.

# TITLE VII

## PUBLIC PROCUREMENT AND CONCESSIONS

### CHAPTER 1

#### Common provisions

##### *Article 154*

##### *Principles applicable to public contracts and scope*

1. All public contracts financed in whole or in part by the budget shall respect the principles of transparency, proportionality, equal treatment and non-discrimination.
2. All contracts shall be put out to competition on the broadest possible basis, except when use is made of the procedure referred to in point (d) of Article 158(1).

The estimated value of a contract may not be determined with a view to circumventing the applicable rules, nor may a contract be split up for that purpose.

The contracting authority shall divide a contract into lots, whenever appropriate, with due regard to broad competition.
3. Contracting authorities shall not use framework contracts improperly or in such a way that their purpose or effect is to prevent, restrict or distort competition.
4. The JRC may receive funding charged to appropriations other than research and technological development appropriations in respect of its participation in procurement award procedures financed in whole or in part from the budget.
5. The rules on procurement as laid down in this Regulation shall not apply to the activities of the JRC on behalf of third parties, with the exception of the principles of transparency and equal treatment.

##### *Article 155*

##### *Annex on procurement and exercise of the delegation*

Details on procurement procedures shall be provided in Annex to this Regulation. The Commission shall be empowered to adopt delegated acts to amend the Annex in accordance with Article 261.

##### *Article 156*

##### *Mixed contracts and common procurement vocabulary*

1. A mixed contract covering two or more types of procurement (works, supplies or services) or concessions (works or services) or both, shall be awarded in accordance with the provisions applicable to the type of procurement that characterises the main subject matter of the contract in question.
2. In the case of mixed contracts consisting of supplies and services, the main subject matter shall be determined by a comparison of the values of the respective supplies or services.

A contract covering one type of procurement (works, supplies or services) and concessions (works or services) shall be awarded in accordance with the provisions applicable to the public contract.
3. This Title shall not apply to contracts for technical assistance concluded with the EIB or the European Investment Fund.

4. Any references to nomenclatures in the context of public procurement shall be made using the ‘Common Procurement Vocabulary’ as set out in Regulation (EC) No 2195/2002 of the European Parliament and of the Council<sup>46</sup>.

*Article 157*  
*Publicity measures*

1. For procedures with a value equal to or greater than the thresholds referred to in Article 169(1) or Article 172, the contracting authority shall publish in the *Official Journal of the European Union*:
  - (a) a contract notice to launch a procedure, except in the case of the procedure referred to in point (d) of Article 158(1);
  - (b) a contract award notice on the results of the procedure.
2. Procedures with a value below the thresholds referred to in Article 169(1) or Article 172 shall be advertised by appropriate means.
3. Publication of certain information on a contract award may be withheld where its release would impede law enforcement, or otherwise be contrary to the public interest, would harm the legitimate commercial interests of economic operators or might prejudice fair competition between them.

*Article 158*  
*Procurement procedures*

1. Procurement procedures for awarding concession contracts or public contracts, including framework contracts shall take one of the following forms:
  - (a) open procedure;
  - (b) restricted procedure, including through a dynamic purchasing system;
  - (c) design contest;
  - (d) negotiated procedure, including without prior publication;
  - (e) competitive dialogue;
  - (f) competitive procedure with negotiation;
  - (g) innovation partnership;
  - (h) procedures involving a call for expression of interest.
2. In open procedures any interested economic operator may submit a tender.
3. In restricted procedures, competitive dialogues, competitive procedures with negotiation and innovation partnerships, any economic operator may submit a request to participate by providing the information that is requested by the contracting authority. The contracting authority shall invite all candidates, that satisfy the selection criteria and that are not in any of the situations set out in Articles 132 and 137, to submit a tender.

Notwithstanding the first subparagraph, the contracting authority may limit the number of candidates to be invited to participate in the procedure on the basis of objective and non-discriminatory selection criteria, which shall be indicated in the contract notice or the call for

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<sup>46</sup> Regulation (EC) No 2195/2002 of the European Parliament and of the Council of 5 November 2002 on the Common Procurement Vocabulary (CPV) (OJ L 340, 16.12.2002, p. 1).

expression of interest. The number of candidates invited shall be sufficient to ensure genuine competition.

4. In all procedures involving negotiation, the contracting authority shall negotiate with tenderers the initial and any subsequent tenders or parts thereof, except their final tenders, in order to improve their content. The minimum requirements and the criteria specified in the procurement documents shall not be subject to negotiation.

A contracting authority may award a contract on the basis of the initial tender without negotiation where it has indicated in the procurement documents that it reserves the possibility to do so.

5. The contracting authority may use:
  - (a) the open or restricted procedure for any purchase;
  - (b) the procedures involving a call for expression of interest for contracts with a value below the thresholds referred to in Article 169(1), to preselect candidates to be invited to submit tenders in response to future restricted invitations to tender, or to collect a list of vendors to be invited to submit requests to participate or submit tenders;
  - (c) the design contest to acquire a plan or design selected by a jury after being put out to competition;
  - (d) the innovation partnership to develop an innovative product, service or innovative works and for the subsequent purchase of the resulting supply, services or works;
  - (e) the competitive procedure with negotiation or the competitive dialogue for concession contracts, for the service contracts referred to in Annex XIV to Directive 2014/24/EU, in cases where only irregular or unacceptable tenders were submitted in response to an open or restricted procedure after the initial procedure has been completed, and for cases where this is justified by the specific circumstances linked, inter alia, to the nature or the complexity of the subject matter of the contract or to the specific type of contract, as further detailed in the Annex to this Regulation;
  - (f) the negotiated procedure for contracts with a value below the thresholds referred to in Article 169(1) or the negotiated procedure without prior publication, only for specific types of purchases falling outside the scope of Directive 2014/24/EU or under clearly defined exceptional circumstances as set out in the Annex to this Regulation.
6. The dynamic purchasing system shall be open throughout its duration to any economic operator who satisfies the selection criteria.

The contracting authority shall follow the rules of the restricted procedure for procurement through a dynamic purchasing system.

#### *Article 159*

##### *Interinstitutional procurement and joint procurement*

1. Where a contract or a framework contract is of interest to two or more institutions, executive agencies or bodies referred to in Articles 69 and 70, and whenever there is a possibility for realising efficiency gains, the contracting authorities concerned may carry out the procedure and the management of the subsequent contract or framework contract on an interinstitutional basis under the lead of one of the contracting authorities.

The bodies and persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU as well as the Office of the Secretary of the Board of Governors of the European Schools may also participate in interinstitutional procedures.



The terms of a framework contract may only apply between those contracting authorities that are identified for that purpose in the procurement documents and those economic operators that are party to the framework contract.

2. Where a contract or framework contract is necessary for the implementation of a joint action between an institution and one or more contracting authorities from Member States, the procurement procedure may be carried out jointly by the institution and the contracting authorities.

Joint procurement may be conducted with EFTA states and Union candidate countries if this possibility has been specifically provided for in a bilateral or multilateral treaty.

In the case of a joint procurement procedure, the procedural provisions applicable to the institutions shall apply.

Where the share pertaining to or managed by the contracting authority of a Member State in the total estimated value of the contract is equal to or above 50 %, or in other duly justified cases, the institution may decide that the procedural rules applicable to the contracting authority of a Member State shall apply to joint procurement, provided that those rules may be considered as equivalent to those of the institution.

The institution and the contracting authority from a Member State, an EFTA State or a Union candidate country, concerned by the joint procurement shall agree in particular upon the detailed practical arrangements for the evaluation of the requests for participation or of the tenders, the award of the contract, the law applicable to the contract and the competent court for hearing disputes.

#### *Article 160*

##### *Preparation of a procurement procedure*

1. Before launching a procurement procedure, the contracting authority may conduct a preliminary market consultation with a view to preparing the procedure.
2. In the procurement documents, the contracting authority shall identify the subject matter of the procurement by providing a description of its needs and the characteristics required of the works, supplies or services to be bought, and shall specify the applicable exclusion, selection and award criteria. The contracting authority shall also indicate which elements define the minimum requirements to be met by all tenders. Minimum requirements shall include compliance with applicable environmental, social and labour law obligations established by Union law, national legislation, collective agreements or the applicable international social and environmental conventions listed in Annex X to Directive 2014/24/EU.

#### *Article 161*

##### *Award of contracts*

1. Contracts shall be awarded on the basis of award criteria provided that the contracting authority has verified the following:
  - (a) the tender complies with the minimum requirements specified in the procurement documents;
  - (b) the candidate or tenderer is not excluded under Article 132 or rejected under Article 137,
  - (c) the candidate or tenderer meets the selection criteria specified in the procurement documents and is not subject to conflicting interests which may negatively affect the performance of the contract.

2. The contracting authority shall apply the selection criteria to evaluate the capacity of the candidate or tenderer. Selection criteria may only relate to the legal and regulatory capacity to pursue the professional activity, the economic and financial capacity, and the technical and professional capacity. The JRC shall be presumed to meet the requirements relating to financial capacity.
3. The contracting authority shall apply the award criteria to evaluate the tender.
4. The contracting authority shall base the award of contracts on the most economically advantageous tender, which shall consist in one of three award methods: lowest price, lowest cost or best price-quality ratio.

For the lowest cost method, the contracting authority shall use a cost-effectiveness approach including life-cycle costing.

For the best price-quality ratio, the contracting authority shall take into account the price or cost and other quality criteria linked to the subject matter of the contract.

#### *Article 162*

##### *Submission, electronic communication and evaluation*

1. The contracting authority shall lay down time limits for the receipt of tenders and requests to participate in accordance with point 24 of the Annex and taking into account the complexity of the purchase, leaving an adequate period for economic operators to prepare their tenders.
2. If deemed appropriate and proportionate, the contracting authority may require tenderers to submit a guarantee to make sure that the tenders submitted are not withdrawn before contract signature. The required guarantee shall represent 1 to 2% of the total estimated value of the contract.
3. The contracting authority shall open all requests to participate and tenders. However, it shall reject:
  - (a) requests to participate and tenders which do not comply with the time limit for receipt, without opening them;
  - (b) tenders received already open, without examining their content.
4. The contracting authority shall evaluate all requests to participate or tenders not rejected during the opening phase laid down in paragraph 3 on the basis of the criteria specified in the procurement documents with a view to awarding the contract or to proceeding with an electronic auction.
5. The authorising officer may waive the appointment of an evaluation committee as provided for Article 145(2) in the following cases:
  - (a) the value of the contract is below the thresholds referred to in Article 169(1);
  - (b) on the basis of a risk analysis for the cases set out in points (c), (e), (f) (i), (f) (iii) and (h) of point 11.1 of the Annex;
  - (c) on the basis of a risk analysis when reopening competition within a framework contract;
  - (d) for procedures in the field of external actions having a value of less than or equal to EUR 20 000.
6. Requests to participate and tenders which do not comply with all the minimum requirements set out in the procurement documents shall be rejected.

### *Article 163*

#### *Contacts during the procurement procedure*

1. Before the time limit for receipt of requests to participate or tenders, the contracting authority may communicate additional information about the procurement documents if it discovers an error or omission in the text or upon request from candidates or tenderers. Information provided shall be disclosed to all candidates or tenderers.
2. After the time limit for receipt of requests to participate or tenders, in every case where contact has been made, and in the duly justified cases where contact has not been made as provided for in Article 146, a record shall be kept in the procurement file.

### *Article 164*

#### *Award decision and information to candidates or tenderers*

1. The authorising officer responsible shall decide to whom the contract is to be awarded, in compliance with the selection and award criteria specified in the procurement documents.
2. The contracting authority shall notify all candidates or tenderers, whose requests to participate or tenders are rejected, of the grounds on which the decision was taken, as well as the duration of the standstill period referred to in Article 169(2).

For the award of specific contracts under a framework contract with reopening of competition, the contracting authority shall inform the tenderers of the result of the evaluation.

3. The contracting authority shall inform each tenderer who is not in an exclusion situation, who is not rejected under Article 137, whose tender is compliant with the procurement documents and who makes a request in writing, of any of the following:
  - (a) the name of the tenderer, or tenderers in the case of a framework contract, to whom the contract is awarded and, except in the case of a specific contract under a framework contract with reopening of competition, the characteristics and relative advantages of the successful tender, the price paid or contract value, whichever is appropriate;
  - (b) the progress of negotiation and dialogue with tenderers.

However, the contracting authority may decide to withhold certain information where its release would impede law enforcement, would be contrary to the public interest or would prejudice the legitimate commercial interests of economic operators or might distort fair competition between them.

### *Article 165*

#### *Cancellation of the procurement procedure*

The contracting authority may, before the contract is signed, cancel the procurement procedure without the candidates or tenderers being entitled to claim any compensation.

The decision shall be justified and brought to the attention of the candidates or tenderers as soon as possible.

### *Article 166*

#### *Performance and modifications of the contract*

1. Performance of the contract shall not start before the contract is signed.
2. The contracting authority may modify a contract or framework contract without a procurement procedure only in the cases provided for in paragraph 3 and provided the modification does not alter the subject matter of the contract or framework contract.

3. A contract, a framework contract or a specific contract under a framework contract may be modified without a new procurement procedure in any of the following cases:
- (a) for additional works, supplies or services by the original contractor that have become necessary and that were not included in the initial procurement, where the following conditions are fulfilled:
    - (i) a change of contractor cannot be made for technical reasons linked to interchangeability or interoperability requirements with existing equipment, services or installations;
    - (ii) a change of contractor would cause substantial duplication of costs for the contracting authority;
    - (iii) any increase in price, including the net cumulative value of successive modifications, does not exceed 50 % of the initial contract value;
  - (b) where all of the following conditions are fulfilled:
    - (i) the need for modification has been brought about by circumstances which a diligent contracting authority could not foresee;
    - (ii) any increase in price does not exceed 50 % of the initial contract value;
  - (c) where the value of the modification is below the following thresholds:
    - (i) the thresholds referred to in Article 169(1) and in point 38 of the Annex of this Regulation in the field of external actions applicable at the time of the modification;
    - (ii) 10 % of the initial contract value for public service and supply contracts and works or services concession contracts and 15 % of the initial contract value for public works contracts;
  - (d) where the minimum requirements of the initial procurement procedure are not altered. In that case any ensuing modification of value shall comply with the conditions set under point (c) of this subparagraph, unless such modification of value results from the strict application of the procurement documents or contractual provisions.

The initial contract value shall not take into account price revisions.

The net cumulative value of several successive modifications under point (c) of the first subparagraph of this paragraph shall not exceed any threshold referred to therein.

The contracting authority shall apply the ex post publicity measures set out in Article 157.

#### *Article 167*

##### *Performance guarantees and retention money guarantees*

1. The performance guarantee shall amount to a maximum of 10 % of the total value of the contract.

It shall be fully released after final acceptance of the works, supplies or complex services, within a period subject to Article 114(1) to be specified in the contract. It may be released partially or fully upon provisional acceptance of the works, supplies or complex services.

2. A retention money guarantee amounting to a maximum of 10 % of the total value of the contract may be constituted by deductions from interim payments as and when they are made or by deduction from the final payment.

The retention money guarantee shall not be used in a contract where a performance guarantee has been requested and not released.

3. Subject to approval by the contracting authority, the contractor may request to replace the retention money guarantee by a guarantee referred to in Article 147.
4. The contracting authority shall release the retention money guarantee after the expiry of the contractual liability period, within a period subject to Article 114(1) to be specified in the contract.

## **CHAPTER 2**

### **Provisions applicable to contracts awarded by the institutions on their own account**

#### *Article 168*

##### *The contracting authority*

1. The Union institutions, executive agencies and bodies within the meaning of Articles 69 and 70 shall be deemed to be contracting authorities in the case of contracts awarded on their own account, except where they purchase from a central purchasing body. Departments of those institutions shall not be deemed to be contracting authorities where they conclude service-level agreements amongst themselves.  
  
Those institutions shall delegate, in accordance with Article 58, the necessary powers for the exercise of the function of contracting authority.
2. Each authorising officer by delegation or subdelegation within each institution shall assess whether the thresholds laid down in Article 169(1) have been reached.

#### *Article 169*

##### *Thresholds applicable and standstill period*

1. To award public and concession contracts, the contracting authority shall respect the thresholds laid down in points (a) and (b) of Article 4 of Directive 2014/24/EU when selecting a procedure set out in Article 158(1) of this Regulation. Those thresholds shall determine the publicity measures set out in Article 157(1) and (2) of this Regulation.
2. Subject to exceptions and conditions to be specified in the Annex to this Regulation, in the case of contracts the value of which exceeds the thresholds referred to in paragraph 1, the contracting authority shall not sign the contract or framework contract with the successful tenderer until a standstill period has elapsed.
3. The standstill period shall have a duration of 10 days when using electronic means of communication and 15 days when using other means.

#### *Article 170*

##### *Rules on access to procurement*

1. Participation in procurement procedures shall be open on equal terms to all natural and legal persons within the scope of the Treaties and to all natural and legal persons established in a third country which has a special agreement with the Union in the field of public procurement under the conditions laid down in that agreement. It shall also be open to international organisations.
2. For the purpose of Article 154(4), the JRC shall be considered as a legal person established in a Member State.

*Article 171*  
*Procurement rules of the World Trade Organisation*

Where the plurilateral Agreement on Government Procurement concluded within the World Trade Organisation applies, the procurement procedure shall also be open to economic operators established in the states which have ratified that agreement, under the conditions laid down therein.

### **CHAPTER 3**

## **Provisions applicable for procurement in the field of external actions**

*Article 172*  
*External action procurement*

1. The provisions of Chapter 1 of Title VII relating to the general provisions on procurement shall be applicable to contracts covered by this Chapter subject to the special provisions relating to the arrangements for awarding external contracts laid down in the Annex. Articles 168 to 171 shall not be applicable to the procurement set out in this Chapter.

Article 157 and points (a) and (b) of Article 158(1) shall only apply as from:

- (a) EUR 300 000 for service and supply contracts;
  - (b) EUR 5 000 000 for works contracts.
2. This Chapter shall apply to:
    - (a) procurement where the Commission does not award contracts for its own account;
    - (b) procurement by entities or persons pursuant to point (c) of Article 61(1) where provided for in the contribution or financing agreements referred to in Article 149.
  3. The procurement procedures shall be laid down in the financing agreements provided for in Article 152.
  4. This Chapter shall not apply to actions under sector-specific basic acts relating to humanitarian crisis management aid, civil protection operations and humanitarian aid operations.

*Article 173*  
*Rules on access to procurement*

1. Participation in procurement procedures shall be open on equal terms to all persons within the scope of the Treaties and to any other natural or legal person in accordance with the specific provisions in the basic instruments governing the cooperation sector concerned. It shall also be open to international organisations.
2. In the cases referred to in Article 56(2), it may be decided, under exceptional circumstances duly justified by the authorising officer responsible, to allow third-country nationals, other than those referred to in paragraph 1 of this Article, to tender for contracts.
3. Where an agreement on widening the market for procurement of goods or services to which the Union is party applies, the procurement procedures for contracts financed by the budget shall also be open to natural and legal persons established in a third country other than those referred to in paragraphs 1 and 2, under the conditions laid down in that agreement.

## TITLE VIII GRANTS

### CHAPTER 1 Scope and form of grants

#### *Article 174 Scope and form of grants*

1. This Title applies to grants awarded under direct implementation.
2. Grants are direct financial contributions, by way of donation, from the budget in order to finance any of the following:
  - (a) an action intended to help achieve a Union policy objective ('action grants');
  - (b) the functioning of a body which has an objective forming part of, and supporting, a Union policy ('operating grants').

In the case of an operating grant, the grant shall take the form of a financial contribution to the work programme of the body.

3. Grants may take any of the forms provided for in paragraph 1 of Article 121. Where the grant takes the form referred to in point (e) of Article 121(1) the application of the provisions related to eligibility and verification of costs laid down in this Title shall not apply.
4. Each institution may award grants for communication activities where this is justified by the nature of those activities.
5. The Joint Research Centre (JRC) may receive funding charged to appropriations other than research and technological development appropriations in respect of its participation in grant award procedures financed in whole or in part from the budget. In such cases paragraph 4 of Article 191, as far as financial capacity is concerned, and points (a) to (d) of Article 189(1) shall not apply.

#### *Article 175 Lump sums, unit costs and flat-rate financing*

1. This Article shall apply to grants which take the form of lump sums, unit costs or flat rate financing referred to in points (b), (c) or (d) of Article 121(1).
2. Where possible and appropriate, lump sums, unit costs or flat rates shall be determined in such a way as to allow their payment upon achievement of concrete outputs.
3. Unless provided otherwise in the basic act, the use of lump sums, unit costs or flat-rate financing shall be authorised by the authorising officer responsible, who shall act in accordance with a predetermined procedure established within each institution.
4. The authorisation shall contain at least the following:
  - (a) justification concerning the appropriateness of such forms of financing with regard to the nature of the supported actions or work programmes, as well as to the risks of irregularities and fraud and costs of control;
  - (b) identification of the costs or categories of costs covered by lump sums, unit costs or flat-rate financing, which shall exclude ineligible costs under the applicable Union rules;

- (c) description of the methods for determining lump sums, unit costs or flat-rate financing. Those methods shall be based on one of the following:
    - (i) statistical data, similar objective means or an expert judgement; or
    - (ii) beneficiary-by-beneficiary approach, by reference to certified or auditable historical data of the beneficiary or to its usual cost accounting practices;
  - (d) where possible, the essential conditions triggering the payment, including, where applicable, the achievement of outputs;
  - (e) description of the conditions for ensuring that the principle of sound financial management is respected and the co-financing principle is reasonably complied with;
  - (f) where lump sums, unit costs and flat rates are not output based, a justification on why an output based approach is not possible or appropriate.
5. The authorisation shall apply for the duration of the programme or programmes unless otherwise provided in the authorising decision.
- The authorisation may cover the use of lump sums, unit costs or flat rates applicable beyond a specific funding programme where the nature of the activities or of the expenditure allow for a common approach. The authorising decision may be adopted by the following:
- (a) the authorising officers responsible where all concerned activities fall under their responsibility;
  - (b) the Commission where this is appropriate in view of the nature of the activities or of the expenditure or in view of the number of authorising officers concerned.
6. The authorising officer responsible may authorise or impose, in the form of flat-rates, funding of the beneficiary's indirect costs up to a maximum of 7 % of total eligible direct costs for the action. A higher flat rate may be authorised by a reasoned Commission decision.
7. SME owners and other natural persons who do not receive a salary may declare eligible personnel costs for the work carried out by themselves under an action or work programme, on the basis of unit costs authorised in accordance with paragraphs 1 to 6.
8. Beneficiaries may declare personnel costs for the work carried out by volunteers under an action or work programme, on the basis of unit costs authorised in accordance with paragraphs 1 to 6.

*Article 176*  
*Single lump sums*

- 1. A lump sum may cover the entire eligible costs of an action or a work programme ('single lump sum').
- 2. Single lump sums may be determined on the basis of the estimated budget. The budget shall comply with the principles of economy, efficiency and effectiveness. The compliance with those principles shall be verified ex-ante at the time of evaluation of the grant application.
- 3. When authorising single lump sums the authorising officer responsible shall comply with Article 175.

*Article 177*  
*Checks and controls on beneficiaries related to lump sums, unit costs and flat rates*

- 1. The authorising officer responsible shall check, at the latest before the payment of the balance, the fulfilment of the conditions triggering the payment of lump sums, unit costs or flat-rates,



including, where required, the achievement of outputs. In addition, the fulfilment of those conditions may be subject to ex post controls.

The amounts of lump sums, unit costs or flat-rate financing determined ex ante by application of the method authorised by the authorising officer responsible or the Commission in accordance with Article 175 shall not be challenged by ex-post controls without prejudice to the right of the authorising officer responsible to reduce the grant in accordance with paragraph 4 of Article 127. Where lump sums, unit costs or flat rates are established on the basis of the usual cost accounting practices of the beneficiary paragraph 2 of Article 179 shall apply.

2. The conditions triggering the payment of lump sums, unit costs or flat-rates shall not require reporting on the costs actually incurred by the beneficiary.
3. Payment of the grant on the basis of lump sums, unit costs or flat-rate financing shall not affect the right of access to the statutory records of the beneficiaries for the purposes referred to in Articles 178 and 124.

#### *Article 178*

##### *Periodic assessment of lump sums, unit costs or flat-rates*

The method for determining lump sums, unit costs or flat rates, the underlying data and the resulting amounts shall be assessed periodically, and, where appropriate, adjusted in accordance with Article 175.

#### *Article 179*

##### *Usual cost accounting practices of the beneficiary*

1. Where recourse to the usual cost accounting practices of the beneficiary is authorised, the authorising officer responsible may assess compliance of those practices *ex ante* with the conditions set out in paragraph 4 of Article 175 or through an appropriate strategy for *ex post* controls.
2. If the compliance of the beneficiary's usual cost accounting practices with the conditions referred to in paragraph 4 of Article 175 has been established *ex ante*, the amounts of lump sums, unit costs or flat-rate financing determined by application of those practices shall not be challenged by *ex post* controls. This does not affect the right of the authorising officer responsible to reduce the grant in accordance with paragraph 4 of Article 127.
3. The authorising officer responsible may consider that the usual cost accounting practices of the beneficiary are compliant with the conditions referred to in paragraph 4 of Article 175 if they are accepted by national authorities under comparable funding schemes.

#### *Article 180*

##### *Eligible costs*

1. Grants shall not exceed an overall ceiling expressed in terms of an absolute value which shall be established, where possible, on the basis of estimated eligible costs. Without prejudice to the basic act, grants may in addition be expressed as a percentage of the estimated eligible costs.

Where, due to specificities of an action, grants can only be expressed in terms of an absolute value, the verification of the eligible costs shall be done in accordance with paragraph 3 of Article 150.

2. Without prejudice to the maximum co-financing rate specified in the basic act:
  - (a) the grant shall not exceed the eligible costs;

- (b) where the estimated eligible costs include costs for volunteers' work referred to in paragraph 8 of Article 175, the grant shall not exceed the estimated eligible costs other than the costs for volunteers' work.
3. Eligible costs are costs actually incurred by the beneficiary of a grant which shall meet all of the following criteria:
- (a) they are incurred during the duration of the action or of the work programme, with the exception of costs relating to final reports and audit certificates;
  - (b) they are indicated in the estimated overall budget of the action or work programme;
  - (c) they are necessary for the implementation of the action or of the work programme which is the subject of the grant;
  - (d) they are identifiable and verifiable, in particular being recorded in the accounting records of the beneficiary and determined according to the applicable accounting standards of the country where the beneficiary is established and according to the usual cost accounting practices of the beneficiary;
  - (e) they comply with the requirements of applicable tax and social legislation;
  - (f) they are reasonable, justified, and comply with the principle of sound financial management, in particular regarding economy and efficiency.

4. Calls for proposals shall specify the categories of costs considered as eligible for Union funding. Unless provided otherwise in the basic act and in addition to paragraph 3, the following categories of costs shall be eligible where the authorising officer responsible has declared them as such under the call for proposals:

- (a) costs relating to a pre-financing guarantee lodged by the beneficiary of the grant, where that guarantee is required by the authorising officer responsible pursuant to paragraph 1 of Article 147;
- (b) costs relating to certificates on the financial statements and operational verification reports where such certificates or reports are required by the authorising officer responsible;
- (c) VAT where it is not recoverable under the applicable national VAT legislation and is paid by a beneficiary other than a non-taxable person as defined in the first subparagraph of Article 13(1) of Council Directive 2006/112/EC<sup>47</sup>;

VAT shall be considered as not recoverable if according to national law it is attributable to any of the following activities:

- (i) exempt activities without right of deduction;
- (ii) activities which fall outside the scope of VAT;
- (iii) activities, as referred to in points (i) or (ii), in respect of which VAT is not deductible but refunded by means of specific refund schemes or compensation funds not foreseen by Directive 2006/112/EC, even if that scheme or fund is established by national VAT legislation.

VAT relating to the activities listed in Article 13(2) of Directive 2006/112/EC shall be regarded as paid by a beneficiary other than a non-taxable person as defined in the first subparagraph of Article 13(1) of that Directive, regardless of whether those activities are

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<sup>47</sup> Council Directive 2006/112/EC of 28 November 2006 on the common system of value added tax (OJ L 347, 11.12.2006, p.1)

regarded by the Member State concerned as activities engaged in by bodies governed by public law acting as public authorities.

- (d) depreciation costs, provided they are actually incurred by the beneficiary;
  - (e) salary costs of the personnel of national administrations to the extent that they relate to the cost of activities which the relevant public authority would not carry out if the project concerned were not undertaken.
5. Costs incurred by entities affiliated to a beneficiary referred to in Article 181 may be accepted as eligible, unless the authorising officer responsible declares them as ineligible under the call for proposals. The following conditions shall apply cumulatively:
- (a) the entities concerned are identified in the grant agreement;
  - (b) the entities concerned abide by the rules applicable to the beneficiary under the grant agreement with regard to eligibility of costs and rights of checks and audits by the Commission, European Anti-Fraud Office and the Court of Auditors.

#### *Article 181*

#### *Affiliated entities and sole beneficiary*

1. For the purpose of this Title, the following entities shall be considered as entities affiliated to the beneficiary:
- (a) entities forming the beneficiary in accordance with paragraph 2;
  - (b) entities that satisfy the eligibility criteria and that do not fall within one of the situations referred to in paragraph 1 of Article 132 and in paragraph 1 of Article 137 and that have a link with the beneficiary, in particular a legal or capital link, which is neither limited to the action nor established for the sole purpose of its implementation.

Section 2 of Chapter 2 of Title V shall apply also to affiliated entities.

2. Where several entities satisfy the criteria for being awarded a grant and together form one entity, that entity may be treated as the sole beneficiary, including where the entity is specifically established for the purpose of implementing the action to be financed by the grant.

## **CHAPTER 2**

### **Principles**

#### *Article 182*

#### *General principles applicable to grants*

Grants shall be subject to the principles of:

- (a) equal treatment;
- (b) transparency;
- (c) co-financing;
- (d) non cumulative award and no double financing;
- (e) non retroactivity.

*Article 183*  
*Transparency*

1. Grants shall be awarded following a publication of calls for proposals, except in the cases referred to in Article 188.
2. All grants awarded in the course of a financial year shall be published in accordance with paragraphs 1 to 4 of Article 36.
3. Following the publication referred to in paragraphs 1 and 2, when requested by the European Parliament and the Council, the Commission shall forward a report to them on:
  - (a) the number of applicants in the past year;
  - (b) the number and percentage of successful applications per call for proposals;
  - (c) the average duration of the procedure from date of closure of the call for proposals to the award of a grant;
  - (d) the number and amount of grants where the *ex post* publication obligation was waived in the past year in accordance with paragraph 4 of Article 36.

*Article 184*  
*Co-financing*

1. Grants shall involve co-financing. This means that the resources necessary to carry out the action or the work programme shall not be provided entirely by the grant.  
Co-financing may take the form of the beneficiary's own resources, income generated by the action or work programme or financial or in-kind contributions from third parties.
2. Contributions in kind from third parties in the form of volunteers' work referred to in paragraph 8 of Article 175 shall be presented as eligible costs in the estimated budget. They shall be presented separately from the other eligible costs.  
Other contributions in kind from third parties shall be presented separately from the contributions to the eligible costs in the estimated budget. Their approximate value shall be indicated in the estimated budget and shall not be subject to subsequent changes.
3. As an exception to paragraph 1 an external action may be financed in full by the grant where this is essential for it to be carried out. In such a case grounds shall be provided in the award decision.
4. Paragraphs 1, 2 and 3 shall not apply to interest rate rebates and guarantee fee subsidies.

*Article 185*  
*Principle of non-cumulative award and no double funding*

1. Each action may give rise to the award of only one grant from the budget to any one beneficiary, except where otherwise authorised in the relevant basic acts.  
A beneficiary may be awarded only one operating grant from the budget per financial year.  
An action may be financed jointly from separate budget lines by different authorising officers responsible.
2. The applicant shall immediately inform the authorising officers of any multiple applications and multiple grants relating to the same action or to the same work programme.
3. In no circumstances shall the same costs be financed twice by the budget.
4. Paragraphs 1, 2 and 3 shall not apply to:

- (a) study, research, training or education support paid to natural persons;
- (b) direct support paid to natural persons most in need, such as unemployed persons and refugees.

#### *Article 186*

##### *Principle of non-retroactivity*

1. Unless provided otherwise in this Article grants shall not be awarded retroactively.
2. A grant may be awarded for an action which has already begun provided that the applicant can demonstrate the need for starting the action prior to signature of the grant agreement.

In such cases, costs incurred prior to the date of submission of the grant application shall not be eligible, except:

- (a) in duly justified exceptional cases as provided for in the basic act, or
  - (b) in the event of extreme urgency for measures referred to in points (a) or (b) of Article 188 whereby an early engagement by the Union would be of major importance. In these cases the costs incurred by a beneficiary before the date of submission of the application shall be eligible for Union financing under the following conditions:
    - (i) the reasons for such derogation have been properly substantiated by the authorising officer responsible;
    - (ii) the grant agreement sets explicitly the eligibility date earlier than the date for submission of applications.
3. No grant may be awarded retroactively for actions already completed.
  4. In the case of operating grants, the grant agreement shall be signed within six months of the start of the beneficiary's financial year. Costs eligible for financing may neither have been incurred before the grant application was submitted nor before the start of the beneficiary's financial year.

### **CHAPTER 3**

## **Grant award procedure and grant agreement**

#### *Article 187*

##### *Content and publication of calls for proposals*

1. Calls for proposals shall specify:
  - (a) the objectives pursued;
  - (b) the eligibility, exclusion, selection and award criteria and the relevant supporting documents;
  - (c) the arrangements for Union financing, in particular the forms of grant;
  - (d) the arrangements and final date for the submission of proposals;
  - (e) the planned date by which all applicants are to be informed of the outcome of the evaluation of their application and the indicative date for the signature of grant agreements.
2. The dates referred to in point (e) of paragraph 1 shall be fixed on the basis of the following periods:
  - (a) for informing all applicants of the outcome of the evaluation of their application, a maximum of six months from the final date for submission of complete proposals;

- (b) for signing grant agreements with applicants a maximum of three months from the date of informing applicants that they have been successful.

Those periods may be adjusted in order to take into account any time needed to comply with specific procedures that may be required by the basic act in accordance with Regulation (EU) No 182/2011 of the European Parliament and of the Council<sup>48</sup> and may be exceeded in exceptional, duly justified cases, in particular for complex actions, where there is a large number of proposals or delays attributable to the applicants.

The authorising officer by delegation shall report in his or her annual activity report on the average time taken to inform applicants and to sign grant agreements. In the event of the periods referred to in the first subparagraph being exceeded, the authorising officer by delegation shall give reasons and, where not duly justified in accordance with the second subparagraph, shall propose remedial action.

3. Calls for proposals shall be published on the internet site of the Union institutions and in addition to publication on the internet site by any other appropriate means, including the *Official Journal of the European Union*, where it is necessary to provide additional publicity among potential beneficiaries. They may be published subject to the adoption of the financing decision referred to in Article 108, including during the year preceding budget implementation. Any modification of the content of the calls for proposals shall be published under the same conditions.

*Article 188*  
*Exceptions to calls for proposals*

Grants may be awarded without a call for proposals only in the following cases:

- (a) for the purposes of humanitarian aid, emergency support operations, civil protection operations or for crisis management aid;
- (b) in other exceptional and duly substantiated emergencies;
- (c) to bodies with a *de jure* or *de facto* monopoly or to bodies designated by the Member States, under their responsibility, where those Member States are in a *de jure* or *de facto* monopoly situation;
- (d) to bodies identified by a basic act, within the meaning of Article 56, as beneficiaries of a grant or to bodies designated by the Member States, under their responsibility, where those Member States are identified by a basic act as beneficiaries of a grant;
- (e) in the case of research and technological development, to bodies identified in the work programme referred to in Article 108, where the basic act expressly provides for that possibility, and on condition that the project does not fall under the scope of a call for proposals;
- (f) for activities with specific characteristics that require a particular type of body on account of its technical competence, its high degree of specialisation or its administrative power, on condition that the activities concerned do not fall within the scope of a call for proposals. Where this particular type of body is a Member State, the grant may also be awarded without a call for proposals to the body designated by the Member State, under its responsibility, for the purpose of implementing the action.

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<sup>48</sup> Regulation (EU) No 182/2011 of the European Parliament and of the Council of 16 February 2011 laying down the rules and general principles concerning mechanisms for control by Member States of the Commission's exercise of implementing powers, OJ L 55, 28.2.2011, p. 13–18.

- (g) to the EIB or the European Investment Fund for actions of technical assistance. In such cases points (a) to (d) of Article 189(1) shall not apply.

The cases referred to in points (c) and (f) of the first subparagraph shall be duly substantiated in the award decision.

*Article 189*  
*Content of grant applications*

1. The grant application shall contain the following:
  - (a) information on the legal status of the applicant;
  - (b) a declaration on the applicant's honour in accordance with paragraph 1 of Article 133 and on compliance with the eligibility and selection criteria;
  - (c) information necessary to demonstrate the applicant's financial and operational capacity to carry out the proposed action or work programme and, if decided by the authorising officer responsible on the basis of a risk assessment, supporting documents confirming this information, such as the profit and loss account and the balance sheet for the last financial year for which the accounts were closed.

Such information and supporting documents shall not be requested from applicants to which the verification of the financial or operational capacity does not apply in accordance with paragraph 5 of Article 191. In addition, supporting documents shall not be requested for low value grants;

- (d) where the application concerns a grant for an action for which the amount exceeds EUR 750 000 or an operating grant which exceeds EUR 100 000, an audit report produced by an approved external auditor shall be submitted where it is available, and always in cases where a statutory audit is required by EU or national law. That report shall certify the accounts for the last financial year available. In all other cases, the applicant shall provide a self-declaration signed by its authorised representative certifying the validity of its accounts for the last financial year available.

The first subparagraph shall apply only to the first application made by a beneficiary to an authorising officer responsible in any one financial year.

In the case of agreements between the Commission and a number of beneficiaries, the thresholds set in the first subparagraph shall apply to each beneficiary.

In case of partnerships referred to in paragraph 4 of Article 126, the audit report referred to in the first subparagraph, covering the last two financial years available must be produced before signature of the financial framework partnership agreement.

The authorising officer responsible may, depending on a risk assessment, waive the obligation referred to in the first subparagraph for education and training establishments and, in case of agreements with a number of beneficiaries, beneficiaries who have accepted joint and several liabilities or who do not bear any financial responsibility.

The first subparagraph shall not apply to public bodies and the international organisations referred to in Article 151.

- (e) a description of the action or work programme and an estimated budget which, where possible:
  - (i) shall have revenue and expenditure in balance, and
  - (ii) shall indicate the estimated eligible costs of the action or work programme.

As an exception to point (i), in duly justified cases, the estimated budget may include provisions for contingencies or possible variations in exchange rates.

- (f) indication of the sources and amounts of Union funding received or applied for the same action or part of the action or for its functioning during the same financial year as well as any other funding received or applied for the same action.
2. The application may be divided in several parts that may be submitted at different stages in accordance with paragraph 2 of Article 193.

*Article 190*  
*Eligibility criteria*

1. The eligibility criteria shall determine the conditions for participating in a call for proposals.
2. Any of the following applicants shall be eligible for participating in a call for proposal:
  - (a) legal persons;
  - (b) natural persons, in so far as this is required by the nature or characteristics of the action or the objective pursued by the applicant;
  - (c) entities which do not have legal personality under the applicable national law, provided that their representatives have the capacity to undertake legal obligations on behalf of the entity and offer guarantees for the protection of the Union's financial interests equivalent to those offered by legal persons. In particular the applicant shall have a financial and operational capacity equivalent to that of a legal person. The representatives of the applicant shall prove that those conditions are satisfied.
3. The call for proposals may lay down additional eligibility criteria which shall be established with due regard for the objectives of the action and shall comply with the principles of transparency and non-discrimination.
4. For the purposes of paragraph 4 of Article 174 and this Article, the JRC shall be considered as a legal person established in a Member State.

*Article 191*  
*Selection criteria*

1. The selection criteria shall be such as to make it possible to assess the applicant's ability to complete the proposed action or work programme.
2. The applicant must have stable and sufficient sources of funding to maintain his activity throughout the period for which the grant is awarded and to participate in its funding ('financial capacity').
3. The applicant must have the professional competencies and qualifications required to complete the proposed action or work programme unless specifically provided otherwise in the basic act ('operational capacity').
4. Financial and operational capacity shall be verified in particular on the basis of an analysis of any information or supporting documents referred to in Article 189.

If no supporting documents were requested in the call for proposals and if the authorising officer responsible has doubts about the financial or operational capacity of an applicant, he shall request it to provide any appropriate documents.

In case of partnerships the verification shall be performed in accordance with paragraph 6 of Article 126.



5. The verification of financial capacity shall not apply to:
  - (a) natural persons in receipt of education support;
  - (b) natural persons most in need and in receipt of direct support;
  - (c) public bodies;
  - (d) international organisations;
  - (e) persons or entities applying for interest rate rebates and guarantee fee subsidies where the objective of those rebates and subsidies is to reinforce the financial capacity of a beneficiary or to generate an income.
6. The authorising officer responsible may, depending on a risk assessment, waive the obligation to verify the operational capacity of public bodies or international organisations.

*Article 192*  
*Award criteria*

The award criteria shall be such as to make it possible:

- (a) to assess the quality of the proposals submitted in the light of the objectives and priorities set;
- (b) to award grants to the actions or to the work programmes which maximise the overall effectiveness of the Union funding.

*Article 193*  
*Evaluation procedure*

1. Proposals shall be evaluated, on the basis of the pre-announced selection and award criteria, with a view to determining which proposals may be financed.
2. The authorising officer responsible shall, where appropriate, divide the process into several procedural stages. The rules governing the process shall be announced in the call for proposals.  
The applicants whose proposals are rejected at any stage shall be informed in accordance with paragraph 7.  
The same documents and information shall not be required more than once during the same procedure.
3. The evaluation committee referred to in Article 145 or, where appropriate, the authorising officer responsible may ask an applicant to provide additional information or to clarify the supporting documents submitted in accordance with Article 146. The authorising officer shall keep appropriate records of contacts with applicants during the procedure.
4. Upon completion of its work, the members of the evaluation committee shall sign a record of all the proposals examined, containing an assessment of their quality and identifying those which may receive funding.  
Where necessary that record shall rank the proposals examined, provide recommendations on the maximum amount to award and possible non-substantial adjustments to the grant application.  
The record shall be kept for future reference.
5. The authorising officer responsible may invite an applicant to adjust its proposal in the light of the recommendations of the evaluation committee. The authorising officer responsible shall keep appropriate records of contacts with applicants during the procedure.

6. The authorising officer responsible shall, on the basis of the evaluation, take his decision giving at least:
  - (a) the subject and the overall amount of the decision;
  - (b) the name of the successful applicants, the title of the actions, the amounts accepted and the reasons for that choice, including where it is inconsistent with the opinion of the evaluation committee;
  - (c) the names of any applicants rejected and the reasons for that rejection.
7. The authorising officer responsible shall inform applicants in writing of the decision on their application. If the grant requested is not awarded, the institution concerned shall give the reasons for the rejection of the application. Rejected applicants shall be informed as soon as possible of the outcome of the evaluation of their application and in any case within 15 calendar days after information has been sent to the successful applicants.
8. For grants pursuant to Article 188 the following shall apply:
  - (a) paragraphs 2 and 4 of this Article and Article 145 are not compulsory,
  - (b) the authorising officer responsible may merge the content of the evaluation report and award decision into a single document and sign it.

*Article 194*  
*Grant agreement*

1. Grants shall be covered by a written agreement.
2. The grant agreement shall at least include the following:
  - (a) a description of the action or, for an operating grant, of the work programme together with a description of the results expected;
  - (b) the maximum amount of Union funding expressed in euro, the estimated budget of the action or work programme and the form of the grant;
  - (c) the rules regarding reporting and payments and the procurement rules provided for in Article 198;
  - (d) the acceptance by the beneficiary of the obligations referred to in Article 124;
  - (e) provisions governing the visibility of the Union financial support, except in duly justified cases, where public display is not possible or appropriate;
  - (f) the applicable law which shall be the Union law, complemented, where necessary, by national law as specified in the grant agreement. Derogation may be made in the agreements concluded with international organisations;
  - (g) the competent court or arbitration tribunal to hear disputes.
3. Pecuniary obligations of entities or persons other than States arising from the implementation of a grant agreement shall be enforceable in accordance with paragraph 2 of Article 98.
4. Amendments to grant agreements, shall not have the purpose or the effect of making such changes that would call into question the grant award decision or be contrary to the equal treatment of applicants.

## **CHAPTER 4**

### **Implementation of the grants**

#### *Article 195*

##### *Amount of the grant and extension of audit findings*

1. The amount of the grant shall not become final until after the authorising officer responsible has approved the final reports and, where applicable, the accounts, without prejudice to subsequent audits, checks and investigations by the institution concerned, European Anti-Fraud Office or the European Court of Auditors. Paragraph 4 of Article 127 shall apply even after the amount of the grant has become final.
2. Where controls or audits demonstrate systemic or recurrent irregularities, fraud or breach of obligations attributable to the beneficiary and having a material impact on a number of grants awarded to that beneficiary under similar conditions, the authorising officer responsible may suspend the implementation of the grant agreement or payments under all the grants concerned or, where appropriate, terminate the concerned grant agreements with that beneficiary, in proportion to the seriousness of the findings.

The authorising officer responsible may, in addition, reduce the grants, reject ineligible costs and recover, if necessary, amounts unduly paid in respect of all the grants affected by the systemic or recurrent irregularities, fraud or breach of obligations referred to in the first subparagraph that may be subject to audits, checks and investigations in accordance with the grant agreements affected.

3. The authorising officer responsible shall determine the amounts to be reduced or recovered, wherever possible and practicable, on the basis of costs unduly declared as eligible for each grant concerned, following acceptance of the revised reports and financial statements submitted by the beneficiary.
4. Where it is not possible or practicable to quantify precisely the amount of ineligible costs for each grant concerned, the amounts to be reduced or recovered may be determined by extrapolating the reduction or recovery rate applied to the grants for which the systemic or recurrent irregularities, fraud or breach of obligations have been demonstrated, or, where ineligible costs cannot serve as a basis for determining the amounts to be reduced or recovered, by applying a flat rate, having regard to the principle of proportionality. The beneficiary shall be given the opportunity to propose a duly substantiated alternative method or rate before the reduction or recovery is made.

#### *Article 196*

##### *Supporting documents for payment requests*

1. The authorising officer responsible shall specify the supporting documents required to accompany payment requests.
2. For each grant, pre-financing may be split into several instalments in accordance with sound financial management. The request for a further pre-financing instalment shall be accompanied by a beneficiary's statement on the consumption of previous pre-financing. The instalment shall be paid in full if at least 70 % of the total amount of any earlier pre-financing has been consumed. Otherwise, the instalment shall be reduced by the amounts still to be consumed until that threshold is reached.
3. The beneficiary shall, without prejudice to the obligation to provide supporting documents, certify on its honour that information contained in payment requests is full, reliable and true. The beneficiary shall also certify that the costs incurred are eligible in accordance with the grant

agreement and that payment requests are substantiated by adequate supporting documents that may be checked.

4. A certificate on the financial statements of the action or the work programme and underlying accounts may be demanded by the authorising officer responsible in support of interim payments or payments of balances of any amount. Such a certificate shall be requested on the basis of a risk assessment taking into account, in particular, the amount of the grant, the amount of the payment, the nature of the beneficiary and the nature of the supported activities.

The certificate shall be produced by an approved external auditor or in case of public bodies, by a competent and independent public officer.

The certificate shall certify, in accordance with a methodology approved by the authorising officer responsible and on the basis of agreed-upon procedures compliant with international standards, that the costs declared by the beneficiary in the financial statements on which the payment request is based are real, accurately recorded and eligible in accordance with the grant agreement. In specific and duly justified cases, the authorising officer responsible may request the certificate in the form of an opinion or other format in accordance with international standards.

5. An operational verification report, produced by an independent third party approved by the authorising officer responsible, may be requested by the authorising officer responsible in support of any payment, on the basis of a risk assessment. The verification report shall state that the operational verification was done in accordance with a methodology approved by the authorising officer responsible and whether the action or work programme was actually implemented in accordance with the conditions set out in the grant agreement.

#### *Article 197*

#### *Financial support to third parties*

Where implementation of an action or a work programme requires financial support to be given to third parties, the beneficiary may give such financial support provided that the conditions for the giving of such support are strictly defined in the grant agreement between the beneficiary and the Commission, in order to avoid the exercise of discretion by the beneficiary.

The discretion is considered exhausted if the grant agreement specifies the following:

- (a) the maximum amount of financial support that can be paid to a third party which shall not exceed EUR 60 000 and the criteria for determining the exact amount. This threshold can be exceeded where achieving the objectives of the actions would otherwise be impossible or overly difficult;
- (b) the different types of activities that may receive such financial support, on the basis of a fixed list;
- (c) the definition of the persons or categories of persons which may receive such financial support and the criteria to give it.

*Article 198*  
*Implementation contracts*

1. Without prejudice to the application of the Directives 2014/24/EU and 2014/25/EU<sup>49</sup>, where implementation of the action or work programme requires the award of a procurement contract, the beneficiary may award the contract in accordance with its usual purchasing practices provided that the contract is awarded to the tender offering best value for money or, as appropriate, to the tender offering the lowest price, while avoiding any conflict of interests.
2. Where implementation of the action or work programme requires the award of a procurement contract with a value of more than EUR 60 000, the authorising officer responsible may, if duly justified, require the beneficiary to abide by special rules in addition to those referred to in paragraph 1.

Those special rules shall be based on rules contained in this Regulation and shall be proportionate to the value of the contracts concerned, the relative size of the Union contribution in relation to the total cost of the action and the risk. Such special rules shall be included in the grant agreement.

## **TITLE IX** **PRIZES**

*Article 199*  
*General rules*

1. Prizes shall respect the principles of transparency and equal treatment and shall promote the achievement of policy objectives of the Union.
2. Prizes may not be awarded directly without a contest.

Contests for prizes with a unit value of EUR 1 000 000 or more may only be published where those prizes are mentioned in the financing decision referred to in Article 108 and after information on such prizes has been submitted to the European Parliament.

3. The amount of the prize shall not be linked to costs incurred by the winner.
4. Where implementation of an action or work programme requires prizes to be given to third parties by a beneficiary of a Union grant, that beneficiary may give such prizes provided that the eligibility and award criteria, the amount of the prizes and the payment arrangements are defined in the grant agreement between the beneficiary and the Commission, with no margin for discretion.

*Article 200*  
*Rules of contest, award and publication*

1. Rules of contests shall:
  - (a) specify the eligibility criteria;
  - (b) specify the arrangements and final date for the registration of applicants, if required, and for the submission of applications;
  - (c) specify the exclusion criteria;

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<sup>49</sup> Directive 2014/25/EU of the European Parliament and of the Council of 26 February 2014 on procurement by entities operating in the water, energy, transport and postal services sectors and repealing Directive 2004/17/EC (OJ L 94, 28.3.2014, p.243)

- (d) provide for the sole liability of applicant in case of claim relating to the activities carried out in the framework of the contest;
- (e) provide for acceptance by the winners of obligations referred to in Article 124 and of the publicity obligations as specified in the rules of the contest;
- (f) state that Union law is the law which applies to the contest, complemented, where necessary, by national law as specified in the rules of contest;
- (g) specify the competent court or arbitration tribunal to hear disputes;
- (h) the award criteria, which shall be such as to make possible to assess the quality of the applications with regard to the objectives pursued and the expected results and to determine objectively whether applications qualify as the winners;
- (i) the amount of the prize or prizes;
- (j) the arrangements for the payment of prizes to the winners after their award.

For the purposes of point (a) of the first subparagraph, beneficiaries of Union grants shall be eligible, unless stated otherwise in the rules of contest.

For the purposes of point (f) of the first subparagraph, derogation may be made in the case of participation of international organisations.

Paragraph 3 of Article 187 shall apply *mutatis mutandis* to the publication of contests.

2. Rules of contests may set the conditions for cancelling the contest, in particular where its objectives cannot be fulfilled.
3. Prizes shall be awarded by the authorising officer responsible following an evaluation by the evaluation committee referred to in Article 145.

Paragraph 6 of Article 193 shall apply *mutatis mutandis* to the award decision.

4. Applicants shall be informed as soon as possible of the outcome of the evaluation of their application and in any case within 15 calendar days after the award decision has been taken by the authorising officer.

The decision to award the prize shall be notified to the winning applicant and shall serve as the legal commitment..

5. All prizes awarded in a course of a financial year shall be published in accordance with paragraph 1 to 4 of Article 36.

Following the publication when requested by the European Parliament and the Council, the Commission shall forward them a report on:

- (a) the number of applicants in the past year;
- (b) the number of applicants and the percentage of successful applications per contest;
- (c) a list of the experts having taken part in evaluation committees in the past year, together with a reference to the procedure for their selection.

# TITLE X

## FINANCIAL INSTRUMENTS, BUDGETARY GUARANTEES AND FINANCIAL ASSISTANCE

### CHAPTER 1

#### Common provisions

##### *Article 201*

##### *Scope and implementation*

1. The Union may establish financial instruments or provide budgetary guarantees or financial assistance backed by the general budget by means of a basic act.
2. Member States may contribute to the Union's financial instruments, budgetary guarantees or financial assistance. If authorized by the basic act, other third parties may also contribute.
3. Where financial instruments are implemented under shared implementation with Member States, sector specific rules apply, without prejudice to subparagraph 2 of Article 208(2).
4. Where financial instruments or budgetary guarantees are indirectly implemented, the Commission shall conclude agreements with entities pursuant to points (ii), (iii), (v) and (vi) of Article 61(1)(c). These entities may, under their responsibility, conclude agreements with financial intermediaries, selected following procedures equivalent to those of the Commission. They shall transpose the requirements pursuant to Article 150(2) in those agreements.

Where third countries contribute to financial instruments or budgetary guarantees pursuant to paragraph 2, the basic act may allow for the designation of eligible implementing entities or counterparts from the countries concerned.

##### *Article 202*

##### *Principles and conditions applicable to financial instruments and budgetary guarantees*

1. Financial instruments or budgetary guarantees shall:
  - (a) address market failures or sub-optimal investment situations and provide support, in a proportionate manner, only to final recipients that are deemed potentially economically viable at the time of the Union financial support;
  - (b) achieve additionality by avoiding replacing potential support from other public or market sources;
  - (c) ensure non-distortion of competition in the internal market and consistency with State aid rules;
  - (d) achieve a leverage or a multiplier effect, by mobilising a global investment exceeding the size of the Union contribution or guarantee. The target range of values for the leverage and multiplier effect shall be based on an ex-ante evaluation for the corresponding financial instrument or budgetary guarantee;
  - (e) ensure that there is a common interest of the implementing entities or counterparts involved in the implementation in achieving the policy objectives defined in the relevant basic act, with provisions such as co-investment, risk sharing requirements or financial incentives, while preventing a conflict of interests with other activities of the entities or counterparts;

- (f) ensure that the remuneration of the Union is consistent with the sharing of risk among financial participants and the policy objectives of the financial instrument or budgetary guarantee;
  - (g) provide for any remuneration of the implementing entities or counterparts involved in the implementation to be performance based. Performance based fees shall comprise administrative fees to remunerate the entity or counterpart for the work carried out in the implementation of a financial instrument or budgetary guarantee and, where appropriate, policy related incentives to promote the achievement of the policy objectives or incentivise the financial performance of the financial instrument or budgetary guarantee. Exceptional expenses may be reimbursed;
  - (h) be based on ex-ante evaluations, individually or as part of a programme, in line with Article 32. The ex-ante evaluation shall contain explanations concerning the choice of the type of financial operation taking into account the policy objectives pursued and the associated financial risks and savings for the budget of the Union.
2. Unless otherwise specified in a basic act, internal assigned revenue pursuant to point (i) of Article 20(3) shall comply with the following principles:
- (a) they shall be used for the same financial instrument or budgetary guarantee during the entire period of its implementation of the operation, without prejudice to Article 208(5);
  - (b) after the end of the period of implementation of a financial instrument or budgetary guarantee, any outstanding amount originating in the Union budget shall be returned to the budget;
  - (c) without prejudice to point (b), the outstanding amount of assigned revenue authorised under a basic act that is to be repealed or terminates may be taken into account when setting the amount of resources for a another financial instrument in its basic act;
  - (d) they shall be taken into account when determining the allocation of appropriations to a financial instrument or budgetary guarantee in the annual budget.

Revenue assigned to a financial instrument or budgetary guarantee may be transferred to another financial instrument or budgetary guarantee by means of a basic act.

3. The authorising officer responsible for a financial instrument, a budgetary guarantee or a financial assistance shall establish a financial statement covering the period 1 January to 31 December, in accordance with Article 232 and in compliance with the accounting rules referred to in Title XIII and the International Public Sector Accounting Standards (IPSAS).

For financial instruments and budgetary guarantees indirectly implemented, the authorising officer responsible shall ensure that unaudited financial statements covering the period 1 January to 31 December prepared in compliance with the accounting rules referred to in Article 79 and IPSAS, as well as any information necessary to produce financial statements in accordance with Article 80(2), be provided by the entities pursuant to points (ii), (iii), (v) and (vi) of Article 61(1)(c) by 15 February of the following year and audited financial statements by 15 May of the following year.

*Article 203*  
*Financial liability of the Union*

1. The financial liability of the Union shall not exceed at any time:
- (a) for financial instruments: the amount of the relevant budgetary commitment made for it;
  - (b) for budgetary guarantees: the amount of the budgetary guarantee authorised by the basic act;



- (c) for financial assistance: the maximum amount of borrowing and the relevant interest that the Commission is empowered to conclude for funding the loan authorised by the basic act.
- 2. Budgetary guarantees and financial assistance may generate a contingent liability for the Union exceeding the financial assets provided to cover the financial liability of the Union.
- 3. The annual assessment provided for by point (j) of Article 39(5) of the sustainability of the contingent liabilities arising from budgetary guarantees or financial assistance borne by the budget of the Union shall be carried out within the limits set by the multiannual financial framework regulation provided for by Article 312(2) TFEU and the ceiling on annual payments appropriations defined in Article 3(1) of the Council Decision on the system of own resources of the European Union .

*Article 204*  
*Provisioning of financial liabilities*

- 1. For budgetary guarantees and financial assistance to third countries, a basic act shall set out a provisioning rate as a percentage of the amount of the financial liability authorised.  
The basic act shall provide for the review of the provisioning rate at least every three years.
- 2. The setting of a provisioning rate shall be guided by a qualitative and quantitative assessment by the Commission of the financial risks stemming from a budgetary guarantee or a financial assistance to a third country in accordance with the principle of prudence, whereby assets and profits shall not be overestimated and liabilities and losses shall not be underestimated.
- 3. For financial instruments provision shall be made, where appropriate, to respond to future payments related to a budgetary commitment of that financial instrument.
- 4. The following resources shall contribute to the provisioning:
  - (a) contributions from the general budget of the Union;
  - (b) returns on resources invested;
  - (c) amounts recovered from defaulting debtors in accordance with the recovery procedure laid down in the guarantee or the loan agreement;
  - (d) revenues and any other payments received by the Union in accordance with the guarantee or the loan agreement;
  - (e) where applicable, contributions in cash by Member States and third parties pursuant to Article 201(2).
- 5. Provisions shall be used for the payment of:
  - (a) calls on the budgetary guarantee;
  - (b) payment obligations related to a budgetary commitment for a financial instrument;
  - (c) financial obligations arising from the borrowing of funds pursuant to Article 213(1);
  - (d) where applicable, other expenses associated to the implementation of financial instruments, budgetary guarantees and financial assistance to third countries.
- 6. Aggregate contributions provided for in point (a) of paragraph 3 shall not exceed the amount indicated in point (a) of Article 211(1).
- 7. Where the provisions for a budgetary guarantee exceed the amount of provisioning referred to in paragraph 1, resources referred to in points (b), (c) and (d) of paragraph 3 related to that guarantee shall be used, within the limits of the eligible period provided for in the basic act and without prejudice to Article 206(3), to restore the budgetary guarantee up to its initial amount.

8. The Commission shall immediately inform the European Parliament and the Council and may propose adequate replenishment measures or an increase of the provisioning rate where:
  - (a) as a result of calls on a budgetary guarantee, the level of provisions for that budgetary guarantee falls below 30% of the provisioning rate provided for in paragraph 1, or it may fall below that rate within a year according to a risk assessment by the Commission;
  - (b) a country benefitting from financial assistance by the Union fails to pay on a maturity.

#### *Article 205*

##### *Common provisioning fund*

1. The provisions made to cover the financial liabilities arising from financial instruments, budgetary guarantees or financial assistance shall be held in a common provisioning fund directly implemented by the Commission.
2. Global profits or losses from the investment of the resources shall be allocated proportionately among the respective financial instruments, budgetary guarantees or financial assistance.

The Commission shall keep a minimum amount of resources of the fund in cash or cash equivalents in accordance with prudential rules and the forecasts for payments provided by the authorising officers of the financial instruments, budgetary guarantees or financial assistance.

The Commission may enter into repurchase agreements, with the assets of the common provisioning fund as collateral, to make payments out of the fund when this procedure is reasonably expected to be more beneficial for the budget of the Union than the divestment of assets within the timeframe of the payment request. The duration or roll-over period of repurchase agreements related to a payment shall be limited to the minimum necessary to minimise a loss for the budget.
3. Pursuant to point (d) of the first paragraph of Article 76 and paragraphs 1 and 2 of Article 83, the accounting officer shall set up the procedures to be applied to the revenue and expenditure operations and the assets and liabilities related to the common provisioning fund.

#### *Article 206*

##### *Effective provisioning rate*

1. The provisioning of budgetary guarantees and financial assistance to third countries in the common provisioning fund shall be based on an effective provisioning rate. This rate provides a level of protection against the financial liabilities of the Union equivalent to the level that would be provided by the respective provisioning rates if the resources were held and managed separately.

For the purposes of paragraphs 2 and 3, the respective provisioning rates shall be adjusted proportionately following the effective provisioning rate.
2. The effective provisioning rate shall be calculated annually by the Commission, taking into account, where applicable, the initial phase of constitution of a provision pursuant to Article 204(1). It shall be the reference for the calculation of the contributions from the general budget of the Union pursuant to point (a) of Article 204(4).
3. Following the calculation of the annual effective provisioning rate in accordance with point (h) of Article 39(5), the following transfers in the context of the annual budgetary procedure shall be made:
  - (a) any surplus of provisions for a budgetary guarantee or a financial assistance to a third country shall be transferred to other budgetary guarantees or financial assistance to third countries with insufficient provisions;

- (b) any surplus in the general balance of the fund shall be transferred to the general budget of the Union;
  - (c) any replenishment of the fund shall be carried out in annual tranches during a maximum period of three years, without prejudice to Article 204(7).
4. The Commission shall define, after consulting the accounting officer, the guidelines applicable to the establishment of the effective provisioning rate and to asset management in accordance with appropriate prudential rules and excluding derivative operations for speculative purposes.
- An independent evaluation of the adequacy of the guidelines shall be carried out every three years.

*Article 207*  
*Annual reporting*

The Commission shall report annually on financial instruments, budgetary guarantees, financial assistance, contingent liabilities and the common provisioning fund in accordance with Article 242.

## **CHAPTER 2**

### **Specific provisions**

#### **SECTION 1**

#### **FINANCIAL INSTRUMENTS**

*Article 208*  
*Rules and implementation*

1. Notwithstanding Article 201(1), financial instruments may be established, in duly justified cases, without being authorised by means of a basic act, provided that such instruments are included in the budget in accordance with point (e) of Article 50(1).
2. Where financial instruments are combined within a single agreement with complementary support from the Union budget, including grants, this Title shall apply to the whole measure. The reporting shall be carried out in accordance with Article 242.  

Where a financial instrument is established for the purpose of implementing Article 39 of Regulation (EU) No 1303/2013 with a contribution from a budgetary guarantee of the Union, this Title shall apply with the exception of Article 201(1). It shall be implemented in accordance with Article 61(1)(c).
3. The Commission shall ensure a harmonised management of financial instruments in particular in the area of accounting, reporting, monitoring and financial risk management.
4. Where the Union participates in a financial instrument as a minority stakeholder, the Commission shall ensure compliance with this Title in accordance with the principle of proportionality, on the basis of the size and value of the participation of the Union in the instrument. Notwithstanding the foregoing, the Commission shall ensure compliance with Article 124.
5. Where the European Parliament or the Council consider that a financial instrument has not achieved its objectives effectively, they may request that the Commission submit a proposal for a revised basic act with a view to winding down the instrument. In the event of the winding down of the financial instrument, any new amount paid back to that instrument pursuant to Article 202(2) shall be considered as general revenue and recovered to the budget.

6. The purpose of the financial instruments or a grouping of financial instruments on a facility level and, where applicable, their specific legal form and place of registration shall be published on the Commission website.
7. Entities implementing financial instruments may open fiduciary accounts within the meaning of Article 82(3) on behalf of the Union. Those entities shall send the corresponding account statements to the Commission's responsible service. Payments to fiduciary accounts shall be made by the Commission on the basis of payment requests that are duly substantiated with disbursement forecasts, taking into account the balances available on the fiduciary accounts and the need to avoid excessive balances on such accounts.

#### *Article 209*

##### *Financial instruments directly implemented by the Commission*

1. Financial instruments may be in directly implemented pursuant to Article 61(1)(a) through any of the following:
  - (a) a dedicated investment vehicle in which the Commission participates together with other public or private investors with a view to increasing the leverage effect of the Union contribution;
  - (b) loans, guarantees, equity participations and other risk-sharing instruments other than investments in dedicated investment vehicles, provided directly to final recipients or through financial intermediaries.
2. Dedicated investment vehicles pursuant to point (a) shall be established pursuant to the laws of a Member State. In the area of external action, they may also be established pursuant to the laws of a country other than a Member State. The managers of such vehicles shall be obliged by law or contract to act with the diligence of a professional manager and in good faith.
3. The managers of the dedicated investment vehicles referred to in paragraph 2 and financial intermediaries or final recipients of the financial instruments shall be selected with due account of the nature of the financial instrument to be implemented, the experience and the operational and financial capacity of the entities concerned, and the economic viability of projects of final recipients. The choice shall be transparent, justified on objective grounds and shall not give rise to a conflict of interests.

#### *Article 210*

##### *Treatment of contributions under shared implementation*

1. Separate records shall be kept for contributions to financial instruments established under this Section from funds under shared implementation.
2. Contributions from funds implemented under shared implementation shall be placed in separate accounts and used in accordance with the objectives of the respective funds to actions and final recipients consistent with the programme or programmes from which contributions are made.
3. As regards contributions from funds under shared implementation to financial instruments established under this Section, the sector specific rules shall apply. Notwithstanding the foregoing, Managing Authorities may rely on an existing ex-ante evaluation, carried out in accordance with point (h) of Article 202(1), prior to contributing to an existing financial instrument.

## SECTION 2 BUDGETARY GUARANTEES

### *Article 211 Rules for budgetary guarantees*

1. The basic act shall define:
  - (a) the amount of the budgetary guarantee that shall not be exceeded at any time, without prejudice to Article 201(2);
  - (b) the types of operations covered by the budgetary guarantee.
2. Contributions from Member States to budgetary guarantees pursuant to Article 201(2) may be provided in the form of guarantees or cash.

An amount exceeding the amount indicated in point (a) of paragraph 1 shall be granted on behalf of the Union. Payments for guarantee calls shall be made, where necessary, by the contributing Member States or third parties on a *pari passu* basis. The Commission shall sign an agreement with the contributors that shall contain, in particular, provisions concerning the payment conditions.

### *Article 212 Implementation of budgetary guarantees*

1. Budgetary guarantees shall be irrevocable, unconditional and on demand for the types of operations covered.
2. Budgetary guarantees shall be implemented pursuant to Article 61(1)(c) or, in exceptional cases, pursuant to point (a) of Article 61(1).
3. A budgetary guarantee may only cover financing and investment operations which comply with the conditions set out in points (a) to (d) of Article 202(1).
4. Counterparts shall contribute with their own resources to the operations covered by the budgetary guarantee.
5. The Commission shall conclude a guarantee agreement with the counterpart. The granting of the budgetary guarantee is subject to the entry into force of the guarantee agreement.
6. Counterparts shall provide the Commission annually with:
  - (a) the risk assessment and grading information concerning the operations covered by the budgetary guarantee as well as expected defaults;
  - (b) the outstanding financial obligation arising for the Union from the budgetary guarantee, broken down by individual operations, measured in compliance with the Union accounting rules as referred to in article 79 or in compliance with the internationally accepted standards for the public sector;
  - (c) the total profits or losses deriving from the operations covered by the budgetary guarantee.

### SECTION 3 FINANCIAL ASSISTANCE

#### *Article 213* *Rules and implementation*

1. Financial assistance by the Union to Member States or third countries shall take the form of a loan or a credit line or any other instrument deemed appropriate to ensure the effectiveness of the support. To this end, the Commission shall be empowered, in the relevant basic act, to borrow the necessary funds on behalf of the Union on the capital markets or from financial institutions.
2. The borrowing and lending shall not involve the Union in the transformation of maturities, or expose it to any interest risk or to any other commercial risk.
3. The financial assistance shall be carried out in euro, except in duly justified cases.
4. The financial assistance shall be directly implemented by the Commission.
5. The Commission shall conclude an agreement with the beneficiary country that shall contain provisions:
  - (a) ensuring that the beneficiary country regularly checks that the financing provided has been properly used, takes appropriate measures to prevent irregularities and fraud, and, if necessary, takes legal action to recover any funds provided under the Union financial assistance that have been misappropriated;
  - (b) ensuring the protection of the Union's financial interests;
  - (c) expressly authorising the Commission, the OLAF and the Court of Auditors, to exert their rights as foreseen by Article 124;
  - (d) ensuring that the Union is entitled to early repayment of the loan where it has been established that, in relation to the management of the Union's financial assistance, the beneficiary country has engaged in any act of fraud or corruption or any other illegal activity detrimental to the financial interests of the Union;
  - (e) ensuring that all costs incurred by the Union that relate to a financial assistance shall be borne by the beneficiary country.
6. Where possible, the Commission shall release the loans in instalments subject to the fulfilment of the conditions attached to the financial assistance. Where those conditions are not met, the Commission shall temporarily suspend or cancel the disbursement of the financial assistance.
7. Funds raised but not yet disbursed cannot be used for any other goal than to provide financial assistance to the corresponding beneficiary country. Pursuant to paragraphs 1 and 2 of Article 83, the accounting officer shall set up the procedures for the safekeeping of the funds.

# TITLE XI

## CONTRIBUTIONS TO EUROPEAN POLITICAL PARTIES

### *Article 214* *General provisions*

1. For the purposes of this Regulation, European political parties shall mean the entities registered as such in accordance with Regulation (EU, Euratom) No 1141/2014 of the European Parliament and of the Council<sup>50</sup>.
2. Direct financial contributions from the budget may be awarded to European political parties in view of their contribution to forming European political awareness and to expressing the political will of the citizens of the Union in accordance with Regulation (EU, Euratom) No 1141/2014.

### *Article 215* *Principles*

1. Contributions shall only be used to reimburse the percentage set out in Article 17(4) of Regulation (EU, Euratom) No 1141/2014 of the operating costs of European political parties directly linked to objectives of those parties, as specified in Article 17(5) and Article 21 of that Regulation.
2. Contributions may be used to reimburse expenditure relating to contracts concluded by European political parties, provided that there were no conflicts of interest when they were awarded.
3. Contributions shall not be used to directly or indirectly grant any personal advantage, in cash or in kind, to any individual member or member of staff of a European political party. Contributions shall not be used to directly or indirectly finance activities of third parties, in particular national political parties or political foundations at European or national level, whether in the form of grants, donations, loans or any other similar agreements. Contributions shall not be used for any of the purposes excluded by Article 22 of Regulation (EU, Euratom) No 1141/2014.
4. Contributions shall be subject to the principles of transparency and equal treatment, in accordance with the criteria laid down in Regulation (EU, Euratom) No 1141/2014.
5. Contributions shall be awarded by the European Parliament on an annual basis and shall be published in accordance with Article 36(2) of this Regulation and with Article 32(1) of Regulation (EU, Euratom) No 1141/2014.
6. European political parties receiving a contribution shall not directly or indirectly receive other funding from the budget. In particular, donations from the budgets of political groups in the European Parliament shall be prohibited. In no circumstances may the same expenditure be financed twice by the budget.
7. If a European political foundation within the meaning of Regulation (EU, Euratom) No 1141/2014 realises a surplus of income over expenditure at the end of a financial year in which it received an operating grant, the part of that surplus corresponding to up to 25 % of the total income for that year may be carried over to the following year provided that it is used before the end of the first quarter of that following year.

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<sup>50</sup> Regulation (EU, Euratom) No 1141/2014 of the European Parliament and of the Council of 22 October 2014 on the statute and funding of European political parties and European political foundations.

*Article 216*  
*Budgetary aspects*

Contributions shall be paid from the European Parliament section of the budget. The appropriations set aside for independent external audit bodies or experts referred to in Article 23 of Regulation (EU, Euratom) No 1141/2014 shall be charged directly to the budget of the European Parliament.

*Article 217*  
*Call for contributions*

1. Contributions shall be awarded through a call for contributions published each year, at least on the website of the European Parliament.
2. A European political party may be awarded only one contribution per year.
3. A European political party may receive a contribution only if it applies for funding on the terms and conditions laid down in the call for contributions.
4. The call for contributions shall determine the conditions under which the applicant may receive a contribution in accordance with the rules laid down in Regulation (EU, Euratom) No 1141/2014, as well as exclusion criteria.
5. The call for contributions shall determine, at least, the nature of the expenditure that may be reimbursed by the contribution.
6. The call for contributions shall require an estimated budget.

*Article 218*  
*Award procedure*

1. Applications for contributions shall be duly submitted within the time limit, in writing, including, where appropriate, in a secure electronic format.
2. Contributions shall not be awarded to applicants who are, at the time of the award procedure, in one of the situations referred to in Articles 132(1) and 137 and those who are registered as excluded in the early detection and exclusion database referred to in Article 138.
3. Applicants shall be required to certify that they are not in one of the situations referred to in paragraph 2.
4. The authorising officer responsible may be assisted by a committee to evaluate the applications for contributions. The authorising officer responsible shall specify, the rules regarding the composition, appointment and functioning of such committee, and the rules to prevent any conflict of interests.
5. Applications that comply with the eligibility and exclusion criteria shall be selected on the basis of the award criteria set out in Article 19 of Regulation (EU, Euratom) No 1141/2014.
6. The decision of the authorising officer responsible on the applications shall state at least:
  - (a) the subject and the overall amount of the contributions;
  - (b) the name of the selected applicants and the amounts accepted for each of them;
  - (c) the names of any applicants rejected and the reasons for that rejection.
7. The authorising officer responsible shall inform applicants in writing of the decision on their applications. If the application for funding is rejected or the amounts requested are not awarded in part or in full, the authorising officer responsible shall give the reasons for either the rejection of the application or the non-award of the amounts requested, with reference in particular to the eligibility and award criteria referred to in paragraph 1 and Article 217(4). If the application is



rejected, the authorising officer responsible shall inform the applicant of the available means of administrative and/or judicial redress as provided for by Article 129(2) of this Regulation.

8. Contributions shall be covered by a written agreement.

*Article 219*  
*Form of contributions*

1. Contributions may take any of the following forms:
  - (a) reimbursement of a percentage of the reimbursable expenditure actually incurred;
  - (b) reimbursement on the basis of unit costs;
  - (c) lump sums;
  - (d) flat-rate financing;
  - (e) financing not linked to costs of the relevant operations based on either of the following:
    - i) the fulfilment of certain conditions ex ante;
    - ii) the achievement of results measured by reference to the previously set milestones or through performance indicators.
  - (f) a combination of the forms referred to in points (a) to (e).
2. Only expenditure which meets the criteria established in the calls for contributions and which has not been incurred prior to the date of submission of the application may be reimbursed.
3. The agreement referred to in Article 218(8) shall include provisions that allow verifying that the conditions for the award of lump sums, flat-rate financing, unit costs, or financing not linked to costs have been complied with.
4. The contributions shall be paid out in full through one single prefinancing payment, unless, in duly justified cases, the authorising officer responsible decides otherwise.

*Article 220*  
*Guarantees*

The authorising officer responsible may, if he or she deems it appropriate and proportionate, on a case-by-case basis and subject to risk analysis, require the European political party to lodge a guarantee in advance in order to limit the financial risks connected with the prefinancing payment only when, in the light of the risk analysis, the European political party is at imminent risk of being in one of the situations described in points (a) and (d) of Article 132(1) of this Regulation or when a decision of the Authority for European political parties and foundations established under Article 6 of Regulation (EU, Euratom) No 1141/2014 ('the Authority') has been communicated to the European Parliament and the Council in accordance with Article 10(4) of that Regulation.

Article 148 shall apply mutatis mutandis to guarantees which may be required in the cases foreseen in the first paragraph of this Article to prefinancing payments made to European political parties.

*Article 221*  
*Use of contributions*

1. Contributions shall be spent in accordance with Article 215.
2. Any part of the contribution not used within the financial year covered by that contribution (year n) shall be spent on any reimbursable expenditure incurred by 31 December of year n+1. Any

remaining part of the contribution that is not spent within that time limit shall be recovered in accordance with Chapter 6 of Title IV.

3. European political parties shall respect the maximum co-financing rate laid down in Article 17(4) of Regulation (EU, Euratom) No 1141/2014. Remaining amounts of the previous year's contributions may not be used to finance the part which European political parties must provide from their own resources. Contributions by third parties to joint events shall not be considered to be part of the own resources of a European political party.
4. European political parties shall use the part of the contribution that has not been used within the financial year covered by that contribution before using contributions awarded after that year.
5. Any interest yielded by the prefinancing payments shall be considered as part of the contribution.

#### *Article 222*

##### *Report on the use of the contributions*

1. The European political party shall, in accordance with Article 23 of Regulation (EU, Euratom) No 1141/2014, submit its annual report on the use of the contribution and its annual financial statements for approval to the authorising officer responsible.
2. The annual activity report referred to in Article 73(9) of this Regulation shall be drafted by the authorising officer responsible on the basis of the annual report and the annual financial statements referred to in paragraph 1 of this Article. Other supporting documents may be used for the purposes of drafting that report.

#### *Article 223*

##### *Amount of the contribution*

1. The amount of the contribution shall not become final until the annual report and the annual financial statements referred to in Article 222(1) have been approved by the authorising officer responsible. Approval of the annual report and the annual financial statements shall be without prejudice to subsequent checks by the Authority.
2. Any unspent amount of prefinancing shall not become final until it has been used by the European political party to pay reimbursable expenditure which meets the criteria defined in the call for contributions.
3. Where the European political party fails to comply with its obligations related to the use of contributions, the contributions shall be suspended, reduced or terminated after the European political party has been given the opportunity to present its observations.
4. The authorising officer responsible shall verify before making a payment that the European political party is still registered in the Register referred to in Article 7 of Regulation (EU, Euratom) No 1141/2014 and has not been the subject of any of the penalties provided for in Article 27 of that Regulation between the date of its application and the end of the financial year covered by the contribution.
5. Where the European political party is no longer registered in the Register referred to in Article 7 of Regulation (EU, Euratom) No 1141/2014 or has been the subject of any of the penalties provided for in Article 27 of that Regulation, the authorising officer responsible may suspend, reduce or terminate the contribution and recover amounts unduly paid under the agreement referred to in Article 218(8), in proportion to the seriousness of the errors, irregularities, fraud or other breach of obligations related to the use of contribution, after the European political party has been given the opportunity to present its observations.

*Article 224*  
*Control and penalties*

1. Each agreement referred to in Article 215(8) shall provide expressly for the European Parliament to exercise its powers of control on documents and on the premises, as well as for European Anti-Fraud Office and the Court of Auditors to exercise their respective competences and powers, referred to in Article 124, over all European political parties that have received Union funding, their contractors and subcontractors.
2. Administrative and financial penalties which are effective, proportionate and dissuasive may be imposed by the authorising officer responsible, in accordance with Articles 132 and 133 of this Regulation and with Article 27 of Regulation (EU, Euratom) No 1141/2014.
3. Penalties referred to in paragraph 2 may also be imposed on European political parties which, at the moment of the submission of the application for contribution or after having received the contribution, made false declarations in supplying the information requested by the authorising officer responsible or failed to supply such information.

*Article 225*  
*Record keeping*

1. European political parties shall keep all records and supporting documents pertaining to the contribution for five years following the last payment related to the contribution.
2. Records related to audits, appeals, litigation, the settlement of claims arising out of the use of the contribution or to European Anti-Fraud Office investigations if notified to the recipient shall be retained until the end of such audits, appeals, litigation, settlement of claims or investigations.

*Article 226*  
*Selection of external audit bodies or experts*

The independent external audit bodies or experts referred to in Article 23 of Regulation (EU, Euratom) No 1141/2014 shall be selected through a public procurement procedure. The term of their contract shall be no longer than five years. After two consecutive terms, they shall be deemed to have conflicting interests which may negatively affect the performance of the audit.

## Title XII

### Other budget implementation instruments

#### *Article 227* *Trust Funds*

1. For emergency, post-emergency or thematic actions, the Commission may create, after informing the European Parliament and the Council, trust funds under an agreement concluded with other donors. The constitutive act of each trust fund shall define the objectives of the trust fund. The Commission decision establishing the trust fund shall include a description of the fund's objectives, the justification for its creation in accordance with paragraph 3, an indication of its duration and the preliminary agreements with other donors.
2. The Commission shall submit its draft decisions concerning the establishment, the extension and the liquidation of a Union trust fund to the competent committee where provided for in the basic act under which the Union contribution to the Union trust fund is provided.
3. Union trust funds shall comply with the following conditions:
  - (a) there is added value to the Union intervention: trust funds shall only be created and implemented at Union level where their objectives, in particular by reason of their scale or potential effects, may be better achieved at Union level than at national level;
  - (b) Union trust funds shall bring clear Union political visibility and managerial advantages as well as better Union control of risks and disbursements of the Union and other donors' contributions. They should not be created if they merely duplicate other existing funding channels or similar instruments without providing any additionality.
4. A board chaired by the Commission shall be established for each Union trust fund to ensure the fair representation of the donors, and of the non-contributing Member States as observers, and to decide upon the use of the funds. The rules for composition of the board and its internal rules shall be laid down in the constitutive act of the trust fund adopted by the Commission and adhered to by the donors. Those rules shall include the requirement to have the positive vote of the Commission for the final decision on the use of the funds.
5. Union trust funds shall be created for a limited duration determined in their constitutive act. This duration may be extended by a decision of the Commission upon request of the board of the trust fund concerned.

The European Parliament and/or the Council may request the Commission to discontinue appropriations for that trust fund or to revise the constitutive act with a view to the liquidation of the trust fund, where appropriate. In such an event, any remaining funds shall be returned on a pro rata basis to the budget as general revenue and to the contributing Member States and other donors.

#### *Article 228* *Implementation of trust funds*

1. Union trust funds shall be implemented in accordance with the principles of sound financial management, transparency, proportionality, non-discrimination and equal treatment, and in accordance with the specific objectives defined in each constitutive act.
2. Actions financed under Union trust funds may be implemented directly by the Commission pursuant to point (a) of Article 61(1) and in indirect implementation with the entities pursuant to points (i), (ii), (iii), (v), and (vi) of Article 61(1)(c).

3. Funds shall be committed and paid by financial actors of the Commission, as defined in Chapter 4 of Title IV. The accounting officer of a Union trust fund shall be the accounting officer of the Commission. He or she shall be responsible for laying down accounting procedures and chart of accounts common to all Union trust funds. The Commission's internal auditor, European Anti-Fraud Office and ECA shall exercise the same powers over the trust fund as they do in respect of other actions carried out by the Commission.

4. The contributions of the Union and of the donors shall not be integrated in the budget and shall be lodged in a specific bank account. The specific bank account of the trust fund shall be opened and closed by the accounting officer. All transactions made on the bank account referred to in the third paragraph during the year shall be properly accounted for in the accounts of the trust fund.

The contributions of the Union shall be transferred to this account on the basis of payment requests that are duly substantiated with disbursement forecasts, taking into account the balance available on the account and the resulting need for additional payments. Disbursement forecasts are to be provided on an annual, or where appropriate on a semi-annual, basis.

The contributions of other donors shall be taken into account when cashed in the specific bank account of the trust fund and for the amount in euro resulting from the conversion at their reception on the specific bank account. Interests accumulated on the trust fund's specific bank account shall be invested in the trust fund except where otherwise provided for in the constitutive act of the trust fund.

5. The Commission shall be authorised to use a maximum of 5 % of the amounts pooled into the trust fund to cover its management costs from the years in which the contributions referred to in paragraph 4 have started to be used. For the duration of the trust fund, such management fees shall be assimilated to assigned revenue within the meaning of point (b) of Article 21(2).

Financial reporting on the operations carried out by each trust fund shall be established twice every year by the authorising officer.

The trust funds shall be subject to an independent external audit every year.

#### *Article 229* *Use of Budget Support*

1. Where provided for in the relevant basic acts, the Commission may provide budget support to a third country where the following conditions are met:

- (a) the third country's management of public finances is sufficiently transparent, reliable and effective;
- (b) the third country has put in place sufficiently credible and relevant sectoral or national policies;
- (c) the third country has put in place stability oriented macroeconomic policies;
- (d) the third country has put in place sufficient and timely access to comprehensive and sound budgetary information.

2. The payment of the Union contribution shall be based on the fulfilment of conditions referred to in paragraph 1, including the improvement of the management of public finances. In addition, some payments may also be conditional to the achievement of milestones, measured by objective performance indicators, reflecting results and reform progress over time in the respective sector.

3. The corresponding financing agreements concluded with the third country shall contain:

- (a) an obligation for the third country to provide the Commission with reliable and timely information which allows the Commission to evaluate the fulfilment of the conditions referred to in paragraph 2;
- (b) appropriate provisions pursuant to which the third country is to commit to immediately reimburse all or part of the relevant operation funding, in the event that it is established that the payment of the relevant Union funds has been vitiated by serious irregularities attributable to the that country.

In order to process the reimbursement referred to in the first subparagraph, the second subparagraph of Article 99(1) may be applied.

4. The Commission shall support in third countries the development of parliamentary control and audit capacities and increase transparency and public access to information.

#### *Article 230*

##### *Remunerated external experts*

1. For values below the thresholds laid down in Article 169(1) remunerated external experts, for assisting the institutions in the evaluation of grant applications, projects and tenders, and for providing opinions and advice in specific cases, may be selected on the basis of the procedure laid down in paragraph 3.
2. Such experts shall be remunerated on the basis of a fixed amount announced in advance and shall be chosen on the basis of their professional capacity. The selection shall be done on the basis of selection criteria respecting the principles of non-discrimination, equal treatment and absence of conflict of interests.
3. A call for expressions of interest shall be published on the internet site of the institution concerned.

The call for expressions of interest shall include a description of the tasks, their duration and the fixed conditions of remuneration.

A list of experts shall be drawn up following the call for expressions of interest. It shall be valid for no more than five years from its publication or for the duration of a multiannual programme related to the tasks.

4. Any interested natural person may submit an application at any time during the period of validity of the call for expression of interest, with the exception of the last three months of that period.
5. Experts paid from research and technological development appropriations shall be recruited in accordance with the procedures laid down by the European Parliament and the Council when they adopt each research framework programme or in accordance with the corresponding rules for participation. For the purpose of Section 2 of Chapter 2 of Title V, these experts shall be treated as recipients within the meaning of Article 2.

#### *Article 231*

##### *Non remunerated experts*

The institutions may reimburse travel and subsistence expenses incurred by, or where appropriate pay any other indemnities to persons invited or mandated by them.

#### *Article 232*

##### *Membership fees and other payments of subscriptions*

The Union may pay contributions as subscriptions to bodies of which it is a member or an observer.

*Article 233*  
*Other instruments*

Other instruments may be used to pay:

- (a) expenditure on the members of staff of the institutions, including contributions to associations of current and former members of the European Parliament, and the contributions to the European schools;
- (b) expenditure relating to fisheries markets as referred to in point (f) of Article 3(2) of Council Regulation (EC) No 1290/2005 of 21 June 2005 on the financing of the common agricultural policy;
- (c) aid as macro-financial assistance.

# TITLE XIII

## ANNUAL ACCOUNTS AND OTHER FINANCIAL REPORTING

### CHAPTER 1

#### Annual accounts

##### SECTION 1: ACCOUNTING FRAMEWORK

###### *Article 234* *Structure of the accounts*

The annual accounts shall be prepared for each financial year which shall run from 1 January to 31 December. These accounts shall be comprised of:

- (a) the financial statements, which present financial information in accordance with the accounting rules referred to in Article 79;
- (b) the budget accounts which present the information contained in the budget accounts of the institutions;
- (c) the consolidated annual accounts which present, in accordance with the accounting rules referred to in Article 79 and in particular with the the materiality principle, the consolidation of the financial information contained in the financial statements and the budget accounts of the bodies referred to in Article 69 and of other bodies meeting the accounting consolidation criteria.

###### *Article 235* *Financial statements*

1. The financial statements shall be presented in millions of euro and in accordance with the accounting rules referred to in Article 79 shall be comprised of:
  - (a) the balance sheet which presents all assets and liabilities and the financial situation prevailing on 31 December of the preceding year;
  - (b) the statement of financial performance, which presents the economic result for the preceding year;
  - (c) the cash-flow statement showing amounts collected and disbursed during the year and the final treasury position;
  - (d) the statement of changes in net assets presenting an overview of the movements during the year in reserves and accumulated results.
2. The notes to the financial statements shall supplement and comment on the information presented in the statements referred to in paragraph 1 and shall supply all the additional information prescribed by the accounting rules referred to in Article 79.
3. The accounting officer shall, after the close of the financial year and up to the date of transmission of the general accounts, make any adjustments which, without involving disbursement or collection in respect of that year, are necessary for a fair presentation of those accounts. Such adjustments shall comply with the accounting rules referred to in Article 79.



## **SECTION 2**

### **BUDGET ACCOUNTS**

#### *Article 236*

##### *Budget accounts*

The budget accounts shall be presented in millions of euro. They shall consist of:

- (a) reports which aggregate all budgetary operations for the year in terms of revenue and expenditure;
- (b) the budget result, which is calculated on basis laid down by the relevant Own Resource Regulation in force;
- (c) explanatory notes, which shall supplement and comment on the information given in the reports.

## **SECTION 3**

### **ANNUAL ACCOUNTS TIMETABLE**

#### *Article 237*

##### *Provisional accounts*

1. The accounting officers of the other institutions and bodies referred to in Article 234 shall send their provisional accounts to the accounting officer of the Commission and to the Court of Auditors by 1 March of the following year.
2. The accounting officers of the other institutions and bodies referred to in Article 234 shall also send by 1 March of the following year the required accounting information for consolidation purposes to the accounting officer of the Commission, in the manner and format laid down by the latter.
3. The accounting officer of the Commission shall consolidate those provisional accounts with the Commission's provisional accounts and shall send, via electronic means, to the Court of Auditors, by 31 March of the following year, the provisional accounts of the Commission and the consolidated provisional accounts of the Union.

#### *Article 238*

##### *Approval of the final accounts*

1. The Court of Auditors shall, by 1 June, make its observations on the provisional accounts of the institutions other than the Commission and each body referred to in Article 234, and, by 15 June, make its observations on the provisional accounts of the Commission and the consolidated provisional accounts of the Union.
2. The accounting officers of the other institutions and bodies referred to in Article 234 shall send, by 15 June, the required accounting information for consolidation purposes to the accounting officer of the Commission, in the manner and format laid down by the latter.  

The institutions other than the Commission, and each of the bodies referred to in Article 234, shall send their final accounts to the accounting officer of the Commission, the Court of Auditors, the European Parliament and the Council by 1 July.
3. The accounting officer of each institution and body referred to in Article 234 shall also send to the Court of Auditors, with a copy to the accounting officer of the Commission, at the same date as the transmission of his or her final accounts, a representation letter covering those final accounts.

The final accounts shall be accompanied by a note drawn up by the accounting officer, in which the latter declares that the final accounts were prepared in accordance with this Title and with the applicable accounting principles, rules and methods set out in the notes to the financial statements.

4. The accounting officer of the Commission shall draw up the final consolidated accounts on the basis of the information presented pursuant to paragraph 2 of this Article by the institutions other than the Commission and by bodies referred to in Article 234. The final consolidated accounts shall be accompanied by a note drawn up by the accounting officer of the Commission, in which the latter declares that the final consolidated accounts were prepared in accordance with this Title and with the accounting principles, rules and methods set out in the notes to the financial statements.
5. After approving the final consolidated accounts and its own final accounts, the Commission shall send them, via electronic means, both to the European Parliament, the Council and the Court of Auditors by 31 July.

By the same date, the accounting officer of the Commission shall transmit a representation letter covering the final consolidated accounts to the Court of Auditors.

6. The final consolidated accounts shall be published in the *Official Journal of the European Union* together with the statement of assurance given by the Court of Auditors in accordance with Article 287 TFEU and Article 106a of the Euratom Treaty by 15 November.

## **CHAPTER 2**

### **Integrated financial and accountability reporting**

#### *Article 239*

#### *Integrated financial and accountability reporting*

1. By 31 July of the following year the Commission shall communicate to the European Parliament and the Council an integrated set of financial and accountability reports which includes:
  - a) the consolidated annual accounts as referred to in Article 238;
  - b) the annual management and performance report providing for:
    - i) a summary of the annual activity reports for the preceding year together with the annual activity reports of each authorising officer by delegation as referred to in Article 73(9);
    - ii) an evaluation on the Union's finances based on the results achieved, as referred to under Article 318 of the TFEU.
  - c) the report on the preventive and corrective actions covering the EU budget, which shall present the financial impact of the actions taken to protect the EU budget from expenditure in breach of law;
  - d) the report on the protection of the European Union's financial interest (fight against fraud) as referred to in Article 325 of the TFEU established in cooperation with the Member States on measures taken to counteract fraud and any other illegal activities affecting the Union's financial interests.
  - e) the report on the internal audits as referred to in Article 116(7);
  - f) the report on the follow-up to the discharge as referred to in Art 253(3).
2. The integrated set of financial and accountability reports referred to in paragraph 1 shall be made available to the Court of Auditors.

## **CHAPTER 3**

### **Budgetary and other financial reporting**

#### *Article 240*

##### *Monthly reporting on budget implementation*

In addition to the annual statements and reports provided for in Articles 235 and 236, the Commission's accounting officer shall send once a month to the European Parliament and to the Council figures, on the implementation of the budget, both for revenue and for expenditure covering all available appropriations.

The figures shall be made available within 10 working days of the end of each month via the Commission's website.

#### *Article 241*

##### *Annual Report on budgetary and financial management*

1. Each institution and body referred to in Article 234 shall prepare a report on budgetary and financial management for the financial year.  
  
They shall make the report available to the European Parliament, the Council and the Court of Auditors, by 31 March of the following financial year.
2. The report referred to in paragraph 1 shall provide summary information on the transfers of appropriations among the various budget items.

#### *Article 242*

##### *Annual report on financial instruments, budgetary guarantees and financial assistance.*

The Commission shall report annually to the European Parliament and to the Council on financial instruments, budgetary guarantees, financial assistance, contingent liabilities and the common provisioning fund in accordance with paragraphs 4 and 5 of Article 39 and with point (d) of Article 50(1). That information shall be made available to the Court of Auditors at the same time.

#### *Article 243*

##### *Status report on accounting issues*

By 15 September of each year, the accounting officer shall send to the European Parliament and to the Council a report containing information on current risks noted, general trends observed, new accounting issues encountered, progress on accounting matters, including those raised by the Court of Auditors, and information on recoveries.

#### *Article 244*

##### *Reporting on Trust Funds*

In accordance with Article 39(5), the Commission shall report annually to the European Parliament and to the Council on the activities supported by Union Trust Funds, on their implementation and performance, as well as on their accounts.

The Board of the trust fund shall approve the annual report of the trust fund drawn up by the authorising officer. It shall also approve the final accounts drawn up by the accounting officer. The final accounts drawn up by the accounting officer shall be presented by the Board to the European Parliament and Council within the discharge procedure of the Commission.

*Article 245*  
*Publication of information on recipients*

The Commission shall publish information on recipients in accordance with Article 36.

**TITLE XIV**  
**EXTERNAL AUDIT AND DISCHARGE**

**CHAPTER 1**  
**External audit**

*Article 246*  
*External audit by the Court of Auditors*

The European Parliament, the Council and the Commission shall inform the Court of Auditors, as soon as possible, of all decisions and rules adopted pursuant to Articles 12, 15, 20, 27, 28, 30 and 41.

*Article 247*  
*Rules and procedure on the audit*

1. The examination by the Court of Auditors of whether all revenue has been received and all expenditure incurred in a lawful and proper manner shall have regard to the Treaties, the budget, this Regulation, the delegated acts adopted pursuant to this Regulation and all other acts adopted pursuant to the Treaties. This examination shall take account of the multiannual character of programmes and related supervisory and control systems.
2. In the performance of its task, the Court of Auditors shall be entitled to consult, in the manner provided for in Article 249, all documents and information relating to the financial management of departments or bodies with regard to operations financed or co-financed by the Union. It shall have the power to hear any official responsible for a revenue or expenditure operation and to use any of the auditing procedures appropriate to the aforementioned departments or bodies. The audit in the Member States shall be carried out in liaison with the national audit institutions or, where they do not have the necessary powers, with the competent national departments. The Court of Auditors and the national audit institutions of the Member States shall cooperate in a spirit of trust while maintaining their independence.

In order to obtain all the necessary information for the performance of the task entrusted to it by the Treaties or the acts adopted pursuant to them, the Court of Auditors may be present, at its request, during the audit operations carried out within the framework of the implementation of the budget by, or on behalf of, any institution.

At the request of the Court of Auditors, each institution shall authorise financial institutions holding Union deposits to enable the Court of Auditors to ensure that external data tally with the accounts.

3. In order to perform its task, the Court of Auditors shall notify the institutions and authorities to which this Regulation applies of the names of the members of its staff who are empowered to audit them.

#### *Article 248*

##### *Checks on securities and cash*

The Court of Auditors shall ensure that all securities and cash on deposit or in hand are checked against vouchers signed by the depositories or against official memoranda of cash and securities held. It may carry out such checks itself.

#### *Article 249*

##### *Court of Auditors' right of access*

1. The Commission, the other institutions, the bodies administering revenue or expenditure on the Union's behalf and recipients shall afford the Court of Auditors all the facilities and give it all the information which the Court of Auditors considers necessary for the performance of its task. They shall place at the disposal of the Court of Auditors all documents concerning the award and performance of contracts financed by the budget and all accounts of cash or materials, all accounting records or supporting documents, and also administrative documents relating thereto, all documents relating to revenue and expenditure, all inventories, all organisation charts of departments, which the Court of Auditors considers necessary for auditing the budgetary and financial outturn report on the basis of records or on-the-spot auditing and, for the same purposes, all documents and data created or stored electronically.

The internal audit bodies and other services of the national administrations concerned shall afford the Court of Auditors all the facilities which it considers necessary for the performance of its task.

2. The officials whose operations are checked by the Court of Auditors shall:
  - (a) show their records of cash in hand, any other cash, securities and materials of all kinds, and also the supporting documents in respect of their stewardship of the funds with which they are entrusted, and also any books, registers and other documents relating thereto;
  - (b) present the correspondence and any other documents required for the full implementation of the audit referred to in Article 247.

The information supplied under point (b) of the first subparagraph may be requested only by the Court of Auditors.

3. The Court of Auditors shall be empowered to audit the documents in respect of the revenue and expenditure of the Union which are held by the departments of the institutions and, in particular, by the departments responsible for decisions in respect of such revenue and expenditure, the bodies administering revenue or expenditure on the Union's behalf and the natural or legal persons receiving payments from the budget.
4. The task of establishing that the revenue has been received and the expenditure incurred in a lawful and proper manner and that the financial management has been sound shall extend to the utilisation, by bodies outside the institutions, of Union funds received by way of contributions.

5. Union financing paid to recipients outside the institutions shall be subject to the agreement in writing by those recipients or, failing agreement on their part, by contractors or subcontractors, to an audit by the Court of Auditors into the use made of the financing granted.
6. The Commission shall provide the Court of Auditors, at its request, with any information on borrowing-and-lending operations.
7. Use of integrated computer systems shall not have the effect of reducing access by the Court of Auditors to the supporting documents.

#### *Article 250*

##### *Annual report of the Court of Auditors*

1. The Court of Auditors shall transmit to the Commission and the institutions concerned, by 15 June, any observations which are, in its opinion, such that they should appear in the annual report. Those observations shall remain confidential and shall be subject to an adversarial procedure. Each institution shall address its reply to the Court of Auditors by 15 October. The replies of institutions other than the Commission shall be sent to the Commission at the same time.
2. The annual report shall contain an assessment of the soundness of financial management.
3. The annual report shall contain a section for each institution. The Court of Auditors may add any summary report or general observations which it sees fit to make.

The Court of Auditors shall take all necessary steps to ensure that the replies of each institution to its observations are published next to or after each observation to which they relate.
4. The Court of Auditors shall transmit to the authorities responsible for giving discharge and to the other institutions, by 15 November, its annual report accompanied by the replies of the institutions and shall ensure publication thereof in the *Official Journal of the European Union*.

#### *Article 251*

##### *Special reports of the Court of Auditors*

1. The Court of Auditors shall transmit to the institution or the body concerned any observations which are, in its opinion, such that they should appear in a special report. Those observations shall remain confidential and shall be subject to an adversarial procedure.

The institution or the body concerned shall inform the Court of Auditors, in general, within six weeks of transmission of those observations, of any replies it wishes to make in relation to those observations. That period shall be suspended in duly justified cases, in particular where, during the adversarial procedure, it is necessary for the institution or body concerned to obtain feedback from Member States in order to finalise its reply.

The replies of the institution or the body concerned shall directly and exclusively address the observations of the Court of Auditors.

The Court of Auditors shall ensure that special reports are drawn up and adopted within an appropriate period of time, which shall, in general, not exceed 13 months.

The special reports, together with the replies of the institutions or bodies concerned, shall be transmitted without delay to the European Parliament and to the Council, each of which shall decide, where appropriate in conjunction with the Commission, what action is to be taken in response.

The Court of Auditors shall take all necessary steps to ensure that the replies to its observations from each institution or body concerned are published next to or after each observation to which they relate, and publish the timeline for the drawing up of the special report.

2. The opinions referred to in the second subparagraph of Article 287(4) TFEU which do not relate to proposals or drafts covered by the legislative consultation procedure may be published by the Court of Auditors in the *Official Journal of the European Union*. The Court of Auditors shall take its decision on publication after consulting the institution which requested the opinion or which is concerned by it. Opinions published shall be accompanied by any remarks by the institutions concerned.

## **CHAPTER 2**

### **Discharge**

#### *Article 252*

##### *Timetable of the discharge procedure*

1. The European Parliament, upon a recommendation from the Council acting by qualified majority, shall, before 15 May of year  $n + 2$ , give a discharge to the Commission in respect of the implementation of the budget for year  $n$ .
2. If the date provided for in paragraph 1 cannot be met, the European Parliament or the Council shall inform the Commission of the reasons for the postponement.
3. If the European Parliament postpones the decision giving a discharge, the Commission shall make every effort to take measures, as soon as possible, to remove or facilitate removal of the obstacles to that decision.

#### *Article 253*

##### *The discharge procedure*

1. The discharge decision shall cover the accounts of all the Union's revenue and expenditure, the resulting balance and the assets and liabilities of the Union shown in the balance sheet.
2. With a view to granting the discharge, the European Parliament shall, after the Council has done so, examine the accounts, financial statements and the evaluation report referred to in Article 318 TFEU. It shall also examine the annual report made by the Court of Auditors together with the replies of the institutions under audit, and any relevant special reports by the Court of Auditors in respect of the financial year concerned and the Court of Auditors' statement of assurance as to the reliability of the accounts and the legality and regularity of the underlying transactions.
3. The Commission shall submit to the European Parliament, at the latter's request, any information required for the smooth application of the discharge procedure for the financial year concerned, in accordance with Article 319 TFEU.

#### *Article 254*

##### *Follow-up measures*

1. In accordance with Article 319 TFEU and Article 106a of the Euratom Treaty, the Commission, the other institutions and the bodies referred to in Articles 69 and 70 of this Regulation shall take all appropriate steps to act on the observations accompanying the European Parliament's discharge decision and on the comments accompanying the recommendation for discharge adopted by the Council.
2. At the request of the European Parliament or the Council, the institutions and bodies referred to in paragraph 1 shall report on the measures taken in the light of those observations and

comments, and, in particular, on the instructions they have given to any of their departments which are responsible for the implementation of the budget. The Member States shall cooperate with the Commission by informing it of the measures they have taken to act on those observations so that the Commission may take them into account when drawing up its own report. The reports from the institutions shall also be transmitted to the Court of Auditors.

*Article 255*

*Specific provisions regarding the EEAS*

The EEAS shall be subject to the procedures provided for in Article 319 TFEU and in Articles 252, 253 and 254 of this Regulation. The EEAS shall fully cooperate with the institutions involved in the discharge procedure and provide, as appropriate, any additional necessary information, including through attendance at meetings of the relevant bodies.



## TITLE XV ADMINISTRATIVE APPROPRIATIONS

### *Article 256 General provisions*

1. Administrative appropriations shall be non-differentiated appropriations.
2. The administrative appropriations covered by this Title shall be those set out in Article 45(3).  
Budgetary commitments corresponding to administrative appropriations of a type common to several titles and which are managed globally may be recorded globally in the budgetary accounting following the summary classification by type as set out in Article 45(3).  
The corresponding expenditure shall be booked to the budget lines of each title according to the same distribution as for appropriations.
3. Administrative expenditure arising from contracts covering periods that extend beyond the financial year, either in accordance with local practice or relating to the supply of equipment, shall be charged to the budget of the financial year in which it is effected.
4. Rent guarantees provided by the institutions shall take the form of a bank guarantee or a deposit on a blocked bank account in the name of the institution and of the lessor, denominated in euro, save in duly substantiated cases.  
However, where, for transactions in third countries, it is not possible to use any of those forms of rent guarantees, the authorising officer responsible may accept other forms provided that those forms ensure equivalent protection of the Union's financial interests.
5. Advances may be paid, in accordance with the conditions laid down in the Staff Regulations and in the specific provisions concerning the members of the institutions, to staff and to the members of the institutions.

### *Article 257 Payments made in advance*

Expenditure referred to in Article 11(2) which shall be paid in advance pursuant to legal or contractual provisions, for example rents, may give rise to payments from 1 December onwards to be charged to the appropriations for the following financial year. In this case, the limit referred to in Article 11(2) shall not apply.

### *Article 258 Specific provisions regarding building projects*

1. Each institution shall provide the European Parliament and the Council, by 1 June each year, with a working document on its building policy, which shall incorporate the following information:
  - (a) for each building, the expenditure and surface area covered by the appropriations of the corresponding budget lines. The expenditure shall include the costs of the fitting out of buildings. It shall not include the charges;
  - (b) the expected evolution of the global programming of surface area and locations for the coming years with a description of the building projects in planning phase which are already identified;

- (c) the final terms and costs, as well as relevant information regarding project implementation of new building projects previously submitted to the European Parliament and the Council under the procedure established in paragraphs 2 and 3 and not included in the preceding year's working documents.
2. For any building project likely to have significant financial implications for the budget, the institution shall inform the European Parliament and the Council as early as possible about the building surface area required and provisional planning before any prospecting of the local market takes place, in the case of building contracts, or before invitations to tender are issued, in the case of building works.
  3. For any building project likely to have significant financial implications for the budget, the institution shall present the building project, notably its detailed estimated costs and its financing including any possible use of assigned revenue referred to in point (g) of Article 20(3), as well as a list of draft contracts intended to be used, and shall request the approval of the European Parliament and the Council before contracts are concluded. At the request of the institution, documents submitted relating to the building project shall be treated confidentially.

Except in cases of force majeure, the European Parliament and the Council shall deliberate upon the building project within four weeks of its receipt by both institutions.

The building project shall be deemed approved at the expiry of this four-week period, unless the European Parliament or the Council take a decision contrary to the proposal within that period of time.

If the European Parliament and/or the Council raise duly justified concerns within that four-week period, that period shall be extended once by two weeks.

If the European Parliament or the Council take a decision contrary to the building project, the institution concerned shall withdraw its proposal and may submit a new one.

4. In cases of force majeure, the information provided for in paragraph 2 may be submitted jointly with the building project. The European Parliament and the Council shall deliberate upon the building project within two weeks of its receipt by both institutions. The building project shall be deemed to be approved at the expiry of this two-week period, unless the European Parliament and/or the Council take a decision contrary to the proposal within this period of time.
5. The following shall be considered as building projects likely to have significant financial implications for the budget:
  - (a) any acquisition of land;
  - (b) the acquisition, sale, structural renovation, construction of buildings or any project combining these elements to be implemented in the same timeframe, exceeding EUR 3 000 000;
  - (c) any new building contract (including usufructs, long-term leases and renewals of existing building contracts under less favourable conditions) not covered by point (b) with an annual charge of at least EUR 750 000;
  - (d) the extension or renewal of existing building contracts (including usufruct and long-term leases) under the same or more favourable conditions, with an annual charge of at least EUR 3 000 000.

This paragraph shall also apply to building projects which have an interinstitutional nature, as well as to Union delegations.

The thresholds of EUR 750 000 or EUR 3 000 000 referred to in points (b), (c) and (d) shall include the costs of fitting out of the building. For rents and usufruct contracts, those thresholds shall take into account the costs of the fitting out of the building but not the other charges.

6. Without prejudice to Article 16, a building acquisition project may be financed through a loan, subject to prior approval by the European Parliament and the Council.

Loans shall be contracted and repaid in accordance with the principle of sound financial management and with due regard to the best financial interest of the Union.

When the institution proposes to finance the acquisition through a loan, the financing plan to be submitted, together with the request for prior approval by the institution concerned, shall specify in particular, the maximum level of financing, the financing period, the type of financing, the financing conditions and savings compared to other types of contractual arrangements.

The European Parliament and the Council shall deliberate upon the request for prior approval within four weeks, extendable once by two weeks, of its receipt by both institutions. The acquisition through a loan shall be deemed to be rejected if the European Parliament and the Council do not expressly approve it within the deadline.

#### *Article 259*

##### *Early information procedure and prior approval procedure*

1. The early information procedure set out in Article 258(2) and the prior approval procedure set out in Article 258(3) shall not apply to acquisition of land free of charge or for a symbolic amount.
2. The early information and prior approval procedure set out in paragraphs 1 to 5 of Article 258 shall not apply to residential buildings. The European Parliament and the Council may request from the institution in charge any information related to residential buildings.
3. In exceptional or urgent political circumstances the early information referred to in Article 258(2) concerning building projects relating to Union delegations or offices in third countries may be submitted jointly with the building project pursuant to Article 258(3). In such cases, the early information and prior approval procedures shall be conducted at the earliest possible opportunity.
4. The prior approval procedure set out in paragraphs 3 and 4 of Article 258 shall not apply to preparatory contracts or studies necessary to evaluate the detailed cost and financing of the building project.

## **TITLE XVIFINAL AND TRANSITIONAL PROVISIONS**

#### *Article 260*

##### *Information requests by the European Parliament and the Council*

The European Parliament and the Council shall be entitled to obtain any information or explanations regarding budgetary matters within their fields of competence.

#### *Article 261*

##### *Exercise of the delegation*

1. The power to adopt delegated acts referred to in Articles 155, 69 and 70 is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts shall be conferred on the Commission for a period ending on 31 December 2020. The Commission shall draw up a report in respect of the delegation of power not later than two years before 31 December 2020. The delegation of power shall be tacitly extended for the periods of duration of the subsequent multiannual financial frameworks, unless the European Parliament or the Council opposes such extension not later than three months before the end of each period of validity of the corresponding multiannual financial framework

3. The delegation of power may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.
6. A delegated act shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or the Council.

## PART TWO

### AMENDMENTS TO SECTOR SPECIFIC LEGISLATION

#### *Article 262*

#### *Amendments to Regulation (EC) No 2012/2002*

Council Regulation (EC) No 2012/2002<sup>51</sup> is amended as follows:

1. In Article 4, in paragraph 3, the first subparagraph is replaced by the following:

"When the Commission has concluded that the conditions are met for providing a financial contribution from the Fund, the Commission shall without delay submit to the European Parliament and the Council the necessary proposals for mobilisation of the Fund. Those proposals shall include:

  - (a) all available information, as referred to in paragraph 1;
  - (b) all other relevant information in the possession of the Commission;
  - (c) a demonstration that the conditions of Article 2 are met; and
  - (d) a justification of the amounts proposed".
2. Article 4, paragraph 4, is amended as follows:

"4. Upon the adoption by the European Parliament and the Council of the decision to mobilise the Fund, the Commission shall adopt a decision, by means of an implementing act, awarding the financial contribution from the Fund and shall pay that financial contribution immediately and in a single instalment to the beneficiary State. If an advance has been paid pursuant to Article 4a only the balance shall be paid."

#### *Article 263*

#### *Amendments to Regulation (EU) No 1296/2013*

Regulation (EU) No 1296/2013 of the European Parliament and of the Council<sup>52</sup> is amended as follows:

1. in Article 5, paragraph 2 is replaced by the following:

"2. The following indicative percentages shall apply on average over the whole period of the Programme to the axes set out in Article 3(1):

  - (a) at least 18% to the Progress axis;
  - (b) at least 18% to the EURES axis;
  - (c) at least 18% to the Microfinance and Social Entrepreneurship axis."
  2. Article 14 is amended as follows:

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<sup>51</sup> Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p. 3).

<sup>52</sup> Regulation (EU) No 1296/2013 of the European Parliament and of the Council of 11 December 2013 on a European Union Programme for Employment and Social Innovation ("EaSI") and amending Decision No 283/2010/EU establishing a European Progress Microfinance Facility for employment and social inclusion (OJ L 347, 20.12.2013, p. 238).

- (a) paragraph 1 is replaced by the following:
- "1. The Progress axis shall support actions in one or more of the thematic sections listed in points (a), (b) and (c).
- (a) employment, in particular to fight youth unemployment;
- (b) social protection, social inclusion and the reduction and prevention of poverty;
- (c) working conditions."
- (b) paragraph 2 is amended as follows:
- "2. From the overall allocation for the Progress axis, a significant share shall be allocated to the promotion of social experimentation as a method for testing and evaluating innovative solutions with a view to up-scaling them."

3. Article 19 is replaced by the following:

*"Article 19*

*Thematic sections and financing*

The EURES axis shall support actions in one or more of the thematic sections listed in points (a), (b) and (c):

- (a) transparency of job vacancies, applications and any related information for applicants and employers;
- (b) development of services for the recruitment and placing of workers in employment through the clearance of job vacancies and applications at Union level, in particular targeted mobility schemes;
- (c) cross-border partnerships."

4. Article 25 is replaced by the following:

*"Article 25*

*Thematic sections and financing*

The Microfinance and Social Entrepreneurship axis shall support actions in one or more of the thematic sections listed in points (a) and (b):

- (a) microfinance for vulnerable groups and micro-enterprises;
- (b) social entrepreneurship."

5. Article 33 is deleted.

*Article 264*

*Amendments to Regulation (EU) 1301/2013*

Regulation (EU) No 1301/2013 is amended as follows:

1. In Article 3, in paragraph 1, point (e) is replaced by the following:
- "investment in the development of endogenous potential through fixed investment in equipment and infrastructure, including cultural and sustainable tourism infrastructure, services to enterprises, support to research and innovation bodies and investment in technology and applied research in enterprises;"
2. In Article 5, in paragraph 9, the following point (e) is added:

"(e) supporting the reception and social and economic integration of migrants and refugees"

3. In the table of Annex I, the text starting with "Social infrastructure" until the end of the table is replaced by the following:

"Social infrastructure

Childcare & education	persons	Capacity of supported childcare or educational infrastructure
Health	persons	Population covered by improved health services
Housing	housing units	Rehabilitated housing
	housing units	Rehabilitated housing, of which for migrants and refugees (not including reception centres)
Migrants and refugees	persons	Capacity of infrastructure supporting migrants and refugees (other than housing)

Urban Development specific indicators

	persons	Population living in areas with integrated urban development strategies
	square metres	Open space created or rehabilitated in urban areas
	square metres	Public or commercial buildings built or renovated in urban areas

*Article 265*

*Amendments to Regulation (EU) No 1303/2013*

Regulation (EU) No 1303/2013 is amended as follows:

1. Article 2 is amended as follows:

(a) point 10 is replaced by the following:

" (10) beneficiary' means a public or private body or a natural person, responsible for initiating or both initiating and implementing operations; and in the context of State aid schemes, as defined in point 13 of this Article, the body which receives the aid; and in the context of financial instruments under Title IV of Part Two of this Regulation, it means the body that implements the financial instrument or the fund of funds as appropriate;"

(b) point 31 is replaced by the following:

"(31) 'macroregional strategy' means an integrated framework, which may be supported by the ESI Funds among others, to address common challenges faced by a defined geographical area relating to Member States and third countries located in the same geographical area which thereby benefit from strengthened cooperation contributing to achievement of economic, social and territorial cohesion;"

2. In Article 4, in paragraph 7, the reference to "Article 59 of the Financial Regulation" is replaced by "Article 62 of the Financial Regulation".

3. In Article 4, paragraph 8 is replaced by the following:

"8. The Commission and the Member States shall respect the principle of sound financial management in accordance with Articles 31, 34(1) and 59 of the Financial Regulation."

4. In Article 9, the following subparagraph is added:

"The priorities established for each of the ESI Funds in the Fund specific rules shall in particular cover the appropriate use of each Fund in the areas of migration and asylum."

5. In Article 16, the following paragraph 4a is inserted:

"4a. Where applicable, the Member State shall submit each year by 31 January an amended Partnership Agreement following the approval of amendments of one or more programmes by the Commission in the previous calendar year in accordance with the second subparagraph of Article 30(2).

The Commission shall adopt each year by 31 March a decision confirming that the amendments to the Partnership Agreement reflect one or more programme amendments approved by the Commission in the previous calendar year.

That decision may include the amendment of other elements of the Partnership Agreement pursuant to the proposal referred to in paragraph 4, provided that the proposal is submitted to the Commission by 31 December of the previous calendar year.";

6. The following Article 30a is inserted:

#### "Article 30a

1. Part of a Member State ESI Funds allocation may, at the request of that Member State and in agreement with the Commission, be transferred to one or several instruments established under the Financial Regulation or under sector specific Regulations or to enhance the risk-bearing capacity of the EFSI in accordance with Article 125 of the Financial Regulation. The request to transfer the ESI Funds allocation should be submitted by 30 September.

2. Only financial appropriations of future years in the financial plan of a programme may be transferred.

3. The request shall be accompanied by a proposal to amend the programme or programmes from which the transfer will be made. Corresponding amendments to the programme and to the partnership agreement shall be made in accordance with Article 30(2) which shall set out the total amount transferred for each relevant year to the Commission."

7. In Article 32, paragraph 4 is replaced by the following:



"4. Where the selection committee for the community-led local development strategies set up under Article 33(3) determines that the implementation of the community-led local development strategy selected requires support from more than one Fund, it may designate in accordance with national rules and procedures, a lead Fund to support all preparatory, running and animation costs under points (a), (d) and (e) of Article 35(1) for the community-led local development strategy."

8. In Article 34, paragraph 3 is replaced by the following:

"3. The tasks of local action groups shall include the following:

(a) building the capacity of local actors to develop and implement operations including fostering their project management capabilities;

(b) drawing up non-discriminatory and transparent selection procedure which avoids conflict of interest, ensures that at least 50 % of the votes in selection decisions are cast by partners which are not public authorities, and allows selection by written procedure;

(c) drawing up and approving a non-discriminatory objective criteria for the selection of operations that ensure coherence with the community-led local development strategy by prioritising those operations according to their contribution to meeting that strategy's objectives and targets;

(d) preparing and publishing calls for proposals or an ongoing project submission procedure;

(e) receiving and assessing applications for support;

(f) selecting operations and fixing the amount of support and presenting the proposals to the body responsible for final verification of eligibility before approval;

(g) monitoring the implementation of the community-led local development strategy and the operations supported and carrying out specific evaluation activities linked to that strategy.

Where local action groups carry out tasks not covered by points (a) to (g) that fall under the responsibility of the managing or, the certifying authority or of the paying agency, those local action groups shall be designated as intermediate bodies in accordance with the fund specific rules."

9. In Article 36, paragraph 3 is replaced by the following:

"3. The Member State or the managing authority may delegate certain tasks in accordance with the Fund-specific rules to one or more intermediate bodies, including local authorities, regional development bodies or non-governmental organisations, linked to the management and implementation of an ITI."

10. Article 37 is amended as follows:

(a) in paragraph 2, point (c) is replaced by the following:

"(c) an estimate of additional public and private resources to be potentially raised by the financial instrument down to the level of the final recipient (expected leverage effect), including as appropriate an assessment of the need for, and level of, differentiated treatment to attract counterpart resources from private investors and/or a description of the mechanisms which will be used to establish the need for, and extent of, such differentiated treatment, such as a competitive or appropriately independent assessment process;"

(b) The first subparagraph of paragraph 3 is replaced by the following:

"The ex- ante assessment referred to in paragraph 2 may take into account the ex- ante evaluation carried out in accordance with point (h) of Article 202(1) of the Financial Regulation and may be performed in stages. It shall, in any event, be completed before the managing authority decides to make programme contributions to a financial instrument."

11. Article 38 is amended as follows:

(a) In paragraph 1, the following point (c) is inserted:

"(c) financial instruments allowing for the combination of such contribution with EIB financial products under the European Fund for Strategic Investment."

(b) paragraph 4 is amended as follows:

(i) the first subparagraph is amended as follows:

-points (b) and (c) are replaced by the following:

"(b) entrust implementation tasks, through the direct award of a contract, to:

(i) the EIB;

(ii) an international financial institution in which a Member State is a shareholder;

(iii) a publicly-owned bank or financial institution, established as a legal entity carrying out financial activities on a professional basis, which fulfils all the following conditions:

- there is no direct private capital participation, with the exception of non-controlling and non-blocking forms of private capital participation required by national legislative provisions, in conformity with the Treaties, which do not exert a decisive influence on the relevant bank or institution;
- operates under a public policy mandate given by the relevant authority of a Member State at national or regional level, to carry out economic development activities contributing to the objectives of the ESI Funds;
- carries out its development activities in regions, policy areas and sectors for which access to funding from market sources is not generally available or sufficient;
- operates on a non-profit maximisation basis in order to ensure a long-term financial sustainability;
- is not a direct recipient of deposits from the public; and
- is subject to the supervision of an independent authority in accordance with national law.

(c) entrust implementation tasks to another body governed by public or private law; or";

- the following point (d) is added:

"(d): undertake implementation tasks directly, in the case of financial instruments consisting solely of loans or guarantees. In that case the managing authority shall be considered to be the beneficiary as defined in point (10) of Article 2.";

(ii) the second subparagraph is replaced by the following:

"When implementing the financial instrument, the bodies referred to in points (a) to (d) of the first subparagraph shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism, tax fraud and tax evasion. Those bodies shall not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes or practices not complying with tax good governance criteria, as set out in EU legislation including Commission recommendations and communications or any formal notice by the latter. They shall not be established and, in relation to the implementation of the financial operations shall not maintain business relations with entities incorporated in jurisdictions that do not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information. Those bodies may, under their responsibility, conclude agreements with financial intermediaries for the implementation of financial operations. They shall transpose requirements referred to in this paragraph in their contracts with the financial intermediaries selected to participate in the execution of financial operations under such agreements."

(c) Paragraphs 5 and 6 are replaced by the following:

"5. The bodies referred to in points (a), (b) and (c) of the first subparagraph of paragraph 4, when implementing funds of funds may further entrust part of the implementation to financial intermediaries provided that such bodies ensure under their responsibility that the financial intermediaries satisfy the criteria laid down in Articles 150(2) and 202(2) and (4) of the Financial Regulation. Financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflict of interest.

6. The bodies referred to in points (b) and (c) of the first subparagraph of paragraph 4 to which implementation tasks have been entrusted shall open fiduciary accounts in their name and on behalf of the managing authority, or set up the financial instrument as a separate block of finance within the financial institution. In the case of a separate block of finance, an accounting distinction shall be made between programme resources invested in the financial instrument and the other resources available in the financial institution. The assets held on fiduciary accounts and such separate blocks of finance shall be managed in accordance with the principle of sound financial management following appropriate prudential rules and shall have appropriate liquidity."

(d) Paragraph 8 is replaced by the following:

"8. For financial instruments implemented under point (d) of the first subparagraph of paragraph 4, the terms and conditions for contributions from programmes to financial instruments shall be set out in a strategy document in accordance with Annex IV to be examined by the monitoring committee."

12. Article 39 is amended as follows:

- (a) The introductory sentence of the first subparagraph of paragraph 2 is replaced by the following:

"Member States may use the ERDF and EAFRD during the eligibility period indicated in Article 65(2) to provide a financial contribution to financial instruments referred to in point (a) of Article 38(1) of this Regulation, implemented indirectly by the Commission with the EIB pursuant to point (c)(iii) of Article 61(1) and Article 201(4) of the Financial Regulation, in respect of the following activities:"

- (b) in paragraph 4:

- (i) point (a) is replaced by the following:

"(a) by way of derogation from Article 37(2), it shall be based on an ex-ante assessment at Union level carried out by the EIB and the Commission or, where more recent data is available, on national or regional ex-ante assessment carried out by the participating Member State.

On the basis of available data sources on bank debt finance and SMEs, the ex-ante assessment shall cover, inter alia, an analysis of the SME financing needs at the relevant level, SME financing conditions and needs as well as an indication of the SME financing gap, a profile of the economic and financial situation of the SME sector at the relevant level, minimum critical mass of aggregate contributions, a range of estimated total loan volume generated by such contributions, and the added value;"

- (ii) point (b) is replaced by the following:

"(b) it shall be provided by each participating Member State as part of a separate priority axis within a programme in the case of ERDF contribution, or a single dedicated national programme per financial contribution by ERDF and EAFRD supporting the thematic objective set out in point (3) of the first paragraph of Article 9;"

- (c) paragraph 7 is replaced by the following:

"7. By way of derogation from Article 41(1) and (2) as regards the financial contributions referred to in paragraph 2 of this Article, the Member State's payment application to the Commission shall be made on the basis of 100 % of the amounts to be paid by the Member State to the EIB in accordance with the schedule defined in the funding agreement referred to in point (c) of the first subparagraph of paragraph 4 of this Article. Such payment applications shall be based on the amounts requested by the EIB deemed necessary to cover commitments under guarantee agreements or securitisation transactions to be finalised within the three following months. Payments from Member States to the EIB shall be made without delay and in any case before commitments are entered into by the EIB.";

- (d) paragraph 8 is replaced by the following:

"8. At closure of the programme, the eligible expenditure as referred to in points (a) and (b) of Article 42(1) shall be the total amount of programme contributions paid to the financial instrument, corresponding:

- (a) for the activities referred to in point (a) of the first subparagraph of paragraph 2 of this Article, to the resources referred to in point (b) of the first subparagraph of Article 42(1);

(b) for the activities referred to in point (b) of the first subparagraph of paragraph 2, to the aggregate amount of new debt finance resulting from the securitisation transactions, paid to or to the benefit of eligible SMEs within the eligibility period indicated in Article 65(2).";

13. The following Article 39a is inserted:

"Article 39a

*Contribution of ESI Funds to financial instruments allowing for the combination of such contribution with EIB financial products under the European Fund for Strategic Investments*

1. Member States may use ESI Funds to provide a contribution to financial instruments referred to in point (c) of Article 38(1) to attract additional private sector investment.

2. The contribution referred to in paragraph 1 shall not exceed 25 % of the total support provided to final recipients. In the less developed regions referred to in point (b) of Article 120(3), the financial contribution may exceed 25% where duly justified by the ex-ante assessment, but shall not exceed 50%. The total support referred to in this paragraph shall comprise the total amount of new loans and guaranteed loans as well as equity and quasi-equity investments provided to final recipients. The guaranteed loans referred to in this paragraph shall only be taken into account to the extent that ESI Funds resources are committed for guarantee contracts calculated on the basis of a prudent ex ante risk assessment covering a multiple amount of new loans.

3. By way of derogation from Article 37(2) contributions pursuant to paragraph 1 may be based on the preparatory assessment, including the due diligence, carried out by the EIB for the purposes of its contribution to the financial product under the EFSI.

4. Reporting by managing authorities under Article 46 on operations comprising financial instruments under this Article shall be based on the information kept by the EIB for the purposes of its reporting pursuant to Article 16(1) and (2) of the EFSI Regulation, supplemented by the additional information required under Article 46(2).

5. When contributing to financial instruments referred to in point (c) of Article 38(1) the managing authority may do any of the following:

(a) invest in the capital of an existing or newly created legal entity dedicated to implement investments in final recipients consistent with the objectives of the respective ESI Funds which will undertake implementation tasks;

(b) entrust implementation tasks to a financial institution, which shall either open a fiduciary account in its name and on behalf of the managing authority or set up a separate block of finance within the financial institution for programme contribution. In the case of a separate block of finance, an accounting distinction shall be made between programme resources invested in the financial instrument and the other resources available in the financial institution. The assets held on fiduciary accounts and such separate blocks of finance shall be managed in accordance with the principle of sound financial management following appropriate prudential rules and shall have appropriate liquidity.

For the purposes of this Article, a financial instrument may also take the form or be part of an investment platform in line with Article 2(4) of the EFSI Regulation,

provided that the investment platform takes the form of a special purpose vehicle or a managed account.

6. When implementing financial instruments under point (c) of Article 38(1), the bodies referred to in paragraph 2 of this article shall ensure compliance with applicable law, including rules covering the ESI Funds, State aid, public procurement and relevant standards and applicable legislation on the prevention of money laundering, the fight against terrorism, tax fraud and tax evasion. Those bodies shall not make use of or engage in tax avoidance structures, in particular aggressive tax planning schemes or practices not complying with tax good governance criteria as set out in EU legislation including Commission recommendations and communications or any formal notice by the latter. They shall not be established and, in relation to the implementation of the financial operations shall not maintain business relations with entities incorporated in jurisdictions that do not co-operate with the Union in relation to the application of the internationally agreed tax standards on transparency and exchange of information. Those bodies may, under their responsibility, conclude agreements with financial intermediaries for the implementation of financial operations. They shall transpose requirements referred to in this paragraph in their contracts with the financial intermediaries selected to participate in the execution of financial operations under such agreements.

7. The bodies referred to in paragraph 2 of this Article, when implementing funds of funds, may further entrust part of the implementation to financial intermediaries provided that those bodies ensure under their responsibility that the financial intermediaries satisfy the criteria laid down in Articles 201(4) and 202(1) and (2) of the Financial Regulation. The financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflict of interest.

8. Where managing authorities contribute ESI Funds programme resources to an existing instrument under point (c) of Article 38(1), the fund manager of which has already been selected by the EIB, international financial institutions in which a Member State is a shareholder, or a publicly-owned bank or financial institution, established as a legal entity carrying out financial activities on a professional basis and fulfilling the conditions set out under Article 38(4)(b)(iii), they shall entrust implementation tasks to this fund manager through the award of a direct contract.

9. By way of derogation from Article 41(1) and (2), for contributions to financial instruments under paragraph 8 of this Article, applications for interim payment shall be phased in line with the payment schedule set out in the funding agreement. The payment schedule referred to in the first sentence shall correspond to the payment schedule agreed for other investors in the same financial instrument.

10. The terms and conditions for contributions pursuant to point (c) of Article 38(1) shall be set out in funding agreements in accordance with Annex IV at the following levels:

- a) where applicable, between the duly mandated representatives of the managing authority and the body that implements the fund of funds;
- b) between the duly mandated representatives of the managing authority, or where applicable, between the body that implements the fund of funds, and the body that implements the financial instrument.

11. For contributions pursuant to paragraph 1 to investment platforms which receive contributions from instruments set up at Union level, consistency with State aid rules shall be ensured pursuant to Article 202(2)(c) of the Financial Regulation.

12. In case of financial instruments referred to in point (c) of Article 38(1) which take the form of a guarantee instrument, ESI Funds may contribute to junior and/or mezzanine tranches of portfolios of loans covered also under the EFSI's Union guarantee.

13. For the ERDF, the ESF, the Cohesion Fund and the EMFF, a separate priority, and for the EAFRD, a separate type of operation, with a co-financing rate of up to 100% may be established within a programme to support operations implemented through financial instruments referred to in point (c) of Article 38(1).

14. Notwithstanding Articles 70 and 93(1), contributions pursuant to paragraph 1 of this Article may be used for the purpose of giving rise to new debt and equity finance in the entire territory of the Member State without regard to the categories of region, unless otherwise provided for in the funding agreement.

15. Before the end of 2019, the Commission shall carry out a review of the application of this Article and shall where appropriate submit to the European Parliament and Council a legislative proposal.";

14. Article 40 is amended as follows:

(a) Paragraphs 1 and 2 are replaced by the following:

"1. The authorities designated in accordance with Article 124 of this Regulation and with Article 65 of the EAFRD Regulation shall not carry out on-the-spot verifications at the level of the EIB or other international financial institutions in which a Member State is a shareholder, for financial instruments implemented by them.

However, the designated authorities shall carry out verifications in accordance with Article 125(5) at the level of other bodies implementing the financial instruments in the jurisdiction of their respective Member State and, where necessary, at the level of the final recipient.

The EIB or other international financial institutions in which a Member State is a shareholder shall provide to the designated authorities control reports with each application for payment. They shall also provide to the Commission and to the designated authorities an annual audit report drawn up by the external auditors of these bodies.

The Commission shall be empowered to adopt an implementing act concerning the models for the control reports and the annual audit reports of the first sub-paragraph of this paragraph.

This implementing act shall be adopted in accordance with the advisory procedure referred to in Article 150(2).

2. Without prejudice to Article 127 and Article 9 of Regulation (EU) No 1306/2013, the bodies responsible for the audit of the programmes shall not carry out audits at the level of the EIB or other international financial institutions in which a Member State is a shareholder, for financial instruments implemented by them.

The bodies responsible for the audit of the programmes shall carry out audits of operations and of management and control systems at the level of other bodies

implementing the financial instruments in their respective Member States and at the level of the final recipients when conditions of Art 40 (3) are fulfilled.

The Commission may carry out audits at the level of the bodies referred to in paragraph 1, where it concludes that this is necessary to obtain reasonable assurance given the risks identified."

(b) the following paragraph 5a is inserted:

"5a. By way of derogation from paragraph 4 of Article 143 of this Regulation and from the second subparagraph of Article 56 of Regulation (EU) No 1306/2013, in operations comprising financial instruments, the contribution cancelled in accordance with paragraph 2 of Article 143 of this Regulation or in accordance with the first subparagraph of Article 56 of Regulation (EU) No 1306/2013, as a result of an individual irregularity, may be reused within the same operation under the following conditions:

a) where the irregularity that gives rise to the cancellation of the contribution is detected at the level of the final recipient, the contribution cancelled may be reused only for other final recipients within the same financial instrument

b) where the irregularity that gives rise to the cancellation of the contribution is detected at the level of the financial intermediary within a fund of funds, the contribution cancelled may be reused only for other financial intermediaries or for other final recipients within the same financial instrument

Where the irregularity that gives rise to the cancellation of the contribution is detected at the level of the body implementing funds of funds, the contribution cancelled may not be reused within the same operation.

In case a financial correction is made for a systemic irregularity, the contribution cancelled may not be reused for any operation affected by the systemic irregularity."

15. in Article 41, in paragraph 1, the introductory sentence of the first subparagraph is replaced by the following:

"1. As regards financial instruments referred to in point (a) and (c) of Article 38(1) and financial instruments referred to in point (b) of Article 38(1) implemented in accordance with points (a) and (b) of Article 38(4), phased applications for interim payments shall be made for programme contributions paid to the financial instrument during the eligibility period laid down in Article 65(2) (the "eligibility period") in accordance with the following conditions:"

16. In Article 42, in paragraph 5, the first subparagraph is replaced by the following:

"Where management cost and fees as referred to in point (d) of the first subparagraph of paragraph 1 and in paragraph 2 of this Article are charged by the body implementing the fund of funds or bodies implementing financial instruments pursuant to point (c) of Article 38(1) and points (a) and (b) of Article 38(4), they shall not exceed the thresholds defined in the delegated act referred to in paragraph 6 of this Article. Whereas management costs shall comprise direct or indirect cost items reimbursed against evidence of expenditure, management fees shall refer to an agreed price for services rendered established via a competitive market process, where applicable. Management costs and fees shall be based on a performance based calculation methodology.";

17. The following Article 43a is inserted:



"Article 43a

***Differentiated treatment of investors***

1. Support from the ESI Funds to financial instruments invested in final recipients and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by those investments, which are attributable to the support from the ESI Funds, may be used for differentiated treatment of private investors, as well as the EIB when using the EU guarantee pursuant to Regulation (EU) 2015/1017. Such differentiated treatment shall be justified by the need to attract private counterpart resources.
  2. The need and the level of differentiated treatment as referred to in paragraph 1 shall be established in the ex-ante assessment.
  3. The differentiated treatment shall not exceed what is necessary to create the incentives for attracting private counterpart resources. It shall not over-compensate private investors and the EIB when using the EU guarantee according to Regulation (EU) 2015/1017. The alignment of interest shall be ensured through an appropriate sharing of risk and profit.
  4. Differentiated treatment of private investors shall be without prejudice to the Union State aid rules."
18. In Article 44, paragraph 1 is replaced by the following:
- "1. Without prejudice to Article 43a, resources paid back to financial instruments from investments or from the release of resources committed for guarantee contracts, including capital repayments and gains and other earnings or yields, such as interest, guarantee fees, dividends, capital gains or any other income generated by investments, which are attributable to the support from the ESI Funds, shall be re-used for the following purposes, up to the amounts necessary and in the order agreed in the relevant funding agreements:
- (a) further investments through the same or other financial instruments, in accordance with the specific objectives set out under a priority;
  - (b) where applicable, to cover the losses in the nominal amount of the ESI Funds contribution to the financial instrument resulting from negative interest, if such losses occur despite active treasury management by the bodies implementing financial instruments.
  - (c) where applicable, reimbursement of management costs incurred and payment of management fees of the financial instrument."
19. in Article 46, in paragraph 2, in the first subparagraph, points (g) and (h) are replaced by the following:
- "(g) interest and other gains generated by support from the ESI Funds to the financial instrument and programme resources paid back to financial instruments from investments as referred to in Articles 43 and 44 and amounts used for differentiated treatment as referred to in Article 43a;"(h) progress in achieving the expected leverage effect of investments made by the financial instrument and participations;"
20. in Article 56, paragraph 5 is deleted;
21. in Article 57, paragraph 3 is deleted;
22. in Article 58, paragraph 1 is amended as follows:

(a) The reference to "Article 60 of the Financial Regulation" is replaced by "Article 149 of the Financial Regulation".

(b) At the end of the first paragraph, the following subparagraph is added:

"Depending on the purpose, the measures referred to in this Article can be financed either as operational or administrative expenditure".

23. Article 59 is amended as follows:

(a) The following paragraph 1a is added:

"Each ESI Fund may support technical assistance operations eligible under any of the other ESI Funds."

(b) The following paragraph 3 is added:

"Without prejudice to the second paragraph, Member States may implement actions referred to in the first paragraph through the direct award of a contract, to:

(i) the EIB;

(ii) an international financial institution in which a Member State is a shareholder;

(iii) a publicly-owned bank or financial institution, as defined in point (b) (iii) of Article 38(4).";

24. Article 61 is amended as follows:

(a) In paragraph 3, a new point (aa) is inserted after point (a):

"application of a flat rate net revenue percentage established by a Member State for a sector or sub-sector not covered under point (a). Before the application of the flat rate the responsible audit authority shall satisfy itself that the flat rate has been established according to a fair, equitable and verifiable method based on historical data or objective criteria.";

(b) paragraph 5 is replaced by the following:

"As an alternative to the application of the methods laid down in paragraph 3, the maximum co-financing rate referred to in Article 60(1) may, at the request of a Member State, be decreased for a priority or measure under which all operations supported under that priority or measure could apply a uniform flat rate in accordance with point (a) of the first subparagraph of paragraph 3. The decrease shall be not less than the amount calculated by multiplying the maximum Union co-financing rate applicable under the Fund-specific rules by the relevant flat rate referred to in point (a) of the first subparagraph of paragraph 3."

(c) point (h) of paragraph 7 is replaced by the following:

"operations for which amounts or rates of support are defined in Annex II to the EAFRD Regulation or in the EMFF Regulation";

25. Article 65 is amended as follows:

(a) In paragraph 8:

(i) point (h) is replaced by the following:

"(h) operations for which amounts or rates of support are defined in Annex II to the EAFRD Regulation or in the EMFF Regulation with the exception of those

operations for which reference is made to this paragraph under the EMFF Regulation; or"

(ii) point (i) is replaced by the following:

"(i) operations for which the total eligible cost does not exceed EUR 100 000.";

(b) paragraph 11 is replaced by the following:

"11. An operation may receive support from one or more ESI Funds or from one or more programmes and from other Union instruments, provided that the expenditure declared in a payment application for one of the ESI Funds does not receive support from another Fund or Union instrument, or support from the same Fund under another programme. The amount of expenditure to be entered into a payment application of an ESI Fund may be calculated for each ESI Fund on a pro rata basis in accordance with the document setting out the conditions for support."

26. Article 67 is amended as follows:

(a) Paragraph 1 is amended as follows:

(i) point (c) is replaced by the following:

"lump sums;"

(ii) point (e) is inserted:

"(e) financing which is not linked to costs of the relevant operations but is based on the fulfilment of conditions related to the realisation of progress in implementation or the achievement of objectives of programmes. The detailed modalities concerning the financing conditions and their application shall be set out in delegated acts adopted in accordance with the empowerment provided for in paragraph 5."

(b) the following paragraph 2a is inserted:

"2a. For an operation or projects not falling under the first sentence of paragraph 4 and which receive support from the ERDF and the ESF, grants and repayable assistance for which the public support does not exceed EUR 100 000 shall take the form of standard scales of unit costs, lump sums or flat rates, except for operations receiving support within the framework of a State aid scheme that does not constitute *de minimis* aid."

(c) paragraph 5 is amended as follows:

(i) point (a) is replaced by the following:

"(a) a fair, equitable and verifiable calculation method based on:

(i) statistical data or other objective information;

(ii) the verified historical data of individual beneficiaries;

(iii) the application of the usual cost accounting practices of individual beneficiaries; or

(iv) draft budgets established on a case by case basis and agreed ex ante by the managing authority, where the public support does not exceed EUR 100.000;"

(ii) the following subparagraph is added:

"The Commission shall be empowered to adopt delegated acts in accordance with Article 149 concerning the definition of the standard scales of unit costs or the flat rate financing referred to in points (b) and (d) of the first subparagraph of paragraph 1, the related methods referred to in point (a) of the first subparagraph of this paragraph and the form of support referred to in point (e) of the first subparagraph of paragraph 1.";

27. Article 68 is replaced by the following:

"Article 68

*Flat rate financing for indirect costs concerning grants and repayable assistance*

Where the implementation of an operation gives rise to indirect costs, they may be calculated at a flat rate in one of the following ways:

- (a) a flat rate of up to 25 % of eligible direct costs, provided that the rate is calculated on the basis of a fair, equitable and verifiable calculation method or a method applied under schemes for grants funded entirely by the Member State for a similar type of operation and beneficiary;
- (b) a flat rate of up to 15 % of eligible direct staff costs without there being a requirement for the Member State to perform a calculation to determine the applicable rate;
- (c) a flat rate applied to eligible direct costs based on existing methods and corresponding rates, applicable in Union policies for a similar type of operation and beneficiary.

The Commission is empowered to adopt delegated acts in accordance with Article 149 concerning the definition of the flat rate and the related methods referred to in point (c) of the first subparagraph of this paragraph.";

28. the following Articles 68a and 68b are inserted:

*"Article 68a*

*Staff costs concerning grants and repayable assistance*

1. Direct staff costs of an operation may be calculated at a flat rate of up to 20 % of the direct costs other than the staff costs of that operation.
2. For the purposes of determining staff costs the hourly rate may be calculated by dividing the latest documented annual gross employment costs by 1720 hours for persons working full time, or by a corresponding pro-rata of 1720 hours, for persons working part time. The total number of hours declared per person for a year shall not exceed the hours used for the calculations of the hourly rate.
3. Where annual gross employment costs are not available, they may be derived from the available documented gross employment costs or from the contract for employment, duly adjusted for a 12 month period.
4. Staff costs related to individuals who work on part-time assignment on the operation with fixed hours per month, may be calculated as a fixed percentage of the gross employment costs, in line with a fixed percentage of time worked on the operation, with no obligation to establish a separate working time registration system. The employer shall issue a document for each employee setting out the fixed percentage of time for working on the operation.

The first subparagraph shall not apply to programmes under the European territorial cooperation goal."

*"Article 68b*

*Flat rate financing for costs other than staff costs*

1. A flat rate of up to 40% of eligible direct staff costs may be used in order to cover the remaining eligible costs of an operation without a requirement for the Member State to execute any calculation to determine the applicable rate. For operations supported by the ESF, salaries and allowances paid to participants shall be considered additional eligible cost not included in the flat rate.

2. The flat rate referred to in paragraph 1 of this Article shall not be applied where staff costs have been calculated on the basis of a flat rate."

29. Article 70 is amended as follows:

(a) the following paragraph 1a is inserted:

"1a. Operations concerning the provision of services to citizens or businesses which cover the whole territory of a Member State shall be considered as being located in all programme areas within a Member State. In such cases, expenditure shall be allocated to the concerned programme areas on a pro-rata basis, based on objective criteria other than the budget allocation to the programme areas.

This paragraph does not apply to the national programme referred to in Article 6(2) of regulation (EU) No 1305/2013 and to the specific programme for the establishment and the operation of the national rural network referred to in Article 54 (1) of Regulation (EU) No 1305/2013.";

(b) in paragraph 2 point (b) is replaced by the following:

"(b) the total amount allocated under the programme to operations located outside the programme area does not exceed 15 % of the support from the ERDF, Cohesion Fund, EAFRD and EMFF at the level of the priority at the time of the agreement of the monitoring committee referred to in point (c).";

(c) the following paragraph 2a is inserted:

"2a. For the Funds and the EMFF where operations implemented outside the programme area in accordance with paragraph 2 have benefits both outside and within the programme area expenditure shall be allocated to these areas on a pro rata basis based on objective criteria other than the budget allocation to the programme areas.";

(d) paragraph 3 is replaced by the following:

"3. For operations concerning technical assistance or communication and promotional activities, and for operations under the thematic objective of strengthening research, technological development and innovation, expenditure may be incurred outside the Union provided that the conditions set out in point (a) of paragraph 2 and the obligations in relation to management, control and audit concerning the operation are fulfilled.

In addition, for operations under the thematic objective of strengthening research, technological development and innovation, the conditions set out in point (b) of paragraph 2 shall be fulfilled.";

30. Article 71, paragraph 4 is replaced by the following:

"4. Paragraphs 1, 2 and 3 shall not apply to contributions to or by financial instruments or for lease purchase under Article 45(2)(b) of Regulation (EU) No 1305/2013 nor to any operation which undergoes cessation of a productive activity due to a non- fraudulent bankruptcy.";

31. in Article 75, paragraph 1, the reference to "Article 59(5) of the Financial Regulation" is replaced by "Article 62(5) of the Financial Regulation".

32. Article 76 is amended as follows:

(a) In the second subparagraph the reference to "Article 84 of the Financial Regulation" is replaced by "Article 108 of the Financial Regulation".

(b) In the fourth subparagraph the reference to "Article 16 of the Financial Regulation" is replaced by "Article 15 of the Financial Regulation".

33. in Article 79, paragraph 2, the reference to "Article 68(3) of the Financial Regulation" is replaced by "Article 80(2) of the Financial Regulation".

34. in Article 83, paragraph 1, point (c) the reference to "Article 59(5) of the Financial Regulation" is replaced by "Article 62(5) of the Financial Regulation".

35. in Article 84 the reference to "Article 59(6) of the Financial Regulation" is replaced by "Article 62(6) of the Financial Regulation".

36. Article 98, paragraph 2 is replaced by the following:

"The ERDF and the ESF may finance, in a complementary manner and subject to a limit of 10 % of Union funding for each priority axis of an operational programme, a part of an operation for which the costs are eligible for support from the other Fund on the basis of rules applied to that Fund, provided that such costs are necessary for the satisfactory implementation of the operation and are directly linked to it."

37. Article 102 is amended as follows:

(a) paragraph 6 is replaced by the following:

"6. Expenditure relating to a major project may be included in a payment application after the submission for approval referred to in paragraph 2. Where the Commission does not approve the major project selected by the managing authority, the declaration of expenditure following the withdrawal of the application by the Member State or the adoption of the Commission decision shall be rectified accordingly.";

(b) the following paragraph 6a is added:

"6a. Where the major project is appraised by independent experts pursuant to paragraph 1, expenditure relating to that major project may be included in a payment application after the managing authority has informed the Commission of the submission of the information required under Article 101 to the independent experts.

Where the independent quality review has not been notified to the Commission within 6 month of the submission of that information to the independent experts or where the relevant appraisal is negative, the corresponding expenditure shall be withdrawn and the declaration of expenditure shall be rectified accordingly.";

38. in Article 104, paragraphs 2 and 3 are replaced by the following:

"2. The public expenditure allocated to a joint action plan shall be a minimum of EUR 5 000 000 or 5 % of the public support of the operational programme or one of the contributing programmes, whichever is lower.";

"3. Paragraph 2 shall not apply to operations supported under the YEI and to the first Joint Action Plan submitted by a Member State under the Investment for Jobs and Growth Goal and the first Joint Action Plan submitted by a programme under the European territorial Cooperation goal.";

39. in Article 105, in paragraph 2, the second sentence is deleted;

40. in Article 106, the first subparagraph is amended as follows:

(a) point 1 is replaced by the following:

"(1) a description of the objectives of the joint action plan and how it contributes to the objectives of the programme or to the relevant country-specific recommendations and the broad guidelines of the economic policies of the Member States and of the Union under Article 121(2) TFEU and the relevant Council recommendations which the Member States are to take into account in their employment policies under Article 148(4) TFEU;"

(b) point 2 is deleted.

(c) point 3 is replaced by the following:

"(3) a description of the projects or types of projects envisaged, together with the milestones, where relevant, and the targets for outputs and results linked to the common indicators by priority axis, where relevant.";

(d) points 6 and 7 are deleted.

(e) point 8 is replaced by the following:

"(8) its implementing provisions, including the following:

(a) information on the selection of the joint action plan by the managing authority in accordance with Article 125(3);

(b) the arrangements for steering the joint action plan, in accordance with Article 108;

(c) the arrangements for monitoring and evaluating the joint action plan including arrangements ensuring the quality, collection and storage of data on the achievement of milestones, outputs and results;"

(e) in point 9 letter (b) is deleted;

41. in Article 107, paragraph 3 is replaced by the following:

"3. The decision referred to in paragraph 2 shall indicate the beneficiary and the objectives of the joint action plan, the milestones, where relevant, and targets for outputs and results, the costs of achieving those milestones and targets for outputs and result, and the financing plan by operational programme and priority axis, including the total eligible amount and the amount of public expenditure, the implementation period of the joint action plan and, where relevant, the geographical coverage and target groups of the joint action plan.";

42. in Article 108, in paragraph 1, the first subparagraph is replaced by the following:

The Member State or the managing authority shall set up a steering committee for the joint action plan, which may be distinct from the monitoring committee of the relevant operational programmes. The steering committee shall meet at least twice a year and shall report to the managing authority. Where relevant, the managing authority shall inform the relevant monitoring committee of the results of the work carried out by the steering committee and the progress of the implementation of the joint action plan in accordance with point (e) of Article 110(1) and point (a) of Article 125(2)."

43. Article 109, paragraph 1 is replaced by the following:  
"Payments to the beneficiary of a joint action plan shall be treated as lump sums or standard scales of unit costs."
44. in Article 110, in paragraph 2, point (a) is replaced by the following:  
"(a) the methodology and criteria used for selection of operations, without prejudice to Article 34(3)(c);"
45. Article 114 is amended as follows:  
(a) paragraph 1 is replaced by the following:  
"1. An evaluation plan shall be drawn up by the managing authority or Member State for one or more operational programmes. The evaluation plan shall be submitted to the monitoring committee no later than one year after the adoption of the operational programme. In the cases of dedicated programmes referred to in point (b) of the first subparagraph of Article 39(4) adopted before this Regulation has entered into force, the evaluation plan shall be submitted to the monitoring committee no later than one year after the date this Regulation enters into force.;"  
(b) paragraph 4 is deleted.
46. in Article 115, paragraph 3 is replaced by the following:  
"3. Detailed rules concerning the information and communication measures for the public and information measures for potential beneficiaries and for beneficiaries are laid down in Annex XII.";
47. Article 119 is amended as follows:  
(a) in paragraph 1, the first subparagraph is replaced by the following:  
"The amount of the Funds allocated to technical assistance shall be limited to 4 % of the total amount of the Funds allocated to operational programmes at the time of the adoption of the operational programmes in a Member State of the Investment for jobs and growth goal."  
(b) in paragraph 2, the first sentence is deleted;  
(c) Paragraph 4 is replaced by the following:  
"4. In the case of the Structural Funds, where the allocations referred to in paragraph 1 are used to support technical assistance operations altogether relating to more than one category of region, the expenditure relating to the operations may be implemented under a priority axis combining different categories of region and attributed on a pro rata basis taking into account either the respective allocations to the different categories of regions of the operational programme or the allocation under each category of region as a share of the total allocation to the Member State.";



48. In Article 122, in paragraph 2, the fourth subparagraph is replaced by the following:  
"When amounts unduly paid to a beneficiary cannot be recovered and this is as a result of fault or negligence on the part of a Member State, that Member State shall be responsible for reimbursing the amounts concerned to the budget of the Union. Member States may decide not to recover an amount unduly paid if the amount to be recovered from the beneficiary, not including interest, does not exceed EUR 250 in contribution from the Funds to an operation in an accounting year.";
49. In Article 123, paragraph 5, the first subparagraph is replaced by the following:  
"In the case of the Funds and in the case of the EMFF, provided that the principle of separation of functions is respected, the managing authority, the certifying authority, where applicable, and the audit authority may be part of the same public authority or body."
50. Article 125, paragraph 4 is amended as follows:  
(a) Point (a) is replaced by the following:  
"(a) verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the operational programme and the conditions for support of the operation and,  
(i) where costs are to be reimbursed pursuant to point (a) of the first subparagraph of Article 67, that the amount of expenditure declared by the beneficiaries in relation to those costs has been paid;  
(ii) In the case of costs reimbursed pursuant to points (b), (c) and (d) of the first subparagraph of Article 67(1), that the conditions for reimbursement of expenditure to the beneficiary have been met;"  
(b) in point (e), the reference to " points (a) and (b) of Article 59(5) of the Financial Regulation" is replaced by "points (a) and (b) of Article 62(5) of the Financial Regulation".
51. In point (b) of the first subparagraph of Article 126 the reference to "point (a) of Article 59(5) of the Financial Regulation" is replaced by "point (a) of Article 62(5) of the Financial Regulation".
52. Article 127 is amended as follows:  
(a) in paragraph 1, third subparagraph , the reference to "the second subparagraph of Article 59(5) of the Financial Regulation" is replaced by "the second subparagraph of Article 62(5) of the Financial Regulation".(b) in point (a) of paragraph 5, the reference to "the second subparagraph of Article 59(5) of the Financial Regulation" is replaced by "the second subparagraph of Article 62(5) of the Financial Regulation".
53. in Article 134, in paragraph 1a, second subparagraph , the reference to "point (c) of Article 21(3) of the Financial Regulation" is replaced by "point (c) of Article 20(3) of the Financial Regulation".
54. in Article 137, in paragraph 1, the reference to "point (a) of Article 59(5) of the Financial Regulation" is replaced by "point (a) of Article 62(5) of the Financial Regulation".
55. in Article 138, the reference to " Article 59(5) of the Financial Regulation" is replaced by " Article 62(5) of the Financial Regulation".

56. in Article 139, in paragraph 7, the reference to "Article 177(3) of the Financial Regulation" is replaced by " point (c) of Article 20(3) of the Financial Regulation".
57. in Article 140, in paragraph 3, the following sentence is added:  
" Where documents are kept on commonly accepted data carriers in accordance with the procedure laid down in paragraph 5, no originals shall be required."
58. in Article 145, in paragraph 7, point (a), the reference to " Article 59(5) of the Financial Regulation" is replaced by "Article 62(5) of the Financial Regulation".
59. in Article 147, in paragraph 1, the reference to "Article 73 of the Financial Regulation" is replaced by "Article 89 of the Financial Regulation".
60. in Article 152, a new paragraph 4 is added:  
"Where a call for proposal is launched prior to the entry into force of Regulation XXX/YYY amending the present Regulation the managing authority (or monitoring committee for the programmes under the European territorial cooperation goal) may decide not to apply the obligation set out in Article 67(2a) for a maximum of 6 months starting from the date of entry into force of Regulation XXX/YYY. Where the document setting out the conditions for support is provided to the beneficiary within a period of 6 months starting from the date of entry into force of Regulation XXX/YYY the managing authority may decide not to apply those amended provisions."
61. Annex IV is amended as follows:  
(a) The introductory sentence of section 1 is replaced by the following:  
"Where a financial instrument is implemented under Article 39a and points (a) and (b) of Article 38(4), the funding agreement shall include the terms and conditions for making contributions from the programme to the financial instrument and shall include at least the following elements:";  
(b) Point (i) of section 1 is replaced by the following:  
"provisions regarding the re-utilisation of resources attributable to the support from the ESI Funds until the end of the eligibility period in compliance with Article 44 and, where applicable, provisions regarding differentiated treatment as referred to in Article 43a;" ;  
(c) point (c) of section 2 is replaced by the following:  
"(c) the use and re-use of resources attributable to the support of the ESI Funds in accordance with Articles 43, 44 and 45, and, where applicable, provisions regarding differentiated treatment as referred to in Article 43a.";
62. Annex XII is amended as follows:  
(a) in subsection 2.2 the following point is added:  
"6. The responsibilities laid down under this subsection shall apply as from the time the beneficiary is provided with the document setting out the conditions for support to the operation referred to in Article 125(3)(c)."  
(b) in subsection 3.1, in paragraph 2, point (f) is replaced by the following:  
"(f) the responsibility of beneficiaries to inform the public about the aim of the operation and the support from the Funds to the operation in accordance with subsection 2.2 as from the time the beneficiary is provided with the document setting

out the conditions for support to the operation referred to in Article 125(3)(c). The managing authority may request potential beneficiaries to propose indicative communication activities, proportional to the size of the operation, in the applications."

*Article 266*  
*Amendments to Regulation (EU) No 1304/2013*

Regulation (EU) No 1304/2013 of the European Parliament and of the Council<sup>53</sup> is amended as follows:

1. In Article 13, the following subparagraph is inserted in paragraph 2:

"Where operations falling under point (a) of the first subparagraph also have a benefit for the programme area in which they are implemented, expenditure shall be allocated to these programme areas on a pro rata basis based on objective criteria other than the budget allocation to the programme areas."
2. Article 14 is amended as follows:
  - (a) Paragraph 2 is deleted.
  - (b) Paragraph 4 is deleted.
3. In Annex I, paragraph (1) is replaced by the following:

"(1) Common output indicators for participants

"Participants"<sup>54</sup> refers to persons benefiting directly from an ESF intervention who can be identified and asked for their characteristics, and for whom specific expenditure is earmarked. Other persons shall not be classified as participants. All data shall be broken down by gender.

The common output indicators for participants are:

  - unemployed, including long-term unemployed\*,
  - long-term unemployed\*,
  - inactive\*,

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<sup>53</sup> Regulation (EU) No 1304/2013 of the European Parliament and of the Council of 17 December 2013 on the European Social Fund and repealing Council Regulation (EC) No 1081/2006 (OJ L 347, 20.12.2013, p. 470).

<sup>54</sup> Managing authorities shall establish a system that records and stores individual participant data in computerised form as set out in Article 125(2)(d) of Regulation (EU) No 1303/2013. The data processing arrangements put in place by the Member States shall be in line with the provisions of Directive 95/46/EC of the European Parliament and of the Council of 24 October 1995 on the protection of individuals with regard to the processing of personal data and on the free movement of such data (OJ L 281, 23.11.1995, p. 31), in particular Articles 7 and 8 thereof.

Data reported under the indicators marked with \* are personal data according to Article 7 of Directive 95/46/EC. Their processing is necessary for compliance with the legal obligation to which the controller is subject (Article 7(c) of Directive 95/46/EC). For the definition of controller, see Article 2 of Directive 95/46/EC.

Data reported under the indicators marked with \*\* are a special category of data according to Article 8 of Directive 95/46/EC. Subject to the provision of suitable safeguards, Member States may, for reasons of substantial public interest, lay down exemptions in addition to those laid down in Article 8(2) of Directive 95/46/EC, either by national law or by decision of the supervisory authority (Article 8(4) of Directive 95/46/EC).

- inactive, not in education or training\*,
- employed, including self-employed\*,
- below 25 years of age\*,
- above 54 years of age\*,
- above 54 years of age who are unemployed, including long-term unemployed, or inactive not in education or training\*,
- with primary (ISCED 1) or lower secondary education (ISCED 2)\*,
- with upper secondary (ISCED 3) or post-secondary education (ISCED 4)\*,
- with tertiary education (ISCED 5 to 8)\*,
- migrants, participants with a foreign background, minorities (including marginalised communities such as the Roma)\*\*,
- participants with disabilities\*\*,
- other disadvantaged\*\*.

The total number of participants will be calculated automatically on the basis of the output indicators.

These data on participants entering an ESF supported operation shall be provided in the annual implementation reports as specified in Article 50(1) and (2) and Article 111(1) of Regulation (EU) No 1303/2013.

- homeless or affected by housing exclusion\*,
- from rural areas\*<sup>55</sup>
- participants who live in jobless households\*,
- participants who live in jobless households with dependent children\*,
- participants who live in a single adult household with dependent children\*,

The data on participants under the two first above indicators will be provided in the annual implementation reports as specified in Article 50(4) of Regulation (EU) No 1303/2013. The data on participants under the last three above indicators will be provided in the reports as specified in Article 50(5) of Regulation (EU) No 1303/2013. The data of the five indicators above shall be collected based on a representative sample of participants within each investment priority. Internal validity shall be ensured in such a way that the data can be generalised at the level of the investment priority."

#### *Article 267*

#### *Amendments to Regulation (EU) No 1305/2013*

Regulation (EU) No 1305/2013 is amended as follows:

1. In Article 2, in paragraph 1, the second subparagraph is amended as follows:

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<sup>55</sup> The data shall be collected at the level of smaller administrative units (local administrative units 2), in accordance with Regulation (EC) No 1059/2003 of the European Parliament and of the Council of 26 May 2003 on the establishment of a common classification of territorial units for statistics (NUTS) (OJ L 154, 21.6.2003, p. 1).

(a) point (n) is replaced by the following:

"(n) "young farmer" means a person who is no more than 40 years of age at the moment of submitting the application, possesses adequate occupational skills and competence and is setting up for the first time in an agricultural holding as head of that holding; setting up may be done solely or jointly with other farmers;"

(b) point (r) is replaced by the following:

"(r) "forest" means an area of land spanning more than 0,5 hectares with trees higher than 5 meters and a canopy cover of more than 10 percent, or trees able to reach these thresholds in situ; and does not include land that is predominantly under agricultural or urban land use, subject to paragraph 2;

(c) The following point (s) is added:

"(s)"date of setting up" means the date when the setting up process begins by means of (an) action(s) to be performed by the applicant.;"

2. in Article 8, in paragraph 1, in point (h), point (ii) is replaced by the following:

3. "(ii) a table setting out, for each measure, for each type of operation with a specific EAFRD contribution rate, for the type of operation referred to in Article 39a and for technical assistance, the total Union contribution planned and the applicable EAFRD contribution rate. Where applicable, this table shall indicate separately the EAFRD contribution rate for less developed regions and for other regions;"In Article 16, paragraph 2 is replaced by the following:

"Support under this measure may also cover costs arising from information and promotion activities implemented by groups of producers, concerning products covered by a quality scheme receiving support in accordance with paragraph 1. By way of derogation from Article 70(3) of Regulation (EU) No 1303/2013, these activities may only be implemented in the internal market."

4. In Article 17, in paragraph 1, point (b) is replaced by the following:

"(b) concern the processing, marketing and/or development of agricultural products covered by Annex I to the TFEU or cotton, except fishery products; the output of the production process may be a product not covered by that Annex; where support is provided in the form of financial instruments, the input may also be a product not covered by Annex I to the TFEU on condition that the investment contributes to one or more of the Union priorities for rural development;"

5. Article 19 is amended as follows:

(a) paragraph 4 is replaced by the following:

"4. The application for support under point (a)(i) of paragraph 1 shall be submitted within 24 months from the date of setting up.

Support under point (a) of paragraph 1 shall be conditional on the submission of a business plan. Implementation of the business plan shall start at the latest within nine months from the date of the decision granting the aid. The business plan shall have a maximum duration of five years.

For young farmers receiving support under point (a)(i) of paragraph 1, implementation of the business plan shall start after the date of setting up. The business plan shall provide that the young farmer complies with Article 9 of

Regulation (EU) No 1307/2013, regarding active farmers within 18 months from the date of the decision granting the aid.

Member States shall define the action(s) referred to in Article 2(1)(s) in the rural development programmes.

Member States shall define upper and lower thresholds per beneficiary for allowing access to support under points (a)(i) and (a)(iii) of paragraph 1. The lower threshold for support under point (a)(i) of paragraph 1 shall be higher than the upper threshold for support under point (a)(iii) of paragraph 1. Support shall be limited to holdings coming under the definition of micro and small enterprises."

(b) the following paragraph 4a is inserted:

"4a. By way of derogation from Article 37(1) of Regulation (EU) No 1303/2013, support under point (a)(i) of paragraph 1 may also be provided in the form of financial instruments, or as a combination of grants and financial instruments.";

(c) paragraph 5 is replaced by the following:

"5. Support under point (a) of paragraph 1 shall be paid in at least two instalments. Instalments may be degressive. The payment of the last instalment under points (a)(i) and (a)(ii) of paragraph 1 shall be conditional upon the correct implementation of the business plan.";

6. In Article 20, the following paragraph 4 is added:

"4. Paragraphs 2 and 3 shall not apply where support is provided in the form of financial instruments.";

7. Article 36 is amended as follows:

(a) paragraph 1 is amended as follows:

(i) point (c) is replaced by the following:

"(c) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of all sectors for a severe drop in their income.";

(ii) the following point (d) is added:

"(d) an income stabilisation tool, in the form of financial contributions to mutual funds, providing compensation to farmers of a specific sector for a severe drop in their income.";

(b) Paragraph 3 is replaced by the following:

"3. For the purpose of points (b), (c) and (d) of paragraph 1, 'mutual fund' means a scheme accredited by the Member State in accordance with its national law for affiliated farmers to insure themselves, whereby

compensation payments are made to affiliated farmers for economic losses caused by the outbreak of adverse climatic events or an animal or plant disease or pest infestation or an environmental incident, or for a severe drop in their income."

(c) in paragraph 5, the second subparagraph is deleted.

8. In Article 38, in paragraph 3, the third subparagraph is deleted;

9. Article 39 is amended as follows:

- (a) The heading of Article 39 is replaced by the following:

*"Article 39  
Income stabilisation tool for farmers of all sectors"*

- (b) in point (b) of paragraph 4, the last sentence is deleted.

10. The following Article 39a is inserted:

*"Article 39a  
Income stabilisation tool for farmers of a specific sector"*

"1. Support under point (d) of Article 36(1) shall only be granted in duly justified cases and where the drop of income exceeds 20 % of the average annual income of the individual farmer in the preceding three-year period or a three-year average based on the preceding five-year period excluding the highest and lowest entry. Income for the purposes of point (d) of Article 36(1) shall refer to the sum of revenues the farmer receives from the market, including any form of public support, deducting input costs. Payments by the mutual fund to farmers shall compensate for less than 70 % of the income lost in the year the producer becomes eligible to receive this assistance.

2. Paragraphs 2 to 5 of Article 39 shall apply for the purpose of support under point (d) of Article 36(1).";

11. Article 45 is amended as follows:

- (a) paragraph 5 is replaced by the following:

"5. Working capital that is ancillary to, and linked to a new investment, which receives EAFRD support through a financial instrument established in accordance with Article 37 of Regulation (EU) No 1303/2013, may be eligible expenditure. Such eligible expenditure shall not exceed 30 % of the total amount of the eligible expenditure for the investment. The relevant request shall be duly substantiated."

- (b) the following paragraph 7 is added:

"7 Paragraphs 1, 2 and 3 shall not apply where support is provided in the form of financial instruments.";

12. Article 49 is amended as follows:

- (a) in Paragraph 1, the following subparagraph is added:

"By way of derogation, in exceptional and duly justified cases where it is not possible to establish selection criteria due to the nature of the type of operations concerned, the Managing Authority may define another selection method to be described in the rural development programme following consultation with the Monitoring committee.";

- (b) paragraph 2 is replaced by the following:

"2. The Member State authority responsible for the selection of operations shall ensure that operations, with the exception of operations under Articles 18(1)(b), 24(1)(d), 28 to 31, 33 to 34 and 36 to 39a, are selected in accordance with the selection criteria referred to in paragraph 1 and according to a transparent and well documented procedure.";

- (c) the following paragraph 4 is added:

"4. Paragraphs 1 and 2 shall not apply where support is provided in the form of financial instruments.";

13. In Article 59, paragraph 4 is amended as follows:

(a) point (f) is replaced by the following:

"(f) 100 % for an amount of EUR 100 million, in 2011 prices, allocated to Ireland, for an amount of EUR 500 million, in 2011 prices, allocated to Portugal and for an amount of EUR 7 million, in 2011 prices, allocated to Cyprus."

(b) in point (g), the last sentence is replaced by the following:

"The EAFRD contribution rate which would be applicable without this derogation shall, however, be respected for the total public expenditure made during the programming period;"

(c) the following point (h) is added:

"(h) the contribution rate referred to in Article Article 39a(13) of Regulation (EU) No 1303/2013 for the financial instrument referred to in point (c) of Article 38(1) of the same Regulation."

14. Article 60 is amended as follows:

(a) paragraph 1 is replaced by the following:

"1. By way of derogation from Article 65(9) of Regulation (EU) No 1303/2013, in cases of emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, including significant and sudden demographic changes resulting from migration or reception of refugees, the rural development programmes may provide that eligibility of expenditure relating to programme changes may start from the date when the event occurred."

(b) in paragraph 2, the second subparagraph is replaced by the following:

"With the exception of general costs as defined in Article 45(2)(c), in respect of investment operations under measures falling within the scope of Article 42 TFEU, only expenditure which has been incurred after an application has been submitted to the competent authority shall be considered eligible. However, Member States may provide in their programme that expenditure which is related to emergency measures due to natural disasters, catastrophic events or adverse climatic events or a significant and sudden change in the socio-economic conditions of the Member State or region, including significant and sudden demographic changes resulting from migration or reception of refugees, and which has been incurred by the beneficiary after the event occurs, is also eligible"

15. in Article 62, paragraph 2 is replaced by the following:

"2. Where aid is granted on the basis of standard costs or additional costs and income foregone in accordance with in points (a) and (b) of Article 21(1) of this Regulation (concerning income forgone and maintenance costs) and Articles 28 to 31, 33, and 34 of Regulation (EU) No 1305/2013, Member States shall ensure that the relevant calculations are adequate and accurate and established in advance on the basis of a fair, equitable and verifiable calculation method. To this end, a body that is functionally independent from the authorities responsible for the programme implementation and possesses the appropriate expertise shall perform the



calculations or confirm the adequacy and accuracy of the calculations. A statement confirming the adequacy and accuracy of the calculations shall be included in the rural development programme."

16. in Article 74, point (a) is replaced by the following:

"(a) be consulted and shall issue an opinion, before publication of the relevant call for proposals, on the selection criteria for financed operations, which shall be revised according to programming needs;"

#### *Article 268*

#### *Amendments to Regulation (EU) No 1306/2013*

Regulation (EU) No 1306/2013 is amended as follows:

1. Article 26 is amended as follows:

(a) paragraph 2 is deleted.

(b) paragraphs 3, 4 and 5 are replaced by the following:

"3. The Commission shall, by 30 June of the calendar year in respect of which the adjustment rate applies, adopt implementing acts fixing the adjustment rate. Such implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 116(2).

4. Until 1 December of the calendar year in respect of which the adjustment rate applies, the Commission may, on the basis of new information, adopt implementing acts adapting the adjustment rate set in accordance with paragraph 3. Those implementing acts shall be adopted in accordance with the advisory procedure referred to in Article 116(2).

5. Member States shall reimburse the appropriations carried over in accordance with Article 12(2)(d) of the Financial Regulation to the final recipients who are subject, in the financial year to which the appropriations are carried over, to the adjustment rate.

The reimbursement referred to in the first subparagraph shall only apply to final beneficiaries in those Member States where financial discipline applied in the preceding financial year."

2. in Article 38, paragraph 3 is replaced by the following:

"3. In the event of legal proceedings or of an administrative appeal having suspensory effect, the period for automatic decommitment referred to in paragraph 1 or paragraph 2 shall, in respect of the amount relating to the operations concerned, be interrupted for the duration of those proceedings or that administrative appeal, provided that the Commission receives a substantiated notification from the Member State by 31 January of year N + 4."

3. In Article 43, in paragraph 1, point (a) is replaced by the following:

"(a) sums which, under Articles 40, Article 41(2) and Article 51 as regards expenditure under EAGF, and under Articles 52 and 54, must be paid to the Union's budget, including interest thereon;"

4. in Article 54, paragraph 2 is replaced by the following:

"2. If recovery has not taken place within four years from the date of the recovery request, or within eight years where recovery is taken in the national courts, the

financial consequences of the non-recovery shall be borne by the Member State concerned, without prejudice to the requirement that the Member State concerned must pursue recovery procedures in compliance with Article 58.

Where, in the context of the recovery procedure, the absence of any irregularity is recorded by an administrative or legal instrument of a final nature, the Member State concerned shall declare as expenditure to the Funds the financial burden borne by it under the first subparagraph.

However, if for reasons not attributable to the Member State concerned, it is not possible for recovery to take place within the time limit specified in the first subparagraph, and the amount to be recovered exceeds EUR 1 million, the Commission may, at the request of the Member State, extend the time-limit by a period of up to half of the original period."

5. in Article 63, in paragraph 1, the following subparagraph is added:

"Where the non-compliance concerns national or Union rules on public procurement, the part of the aid not to be paid or to be withdrawn shall be determined on the basis of the gravity of the non-compliance and in accordance with the principle of proportionality, taking into account the relevant guidelines established by the Commission on financial corrections to be made to expenditure financed by the Union under shared implementation for non-compliance with the rules on public procurement. The legality and regularity of the transaction shall only be affected up to the level of the part of the aid not to be made or withdrawn."

#### *Article 269*

#### *Amendments to Regulation (EU) No 1307/2013*

Regulation (EU) No 1307/2013 is amended as follows:

1. in Article 6(1), in the following subparagraph is added:

"Where a Member State makes use of the option provided for in the second subparagraph of Article 36(4), the national ceiling set out in Annex II for that Member State for the respective year may be exceeded by the amount calculated in accordance with that subparagraph.";

2. in Article 9, the following paragraphs 7 and 8 are added:

"7. Member States may decide from 2018 that only one or two of the three criteria listed in the third subparagraph of paragraph 2 may be invoked by persons or groups of persons falling within the scope of the first and second subparagraphs of paragraph 2, in order to demonstrate that they are active farmers. Member States shall notify the Commission of such a decision by 1 August 2017.

8. Member States may decide to stop applying the provisions of this Article from 2018. They shall notify the Commission of such a decision by 1 August 2017."

3. in Article 36, in paragraph 4, the following subparagraphs are added:

"For each Member State, the amount calculated in accordance with the first subparagraph of this paragraph may be increased by a maximum of 3 % of the relevant annual national ceiling set out in Annex II after deduction of the amount resulting from the application of Article 47(1) for the relevant year. When a Member State applies such an increase, that increase shall be taken into account by the Commission when setting the annual national ceiling for the single area payment

scheme pursuant to the first subparagraph of this paragraph. For that purpose, Member States shall notify the Commission by 1 August 2017 of the annual percentages by which the amount calculated pursuant to paragraph 1 of this Article is to be increased each calendar year from 2018.

Member States may review their decision referred to in the second subparagraph on an annual basis and shall notify the Commission of any decision based on such review by 1 August of the year preceding its application.";

4. in Article 50, paragraph 9 is deleted;

5. in Article 51, paragraph 3 is replaced by the following:

"3. Where the total amount of the payment for young farmers applied for in a Member State in a particular year exceeds the maximum of 2% laid down in paragraph 1 of this Article, Member States shall set a maximum limit applicable to the number of payment entitlements activated by the farmer or to the number of eligible hectares declared by the farmer in order to comply with the maximum of 2% laid down in the paragraph 1 of this Article. Member States shall respect that limit when applying Article 50(6), (7) and (8).

Member States shall notify the Commission of any limits applied pursuant to the first subparagraph at the latest by 15 September of the year following the year in which the aid applications in respect of which the limits were applied were lodged."

6. In Article 52 the following paragraph 10 is added:

"(10) The Commission is empowered to adopt delegated acts in accordance with Article 70 concerning measures to avoid that beneficiaries of voluntary coupled support maintain the level of production despite structural market imbalances in a sector by allowing that such support may continue to be paid until 2020 on the basis of the production units for which voluntary coupled support was granted in a past reference period."

#### *Article 270*

#### *Amendments to Regulation (EU) No 1308/2013*

Regulation (EU) No 1308/2013 is amended as follows:

1. Article 33 is amended as follows:

(a) In paragraph 1, point (f) is replaced by the following: (f) crisis prevention and management, including providing coaching to other producer organisations, associations of producer organisations, producer groups or individual producers;"

(b) In paragraph 3, the following point (i) is inserted:

"(i) coaching to other producer organisations, associations of producer organisations, producer groups or individual producers"

2. In Article 34, paragraph 4 is replaced by the following:

"4. The 50 % limit provided for in paragraph 1 shall be increased to 100 % in the following cases:

(a) market withdrawals of fruit and vegetables which do not exceed 5 % of the volume of marketed production of each producer organisation and which are disposed of by way of:

(i) free distribution to charitable organisations and foundations, approved to that effect by the Member States, for use in their activities to assist persons whose right to public assistance is recognised in national law, in particular because they lack the necessary means of subsistence;

(ii) free distribution to penal institutions, schools and public education institutions and to children's holiday camps as well as to hospitals and old people's homes designated by the Member States, which shall take all necessary steps to ensure that the quantities thus distributed are additional to the quantities normally bought in by such establishments.

(b) actions related to coaching of other producer organisations, producer groups or individual producers from Member States referred to in Article 35(1)."

3. Article 35 is replaced by the following:

*"Article 35  
National financial assistance*

1. Bulgaria, Croatia, Cyprus, Estonia, Finland, Greece, Hungary, Lithuania, Luxemburg, Malta, Poland, Romania, Slovakia and Slovenia may grant producer organisations on their request national financial assistance equal to a maximum of 1 % of their value of marketed production. That assistance shall be additional to the operational fund.

2. The Commission is empowered to adopt delegated acts in accordance with Article 227 amending paragraph 1 to add Member States where the degree of organisation of producers in the fruit and vegetable sector is particularly low and to delete Member States where that is no longer the case.

4. Article 188 is replaced by the following:

*"Article 188  
Allocation process of tariff quotas*

1. The Commission shall make public, via an appropriate web-publication, the results of tariff quota allocation for the applications notified taking into account the tariff quotas available and the applications notified.

2. The publication referred to in paragraph 1 shall also make reference, when appropriate, to the need of rejecting pending applications, suspending the submission of applications or allocating unused quantities.

3. Member States shall issue import licences for the quantities applied for within the import tariff quotas, subject to the respective allocation coefficients and after they are made public by the Commission in accordance with paragraph 1."

*Article 271  
Amendments to Regulation (EU) No 1309/2013*

Regulation (EU) No 1309/2013 of the European Parliament and of the Council<sup>56</sup> is amended as follows:

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<sup>56</sup> Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006 (OJ 2013 L 347, 20.12.2013, p. 347).

1. In Article 6, paragraph 2 is replaced by the following:

" 2. By way of derogation from Article 2, applicant Member States may provide personalised services co-financed by the EGF to up to a number of NEETs under the age of 25, or where Member States so decide under the age of 30, on the date of submission of the application, equal to the number of targeted beneficiaries, as a priority to persons made redundant or whose activity has ceased, provided that at least some of the redundancies within the meaning of Article 3 occur in NUTS 2 level regions that had youth unemployment rates for young persons aged 15 to 24 of more than 25 % in 2012 and, for Member States where the youth unemployment rate had increased by more than 30 % in 2012, NUTS level 2 regions that had youth unemployment rates of more than 20 % in 2012. The support may be rendered to NEETs under the age of 25, or where Member States so decide under the age of 30, in those NUTS 2 level regions that had youth unemployment rates for young persons aged 15 to 24 of more than 25 % in 2012 and, for Member States where the youth unemployment rate had increased by more than 30 % in 2012, NUTS level 2 regions that had youth unemployment rates of more than 20 % in 2012."
2. In Article 11, paragraph 3 is replaced by the following:

"The tasks set out in paragraph 1 shall be performed in accordance with the Financial Regulation."
3. In Article 15, paragraph 4 is replaced by the following:

"4. Where the Commission has concluded that the conditions for providing a financial contribution from the EGF are met, it shall submit a proposal to mobilise it. The decision to mobilise the EGF shall be taken jointly by the European Parliament and the Council within one month of the referral to the European Parliament and to the Council. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.

Transfers related to the EGF shall be made in accordance with Article 30(5) of the Financial Regulation.

*Article 272*  
*Amendments to Regulation (EU) No 1316/2013*

Regulation (EU) No 1316/2013 is amended as follows:

1. The following chapter is inserted:

*" Chapter Va*  
*Blending*

*Article 16a*  
*CEF Blending Facilities*

1. Blending Facilities in accordance with Article 153 of the Financial Regulation may be established under this Regulation for one or more of the CEF sectors.
2. CEF Blending Facilities shall be implemented in accordance with Article 6(3).
3. The overall contribution from the Union budget to CEF Blending Facilities shall not exceed 10% of the overall financial envelopes of the CEF as referred to in Article 5(1).

4. Support provided under the CEF Blending Facility in the form of grants shall comply with the eligibility and conditions for financial assistance set out in Article 7. The amount of financial assistance to be granted to the Blending operations supported by means of a CEF Blending Facility shall be modulated on the basis of a cost-benefit analysis and the need to maximise the leverage of Union funding.

5. The Union, any Member State and other investors may contribute to CEF Blending Facilities, provided that the Commission agrees to any specification of the eligibility criteria of blending operations and/or the investment strategy of the facility which may be necessary due to the additional contribution. Those additional resources shall be implemented by the Commission in accordance with paragraph 2.

6. Blending operations supported by means of a CEF Blending Facility shall be selected on the basis of maturity and shall seek sectoral diversification in accordance with Articles 3 and 4 as well as geographical balance across the Member States. They shall:

(a) represent European added value;

(b) respond to the objectives of the Europe 2020 Strategy;

7. Blending operations in third countries may be supported by means of a CEF Transport Blending Facility if those actions are necessary for the implementation of a project of common interest."

2. In Article 17, in paragraph 3, the second subparagraph is replaced by the following:

"The amount of the financial envelope shall lie within a range of 80% to 95% of the budgetary resources referred to in point (a) of Article 5(1)."

3. In Article 22 the following subparagraph is inserted after the second subparagraph:

"The above-mentioned certification of the expenditure is not mandatory for grants awarded on the basis of Regulation 283/2014 on guidelines for trans-European networks in the area of telecommunications infrastructure."

#### *Article 273*

#### *Amendments to Regulation (EU) No 223/2014*

Regulation (EU) No 223/2014 is amended as follows:

1. In Article 9, the following paragraph 4 is added:

"4. Paragraphs 1 to 3 do not apply for the purposes of modifying elements of an operational programme falling under the respective sub-sections 3.5 and 3.6 and section 4 of the operational programme templates set out in Annex I.

A Member State shall notify the Commission of any decision falling under the first subparagraph within one month of the date of that decision. The decision shall specify the date of its entry into force, which shall not be earlier than the date of its adoption."

2. In Article 25, in paragraph 3, the following point (e) is added:

"(e) rules for the application of corresponding unit costs, lump sums and flat rates applicable in Union policies for a similar type of operation and beneficiary."

3. Article 26 is amended as follows:

(a) in paragraph 2, points (d) and (e) are replaced by the following:

"(d) the costs of partner organisations for collection, transport, storage and distribution of food donations and directly related awareness raising activities;"

"(e) the costs of accompanying measures undertaken and declared by the partner organisations delivering directly or under cooperation agreements the food and/or basic material assistance to the most deprived persons at a flat- rate of 5 % of the costs referred to in point (a) ; or 5 % of the value of the food products disposed of in accordance with Article 16 of Regulation (EU) No 1308/2013."

(b) the following paragraph 3a is inserted:

"3a. Notwithstanding paragraph 2, a reduction of the eligible costs referred to in paragraph (2)(a) due to non-compliance with applicable law by the body responsible for the purchase of food and/or basic material assistance, shall not lead to a reduction of the eligible costs of other bodies set out in paragraph 26(2)(c) and (e)."

4. In Article 30(2), the fourth subparagraph is replaced by the following:

"When amounts unduly paid to a beneficiary cannot be recovered and this is as a result of fault or negligence on the part of a Member State, that Member State shall be responsible for reimbursing the amounts concerned to the budget of the Union. Member States may decide not to recover an amount unduly paid if the amount to be recovered from the beneficiary, not including interest, does not exceed EUR 250 in contribution from the Fund to an operation in an accounting year."

5. Article 32, paragraph 4 is amended as follows:

(a) point (a) is replaced by the following:

"(a) verify that the co-financed products and services have been delivered, that the operation complies with applicable law, the operational programme and the conditions for support of the operation, and where costs are to be reimbursed pursuant to point (a) of the first subparagraph of Article 25, that expenditure declared by the beneficiaries in relation to those costs has been paid;"

(b) the following point (aa) is inserted after point (a):

"(aa) verify that, in the case of costs reimbursed pursuant to points (b), (c) and (d) of the first subparagraph of Article 25, the conditions for reimbursement of expenditure to the beneficiary have been met."

6. In Article 42, paragraph 3 is replaced by the following:

"3 The payment deadline referred to in paragraph 2 may be suspended by the managing authority in either of the following duly justified cases:

(a) the amount of the payment claim is not due or the appropriate supporting documents, including the documents necessary for management verifications under point (a) of Article 32(4), have not been provided;

(b) an investigation has been initiated in relation to a possible irregularity affecting the expenditure concerned.

The beneficiary concerned shall be informed in writing of the suspension and the reasons for it."

7. In Article 51, paragraph 3 is replaced by the following:

"3. The documents shall be kept either in the form of the originals, or certified true copies of the originals, or on commonly accepted data carriers including electronic

versions of original documents or documents existing in electronic version only. Where documents are kept on commonly accepted data carriers in accordance with the procedure laid down in paragraph 5, no originals shall be required."

*Article 274*  
*Amendments to Regulation (EU) No 283/2014*

Regulation (EU) No 283/2014 of the European Parliament and of the Council<sup>57</sup> is amended as follows:

1. In Article 2, paragraph 1, point (e) is amended as follows:  
"generic services" means gateway services linking one or more national infrastructure(s) to core service platform(s) as well as services increasing the capacity of a Digital Service Infrastructure by providing access to high performance computing, storage and data management facilities."
2. In Article 5, paragraph 4 is replaced by the following:  
"4. Actions contributing to projects of common interest in the field of digital service infrastructures shall be supported by:
  - (a) procurement,
  - (b) grants, and/or
  - (c) financial instruments as provided for in Article 5(5)."

*Article 275*  
*Amendments to Regulation (EU) No 652/2014*

Regulation (EU) No 652/2014 is amended as follows:

1. In Article 4, the following paragraph 4 is added:  
"4. In the case of approval of multiannual actions, budgetary commitments may be divided into annual instalments. Where budgetary commitments are so divided, the Commission shall commit the annual instalments taking into account the progress of the actions, the estimated needs and the budget available.";
2. In Article 13, paragraph 5 is deleted;
3. In Article 22, paragraph 5 is deleted;
4. In Article 27, paragraph 5 is deleted.

*Article 276*  
*Amendments to Decision No 541/2014/UE*

In Decision No 541/2014/EU of the European Parliament and of the Council<sup>58</sup>, in Article 4, the following paragraph 3 is added:

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<sup>57</sup> Regulation (EU) No 283/2014 of the European Parliament and of the Council of 11 March 2014 on guidelines for trans-European networks in the area of telecommunications infrastructure and repealing Decision No 1336/97/EC (OJ L 86, 21.3.2014, p. 14).

<sup>58</sup> Decision No 541/2014/EU of the European Parliament and of the Council of 16 April 2014 establishing a Framework for Space Surveillance and Tracking Support (OJ L 158, 27.5.2014, p. 227).



"3. Funding programmes established by Regulations (EU) No 377/2014 and (EU) No 1285/2013 and by Decision 2013/743/EU may contribute to the financing of the actions referred to in paragraph 1, within the scope of those programmes and in conformity with their aims and objectives. Such contributions shall be spent in compliance with Regulation (EU) No 377/2014."

## **PART THREE**

### **FINAL AND TRANSITIONAL PROVISIONS**

#### *Article 277*

##### *Transitional provisions*

Legal commitments for grants implementing the EU budget under the Multiannual Financial Framework 2014-2020 may continue to take the form of grant decisions. Provisions of Title VIII applicable to grant agreements shall apply mutatis mutandis to grant decisions. The Commission will review the use of grant decisions under the Multiannual Financial Framework post 2020 in particular in view of the progress made in electronic signature and electronic management of grants by that time.

Upon entry into force of this Regulation Commission decisions authorising the use of lump sums, unit costs or flat rates adopted in accordance with Article 124 of Regulation 966/2012 shall be amended by the authorising officer responsible in accordance with Article 175 of this Regulation.

Existing framework agreements may be reviewed to ensure compliance with Article 126.

Where necessary, Member States shall submit to the Commission a request for amendment of the rural development programme to comply with point (s) of Article 2(1) and Article 19(4) and (4a) of Regulation (EU) No 1305/2013 by 31 December 2018.

#### *Article 278*

##### *Review*

This Regulation shall be reviewed whenever it proves necessary to do so and in any case at the latest two years before the end of each multiannual financial framework.

Such review shall cover, inter alia, the implementation of the provisions of Title VIII of Part One and the deadlines set out in Article 251.

#### *Article 279*

##### *Repeal*

Regulation (EC,Euratom) No 966/2012 and Delegated Regulation (EU) No 1268/2012 are repealed with effect from 1 January 20XX.

References to the repealed Regulations shall be construed as references to this Regulation and shall be read in accordance with the correlation table in Annex 2.

#### *Article 280*

##### *Entry into force and application*

This Regulation shall enter into force on the third day following that of its publication in the Official Journal of the European Union.

It shall apply from 1 January 20XX.

By derogation from the second paragraph of this Article, Article 265(11)(b) and (c), Article 265(12)(a), (b)(i), (c) and (d), Article 265(14)(b), Article 265(17), (18), (20) and (21), Article 265(24)(c), Article 265(25)(a)(i), Article 265(46), Article 265(48), Article 265(49), Article 50(a), Article 265(62), Article 266(3) and Article 273(3)(b) shall apply from 1 January 2014.

By derogation from the second paragraph of this Article, Articles 201 to 207 shall apply to budgetary guarantees and financial assistance, and Articles 205 and 206 shall apply to financial instruments, from the date of entry into force of the post 2020 multiannual financial framework.

By derogation from the second paragraph of this Article, point 9 of Article 2 and Articles 39(5), 211, 212 and 213 shall apply from the date of entry into force of the post 2020 multiannual financial framework.

This Regulation shall be binding in its entirety and directly applicable in the Member States.



Brussels, 14.9.2016  
COM(2016) 605 final

ANNEX 1

**ANNEX**

**to the**

**proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**on the financial rules applicable to the general budget of the Union and amending Regulations (EU) No 1296/2013, (EU) No 1299/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council**

## ANNEX

to the

### proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the financial rules applicable to the general budget of the Union and amending Regulations (EU) No 1296/2013, (EU) No 1299/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council

## Chapter 1 Common provisions

### SECTION 1

#### FRAMEWORK CONTRACTS AND PUBLICITY

#### 1. Framework contracts and specific contracts

- 1.1. The duration of a framework contract may not exceed four years, save in exceptional cases duly justified in particular by the subject matter of the framework contract.

Specific contracts based on framework contracts shall be awarded in accordance with the terms of the framework contract.

When awarding specific contracts, the parties may not make substantial changes to the framework contract.

- 1.2. Where a framework contract is concluded with a single economic operator, the specific contracts shall be awarded within the limits of the terms laid down in the framework contract.

In duly justified circumstances, contracting authorities may consult in writing the contractor, requesting it to supplement its tender if necessary.

- 1.3. Where a framework contract is to be concluded with several economic operators ('multiple framework contract'), it may take the form of separate contracts signed in identical terms with each contractor.

Specific contracts based on framework contracts concluded with several economic operators shall be implemented in one of the following ways:

- (a) following the terms of the framework contract: without reopening of competition, where it sets out all the terms governing the provision of the works, supplies or services concerned and the objective conditions for determining which of the contractors shall perform them;
- (b) where not all the terms governing the provision of the works, supplies or services concerned are laid down in the framework contract: through reopening

of competition among the contractors, in accordance with point 1.4 and on the basis of any of the following:

- (i) the same and, where necessary, more precisely formulated terms,
  - (ii) where appropriate, on the basis of other terms referred to in the procurement documents relating to the framework contract.
- (c) partly without reopening of competition in accordance with point (a) and partly with reopening of competition amongst the contractors in accordance with point (b), where this possibility has been stipulated by the contracting authority in the procurement documents relating to the framework contract.

The procurement documents referred to in point (c) of the second subparagraph shall also specify which terms may be subject to reopening of competition.

- 1.4. A multiple framework contract with reopening of competition shall be concluded with at least three economic operators, provided that there is a sufficient number of admissible tenders as referred to in point 29.3 of the Annex.

When awarding a specific contract through reopening of competition among the contractors, the contracting authority shall consult them in writing and fix a time limit which is sufficiently long to allow specific tenders to be submitted. Specific tenders shall be submitted in writing. The contracting authority shall award each specific contract to the tenderer who has submitted the most economically advantageous specific tender on the basis of the award criteria set out in the procurement documents relating to the framework contract.

- 1.5. In sectors subject to a rapid price and technological evolution, framework contracts without reopening of competition shall contain a clause either on a mid-term review or on a benchmarking system. After the mid-term review, if the conditions initially laid down are no longer adapted to the price or technological evolution, the contracting authority shall not use the framework contract concerned and shall take appropriate measures to terminate it.

## **2. Specific contracts based on framework contracts shall be preceded by a budgetary commitment.**

- 2.1. Advertising of procedures equal to or greater than the thresholds under Article 169(1) or for contracts falling within the scope of Directive 2014/24/EU

- 2.2. The notices for publication in the Official Journal of the European Union shall include all the information set out in the relevant standard forms referred to in Directive 2014/24/EU to ensure transparency of the procedure.

- 2.3. The contracting authority may make known its intentions of planned procurement for the financial year through the publication of a prior information notice. It shall cover a period equal to or less than 12 months from the date on which the notice is sent to the Publications Office.

The contracting authority may publish the prior information notice either in the Official Journal of the European Union or on its buyer profile. In the latter case, a notice of publication on the buyer profile shall be published in the Official Journal of the European Union.

- 2.4. The contracting authority shall send to the Publications Office an award notice on the results of the procedure no later than 30 days after the signature of a contract or

framework contract with a value equal to or greater than the thresholds laid down in Article 169(1).

However, notices relating to contracts based on a dynamic purchasing system may be grouped together on a quarterly basis. In such cases, the contracting authority shall send the notice no later than 30 days after the end of each quarter.

- 2.5. The contracting authority shall publish an award notice:
  - (a) before signing a contract or a framework contract with a value equal to or greater than the thresholds laid down in Article 169(1) and awarded pursuant to the procedure under point 11.1(b);
  - (b) after signing a contract or a framework contract with a value equal to or greater than the thresholds laid down in Article 169(1) including awarded pursuant to the procedures under points (a) and (c) to (f) of point 11.1 .
- 2.6. The contracting authority shall publish in the Official Journal of the European Union a notice of modification of contract during its duration in the cases set out in points (a) and (b) of Article 166(3) where the value of the modification is equal to or greater than the thresholds set in Article 169(1) or is equal to or greater than the thresholds set in Article 172(1) for procedures in the field of external actions.
- 2.7. In case of interinstitutional procedure, the contracting authority responsible for the procedure shall be in charge of the applicable publicity measures.
- 3. Advertising of procedures falling below the thresholds under Article 169(1) or falling outside the scope of Directive 2014/24/EU**
- 3.1. Procedures with an estimated contract value below the thresholds laid down in Article 169(1) shall be advertised by appropriate means. Such advertising shall involve appropriate ex ante publicity on the internet or a contract notice or, for contracts awarded in accordance with the procedure set out in point 13, the publication of a notice for a call for expressions of interest in the Official Journal of the European Union. This obligation shall not apply to the procedure set out in point 11 and the negotiated procedure for very low value contracts under point 14.4.
- 3.2. For contracts awarded in accordance with points (g) and (i) of point 11, the contracting authority shall send a list of contracts no later than 30 June of the following financial year, to the European Parliament and Council. In the case of the Commission, it shall be annexed to the summary of the annual activity reports referred to in Article 73(9).
- 3.3. Contract award information shall contain the name of the contractor, the amount legally committed and the subject matter of the contract and, in the case of direct and specific contracts, it shall comply with Article 36(3).

The contracting authority shall publish a list of contracts on its internet site no later than 30 June of the following financial year for:

- (a) contracts below the thresholds laid down in Article 169(1);
- (b) contracts awarded in accordance with points (h) and (j) to (m) of point 11;
- (c) modifications of contracts as set out in point (c) of Article 166(3);
- (d) modifications of contracts as set out in points (a) and (b) of Article 166(3) where the value of the modification is below the thresholds laid down in Article 169(1);

- (e) specific contracts under a framework contract.

For the purposes of point (e) of the second subparagraph the published information may be aggregated per contractor for the same subject matter.

- 3.4. In case of interinstitutional framework contracts, each contracting authority shall be responsible for advertising its specific contracts and their modifications under the conditions set in point 3.3.

#### **4. Publication of notices**

- 4.1. The contracting authority shall draw up and transmit the notices referred to in points 2 and 3 by electronic means to the Publications Office.

- 4.2. The Publications Office shall publish the notices referred to in points 2 and 3 in the *Official Journal of the European Union* no later than:

- (a) seven days after their dispatch if the contracting authority uses the electronic system for filling the standard forms referred to in point 2.1 of the Annex and limits free text to 500 words;
- (b) 12 days after their dispatch in all other cases.

- 4.3. The contracting authority must be able to provide evidence of the date of dispatch.

#### **5. Other forms of advertising**

In addition to the advertising provided for in points 2 and 3 procurement procedures may be advertised in any other way, notably in electronic form. Any such advertising shall refer to the notice published in the Official Journal of the European Union if the notice has been published, and may not precede the publication of that notice, which alone is authentic.

Such advertising may not introduce any discrimination between candidates or tenderers nor contain details other than those contained in the contract notice, if the notice has been published.

## **SECTION 2**

### **PROCUREMENT PROCEDURES**

#### **6. Minimum number of candidates and arrangements for negotiation**

- 6.1. In a restricted procedure and in the procedures referred to in points (a) and (b) of point 13.1 and in point 14.2, the minimum number of candidates shall be five.

- 6.2. In the competitive procedure with negotiation, the competitive dialogue, the innovation partnership, the prospection of the local market under point 11.1(g) and the negotiated procedure for low value contracts under point 14.3 the minimum number of candidates shall be three.

- 6.3. Points 6.1 and 6.2 shall not apply in the following cases:

- (a) negotiated procedures for very low value contracts under point 14.4;
- (b) negotiated procedures without prior publication under point 11 except for design contests under point 11.1(d) and prospection of the local market under point 11.1(g).

- 6.4. Where the number of candidates meeting the selection criteria is below the minimum number specified in points 6.1 and 6.2, the contracting authority may continue the procedure by inviting the candidates with the required capacities. The contracting authority may not include other economic operators that did not initially request to participate or that it did not initially invite.
- 6.5. During a negotiation, the contracting authority shall ensure equal treatment for all tenderers.
- 6.6. A negotiation may take place in successive stages in order to reduce the number of tenders to be negotiated by applying the award criteria specified in the procurement documents. The contracting authority shall indicate whether it will use that option in the procurement documents.
- 6.7. For the procedures laid down in points (d) and (g) of point 11.1 and points 14.2 and 14.3, the contracting authority shall invite at least all economic operators who have expressed interest following ex ante publicity as set out in point 3.1 or prospection of the local market or a design contest.

## **7. Innovation partnership**

- 7.1. The innovation partnership shall aim at the development of an innovative product, service or innovative works and the subsequent purchase of the resulting works, supplies or services, provided that they correspond to the performance levels and maximum costs agreed between the contracting authorities and the partners.

The innovation partnership shall be structured in successive phases following the sequence of steps in the research and innovation process, which may include the completion of the works, the manufacturing of the products or the provision of the services. The innovation partnership shall set intermediate targets to be attained by the partners.

Based on those intermediate targets, the contracting authority may decide after each phase to terminate the innovation partnership or, in the case of an innovation partnership with several partners, to reduce the number of partners by terminating individual contracts, provided that the contracting authority has indicated in the procurement documents those possibilities and the conditions for their use.

- 7.2. Before launching an innovation partnership, the contracting authority shall consult the market as provided for in point 15 in order to ascertain that the work, supply or service does not exist on the market or as near-to-market development activity.

The arrangements on negotiation set out in Article 158(4) and in point 6.5 shall be followed.

In the procurement documents, the contracting authority shall identify the need for innovative works, supplies or services that cannot be met by purchasing works, supplies or services already available on the market. It shall indicate which elements of this description define the minimum requirements. The information provided shall be sufficiently precise to enable economic operators to identify the nature and scope of the required solution and decide whether to request to participate in the procedure.

The contracting authority may decide to set up the innovation partnership with one partner or with several partners conducting separate research and development activities.



The contracts shall be awarded on the sole basis of the best price-quality ratio as set out in Article 161(4).

- 7.3. In the procurement documents, the contracting authority shall specify the arrangements applicable to intellectual property rights.

In the framework of the innovation partnership, the contracting authority shall not reveal to the other partners solutions proposed or other confidential information communicated by a partner without its agreement.

The contracting authority shall ensure that the structure of the partnership and, in particular, the duration and value of the different phases reflect the degree of innovation of the proposed solution and the sequence of the research and innovation activities required for the development of an innovative solution not yet available on the market. The estimated value of works, supplies or services shall not be disproportionate in relation to the investment required for their development.

## **8. Design contests**

- 8.1. Design contests shall be subject to the rules on advertising set out in point 2 and may include the award of prizes.

Where design contests are restricted to a limited number of candidates, the contracting authority shall lay down clear and non-discriminatory selection criteria.

The number of candidates invited to participate must be sufficient to ensure genuine competition.

- 8.2. The jury shall be appointed by the authorising officer responsible. It shall be composed exclusively of natural persons who are independent of candidates in the contest. Where a particular professional qualification is required from candidates in a contest, at least one third of the members of the jury must have the same or an equivalent qualification.

The jury shall be autonomous in its opinions. Its opinions shall be adopted on the basis of projects submitted to it anonymously by the candidates and solely in the light of the criteria set out in the contest notice.

- 8.3. The proposals of the jury, based on the merits of each project, and its ranking and remarks, shall be recorded in a report signed by its members.

Candidates shall remain anonymous until the jury has given its opinion.

Candidates may be asked by the jury to answer the questions recorded in the report in order to clarify a project. A full report of the resulting dialogue shall be drawn up.

- 8.4. The contracting authority shall then take an award decision giving the name and address of the candidate selected and the reasons for the choice by reference to the criteria announced in the contest notice, especially if it departs from the proposals made in the jury's opinion.

## **9. Dynamic purchasing system**

- 9.1. The dynamic purchasing system is a completely electronic process for making commonly used purchases, which is open throughout its duration to any economic operator who satisfies the selection criteria. It may be divided into categories of works, supplies or services that are objectively defined on the basis of characteristics of the procurement to be undertaken under the category concerned. In this case, selection criteria must be defined for each category.

9.2. The contracting authority shall indicate in the procurement documents the nature and estimated quantity of the purchases envisaged and all the necessary information concerning the purchasing system, the electronic equipment used and the technical connection arrangements and specifications.

9.3. The contracting authority shall give any economic operator, throughout the period of validity of the dynamic purchasing system, the possibility of requesting to participate in the system. It shall complete its evaluation of such requests within 10 working days of receipt of that request. This deadline may be prolonged to 15 working days where justified. However, the contracting authority may extend the evaluation period provided that no invitation to tender is issued in the meantime.

The contracting authority shall inform the candidate at the earliest possible opportunity of whether or not it has been admitted to the dynamic purchasing system.

9.4. The contracting authority shall invite all candidates admitted to the system under the relevant category to submit a tender within a reasonable time. The contracting authority shall award the contract to the tenderer who has submitted the most economically advantageous tender on the basis of the award criteria set out in the contract notice. Those criteria may, if appropriate, be formulated more precisely in the invitation to tender.

9.5. The contracting authority shall indicate the period of validity of the dynamic purchasing system in the contract notice.

A dynamic purchasing system may not last for more than four years, except in duly justified exceptional cases.

The contracting authority may not resort to this system to prevent, restrict or distort competition.

## **10. Competitive dialogue**

10.1. The contracting authority shall specify its needs and requirements, the award criteria and an indicative timeframe in the contract notice or in a descriptive document.

It shall award the contract to the tender offering the best price-quality ratio.

10.2. The contracting authority shall open a dialogue with the candidates satisfying the selection criteria in order to identify and define the means best suited to satisfying its needs. It may discuss all aspects of the procurement with the selected candidates during this dialogue but it cannot alter its needs and requirements and award criteria as provided for in point 10.1.

During the course of dialogue, the contracting authority shall ensure equality of treatment among all tenderers and shall not reveal the solutions proposed or other confidential information communicated by a tenderer without its agreement to waive that confidentiality.

The competitive dialogue may take place in successive stages in order to reduce the number of solutions to be discussed by applying the announced award criteria if provision is made for this possibility in the contract notice or the descriptive document.

10.3. The contracting authority shall continue the dialogue until it can identify the solution or solutions which are capable of meeting its needs.

After informing the remaining tenderers that the dialogue is concluded, the contracting authority shall ask each of them to submit their final tenders on the basis of the solution or solutions presented and specified during the dialogue. These tenders shall contain all the elements required and necessary for the performance of the project.

At the request of the contracting authority, these final tenders may be clarified, specified and optimised provided this does not involve substantial changes to the tender or to the procurement documents.

The contracting authority may negotiate with the tenderer having submitted the tender offering the best price-quality ratio to confirm commitments contained in the tender provided this does not have the effect of modifying substantial aspects of the tender and does not risk distorting competition or causing discrimination.

- 10.4. The contracting authority may specify payments to the selected candidates taking part in the dialogue.

## **11. Use of a negotiated procedure without prior publication of a contract notice**

- 11.1. When the contracting authority uses the negotiated procedure without prior publication of a contract notice, it shall follow the arrangements on negotiation set out in Article 158(4) and in point 6.5.

The contracting authority may use the negotiated procedure regardless of the estimated value of the contract, in the following cases:

- (a) where no tenders, or no suitable tender, or no request to participate or no suitable request to participate as provided for in point 11.2 have been submitted in response to an open procedure or restricted procedure after this procedure has been completed, provided that the original procurement documents are not substantially altered;
- (b) where the works, supplies or services can only be provided by a single economic operator under the conditions set out in point 11.3 and for any of the following reasons:
  - (i) the aim of the procurement is the creation or acquisition of a unique work of art or artistic performance;
  - (ii) competition is absent for technical reasons;
  - (iii) the protection of exclusive rights including intellectual property rights must be ensured;
- (c) in so far as is strictly necessary where, for reasons of extreme urgency brought about by unforeseeable events, it is impossible to comply with the time limits laid down in points 24, 26 and 41 and where the justification of such extreme urgency is not attributable to the contracting authority;
- (d) where a service contract follows a design contest and is to be awarded to the winner or to one of the winners; in the latter case, all winners must be invited to participate in the negotiations;
- (e) for new services or works consisting in the repetition of similar services or works entrusted to the economic operator to which the same contracting authority awarded an original contract, provided that these services or works are in conformity with a basic project for which the original contract was

awarded after publication of a contract notice, subject to the conditions set out in point 11.4;

- (f) for supply contracts:
  - (i) for additional deliveries which are intended either as a partial replacement of supplies or installations or as the extension of existing supplies or installations, where a change of supplier would oblige the contracting authority to acquire supplies having different technical characteristics which would result in incompatibility or disproportionate technical difficulties in operation and maintenance; when the institutions award contracts on their own account, the duration of such contracts may not exceed three years;
  - (ii) where the products are manufactured purely for the purpose of research, experimentation, study or development; however such contracts shall not include quantity production to establish commercial viability or to recover research and development costs;
  - (iii) for supplies quoted and purchased on a commodity market;
  - (iv) for purchases of supplies on particularly advantageous terms, from either an economic operator which is definitively winding up its business activities, or the liquidators in an insolvency procedure, an arrangement with creditors, or a similar procedure under national law;
- (g) for building contracts, after prospecting the local market;
- (h) for contracts for any of the following:
  - (i) legal representation by a lawyer within the meaning of Article 1 of Council Directive 77/249/EEC<sup>1</sup> in arbitration or conciliation or judicial proceedings;
  - (ii) legal advice given in the preparation of the proceedings referred to above or where there is tangible indication and high probability that the matter to which the advice relates will become the subject of such proceedings, provided that the advice is given by a lawyer within the meaning of Article 1 of Directive 77/249/EEC;
  - (iii) for arbitration and conciliation services;
  - (iv) document certification and authentication services which must be provided by notaries;
- (i) for contracts declared to be secret or for contracts whose performance must be accompanied by special security measures, in accordance with the administrative provisions in force or when the protection of the essential interests of the Union so requires, provided the essential interests concerned cannot be guaranteed by other measures; these measures may consist of requirements to protect the confidential nature of information which the contracting authority makes available in the procurement procedure;

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<sup>1</sup> Council Directive 77/249/EEC of 22 March 1977 to facilitate the effective exercise by lawyers of freedom to provide services (OJ L 78, 26.3.1977, p. 17).

- (j) for financial services in connection with the issue, sale, purchase or transfer of securities or other financial instruments within the meaning of Directive 2004/39/EC of the European Parliament and of the Council<sup>2</sup>, central bank services and operations conducted with the European Financial Stability Facility and the European Stability Mechanism;
  - (k) loans, whether or not in connection with the issue, sale, purchase or transfer of securities or other financial instruments;
  - (l) for the purchase of public communication networks and electronic communications services within the meaning of Directive 2002/21/EC of the European Parliament and of the Council<sup>3</sup> ;
  - (m) services provided by an international organisation where it cannot participate in competitive procedures according to its statute or act of establishment.
- 11.2. A tender shall be considered unsuitable where it does not relate to the subject matter of the contract and a request to participate shall be considered unsuitable where the economic operator is in an exclusion situation under Article 132(1) or does not meet the selection criteria.
- 11.3. The exceptions set out in points (ii) and (iii) of point (b) of point 11.1 shall only apply when no reasonable alternative or substitute exists and the absence of competition is not the result of an artificial narrowing down of the parameters when defining the procurement.
- 11.4. In the cases referred to in point (e) of point 11.1, the basic project shall indicate the extent of possible new services or works and the conditions under which they will be awarded. As soon as the basic project is put up for tender, the possible use of the negotiated procedure shall be disclosed, and the total estimated amount for the subsequent services or works shall be taken into consideration in applying the thresholds referred to in Article 169(1) or in Articles 172(1) in the field of external actions. When the institutions award contracts on their own account, that procedure may only be used during the performance of the original contract and at the latest during the three years following its signature.

## **12. Use of a competitive procedure with negotiation or competitive dialogue**

- 12.1. When the contracting authority uses the competitive procedure with negotiation or the competitive dialogue, it shall follow the arrangements on negotiation set out in Article 158(4) and in point 6.5. The contracting authority may use these procedures regardless of the estimated value of the contract, in the following cases:
- (a) where only irregular or unacceptable tenders as specified in points 12.2 and 12.3 have been submitted in response to an open or restricted procedure after this procedure has been completed provided that the original procurement documents are not substantially altered; the publication of a contract notice may be waived under the conditions set out in point 12.4;

<sup>2</sup> Directive 2004/39/EC of the European Parliament and of the Council of 21 April 2004 on markets in financial instruments amending Council Directives 85/611/EEC and 93/6/EEC and Directive 2000/12/EC of the European Parliament and of the Council and repealing Council Directive 93/22/EEC (OJ L 145, 30.4.2004, p. 1).

<sup>3</sup> Directive 2002/21/EC of the European Parliament and of the Council of 7 March 2002 on a common regulatory framework for electronic communications networks and services (Framework Directive) (OJ L 108, 24.4.2002, p. 33).

- (b) with regard to works, supplies or services fulfilling one or more of the following criteria:
  - (i) where the needs of the contracting authority cannot be met without the adaptation of a readily available solution;
  - (ii) the works, supplies or services include design or innovative solutions;
  - (iii) the contract cannot be awarded without prior negotiations because of specific circumstances related to the nature, complexity or the legal and financial make-up of the contract or the risks attached to the subject matter of the contract;
  - (iv) the technical specifications cannot be established with sufficient precision by the contracting authority with reference to a standard, as set out in point 17.3;
- (c) for concession contracts;
- (d) for the service contracts referred to in Annex XIV to Directive 2014/24/EU;
- (e) for research and development services other than those covered by CPV codes 73000000-2 to 73120000-9, 73300000-5, 73420000-2 and 73430000-5 unless the benefits accrue exclusively to the contracting authority for its use in the conduct of its own affairs, or unless the service provided is wholly remunerated by the contracting authority;
- (f) for service contracts for the acquisition, development, production or co-production of programme material intended for audiovisual or radio media services as defined in Directive 2010/13/EU of the European Parliament and of the Council<sup>4</sup> or contracts for broadcasting time or programme provision.

12.2. A tender shall be considered irregular in any of the following cases:

- (a) when it does not comply with the minimum requirements specified in the procurement documents;
- (b) when it does not comply with the requirements for submission set out in Article 162(3) ;
- (c) when the tenderer is rejected under points (b) or (c) of Article 137(1);
- (d) when the contracting authority has declared the tender to be abnormally low.

12.3. A tender shall be considered unacceptable in any of the following cases:

- (a) when the price of the tender exceeds the contracting authority's maximum budget as determined and documented prior to the launching of the procurement procedure;
- (b) when the tender fails to meet the minimum quality levels for award criteria.

12.4. In the cases referred to in point (a) of point 12.1, the contracting authority shall not be required to publish a contract notice if it includes in the competitive procedure

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<sup>4</sup> Directive 2010/13/EU of the European Parliament and of the Council of 10 March 2010 on the coordination of certain provisions laid down by law, regulation or administrative action in Member States concerning the provision of audiovisual media services (Audiovisual Media Services Directive) (OJ L 95, 15.4.2010, p. 1).

with negotiation all those tenderers who satisfied exclusion and selection criteria except those who submitted a tender declared to be abnormally low.

### **13. Procedure involving a call for expressions of interest**

13.1. For contracts with a value below the thresholds referred to in Article 169(1) or in Article 172 (1) and without prejudice to points 11 and 12 the contracting authority may use a call for expressions of interest to do either of the following:

- (a) to pre-select candidates to be invited to submit tenders in response to future restricted invitations to tender;
- (b) to collect a list of vendors to be invited to submit requests to participate or tenders.

13.2. The list drawn up following a call for expressions of interest shall be valid for not more than four years from the date on which the notice referred to in point 3.1 is published.

The list referred to in the first subparagraph may include sub-lists.

Any interested economic operator may express interest at any time during the period of validity of the list, with the exception of the last three months of that period.

13.3. Where a contract is to be awarded, the contracting authority shall invite all candidates or vendors entered on the relevant list or sub-list to do either of the following:

- (a) to submit a tender in the case referred to in point (a) of point 13.1;
- (b) to submit, in case of the list referred to in point (b) of point 13.1, either of the following:
  - (i) tenders including documents relating to exclusion and selection criteria;
  - (ii) documents relating to exclusion and selection criteria and, in a second step, tenders, for those fulfilling these criteria.

### **14. Middle, low and very low value contracts**

14.1. Middle, low and very low value contracts may be awarded by negotiated procedure following the arrangements on negotiation set out in Article 158(4) and in point 6.5. Only candidates invited simultaneously and in writing by the contracting authority may submit an initial tender.

14.2. A contract of a value exceeding EUR 60 000 and below the thresholds referred to in Article 169(1) shall be deemed of middle value. Point 3.1 and points 6.1 and 6.4 shall apply to such procedures.

14.3. A contract of a value not exceeding EUR 60 000 shall be deemed of low value. Points 3.1 and points 6.2 and 6.4 shall apply to such procedures.

14.4. A contract of a value not exceeding EUR 15 000 shall be deemed of very low value. Point 6.3 shall apply to such procedures.

14.5. Payments of amounts not exceeding EUR 1 000 in respect of items of expenditure may consist simply in payment against invoices, without prior acceptance of a tender.

### **15. Preliminary market consultation**

- 15.1. For preliminary market consultation, the contracting authority may seek or accept advice from independent experts or authorities or from economic operators. That advice may be used in the planning and conduct of the procurement procedure, provided that such advice does not have the effect of distorting competition and does not result in a violation of the principles of non-discrimination and transparency.
- 15.2. Where an economic operator has advised the contracting authority or has otherwise been involved in the preparation of the procurement procedure, the contracting authority shall take appropriate measures as set out in Article 137 to ensure that competition is not distorted by the participation of that economic operator.

## **16. Procurement documents**

- 16.1. The procurement documents shall include the following:
- (a) if applicable, the contract notice or other advertising measure as provided for in points 2 to 5;
  - (b) the invitation to tender;
  - (c) the tender specifications or the descriptive documents in the case of a competitive dialogue; they shall include the technical specifications and the relevant criteria;
  - (d) the draft contract based on the model contract.

Point (d) of the first subparagraph shall not apply to cases where, due to exceptional and duly justified circumstances, the model contract cannot be used.

- 16.2. The invitation to tender shall contain the following:
- (a) specify the rules governing the submission of tenders, including in particular the conditions to maintain them confidential until opening, the closing date and time for receipt and the address to which they must be sent or delivered or the internet address in case of electronic submission;
  - (b) state that submission of a tender implies acceptance of the terms and conditions set out in the procurement documents and that this submission binds the contractor to whom the contract is awarded during performance of the contract;
  - (c) specify the period during which a tender will remain valid and may not be modified in any respect;
  - (d) forbid any contact between the contracting authority and the tenderer during the procedure, save, exceptionally, under the conditions laid down in Article 163, and, where provision is made for an on-the-spot visit, specify the arrangements for such a visit;
  - (e) specify the means of proof for compliance with the time-limit for receipt of tenders;
  - (f) state that submission of a tender implies acceptance of receiving notification of the outcome of the procedure by electronic means.
- 16.3. The tender specifications shall contain the following:
- (a) the exclusion and selection criteria;
  - (b) the award criteria and their relative weighting or, where weighting is not possible for objective reasons, their decreasing order of importance, which shall also apply to variants if they are authorised in the contract notice;



- (c) the technical specifications referred to in point 17;
- (d) if variants are authorised, the minimum requirements which they must meet;
- (e) information whether the Protocol on the Privileges and Immunities of the European Union or, where appropriate, the Vienna Convention on Diplomatic Relations or Vienna Convention on Consular Relations applies;
- (f) the evidence of access to procurement;
- (g) in the case of a dynamic purchasing system or electronic catalogues, the electronic equipment used and the technical connection arrangements and specifications needed.

16.4. The draft contract shall contain the following:

- (a) specify the liquidated damages for failure to comply with its clauses;
- (b) specify the details which must be contained in invoices and in the relevant supporting documents in accordance with Article 109;
- (c) state that, when the institutions award contracts on their own account, the law which applies to the contract is Union law complemented, where necessary, by a national law or, if necessary for building contracts, exclusively national law;
- (d) specify the competent court for hearing disputes;
- (e) specify that the contractor shall comply with applicable obligations in the fields of environmental, social and labour law established by Union law, national law, collective agreements or by the international environmental, social and labour law provisions listed in Annex X of Directive 2014/24/EU;
- (f) specify whether the transfer of intellectual property rights will be required;
- (g) state that the price quoted in the tender is firm and non-revisable or lay down the conditions or formulas for revision of prices during the lifetime of the contract.

For the purposes of point (g) of the first subparagraph, if a revision of prices is set out in the contract, the contracting authority shall take particular account of:

- (i) the subject matter of the procurement and the economic situation in which it is taking place;
- (ii) the type of contract and tasks and its duration;
- (iii) its financial interests.

Points (c) and (d) of the first subparagraph may be waived for contracts signed in accordance with point (m) of point 11.1.

## **17. Technical specifications**

17.1. Technical specifications shall allow equal access of economic operators to the procurement procedures and not have the effect of creating unjustified obstacles to the opening up of procurement to competition.

Technical specifications shall include the characteristics required for works, supplies or services, including minimum requirements, so that they fulfil the use for which they are intended by the contracting authority.

17.2. The characteristics referred to in point 17.1 may include as appropriate:

- (a) the quality levels;
- (b) environmental performance and climate performance;
- (c) for purchases intended for use by natural persons, the accessibility criteria for people with disabilities or the design for all users, except in duly justified cases;
- (d) the levels and procedures of conformity assessment;
- (e) performance or use of the supply;
- (f) safety or dimensions, including, for supplies, the sales name and user instructions, and, for all contracts, terminology, symbols, testing and test methods, packaging, marking and labelling, production processes and methods;
- (g) for works contracts, the procedures relating to quality assurance and the rules relating to design and costing, the test, inspection and acceptance conditions for works and methods or techniques of construction and all the other technical conditions which the contracting authority is in a position to prescribe under general or specific regulations in relation to the finished works and to the materials or parts which they involve.

17.3. The technical specifications shall be formulated in any of the following ways:

- (a) in order of preference, by reference to European standards, European technical assessments, common technical specifications, international standards, other technical reference systems established by European standardisation bodies or, failing this, their national equivalents; every reference shall be accompanied by the words ‘or equivalent’;
- (b) in terms of performance or of functional requirements, including environmental characteristics, provided that the parameters are sufficiently precise to allow tenderers to determine the subject matter of the contract and to allow the contracting authority to award the contract;
- (c) by a combination of the two methods set out in points (a) and (b).

17.4. Where the contracting authority uses the option of referring to the specifications provided for in point (a) of point 17.3, it shall not reject a tender on the grounds that it does not comply with those specifications once the tenderer proves, by any appropriate means, that the solution proposed satisfies in equivalent manner the requirements defined in the technical specifications.

17.5. Where the contracting authority uses the option provided for in point (b) of point 17.3, to formulate technical specifications in terms of performance or functional requirements, it shall not reject a tender which complies with a national standard transposing a European standard, a European technical approval, a common technical specifications, an international standard or technical reference systems established by a European standardisation body, if those specifications address the performance or functional requirements which it has laid down.

The tenderer shall prove by any appropriate means that the work, supply or service in compliance with the standard meets the performance or functional requirements set by the contracting authority.

17.6. Where a contracting authority intends to purchase works, supplies or services with specific environmental, social or other characteristics, it may require a specific label

or specific requirements from a label, provided that all of the following conditions are satisfied:

- (a) the label requirements only concern criteria which are linked to the subject matter of the contract and are appropriate to define the characteristics of the purchase;
- (b) the label requirements are based on objectively verifiable and non-discriminatory criteria;
- (c) the labels are established in an open and transparent procedure in which all the relevant stakeholders may participate;
- (d) the labels are accessible to all interested parties;
- (e) the label requirements are set by a third party over which the economic operator applying for the label cannot exercise a decisive influence.

The contracting authority may require that economic operators provide a test report or a certificate as means of proof of conformity with the procurement documents from a conformity assessment body accredited in accordance with Regulation (EC) No 765/2008 of the European Parliament and of the Council<sup>5</sup> or an equivalent conformity assessment body.

17.7. The contracting authority shall accept any other appropriate means of proof than those referred to in point 17.6, such as a technical dossier from the manufacturer, where the economic operator had no access to the certificates or test reports, or no possibility of obtaining them or obtaining a specific label within the relevant time limits, for reasons that are not attributable to that economic operator and provided that the economic operator concerned proves that the works, supplies or services to be provided fulfil the requirements of the specific label or specific requirements indicated by the contracting authority.

17.8. Unless justified by the subject matter of the contract, technical specifications shall not refer to a specific make or source, or a particular process which characterises the products or services provided by a specific economic operator, or to trade marks, patents, types or a specific origin or production with the effect of favouring or eliminating certain products or economic operators.

Such reference shall be permitted on an exceptional basis where a sufficiently detailed and intelligible description of the subject matter of the contract is not possible. Such reference shall be accompanied by the words ‘or equivalent’.

## **18. Exclusion and selection criteria**

18.1. For the purpose of Article 133, the contracting authority shall accept the European Single Procurement Document (ESPD) referred to in Directive 2014/24/EU, or, failing that, a declaration on honour signed and dated.

An economic operator may reuse an ESPD which has already been used in a previous procedure, provided that the economic operator confirms that the information contained therein continues to be correct.

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<sup>5</sup> Regulation (EC) No 765/2008 of the European Parliament and of the Council of 9 July 2008 setting out the requirements for accreditation and market surveillance relating to the marketing of products and repealing Regulation (EEC) No 339/93 (OJ L 218, 13.8.2008, p. 30).

- 18.2. The contracting authority shall indicate in the procurement documents the selection criteria, the minimum levels of capacity and the evidence required to prove this capacity. All requirements shall be related and proportionate to the subject matter of the contract.

The contracting authority shall specify in the procurement documents how groups of economic operators are to meet the selection criteria taking into account point 18.6.

Where a contract is divided into lots, the contracting authority may set minimum levels of capacity for each lot. It may set additional minimum levels of capacity in case several lots are awarded to the same contractor.

- 18.3. With regard to capacity to pursue the professional activity, the contracting authority may require an economic operator to fulfil at least one of the following conditions:
- (a) be enrolled in a relevant professional or trade register, except for international organisations;
  - (b) for service contracts, hold a particular authorisation proving that it is authorised to perform the contract in its country of establishment or be a member of a specific professional organisation.

- 18.4. When receiving requests to participate or tenders, the contracting authority shall accept the ESPD or, failing that, a declaration on honour stating that the candidate or tenderer fulfils the selection criteria. The request for ESPD or declaration on honour may be waived for very low value contracts.

The contracting authority may ask tenderers and candidates at any moment during the procedure to submit an updated declaration or all or part of the supporting documents where this is necessary to ensure the proper conduct of the procedure.

The contracting authority shall require the candidates or successful tenderer to submit up-to-date supporting documents except where it has already received them for the purpose of another procedure and provided that the documents are still up-to-date or it can access them on a national database free of charge.

- 18.5. The contracting authority may, depending on its assessment of risks, decide not to require evidence of the legal, regulatory, financial, economic, technical and professional capacity of economic operators in the following cases:
- (a) procedures for contracts awarded by the institutions on their own account, with a value not exceeding the value referred to in Article 169(1);
  - (b) procedures for contracts awarded in the field of external actions, with a value not exceeding the thresholds referred to in Articles 172(1);
  - (c) procedures under points (b), (e), points (i) and (iv) of point (f), (h) and (m) of point 11.1.

Where the contracting authority decides not to require evidence of the legal, regulatory, financial, economic, technical and professional capacity of economic operators, no pre-financing shall be made except in duly justified cases

- 18.6. An economic operator may, where appropriate and for a particular contract, rely on the capacities of other entities, regardless of the legal nature of the links which it has with them. It must in that case prove to the contracting authority that it will have at its disposal the resources necessary for the performance of the contract by producing a commitment by those entities to that effect.

With regard to technical and professional criteria, an economic operator may only rely on the capacities of other entities where the latter will perform the works or services for which these capacities are required.

Where an economic operator relies on the capacities of other entities with regard to criteria relating to economic and financial capacity, the contracting authority may require that the economic operator and those entities be jointly liable for the performance of the contract.

The contracting authority may request information from the tenderer on any part of the contract that the tenderer intends to subcontract and on the identity of any subcontractors.

For works or services provided at a facility directly under the oversight of the contracting authority, the contracting authority shall require the contractor to indicate the names, contacts and authorised representatives of subcontractors involved in the performance of the contract, including any changes of subcontractors.

- 18.7. The contracting authority shall verify whether the entities on whose capacity the economic operator intends to rely and the envisaged subcontractors, when subcontracting represents a significant part of the contract, fulfil the relevant selection criteria.

The contracting authority shall require that the economic operator replaces an entity or subcontractor which does not meet a relevant selection criterion.

- 18.8. In the case of works contracts, service contracts and siting or installation operations in the context of a supply contract, the contracting authority may require that certain critical tasks be performed directly by the tenderer itself or, where the tender is submitted by a group of economic operators, a participant in the group.

- 18.9. The contracting authority shall not demand that a group of economic operators have a given legal form in order to submit a tender or request to participate, but the selected group may be required to adopt a given legal form after it has been awarded the contract if this change is necessary for proper performance of the contract.

## **19. Economic and financial capacity**

- 19.1. To ensure that economic operators possess the necessary economic and financial capacity to perform the contract, the contracting authority may require in particular that:

- (a) economic operators have a certain minimum yearly turnover, including a certain minimum turnover in the area covered by the contract;
- (b) economic operators provide information on their annual accounts showing ratios between assets and liability;
- (c) economic operators provide an appropriate level of professional risk indemnity insurance.

For the purposes of point (a) of the first subparagraph, the minimum yearly turnover shall not exceed two times the estimated annual contract value, except in duly justified cases linked to the nature of the purchase, which the contracting authority shall explain in the procurement documents.

For the purposes of point (b) of the first subparagraph, the contracting authority shall explain the methods and criteria for such ratios in the procurement documents.

- 19.2. In the case of dynamic purchasing systems, the maximum yearly turnover shall be calculated on the basis of the expected maximum size of specific contracts to be awarded under that system.
- 19.3. The contracting authority shall define in the procurement documents the evidence to be provided by an economic operator to demonstrate its economic and financial capacity. It may request in particular one or more of the following documents:
- (a) appropriate statements from banks or, where appropriate, evidence of relevant professional risk indemnity insurance;
  - (b) financial statements or their extracts for a period equal to or less than the last three years for which accounts have been closed;
  - (c) a statement of the economic operator's overall turnover and, where appropriate, turnover in the area covered by the contract for a maximum of the last three financial years available.

If, for any valid reason, the economic operator is unable to provide the references requested by the contracting authority, it may prove its economic and financial capacity by any other document which the contracting authority considers appropriate.

## **20. Technical and professional capacity**

- 20.1. The contracting authority shall verify that candidates or tenderers fulfil the minimum selection criteria concerning technical and professional capacity in accordance with points 20.2 to 20.5.
- 20.2. The contracting authority shall define in the procurement documents the evidence to be provided by an economic operator to demonstrate its technical and professional capacity. It may request one or more of the following documents:
- (a) for works, supplies requiring siting or installation operations or services, the educational and professional qualifications, skills, experience and expertise of the persons responsible for performance;
  - (b) a list of the following:
    - (i) of the principal services provided and supplies delivered in the past three years, with the sums, dates and clients, public or private accompanied upon request by statements issued by the clients;
    - (ii) of the works carried out in the last five years, accompanied by certificates of satisfactory execution for the most important works;
  - (c) a statement of the technical equipment, tools or plant available to the economic operator for performing a service or works contract;
  - (d) a description of the technical facilities and means available to the economic operator to for ensuring quality, and a description of available study and research facilities;
  - (e) a reference to the technicians or technical bodies available to the economic operator, whether or not belonging directly to it, especially those responsible for quality control;
  - (f) in respect of supplies: samples, descriptions or authentic photographs or certificates drawn up by official quality control institutes or agencies of

recognised competence attesting the conformity of the products clearly identified by references to technical specifications or standards;

- (g) for works or services, a statement of the average annual manpower and the number of managerial staff of the economic operator for the last three years;
- (h) an indication of the supply chain management and tracking systems that the economic operator will be able to apply when performing the contract;
- (i) an indication of the environmental management measures that the economic operator will be able to apply when performing the contract.

For the purposes of point (i) of point (b) of the first subparagraph, where necessary in order to ensure an adequate level of competition, the contracting authority may indicate that evidence of relevant supplies or services delivered or performed more than three years before will be taken into account.

For the purposes of point (ii) of point (b) of the first subparagraph, where necessary in order to ensure an adequate level of competition, the contracting authority may indicate that evidence of relevant works delivered or performed more than five years before will be taken into account.

- 20.3. Where the supplies or services are complex or, exceptionally, are required for a special purpose, evidence of technical and professional capacity may be secured by means of a check carried out by the contracting authority or on its behalf by a competent official body of the country in which the economic operator is established, subject to that body's agreement. Such checks shall concern the supplier's technical capacity and production capacity and, if necessary, its study and research facilities and quality control measures.
- 20.4. Where the contracting authority requires the provision of certificates drawn up by independent bodies attesting the compliance of the economic operator with certain quality assurance standards, including on accessibility for disabled persons, it shall refer to quality assurance systems based on the relevant European standards series certified by accredited bodies. The contracting authority shall also accept other evidence of equivalent quality assurance measures from an economic operator that has demonstrably no access to such certificates or has no possibility of obtaining such certificates within the relevant time limits, for reasons that are not attributable to that economic operator and provided that the economic operator proves that the proposed quality assurance measures comply with the required quality assurance standards.
- 20.5. Where the contracting authority requires the provision of certificates drawn up by independent bodies attesting that the economic operator complies with certain environmental management systems or standards, it shall refer to the European Union Eco-Management and Audit Scheme or to other environmental management systems as recognised in accordance with Article 45 of Regulation (EC) No 1221/2009 of the European Parliament and of the Council<sup>6</sup> or other environmental management standards based on the relevant European or international standards by accredited bodies. Where an economic operator had

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<sup>6</sup> Regulation (EC) No 1221/2009 of the European Parliament and of the Council of 25 November 2009 on the voluntary participation by organisations in a Community eco-management and audit scheme (EMAS), repealing Regulation (EC) No 761/2001 and Commission Decisions 2001/681/EC and 2006/193/EC (OJ L 342, 22.12.2009, p. 1).

demonstrably no access to such certificates, or no possibility of obtaining them within the relevant time limits for reasons that are not attributable to that economic operator, the contracting authority shall also accept other evidence of environmental management measures, provided that the economic operator proves that these measures are equivalent to those required under the applicable environmental management system or standard.

- 20.6. A contracting authority may conclude that an economic operator does not possess the required professional capacity to perform the contract to an appropriate quality standard where the contracting authority has established that the economic operator has conflicting interests which may negatively affect its performance.

## **21. Award criteria**

- 21.1. Quality criteria may include elements such as technical merit, aesthetic and functional characteristics, accessibility, design for all users, social, environmental and innovative characteristics, production, provision and trading process and any other specific process at any stage of their life cycle, organisation of the staff assigned to performing the contract, after-sales service, technical assistance or delivery conditions such as delivery date, delivery process and delivery period or period of completion.

- 21.2. The contracting authority shall specify, in the procurement documents the relative weighting which it gives to each of the criteria chosen to determine the most economically advantageous tender except when using the lowest price method. Those weightings may be expressed as a range with an appropriate maximum spread.

The weighting applied to price or cost in relation to the other criteria must not result in the neutralisation of price or cost.

If weighting is not possible for objective reasons, the contracting authority shall indicate the criteria in decreasing order of importance.

- 21.3. The contracting authority may lay down minimum levels of quality. Tenders below those levels of quality shall be rejected.

- 21.4. Life-cycle costing shall cover parts or all of the following costs, to the extent relevant, over the life cycle of works, supplies or services:

(a) costs, borne by the contracting authority or other users, such as:

- (i) costs relating to acquisition;
- (ii) costs of use, such as consumption of energy and other resources;
- (iii) maintenance costs;
- (iv) end of life costs, such as collection and recycling costs;

(b) costs attributed to environmental externalities linked to the works, supplies or services during their life cycle, provided their monetary value can be determined and verified.

- 21.5. Where the contracting authority assesses the costs using a life-cycle costing approach, it shall indicate in the procurement documents the data to be provided by the tenderers and the method which it will use to determine the life-cycle costs on the basis of those data.

The method used for the assessment of costs attributed to environmental externalities shall fulfil the following conditions:



- (a) it is based on objectively verifiable and non-discriminatory criteria;
- (b) it is accessible to all interested parties;
- (c) economic operators can provide the required data with reasonable effort.

Where applicable, the contracting authority shall use the mandatory common methods for the calculation of life-cycle costs provided for in Annex XIII of Directive 2014/24/EU.

## **22. Use of electronic auctions**

- 22.1. The contracting authority may use electronic auctions, in which new prices, revised downwards or new values concerning certain elements of tenders are presented.

The contracting authority shall structure the electronic auction as a repetitive electronic process, which occurs after an initial full evaluation of the tenders, enabling them to be ranked using automatic evaluation methods.

- 22.2. In open, restricted or competitive procedures with negotiation, the contracting authority may decide that the award of a public contract is preceded by an electronic auction when the procurement documents can be established with precision.

An electronic auction may be held on the reopening of competition among the parties to a framework contract as referred to in point 1.3(b) and on the opening for competition of contracts to be awarded under the dynamic purchasing system referred to in point 9.

The electronic auction shall be based on one of the award methods set out in Article 161(4).

- 22.3. The contracting authority which decides to hold an electronic auction shall state that fact in the contract notice.

The procurement documents shall include the following details:

- (a) the values of the features which will be the subject of electronic auction, provided that those features are quantifiable and can be expressed in figures or percentages;
- (b) any limits on the values which may be submitted, as they result from the specifications relating to the subject matter of the contract;
- (c) the information which will be made available to tenderers in the course of the electronic auction and, where appropriate, when it will be made available to them;
- (d) the relevant information concerning the electronic auction process including whether it includes phases and how it will be closed, as set out in point 22.7;
- (e) the conditions under which the tenderers will be able to tender and, in particular, the minimum differences which will, where appropriate, be required when submitting the tender;
- (f) the relevant information concerning the electronic equipment used and the arrangements and technical specifications for connection.

- 22.4. All tenderers who have submitted admissible tenders shall be invited simultaneously by electronic means to participate in the electronic auction using the connections in accordance with the instructions. The invitation shall specify the date and time of the start of the electronic auction.

The electronic auction may take place in a number of successive phases. The electronic auction may not start sooner than two working days after the date on which invitations are sent out.

- 22.5. The invitation shall be accompanied by the outcome of a full evaluation of the relevant tender.

The invitation shall also state the mathematical formula to be used in the electronic auction to determine automatic re-rankings on the basis of the new prices and/or new values submitted. That formula shall incorporate the weighting of all the criteria fixed to determine the most economically advantageous tender, as indicated in the procurement documents. For that purpose, any ranges shall, however, be reduced beforehand to a specified value.

Where variants are authorised, a separate formula shall be provided for each variant.

- 22.6. Throughout each phase of an electronic auction the contracting authority shall instantaneously communicate to all tenderers at least sufficient information to enable them to ascertain their relative rankings at any moment. It may also, where this has been previously indicated, communicate other information concerning other prices or values submitted as well as announce the number of tenderers in any specific phase of the auction. It may not however disclose the identities of the tenderers during any phase of an electronic auction.

- 22.7. The contracting authority shall close an electronic auction in one or more of the following ways:

- (a) at the previously indicated date and time;
- (b) when it receives no more new prices or new values which meet the requirements concerning minimum differences, provided that it has previously stated the time which it will allow to elapse after receiving the last submission before it closes the electronic auction;
- (c) when the previously indicated number of phases in the auction has been completed.

- 22.8. After closing an electronic auction, the contracting authority shall award the contract on the basis of the results of the electronic auction.

### **23. Abnormally low tenders**

- 23.1. If, for a given contract, the price or cost proposed in a tender appears to be abnormally low, the contracting authority shall request in writing details of the constituent elements of the price or cost which it considers relevant and shall give the tenderer the opportunity to present its observations.

The contracting authority may, in particular, take into consideration observations relating to:

- (a) the economics of the manufacturing process, of the provision of services or of the construction method;
- (b) the technical solutions chosen or the exceptionally favourable conditions available to the tenderer;
- (c) the originality of the tender;
- (d) compliance of the tenderer with applicable obligations in the fields of environmental, social and labour law;

- (e) compliance of subcontractors with applicable obligations in the fields of environmental, social and labour law;
- (f) the possibility of the tenderer obtaining state aid in compliance with applicable rules.

23.2. The contracting authority may only reject the tender where the evidence supplied does not satisfactorily account for the low level of price or costs proposed.

The contracting authority shall reject the tender, where it has established that the tender is abnormally low because it does not comply with applicable obligations in the fields of environmental, social and labour law.

23.3. Where the contracting authority establishes that a tender is abnormally low because the tenderer has obtained state aid, it may reject the tender on that sole ground only if the tenderer is unable to prove, within a sufficient time limit fixed by the contracting authority, that the aid in question was compatible with the internal market within the meaning of Article 107 TFEU.

#### **24. Time limits for receipt of tenders and requests to participate**

24.1. The time limits shall be longer than the minimum time limits set out in this Article where tenders can only be drawn after a visit to the site or after an on-the-spot consultation of the documents supporting the procurement documents.

The time limits shall be prolonged by five days in any of the following cases:

- (a) the contracting authority does not offer direct access free of charge by electronic means to the procurement documents;
- (b) the contract notice is published in accordance with point (b) of point 4.2.

24.2. In open procedures, the time limit for receipt of tenders shall be no less than 37 days from the day following dispatch of the contract notice.

24.3. In restricted procedures, in competitive dialogue in competitive procedures with negotiation, in dynamic purchasing systems and in innovation partnerships, the time limit for receipt of requests to participate shall be no less than 32 days from the day following dispatch of the contract notice.

24.4. In restricted procedures and in competitive procedures with negotiation, the time limit for receipt of tenders shall be no less than 30 days from the day following dispatch of the invitation to tender.

24.5. In a dynamic purchasing system, the time limit for receipt of tenders shall be no less than 10 days from the day following dispatch of the invitation to tender.

24.6. In the procedures after a call for expressions of interest referred to in point 13.1, the time limit shall be:

- (a) no less than 10 days from the day following dispatch of the invitation to tender for receipt of tenders in the case of the procedure referred to in point 13.1(a) and point 13.3(b)(i);
- (b) no less than 10 days for receipt of requests to participate and no less than 10 days for receipt of tenders in the case of the two-step procedure referred to in point 13.3(b)(ii).

24.7. The contracting authority may reduce the time limits for receipt of tenders by five days for the open or restricted procedures if it accepts that tenders may be submitted by electronic means.

**25. Access to procurement documents and time limit to provide additional information**

25.1. The contracting authority shall offer direct access free of charge by electronic means to the procurement documents from the date of publication of the contract notice or, for the procedures without contract notice or under point 13, from the date of dispatch of the invitation to tender.

In justified cases, the contracting authority may transmit the procurement documents by other means it specifies if direct access by electronic means is not possible for technical reasons or if the procurement documents contain information of a confidential nature. In these cases, the second subparagraph of point 24.1 shall apply except in urgent cases as provided for in point 26.1.

The contracting authority may impose on economic operators requirements aimed at protecting the confidential nature of information contained in the procurement documents. It shall announce these requirements as well as how access to the procurement documents concerned can be obtained.

25.2. The contracting authority shall provide additional information linked to the procurement documents simultaneously and in writing to all interested economic operators as soon as possible.

The contracting authority shall not be bound to reply to requests for additional information made less than six working days before the deadline for receipt of tenders.

25.3. The contracting authority shall extend the time limit for receipt of tenders where:

(a) it did not provide additional information at the latest six days before the deadline for the receipt of tenders although the economic operator requested it in good time;

(b) it makes significant changes to the procurement documents.

**26. Time limits in urgent cases**

26.1. Where duly substantiated urgency renders impracticable the minimum time limits laid down in points 24.2 and 24.3 for open or restricted procedures, the contracting authority may set:

(a) a time limit for the receipt of requests to participate or tenders in open procedures which shall not be less than 15 days from the date on which the contract notice was dispatched;

(b) a time limit for the receipt of tenders for restricted procedures which shall not be less than 10 days from the date of dispatch of the invitation to tender.

26.2. In urgent cases, the time limit set out in the first subparagraph of point 25.2 and in point 25.3(a) shall be four days.

**27. Electronic catalogues**

27.1. Where the use of electronic means of communication is required, the contracting authority may require tenders to be presented in the format of an electronic catalogue or to include an electronic catalogue.

- 27.2. Where the presentation of tenders in the form of electronic catalogues is accepted or required, the contracting authority shall:
- (a) state so in the contract notice;
  - (b) indicate in the procurement documents all the necessary information concerning the format, the electronic equipment used and the technical connection arrangements and specifications for the catalogue.
- 27.3. Where a multiple framework contract has been concluded following the submission of tenders in the form of electronic catalogues, the contracting authority may provide that the reopening of competition for specific contracts takes place on the basis of updated catalogues by using one of the following methods:
- (a) the contracting authority invites contractors to resubmit their electronic catalogues, adapted to the requirements of the specific contract in question;
  - (b) the contracting authority notifies contractors that it intends to collect from the electronic catalogues which have already been submitted the information needed to constitute tenders adapted to the requirements of the specific contract in question, provided that the use of that method has been announced in the procurement documents for the framework contract.
- 27.4. When using the method under point (b) of point 27.3, the contracting authority shall notify contractors of the date and time at which they intend to collect the information needed to constitute tenders adapted to the requirements of the specific contract in question and shall give contractors the possibility to refuse such collection of information.

The contracting authority shall allow for an adequate period between the notification and the actual collection of information.

Before awarding the specific contract, the contracting authority shall present the collected information to the contractor concerned so as to give it the opportunity to contest or confirm that the tender thus constituted does not contain any material errors.

## **28. Opening of tenders and requests to participate**

- 28.1. In open procedures, authorised representatives from tenderers may attend the opening session.
- 28.2. Where the value of a contract is equal to or greater than the thresholds laid down in Article 169(1), the authorising officer responsible shall appoint a committee to open the tenders. The authorising officer may waive this obligation on the basis of a risk analysis when reopening competition within a framework contract and for the cases set out in point 11.1 except points (d) and (g) of that point.

The opening committee shall be made up of at least two persons representing at least two organisational entities of the institution concerned with no hierarchical link between them. To avoid any conflict of interests, those persons shall be subject to the obligations laid down in Article 59.

In the representations or local units referred to in Article 145 or isolated in a Member State, if there are no separate entities, the requirement of organisational entities with no hierarchical link between them shall not apply.

- 28.3. In the case of a procurement procedure launched on an interinstitutional basis, the opening committee shall be appointed by the responsible authorising officer from the institution responsible for the procurement procedure.
- 28.4. The contracting authority shall verify and ensure the integrity of the original tender including the financial offer and of the evidence of date and time of its receipt as provided for in points 2 and 4 of Article 144 by any appropriate method.
- 28.5. In open procedures, where the contract is awarded under the lowest price or lowest cost methods in accordance with Article 161(4), the prices quoted in tenders satisfying the requirements shall be read out loud.
- 28.6. The written record of the opening of the tenders received shall be signed by the person or persons in charge of opening or by members of the opening committee. It shall identify those tenders which comply with the requirements of Article 144 and those which do not, and shall give the grounds on which tenders were rejected as set out in Article 162(4). That record may be signed in an electronic system providing sufficient identification of the signatory.

## **29. Evaluation of tenders and requests to participate**

- 29.1. The authorising officer responsible may decide that the evaluation committee is to evaluate and rank the tenders on the basis of the award criteria only and that the exclusion and selection criteria are to be evaluated by other appropriate means guaranteeing the absence of conflicts of interests.
- 29.2. In the case of a procurement procedure launched on an interinstitutional basis, the evaluation committee shall be appointed by the responsible authorising officer from the institution responsible for the procurement procedure. The composition of the evaluation committee shall reflect, in so far as possible, the interinstitutional character of the procurement procedure.
- 29.3. Requests to participate and tenders which are suitable under point 11.2, not irregular or unacceptable under points 12.2 and 12.3 shall be considered admissible.

## **30. Results of the evaluation and award decision**

- 30.1. The outcome of the evaluation shall be an evaluation report containing the proposal to award the contract. The evaluation report shall be dated and signed by the person or persons who carried out the evaluation or by the members of the evaluation committee. That report may be signed in an electronic system providing sufficient identification of the signatory.

If the evaluation committee was not given responsibility to verify the tenders against the exclusion and selection criteria, the evaluation report shall also be signed by the persons who were given that responsibility by the authorising officer responsible.

- 30.2. The evaluation report shall contain the following:
- (a) the name and address of the contracting authority, and the subject matter and value of the contract, or the subject matter and maximum value of the framework contract;
  - (b) the names of the candidates or tenderers rejected and the reasons for their rejection by reference to a situation set out in Article 137 or to selection criteria;
  - (c) the references to the tenders rejected and the reasons for their rejection by reference to any of the following:

- (i) non-compliance with minimum requirements as set out in point (a) of Article 161(1);
- (ii) not meeting the minimum quality levels laid down in point 21;
- (iii) tenders found to be abnormally low as referred to in point 23;
- (d) the names of the candidates or tenderers selected and the reasons for their selection;
- (e) the names of the tenderers to be ranked with the scores obtained and their justifications;
- (f) the names of the proposed candidates or successful tenderer and the reasons for that choice;
- (g) if known, the proportion of the contract or the framework contract which the proposed contractor intends to subcontract to third parties.

30.3. The contracting authority shall then take its decision providing any of the following:

- (a) an approval of the evaluation report containing all the information listed in point 30.2 complemented by the following:
  - (i) the name of the successful tenderer and the reasons for that choice by reference to the pre-announced selection and award criteria, including where appropriate the reasons for not following the recommendation provided in the evaluation report;
  - (ii) in the case of negotiated procedure without prior publication, competitive procedure with negotiation or competitive dialogue, the circumstances referred to in points 11, 12 and 39 which justify their use;
- (b) where appropriate, the reasons why the contracting authority has decided not to award a contract.

30.4. The authorising officer may merge the content of the evaluation report and award decision into a single document and sign it in any of the following cases:

- (a) for procedures below the thresholds set out in Article 169(1) where only one tender was received;
- (b) when reopening competition within a framework contract where no evaluation committee was nominated;
- (c) for cases under points (c), (e), (f)(i), (f)(iii) and (h) of point 11.1 where no evaluation committee was nominated.

30.5. In the case of a procurement procedure launched on an interinstitutional basis, the decision referred to in point 30.3 shall be taken by the contracting authority responsible for the procurement procedure.

### **31. Information for candidates and tenderers**

31.1. The contracting authority shall inform all candidates or tenderers, simultaneously and individually, by electronic means of decisions reached concerning the outcome of the procedure as soon as possible after any of the following stages:

- (a) the opening phase for the cases referred to in Article 162(3);
- (b) a decision has been taken on the basis of exclusion and selection criteria in procurement procedures organised in two separate stages;

(c) the award decision.

In each case, the contracting authority shall indicate the reasons why the request to participate or tender has not been accepted and the available legal remedies.

When informing the successful tenderer, the contracting authority shall specify that the decision notified does not constitute a commitment on its part.

31.2. The contracting authority shall communicate the information provided for in Article 164(3) as soon as possible and in any case within 15 days of receipt of a request in writing. When the contracting authority awards contracts for its own account, it shall use electronic means. The tenderer may also send the request by electronic means.

31.3. When the contracting authority communicates through electronic means, information shall be deemed to have been received by candidates or tenderers if the contracting authority can prove to have sent it to the electronic address referred to in the tender or in the request to participate.

In such case, information shall be deemed to have been received by the candidate or tenderer on the date of dispatch by the contracting authority.

## **CHAPTER 2**

### **Provisions applicable to contracts awarded by the Union institutions on their own account**

#### **32. Central purchasing body**

32.1. A central purchasing body may act as any of the following:

- (a) as wholesaler by buying, stocking and reselling supplies and services to other contracting authorities;
- (b) as intermediary by awarding framework contracts or operating dynamic purchasing systems that may be used by other contracting authorities as announced in the initial notice.

32.2. The central purchasing body shall carry out all procurement procedures using electronic means of communication.

#### **33. Lots**

33.1. Whenever appropriate, technically feasible, and cost efficient, contracts shall be awarded in the form of separate lots within the same procedure.

33.2. Where the subject matter of a contract is subdivided into several lots, each one being the subject of an individual contract, the total value of all the lots shall be taken into account for the overall evaluation of the applicable threshold.

Where the total value of all the lots is equal to or greater than the thresholds laid down in Article 169(1), Articles 157(1), 158 and 159 shall apply to each of the lots.

33.3. Where a contract is to be awarded in the form of separate lots, tenders shall be evaluated separately for each lot. If several lots are awarded to the same tenderer, a single contract covering those lots may be signed.

#### **34. Arrangements for estimating the value of a contract**



- 34.1. The contracting authority shall estimate the value of a contract based on the total amount payable including any form of options and any renewal.
- This estimate shall be made at the latest when the contracting authority launches the procurement procedure.
- 34.2. For framework contracts and dynamic purchasing systems the value to be taken into account shall be the maximum value of all the contracts envisaged during the total duration of the framework contract or dynamic purchasing system.
- For innovation partnerships, the value to be taken into account shall be the maximum estimated value of the research and development activities to take place during all stages of the envisaged partnership as well as of the works, supplies or services to be purchased at the end of the envisaged partnership.
- Where the contracting authority provides for payments to candidates or tenderers it shall take them into account when calculating the estimated value of the contract.
- 34.3. For service contracts, account shall be taken of the following:
- (a) in the case of insurance services, the premium payable and other forms of remuneration;
  - (b) in the case of banking or financial services, the fees, commissions, interest and other types of remuneration;
  - (c) in the case of design contracts, the fees, commissions payable and other forms of remuneration.
- 34.4. In the case of service contracts which do not specify a total price or of supply contracts for leasing, hire, rental or hire purchase of products, the basis for calculating the estimated contract value shall be:
- (a) in the case of fixed-term contracts:
    - (i) where their duration is 48 months or less in the case of services or 12 months or less in the case of supplies, the total contract value for their duration;
    - (ii) where their duration is more than 12 months in the case of supplies, the total value including the estimated residual value;
  - (b) in the case of contracts without a fixed term or, in the case of services, for a duration exceeding 48 months, the monthly value multiplied by 48.
- 34.5. In the case of service or supply contracts which are awarded regularly or are to be renewed within a given period, the basis for calculating the estimated contract value shall be any of the following:
- (a) the total actual value of successive contracts of the same type awarded during the preceding 12 months or financial year, adjusted, where possible, to take account of the changes in quantity or value which would occur in the course of the 12 months following the initial contract;
  - (b) the total estimated value of successive contracts of the same type to be awarded during the financial year.
- 34.6. In the case of works contracts, account shall be taken not only of the value of the works but also of the estimated total value of the supplies and services needed to carry out the works and made available to the contractor by the contracting authority.

- 34.7. In the case of concession contracts, the value shall be the estimated total turnover of the concessionaire generated over the duration of the contract.

The value shall be calculated using an objective method specified in the procurement documents, taking into account in particular:

- (a) the revenue from the payment of fees and fines by the users of the works or services other than those collected on behalf of the contracting authority;
- (b) the value of grants or any other financial advantages from third parties for the performance of the concession;
- (c) the revenue from sales of any assets which are part of the concession;
- (d) the value of all the supplies and services that are made available to the concessionaire by the contracting authority provided that they are necessary for executing the works or services;
- (e) the payments to candidates or tenderers.

### **35. Standstill period before signature of the contract**

- 35.1. The standstill period shall run from either of the following dates:

- (a) the day after the simultaneous dispatch of the notifications to successful and unsuccessful tenderers by electronic means;
- (b) where the contract or framework contract is awarded pursuant to point 11.1(b), the day after the contract award notice referred to in point 2.4 has been published in the *Official Journal of the European Union*.

If necessary, the contracting authority may suspend the signature of the contract for additional examination if this is justified by the requests or comments made by unsuccessful or aggrieved candidates or tenderers or by any other relevant information received during the period set in Article 169(3). In the case of suspension all the candidates or tenderers shall be informed within three working days following the suspension decision.

Where the contract or framework contract cannot be signed with the successful envisaged tenderer, the contracting authority may award it to the following best tenderer.

- 35.2. The period set in point 35.1 shall not apply in the following cases:

- (a) any procedure where only one tender has been submitted;
- (b) specific contracts based on a framework contract;
- (c) dynamic purchasing systems;
- (d) negotiated procedure without prior publications referred to in point 11 except the procedure under point 11.1(b).

## **CHAPTER 3**

### **Procurement in the field of external actions**

36. **Special provisions relating to thresholds and the arrangements for awarding external contracts**

Point 2 with the exception of point 2.5, points 3, 4 and 6, points (a) and (c) to (f) of point 12.1, point 12.4, point 13.3, points 14 and 15, points 17.3 to 17.7, points 20.4, 23.3, 24, points 25.2 and 25.3, points 26, 28, and 29 with the exception of point 29.3 shall not apply to procurement contracts concluded by the contracting authorities referred to in Article 172(2) or on their behalf.

Implementation of the procurement provisions under this Chapter shall be decided by the Commission, including the appropriate controls to be applied by the responsible authorising officer where the Commission is not the contracting authority.

### **37. Advertising**

- 37.1. If applicable, the prior information notice for calls for tender following the restricted procedure or the open procedure as referred to, respectively, in points (a) and (b) of point 38.1, shall be sent to the Publications Office by electronic means as early as possible.
- 37.2. The contract award notice shall be sent when the contract is signed except where, if still necessary, the contract was declared secret or where the performance of the contract must be accompanied by special security measures, or when the protection of the essential interests of the European Union, or the beneficiary country so requires, and where the publication of the award notice is deemed not to be appropriate.

### **38. Thresholds and procedures**

- 38.1. The procurement procedures in the field of external actions shall be as follows:
- (a) the restricted procedure as provided for in Article 158(1) (b);
  - (b) the open procedure as provided for in Article 158(1) (a);
  - (c) the local open procedure.
  - (d) the simplified procedure;
- 38.2. The use of procurement procedures according to thresholds shall be as follows:
- (a) the open or restricted procedure may be used for:
    - (i) the service and supply contracts and the service concession contracts with a value of at least EUR 300 000;
    - (ii) works contracts with a value of at least EUR 5 000 000.
  - (b) the local open procedure may be used for:
    - (i) supply contracts with a value of at least EUR 100 000 and less than EUR 300 000;
    - (ii) works contracts and works concessions contracts of a value of at least EUR 300 000 and less than EUR 5 000 000;
  - (c) the simplified procedure may be used for:
    - (i) service contracts, service concession contracts, works contracts and works concessions contracts with a value of less than EUR 300 000
    - (ii) supply contracts with a value of less than EUR 100 000
  - (d) contracts with a value of less than or equal to EUR 20 000 may be awarded on the basis of a single tender;

- (e) payments for amounts less than or equal to EUR 2 500 in respect of item of expenditure may consist simply in payment against invoices without prior acceptance of a tender.

38.3. In the restricted procedure referred to in point (a) of point 38.1, the contract notice shall state the number of candidates who will be invited to submit tenders. For service contracts at least four candidates shall be invited. The number of candidates allowed to submit tenders must be sufficient to ensure genuine competition.

The list of selected candidates shall be published on the Commission's internet site.

If the number of candidates satisfying the selection criteria or the minimum capacity levels is less than the minimum number, the contracting authority may invite to submit a tender only those candidates who satisfy the criteria to submit a tender.

38.4. Under the local open procedure referred to in point (c) of point 38.1, the contract notice shall be published at least in the official gazette of the recipient State or in any equivalent publication for local invitations to tender.

38.5. Under the simplified procedure referred to in point (d) of point 38.1, the contracting authority shall draw up a list of at least three tenderers of its choice, without publication of a notice.

Tenderers for the simplified procedure may be chosen from a list of vendors as referred to in point 13.1(b) advertised by a call for expressions of interest.

If following consultation of the tenderers, the contracting authority receives only one tender that is administrative and technically valid, the contract may be awarded provided that the award criteria are met.

38.6. For legal services not covered under point (h) of point 11.1, the contracting authorities may use the competitive negotiated procedure, whatever is the estimated value of the contract.

### **39. Use of the negotiated procedure for service, supply and works contracts**

39.1. Contracting authorities may use the negotiated procedure with a single tender in the following cases:

- (a) where the services are entrusted to public-sector bodies or to non-profit institutions or associations and relate to activities of an institutional nature or designed to provide assistance to peoples in the social field;
- (b) where the tender procedure has been unsuccessful, that is to say, where no qualitatively and/or financially worthwhile tender has been received, in which case, after cancelling the tender procedure, the contracting authority may negotiate with one or more tenderers of its choice, from among those that took part in the invitation to tender, provided that the procurement documents are not substantially altered;
- (c) where a new contract has to be concluded after early termination of an existing contract.

39.2. For the purposes of point (c) of point 11.1, operations carried out in crisis situations as referred to in Article 172(2) shall be considered to satisfy the test of extreme urgency. The authorising officer by delegation, where appropriate in concertation with the other authorising officers by delegation concerned, shall establish that a

situation of extreme urgency exists and shall review his decision regularly with regard to the principle of sound financial management.

- 39.3. Activities of an institutional nature referred to in point (a) of point 39.1 include services directly linked to the statutory mission of the public sector bodies.

#### **40. Tender specifications**

By derogation to point 16.3, for all procedures involving a request to participate, the tender specifications may be split according to the two stages of the procedure and the first step may contain only the information referred to in points (a) and (f) of point 16.3.

#### **41. Time limits for procedures**

- 41.1. For service contracts, the minimum time between the day following the date of dispatch of the letter of invitation to tender and the final date for receipt of tenders shall be 50 days. However, in urgent cases other time limits may be authorised.

- 41.2. Tenderers may put questions in writing before the closing date for receipt of tenders. The contracting authority shall provide the answers to the questions before the closing date for receipt of tenders.

- 41.3. In restricted procedures, the time limit for receipt of requests to participate shall be no less than 30 days from the date following that on which the contract notice is published. The period between the date following that on which the letter of invitation is sent and the final date for the receipt of tenders shall be no less than 50 days. However, in certain exceptional cases other time limits may be authorised.

- 41.4. In open procedures, the time limits for receipt of tenders, running from the date following that on which the contract notice is published, shall be at least:

- (a) 90 days for works contracts;
- (b) 60 days for supply contracts.

However, in certain exceptional cases other time limits may be authorised.

- 41.5. In local open procedures, the time limits for receipt of tenders, running from the date when the contract notice is published, shall be at least:

- (a) 60 days for works contracts;
- (b) 30 days for supply contracts.

However, in certain exceptional cases other time limits may be authorised.

- 41.6. For the simplified procedures referred to in points 38.1(d), candidates shall be allowed at least 30 days from the date of dispatch of the letter of invitation to tender in which to submit their tenders.



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ANNEX 2

**ANNEX**

**to the**

**proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE  
COUNCIL mandatory element]**

**on the financial rules applicable to the general budget of the Union and amending  
Regulations (EU) No 1296/2013, (EU) No 1299/2013, (EU) 1301/2013, (EU) No  
1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No  
1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No  
223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the  
Council and Decision No 541/2014/EU of the European Parliament and of the Council**

## ANNEX

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### proposal for a REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL mandatory element]

**on the financial rules applicable to the general budget of the Union and amending Regulations (EU) No 1296/2013, (EU) No 1299/2013, (EU) 1301/2013, (EU) No 1303/2013, EU No 1304/2013, (EU) No 1305/2013, (EU) No 1306/2013, (EU) No 1307/2013, (EU) No 1308/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014,(EU) No 283/2014, (EU) No 652/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council**

#### Correlation table

Parts/Titles/Chapters/Sections/Articles of the Regulation No 966/2012 <i>Articles of the rules of application Delegated Regulation No 966/2012</i>	Titles of Parts/Titles/Chapters/Sections/Articles of Regulation No 966/2012 and Delegated Regulation No 966/2012	Proposal new Financial Regulation
<b>PART ONE COMMON PROVISIONS</b>		
<b>TITLE I</b>	<b>SUBJECT MATTER, SCOPE AND DEFINITIONS</b>	<b>TITLE I</b>
Article 1(1) <i>Article 1</i>	Subject matter	Article 1 deleted
Article 1(2)	Applicability to the Euratom Supply Agency	Article 67
Article 2	Definitions	Article 2
Article 3 —	Compliance of secondary legislation with this Regulation	Article 3 —
Article 4	Periods, dates and time limits	Article 4
Article 5	Protection of personal data	Article 5
<b>TITLE II</b>	<b>BUDGETARY PRINCIPLES</b>	<b>TITLE II</b>
Article 6	Respect for budgetary principles	Article 6
<b>CHAPTER 1</b>	<b>Principles of unity and of budgetary accuracy</b>	<b>CHAPTER 1</b>
Article 7	Scope of the budget	Article 7
Article 8  <i>Article 2</i>	Specific rules on the principles of unity and budgetary accuracy	Article 8  deleted
<b>CHAPTER 2</b>	<b>Principle of annuality</b>	<b>CHAPTER 2</b>
Article 9	Financial year	Article 9
Article 10	Type of appropriations	deleted
Article 11	Budgetary accounting for revenue and appropriations	Article 10

<i>Article 3</i>		deleted
Article 12	Commitment of appropriations	Article 11
Article 13 <i>Article 4</i>	Cancellation and carry-over of appropriations	Article 12 deleted
Article 14	Carry-over rules for assigned revenue	Article 12(3)
Article 15	Decommitment of appropriations	Article 13
Article 16	Rules applicable in the event of late adoption of the budget	Article 15
<b>CHAPTER 3</b>	<b>Principle of equilibrium</b>	<b>CHAPTER 3</b>
Article 17	Definition and scope	Article 16
Article 18	Balance from financial year	Article 17
<b>CHAPTER 4</b>	<b>Principle of unit of account</b>	<b>CHAPTER 4</b>
Article 19 <i>Article 5</i> <i>Article 6</i>	Use of euro	Article 18 Article 18 Deleted
<b>CHAPTER 5</b>	<b>Principle of universality</b>	<b>CHAPTER 5</b>
Article 20	Definition and scope	Article 19
Article 21	<i>Assigned revenue</i>	Article 20
<i>Article 7</i>	<i>Structure to accommodate assigned revenue and provision of corresponding appropriations</i>	Article 21
<i>Article 8</i>		Article 20(2)
<i>Article 9</i>	<i>Assigned revenue resulting from the participation of EFTA States in certain Union programmes</i>	Article 22
<i>Article 10</i>		Article 21(2)(c)
Article 22 <i>Article 11</i>	<i>Donations</i>	Article 23 Article 23(2)
	Corporate sponsoring	Article 24
Article 23 <i>Article 12</i>	Rules on deductions and exchange rate adjustments	Article 25  deleted
<b>CHAPTER 6</b>	<b>Principle of specification</b>	<b>CHAPTER 6</b>
Article 24 <i>Article 13</i> <i>Article 14</i> <i>Article 16</i>	General provisions	Article 26 Article 26 Article 26 Article 26
Article 25	Transfers by institutions other than the Commission	Article 27
Article 26 <i>Article 15</i>	Transfers by the Commission	Article 28 Article 28(1)
Article 27	Transfer proposals submitted to the European Parliament and the Council by the institutions	Article 29
Article 28	Specific rules on transfers	Article 26(2) part



Article 29 <i>Article 17</i>	Transfers subject to special provisions	Article 30 Article 30(5)
<b>CHAPTER 7</b>	<b>Principle of sound financial management and performance</b>	<b>CHAPTER 7</b>
Article 30	Performance and principles of economy, efficiency and effectiveness	Article 31
<i>Article 18</i>	Evaluations	Article 32
Article 31 <i>Article 19</i>	Compulsory financial statement	Article 33 Article 33
Article 32	Internal control of budget implementation	Article 34
Article 33	Cost effective control systems	Article 33(4)
<b>CHAPTER 8</b>	<b>Principle of transparency</b>	<b>CHAPTER 8</b>
Article 34 <i>Article 20</i>	Publication of accounts, budgets and reports	Article 35 Article 35(2)
Article 35 <i>Article 21</i> <i>Article 22</i>	Publication of information on recipients and other information	Article 36 Article 36 deleted
<b>TITLE III</b>	<b>ESTABLISHMENT AND STRUCTURE OF THE BUDGET</b>	<b>TITLE III</b>
<b>CHAPTER 1</b>	<b>Establishment of the budget</b>	<b>CHAPTER 1</b>
Article 36	Estimates of revenue and expenditure	Article 37
Article 37	Estimated budget of the bodies referred to in Article 69	Article 38
Article 38 <i>Article 23</i>	Draft budget	Article 39 Article 39(2)
Article 39	Letter of amendment to the draft budget	Article 40
Article 40	Obligations of the Member States stemming from the adoption of the budget	Article 41
Article 41 <i>Article 24</i>	Draft amending budgets	Article 42 Article 42(4)
Article 42	Early transmission of estimates and draft budgets	Article 43
<b>CHAPTER 2</b>	<b>Structure and presentation of the budget</b>	<b>CHAPTER 2</b>
Article 43	Structure of the budget	Article 44
Article 44 <i>Article 25</i>	Budget nomenclature	Article 45 Article 45(2)
Article 45	Negative revenue	Article 46
Article 46	Provisions	Article 47
Article 47	Negative reserve	Article 48
Article 48	Emergency aid reserve and European Union Crisis Reserve	Article 49
Article 49 <i>Article 26</i> <i>Article 27</i> <i>Article 28</i>	Presentation of the budget	Article 50 deleted deleted deleted
Article 50	Rules on the establishment plans for staff	Article 51
<b>CHAPTER 3</b>	<b>Budgetary discipline</b>	<b>CHAPTER 3</b>

Article 51	Compliance with the multiannual financial framework	Article 52
Article 52	Compliance of Union acts with the budget	Article 53
<b>TITLE IV</b>	<b>IMPLEMENTATION OF THE BUDGET</b>	<b>TITLE IV</b>
<b>CHAPTER 1</b>	<b>General provisions</b>	<b>CHAPTER 1</b>
Article 53	Budget implementation in accordance with the principle of sound financial management and citizens' opinion	Article 54
<i>Article 29</i>	Information on transfers of personal data for audit purposes	Article 55
Article 54 <i>Article 30</i> <i>Article 31</i>	Basic act and exceptions	Article 56 Article 56(2)(c) deleted
Article 55	Implementation of the budget by institutions other than the Commission	Article 57
Article 56	Delegation of budget implementation powers	Article 58
Article 57 <i>Article 32</i>	Conflict of interests	Article 59 deleted
	Conflict of interest of members of the staff	Article 60
<b>CHAPTER 2</b>	<b>Methods of implementation</b>	<b>CHAPTER 2</b>
Article 58  <i>Article 33</i> <i>Article 34</i> <i>Article 35</i> <i>Article 43</i>  <i>Article 44</i>	Methods of implementation of the budget      Indirect implementation with International Organisations	Article 61  deleted deleted  Article 151  Article 149.1
	Indirect implementation with partner countries	<b>New Article 152</b>
	Blending operations	<b>New Article 153</b>
[Art. 58(1)] [Art. 34 for Art. 58]	—	
Article 59 <i>Article 37</i>	Shared implementation with Member States	Article 62 Article 62(8)
Article 60  <i>Article 38</i>  <i>Article 41</i> <i>Article 42</i>  —	Indirect implementation    Implementation	Article 149  Deleted  Article 150 Article 150
[Art. 60(2)] [Art. 61(1), 40, 38(1), 43(2), 60(2)] [Art. 39, 61(2), 40, 38(1), (2)]		Article 149 Article 150
Article 61	Ex-ante assessments and delegation	Article 149

Article 39 Article 40 [see above] [Art. 35] [Art. 58(1), 60(1)] Article 44, [Art. 58(2), 61(2)] —	agreements	Article 149 Article 150
Article 62 Article 35	Executive agencies	Article 68
<b>CHAPTER 3</b>	<b>Financial actors</b>	<b>CHAPTER 4</b>
<b>Section 1</b>	<b>Principle of segregation of duties</b>	<b>Section 1</b>
Article 64 Article 45(1)	Segregation of duties Segregation of duties	Article 71 Article 71(2)
<b>Section 2</b>	<b>Authorising officer</b>	<b>Section 2</b>
Article 65 Article 46(2) Article 47 2nd subpar.	Authorising officer The authorising officer The authorising officer	Article 72 Article 72(6) Article 72(6)
Article 66 Article 48  Article 49(2) Article 50(4) Article 51 Article 52 Article 53 Article 74 Article 75  Article 76	Powers and duties of the authorising officer Keeping of supporting documents by authorising officers Powers and duties of the authorising officer Powers and duties of the authorising officer Powers and duties of the authorising officer Powers and duties of the authorising officer Keeping the accounts Powers and duties of the authorising officer Powers and duties of the authorising officer Treatment of irregularities on the part of a member of staff Treatment of irregularities on the part of a member of staff	Article 73 Article 74  Article 73(5) Article 73(7) Article 73(8) Article 80(4) Article 73(10) Article 73(8) Article 90(1)  Replaced by Article 90
Article 67	Powers and duties of Heads of Union delegations	Article 75
<b>Section 3</b>	<b>Accounting officer</b>	<b>Section 3</b>
Article 68 Article 54  Article 55(1) and (2) Article 55(3) Article 56 Article 57(1) Article 58(1), (2) Article 59(1)	Powers and duties of the accounting officer Appointment and termination of the duties of the accounting officer Appointment and termination of the duties of the accounting officer The authorising officer Keeping the accounts Treasury management Bank accounts Bank accounts	Article 76 Article 77  Article 77  Article 72(7) Article 80(5) Article 83(2) Article 82(1) Article 82(2)

Article 60(1) Article 61 Article 62 Article 63(1) 2 <sup>nd</sup> subparagraph of (2) Article 64	Treasury management  Treasury management Treasury management  Keeping the accounts	Article 83(2) deleted Article 83(3) Article 83(4)  Article 80(10)
Article 64	Keeping the accounts	Article 80(10)
Article 69  Article 65	Powers which may be delegated by the accounting officer	Article 78  deleted
<b>Section 4</b>	<b>Imprest administrator</b>	<b>Section 4</b>
Article 70 Article 66(3)  Article 66(4) Article 67(5)  Article 68  Article 69 Article 70(2)  Article 71 Article 72 Article 73	Imprest accounts Creation and administration of imprest accounts  Imprest accounts Creation and administration of imprest accounts  Creation and administration of imprest accounts  Creation and administration of imprest accounts	Article 85 Article 86(1)  Article 85(2) Article 86(5)  Article 86(1)  deleted Article 86(6)  deleted deleted deleted
<b>CHAPTER 4</b>	<b>Liability of financial actors</b>	<b>CHAPTER 5</b>
<b>Section 1</b>	<b>General rules</b>	<b>Section 1</b>
Article 71	Withdrawal of delegation and suspension of duties given to financial actors	Article 87
Article 72  Article 74	Liability of financial actors for illegal activity, fraud or corruption Powers and duties of the authorising officer	Article 88  Article 73(8)
<b>Section 2</b>	<b>Rules applicable to authorising officers responsible</b>	<b>Section 2</b>
Article 73 Article 50(4) Article 77 Article 75  Article 76	Rules applicable to authorising officers Powers and duties of the authorising officer Confirmation of instructions Treatment of financial irregularities on the part of a member of staff Treatment of financial irregularities on the part of a member of staff	Article 89 Article 73(7) Article 91 Article 90(1)  Replaced by Article 90
<b>Section 3</b>	<b>Rules applicable to accounting officers and imprest administrators</b>	<b>Section 3</b>
Article 74	Rules applicable to accounting officers	Article 92
Article 75	Rules applicable to imprest administrators	Article 93
<b>CHAPTER 5</b>	<b>Revenue operations</b>	<b>CHAPTER 6</b>
<b>Section 1</b>	<b>Making own resources available</b>	<b>Section 1</b>
Article 76 Article 78	Own resources Own resources	Article 94 Article 94(2)
<b>Section 2</b>	<b>Estimate of amounts receivable</b>	<b>Section 2</b>

Article 77 <i>Article 79</i>	Estimate of amounts receivable	Article 95
<b>Section 3</b>	<b>Establishment of amounts receivable</b>	<b>Section 3</b>
Article 78 <i>Article 80</i> <i>Article 81</i> <i>Article 82</i>	Establishment of amounts receivable Establishment of amounts receivable Establishment of amounts receivable	Article 96 Article 96(2) Article 96(3)
Article 83	Default interest	Article 97
<b>Section 4</b>	<b>Authorisation of recovery</b>	<b>Section 4</b>
Article 79 <i>Article 84</i> <i>Article 85</i> <i>Article 88</i>	Authorisation of recovery  Authorisation of recovery Recovery procedure failing voluntary payment	Article 98  Article 98(2) Article 101
<b>Section 5</b>	<b>Recovery</b>	<b>Section 5</b>
Article 80 <i>Article 86</i> <i>Article 87</i> <i>Article 88</i> <i>Article 89</i> <i>Article 90</i>  <i>Article 91(1) and (5)</i>  <i>Article 92</i>	Rules on recovery  Recovery by offsetting Recovery procedure failing voluntary payment Additional time for payment Recovery of fines or other penalties imposed by the institutions Rules on recovery  Rules on recovery	Article 99  Article 100 Article 101 Article 102 Article 106  Article 99(2)  Article 99(3)
Article 81 <i>Article 93</i>	Limitation period Limitation period	Article 103 Article 103(2) to (7)
Article 82	National treatment for Union entitlements	Article 104
Article 83	Fines, penalties, sanctions and accrued interest imposed by the Institutions	Article 105
<i>Article 90</i>	Recovery of fines, other penalties or sanctions imposed by the institutions	Article 106
<b>CHAPTER 6</b>	<b>Expenditure operations</b>	<b>CHAPTER 7</b>
	Compensatory interests	<b>New Article 107</b>
Article 84 <i>Article 94(2) and (4)</i>	Financing decisions Financing decisions	Article 108 Article 108(2) and (3)
<b>Section 1</b>		
Article 85  <i>Article 95</i> <i>Article 96</i> <i>Article 97</i> <i>Article 98</i>	Expenditure operations Types of budgetary commitments Types of budgetary commitments Types of budgetary commitments	Article 109(2) to (4) Article 110(1) and (2) Article 110(4) and (6) Article 110(3) and (4)
Article 86  <i>Article 99</i>	Types of budgetary commitments Expenditure operations Time limit for commitments	Article 110 Article 109(4) Article 112
Article 87	Expenditure operations	Article 109(1)
<b>Section 2</b>		
Article 88	Expenditure operations	Article 109(5)

<i>Article 100</i>		deleted
<i>Article 101</i>	Expenditure operations	Article 109(5)
<i>Article 102</i>	Expenditure operations	Article 109(5)
<i>Article 103</i>		deleted
<i>Article 104</i>		deleted
<i>Article 105</i>		deleted
<i>Article 106</i>		deleted
<b>Section 3</b>		
Article 89 <i>Article 107</i> <i>Article 108</i>	Expenditure operations	Article 109(6) deleted deleted
<b>Section 4</b>		
Article 90 <i>Article 109</i> <i>Article 110</i>	Types of payments	Article 113 Article 113 Article 113
Article 91	Type of payments	Article 113(1)
<b>Section 5</b>		
Article 92 <i>Article 111(2),</i> <i>(3),(4), (5)</i>	Time limits for payments Time limits for payments	Article 114 Article 114(2), (3), (4), (5)
<b>CHAPTER 7</b>	<b>IT systems and e-Government</b>	<b>CHAPTER 7</b>
Article 93 <i>Article 112</i> <i>Article 113</i>	Electronic management of operations <i>IT systems</i> <i>Periodical save</i>	Article 141 Article 142
Article 94	Transmission of documents	Article 141
Article 95	E-Government	Article 142
<b>CHAPTER 8</b>	<b>Administrative principles</b>	
Article 96	Good administration	Article 146
Article 97	Indication of means of redress	Article 129
<b>CHAPTER 9</b>	<b>Internal auditor</b>	<b>CHAPTER 8</b>
Article 98 <i>Article 114</i>	Appointment of the internal auditor	Article 115 Article 115
Article 99 <i>Article 115</i>	Powers and duties of the internal auditor	Article 116
<i>Article 116</i>	Work programme of the internal auditor	Article 117
<i>Article 117</i>	Reports of the internal auditor	Article 116
Article 100 <i>Article 118</i> <i>Article 119</i> <i>Article 120</i>	Independence of the internal auditor	Article 118 Article 100 Article 119 Article 120
<b>TITLE V</b>	<b>PUBLIC PROCUREMENT AND CONCESSIONS</b>	<b>TITLE VII</b>
<b>CHAPTER 1</b>	<b>Common provisions</b>	<b>CHAPTER 1</b>
<b>Section 1</b> <b>Scope and award principles</b>		
Article 102	Principles applicable to public contracts and scope	Article 154
	Annex on procurement and exercise of the	Article 155

	delegation	
Article 101 <i>Article 121</i>  <i>Article 122</i>	Mixed contracts and common procurement vocabulary <i>Annex Public Procurement and Concessions</i>	Article 156  deleted  point 1 Annex
<b>Section 2</b> <b>Publication</b>		
Article 103 <i>Article 123</i> <i>Article 124</i> <i>Article 125</i> <i>Article 126</i>	Publicity measures <i>Advertising of procedures equal to or greater than the thresholds under Article 118(1) of the Financial Regulation or for contracts falling within the scope of Directive 2014/24/EU</i> <i>Advertising of procedures falling below the thresholds under Article 118(1) of the Financial Regulation or falling outside the scope of Directive 2014/24/EU</i> <i>Publication of notices</i> <i>Other forms of advertising</i>	Article 157  point 2 Annex point 3 Annex point 4 Annex point 5 Annex
<b>Section 3</b>		
Article 104 <i>Article 128</i> <i>Article 129</i> <i>Article 130</i> <i>Article 131</i> <i>Article 132</i> <i>Article 134</i> <i>Article 135</i> <i>Article 136</i> <i>Article 136a</i> <i>Article 137</i> – –	Procurement procedures <i>Minimum number of candidates and arrangements for negotiation</i> <i>Innovation partnership</i> <i>Design contests</i> <i>Dynamic purchasing system</i> <i>Competitive dialogue</i>  <i>Use of a negotiated procedure without prior publication of a contract notice</i>  <i>Use of a competitive procedure with negotiation or competitive dialogue</i> <i>Procedure involving a call for expressions of interest</i> <i>Middle-value contracts</i> <i>Low-value contracts</i>	Article 158  point 6 annex point 7 Annex point 8 Annex point 9 Annex point 10 annex point 11 Annex point 12 Annex point 13 Annex point 14 Annex  – –
Article 104a <i>Article 133</i>	Interinstitutional procurement and joint procurement <i>Interinstitutional procedures</i>	Article 159
Article 105 <i>Article 137a</i> <i>Article 138</i>   <i>Article 139</i>	Preparation of a procurement procedure <i>Preliminary market consultation</i> <i>Procurement documents</i> <i>Technical specifications</i>	Article 160  point 15 Annex point 16 Annex  point 17 Annex
Article 105a	Protection of the Union's financial interests by means of detection of risks and imposition of administrative sanctions	Article 131

Article 106 – – Article 141	Exclusion criteria and administrative sanctions  <i>Declaration and evidence of absence of situation of exclusion</i>	Articles 132 – 136  Article 133
Article 107 – Article 141 Article 142	Rejection from a given award procedure  <i>Declaration and evidence of absence of situation of exclusion</i> <i>Measures to avoid distortion of competition</i>	Article 137  Article 133 Article 137
Article 108 Article 143 Article 144 – –	The early detection and exclusion system	Articles 138-139
Article 110 Article 146 Article 147 Article 148 Article 149 Article 150 Article 151	Award of contracts <i>Selection criteria</i> <i>Economic and financial capacity</i> <i>Technical and professional capacity</i> <i>Award criteria</i> <i>Use of electronic auctions</i> <i>Abnormally low tenders</i>	Article 161 point 18 Annex point 19 Annex point 20 Annex point 21 Annex point 22 Annex point 23 Annex
Article 111 Article 152 Article 153 Article 154 Article 155 Article 155a Article 156 Article 157 Article 158	Submission, electronic communication and evaluation <i>Time limits for receipt of tenders and requests to participate</i> <i>Access to procurement documents and time limit to provide additional information</i> <i>Time limits in urgent cases</i> <i>Arrangements for submission of tenders</i> <i>Electronic catalogues</i> <i>Tender guarantees</i> <i>Opening of tenders and requests to participate</i> <i>Evaluation of tenders and requests to participate</i>	Article 162 point 24 Annex point 25 Annex point 26 Annex Article 144 point 27 annex Article 162(2) point 28 Annex point 29 Annex
Article 112  Article 160	Contacts during the procurement procedure <i>Contacts between contracting authorities and candidates or tenderers</i>	Article 163  Article 146
Article 113   Article 159	Award decision and information to candidates and tenderers <i>Results of the evaluation and award decision</i>	Article 164   point 30 Annex



Article 161 –	<i>Information for candidates and tenderers</i>	point 31 Annex
Article 114 [Art. 161 for Art. 113]	Cancellation of the procurement procedure	Article 165
Article 114a	Performance and modifications of the contract	Article 166
<b>Section 4</b>		
Article 115  Article 163 Article 164  Article 165 Art 165a	Performance guarantees and retention money	Article 167  Article 147 Article 148 Article 148 Article 167 Article 167
Article 116 Article 166		Title V – Common rules
<b>CHAPTER 2</b>	<b>Provisions applicable to contracts awarded by the institutions on their own account</b>	<b>CHAPTER 2</b>
Article 117 Art 166a  Article 167	The contracting authority <i>Central purchasing body</i>	Article 168 point 32 annex  Article 168(2)
Article 118  Article 168  Article 169  Article 171 – – –	Thresholds applicable and standstill period <i>Lots</i>  <i>Arrangements for estimating the value of a contract</i> <i>Standstill period before signature of the contract</i>	Article 169  point 33 Annex  point 34 Annex  point 35 Annex – – –
Article 119 Article 172	Rules on <i>access to procurement</i>	Article 170 deleted
Article 120 [Art. 172 for Art. 119]	Procurement rules of the World Trade Organisation	Article 171
<b>TITLE VI</b>	<b>GRANTS</b>	<b>TITLE VIII</b>
<b>CHAPTER 1</b>	<b>Scope and form of grants</b>	
Article 121  Article 173  Article 174 (1) Article 174 (2)	Scope and form of grants  <i>Subscriptions</i>  <i>Grant agreement</i> <i>Agreement and decision for grants</i>	Article 174  Article 2, point 44  moved to Article 194 deleted

Article 175 Article 176 Article 177 Article 178 Article 179	<i>Expenditure on the members of the institutions</i> <i>Actions which may receive grants</i> <i>Bodies pursuing an aim of general Union interest</i> <i>Partnerships</i> <i>Electronic exchange systems</i>	Article 230 (a)  deleted  deleted  Article 126 Article 143
Article 122 Article 180	Beneficiaries <i>Content of grant agreements and decisions</i>	Article 181  Article 194
Article 123 Article 181	Forms of grants <i>Forms of grants</i>	Article 121 Article 121
Article 124  Article 182 (1)  Article 182 (2)  Article 182 (3) Article 182 (4)	Lump sums, unit costs and flat-rate financing <i>Lump sums, unit costs and flat-rate financing</i>	Article 175  Articles 175(5) and 178.  Deleted  Article 177 (3) Article 127
	Single lump sums	Article 176
	Checks and controls on beneficiaries related to lump sums, unit costs and flat rates	Article 177
	Periodic assessment of lump sums, unit costs or flat rates	Article 178
	Usual cost accounting practices of the beneficiary	Article 179
<b>CHAPTER 2</b>	<b>Principles</b>	
Article 125  Article 183 Article 184 Article 185 Article 186	General principles applicable to grants  <i>Co-financing principle</i> <i>No-profit principle</i> <i>Low value grants</i> <i>Technical assistance</i>	Articles 184, 185 and 186  In Article 184 Deleted Article 2 point 28 Article 2, point 46
Article 126 Article 187	Eligible costs <i>Eligible costs</i>	Article 180 Article 180
Article 127	Co-financing in kind	Article 184
Article 128 Article 188 Article 189 Article 190 Article 191	Transparency <i>Programming</i> <i>Content of calls for proposals</i> <i>Exceptions to calls for proposals</i> <i>Ex post publication</i>	Article 183 Article 183 Article 187 Article 188 Article 183

Article 192	Information for applicants	deleted
Article 129 Article 193	Principle of non cumulative award Financing from separate budget lines	Article 185 Article 185 (1)
Article 130 Article 194	Principle of non-retroactivity Retroactive effect of funding in cases of extreme urgency and conflict prevention	Article 186 Article 186
<b>Chapter 3</b>	<b>Award procedure</b>	
Article 131 Article 195 Article 196 Article 197 Article 198 Article 199 Article 200 Article 201 (1) Article 201 (2)	Applications for grants Submission of grant applications Content of grant applications Evidence of non-exclusion Applicants without legal personality Entities forming one applicant Financial and administrative penalties Eligibility criteria	Article 189 Article 144 Article 189 Article 133 Article 190 (2) Deleted Deleted Deleted Article 190 (1)
Article 132 Article 202 Article 203	Selection and award criteria Selection criteria Award criteria	Article 191 Article 191 Article 192
Article 133 Article 204 Article 205	Evaluation procedure Evaluation of applications and award Information for applicants	Article 193 Article 193 Article 193 (7)
<b>Chapter 4</b>	<b>Payment and control</b>	
Article 134 Article 206	Pre-financing guarantee Pre-financing guarantee	Articles 147 and 148 Articles 147 and 148
Article 135 (1), (5) – (7) Article 135 (2) – (4) Article 135 (8)-(9) Article 207 Article 208	Payment of grants and controls  Supporting documents for payment requests Suspension and reduction of grants	Article 195 Article 127 Deleted Article 196 Article 127
Article 136	Periods of record – keeping	Article 128
<b>Chapter 5</b>	<b>Implementation</b>	
Article 137  Article 209 Article 210	Implementation contracts and financial support to third parties Implementation contracts Financial support to third parties	Articles 197 and 198 Article 198 Article 197
<b>TITLE VII</b>	<b>PRIZES</b>	<b>TITLE IX</b>
Article 138 Article 211 Article 212 Article 213 Article 214 Article 215	General rules Programming Rules of contests Ex post publication Evaluation Information and notification	Article 199 Article 108 Article 200 Article 200 Article 145 Article 200
<b>TITLE VIII</b>	<b>FINANCIAL INSTRUMENTS</b>	<b>TITLE X</b>
Article 139 Article 216	Scope and implementation	Article 201

<i>Article 217</i>		
<i>Article 218</i>	Principles and conditions applicable to financial instruments and budgetary guarantees	Article 202
<i>Article 219</i>	Rules and implementation	Article 208
<i>Article 220</i>	Financial instruments directly implemented by the Commission	Article 209
<i>Article 221</i>	Financial instruments directly implemented by the Commission	Article 209
Article 140	Principles and conditions applicable to financial instruments and budgetary guarantees	Article 202
<i>Article 222</i>	Principles and conditions applicable to financial instruments and budgetary guarantees	Article 202
<i>Article 223</i>	Principles and conditions applicable to financial instruments and budgetary guarantees	Article 202
<i>Article 224</i>	Principles and conditions applicable to financial instruments and budgetary guarantees	Article 202
<i>Article 225</i>		
<i>Article 226</i>	Treatment of contributions under shared implementation	Article 210
<b>TITLE IX</b>	<b>Presentation of the accounts and accounting</b>	<b>TITLE XIII</b>
<b>CHAPTER 1</b>	<b>Annual accounts</b>	<b>CHAPTER 1</b>
	<b>Accounting framework</b>	<b>Section 1</b>
Article 141	Structure of the accounts	Article 234
Article 142 <i>Article 227</i>		Article 241 deleted
Article 143	Rules governing the accounts	Article 79
Article 144 <i>Article 228</i> <i>Article 229</i>	Accounting principles	Article 79 Article 79(2) deleted
Article 145 <i>Article 230</i> <i>Article 231</i> <i>Article 232</i> —	Financial statements	Article 235 deleted deleted
	<b>Budget accounts</b>	<b>Section 2</b>
Article 146 <i>Article 233</i> —	Budget accounts	Article 236 deleted

	<b>Annual accounts timetable</b>	<b>Section 3</b>
Article 147	Provisional accounts	Article 237
Article 148 <i>Article 234</i>	Approval of the final accounts	Article 238 Articles 237 & 238
<b>CHAPTER 2</b>	Information on the implementation of the budget	<b>CHAPTER 2</b>
Article 149	Report of financial guarantees and risks	Article 242
Article 150	Monthly reporting on budget implementation	Article 240
<b>CHAPTER 3</b>	<b>Accounting</b>	<b>Chapter 4</b>
<b>Section 1</b>	<b>Common provisions</b>	<b>Section 1</b>
Article 151 <i>Article 235</i> <i>Article 236</i>	The accounting system	Article 80(7), (8) and (9)
Article 152	Common requirements for the institution's accounting system	deleted
<b>Section 2</b>	<b>General accounts</b>	<b>Section 2</b>
Article 153	General accounts	Article 81
Article 154 <i>Article 237</i> <i>Article 238</i> <i>Article 239</i> <i>Article 240</i> <i>Article 241</i> <i>Article 242</i> <i>Article 243</i> <i>Article 244</i> [Art. 229 for Art. 144]	Entries in the general accounts	Article 81 deleted deleted deleted deleted deleted deleted deleted deleted
Article 155	Accounting adjustments	
<b>Section 3</b>		
Article 156 <i>Article 245</i>	Budgetary accounting	deleted
<b>CHAPTER 4</b>	<b>Property inventory</b>	
Article 157 <i>Article 246</i> <i>Article 247</i> <i>Article 248</i> <i>Article 249</i> <i>Article 250</i> <i>Article 251</i> <i>Article 252</i> <i>Article 253</i> <i>Article 254</i>	The Inventory of assets	Article 84 deleted deleted deleted deleted deleted deleted deleted deleted deleted
<b>TITLE X</b>	<b>EXTERNAL AUDIT AND DISCHARGE</b>	<b>TITLE XIV</b>
<b>CHAPTER 1</b>	<b>External audit</b>	<b>CHAPTER 1</b>
Article 158	External audit by the Court of Auditors	Article 246
Article 159	Rules and procedure on the audit	Article 247
Article 160	Checks on securities and cash	Article 248
Article 161	Court of Auditors' right of access	Article 249

Article 162	Annual report of the Court of Auditors	Article 250
Article 163	Special reports of the Court of Auditors	Article 251
<b>CHAPTER 2</b>	<b>Discharge</b>	<b>CHAPTER 2</b>
Article 164	Timetable of the discharge procedure	Article 252
Article 165	The discharge procedure	Article 253
Article 166	Follow-up measures	Article 254
Article 167	Specific provisions regarding the EEAS	Article 255
<b>PART TWO</b>		
<b>SPECIAL PROVISIONS</b>		
<b>TITLE I</b>	<b>EUROPEAN AGRICULTURAL GUARANTEE FUND</b>	
Article 168	Special provisions on the European Agricultural Guarantee Fund	deleted
Article 169(1) Article 169(2) Article 169(3)	Commitments of EAGF appropriations	deleted deleted (comprised in Article 12(1) Article 12(2)(d))
Article 170(1) Article 170(2) Article 170(3)	Global provisional commitments of EAGF appropriations	Deleted Article 114(1) Article 11(2)
Article 171(1) Article 171(2) Article 171(3)	Schedule and timing of EAGF budgetary commitments	Article 114(3) Article 114(2) Article 114(4)
Article 172	Accounting of EAGF expenditure	Article 10(5)(a)
Article 173(1) Article 173(2)	Transfer of EAGF appropriations	Article 30(1), 4 <sup>th</sup> subparagraph Article 31(5)
Article 174	Assigned EAGF revenue	deleted
<b>TITLE II</b>	<b>STRUCTURAL FUNDS, COHESION FUND, EUROPEAN FISHERIES FUND, EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT, AND FUNDS IN THE AREA OF FREEDOM, SECURITY AND JUSTICE MANAGED IN SHARED MANAGEMENT</b>	
Article 175	Special provisions	deleted
Article 176	Respect of the allocations of commitment appropriations	deleted
Article 177(1) Article 177(2) Article 177(3) Article 177(4) Article 177(5)	Payments of contributions, interim payments and repayments	Deleted Deleted Deleted Article 12(3)(b) Article
Article 178(1)	Decommitment of appropriations	Article 13(3)

Article 178(2) —		Article 14(1) Article 14(1)
Article 178a	Carry-over of commitment appropriations for the Connecting Europe Facility	deleted
Article 179(1) Article 179(2) Article 179(3)	Transfer of appropriations	Article 28(1)(f) Article 28(2) Article 28(2)
Article 180	Management, selection and audit	
<b>TITLE III</b>	<b>RESEARCH</b>	
Article 181(1) <i>Article 255</i> — Article 181(2)	Research funds <i>Types of operations</i>	Deleted  Article 20(2)(b), Article 21(2)(b)
Article 182	Commitments of Research Fund	Article 14
Article 183(1) <i>Article 256</i>  Article 183(2) Article 183(3) Article 183(4)	Joint Research Centre <i>Additional rules applicable to the JRC</i>	Article 154(4)  Articles 20(2)(g), 21(2)(b) and 12(3)(c)
<b>TITLE IV</b>	<b>EXTERNAL ACTIONS</b>	
<b>CHAPTER 1</b>	<b>General provisions</b>	
Article 184 <i>Article 257</i>	External actions <i>Actions which may be financed</i>	deleted
<b>CHAPTER 2</b>	<b>Implementation of actions</b>	
Section 1	General provisions	deleted
Article 185	Implementation of external actions	deleted
Section 2	Budget support and multi-donor trust funds	
Article 186 <i>Article 258</i>	Use of budget support <i>Use of budget support</i>	Article 229
Article 187 <i>Article 259</i>	Union trust funds for external actions <i>Union trust funds for external actions</i>	Article 228
Section 3	Other management modes	
Article 188 <i>Article 43</i>	Implementation of external actions through indirect management <i>Specific provisions for indirect management with international organisations</i>	deleted
Article 189 — — — —	Financing agreements on the implementation of external actions	deleted
<b>CHAPTER 3</b>	<b>Procurement</b>	
Article 190 Article 260 Article 261 Article 262	External action procurement <i>Renting of buildings</i> <i>Service contracts</i> <i>Special provisions relating to</i>	Article 172 deleted deleted point 36 annex

<p>Article 263 Article 264 Article 265</p> <p>Article 266</p> <p>Article 267</p> <p>Article 269</p> <p>Article 273 Article 274 Article 275 Article 276</p> <p>— — — — — —</p>	<p><i>thresholds and the arrangements for awarding external contracts</i></p> <p><i>Evidence of access to procurement</i></p> <p><i>Advertising</i></p> <p><i>Thresholds and procedures for awarding service contracts and service concession contracts</i></p> <p><i>Use of the negotiated procedure for service, supply and works contracts</i></p> <p><i>Thresholds and procedures for awarding supply contracts</i></p> <p><i>Thresholds and procedures for awarding works contracts and concession</i></p> <p><i>Tender specifications</i></p> <p><i>Guarantees</i></p> <p><i>Time-limits for procedures</i></p> <p><i>Evaluation committee</i></p>	<p>deleted point 37 annex point 38 annex</p> <p>point 39 annex</p> <p>point 38 annex</p> <p>point 38 annex</p> <p>point 40 annex point 147, partly deleted point 41 annex Art 145</p>
<p>Article 191 — Article 263</p>	<p>Rules on access to procurement</p> <p>Evidence of access to procurement</p>	<p>Article 173</p> <p>deleted</p>
<b>CHAPTER 4</b>	<b>Grants</b>	
<p>Article 192 Article 277</p>	<p>Full financing of an external action</p> <p><i>Financing in full</i></p>	<p>Article 184 (3)</p>
<p>Article 193</p>	<p>Applicable rules for external action grants</p>	
<b>CHAPTER 5</b>	<b>Auditing of accounts</b>	
<p>Article 194</p>	<p>Union audit in external action</p>	
<b>TITLE V</b>	<b>EUROPEAN OFFICES</b>	<b>Title IV Chapter 3 Section 1 European Offices</b>
<p>Article 195 Article 278 Article 279 Article 280</p>	<p>Definition and scope</p>	<p>Article 63 deleted deleted deleted</p>
<p>Article 196 Article 281 Article 282</p>	<p>Appropriations regarding the European offices</p> <p>Accounts of the European offices</p> <p>Accounts of the European offices</p>	<p>Article 64 Article 66(5) Article 66(6)</p>
<p>Article 197</p>	<p>Appropriations regarding the European offices</p>	<p>Article 64(2)</p>
<p>Article 198</p>	<p>Accounts of the European offices</p>	<p>Article 66</p>
<p>Article 199 Article 279</p>	<p>Non-obligatory tasks</p>	<p>Article 65(a) deleted</p>



<i>Article 280</i>		deleted
Article 200	Non-obligatory tasks	Article 65(b)
<b>TITLE VI</b>	<b>ADMINISTRATIVE APPROPRIATIONS</b>	<b>Title XV</b>
Article 201 <i>Article 283</i> <i>Article 284</i> <i>Article 285</i>	General provisions General provisions General provisions General provisions	Article 256 Article 256(2) Article 256(4) Article 256(5)
Article 202	Commitment of appropriations Payments from anticipated appropriations	Article 11(2) Article 257
Article 203  <i>Article 286</i>	General provisions Specific provisions regarding bulding projects Early information procedure and prior approval procedure	Article 256(10 and (2)) Article 258 Article 259
<b>TITLE VII</b>	<b>EXPERTS</b>	
Article 204 <i>Article 287</i>	Remunerated external experts <i>Remunerated external experts</i>	Article 230
<b>TITLE VIII</b>	<b>CONTRIBUTIONS TO EUROPEAN POLITICAL PARTIES</b>	<b>TITLE XI</b>
Article 204a	General Provisions	Article 214
Article 204b	Principles	Article 215
Article 204c	Budgetary aspects	Article 216
Article 204d	Call for contributions	Article 217
Article 204e	Award procedure	Article 218
Article 204f	Evaluation procedure	Article 218
Article 204g	Form of contribution	Article 219
Article 204h	Rules for contribution	Article 219
Article 204i	Prefinancing	Article 219
Article 204j	Guarantees	Article 220
Article 204k	Use of contributions	Article 221
Article 204l	Report on the use of contributions	Article 222
Article 204m	Payment of the balance	
Article 204n	Control and penalties	Article 224
Article 204o	Record keeping	Article 225
Article 204p	Selection of external audit bodies or experts	Article 226
<b>PART THREE</b>	<b>FINAL AND TRANSITIONAL PROVISIONS</b>	
—	—	
Article 205	Transitional provisions	Article 277
<i>Article 288</i>	<i>Transitional provisions</i>	
—	—	
Article 206	Information requests by the European Parliament and the Council	Article 260
Article 207	Thresholds and amounts	deleted
Article 210	Exercise of the delegation	Article 261
Article 208 —	Bodies set up under the TFEU and the Euratom Treaty	Article 69
Article 209	Public-private partnership bodies	Article 70
Article 211	Review	Article 278
Article 212	Repeal	Article 279

Article 213	Review concerning the EEAS	deleted
Article 214	Entry into force and application	Article 280