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#### NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
No. Cion doc.:	12187/16 + ADD 1 + ADD 2 - COM(2016) 605 final + ANNEX 1 and 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 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 (Omnibus proposal) <b>(first reading)</b></p> <p>– <i>Mandate for negotiations with the European Parliament</i></p>

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 includes 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 aims, *inter alia*, at:
  - providing additional flexibility in budget management by extending possible carry-overs of appropriations between years, facilitating transfers within the budget and making de-committed appropriations available again;
  - establishing a European Union Crisis Reserve to be funded from de-committed appropriations, as well as a so-called Flexibility Cushion for certain external policies by keeping up to 10 % of appropriations for specific funds unallocated;
  - allowing the creation of Trust Funds for internal policies, rather than only for external policies;
  - shifting funds from the European Structural and Investment (ESI) Funds to the European Fund for Strategic Investments (EFSI) (from shared to direct/indirect management), where there are difficulties within Member States to implement all appropriations provided under shared management before their de-commitment (Article 125 of the Financial Regulation and Article 30a of the Common Provisions Regulation);
  - simplifying the budget implementation and rendering it more efficient by allowing Simplified Cost Options (SCO) for results achieved (rather than reimbursing eligible costs) and by modernising the use of financial instruments and budgetary guarantees, *inter alia* by establishing a common provisioning fund.

3. The proposal is based on Articles 42, 43(2), 46(d), 149, 153(2)(a), 164, 168(4)(b), 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, the Committee on Industry, Research and Energy, the Committee on Transport and Tourism, the Committee on Regional Development, 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.
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>3</sup>
7. The Budget Committee examined the part related to the Financial Regulation of the Commission proposal at meetings between September 2016 and 20 June 2017.<sup>4</sup>
8. The Working Party on Structural Measures examined Article 262 of the proposal related to the EU Solidarity Fund, as well as Articles 264 to 266 related to the ESI Funds at meetings between September 2016 and May 2017.<sup>5</sup>

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

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

<sup>3</sup> Doc. 15776/2016.

<sup>4</sup> Doc. WK 6766/2017 + ADD 1.

<sup>5</sup> Doc. 10107/17.

9. The Working Party on Social Questions examined Articles 263, 271 and 273 of the proposal related to funds in the social field (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)) at meetings between September 2016 and March 2017.<sup>1</sup>
10. The Special Committee on Agriculture examined Articles 267 to 270 and 275 in relation to agricultural funds between September 2016 and April 2017.<sup>2</sup>
11. The Working Party on Land Transport examined Article 272 in relation to the Connecting Europe Facility (CEF) on 7 March 2017. It entrusted the examination of Article 274 (TEN-T) to the Telecommunications and Information Society Working Party and that of Article 276 (Space Surveillance and Tracking Support) to the Working Party on Space. The Intermodal Questions Working Party was debriefed on the outcomes of the discussions on Articles 272, 274 and 276 that had taken place in the Land Transport, Telecoms and Space Working Parties respectively<sup>3</sup>.
12. On 22 June 2017, the Friends of the Presidency Group reviewed the outcome of all preparatory bodies with a view to ensuring the coherence between all parts of the proposal<sup>4</sup> and agreed to request a mandate for entering into negotiations with the European Parliament. The outcome of the discussions is recorded in the Addendum to this note.
13. The Permanent Representatives Committee is invited to mandate the Presidency to start negotiations with the European Parliament on the basis of the outcome of discussions as set out in the Addendum.

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<sup>1</sup> Doc. 8098/17.

<sup>2</sup> Doc. 8314/17 (no changes to Article 275 of the proposal were proposed during the November 2016 meetings of the Chief Veterinary Officers Working Party and the Chief Plant Health Officers Working Party).

<sup>3</sup> Docs. 7052/17 and 14117/16 + COR 1 (no changes to Articles 274 and 276 of the proposal were proposed).

<sup>4</sup> Doc. WK 6930/2017.