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#### 'I' ITEM NOTE

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From:	General Secretariat of the Council
To:	Permanent Representatives Committee
No. Cion doc.:	12187/16 + ADD 1 + ADD 2 - COM(2016) 605 final + ANNEX 1 and 2
No. prev. doc.:	15783/17 + ADD 1 + ADD 2
Subject:	<p>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 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014 of the European Parliament and of the Council and Decision No 541/2014/EU of the European Parliament and of the Council and repealing Regulation (EU, Euratom) No 966/2012 <b>(first reading)</b></p> <p>– <i>Confirmation of the final compromise text with a view to agreement</i></p>

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1. On 14 September 2016, the Commission submitted to the European Parliament and the Council a proposal to adopt a new Regulation on the financial rules applicable to the general budget of the Union, which would repeal and replace Regulation (EU, Euratom) No 966/2012. That proposal also included amendments to 15 sectoral acts as regards financial provisions. It was presented together with a package of proposals in relation to the mid-term review/revision of the MFF 2014-2020.
2. This proposal aimed, *inter alia*, at providing additional flexibility in budget management and simplification of budget implementation, rendering it more efficient.
3. The proposal is based on Articles 46(d), 149, 153(2)(a), 164, 172, 175, 177, 178, 189(2), 212(2), 322(1) and 349 TFEU (ordinary legislative procedure).
4. The Court of Auditors delivered its opinion No 1/2017 on 26 January 2017.<sup>1</sup>
5. On 8 June 2017, the European Parliament adopted a draft legislative resolution for a position at first reading.<sup>2</sup> That draft resolution is based on the joint report of the Committee on Budgets and the Committee on Budgetary Control, as well as on the opinions of the Committee on Employment and Social Affairs (EMPL), the Committee on Industry, Research and Energy (ITRE), the Committee on Transport and Tourism (TRAN), the Committee on Regional Development (REGI), the Committee on Agriculture and Rural Development, the Committee on Foreign Affairs, the Committee on Development, the Committee on Fisheries and the Committee on Civil Liberties, Justice and Home Affairs.

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<sup>1</sup> OJ C 91, 23.3.2017, p. 1.

<sup>2</sup> A8-9999/2017.

## Handling within the Council

6. A Friends of the Presidency Group was convened to handle the work on the package of proposals presented by the Commission on 14 September 2016. In a modification of the terms of reference of the Friends of the Presidency Group, it was specified, that the work on the proposal related to the financial rules was split between several Council preparatory bodies and that the Friends of the Presidency Group would ensure the coherence of the final outcome of the proceedings in those different bodies.<sup>1</sup>
7. The Budget Committee examined Part 1 of the Omnibus proposal related to the Financial Regulation of the Commission proposal. Part 2 of the Omnibus proposal was examined by the Working Party on Structural Measures (Article 262 related to the EU Solidarity Fund, as well as Articles 264 to 266 related to the ESI Funds), the Working Party on Social Questions (Articles 263, 271 and 273 of the proposal related to funds in the social field, such as the European Union Programme for Employment and Social Innovation (EaSI), the European Globalisation Adjustment Fund (EGF) and the Fund for European Aid to the most Deprived (FEAD)), the Special Committee on Agriculture (Articles 267 to 270 and 275 in relation to agricultural funds) and the Working Party on Land Transport (Intermodal Questions) (which coordinated the examination of Articles 272 in relation to the Connecting Europe Facility (CEF), Article 274 (TEN-T) and Article 276 (Space Surveillance and Tracking Support)).
8. After review by the Friends of the Presidency Group, the Permanent Representatives Committee mandated the Presidency on 28 June 2017 to start negotiations with the European Parliament on the basis of the outcome of discussions within the Council<sup>2</sup>.

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<sup>1</sup> Doc. 15776/16.

<sup>2</sup> Doc. 10553/17 + ADD 1 + ADD 2.

## Negotiations with the European Parliament

9. Pursuant to having received the mandate, the different preparatory bodies began negotiations with the respective Committees of the European Parliament each at their own pace. Given the larger size of Part 1 on the Financial Regulation than of Part 2 on the different sectorial acts, an agreement was found sooner for the sectorial parts.
10. On 15 November 2017, the Permanent Representatives Committee agreed to the separation of the agricultural provisions from the remainder of the Omnibus proposal in order to allow their entry into force in a stand alone Regulation on 1 January 2018.<sup>1</sup> Contrary to the other sectoral provisions, the agricultural ones were separable from the rest of the act and an early entry into force was important to allow beneficiaries to benefit from the agreed simplification measures in 2018. The European Parliament has also agreed to split off the agricultural provisions and the separate act has been adopted by the co-legislators on 12. December.<sup>2</sup>

## Outcome

11. The negotiations on the different sections of Part 2 of the proposal - the amendments to the sectoral legislative acts - were concluded by December 2017. The final outcome of the negotiations was endorsed by the Permanent Representatives Committee on 20 December.<sup>3</sup>
12. An agreement in principle on Part 1 of the proposal - the Financial Regulation - had been found by 11 December, which was also endorsed by the Permanent Representatives Committee during its meeting on 20 December 2017.<sup>4</sup>

Recitals, as well as the entry into force and application dates of the Financial Regulation were negotiated between January and March between the European Parliament, the Council and the Commission. A final trilogue on 27 March 2017 successfully concluded the negotiations on those last items.

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<sup>1</sup> Doc. 14222/17.

<sup>2</sup> Doc. 15577/17.

<sup>3</sup> Doc. 15783/17 ADD 2.

<sup>4</sup> Doc. 15783/17 ADD 1.

12. The Budget Committee was consulted on the provisional outcome in meetings, as well as in writing and has agreed to the overall compromise text as set out in the addendum to this note.<sup>1</sup>
13. The Permanent Representatives Committee is invited to:
- confirm the final compromise text with a view to an agreement on that text as set out in the addendum to this note;
  - confirm that the Presidency can indicate to the European Parliament that, should the European Parliament adopt its position at first reading in the exact form set out in the addendum to this note, subject to revision by the legal linguists of both institutions, the Council would approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.
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<sup>1</sup> Doc. 7847/18 ADD 1 (in order to speed up the finalisation of the text as regards translations and legal-linguistic revision, the agreed text has been renumbered and formatted for that purpose).