



COMMISSION OF THE EUROPEAN COMMUNITIES

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**COMMUNICATION FROM THE COMMISSION
TO THE COUNCIL AND THE EUROPEAN PARLIAMENT**

Proposal for basic acts for grants currently covered by the Commission's administrative autonomy (part A of the budget) or its institutional prerogatives: general introduction

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1. THE PRESENT SITUATION

A number of grants have for many years been financed on the basis of appropriations entered in part A (administrative appropriations) of the Commission section of the budget (section III). The main reason why they were located in that section was that there were no basic acts allowing them to be classified as operational appropriations. Their inclusion in part A means that they may be regarded as Commission administrative expenditure, which does not require basic acts for its implementation.

Similarly, a number of grants are financed from Part B of the budget (operational appropriations) without being covered by a specific basic act. These grants are generally entered in Chapter B3-30 and thus do not require a basic act because of institutional prerogatives in the field of information.

Lastly, there are a number of grants that were temporarily attached to existing basic acts, i.e. the grants relating to the Platform of European Social NGOs (B3-4105 and B5-803).

Most of these grants have a common aim, namely to strengthen organisations or promote action that reinforces the European message. They are, however, applied in very different areas of activity governed by different Treaty provisions.

2. REASONS FOR CHANGING THE STATUS QUO

2.1. Implementation of ABB

Once it was decided to base the construction of the Commission budget on Activity-based Budgeting (ABB), which is now enshrined in Article 41 of the Financial Regulation,¹ it became clear that there was a need to adopt proposals for basic instruments for part A grants that had none.

The Commission accordingly undertook a review of the budget appropriations that should be regarded as administrative and those that were operational. Some expenditure currently classified as operational appropriations, such as the BA lines or the administrative part of the research appropriations (B6), has been placed in the administrative part of the budget (Chapter 01). Conversely, some expenditure, such as the Part A grants, which had been regarded as "administrative", has been reclassified as operational appropriations.

¹ Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities.

However, Article 49(2) of the new Financial Regulation provides that, with the exception of institutional prerogatives, pilot projects, preparatory measures and the administrative appropriations for each institution, all operational expenditure requires a basic act in order to be implemented. It was accordingly necessary to propose establishing basic acts for the grants currently in Part A.

This intention to establish basic acts for grants currently in Part A was publicly announced by the Commission in a declaration linked to the approval of the new Financial Regulation: *"the European Parliament and the Council note the Commission's intention to present a proposal for a framework regulation in which the overall selection criteria and the award of operating grants to the bodies referred to in Article 108(1)(b) can be specified."*

2.2. Definition of institutional prerogatives

Certain grants in the operational part of the budget were implemented as institutional prerogatives as part of the Commission's information policy. When the basic instruments for the Part A grants were established, it was also suggested that in future some of these grants should also have their own specific basic instrument.

2.3. Approval of the new Financial Regulation

The new Financial Regulation includes a Title VI entirely devoted to the award of grants. It emphasises the principles of transparency, equal treatment, no-cumulation, non-retroactivity and co-financing. The relationship between these principles and certain grant pre-allocation practices on the part of the budgetary authority must be clarified. It is therefore important to establish basic acts enabling authorising officers to follow clearly defined principles so that it is possible both to comply with the requirements of the new Financial Regulation and to take into account the wishes of the budgetary authority (minutes of the Council 10003/02 ADDI, dated 13 June 2002).

2.4. Need to define specific basic acts for certain grants

Lastly, there are also certain grants attached to basic acts which also cover other actions and for which the Council has requested that a specific basic act be adopted. These grants have also been included in this exercise in order to ensure the overall consistency of the ongoing work .

3. THE MAIN PRINCIPLES USED TO DEFINE THE BASIC ACTS FOR GRANTS

3.1. General approach

The grants requiring specific basic acts were first all grouped together according to the fields of activity they cover so that they can as far as possible be attached to a specific Treaty article. Thus proposals for basic acts covering grants for equal opportunities were based on Article 13 of the EC Treaty, the basic instruments covering grants relating to education, training and young people were based on Articles 149 and 150 of the EC Treaty and the basic acts covering grants relating to culture were based on Article 151 of the EC Treaty.

The basic acts covering grants for which there was no specific legal basis in the EC Treaty were based on Article 308 of the Treaty. These basic acts were based on the need to support organisations advancing the idea of the European civil society both within the Union and with regard to third countries.

This sectoral approach to establishing the basic acts means that the adoption and management procedures will be specific to each basic act. Nevertheless, the basic acts were structured in a similar manner wherever possible. In addition, each basic act tackles certain problems in the same manner.

3.2. Common approach in the basic acts

Each basic act, whether providing for operating grants or grants for actions, takes the form of funding for a programme covering a period of two to six years. Where an act is related to a Treaty article involving codecision, the Commission proposes that the Council and Parliament adopt the total funding required for the programme throughout its life, in accordance with the rules in Article 33 of the Interinstitutional Agreement.

The adoption of basic acts will not alter the headings of the financial perspective to which the funding of the grants is attached, at least until expiry of the current financial perspective in 2006.

The basic acts classify grants into three groups, the "strands" of the programme; the first strand covers operating grants (i.e. the financing of the beneficiary's ongoing activities) for organisations named in the basic act, the second strand covers other operating grants and the third covers the financing of one-off actions, i.e. grants for occasional activities. A basic act can cover only one subset of the three programme strands.

Each basic act has been drafted in compliance with the Financial Regulation and its implementing rules. In particular:

- Each basic act provides that, as a general rule, calls for proposals will be made, except in the following cases corresponding to operating grants, i.e. the financing of a beneficiary's ongoing activities:
 - where the basic act contains a reference to one or more organisations. This case covers grants awarded to "institutional" partners and certain cases where the grant concerns a "network head",² i.e. organisations of general European interest;
 - for certain grants of the basic acts related to "culture" or "citizenship" where the budget heading names a beneficiary explicitly or where the budget identifies the beneficiaries by name and specifies the amounts allocated to each of them and the total amount of the budget line is entirely pre-assigned. When a beneficiary identified in the budget fails to comply with the conditions provided for in the Financial Regulation, the implementing rules or the specific articles of the basic acts concerned,

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A body with the object of representing a sectoral group of entities in relations with the institution.

the Commission may, in accordance with the Financial Regulation, reduce the amount provided for or refrain from awarding the grant. The corresponding amount is not executed".

- Where, in accordance with the Financial Regulation and the implementing rules, it is necessary to apply a degressivity rate, the rate may be adjusted to the rate of co-financing or calculated as a percentage of the grant in relation to the amount in the preceding year. The method of calculation used will avoid increasing the amount of the grant awarded to a single organisation from one year to the next, save during the transitional phase of a newly-established body. Only organisations pursuing an aim of general European interest as defined in article 162 of the implementing rules may be exempted from a degressivity rate.
- The requirement that the co-financing percentage should be at least 20% of the operating costs or the action, with the exception of organisations named in the basic instrument, in which case the co-financing percentage can be different. Exceptions to this rate may, however, be included in certain basic acts.
- Article 110(2) of the Financial Regulation requires the Commission annually to publish all grants awarded, with due observance of the requirements of confidentiality and security.

4. LIST OF THE BASIC ACTS COVERED BY THIS GENERAL INTRODUCTION

The basic acts covered by this general presentation are:

- The basic act for "promoting organisations active at European level in the field of equality between men and women", which comes under Article 13 of the Treaty and covers grants in the field of equal opportunities and equal treatment currently funded from lines A-3037 and A-3046.
- The basic act for "promoting bodies engaged at European level in the field of education and training", which comes under Articles 149 and 150 of the Treaty and covers grants currently funded from lines A-3010, A-3011, A-3012, A-3013, A-3014, A-3017, A-3022, A-3027, A-3044, B3-1000 and B3-304.
- The basic act for "promoting bodies engaged at European level in the field of youth", which comes under Article 149 of the Treaty and covers grants currently funded from lines A-3023 and A-3029.
- The basic act for "promoting bodies engaged at European level in the field of culture", which comes under Article 151 of the Treaty and covers grants currently funded from lines A-3015, A-3035 and A-3042.
- The basic act for "promoting European civic participation", which comes under Article 308 of the Treaty and covers grants for ongoing or specific activities carried out by European think tanks or organisations promoting European civic participation funded from lines A-3016, A-3020, A-3021, A-3024, A-3026, A-3030, A-3036, A-321, B3-305, B3-4105 and B5-803.

- The basic act for bodies "promoting mutual understanding of relations between the European Union and certain non-industrialised regions of the world", which comes under Article 308 of the Treaty and covers grants in the field of foreign relations, currently funded from lines A-3031, A-3034 and A-3039. The grant financed from line A-3033 is not covered by this basic act. As it involves the advancement of human rights and democracy, it should come under Council Regulations Nos 975/99 and 976/99 of 29 April 1999 and these Regulations should be amended in order to allow an operating grant to be awarded to the Council of Europe's North-South Centre.
- The basic act for "promoting action in the field of the protection of the Community's financial interests", which comes under Article 280 of the Treaty and covers grants to protect financial interests, currently financed from lines COM-III-A-3010 and B5-910.

The Commission may present further proposals at a later date for certain measures which in the past were regarded as administrative measures but which are based on specific articles of the Treaty and will in future be regarded as operating expenditure, for example the financing of institutes active in the field of business and economic surveys (A-3500, A-3501) or certain grants in the field of development (B7-610).

5. TRANSITIONAL PERIOD

When the Financial Regulation was approved, the three institutions declared that they *undertook to attain that objective [adoption of a framework regulation] to ensure that the regulation enters into force by 2004*. In principle, the basic acts should therefore be adopted by the legislature in order to be applicable by 2004.

In the event of failure to achieve that objective, the Commission will propose transitional derogations enabling grants to be awarded in 2004, pending adoption of the basic acts.