European Structural and Investment Funds: adjustment of annual pre-financing for the years 2021 to 2023

2018/0322(COD) - 07/09/2018 - Legislative proposal

PURPOSE: reduce the annual pre-financing rate for the years 2021 to 2023 (European Structural and Investment Funds).

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 on an equal footing with the Council.

BACKGROUND: Regulation (EU) No 1303/2013 of the European Parliament and of the Council defines the common rules applicable to the European Structural and Investment Funds (ESI Funds).

Evidence suggests that the **annual pre-financing paid to Member States** for a given accounting year and cleared with the acceptance of accounts is **set at a particularly high level** in comparison with financial management requirements stemming from the implementation of operational programmes; this is in particular the case for the budgetary years 2021 to 2023.

This means in practice that payment credits are requested from Member States from payment appropriations in the Union's budget to pay to them annual pre-financing that a year later has to be recovered to a significant extent.

Therefore, in order to ease the pressure on payment appropriations in the Union budget for the budgetary years 2021 to 2023 and to enhance the predictability of payment requirements, the Commission proposes that for the last three years of the current implementation period 2021-2023, the annual pre-financing is reduced to the necessary minimum.

IMPACT ASSESSMENT: the proposal is not expected to have significant economic, social or environmental impacts. It will result in reducing the annual pre-financing for the proposed years, which will contribute to increasing the predictability of budgetary planning, to a more stable and predictable payment profile, to the reduction of the risk of payment backlogs, to increased transparency in payment needs and, therefore, to better budgetary management.

CONTENT: the proposal to amend Regulation (EU) No 1303/2013 aims to **decrease the annual pre-financing from 3%** of the amount of the support from the Funds and the European Maritime and Fisheries Fund (‘EMFF’) for the whole programming period to the operational programme **to 1% for the years 2021-2023.**

The annual pre-financing for the year **2020 is maintained at 3%** of the amount of the support from the Funds and the EMFF for the whole programming period to the operational programme.

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

The amendment proposed will contribute to a reduction in payment appropriations related to the year 2021 entirely due to the reduction of the annual pre-financing amounts which will be compensated by higher payment needs for the year 2024. For the years 2022 and 2023, lower annual pre-financing will be offset in the framework of the examination and acceptance of accounts, therefore the effect is neutral.