



2020/0380(COD)

2.3.2021

*****I**

DRAFT REPORT

on the proposal for a regulation of the European Parliament and of the Council
establishing the Brexit Adjustment Reserve
(COM(2020)0854 – C9-0433/2020 – 2020/0380(COD))

Committee on Regional Development

Rapporteur: Pascal Arimont

Rapporteurs for the opinion (*):
Valérie Hayer, Committee on Budgets,
François-Xavier Bellamy, Committee on Fisheries

(*) Associated committees – Rule 57 of the Rules of Procedure

Symbols for procedures

- * Consultation procedure
- *** Consent procedure
- ***I Ordinary legislative procedure (first reading)
- ***II Ordinary legislative procedure (second reading)
- ***III Ordinary legislative procedure (third reading)

(The type of procedure depends on the legal basis proposed by the draft act.)

Amendments to a draft act

Amendments by Parliament set out in two columns

Deletions are indicated in ***bold italics*** in the left-hand column. Replacements are indicated in ***bold italics*** in both columns. New text is indicated in ***bold italics*** in the right-hand column.

The first and second lines of the header of each amendment identify the relevant part of the draft act under consideration. If an amendment pertains to an existing act that the draft act is seeking to amend, the amendment heading includes a third line identifying the existing act and a fourth line identifying the provision in that act that Parliament wishes to amend.

Amendments by Parliament in the form of a consolidated text

New text is highlighted in ***bold italics***. Deletions are indicated using either the **■** symbol or strikeout. Replacements are indicated by highlighting the new text in ***bold italics*** and by deleting or striking out the text that has been replaced.

By way of exception, purely technical changes made by the drafting departments in preparing the final text are not highlighted.

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DRAFT EUROPEAN PARLIAMENT LEGISLATIVE RESOLUTION

**on the proposal for a regulation of the European Parliament and of the Council
establishing the Brexit Adjustment Reserve
(COM(2020)0854 – C9-0433/2020 – 2020/0380(COD))**

(Ordinary legislative procedure: first reading)

The European Parliament,

- having regard to the Commission proposal to Parliament and the Council (COM(2020)0854),
- having regard to Article 294(2), Article 322 and the third paragraph of Article 175 of the Treaty on the Functioning of the European Union, pursuant to which the Commission submitted the proposal to Parliament (C9-0433/2020),
- having regard to Article 294(3) of the Treaty on the Functioning of the European Union,
- having regard to the opinion of the European Economic and Social Committee of ...¹,
- having regard to the opinion of the Committee of the Regions of ...²,
- having regard to the opinion of the Court of Auditors of ...³,
- having regard to Rule 59 of its Rules of Procedure,
- having regard to 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,
- having regard to the Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community,
- having regard to Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union, amending Regulations (EU) No 1296/2013, (EU) No 1301/2013, (EU) No 1303/2013, (EU) No 1304/2013, (EU) No 1309/2013, (EU) No 1316/2013, (EU) No 223/2014, (EU) No 283/2014, and Decision No 541/2014/EU and repealing Regulation (EU, Euratom) No 966/2012,
- having regard to the opinions of the Committee on Budgets and the Committee on Fisheries,

¹ Not yet published in the Official Journal.

² Not yet published in the Official Journal.

³ Not yet published in the Official Journal.

- having regard to the report of the Committee on Regional Development (A9-0000/2021),
- 1. Adopts its position at first reading hereinafter set out;
- 2. Calls on the Commission to refer the matter to Parliament again if it replaces, substantially amends or intends to substantially amend its proposal;
- 3. Instructs its President to forward its position to the Council, the Commission and the national parliaments.

Amendment 1

Proposal for a regulation

Recital 1

Text proposed by the Commission

(1) On 1 February 2020, the United Kingdom of Great Britain and Northern Ireland ('United Kingdom') left the European Union and the European Atomic Energy Community ('Euratom') – hereafter referred together as the 'Union', entering a transition period. That time-limited period was agreed as part of the Withdrawal Agreement¹¹ and ***is to last until*** 31 December 2020. During the transition period, the Union and the United Kingdom started formal negotiations on a future relationship.

¹¹ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community ('Withdrawal Agreement') (OJ L 29, 31.1.2020, p. 7).

Amendment

(1) On 1 February 2020, the United Kingdom of Great Britain and Northern Ireland ('United Kingdom') left the European Union and the European Atomic Energy Community ('Euratom') – hereafter referred together as the 'Union', entering a transition period. That time-limited period was agreed as part of the Withdrawal Agreement¹¹ and ***ended on*** 31 December 2020. During the transition period, the Union and the United Kingdom started formal negotiations on a future relationship.

¹¹ Agreement on the withdrawal of the United Kingdom of Great Britain and Northern Ireland from the European Union and the European Atomic Energy Community ('Withdrawal Agreement') (OJ L 29, 31.1.2020, p. 7).

Or. en

Amendment 2

Proposal for a regulation

Recital 2

Text proposed by the Commission

(2) Following the end of the transition period, barriers to trade and to cross-border exchanges between the Union and the United Kingdom **will be** present. Broad and far-reaching consequences for businesses, citizens and public administrations **are expected**. Those consequences are unavoidable and stakeholders need to make sure that they are ready for them.

Amendment

(2) Following the end of the transition period, barriers to trade and to cross-border exchanges between the Union and the United Kingdom **have become** present **with** broad and far-reaching consequences for businesses, citizens and public administrations. Those consequences are unavoidable and stakeholders need to make sure that they are ready for them.

Or. en

Amendment 3

Proposal for a regulation

Recital 3

Text proposed by the Commission

(3) The Union is committed to mitigating the economic impact of the withdrawal of the United Kingdom from the Union and to show solidarity with all Member States, especially the most affected ones in such exceptional circumstances.

Amendment

(3) The Union is committed to mitigating the **negative** economic **and social** impact of the withdrawal of the United Kingdom from the Union and to show solidarity with all Member States, especially the most **severely** affected ones, **including their regions**, in such exceptional circumstances.

Or. en

Amendment 4

Proposal for a regulation

Recital 4

Text proposed by the Commission

(4) A Brexit Adjustment Reserve (the ‘Reserve’) should be established to provide support to counter adverse consequences in Member States, regions and sectors, in particular those that are worst affected by

Amendment

(4) A Brexit Adjustment Reserve (the ‘Reserve’) should be established to provide support to counter adverse consequences in Member States, regions and sectors, in particular those that are worst affected by

the withdrawal of the United Kingdom from the Union, and thus to mitigate the related impact on the economic, social and territorial cohesion. It should cover in whole or in part the additional **public** expenditure incurred by Member States for measures specifically taken to mitigate those consequences.

the withdrawal of the United Kingdom from the Union, and thus to mitigate the related **negative** impact on the economic, social and territorial cohesion. It should cover in whole or in part the additional expenditure incurred by Member States for measures specifically taken to mitigate those consequences.

Or. en

Amendment 5

Proposal for a regulation

Recital 5

Text proposed by the Commission

(5) For the purposes of contributing to economic, social and territorial cohesion, it is appropriate that Member States, when designing support measures, focus in particular on the regions, areas and local communities, including those dependent on fishing activities **in the United Kingdom waters**, that are **likely to be** most negatively impacted by the withdrawal of the United Kingdom. Member States **may have to take specific** measures **notably** to support businesses and economic sectors adversely affected by the withdrawal. It is therefore appropriate to provide a non-exhaustive list of the type of measures that are most likely to achieve **this objective**.

Amendment

(5) For the purposes of contributing to economic, social and territorial cohesion, it is appropriate that Member States, when designing support measures, focus in particular on **and allocate funds from the Reserve to** the regions, areas and local communities, including those dependent on fishing activities, that are most negatively impacted by the withdrawal of the United Kingdom. **For the purposes of countering the adverse consequences of the withdrawal of the United Kingdom,** Member States **should use a substantial part of the contribution from the Reserve on** measures to support businesses, **in particular SMEs as they usually lack the administrative, legal and financial capacity to prepare and implement contingency plans,** and economic sectors adversely affected by the withdrawal, **including the fisheries sector**. It is therefore appropriate to provide a non-exhaustive list of the type of measures that are most likely to achieve **those objectives**.

Or. en

Amendment 6

Proposal for a regulation Recital 7

Text proposed by the Commission

(7) In order to take into account the immediate impact of the adverse consequences of the withdrawal of the United Kingdom from the Union on the Member States and their economies and ***the need to adopt mitigating measures, as*** appropriate, prior to the expiry of the transition period, the eligibility period for implementing such measures should start as from 1 ***July 2020*** and be concentrated over a limited period of ***30*** months.

Amendment

(7) In order to take into account the immediate impact of the adverse consequences of the withdrawal of the United Kingdom from the Union on the Member States and their economies and, ***where*** appropriate, ***measures taken by the Member States to mitigate the expected disruptive effects of the withdrawal*** prior to the expiry of the transition period, the eligibility period for implementing such measures should start as from 1 ***January 2019*** and be concentrated over a limited period of ***48*** months.

Or. en

Amendment 7

Proposal for a regulation Recital 10

Text proposed by the Commission

(10) For the purpose of sound financial management, specific rules should be laid down for budget commitments, payments, carry-overs and the recovery of the Reserve. While respecting the principle that the Union budget is set annually, this Regulation should provide for possibilities to carry-over unused funds beyond those set out in the Financial Regulation, thus maximising the Reserve's capacity to address adverse consequences of the withdrawal of the United Kingdom from the Union on the Member States and their economies.

Amendment

(10) For the purpose of sound financial management, specific rules should be laid down for budget commitments, payments, carry-overs and the recovery of the Reserve. While respecting the principle that the Union budget is set annually, this Regulation should, ***on account of the exceptional and specific nature of the Reserve***, provide for possibilities to carry-over unused funds beyond those set out in the Financial Regulation, thus maximising the Reserve's capacity to address adverse consequences of the withdrawal of the United Kingdom from the Union on the Member States and their economies.

Or. en

Amendment 8

Proposal for a regulation Recital 12

Text proposed by the Commission

(12) Prior to the payment of the pre-financing, Member States should notify the Commission of the identity of the bodies designated and of the body to which the pre-financing shall be paid, and confirm that the systems' descriptions have been drawn up, within three months of the entry into force of this Regulation.

Amendment

(12) Prior to the payment of the pre-financing, Member States should notify the Commission of the identity of the bodies designated and of the body to which the pre-financing shall be paid, and confirm that the systems' descriptions have been drawn up, within three months of the entry into force of this Regulation. ***Member States should designate the relevant bodies at the appropriate territorial level, in accordance with their institutional, legal and financial framework.***

Or. en

Amendment 9

Proposal for a regulation Recital 13

Text proposed by the Commission

(13) 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. The specific nature of the instrument and the relatively short implementation period justify the establishment of a tailor-made reference period and would make disproportionate the requirement for Member States to provide the documents required in paragraphs 5, 6 and 7 of Article 63 of the Financial Regulation, on an annual basis. Given that at the same time, the risks for the Union budget are mitigated by the requirement for ***a*** solid management

Amendment

(13) 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. The specific nature of the instrument and the relatively short implementation period justify the establishment of a tailor-made reference period and would make disproportionate the requirement for Member States to provide the documents required in paragraphs 5, 6 and 7 of Article 63 of the Financial Regulation, on an annual basis. Given that at the same time, the risks for the Union budget are mitigated by the requirement for ***making use of*** solid

and control system ***to be set up by*** Member States, it is justified to derogate from the obligation to submit the required documents in February or March of each year. In order to enable the Commission to check the correctness of the use of the financial contribution of the Reserve, Member States should also be required to submit, as part of the application, implementation reports providing more detail on the actions financed, a management declaration as well as an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards.

management and control system ***already existing in*** Member States, it is justified to derogate from the obligation to submit the required documents in February or March of each year. In order to enable the Commission to check the correctness of the use of the financial contribution of the Reserve, Member States should also be required to submit, as part of the application, implementation reports providing more detail on the actions financed, ***the elements of accounts, a summary of the final audit reports and controls carried out,*** a management declaration as well as an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards.

Or. en

Amendment 10

Proposal for a regulation

Recital 14

Text proposed by the Commission

(14) Pursuant to paragraphs 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016¹³, there is a need to evaluate the Reserve on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burden, ***in particular on Member States***. These requirements, where appropriate, should include measurable indicators, as a basis for the evaluation of the Reserve.

¹³ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making (OJ L 123, 12.5.2016, p. 1).

Amendment

(14) Pursuant to paragraphs 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016¹³, there is a need to evaluate the Reserve on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burden ***on national, regional and local authorities***. These requirements, where appropriate, should include measurable indicators, as a basis for the evaluation of the Reserve.

¹³ Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making (OJ L 123, 12.5.2016, p. 1).

Amendment 11

Proposal for a regulation

Recital 15

Text proposed by the Commission

(15) To ensure equal treatment of all Member States and consistency in the evaluation of the applications, the Commission should assess the applications in a package. It should look in particular into the eligibility and the accuracy of the expenditure declared, the direct link of the expenditure with measures taken to address the consequences of the withdrawal and the measures put in place by the Member State concerned to avoid double funding. Upon assessment of the applications for a financial contribution from the Reserve, the Commission should clear the pre-financing paid, and recover the unused amount. In order to concentrate the support on Member States most affected by the withdrawal, where the expenditure in the Member State concerned, accepted as eligible by the Commission, exceeds the amount paid as pre-financing and 0.06% of the nominal Gross National Income (GNI) for 2021 of the Member State concerned, it should be possible to allow for a further allocation from the Reserve to that Member State within the limits of the financial resources available. Given the extent of the expected economic shock, the possibility to use the amounts recovered from the pre-financing for the reimbursement of additional expenditure by Member States should be provided for.

Amendment

(15) To ensure equal treatment of all Member States and consistency in the evaluation of the applications, the Commission should assess the applications in a package. It should look in particular into the eligibility and the accuracy of the expenditure declared, the direct link of the expenditure with measures taken to address the **adverse** consequences of the withdrawal and the measures put in place by the Member State concerned to avoid double funding. Upon assessment of the applications for a financial contribution from the Reserve, the Commission should clear the pre-financing paid, and recover the unused amount. In order to concentrate the support on Member States most **severely** affected by the withdrawal, where the expenditure in the Member State concerned, accepted as eligible by the Commission, exceeds the amount paid as pre-financing and 0.06% of the nominal Gross National Income (GNI) for 2021 of the Member State concerned, it should be possible to allow for a further allocation from the Reserve to that Member State within the limits of the financial resources available. Given the extent of the expected economic shock, the possibility to use the amounts recovered from the pre-financing for the reimbursement of additional expenditure by Member States should be provided for.

Amendment 12

Proposal for a regulation Recital 15 a (new)

Text proposed by the Commission

Amendment

(15a) Given the unprecedented and exceptional nature of the instrument and its purpose, the Commission should assist Member States in order to help their preparation of the measures to be supported, including on how to assess the direct link of the expenditure with the withdrawal of the United Kingdom from the Union.

Or. en

Amendment 13

Proposal for a regulation Recital 16

Text proposed by the Commission

Amendment

(16) In order to ensure the proper functioning of shared management, Member States should establish a management and control system, designate and notify the Commission of the bodies responsible for the management of the Reserve as well as a separate independent audit body. ***For simplification reasons, Member States may make use of existing bodies designated and systems*** set up for the purpose of the management and control of cohesion policy funding or the European Union Solidarity Fund. It is necessary to specify the responsibilities of the Member States and lay down the specific requirements for the bodies designated.

(16) In order to ensure the proper functioning of shared management, Member States should establish a management and control system, designate and notify the Commission of the bodies responsible for the management of the Reserve as well as a separate independent audit body. Member States ***should make use of systems and should delegate tasks to existing designated bodies, including on regional and local level,*** set up for the purpose of the management and control of cohesion policy funding or the European Union Solidarity Fund. It is necessary to specify the responsibilities of the Member States and lay down the specific requirements for the bodies designated.

Or. en

Amendment 14

Proposal for a regulation Recital 16 a (new)

Text proposed by the Commission

Amendment

(16a) To ensure effective controls and audits for the purposes of avoiding double funding and preventing, detecting and correcting fraud, corruption and conflict of interests in relation to the measures supported by the Reserve, it is essential that Member States collect and record data on recipients of a financial contribution from the Reserve and their beneficial owners in an electronic standardised and interoperable format and use the single data mining tool to be provided by the Commission.

Or. en

Amendment 15

Proposal for a regulation Recital 18

Text proposed by the Commission

Amendment

(18) Member States should raise awareness on the Union contribution from the Reserve and inform the public accordingly as transparency, communication and visibility activities are essential in making Union action visible on the ground. Those activities should be based on accurate and updated information.

(18) Member States should raise awareness on the Union contribution from the Reserve and inform the public ***and the recipients in particular*** accordingly as transparency, communication and visibility activities are essential in making Union action visible on the ground. Those activities should be based on accurate and updated information.

Or. en

Amendment 16

Proposal for a regulation Recital 19

Text proposed by the Commission

(19) In order to enhance transparency on the use of the Union contribution, the Commission should provide a final report **to the European Parliament and the Council** on the implementation of the Reserve.

Amendment

(19) In order to enhance transparency on the use of the Union contribution, the Commission should provide a final report on the **independently evaluated** implementation of the Reserve **to the European Parliament, the Council, the Committee of the Regions and the European Economic and Social Committee**.

Or. en

Amendment 17

Proposal for a regulation Article 2 – paragraph 1 – point 1

Text proposed by the Commission

(1) ‘reference period’ means the reference period referred to in Article 63(5), point (a), of the Financial Regulation, which shall be from 1 **July 2020** to 31 December 2022;

Amendment

(1) ‘reference period’ means the reference period referred to in Article 63(5), point (a), of the Financial Regulation, which shall be from 1 **January 2019** to 31 December 2022;

Or. en

Amendment 18

Proposal for a regulation Article 3 – paragraph 1

Text proposed by the Commission

The Reserve shall provide support to counter the adverse consequences of the withdrawal of the United Kingdom from the Union in Member States, regions and

Amendment

The Reserve shall provide support to counter the adverse consequences of the withdrawal of the United Kingdom from the Union in Member States, regions and

sectors, in particular those that are worst affected by that withdrawal, and to mitigate the related impact on the economic, social and territorial cohesion.

sectors, in particular those that are worst affected by that withdrawal, and to mitigate the related **negative** impact on the economic, social and territorial cohesion.

Or. en

Amendment 19

Proposal for a regulation

Article 4 – paragraph 3 – subparagraph 1 a (new)

Text proposed by the Commission

Amendment

Member States whose share from the pre-financing of the Reserve is determined on the basis of fish caught in the waters that belong to the UK Exclusive Economic Zone (EEZ) pursuant to Annex I shall allocate at least the share of their total pre-financing amount that is linked to fish caught on measures to support businesses and local communities dependent on fishing activities.

Or. en

Amendment 20

Proposal for a regulation

Article 5 – paragraph 1 – introductory part

Text proposed by the Commission

Amendment

1. The financial contribution from the Reserve shall only support ***the public expenditure directly linked to*** measures specifically taken by Member States to contribute to the objectives referred to in Article 3, and may cover, in particular the following:

1. The financial contribution from the Reserve shall only support measures specifically taken by Member States to contribute to the objectives referred to in Article 3, and may cover, in particular the following:

Or. en

Amendment 21

Proposal for a regulation

Article 5 – paragraph 1 – point a

Text proposed by the Commission

(a) measures to **assist** businesses and local communities adversely affected by the withdrawal;

Amendment

(a) measures to **support** businesses, **in particular SMEs**, and local communities adversely affected by the withdrawal;

Or. en

Amendment 22

Proposal for a regulation

Article 5 – paragraph 1 – point b

Text proposed by the Commission

(b) measures to support the most affected economic sectors;

Amendment

(b) measures to support the most **adversely** affected economic sectors;

Or. en

Amendment 23

Proposal for a regulation

Article 5 – paragraph 1 – point c

Text proposed by the Commission

(c) measures to support businesses and local communities dependent on fishing activities **in the United Kingdom waters**;

Amendment

(c) measures to support businesses and local communities dependent on fishing activities;

Or. en

Amendment 24

Proposal for a regulation

Article 5 – paragraph 1 – point d

Text proposed by the Commission

(d) measures to support employment, including through short-time work schemes, re-skilling and training in affected sectors;

Amendment

(d) measures to support **job protection and** employment, including through short-time work schemes, re-skilling and training in **adversely** affected sectors, **and re-integration of EU nationals who left the United Kingdom as a result of the withdrawal**;

Or. en

Amendment 25

Proposal for a regulation

Article 5 – paragraph 1 – point e

Text proposed by the Commission

(e) measures to ensure the functioning of border, customs, sanitary and phytosanitary, security and fisheries controls, as well as the collection of indirect taxation including additional personnel and infrastructure;

Amendment

(e) measures to ensure the functioning of border, customs, sanitary and phytosanitary, security and fisheries controls, as well as the collection of indirect taxation, including additional personnel and infrastructure;

Or. en

Amendment 26

Proposal for a regulation

Article 5 – paragraph 2

Text proposed by the Commission

2. Expenditure shall be eligible if **it is** incurred **and paid** during the reference period for measures carried out in the Member State concerned or for the benefit of the Member State concerned.

Amendment

2. Expenditure shall be eligible if **the associated costs were actually** incurred during the reference period, **including at the level of the recipients, and paid until 30 June 2023** for measures carried out in the Member State concerned or for the benefit of the Member State concerned.

Or. en

Amendment 27

Proposal for a regulation Article 5 – paragraph 3

Text proposed by the Commission

3. When designing support measures, Member States shall take into account the varied impact of the withdrawal of the United Kingdom from the Union on different regions and local communities and focus support from the Reserve on those most affected, *as appropriate*.

Amendment

3. When designing support measures, Member States shall take into account the varied impact of the withdrawal of the United Kingdom from the Union on different regions and local communities and focus support from the Reserve on those most affected.

Or. en

Amendment 28

Proposal for a regulation Article 7 – paragraph 1 a (new)

Text proposed by the Commission

Amendment

1a. In accordance with their institutional and legal framework, and taking into account the specific characteristics of the Reserve, Member States shall establish a multi-level dialogue at least with local and regional authorities of regions and areas most affected, social partners and civil society, aimed at defining mutually agreed measures to be supported by the Reserve as well as a monitoring mechanism.

Or. en

Amendment 29

Proposal for a regulation Article 7 – paragraph 2

Text proposed by the Commission

2. Member States shall use the contribution from the Reserve to implement the measures referred to in Article 5 to provide non-repayable forms of support. The Union contribution shall take the form of reimbursement of eligible costs actually incurred and paid by Member States in implementing the measures.

Amendment

2. Member States shall use the contribution from the Reserve to implement the measures referred to in Article 5 to provide non-repayable forms of support. The Union contribution shall take the form of reimbursement of eligible costs actually incurred **during the reference period, including at the level of the recipients**, and paid **until 30 June 2023** by Member States in implementing the measures.

Or. en

Amendment 30

**Proposal for a regulation
Article 8 – paragraph 3**

Text proposed by the Commission

3. The Commission shall pay the pre-financing within **60** days of the date of the adoption of the implementing act referred to in paragraph 2. It shall be cleared in accordance with Article 11.

Amendment

3. The Commission shall pay the pre-financing within **30** days of the date of the adoption of the implementing act referred to in paragraph 2. It shall be cleared in accordance with Article 11.

Or. en

Amendment 31

**Proposal for a regulation
Article 10 – paragraph 1**

Text proposed by the Commission

1. The application shall be based on the template set out in Annex II. The application shall include information on the total **public** expenditure incurred and paid by Member States and the values of output indicators for the measures supported. It

Amendment

1. The application shall be based on the template set out in Annex II. The application shall include information on the total expenditure incurred and paid by Member States, **including the territorial distribution of the expenditure at NUTS**

shall be accompanied by the documents referred to in paragraphs 5, 6 and 7 of Article 63 of the Financial Regulation and by an implementation report.

level 2, and the values of output indicators for the measures supported. It shall be accompanied by the documents referred to in paragraphs 5, 6 and 7 of Article 63 of the Financial Regulation and by an implementation report.

Or. en

Amendment 32

Proposal for a regulation Article 10 – paragraph 2 – point a

Text proposed by the Commission

(a) a description of the impact of the withdrawal of the United Kingdom from the Union in economic and social terms including an identification of the regions, areas and sectors most affected;

Amendment

(a) a description of the **negative** impact of the withdrawal of the United Kingdom from the Union in economic and social terms including an identification of the regions, areas and sectors most affected;

Or. en

Amendment 33

Proposal for a regulation Article 10 – paragraph 2 – point c a (new)

Text proposed by the Commission

Amendment

(ca) upon request by the Commission, a provision of evidence of the adverse consequences of the withdrawal on the businesses and economic sectors that received support from the Reserve, taking into account the movement of economic sectors of activity from the UK to the Union;

Or. en

Amendment 34

Proposal for a regulation Article 11 – paragraph 1

Text proposed by the Commission

1. The Commission shall assess the application referred to in Article 10 and shall satisfy itself that the application **is** complete, accurate and true. When calculating the financial contribution due to the Member State from the Reserve, the Commission shall exclude from Union financing expenditure for measures which were implemented or for which disbursements have been made in breach of applicable law.

Amendment

1. The Commission shall assess the application **and the implementation report** referred to in Article 10 and shall satisfy itself that the application **and the implementation report are** complete, accurate and true. When calculating the financial contribution due to the Member State from the Reserve, the Commission shall exclude from Union financing expenditure for measures which were implemented or for which disbursements have been made in breach of applicable law.

Or. en

Amendment 35

Proposal for a regulation Article 11 – paragraph 2 – point a

Text proposed by the Commission

(a) the total amount of eligible **public** expenditure (the 'accepted amount');

Amendment

(a) the total amount of eligible expenditure (the 'accepted amount');

Or. en

Amendment 36

Proposal for a regulation Article 11 – paragraph 2 – point b

Text proposed by the Commission

(b) whether additional amounts are due to the Member State, in line with paragraph 3, or whether amounts need to be

Amendment

(b) whether additional amounts are due to the Member State, in line with paragraph 3, or whether amounts need to be

recovered pursuant to paragraph 5.

recovered pursuant to paragraph 6.

Or. en

Amendment 37

Proposal for a regulation Article 11 – paragraph 6

Text proposed by the Commission

6. Where the accepted amount is lower than the pre-financing for the Member State concerned, the difference shall be recovered in accordance with the Financial Regulation, and in particular its Part I, Chapter 6, Sections 3, 4 and 5. The recovered amounts shall be treated as internal assigned revenue in accordance with Article 21(3), point (b), of the Financial Regulation and, where the third subparagraph of paragraph 3 of this Article has been applied, shall be used to increase proportionately the contributions paid to Member States eligible for additional amounts under paragraph 3 of this Article up to a maximum of 100 %. In case payments to Member States pursuant to paragraph 3 of this Article have been made at a rate of 100 %, the amounts recovered shall be returned to the general budget of the Union.

Amendment

6. Where the accepted amount is lower than the pre-financing for the Member State concerned, the difference shall be recovered in accordance with the Financial Regulation, and in particular its Part I, **Title IV**, Chapter 6, Sections 3, 4 and 5. The recovered amounts shall be treated as internal assigned revenue in accordance with Article 21(3), point (b), of the Financial Regulation and, where the third subparagraph of paragraph 3 of this Article has been applied, shall be used to increase proportionately the contributions paid to Member States eligible for additional amounts under paragraph 3 of this Article up to a maximum of 100 %. In case payments to Member States pursuant to paragraph 3 of this Article have been made at a rate of 100 %, the amounts recovered shall be returned to the general budget of the Union.

Or. en

Amendment 38

Proposal for a regulation Article 13 – paragraph 1 – point a

Text proposed by the Commission

(a) designating a body responsible for the management of the financial contribution from the Reserve and an

Amendment

(a) designating a body, **or where required by the Member state's constitutional framework, bodies**

independent audit body in accordance with Article 63(3) of the Financial Regulation, and supervising such bodies;

responsible for the management of the financial contribution from the Reserve and an independent audit body in accordance with Article 63(3) of the Financial Regulation, and supervising such bodies;

Or. en

Amendment 39

Proposal for a regulation Article 13 – paragraph 1 – point d

Text proposed by the Commission

(d) notifying the Commission of the identity ***of the bodies designated and*** of the body to which the pre-financing shall be paid, and confirming that the systems' descriptions have been drawn up, within ***three*** months of the entry into force of this Regulation;

Amendment

(d) notifying the Commission of the identity of the body to which the pre-financing shall be paid ***and of the bodies designated, including, where applicable, the bodies to which tasks and funds from the Reserve have been delegated,*** and confirming that the systems' descriptions have been drawn up, within ***two*** months of the entry into force of this Regulation;

Or. en

Amendment 40

Proposal for a regulation Article 13 – paragraph 2

Text proposed by the Commission

2. For the purposes of points (a) and (b) of paragraph 1, the Member States ***may*** make use of bodies ***and*** management and control systems already in place for the implementation of cohesion policy funding or the European Union Solidarity Fund.

Amendment

2. For the purposes of points (a) and (b) of paragraph 1, the Member States ***shall*** make use of bodies, ***including at regional and local level, and of*** management and control systems already in place for the implementation of cohesion policy funding or the European Union Solidarity Fund.

Or. en

Amendment 41

Proposal for a regulation

Article 13 – paragraph 3 – introductory part

Text proposed by the Commission

3. The body responsible for managing the financial contribution from the Reserve shall:

Amendment

3. The body **or bodies** responsible for managing the financial contribution from the Reserve shall:

Or. en

Amendment 42

Proposal for a regulation

Article 13 – paragraph 4 – subparagraph 4

Text proposed by the Commission

Where the population consists of less than 300 sampling units, a non-statistical sampling method may be used based on the professional judgment of the independent audit body. In such cases, the size of the sample shall be sufficient to enable the independent audit body to draw up a valid audit opinion. The non-statistical sampling method shall cover a minimum of 10% of the sampling units in the population of the **accounting year**, selected randomly.

Amendment

Where the population consists of less than 300 sampling units, a non-statistical sampling method may be used based on the professional judgment of the independent audit body. In such cases, the size of the sample shall be sufficient to enable the independent audit body to draw up a valid audit opinion. The non-statistical sampling method shall cover a minimum of 10% of the sampling units in the population of the **reference period**, selected randomly.

Or. en

Amendment 43

Proposal for a regulation

Article 14 – paragraph 1

Text proposed by the Commission

1. The financial corrections made by the Member State in accordance with Article 13(1), point (f), shall consist of

Amendment

1. The financial corrections made by the Member State in accordance with Article 13(1), point (f), shall consist of

cancelling all or part of the financial contribution from the **Fund**. The Member State shall recover any amount lost as a result of an irregularity detected.

cancelling all or part of the financial contribution from the **Reserve**. The Member State shall recover any amount lost as a result of an irregularity detected.

Or. en

Amendment 44

Proposal for a regulation Article 15 – paragraph 1

Text proposed by the Commission

Member States shall be responsible for informing and publicising to Union citizens the role, the results and impact of the Union contribution from the Reserve through information and communication actions.

Amendment

Member States shall be responsible for informing and publicising to Union citizens the role, the results and impact of the Union contribution from the Reserve through information and communication actions, **and in particular shall ensure that recipients of the measures referred to in Article 5 are informed of the contribution from the Reserve as a European Union initiative.**

Or. en

Amendment 45

Proposal for a regulation Article 16 – paragraph 2

Text proposed by the Commission

2. By 30 June 2027, the Commission shall submit **to the European Parliament and to the Council** a report on the implementation of the Reserve.

Amendment

2. By 30 June 2027, the Commission shall submit report on the **independently evaluated** implementation of the Reserve **to the European Parliament, the Council, the Committee of the Regions and the European Economic and Social Committee.**

Or. en

Amendment 46

Proposal for a regulation

Annex I – paragraph 1 – point 4 – point f

Text proposed by the Commission

f) the resulting shares are rescaled to ensure the sum of shares equals 100%, whereby it is ensured that no Member State can have a share higher than 25% of the **EU total**. The resources deducted due to this capping are redistributed to the other Member States, proportionally to their non-capped shares;

Amendment

f) the resulting shares are rescaled to ensure the sum of shares equals 100%, whereby it is ensured that no Member State can have a share higher than 25% of the **sum of shares**. The resources deducted due to this capping are redistributed to the other Member States, proportionally to their non-capped shares;

Or. en

Amendment 47

Proposal for a regulation

Annex II – table 1 – row 7 a (new)

Text proposed by the Commission

Amendment

7 a

Body or bodies to which tasks and funds from the Reserve have been delegated, where applicable

Or. en

Amendment 48

Proposal for a regulation

Annex II – table 1 – column 2 – row 8

Text proposed by the Commission

Short description of the areas and sectors affected and the response measures put in place

Amendment

Description of the areas and sectors affected and the response measures put in

place

Or. en

Amendment 49

Proposal for a regulation Annex II – table 1 – row 8 a (new)

Text proposed by the Commission

Amendment

8 a

Description of the Multi-Level-Dialogue and the monitoring mechanism

Or. en

Amendment 50

Proposal for a regulation Annex II – table 1 – column 2 – row 9

Text proposed by the Commission

Amendment

Total **public** expenditure incurred and paid before deductions

Total expenditure incurred and paid before deductions

Or. en

Amendment 51

Proposal for a regulation Annex II – table 1 – row 14 a (new)

Text proposed by the Commission

Amendment

14 a

Territorial distribution of the expenditure at NUTS

Amendment 52

Proposal for a regulation

Annex II – table 1 – column 2 – row 15.1

Text proposed by the Commission

Measures to *assist* businesses *adversely* and local communities affected by the withdrawal

Amendment

Measures to *support* businesses, *in particular SMEs*, and local communities *adversely* affected by the withdrawal

Amendment 53

Proposal for a regulation

Annex II – table 1 – column 2 – row 15.2

Text proposed by the Commission

Measures to support the most affected economic sectors

Amendment

Measures to support the most *adversely* affected economic sectors

Amendment 54

Proposal for a regulation

Annex II – table 1 – column 2 – row 15.3

Text proposed by the Commission

Measures to support businesses and local communities dependent on fishing activities *in the United Kingdom waters*

Amendment

Measures to support businesses and local communities dependent on fishing activities

Amendment 55

Proposal for a regulation

Annex II – table 1 – column 2 – row 15.4

Text proposed by the Commission

Measures to support employment through short-time work schemes, re-skilling and training in affected sectors

Amendment

Measures to support **job protection and** employment through short-time work schemes, re-skilling and training in **adversely** affected sectors, **and re-integration of EU nationals who left the United Kingdom as a result of the withdrawal**

Or. en

Amendment 56

Proposal for a regulation

Annex II – paragraph 1 – point b a (new)

Text proposed by the Commission

Amendment

(b a) the control systems put in place ensure the legality and regularity of the underlying transactions.

Or. en

Amendment 57

Proposal for a regulation

Annex III – point 1 – point 1.3 – point a a (new)

Text proposed by the Commission

Amendment

a a) where applicable, the bodies to which tasks and funds from the Reserve have been delegated (name, address and contact point in the body):

Or. en

EXPLANATORY STATEMENT

1. Introduction and context of the proposal

The United Kingdom of Great Britain and Northern Ireland (“UK”) left the Union on 1 February 2020, when the Withdrawal Agreement entered into force, including provisions for a transition period that lasted until 31 December 2020.

On 24 December 2020 both sides concluded a new EU-UK Trade and Cooperation Agreement to limit the adverse consequences of the UK’s withdrawal and to establish a cooperation framework which should form the basis of a strong and constructive future partnership, avoiding the most disruptive elements of a ‘no-deal’ scenario, and providing legal certainty for the medium-to-long term.

However, due the fact that the UK is no longer participating in Union policies since the end of the transition period disruptive effects on the economic, commercial and social relationship became already apparent.

Although the withdrawal affects the Union as a whole, some Member States, regions, sectors and businesses, especially those with a significant exposure to the UK, will be more negatively impacted and are expected to experience significant economic and financial losses.

The Rapporteur recalls the European Council conclusions, agreed at its special meeting of 17-21 July 2020, when these unavoidable consequences had been already anticipated and when the decision was taken to establish the Brexit Adjustment Reserve (the ‘Reserve’) as a solidarity tool aimed at providing financial support to the most affected Member States, regions and sectors to deal with the adverse consequences of the withdrawal of the UK from the Union.

The Rapporteur welcomes the Commission proposal that follows the European Council agreement and recalls that it is part of the preparation for the end of the transition period and builds on and complements the work done by the EU institutions and Member States in the context of the preparedness measures taken under the respective Union policies during the negotiations under Article 50 TEU.

2. Choice of the instrument

The Rapporteur welcomes that the proposal for the Reserve draws inspiration from the long-standing experience of the European Union Solidarity Fund and cohesion policy, while adapting to the completely new circumstances and objective of countering the effects of the withdrawal of the UK from the Union.

Furthermore, he welcomes that the proposed regulation will be adopted under the co-decision procedure and that the Reserve will be implemented under shared management.

He agrees with Commission that the Reserve should take into account the unprecedented situation for Member States, its uniqueness and the need for them to react quickly and flexibly

to the challenges as they arise in their economies.

3. Resources from the Reserve

The rapporteur takes note of the maximum resources for the implementation of the Reserve which will 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.

He draws attention to the fact that the overall economic and financial losses related to the withdrawal of the UK from the Union on some Member States, regions and public as well as private businesses and sectors will be significant but are not yet possible to quantify. It should be avoided to create the impression that the overall amount available from the Reserve will be sufficient to cover all these losses.

4. Objectives and eligible categories of measures

The Reserve will provide financial contributions to Member States to counter adverse consequences in Member States, regions and sectors, in particular those that are worst affected by the withdrawal, with the objective of mitigating its impact on the economic, social and territorial cohesion.

While the rapporteur supports the non-exhaustive and indicative list of eligible categories of measures as proposed by the Commission, to achieve this objective, the rapporteur is of the opinion that a substantial part of the contribution from the Reserve should be used on measures to support businesses, especially SMEs, allowing them to adapt to the new business environment and to protect employment levels.

To limit the risk of the Reserve being used to support measures that may not contribute to the intended objective or even not be eligible and, consequently, to limit the risk for the Member States to not be reimbursed for their expenses, the rapporteur suggests that the Commission assists Member States in order to help their preparation of the measures to be supported.

5. Earmarking for fisheries sector

The rapporteur believes that the Withdrawal Agreement was not only reached at a very late stage, but due to the agreed limitation of fishing activities, the fisheries sector will be one of the sectors that is likely to be severely affected. Therefore, he proposes to earmark the share of total pre-financing amount that is linked to fish caught, per Member State, to be spent on measures to support businesses and local communities dependent on fishing activities.

6. Eligibility period and eligibility expenditure

Given the specific nature of the Reserve the rapporteur agrees with a relatively short implementation period proposed by the Commission. The rapporteur takes the view, however, that the eligibility period should take more account of measures taken by the Member States

to mitigate the expected disruptive effects of the withdrawal prior to the expiry of the transition period, and suggests the eligibility period for implementing such measures should run from 1 January 2019 to 31 December 2022. The rapporteur further clarifies that the contribution from the Reserve should take the form of reimbursement of eligible costs actually incurred during the reference period, including on the level of recipients, and paid until 30 June 2023 by Member States for measures carried out in the Member State.

7. Involvement of LRAs, social partners and civil society

When designing support measures, Member States should focus particularly on the regions, areas, local communities and businesses that are worst affected by the withdrawal, including on those dependent on fishing activities, the rapporteur wishes to ensure that Member States establish a multi-level dialogue at least with local and regional authorities of regions and areas most affected, social partners and civil society, as this involvement will help to target needs and implement the Reserve more effectively.

8. Pre-financing and additional amount

The rapporteur considers that the two factors, trade in goods and services with the UK and fish caught in the UK exclusive economic zone, chosen and applied by the Commission in the methodology for calculating the Member States' pre-financing, demonstrate the historically strong links and close relations in economic terms between the individual Member States and the UK. He is aware of the risk that the chosen allocation method may not fully reflect the specific direct or indirect exposure of each Member State's economy to the UK, but the methodology sufficiently reflects the spirit of solidarity that underlies the establishment of the Reserve, and should also be seen in the context of the recently concluded negotiations on the Multiannual Financial Framework and on Next Generation EU.

The rapporteur also supports the proposal to activate the Reserve in two rounds of allocations, the first (EUR 4 244 832 000) paid in 2021 in the form of pre-financing and the second (EUR 1 126 162 000), paid in 2024 as additional contributions, based on real expenditure, following the submission of an application and an implementation report. This approach should enable Member States to react quickly to the exceptional situation and to counter the negative effects of UK's withdrawal more effectively.

9. Submission of applications for financial contribution from the Reserve

Member States will have until 30 September 2023 to apply for a financial contribution from the Reserve, giving details of the expenditure incurred. The rapporteur considers that the Commission should give special attention to the implementation report that will accompany the application, describing which measures were taken and how they were implemented, as well as a management declaration and an independent audit report. For its assessment of the eligibility and appropriateness of the measures chosen by each Member States the Commission should in any case verify the direct link to the withdrawal, and take into account the movement of economic sectors activity from the UK to the Union.

10. Management and control

Given the one-off nature of the withdrawal of the UK, the rapporteur considers the design of the Reserve and its derogations from the Financial Regulation - an unusually high pre-financing, a second payment, no annual commitments, payments and annual reporting - to be appropriate, but proposes that Member States should make use of the currently existing bodies designated and systems for irregularities and fraud prevention set up under the shared management rules governing cohesion policy funds and the EU Solidarity Fund.

The Commission proposal envisages a designated body responsible for the management of the financial contribution from the Reserve, an independent audit body and a body to which the Commission pays the pre-financing. The rapporteur wishes to clarify that Member States should designate additional bodies, including on regional and local level and delegate tasks as well as funds from the Reserve to them, in accordance with their institutional, legal and financial framework.

11. Communication and visibility

The rapporteur supports the Commission's proposed obligation for Member States to raise awareness on the Union contribution from the Reserve and to inform, potential beneficiaries, participants and the general public of the existence, volume and the support stemming from the Reserve, as transparency, communication and visibility activities are essential in making Union action visible on the ground.

In addition, he suggests that in particular final recipients should be informed of the contribution from the Reserve as a Union initiative.

Last but not least, the rapporteur takes the opportunity to remind the Member States that not only the EU has a responsibility to communicate its decisions and activities to EU citizens, but also the Member States, in order to offer citizens better access and a better understanding of the impact of EU policies at EU, national and local level.