Brexit Adjustment Reserve

2020/0380(COD) - 25/12/2020 - Legislative proposal

PURPOSE: to establish the Brexit adjustment reserve to strengthen economic, social and territorial cohesion and show tangible solidarity with Member States, regions and sectors most affected by the withdrawal of the United Kingdom from the EU.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the United Kingdom left the European Union on 1 February 2020. Even with the new EU-UK Trade and Cooperation Agreement in place, there will be big changes at the end of the transition period on 1 January 2021. On that date, the UK will leave the EU Single Market and Customs Union, as well as all EU policies and international agreements. It will put an end to the free movement of persons, goods, services and capital with the EU.

The EU and the UK will form two separate markets; two distinct regulatory and legal spaces. This will recreate barriers to trade in goods and services and to cross-border mobility and exchanges that have not existed for decades – in both directions, affecting public administrations, businesses, citizens and stakeholders on both sides. This will have broad and far-reaching consequences for businesses, citizens and public administrations.

The Commission has been working with the Member States and their administrations to help preparations and boost readiness. The European Council conclusions, agreed at its special meeting of 17-21 July 2020, to provide for the establishment of a new special Brexit Adjustment Reserve ‘to counter unforeseen and adverse consequences in Member States and sectors that are worst affected'.

The Reserve would be complementary and ensure synergies with other Union programmes and funding instruments. It will concentrate its resources specifically and exclusively on the direct effect of the specific and unprecedented event of withdrawal of the United Kingdom from the Union, reducing its impact in terms of territorial cohesion.

PURPOSE: the proposed Brexit Adjustment Reserve should provide support to Member States, regions and sectors, in particular those that are worst affected by the adverse consequences of the withdrawal of the UK from the EU. It should cover all Member States. The period of eligibility for direct public expenditure will run from 1 July 2020 to 31 December 2022.

Sector support

The proposed Reserve should support measures specifically set up in relation to the withdrawal of the UK from the Union. They may include the following:

- support to economic sectors, business and local communities, including those dependent on fishing activities in the UK waters;

- support to employment and reintegration in the labour market of citizens returning from the UK, including through short-time work schemes, re-skilling and training;

- ensuring the functioning of border, customs, sanitary and phytosanitary and security controls, fisheries control, certification and authorisation regimes, communication, information and awareness raising for citizens and businesses.

Submission and assessment of applications for financial contribution from the Reserve

To ensure equal treatment of all Member States, there should be one single deadline applicable to all Member States for the submission of applications for a financial contribution from the Reserve. This deadline is the 30 September 2023.

Following the application, the Commission should examine the eligibility and accuracy of the expenditure declared, its link to the end of the transition period and its economic effects, and the measures put in place to avoid double financing as well as the supporting documents. Where the expenditure accepted as eligible exceeds the amount paid in pre-financing and 0.06% of the nominal GNI of 2021, additional amounts from the Reserve may be paid to contribute to the exceeding amounts, within the limits of the financial resources available. The amounts recovered or carried over from the pre-financing may be used for reimbursement of additional expenditure by Member States, provided there is a demand.

Reporting

By 30 June 2027, the Commission should present an implementation report of the Reserve to the European Parliament and the Council.

Budgetary implications

The maximum resources for the implementation of the Reserve should be EUR 5 370 994 000 in current prices, to be financed as a special instrument outside of the EU budget ceilings of the Multiannual Financial Framework. The support should be disbursed in two allocation rounds.

The first, more substantial one (EUR 4 244 832 000) should be activated in 2021 in the form of pre-financing.

The second round (EUR 1 126 162 000) should be allocated and disbursed in 2024 for additional contributions in line with the provisions of the present proposal.

The budget allocated to the Reserve should be implemented under shared management with the Member States, guaranteeing full respect of the principles of sound financial management, transparency and non-discrimination and the absence of conflict of interest.

Lastly, in order to avoid extra financial and administrative burdens on the Member States, Member States could also roll over existing systems already used for the management and control of cohesion policy funding or the European Union Solidarity Fund.