







# Procedure file

| Basic information  |                                       |
|--|---------------------------------------|
| COD - Ordinary legislative procedure (ex-codecision procedure)<br>Regulation   | 2016/0193(COD)<br>Procedure completed |
| Financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability<br>Amending Regulation (EU) No 1303/2013 | <a href="#">2011/0276(COD)</a>        |
| Subject<br>4.70.01 Structural funds, investment funds in general, programmes   |                                       |

| Key players  |   |   |            |
|--|---|---|------------|
| European Parliament                                    | Committee responsible                         | Rapporteur  | Appointed  |
|  | <b>REGI</b> Regional Development              |  <a href="#">MIHAYLOVA Iskra</a>  | 14/07/2016 |
|  |   | Shadow rapporteur   |            |
|  |   |  <a href="#">KREHL Constanze</a> |            |
|  |   |  <a href="#">TOMAŠIĆ Ruža</a>   |            |
|  |   |  <a href="#">REINTKE Terry</a>  |            |
|  |   |  <a href="#">D'AMATO Rosa</a>   |            |
|  | Committee for opinion                         | Rapporteur for opinion  | Appointed  |
|  | <b>BUDG</b> Budgets                           | The committee decided not to give an opinion.   |            |
|  | <b>CONT</b> Budgetary Control                 | The committee decided not to give an opinion.   |            |
| <b>ECON</b> Economic and Monetary Affairs              | The committee decided not to give an opinion. |   |            |
| <b>EMPL</b> Employment and Social Affairs              | The committee decided not to give an opinion. |   |            |
| <b>ENVI</b> Environment, Public Health and Food Safety | The committee decided not to give an opinion. |   |            |
| <b>ITRE</b> Industry, Research and Energy              | The committee decided not to give an opinion. |   |            |
| <b>TRAN</b> Transport and Tourism                      | The committee decided not to give an opinion. |   |            |
| <b>AGRI</b> Agriculture and Rural Development          | The committee decided not to give an opinion. |   |            |
| <b>PECH</b> Fisheries                                  | The committee decided not to give an opinion. |   |            |
| <b>CULT</b> Culture and Education                      | The committee decided not to give an opinion. |   |            |
| <b>FEMM</b> Women's Rights and Gender Equality         | The committee decided not to give an opinion. |   |            |

## Key events

|            |   |   |         |
|------------|---|---|---------|
| 27/06/2016 | Legislative proposal published                          | <a href="#">COM(2016)0418</a>   | Summary |
| 04/07/2016 | Committee referral announced in Parliament, 1st reading |   |         |
| 11/10/2016 | Vote in committee, 1st reading                          |   |         |
| 17/10/2016 | Committee report tabled for plenary, 1st reading        | <a href="#">A8-0292/2016</a>  | Summary |
| 25/10/2016 | Results of vote in Parliament                           |  |         |
| 25/10/2016 | Decision by Parliament, 1st reading                     | <a href="#">T8-0394/2016</a>  | Summary |
| 14/11/2016 | Act adopted by Council after Parliament's 1st reading   |   |         |
| 23/11/2016 | Final act signed  |   |         |
| 23/11/2016 | End of procedure in Parliament                          |   |         |
| 13/12/2016 | Final act published in Official Journal                 |   |         |

## Technical information

|  |   |
|--|---|
| Procedure reference                          | 2016/0193(COD)  |
| Procedure type                               | COD - Ordinary legislative procedure (ex-codecision procedure)  |
| Procedure subtype                            | Legislation   |
| Legislative instrument                       | Regulation  |
|  | Amending Regulation (EU) No 1303/2013 <a href="#">2011/0276(COD)</a>  |
| Legal basis                                  | Treaty on the Functioning of the EU TFEU 177-p1   |
| Other legal basis                            | Rules of Procedure EP 159   |
| Mandatory consultation of other institutions | <a href="#">European Economic and Social Committee</a><br><a href="#">European Committee of the Regions</a> |
| Stage reached in procedure                   | Procedure completed   |
| Committee dossier                            | REGI/8/06935  |

## Documentation gateway

|  |                               |            |     |         |
|--|-------------------------------|------------|-----|---------|
| Legislative proposal                           | <a href="#">COM(2016)0418</a> | 27/06/2016 | EC  | Summary |
| Economic and Social Committee: opinion, report | <a href="#">CES4407/2016</a>  | 21/09/2016 | ESC |         |
| Committee draft report                         | <a href="#">PE587.491</a>     | 26/09/2016 | EP  |         |
| Committee report tabled for plenary, 1st       | <a href="#">A8-0292/2016</a>  | 17/10/2016 | EP  | Summary |

|  |  |                                |            |     |         |
|--|--|--------------------------------|------------|-----|---------|
| reading/single reading                                 |  |                                |            |     |         |
| Text adopted by Parliament, 1st reading/single reading |  | <a href="#">T8-0394/2016</a>   | 25/10/2016 | EP  | Summary |
| Draft final act  |  | <a href="#">00039/2016/LEX</a> | 23/11/2016 | CSL |         |

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| <b>Final act</b>   |
| <a href="#">Regulation 2016/2135</a><br><a href="#">OJ L 338 13.12.2016, p. 0034</a> Summary |

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

**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.

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

The Committee on Regional Development adopted the report by Iskra MIHAYLOVA (ADLE, BG) on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability.

The committee recommended the Parliament to adopt its position at first reading, taking over the Commission proposal.

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 co-financing rate of 85 % for all operational programmes supported by the ERDF and ESF in Cyprus until closure of the operational programme 2014-2020.

In the explanatory statement in the draft legislative resolution, the rapporteur welcomed the Commission proposal as a focussed and budgetary-neutral solution to the temporary liquidity problems faced by two Member States. Therefore, she recommended that the committee and Parliament at plenary stage should take over the Commission proposal without amendment.

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

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The European Parliament adopted by 627 votes to 34, with 31 abstentions, a legislative resolution on the proposal for a regulation of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability.

Parliament adopted its position at first reading following the ordinary legislative procedure without making amendments to the Commission proposal.

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

- make top up payments to a Member State under an adjustment programme after 30 June 2016. The increased rate shall apply to its payment applications for the period until 30 June of the year following the calendar year in which the related financial assistance comes to an end;
- extend the co-financing rate of 85 % for all operational programmes supported by the ERDF and ESF in Cyprus until closure of the operational programme 2014-2020.

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

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**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.

**LEGISLATIVE ACT:** Regulation (EU) 2016/2135 of the European Parliament and of the Council amending Regulation (EU) No 1303/2013 as regards certain provisions relating to financial management for certain Member States experiencing or threatened with serious difficulties with respect to their financial stability.

**CONTENT:** this Regulation amends [Regulation \(EU\) No 1303/2013](#) establishing common provisions on the European Structural and Investment Funds with a view to ensuring that Member States mostly affected by the financial crisis are able to continue with the smooth implementation of the programmes.

(1) Article 24 of Regulation (EU) No 1303/2013 authorises the Commission to make increased payments under the ESI Fund programmes to countries facing economic difficulties. On the request of a Member State, 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.

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.

Only Greece is still under an adjustment programme until 30 June 2016 and benefits from related financial assistance until the third quarter of 2018. Given that Greece still faces serious difficulties with respect to its financial stability, the duration of the application of an increase in payments for Member States with temporary budgetary difficulties should be extended.

(2) Article 120(3) of Regulation (EU) No 1303/2013 requires the Commission to carry out a review to assess the justification for maintaining a maximum co-financing rate of 85 % instead of 50 % at the level of each priority axis for all operational programmes supported by the European Regional Development Fund (ERDF) and European Social Fund (ESF) in Cyprus after 30 June 2017 and to make, if necessary, a legislative proposal before 30 June 2016.

Cyprus exited from its adjustment programme in March 2016. However, the economic situation of Cyprus is still fragile.

Therefore the amendments made to Regulation (EU) No 1303/2013 allow the Commission to:

- top up payments to a Member State under an adjustment programme after 30 June 2016. It would cover the period until 30 June of

- the year following the calendar year in which the Member State stops receiving financial assistance;
- 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.

ENTRY INTO FORCE: 14.12.2016.