EUROPEAN UNION

THE EUROPEAN PARLIAMENT **THE COUNCIL**

Brussels, 13 December 2011
(OR. en)

2011/0209 (COD) **PE-CONS 70/11**

CODEC 2165
AGRI 804
AGRISTR 74

LEGISLATIVE ACTS AND OTHER INSTRUMENTS

Subject:	REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL amending Council Regulation (EC) No 1698/2005 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) No .../2011
OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

of ...

amending Council Regulation (EC) No 1698/2005
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 Articles 42 and 43 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],

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

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1 Opinion of 27 October 2011.
2 Position of the European Parliament of ...(not yet published in the Official Journal) and decision of the Council of ….

Whereas:

(1) The unprecedented global financial crisis and the unprecedented economic downturn have seriously damaged economic growth and financial stability and provoked a strong deterioration of financial and economic conditions for several Member States. In particular, certain Member States are experiencing or are threatened with serious difficulties, notably those connected with problems in their economic growth and financial stability and with a deterioration in their deficit and debt position, due to the international economic and financial environment.

(2) Whilst important actions to counterbalance the negative effects of the crisis have already been taken, including amendments to the legislative framework, the impact of the financial crisis on the real economy, the labour market and the citizens is being widely felt. The pressure on national financial resources is increasing and further steps should now be taken to alleviate that pressure through the maximal and optimal use of the funding from the European Agricultural Fund for Rural Development ("EAFRD").

(3) Based on Article 122(2) of the Treaty on the Functioning of the European Union, which provides for the possibility of granting Union financial assistance to a Member State in difficulties or seriously threatened with severe difficulties caused by exceptional occurences beyond its control, Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism[1] established such mechanism with a view to preserving the financial stability of the Union.

(4) By Council Implementing Decisions 2011/77/EU of 7 December 2010[2] and 2011/344/EU of 30 May 2011[3] respectively, Ireland and Portugal were granted such Union financial assistance. Greece was experiencing serious difficulties with respect to its financial stability before the entry into force of Regulation (EU) No 407/2010 and received financial assistance, inter alia, from other euro area Member States.

(5) Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments[4] established an instrument providing that the Council is to grant medium-term financial assistance where a Member State, which has not adopted the euro, is in difficulties or is seriously threatened with difficulties as regards its balance of payments.

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[1] OJ L 118, 12.5.2010, p. 1.
[2] OJ L 30, 4.2.2011, p. 34.
[3] OJ L 159, 17.6.2011, p. 88.
[4] OJ L 53, 23.2.2002, p. 1.

(6) By Council Decisions 2009/102/EC of 4 November 2008[1], 2009/290/EC of 20 January 2009[2] and 2009/459/EC of 6 May 2009[3] respectively, Hungary, Latvia and Romania were granted such financial assistance.

(7) The period during which financial assistance is available to Ireland, Hungary, Latvia, Portugal and Romania is set out in the respective Council Decisions. Assistance to Hungary expired on 4 November 2010.

(8) For Greece, the Inter-creditor Agreement concluded together with the Loan Facility Agreement entered into force on 11 May 2010. The Inter-creditor Agreement provides that the availability period is to expire on the third anniversary of the date of that agreement.

(9) On 11 July 2011, the finance ministers of the 17 euro-area Member States signed the Treaty establishing the European Stability Mechanism (ESM). That Treaty follows the European Council Decision 2011/199/EU of 25 March 2011 amending Article 136 of the Treaty on the Functioning of the European Union with regard to a stability mechanism for Member States whose currency is the euro[4]. It is anticipated that, by 2013, the ESM will assume the tasks currently assumed by the European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM).

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1 OJ L 37, 6.2.2009, p. 5.
2 OJ L 79, 25.3.2009, p. 39.
3 OJ L 150, 13.6.2009, p. 8.
4 OJ L 91, 6.4.2011, p. 1

(10) In its conclusions of 23 and 24 June 2011, the European Council welcomed the Commission's intention to enhance the synergies between the loan programme for Greece and the Union funds and supported all efforts to increase Greece's capacity to absorb Union funds, in order to stimulate growth and employment, by refocusing on improving competitiveness and employment creation. Moreover, the European Council welcomed and supported the preparation by the Commission, together with the Member States, of a comprehensive programme of technical assistance to Greece. This amendment to Council Regulation (EC) No 1698/2005 of 20 September 2005 on support for rural development by the Agricultural Fund for Rural development (EAFRD)[1] contributes to such efforts to enhance synergies.

(11) In order to facilitate the management of Union funding, to help accelerate the investments in Member States and regions concerned and to increase the impact of the funding on the economy, it is necessary to allow the EAFRD contribution rate to increase up to 95 % of eligible public expenditure in the regions eligible under the Convergence Objective and to increase up to 85 % of eligible public expenditure in other regions which are facing serious difficulties with respect to their financial stability.

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1 OJ L 277, 21.10.2005, p. 1.

(12) In accordance with the general principles applicable under Regulation (EC) No 1698/2005, the increased co-financing rates are to apply only to payments to be made after the respective rural development programmes, including the new financial plans, have been approved by the Commission. It is therefore also necessary to determine the procedure under which the Member States may use that possibility as well as the mechanism through which it will be ensured.

(13) The temporary increase in co-financing rates should also take account of the budgetary restraints facing all Member States, and those budgetary restraints should be reflected appropriately in the general budget of the European Union. In addition, since the main purpose of the mechanism is to address specific current difficulties, its application should be limited to expenditure incurred by the paying agencies until 31 December 2013.

(14) Regulation (EC) No 1698/2005 should therefore be amended accordingly.

(15) Due to the urgent need to address the economic crisis, this Regulation should enter into force immediately on publication,

HAVE ADOPTED THIS REGULATION:

Article 1

In Article 70 of Regulation (EC) No 1698/2005 the following paragraph is inserted after paragraph 4b:

"4c. By way of derogation from the ceilings set out in paragraphs 3, 4 and 5, the EAFRD contribution may be increased up to a maximum of 95 % of eligible public expenditure in the regions eligible under the Convergence Objective and the outermost regions and the smaller Aegean Islands, and 85 % of eligible public expenditure in other regions. These rates shall apply to the eligible expenditure newly declared in each certified declaration of expenditure incurred during the period in which a Member State complies with one of the following conditions:

(a) financial assistance is made available to it under Council Regulation (EU) No 407/2010 of 11 May 2010 establishing a European financial stabilisation mechanism* or is made available to it by other euro-area Member States before the entry into force of that Regulation;

(b) medium-term financial assistance is made available to it in accordance with Council Regulation (EC) No 332/2002 of 18 February 2002 establishing a facility providing medium-term financial assistance for Member States' balances of payments[**];

(c) financial assistance is made available to it in accordance with the Treaty establishing the European Stability Mechanism.

A Member State wishing to make use of the derogation provided for in the first subparagraph shall submit a request to the Commission to modify its rural development programme accordingly. The derogation provided for in the first subparagraph shall apply from the approval, by the Commission, of the modification of the programme, and shall cease to apply once the Member State no longer fulfils any of the conditions set out in points (a), (b) or (c) of the first subparagraph. In any event, the derogation provided for in the first subparagraph shall apply only to expenditure incurred by the paying agencies until 31 December 2013.

When the derogation provided for in the first subparagraph ceases to apply, the Member State shall send the Commission a proposal for modification of the programme, including a new financing plan that complies with the maximum rates applicable before the derogation.

If a Member State does not submit to the Commission a proposal for modifying its rural development programme, including a new financing plan, on the date that the derogation ceases to apply in accordance with the second subparagraph, or if the financing plan notified does not comply with the maximum rates laid down in paragraphs 3, 4 and 5, those rates shall become automatically applicable from that date.

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* OJ L 118, 12.5.2010, p. 1.

** OJ L 53, 23.2.2002, p. 1.".

Article 2

This Regulation shall enter into force on the day 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