



European
Commission

EU BUDGET FOR THE FUTURE

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SOUND FINANCIAL MANAGEMENT AND THE RULE OF LAW



WHY IS THIS A PRIORITY?

The EU is a Community based on the rule of law. Independent courts at national and EU level are entrusted with watching over the respect of our jointly agreed rules and regulations agreed and of their implementation in all Member States.

Already under current rules, Member States are required to show that their rules and procedures for financial management of EU money are robust and funding is sufficiently protected from abuse or fraud. However, there is currently no mechanism in place to protect EU tax payers' money in case of deficiencies regarding the rule of law in a Member State.






Only an independent judiciary that upholds the rule of law and legal certainty in all Member States can ultimately guarantee that money from the EU budget is sufficiently protected. The Commission proposes new rules to shield the EU budget from financial risks linked to generalised deficiencies as regards the rule of law.



WHAT IS NEW IN THE COMMISSION PROPOSALS?

The new rules (a Regulation) proposed today will equip the Union to protect its budget when weaknesses in the rule of law impair – or threaten to impair – sound financial management or the financial interests of the Union.

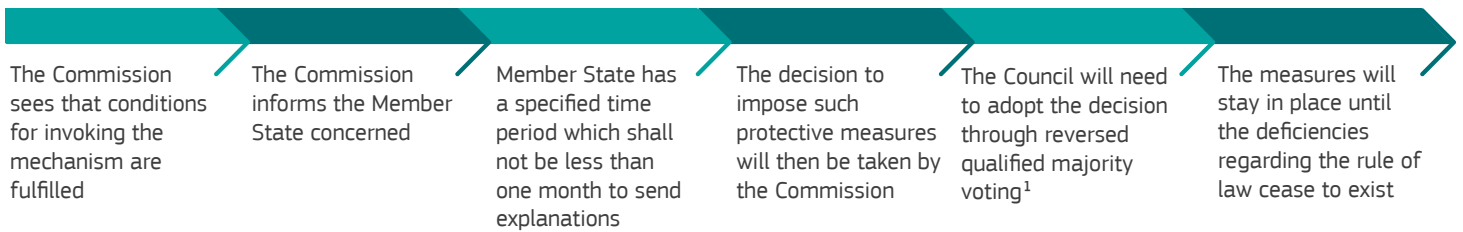
Under the proposals, the **Union could suspend, reduce or restrict access to EU funding in a manner proportionate to the nature, gravity and scope of the deficiencies.** It could be invoked when a generalised deficiency as regards the rule of law in a Member State endangers:

-  The proper functioning of the authorities implementing the Union budget,
-  The proper functioning of investigation and public prosecution of fraud or corruption relating to the budget,
-  The effective judicial review by independent courts,
-  The prevention and sanctioning of fraud, corruption or other breaches of EU law relating to the budget, or
-  The effective and timely cooperation with the European Anti-Fraud Office and with the European Public Prosecutor's Office.

FOR WHICH FUNDS WOULD THE NEW RULES APPLY?

- > all EU funds in shared management
- > funds in direct and indirect management where the financial beneficiary is a government entity (national, regional, local authority, public law body or private organisation entrusted with a public service mission)

HOW WILL IT WORK?



The proposed mechanism would not affect the individual beneficiaries of EU funding under the budget, since they cannot be held responsible for generalised deficiencies in the rule of law system. Member States would continue to be obliged to implement the affected programmes and make payments to Erasmus students, researchers, civil society or any other final recipients or beneficiaries.



HOW ELSE WILL THE FUTURE EU BUDGET MAKE A DIFFERENCE IN THIS AREA?

A number of programmes will directly help to strengthen and uphold EU values and the respect of the rule of law. Most notably, the new **Justice, Rights and Values Programme** will focus on sustaining the open, democratic, inclusive and creative societies which Europeans expect. It will empower citizens by putting forward European values, cultural and linguistic diversity and heritage. It will protect the rights of European citizens and contribute to creating a European Area of Justice.



NEXT STEPS

The legal basis of the proposal (a Regulation) is Article 322 of the Treaty on the Functioning of the EU, through which financial management rules are set. This means that the proposal is adopted jointly by the European Parliament and the Council, the latter acting with qualified majority.



¹ Under reverse qualified majority voting, the Commission's proposal is deemed to be adopted by the Council unless it decides by qualified majority to reject the Commission's proposal.