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#### **'I' ITEM NOTE**

From:	General Secretariat of the Council
To:	Permanent Representatives Committee (Part 2)
No. Cion doc.:	COM(2016) 418 final
No. prev. doc.:	10738/16
Subject:	Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) N° 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 - Mandate for negotiations with the European Parliament

## **I. INTRODUCTION**

1. On 28 June 2016, the Commission transmitted to the Council 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 (doc. 10738/16).



2. Such proposal is a response to the legal requirements set out in Article 24(3) and Article 120(3) of Regulation (EU) No 1303/2013, which require the Commission to review the two aforementioned articles with their respective financial provisions and make, if necessary, a legislative proposal before 30 June 2016 with a view to their possible extension.
3. The main purpose of the proposal is to allow the Commission to continue making increased payments to any Member State which will benefit from financial assistance after 30 June 2016 for the period it will be under this support mechanism, without modifying the overall ESIF allocation in 2014-2020. Moreover, the proposal allows Cyprus to apply the maximum co-financing rate of 85% for Cyprus until programme closure.

## **II. PRESIDENCY COMPROMISE PROPOSAL**

4. Since its publication, the Working Party on Structural Measures has discussed the Commission proposal at its meetings on 6 July and 7 September 2016. To complement the discussions, the Commission also provided an information note on the payment profile for the extension of the top-up and the co-financing rate, as a response to a request from delegations.
5. During the discussions, the proposal received major support from delegations, including preference for a speedy adoption of the legal act.
6. During the meeting of the Working Party on Structural Measures on 7 September 2016, the Presidency proposed to proceed by taking over the Commission's proposal. There were no objections to the Presidency's proposal, as set out in the Annex to this note.



### III. SUBMISSION TO COREPER

7. On that basis, the Permanent Representatives Committee is invited to:

- confirm the agreement reached in favour of the compromise package concerning 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.
- authorise the Presidency to send a letter to the Chair of the European Parliament's Committee on Regional Development confirming that, should the European Parliament adopt its position at first reading, in accordance with Article 294 paragraph 3 of the Treaty, in the form set out in the compromise package contained in the Annex (subject to revision by the legal linguists of both institutions), the Council would, in accordance with Article 294, paragraph 4 of the Treaty, approve the European Parliament's position and the act shall be adopted in the wording which corresponds to the European Parliament's position.

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**Proposal for a**

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

**amending Regulation (EU) N° 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 EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular Article 177 thereof,

Having regard to the proposal from the European Commission,

After transmission of the draft legislative act to the national parliaments,

Having regard to the opinion of the European Economic and Social Committee<sup>1</sup>,

Having regard to the opinion of the Committee of the Regions<sup>2</sup>,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Article 24(3) of Regulation (EU) No 1303/2013 provides that the Commission is to examine the increase of interim payments from the ESIF by an amount corresponding to ten percentage points above the actual co-financing rate for each priority/measure for Member States which were under an adjustment programme after 21 December 2013 and have requested to benefit from this measure until 30 June 2016 provided for in that provision and to submit to the European Parliament and the Council a report<sup>3</sup> with its assessment and, if necessary, a legislative proposal before 30 June 2016.

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<sup>1</sup> OJ C , , p. .

<sup>2</sup> OJ C , , p. .

<sup>3</sup> COM (2016) 414 final



- (2) Five Member States were eligible for an increased payment under Article 24 of Regulation (EU) No 1303/2013, namely Romania, Ireland, Portugal, Cyprus and Greece. Romania, Ireland, Portugal and Cyprus completed their respective economic adjustment programmes. Only Greece is still under an adjustment programme 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.
- (3) However, the possibility for increased payment should end on 30 June of the year following the calendar year in which a given Member State stops receiving financial assistance under an adjustment programme.
- (4) 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% at the level of each priority for all operational programmes supported by the ERDF and ESF in Cyprus after 30 June 2017 and to make, if necessary, legislative proposal before 30 June 2016.
- (5) Cyprus exited its adjustment programme in March 2016. However, the economic situation of Cyprus is still fragile as reflected by its low growth rate, declining investment, high unemployment and stressed financial sector. To ease the pressure on the national budget and accelerate much-needed investments, the co-financing rate of 85% for all operational programmes supported by the ERDF and ESF in Cyprus should therefore be extended until programme closure.
- (6) In order to allow for the prompt application of the measures provided for in this Regulation, this Regulation should enter into force on the day following that of its publication in the Official Journal of the European Union,

HAVE ADOPTED THIS REGULATION:

#### *Article 1*

Regulation (EU) No 1303/2013 is amended as follows:

1. Article 24 is replaced by the following :

#### **"Increase in payments for Member State with temporary budgetary difficulties**

1. 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.



If a Member State meets one of the following conditions after 21 December 2013, the increased rate, which may not exceed 100 %, shall apply to its payment applications for the period until 30 June 2016:

(a) where the Member State concerned receives a loan from the Union under Council Regulation (EU) No 407/2010;

(b) where the Member State concerned receives medium-term financial assistance in accordance with Regulation (EC) No 332/2002 conditional on the implementation of a macro-economic adjustment programme;

(c) where financial assistance is made available to the Member State concerned conditional on the implementation of a macroeconomic adjustment programme as specified in Regulation (EU) No 472/2013.

If a Member State meets one of the conditions set out in the second subparagraph 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.

This paragraph shall not apply to programmes under the ETC Regulation.

2. Notwithstanding paragraph 1, Union support through interim payments and payments of the final balance shall not be higher than the public expenditure or the maximum amount of support from the ESI Funds for each priority for the ERDF, ESF and the Cohesion Fund, or for each measure for the EAFRD and the EMFF, as laid down in the decision of the Commission approving the programme, whichever is lower.";

2. Article 120(3) is amended as follows:

The second sub-paragraph is replaced by the following:

"For the period from 1 January 2014 until programme closure the co-financing rate at the level of each priority for all operational programmes in Cyprus shall be not higher than 85 %."

## *Article 2*

This Regulation shall enter into force on the day following that of its publication in the Official Journal of the European Union.



This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the European Parliament*

*For the Council*

*The President*

*The President*

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