



EUROPEAN COMMISSION

*Brussels, 28.4.2021
C(2021) 3141 final*

Dear President,

The Commission would like to thank the Bundesrat for its Opinion on the proposal for a Regulation of the European Parliament and of the Council establishing a Brexit Adjustment Reserve {COM (2020) 854 final}.

As agreed by the European Council in July 2020 and following the conclusion of the negotiations between the United Kingdom (UK) and the Union on an ambitious Trade and Cooperation Agreement, the Commission adopted on 25 December 2020 its proposal to help counter the adverse economic and social consequences – at the end of the transition period on 31 December 2020 - in the Member States and sectors that are worst affected by the Brexit. The Reserve will support businesses and employment in affected sectors. It will assist regions and local communities, including those dependent on fishing activities in the UK waters. It will also provide support to public administrations to ensure the proper functioning of border, customs, sanitary and phytosanitary controls and help to ensure essential services to the citizens and companies affected.

The Commission welcomes the Bundesrat's support for the proposal, which is currently in the legislative process involving both the European Parliament and the Council. In light of its particular position and intense trade and economic relations with the UK, the proposed allocation key assigns an important contribution to Germany.

The Commission has taken due note of the views expressed with regard to the need to focus the support under the Reserve on regions and local communities and sectors most affected. In order to reflect the territorial dimension of the impact of the withdrawal of the United Kingdom, the proposal contains strong provisions on 'regions, areas and local communities', including those 'dependent on fishing activities in the United Kingdom waters'. The underlying objective of the Reserve is to counter the negative impact of the withdrawal on the economic, social and territorial cohesion, both among

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and within Member States. Therefore, when designing support measures, Member States will have to take specifically into account the needs of the affected regions and communities. In addition, Member States can design the measures that are most appropriate to the particular consequences that the withdrawal has on the regions or local communities affected. Also in their implementation report (Art.10(2) (a) and (b), the Member State needs to describe the impact of the Brexit on the regions and areas most affected; and how the measures they have taken alleviated the regional impact.

The Commission shares the view expressed by the Bundesrat regarding the long-term effectiveness of the measures supported, underlying that while limited in time and scope, the aim of the Reserve is to ensure that the Member States' and regions' economies can rapidly adjust to the new situation, strengthening resilience and competitiveness, instead of a mere continuation of the status quo.

The Commission has also taken due note of the Bundesrat's position regarding the requirements for management and control and, in particular, those concerning the recording and storing of data and the mandatory use of a data mining tool, provided by the Commission. The proposal strikes a balance between ensuring the legality and regularity of expenditure on the one hand and avoiding unnecessary burden on the other, ensuring that the Reserve can be made available as soon as possible to address the immediate consequences of the withdrawal. It introduces a robust system for management and control, proportionate to the special nature of the Reserve and its limitation in time.

The Interinstitutional Agreement¹ signed by the European Parliament, the Council and the Commission in the context of the negotiations on the Multiannual Financial Framework package contains the agreement of the three institutions on the fact that collecting "data on those ultimately benefitting, directly or indirectly, from Union funding under shared management (...), including data on beneficial owners of the recipients of the funding, is necessary to ensure effective controls and audits" (point 31), and that "to enhance the protection of the Union budget, the Commission will make available an integrated and interoperable information and monitoring system, including a single data-mining and risk-scoring tool, to access and analyse the data referred to in point 31 with a view to a generalised application by Member States" (point 32). The Commission considers that the data-mining tool enhances the interoperability of the data on EU recipients and ensures an additional layer of protection of the EU budget. It is an effective tool to identify, based on a set of risk indicators, the measures, recipients, contracts and contractors that might be susceptible to risks of fraud, conflict of interest and irregularities.

The Commission has taken due note of the Opinion and values the Bundesrat's early engagement at this stage of the policy-making process.

¹ OJ L 433I of 22.12.2020, p. 28–46.

Discussions between the co-legislators, the European Parliament and the Council, concerning the proposal for the Reserve are now underway and the Commission remains hopeful that an agreement on the legislative package concerning cohesion policy will be reached in the near future.

The Commission hopes that the clarifications provided in this reply address the issues raised by the Bundesrat and looks forward to continuing the political dialogue in the future.

Yours faithfully,

*Maroš Šefčovič
Vice-President*

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Member of the Commission*