At a glance

Plenary – 21 October 2016

European Parliament

Amendment of Common Provisions Regulation articles for Member States in financial difficulty

The implementation of programmes under the European Structural and Investment Funds (ESI Funds) is challenging, not least because of the liquidity problems resulting from the fiscal consolidation efforts being made in various EU Member States. The European Commission is suggesting amendments to the Common Provisions Regulation (CPR), the main regulation covering the ESI Funds, in order to ease the liquidity problems that various countries are facing.

Background

Articles 24 and 120(3) of the CPR (Regulation (EU) No 1303/2013) can be used to help Member States undergoing temporary budgetary difficulties, and receiving financial assistance as a result, to make the most of the investment opportunities offered by the ESI Funds. On the basis of Article 24 CPR, Greece, Cyprus, Ireland, Romania and Portugal were eligible for early increased payments (the top-up provision) between 1 January 2014 and 30 June 2016. In addition, under Article 120(3) of the CPR, Cyprus was granted a higher co-financing rate for European Regional Development Fund (ERDF) and European Social Fund (ESF) programmes. The legislative procedure requires the Commission to review these clauses with a view to extending the timeframe within which additional support is allowed in cases where the economic situation of the countries in question so requires. The Commission has therefore made the current proposal arguing in favour of an extension of these facilitating measures for Greece and Cyprus.

Article 24 – Increase in payments for Member States with budgetary difficulties

In order to ensure that Member States in difficulty continue to implement ESIF programmes on the ground and disburse funds to projects, Article 24 of the CPR allows the Commission to top up payments from 1 January 2014 to 30 June 2016 for those countries that have benefitted from financial assistance since 21 December 2013. Given that the state of the economy in Greece is still very fragile, the Commission proposes to prolong Greek eligibility for top-up payments for a certain period. Moreover, the extension of these provisions would apply not only to Greece but also to any other Member State that might need, and be eligible for, financial assistance after coming under an economic adjustment programme.

Article 120(3) – Determination of co-financing rates

Cyprus has the status of a more developed region under cohesion policy and would in normal circumstances receive 50 % co-financing for ERDF and ESF programmes. As Cyprus has been experiencing economic hardship, however, it was granted a higher co-financing rate of 85 % between 1 January 2014 and 30 June 2017, on the basis of Article 120(3) CPR. The Commission proposes that Cyprus should continue to be eligible for this higher co-financing rate of 85 % until the closure of the 2014-2020 programmes.

Budgetary implications

The proposed CPR modifications do not entail any surcharge to the EU budget. The amendments might temporarily increase payment appropriations, but these would be offset by lower payments towards the end of the 2014-2020 programmes.

The report of the Committee on Regional Development (rapporteur: Iskra Mihaylova, ALDE, Bulgaria) welcomes the Commission proposal as a focused and budget-neutral solution to the temporary liquidity problems faced by the two Member States. The report therefore recommends that Parliament take over the Commission proposal without amendment. A vote is scheduled for the second plenary session in October.

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