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NOTE

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
No. Cion doc.:	8910/22 + ADD 1 (COM(2022) 223 final + ANNEXES 1 to 2)
Subject:	Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (recast) **(first reading)** – *Mandate for negotiations with the European Parliament*

1. On 16 May 2022, the Commission submitted to the European Parliament and the Council a proposal for a Regulation of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union (recast).

2. The proposal for a recast Regulation aims at:

   - aligning the Financial Regulation with the multiannual financial framework (MFF) package, including the declarations made by the EU institutions in the context of the MFF, and to maintain a "single rulebook" governing the expenditure of the Union;

- including targeted improvements and simplifications, notably to address the green transition, facilitate crisis management, reduce the administrative burden for grant applicants, simplify tenders through use of electronic invoicing for procurement and facilitate digital audits and reporting; and

- enhancing the protection of the EU financial interests through an update of the data-mining tool and of the Early Detection and Exclusion System (EDES), while improving financial transparency across the budget.

3. The proposal is based on Article 322(1) of the Treaty on the Functioning of the European Union (TFEU) (ordinary legislative procedure).

4. The European Data Protection Supervisor delivered its opinion No 14/2022 on 7 July 2022.

5. The Court of Auditors delivered its opinion No 6/2022 on 27 October 2022.[1]

6. On 10 May 2023, the European Parliament adopted a draft legislative resolution for a position at first reading.[2] 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 Industry, Research and Energy and the Committee on Regional Development.

7. The Budget Committee examined the Commission's recast proposal at meetings between 19 May 2022 and 30 May 2023. On 8 June 2023, the Budget Committee agreed to request a mandate for entering into negotiations with the European Parliament. The Commission reserved its position at this stage, stressing three issues of concern related to the EDES, the data-mining tool, as well as the global initiatives proposals. The outcome of the discussions is recorded in the Addendum to this note.

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1 OJ C 446, 24.11.22, p. 26.
2 A9-0180/2023.

8. 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.

9. In accordance with the approach to legislative transparency endorsed by the Permanent Representatives Committee on 14 July 2020, and in full consistency with Regulation 1049/2001 and the Council's Rules of Procedure, the mandate thus agreed will be made public unless the Permanent Representatives Committee objects.

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