Regulation (EU) 2016/2135 of the European Parliament and of the Council of 23 November 2016 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

REGULATION (EU) 2016/2135 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of 23 November 2016

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[(1)],

After consulting the Committee of the Regions,

Acting in accordance with the ordinary legislative procedure[(2)],

Whereas:

(1) Article 24(3) of Regulation (EU) No 1303/2013 of the European Parliament and of the Council[(3)] provides that the Commission is to examine the increase of interim payments from the European Structural and Investment Funds by an amount corresponding to 10 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.

Changes to legislation: *There are currently no known outstanding effects for the Regulation (EU) 2016/2135 of the European Parliament and of the Council. (See end of Document for details)*

(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 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.

(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 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 macroeconomic 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.