

José Manuel Barroso
President of the European Commission

Brussels, 15 April 2013
Ares(2013)699054

Dear President,

Thank you for your letter of 9 April asking for the Commission's support in finding ways of helping Cyprus at this difficult time of economic and social adjustment. You can be assured of my personal commitment to doing everything within the Commission's power to help Cyprus return to a sustainable situation and to help mitigate the impact of the current crisis.

As you know, the Commission had signalled very serious concerns about the situation in Cyprus in its different economic reports over quite a long period. As far back as November 2011 we spoke to your predecessor about the need for Cyprus to enter into a macro economic assistance programme. With this in mind, the Commission ensured during the negotiations for the next EU multi annual financial framework (MFF) that the decisions reached by the European Council took account of the particular needs of Cyprus in the overall context of the negotiations. As you know this resulted in Cyprus receiving an additional allocation of EUR 150 million under cohesion policy to 'recognise the challenges posed by the situation of island Member States and the remoteness of certain parts of the European Union' and EUR 7 million under rural development (which will be subject to a co-financing rate of 100%). Moreover the Commission ensured that the provisions which apply in the current period to programme countries will also apply in future to Cyprus. Thus, for its future ERDF, ESF, Cohesion Fund, EARDF and EMFF allocations Cyprus will be able to request higher pre-financing rates (i.e. 1.5% instead of the normal 1% in both 2014 and 2015). Under cohesion policy and rural development, Cyprus will be able to request a 10% "top up" co-financing rate. Moreover, there will be a review in 2016 of the cohesion allocations and possibly of eligibility for the Cohesion Fund in 2017 with a view to adjusting the results in cases of significant divergences between the statistical data used to determine the agreed allocations and developments in the real economy.

Nicos Anastasiades
President of the Republic of Cyprus

With a view to delivering an impact on the ground as soon as possible I would propose to explore with the budgetary authority the possibility of frontloading future MFF assistance for Cyprus. This would require your administration to bring forward its planning of programmes and projects under cohesion and rural development. Cyprus is not currently eligible for the future Youth Employment Initiative but since it has not yet been finalised if you feel it could help, I would be pleased to support a request for its extension to Cyprus on an exceptional basis.

In your letter, you also suggest that Cyprus might be given increased allocations under both cohesion and rural development policy. While I understand the thinking behind such a suggestion, this is an issue that must be taken up first and foremost with the other Member States since the amounts foreseen by the European Council under Headings IB and II of the next MFF were fully allocated to Member States in a very precise way, after very difficult negotiations subject to unanimity. Unfortunately no unallocated margin was left in these headings under the European Council approach.

Beyond the immediate ideas outlined above, and in order to see how best we could work together to channel help to the areas of greatest need in Cyprus I would propose that our officials develop a more detailed "needs assessment" for Cyprus. We are currently discussing with all Member States the main lines of future programming of the structural funds. Clearly the situation of Cyprus is now altered and must be reflected in the programming. No doubt this will require changes in existing expectations and the redirection of funds. With an overall country specific allocation of EUR 945 million for the next MFF period (2011 prices – EUR 514 million under cohesion and EUR 431 million for direct payments and rural development under the common agricultural policy) I believe that the right kind of targeting could help deliver an important economic and social impact. Commission staff and the support group we are establishing to assist your authorities would be able to help in this regard. Once we have agreed on such a "needs assessment" we could see how to match all available funds to the needs identified. In this context I do not exclude seeking additional support from the budgetary authority, despite all the well-known difficulties currently associated with these matters at EU level.

I am copying this reply to President Van Rompuy and to Taoiseach Kenny to whom you copied your original letter and also to President Schulz in view of the co-equal role of the European Parliament on budgetary matters. In closing I reiterate the support of the Commission, and my own personal support, to you and the people of Cyprus at this difficult time. Solidarity has always been a byword of the Commission's action and it will be the hallmark of our future work with you to help Cyprus restructure and diversify its economy to give new hope to your people of better times to come.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'J' followed by a horizontal line that curves upwards at the end.

José Manuel BARROSO