Financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability

2016/0193(COD) - 27/06/2016 - Legislative proposal

PURPOSE: to help those Member States mostly affected by the financial crisis to be able to continue with the implementation of the programmes on the ground, hence injecting funds into the economy.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the sustained financial and economic crisis is increasing the pressure on national financial resources, as Member States are reducing their budgets.

In this context, **ensuring a smooth implementation of ESIF programmes** is of particular importance as a tool for injecting funds into the economy.

- Article 24 of Regulation (EU) No 1303/2013 of the European Parliament and of the Council provides that on the request of a Member State with temporary budgetary difficulties, i.e. those countries which have received financial assistance under an adjustment programme after 21 December 2013, interim payments may be **increased by 10 percentage points above the co-financing rate applicable** to each priority for the ERDF, ESF, and the Cohesion Fund or to each measure for the EAFRD and the EMFF, provided the Member State submits a corresponding request. This provision currently applies until 30 June 2016.
- Article 120(3) of the same Regulation provides that from 1 January 2014 to 30 June 2017, the maximum co-financing rate at the level of each priority for all operational programmes supported by the ERDF and ESF in **Cyprus shall be 85 %** instead of 50 % applicable to more developed regions.

The Regulation requires the Commission to **review these two financial provisions** and make, if necessary, a legislative proposal before 30 June 2016 with a view to their possible extension. The

Five countries were eligible for the 10% top-up on interim payments submitted before 30 June 2016. Since then the financial assistance programmes for Cyprus, Ireland, Portugal and Romania have expired. This means that **Greece is the only country under an adjustment programme on 30 June 2016**.

Cyprus exited its adjustment programme at the end of March 2016. However, the **economic situation of Cyprus is still fragile** as reflected by its sluggish growth rate, declining investment, high unemployment and stressed financial sector.

CONTENT: in order to ensure that Member States with temporary budgetary difficulties continue implementing the ESIF programmes and disburse funds to projects, **the proposal to amend Regulation (EU) No 1303/2013** would allow the Commission to:

- **top up payments to a Member State under an adjustment programme after 30 June 2016** (currently Greece). It would cover the period until 30 June of the year following the calendar year in

which the Member State stops receiving financial assistance. This approach is in line with the ESI Funds accounting year which covers the period from 1 July to 30 June. It would extend the period of eligibility up to maximum 18 months;

- **extend the exceptional cofinancing rate of 85 %** for the ERDF and ESF in **Cyprus** until programme closure with a view to easing the pressure on the national budget and accelerating much-needed investments.

The total financial allocation for the period from the Funds to the countries and the programmes in question will not change.

BUDGETARY IMPLICATIONS: there is **no impact on commitment appropriations** since no modification is proposed to the maximum amounts of ESIF financing provided for in the operational programmes for the programming period 2014-2020.

For payment appropriations, the proposal can result in a higher reimbursement to the Member States concerned. Based on the payment forecast from Member States revised by the Commission and the payment appropriations included in the 2016 budget and in the 2017 Draft Budget, **the need for payment appropriations are estimated to amount to approximately EUR 544 million**. The additional payment appropriations for this proposal may imply a temporary increase of payment appropriations, which would be compensated by lower payments at the end of the life cycle of the 2014-2020 programmes.