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#### INFORMATION NOTE

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From: General Secretariat of the Council  
To: Permanent Representatives Committee/Council

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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 – Outcome of the European Parliament's first reading (Strasbourg, 24 to 27 October 2016)

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#### I. INTRODUCTION

The rapporteur, Ms Iskra MIHAYLOVA (ALDE, BG) presented a report on behalf of the Committee on Regional Development, aiming at taking over the Commission 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.

## II. VOTE

The Parliament adopted its first-reading position on 25 October 2016 by taking over the Commission proposal. This position is contained in its legislative resolution as set out in the Annex hereto.

On 21 September 2016, the Permanent Representatives Committee had approved the Commission's proposal without amendments. The Council should therefore be in a position to approve the European Parliament's position. The legislative act would then be adopted in the wording which corresponds to the European Parliament's position.

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## **Member States experiencing or threatened with serious difficulties with respect to their financial stability \*\*\*I**

**European Parliament legislative resolution of 25 October 2016 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 (COM(2016)0418 – C8-0238/2016 – 2016/0193(COD))**  
(Ordinary legislative procedure: first reading)

*The European Parliament,*

- having regard to the Commission proposal to Parliament and the Council (COM(2016)0418),
  - having regard to Article 294(2) and Article 177 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C8-0238/2016),
  - having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
  - having regard to the opinion of the European Economic and Social Committee of 21 September 2016<sup>1</sup>,
  - after consulting the Committee of the Regions,
  - having regard to the letter of the Committee on Budgets,
  - having regard to the undertaking given by the Council representative by letter of 21 September 2016 to approve Parliament's position, in accordance with Article 294(4) of the Treaty on the Functioning of the European Union,
  - having regard to Rules 59 and 50(1) of its Rules of Procedure,
  - having regard to the report of the Committee on Regional Development (A8-0292/2016),
1. Adopts its position at first reading hereinafter set out;
  2. Calls on the Commission to refer the matter to Parliament again if it intends to amend its proposal substantially or replace it with another text;
  3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

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<sup>1</sup> Not yet published in the Official Journal.

**Position of the European Parliament adopted at first reading on 25 October 2016 with a view to the adoption of Regulation (EU) 2016/... 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 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>,

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure<sup>2</sup>,

Whereas:

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<sup>1</sup> Opinion of 21 September 2016 (not yet published in the Official Journal).

<sup>2</sup> Position of the European Parliament of 25 October 2016.

- (1) Article 24(3) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council<sup>1</sup> provides that the Commission is to examine the increase of interim payments from the European Structural and Investment Funds by an amount corresponding to ten percentage points above the actual co-financing rate for each priority or measure for Member States which were under an adjustment programme after 21 December 2013 and have requested to benefit from that increase until 30 June 2016 and to submit to the European Parliament and the Council a report with its assessment and, if necessary, a legislative proposal before 30 June 2016. The Commission submitted that report to the European Parliament and to the Council on 27 June 2016.
- (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.

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<sup>1</sup> Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 laying down 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 and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347, 20.12.2013, p. 320).

- (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 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.
- (5) Cyprus exited from 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 closure of the operational programme.
- (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:

*"Article 24*

**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:

- (a) the public expenditure; or
- (b) 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) in Article 120(3), the second subparagraph is replaced by the following:

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

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

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