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EUROPEAN COMMISSION

Brussels, 1.4.2011
COM(2011) 170 final

2009/0060/B (COD)

OPINION OF THE COMMISSION

**pursuant to Article 294, paragraph 7, point (c) of the Treaty on the Functioning of the European Union,
on the European Parliament's amendments
to the Council's position regarding the
proposal for a**

**REGULATION OF THE EUROPEAN PARLIAMENT
AND OF THE COUNCIL**

**amending regulation (EC) n° 1889/2006 on establishing a financing instrument for the
promotion of democracy and human rights worldwide**

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1. INTRODUCTION

Article 294 (7) (c) of the Treaty on the Functioning of the European Union provides that the Commission is to deliver an opinion on the amendments proposed by the European Parliament at second reading. The Commission sets out its opinion below on the amendments proposed by the Parliament.

2. BACKGROUND

Date on which the proposal was sent to Parliament and Council: 21 April 2009

Doc COM (2009) 194 final 2-2009/0060B (COD) corrigendum 30 November 2009, amended 01 December 2009 (entry into force of the Lisbon Treaty)

Date of Parliament's opinion at first reading: 21 October 2010

Date on which the amended proposal was sent to Parliament and Council: none

Date of political agreement on the Council position: none

Date of formal adoption of the Council position: 10 December 2010

Date of Parliament's opinion at second reading: 3 February 2011

3. PURPOSE OF THE PROPOSAL

The various Union financial instruments external actions contain a slight inconsistency regarding exceptions to the principle of non-eligibility for Union financing of costs related to taxes, duties and other charges.

Regulation No 1905/2006 establishing a financing instrument for development cooperation (DCI) and Regulation No 1889/2006 establishing a financing instrument

for the promotion of democracy and human rights worldwide (EIDHR) do not provide for some flexibility as regards the non-eligibility of such costs for funding. The other instruments lay down that EU support may not be used to finance these costs “in principle”: they therefore allow for flexibility on a case-by-case basis, and the authorising officer responsible may, where appropriate, decide to accept eligibility in the interests of sound financial management and proper implementation of programmes and projects. Indeed, it is essential to preserve flexibility where a deadlock risks to occur because exemption mechanisms are absent or impractical (owing, for example, to the extreme complexity of procedures in the beneficiary country, or in the case of regional projects).

Therefore the Commission, in the framework of the Mid Term Review of the financial instruments for external actions, has proposed to align the relevant provisions of the DCI and EIDHR instruments on the other instruments by adding the wording “*in principle*” to the non-eligibility of taxes, duties and other charges, thus signalling the possibility of exceptions, these being regulated internally by the instructions given to Authorising Officers.

4. OPINION OF THE COMMISSION ON THE AMENDMENTS BY THE EUROPEAN PARLIAMENT

4.1 Amendments accepted by the Commission

The Commission can accept the text relating to the aim of the Mid Term review: (recital 1; 2; 3; 4; and Article 1(5) and 2. For information these Recitals and Articles have already been approved by the Council in first reading

4.2 Amendments rejected by the Commission

The Commission cannot accept the Articles relating to Delegated acts and Comitology issues (Recital 3a; Articles 1 (1); 1(7) (delegated acts), Articles 1 (2); 1 (3), 1(4); 1(6) (Comitology))

5. CONCLUSION

The discussions with the co-legislators shall continue after the second reading, in order to work on a consensual solution preferably giving EP substantive scrutiny rights for the remainder of the current Multiannual Programming Period and leaving options open for the next one, including the possibility of having recourse to delegated acts while fully respecting the criteria established in Article 290 TFEU.