EUROPEAN COMMISSION

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Dear Presidents,

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

This proposal is put forward as a follow-up to the overall political agreement on the Multiannual Financial Framework for 2021-2027 and the NextGenerationEU, when the European Council, at its special meeting of 17-21 July 2020, endorsed the establishment of a new Brexit Adjustment Reserve. The Reserve shall be set up within the special instruments outside of the Multiannual Financial Framework's ceilings 'to counter unforeseen and adverse consequences in Member States and sectors that are worst affected' by the withdrawal of the United Kingdom from the European Union.

Hence, on 25 December 2020, the Commission adopted its proposal for a Regulation establishing a Brexit Adjustment Reserve, with an overall size of EUR 5 billion in 2018 prices (EUR 5,370,994,000 in current prices) to counter the adverse consequences of the withdrawal of the UK from the Union in the Member States, their economic sectors, regions and communities. The Reserve will support businesses and employment in affected sectors. It will assist regions and local communities, including those dependent on fishing activities in UK waters. It will also provide support to public administrations in ensuring the proper functioning of border, customs, sanitary and phytosanitary controls and essential services to be ensured for citizens and companies affected by the withdrawal of the UK from the Union.

The Commission takes note of the concerns expressed by the Cortes Generales as regards the proposed allocation method for the pre-financing and the need to increase the allocation for Spain. The distribution of the first allocation in the form of

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pre-financing takes into account the level of economic integration between the Member States and the United Kingdom reflected under the trade factor, as well as the particular vulnerability of the fisheries sector as a place-based sector, while ensuring that the allocation distribution mechanism is built upon official comparable and latest available statistics. These criteria result in the use of data on import and export by EU Member States from and to the UK, and on the importance of fisheries in the UK exclusive economic zone. The distribution also takes into account the relative level of prosperity of each Member State. While acknowledging that no proxy is ever perfect, the Commission considers that these were the most reliable indicators to predict the economic and social impact that is still to materialise.

The Commission takes also note of the concerns expressed with regard to the high level of pre-financing. The Commission has proposed a substantial amount to be disbursed in 2021 as pre-financing in order to give Member States sufficient financial means to swiftly implement measures under the Reserve and provide rapid support to the communities most affected by Brexit.

The Commission has also taken due note of the views expressed with regard to the need to further clarify the option of entrusting the management of the Reserve to existing bodies, namely the managing authorities of cohesion policy programmes (regional bodies). The budget allocated to the Reserve will be implemented under shared management between the Member States and the Commission, guaranteeing full respect of the principles of sound financial management, transparency and non-discrimination and the absence of conflict of interest. The Regulation sets out clearly the responsibilities for the Member States and a minimum set of requirements for the bodies responsible for the management, control and audit of the financial contribution under the Reserve. In doing so, the proposal strikes the right balance between keeping administrative burden to a minimum on the one hand, and ensuring legality and regularity of the expenditure on the other hand. The Commission proposes in addition that, in order to avoid administrative arrangements that may be too burdensome, Member States could roll-over 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. In this context, only Member States' expenditure is eligible under the Reserve and they are responsible for the submission of the applications, the implementation and the management and control system, as well as for the collection of the necessary data. However, it is up to them to define the level of organisation at which the measures will be managed and implemented.

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 Cortes Generales' Opinion has been made available to the Commission's representatives in the ongoing negotiations and will inform these discussions.

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

Yours faithfully,

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Vice-President

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Member of the Commission