Common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund; general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund

2011/0276(COD) - 27/06/2016 - Follow-up document

In accordance with Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the five structural and investment funds (the CPR), this Commission report carries out a review of two financial provisions:

- the increase in payments for Member States with temporary budgetary difficulties according to Article 24 of the CPR (the 'top-up') and
- the maximum EU co-financing rate of 85% applicable to all operational programmes in Cyprus according to Article 120(3) of the CPR.

Extension of the top-up: the top-up was introduced in 2010 for Member States with the greatest budgetary difficulties. Upon request, eligible countries received additional payments of 10% on all their declared expenditure and continued receiving payments at 10 percentage points above the maximum co-financing rate as long as they were under the programme.

This provision enabled bringing forward EU payments compared to the original financial plan and thus resulted in an immediate easing of budgetary pressure, provided liquidity and reduced the level of the necessary national match-funding in cohesion policy.

From 2011 up until the end of 2015, the Commission paid over EUR 3 billion (ERDF, ESF and Cohesion Fund contribution taken together) earlier than planned for Cyprus, Greece, Hungary, Ireland, Portugal and Romania.

The biggest beneficiary in financial terms was Greece (EU payments exceeding EUR 1.3 billion).

Greece, Cyprus, Ireland, Romania and Portugal are currently eligible for the 10% top-up on interim payments for the 2014-2020 programmes for payment claims submitted before 30 June 2016. The financial assistance programmes for Cyprus, Ireland, Portugal and Romania have now expired. Greece will be the only country that has a financial assistance programme in place on 30 June 2016.

The Commission feels that two issues need to be considered when modifying Article 24 CPR, namely (i) the scope of eligible countries and (ii) the time through which the provision applies.

- As regards the scope of eligible countries, the inclusion of a mid-term review in 2016 suggests that those Member States that are no longer receiving financial assistance should no longer be eligible for the top-up. This would enable Greece and any other country falling under an adjustment programme in the future to be supported through the top-up mechanism. The Commission does not consider that a further revision of eligibility for the top-up in the 2014-2020 period is necessary.
- With respect to the duration of the provision, the Commission proposes to continue eligibility until 30 June of the year following the calendar year in which the Member State stops receiving financial assistance under an adjustment programme. This approach follows the ESI Funds accounting year and would extend the period of eligibility by up to maximum18 months. It will provide financial security for the Member State concerned in planning the necessary national match funding to draw down ESI Funds. It will also reduce the risk of losing funds once eligibility for the top-up has expired.

Extension of the maximum EU co-financing rate of 85% for Cyprus: the CPR provides an exceptional EU co-financing rate for all programmes in Cyprus of maximum 85% for the period of 1 January 2014 to 30 June 2017. The economic adjustment programme of Cyprus having expired at the end of March 2016, the question arises whether the country should continue to benefit from this rate after 30 June 2017.

Given that Cyprus signed an economic adjustment programme with the EU in March 2013, the CPR provided for Cyprus to benefit from an exceptional EU co-financing rate of 85% until 30 June 2017.

A closer look at key macroeconomic indicators shows that the economic situation of Cyprus is still very fragile. Cyprus and Greece are the only two Member States with negative economic growth and declining investment.

Given the deterioration of the economic situation of Cyprus, the country will also become fully eligible for the Cohesion Fund in the context of the mid-term review in 2016 according to Article 90(5) of the CPR.

Against this background, the Commission proposes to extend the maximum EU co-financing rate of 85% for Cyprus until closure of the programme.