EU to top up subsidies for troubled member states

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EUOBSERVER / BRUSSELS - Cash-strapped Greece, Portugal, Ireland, Romania, Hungary and Latvia may get a €2.8 billion cash boost under an "emergency package" allowing them to have the EU contribution to farming, regional and infrastructure projects increased from 85 to 95 percent.

"To be sure that the European funds for these countries can be delivered quicker, we proposed that for the period they fall under emergency programs, the rate of co-finance can be topped up to 95 percent," EU regional policy commissioner Johannes Hahn said during a press conference on Monday (1 August).

Claiming that the move will give the six troubled countries "more breathing space" to quickly launch programs blocked by the lack of financing from the national side, Hahn explained that the measure is only temporary and would only be triggered if requested by the respective member states.

The total of €2.8 bilion do not represent extra money, but will come from the budget already allocated for the six countries under farming, fisheries, regional and social funding for the period 2007-2013.

"We cannot ask for cuts in the budget and at the same time co-financing of EU projects," the commissioner said, in reference to the austerity programs put in place in all of these countries as part of their EU and IMF bailout packages.

He insisted, however, that the quality of the projects and the "sound management" of the EU funds have to be respected.

Greece, Ireland and Portugal are eurozone countries under EU-IMF loans, while Romania, Hungary and Latvia received similar financial assistance without being part of the single currency area.

With low absorption of EU funds in Greece, EU leaders last month agreed as part of the second Greek bailout package to send extra experts to the country and to simplify the rules, so that the default-risky country can at least benefit from the EU money it could get.

The Greek government has claimed less than €5 billion out of the €20.2 billion it could receive by 2013. Romania is in a similar situation, with less than €1billion out of its share of €20 billion.

German economy minister Philipp Roesler on Monday welcomed the EU proposal, which still needs the green light of the EU parliament and the member states. Berlin is the main contributor both to the EU budget and the respective bailouts.

"Greece currently doesn't dispose of the required financial means to come up with its own share in investments into the competitiveness of its economy," he said in a statement.

"The raising of [EU] funding limits should be limited to the period in which the affected states are subjected to an adjustment program," the minister said. "Also, the rule should only be valid in strictly limited exceptions. Greece is such a case," he added.