



TEXTS ADOPTED

P9_TA(2021)0469

The revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework

European Parliament resolution of 24 November 2021 on the revision of the Financial Regulation in view of the entry into force of the 2021-2027 multiannual financial framework (2021/2162(INI))

The European Parliament,

- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 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, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012¹ ('the Financial Regulation'),
- having regard to Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027²,
- having regard to Council Decision (EU, Euratom) 2020/2053 of 14 December 2020 on the system of own resources of the European Union and repealing Decision 2014/335/EU, Euratom³,
- having regard to Council Regulation (EU) 2020/2094 of 14 December 2020 establishing a European Union Recovery Instrument to support the recovery in the aftermath of the COVID-19 crisis⁴,
- having regard to Regulation (EU, Euratom) 2020/2092 of the European Parliament and of the Council of 16 December 2020 on a general regime of conditionality for the protection of the Union budget⁵ ('the Conditionality Regulation'),

¹ OJ L 193, 30.7.2018, p. 1.

² OJ L 433 I, 22.12.2020, p. 11.

³ OJ L 424, 15.12.2020, p. 1.

⁴ OJ L 433 I, 22.12.2020, p. 23.

⁵ OJ L 433 I, 22.12.2020, p. 1.

- having regard to Regulation (EU) 2021/241 of the European Parliament and of the Council of 12 February 2021 establishing the Recovery and Resilience Facility¹,
- having regard to the Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on budgetary discipline, on cooperation in budgetary matters and on sound financial management, as well as on new own resources, including a roadmap towards the introduction of new own resources² (‘the IIA’),
- having regard to the Joint Declaration of the European Parliament, the Council and the Commission on reassessing the external assigned revenue and borrowing and lending provisions in the Financial Regulation³ (‘the Joint Declaration’),
- having regard to the roadmap for a targeted revision of the Financial Regulation published by the Commission on 19 March 2021,
- having regard to its resolution of 17 December 2020 on the Multiannual Financial Framework 2021-2027, the Interinstitutional Agreement, the EU Recovery Instrument and the Rule of Law Regulation⁴,
- having regard to its resolution of 25 March 2021 on the application of Regulation (EU, Euratom) 2020/2092, the rule-of-law conditionality mechanism⁵,
- having regard to its resolution of 10 June 2021 on the rule of law situation in the European Union and the application of the Conditionality Regulation (EU, Euratom) 2020/2092⁶,
- having regard to its motion for a resolution of 27 May 2021 on the review of the Financial Regulation and the Commission’s guidelines on public procurement for policy-related service contracts,
- having regard to the Commission notice of 9 April 2021 on guidance on the avoidance and management of conflicts of interest under the Financial Regulation⁷,
- having regard to the 2030 Agenda for Sustainable Development, adopted in September 2015 and in force since 1 January 2016,
- having regard to the Commission communication of 10 March 2020 on an SME strategy for a sustainable and digital Europe (COM(2020)0103),
- having regard to the Commission communication of 5 May 2021 entitled ‘Updating the 2020 New Industry Strategy: Building a stronger Single Market for Europe's recovery’ (COM(2021)0350),

¹ OJ L 57, 18.2.2021, p. 17.

² OJ L 433 I, 22.12.2020, p. 28.

³ OJ C 444 I, 22.12.2020, p. 6.

⁴ OJ C 445, 29.10.2021, p. 15.

⁵ Texts adopted, P9_TA(2021)0103.

⁶ Texts adopted, P9_TA(2021)0287.

⁷ OJ C 121, 9.4.2021, p. 1.

- having regard to the Commission communication of 29 April 2021 entitled ‘Better regulation: Joining forces to make better laws’ (COM(2021)0219),
 - having regard to the study requested by its Committee on Budgetary Control and drawn up by the Policy Department for Budgetary Affairs of its Directorate-General for Internal Policies in May 2021 on the largest 50 beneficiaries in each EU Member State of common agricultural policy and Cohesion Funds,
 - having regard to Rule 54 of its Rules of Procedure,
 - having regard to the joint deliberations of the Committee on Budgets and the Committee on Budgetary Control under Rule 58 of the Rules of Procedure,
 - having regard to the letter from the Committee on Agriculture and Rural Development,
 - having regard to the report of the Committee on Budgets and the Committee on Budgetary Control (A9-0295/2021),
- A. whereas, following the entry into force of the multiannual financial framework (MFF) for 2021-2027, the Commission published a roadmap and launched a public consultation with a view to aligning the Financial Regulation, where appropriate, with the rules agreed by the legislator as part of the MFF 2021-2027 package, and to proposing limited and targeted improvements required by the evolving situation, for instance following the COVID-19 crisis or in the context of the growing opportunities for digitalisation;
- B. whereas, against the background of NextGenerationEU (NGEU), Parliament, the Council and the Commission agreed in the Joint Declaration that the provisions on the external assigned revenue, in particular as referred to in Article 21(5) of the Financial Regulation, and the provisions on reporting on borrowing and lending operations, would be assessed and, as appropriate, revised in the framework of the next revision of the Financial Regulation; whereas the three institutions acknowledged that the existing rules on audits and discharge procedure apply to assigned revenue;
- C. whereas the absorption rate under the 2014-2020 MFF was too low and needs to be improved, especially from the perspective of small and medium-sized enterprises (SMEs), by refining and strengthening the decision-making and allocation processes and the principles and procedures that govern the establishment, implementation and control of the EU budget;
- D. whereas the revision of the Financial Regulation should take into account the Union’s security interests, including key infrastructure and telecommunications projects, with a focus on the eligibility criteria required to apply for and receive EU funding;
- E. whereas respect for the rule of law is an essential precondition for compliance with the principles of sound financial management;
- F. whereas an impact assessment was not conducted even if, as recalled by the European Court of Auditors, it could have provided clear information on the accessibility of EU funds to citizens in view of the revision of the Financial Regulation;

1. Notes that the upcoming revision of the Financial Regulation is needed as a consequence of the entry into force of the MFF 2021-2027 package, including NGEU, which not only updates legal provisions but also contains significant innovations within the budgetary system, and to ensure the proper implementation of the IIA;
2. Believes that the revision should seek to modernise the rules applicable to the EU budget in line with its latest evolutions and in line with the budgetary principles and respect for Union values, and to increase parliamentary oversight, democratic accountability, transparency, civic engagement and the ability to respond to citizens' needs quickly and effectively, particularly at times of crisis;
3. Is of the opinion that, while a global overhaul of the rules applicable to the budget is not needed at this time, the Financial Regulation must be subject to targeted improvements and simplifications, in particular where they increase transparency, accountability and democratic scrutiny and improve the implementation of the EU budget;
4. Believes that the main objectives of the revision of the EU financial rules should include reinforcing the protection of the Union's financial interests, ensuring alignment with the rule-of-law conditionality, strengthening public procurement rules to avoid any potential conflict of interests and increase transparency, reducing the administrative burden for beneficiaries, strengthening the efficacy of spending with a view to achieving greater European added value and increasing access to EU funding for citizens, SMEs and local and regional authorities;
5. Believes that, as a matter of principle, the same level of protection should be guaranteed for the whole EU budget, regardless of whether it is under direct, indirect or shared management;

Democratic accountability for a modern budget

6. Notes that the number and scope of off-budget instruments have grown significantly in the past decade, and that NGEU has taken this practice to the next level, by greatly, if temporarily, increasing the magnitude of the EU budget in the form of external assigned revenue to allow the Union to face one of the greatest challenges of its existence, and by creating liabilities until 2058 through borrowing for lending and borrowing for direct EU expenditure; warns that these developments put at risk central budgetary principles such as unity and budgetary accuracy, equilibrium and universality;
7. Notes that the EU has reacted swiftly and decisively in response to the COVID-19 crisis to support the Member States affected and to curb the socioeconomic fallout of the pandemic; notes that crisis management requires swift action; recalls, however, that this must never be an excuse to bypass Parliament and undermine democratic accountability; notes with concern the increasing use of Article 122 of the Treaty on the Functioning of the European Union for creating new mechanisms and bodies with budgetary implications for the EU budget, under which Parliament's role is limited to the mere right to information; insists on an appropriate role for Parliament in the budgetary scrutiny of such initiatives; stresses, in addition, the importance of ensuring a meaningful role in the decision-making and scrutiny of all EU programmes based on national implementation plans;

8. Underlines that the coordinated collection of national contributions based on gross national income in the form of external assigned revenue and outside the budgetary procedure is not exclusive to NGEU, but has been the chosen fix for the Facility for Refugees in Turkey, the COVID-19 vaccine contracts and perhaps, in the future, the Health Emergency Preparedness and Response Authority; recalls that borrowing on capital markets has been a long-standing feature of Union budget operations to the extent that both the Commission and Parliament called for its inclusion in the budget in the 1970s and 1980s, well before the creation of the European Financial Stabilisation Mechanism, the temporary Support to mitigate Unemployment Risks in an Emergency or NGEU;
9. Is concerned that the unprecedented amounts made available under the Recovery and Resilience Facility, for which Member States will only have to report to the Commission in broad strokes about progress on milestones, will make it highly challenging for the European Court of Auditors to provide assurance on the legality and regularity of the spending;
10. Is concerned that off-budget mechanisms and the use of external assigned revenue in particular pose a serious challenge to Parliament's ability to fulfil its decision-making, scrutiny and discharge functions and, more generally, to the ability of the general public and public or private institutions to understand the Union budget and hold the Commission to account; recalls the Joint Declaration and reaffirms its expectation that EU financial rules be updated as regards the role of the budgetary authority and the budget structure in relation to these mechanisms in order to bring them closer to the principles and responsibilities set out in the Treaties; considers that this principle of democratic accountability and oversight in decision-making needs to be reflected in the Financial Regulation;
11. Believes that Parliament, as one arm of the budgetary authority, must be able to scrutinise and authorise, as appropriate, the Commission's use and management of external assigned revenue and of its borrowing and lending operations; suggests that the relevant articles of the Financial Regulation, including Articles 7, 46 and 56, be revised and complemented to clarify that external assigned revenue, assets and liabilities linked to borrowing and lending operations are included in the EU budget, so that they are subject to the control of and reported on by the European Court of Auditors and so that the budgetary authority and the discharge authority can be properly informed about any allegations of misuse, corruption, fraud or breaches of rule of law, including when Member States lack sufficient anti-fraud systems, especially, but not exclusively, with regard to off-budget instruments;
12. Believes that external assigned revenue pursuant to the current Article 21 of the Financial Regulation, and assets and liabilities deriving from off-budget operations, including borrowing on capital markets, should be allocated to the relevant budget lines, classified in accordance with the budget nomenclature and consolidated in Parts II and III of the Union budget; considers that they should form an integral part of the EU budget and be adopted by the budgetary authority as part of that budget;
13. Calls for the revision of reporting requirements on the Commission's debt management strategy, including maturity, schedule of payments and the role of new own resources in the repayment of the debt, in order to adapt them to the increased complexity and risk of borrowing and lending operations for the Union budget;

14. Calls on the Commission to simplify further annual accounts and other financial reporting obligations applicable to the general budget of the Union in the context of the Financial Regulation in order to encourage the participation of SMEs in relevant programmes included in the MFF 2021-2027 package, including NGEU;
15. Believes that in view of the budgetary implications involved, the Financial Regulation needs to establish a procedure for decisions on the location of decentralised agencies; stresses that such a procedure should be based on objective criteria, safeguard Parliament's prerogatives as co-legislator and avoid arbitrary modes of decision-making such as coin-flipping;

Rule of law

16. Emphasises the clear relationship between respect for the rule of law and the efficient implementation of the Union budget, including NGEU, in accordance with the principles of sound financial management: economy, efficiency and effectiveness, as laid down in the Financial Regulation; underlines that sound financial management is based on the effective pursuit of cases of fraud, including tax fraud, tax evasion, corruption and conflicts of interest, as well as the judicial review of public authorities' decisions by independent courts; highlights that, with regard to economy and efficiency, fraudulent and corrupt practices by definition violate sound financial management as defined in Article 33(1) of the Financial Regulation, given that such practices are directly at odds with ensuring the best quantity and quality at the best price, and with achieving the optimal relationship between the employment of resources and the achievement of objectives; recalls that, upon the adoption of the Conditionality Regulation, Parliament, the Council and the Commission agreed to consider including the content of the Conditionality Regulation in the Financial Regulation upon its next revision; calls on the Commission therefore to make that proposal; calls on the Commission to examine opportunities to further improve the alignment of all EU instruments that aim to ensure sound financial management and the protection of the Union's financial interests, including the Commission's annual rule of law report; believes that the Commission should pay particular attention to preventive *ex- ante* measures to ensure that Member States apply Article 63(2) of the Financial Regulation;
17. Believes that the Commission should ensure that the Union budget is spent on projects or organisations that respect the Union values laid down in Article 2 of the Treaty on European Union in order to protect the Union's financial interests; calls on the Commission, to that end, to develop concise indicators to be included in the Financial Regulation, which should be applied through a risk-based approach and used for targeted *ex ante* and *ex post* controls to detect potential non-compliance with Union values in the use of EU funds;
18. Welcomes the Commission's guidance on the avoidance and management of conflicts of interest under the Financial Regulation, which aims to raise awareness and promote a uniform interpretation and application of conflict of interest rules; regrets, however, that conflict-of-interest issues continue to persist at the highest level in some Member States; calls on the Commission to evaluate whether the relevant provisions of the Financial Regulation are sufficiently effective in preventing and addressing conflicts of interest in the implementation and control of the EU budget;

Digital tools

19. Stresses that it is important to know how EU funds are spent and who truly benefits from them in order to protect the financial interests of the EU and to detect fraud, corruption and conflicts of interest in particular; notes that the study commissioned by the Committee on Budgetary Control on the 50 largest beneficiaries of EU funds revealed that data for identifying economic operators and their beneficial owners is not easily accessible, if at all; considers that the compulsory centralisation of information within a single, interoperable reporting and monitoring system, and within a user-friendly public EU database with information on direct and ultimate beneficiaries and accessible data in a machine-readable format, would overcome the fragmentation and lack of transparency highlighted by the study and enhance public scrutiny and trust in EU public spending; notes that this, coupled with a comprehensive definition of 'conflict of interest' at EU level, will increase the effective protection of the EU's financial interests; stresses the urgency of establishing transparency for beneficial owners in the light of the Pandora Papers; highlights the role of the European Public Prosecutor's Office and the importance of cooperation between it and the EU institutions, Member States and the European Anti-Fraud Office;
20. Emphasises that the Financial Regulation should include provisions that require the responsible actors to gather and keep uniform records on economic operators and beneficial owners in order to allow their identification across EU programmes, regardless of who implements these programmes and of management mode (direct, indirect or shared); calls on the Commission to take measures to ensure that this is done through digital, interoperable, standardised collection of information on the recipients of Union funding, including those ultimately benefitting, directly or indirectly, from Union funding, and their beneficial owners; considers that these requirements should reflect all relevant information items to enhance the Commission's ability and capacity to detect fraud; emphasises the need to remove any technical and legal barriers to the collection of data on company structures and beneficial ownership;
21. Underlines that data should be published openly as a general principle, while respecting data protection requirements and the standing jurisprudence of the Court of Justice of the European Union; acknowledges that the European Data Protection Supervisor does not see any general data protection issues regarding the establishment of such interoperability but underlines the need for a clear legal basis; considers that compulsory information items collected for audit and control purposes need to include, as a minimum, the registration number of legal entities, national identification number for natural persons, the relevant code or uniquely identifying specific EU funding programme, an indication of the type of beneficiary, sub-contractors, beneficial owners, whether the beneficiary also receives State aid and contact information; stresses that the database should not be exclusively self-regulated, but rather that datasets should be created by the Commission or an external authority in order to ensure coherent and high-quality data; requests that information about recipients of EU funds remains publicly accessible for at least five years;
22. Underlines that the system needs to facilitate the aggregation of individual amounts concerning the same direct or ultimate beneficiary or beneficial owner, and be accessible in all EU languages; considers that the publicly accessible systems should facilitate both individual searches through a web-based tool and systemic analysis through bulk downloads in a machine-readable and interoperable format; stresses that standardised, open data across the full procurement cycle, including the ultimate beneficiaries of contracted companies, will provide civil society and non-governmental

actors with the toolbox and requisite information to monitor the integrity, fairness and efficiency of public procurement markets; urges the Member States and the Commission to guarantee increased interoperability between existing EU and national databases and data-mining tools to facilitate risk analysis and fraud detection;

23. Notes that ARACHNE is used in shared management; emphasises that ARACHNE enriches data provided by managing authorities with publicly available information in order to identify the projects, beneficiaries, contracts and contractors that might be susceptible to not only the risk of fraud, but also conflicts of interest; considers that Article 63 of the Financial Regulation should be modified to include ARACHNE as a compulsory risk scoring tool for general use, independent of the management mode, made available by the Commission to the Member States and entrusted entities, which should be obliged to feed information into it; considers that the Financial Regulation should provide indicators that ARACHNE can use to determine the risk score of economic operators; stresses the need to harmonise such basic indicators with the exclusion grounds of the Early Detection and Exclusion System (EDES) and with ongoing investigations by the European Public Prosecutor's Office and the European Anti-Fraud Office to ensure that excluded economic operators are also visible in ARACHNE; calls for maximum interoperability between ARACHNE and other software to reduce the need to insert information items into various IT-systems multiple times and the ensuing administrative burden; considers that ARACHNE should be made simpler and more user friendly, including with regard to the standardisation of risk indicators, through visualisations for example; stresses the importance of full ownership of and operational rights to ARACHNE and calls on the Commission to consider moving the tool's management in-house where appropriate;
24. Recalls that a high-level panel was established in 2018 to assess cases in the database that are submitted for early detection or exclusion; calls for the opinion of the EDES panel, in the light of its experiences with the system, to be considered in the revision of the Financial Regulation and shared with Parliament at the same time as it is with the Commission; notes that EDES is currently only used under direct and indirect management; considers that economic operators that are considered a risk to EU financial interests under direct and indirect management should also be considered a risk under shared management and vice versa; calls, therefore, for the use of EDES to be made compulsory under shared management; further notes that EDES does not distinguish between subsidiaries of larger corporations; calls on the Commission to make this distinction and to specify in the rules for early detection and for exclusion which entity of a multinational or multi-company corporation is registered for early detection or exclusion; calls for an obligation to update EDES once fraud or other relevant facts have been established by actors involved in the implementation; believes that excluded legal entities or natural persons (beneficial owners) should, for the duration of their exclusion, no longer have the ability to be a final recipient or beneficiary to whom any payments from the EU budget can be made; calls on the Commission to encourage the Member States to ensure that these entities or natural persons are also excluded from any contributions from national budgets for the period of exclusion; regrets that the database lists relatively few economic operators; views this as a sign that EDES has not been properly implemented; highlights that the EDES panel handled 20 cases in 2020, with 28 cases in the pipeline; stresses the importance of allocating sufficient resources to the panel in line with any extension of responsibility; calls on the Commission, moreover, to review the criteria to decrease the complexity and increase the applicability of EDES in practice;

25. Stresses that, while it is of the utmost importance to know who the final beneficiaries of EU funds are in order to ensure their proper use, the accessibility and simplicity of digital tendering platforms for EU funds also plays an important role; recalls that the Commission has adopted the concept of ‘digital by design’ and the ‘Think Small First’ principle in order to ensure sufficient SME participation; encourages the Commission, in this sense, to also take these principles into account when revising the Financial Regulation in the context of implementing the MFF 2021-2027 package;

Gender budgeting

26. Regrets the fact that only 21,7 % of EU programmes had gender-related indicators under the previous MFF; insists that gender mainstreaming be better reflected in the drafting and implementation of the budget, including through targeted incentives; calls for the systematic and comprehensive collection of gender-disaggregated data in the context of all EU policies and programmes in order to measure the impact on gender equality; expects the Commission to develop a methodology to measure the relevant expenditure at programme level in the 2021-2027 MFF, in line with the IIA; calls on the Commission to integrate gender mainstreaming and gender budgeting in the relevant provisions of the Financial Regulation;

Climate and biodiversity mainstreaming

27. Reiterates the Union’s commitment to spending at least 30 % of resources available under the 2021-2027 MFF and NGEU on addressing the climate challenge, as set out in the IIA; expects the Commission to develop a robust and clear methodology for tracking climate spending and its performance, and to consistently apply it across all policy areas; emphasises that the rules on budget implementation must reflect this methodology to allow for the effective and efficient tracking of funds used in tackling climate change on both the climate mitigation and adaptation fronts; calls on the Commission to integrate appropriate references to climate mainstreaming and tracking in the relevant provisions of the Financial Regulation in line with the IIA to ensure that the Union budget is climate-proof;
28. Underlines the importance of accurately monitoring the expenditures contributing to halting and reversing the decline of biodiversity, on the basis of an effective, transparent and comprehensive methodology to be set out by the Commission, in cooperation with Parliament and the Council; emphasises that the rules on budget implementation laid down in the Financial Regulation must also reflect this methodology;
29. Believes that the Financial Regulation should reflect the implementation of the ‘do no significant harm’ principle, in line with the guidance published under the Recovery and Resilience Facility;

European Pillar of Social Rights

30. Believes that the Financial Regulation should enable the appropriate implementation of the European Pillar of Social Rights; considers that compliance with basic standards for employment conditions for workers and occupational safety and health by the beneficiaries should be ensured before proceeding to the disbursement of payments from the EU budget;

Decommitments

31. Suggests that the re-use of decommitted appropriations as a result of full or partial non-implementation of projects pursuant to Article 15(3) of the Financial Regulation should be extended beyond research and innovation to include all appropriations; believes that decommitted appropriations should be made available in their entirety the year following that of their decommitment;

EU trust funds

32. Insists that the Financial Regulation be revised to guarantee the appropriate role of Parliament in the setting up, supervision and scrutiny of trust funds, including in the drawing up of the constitutive agreement and the mobilisation of the Union's contribution, implementation, continuation, and possible liquidation; reiterates that Parliament should be involved, at a minimum, as an observer, and should be able to monitor the activities of the governing bodies of a given trust fund; stresses that complete detailed and timely quantitative and qualitative information on the implementation of any trust fund is essential for Parliament to exercise its democratic oversight and scrutiny role effectively; recalls that the extensive use of trust funds undermines the EU budget's principle of unity;
33. Calls on the Commission to ensure that Union trust funds deliver clear visibility for the Union and appeals to it to raise awareness of trust fund results and achievements by reinforcing provisions on effective communication with citizens and stronger relationships between communication activities, as is the case with the European Structural and Investment funds;

Public procurement

34. Notes that the Commission's Vademecum on public procurement was last updated in January 2020 but has not been made public or shared with Parliament to give its opinion; requests that Parliament be regularly consulted on future revisions and informed about its application;
35. Notes that the current definition of 'professional conflict of interest' is limited to a conflicting interest that affects the capacity of an economic operator to perform a contract; calls on the Commission to provide for a more explicit definition and to ensure that its implementation rules on public procurement do not permit the awarding of policy-related service contracts to undertakings that are under the economic control of a parent company or a group that owns shares related to activities that are not in line with the EU's environmental, social and Green Deal objectives;
36. Asks the Commission to amend Article 167(1)(c) of the Financial Regulation to include a definition of 'professional conflicting interest' so as to ensure that EU institutions can take mitigating measures in case of bidders with a financial interest in a policy-related service contract, taking into account the European Ombudsman's decision in joint inquiry 853/2020/KR on the Commission's decision to award a contract to BlackRock Investment Management to carry out a study on integrating environmental, social and governance objectives into EU banking rules; reiterates that the general conditions of the Commission's public procurement contracts for services contain standard provisions on professional conflicting interests with requirements for contractors to proactively

disclose any situations that could constitute a conflict of interest; calls on the Commission to update and strengthen the Financial Regulation in order to address professional conflicting interests and to further increase the accuracy and completeness of the voluntary notification thereof by applicants submitting tenders, such as developing adequate sanctions if voluntarily notifications are not complied with, including a temporary ban from public tendering in case of severe breaches;

37. Considers that all EU institutions engaging in public procurement should publish clear rules on their websites regarding acquisition, expenditure and monitoring, and should publish all contracts awarded with the fullest possible transparency; notes the guidance provided by the Commission on using the public procurement framework in the emergency situation related to the COVID-19 crisis; encourages the Commission to gather and evaluate the experience of contracting authorities with the public procurement framework in this regard, especially its effect on SMEs, and to reflect the lessons learned in the Financial Regulation, by identifying criteria for defining exceptional/unusual circumstances in which temporary/framed/necessary flexibility in the implementation of public procurement rules can be applied;
38. Notes that the upcoming revision of the Financial Regulation should take into account the autonomous strategic interests of the EU, including fair competition, and the need to stimulate EU job creation in a range of industries that are key to achieving the Union's future policy objectives, while ensuring a level playing field for fair competition; calls on the Commission to ensure that ambitious awarding criteria are set, particularly taking into account the Union added value of projects and the principle of the 'most economically advantageous tender'; calls for including safeguards in public procurement rules to evaluate the activities of companies that contradict the social and environmental objectives of the Union in the award decision;
39. Notes that the Commission proposal for a regulation on foreign subsidies distorting the internal market addresses potential distortive effects of foreign subsidies in the single market and is key to delivering on the updated EU industrial strategy; calls on the Commission to take the industrial strategy into account in the upcoming revision of the Financial Regulation in order to guarantee fair and competitive conditions in the single market;

Pilot projects and preparatory actions

40. Notes that there is considerable interest among MEPs in proposing pilot projects and preparatory actions and that the Commission has to apply a rigorous selection procedure to the proposals in order to match the limited financial resources available for the projects and actions; considers that the available financial resources and acceptance of proposals can benefit from more flexibility between the three envelopes for pilot projects, preparatory actions (first year) and preparatory actions (second and third year);

Audit, control and discharge

41. Notes that, under the new budget nomenclature adopted with the 2021-2027 MFF, the correspondence between programmes and budget chapters has been made more precise, and as a consequence the Commission enjoys higher discretion as regards autonomous transfers within programme strands; believes that appropriate scrutiny of transfers by the budgetary authority should be ensured;

42. Criticises the length of the audit and control procedures in shared management, including the length of the ensuing contradictory procedures, as provided for by sectoral legislation; underlines that lengthy procedures increase the risk of leaks of confidential documents; considers it intolerable that the Commission insists that Parliament be subject to confidentiality requirements with regard to the audit and contradictory procedure even in cases of legitimate public interest involving public figures; expects the Commission to strengthen and shorten the length of audit and control procedures in shared management in line with the timeline applicable under the Conditionality Regulation;
43. Recalls that the three institutions acknowledge that the existing rules on audits and the discharge procedure apply to assigned revenue and calls for this to be reflected properly in the Financial Regulation;
44. Considers it regrettable that audit and contradictory procedures and procedures on the application of financial correction currently last several years; urges the Commission to revise the rules on audit and financial correction procedures to allow for more timely conclusions and a faster recovery of EU funds paid out unduly;
45. Notes that Article 59 of the Financial Regulation relates to the conferral on 'other Union institutions' of the requisite powers for the implementation of the sections of the budget relating to them; welcomes the fact that the concept of 'conferral' underlines the autonomy of the other institutions as regards the management of their funds; notes, however, that the Commission has repeatedly and consistently taken the view that it is not in a position to exercise scrutiny over the implementing activities carried out by other institutions; proposes to address this issue by changing Article 260 of the Financial Regulation to make Parliament explicitly responsible for scrutinising the budget implementation by the other institutions in the discharge procedure;
46. Considers it necessary to amend Article 2(67) of the Financial Regulation to include the European Public Prosecutors Office as a 'Union institution';
47. Notes that Article 262 of the Financial Regulation requires that the Union institutions and bodies referred to in Articles 70 and 71 of the Financial Regulation report on the measures taken in response to the decision on discharge; considers that this requirement would benefit from the setting of a reasonable deadline for reporting on the measures taken; calls on the Commission to include 30 September of the year following the year under review in the discharge procedure as the deadline in Article 262 of the Financial Regulation;
48. Notes that management and control systems of Member States' authorities are regularly assessed by the Commission in accordance with the sector-specific rules; considers that shortcomings found in one Member State are not automatically applicable to other Member States and that corrective measures, in adjustments either to the legal requirements or to the implementation guidelines, should be proportionate and tailored to the Member State where these findings are applicable;
49. Considers that EU assessments should strictly adhere to EU standards; considers that where stricter national standards exist, the use of these must not be to the detriment of the beneficiary; considers that Article 126 of the Financial Regulation on cross-reliance on assessments should be changed to reflect this principle;

50. Encourages the Commission and the Member States to exploit the opportunities for simplified cost options to their full potential; considers that the focus of checks should be on *ex ante* verification of the calculations of the simplified cost options, while *ex post* verifications should be used to improve the system of calculation, except in cases of suspected fraud;
51. Believes that the obligation under Article 93 of the Financial Regulation as regards an act or omission of a member of staff is too generic and should rather focus on gross negligence;

Agriculture

52. Considers that derogations should remain possible from the rule that expenditures from the European Agricultural Guarantee Fund must be entered into the accounts for a financial year on the basis of the repayments made by the Commission to Member States by 31 December of that year; calls on the Commission to consider adapting the Financial Regulation to ensure that the financial rules applicable to the European Agricultural Fund for Rural Development continue to apply once the necessary changes have been made even if the fund is no longer fully under the Common Provisions Regulation¹;

o

o o

53. Instructs its President to forward this resolution to the Council and the Commission.

¹ OJ L 231, 30.6.2021, p. 159.