



A 'NO-DEAL' BREXIT: THE EU BUDGET

April 2019



What impact would a 'no-deal' scenario have on the EU budget?

The impact of a 'no-deal' scenario will be felt throughout the European Union, but it is clear that some regions and economic sectors will be affected more significantly.

- Significant costs will be borne by the Member States sharing a border with the United Kingdom.
- The economic cost will be particularly high for the agri-food and fisheries sectors.
- Small and medium-sized enterprises (SMEs) trading with the United Kingdom will be particularly affected and might need targeted support.

Unless the United Kingdom continues to contribute to the 2019 and 2020 budgets, a 'no-deal' Brexit would inevitably leave a significant financing gap requiring both budget reductions and additional contributions by Member States to the EU budget.



What contingency measures have been taken?

The European Commission has therefore proposed a measure which would enable the EU to be in a position to honour its commitments and to continue making payments in 2019 to UK beneficiaries for contracts signed and decisions made before withdrawal, if:

- the UK honours its obligations under the 2019 budget; and,
- accepts the necessary audit checks and controls.

This is separate from and without prejudice to the overall financial settlement between the EU and the UK.



“Brexit assistance package”: Additional Dedicated Funding

The Commission is ready to propose a package of support measures available to Member States and businesses in order to ease the immediate economic consequences of a 'no-deal' Brexit.



How?

By mobilising and adjusting existing programmes and instruments of the Union budget and focusing on those areas where needs are greatest and the impact most strongly felt.

- Agriculture
 - Targeted market measures that would allow Member States to support most affected farmers in the agri-food sector;
 - Private storage aid and withdrawal schemes
- Fisheries
 - The European Maritime and Fisheries Fund already allows to provide support for the temporary cession of fishing activities.
- Small and Medium-Sized Enterprises
 - Competitiveness for Small and Medium Enterprises (COSME): additional resources from the European Fund for Strategic Investments could be deployed before the end of 2020 to enhance the COSME Loan Guarantee Facility which would result in supporting additional lending to small and medium-sized enterprises.

Unspent parts of national envelopes under the European Structural and Investment Funds could be redirected (The European Social Fund, the European Regional Development Fund and the European Agricultural Fund for Rural Development).



Additional special measures (subject to possible adjustments):

- The European Globalisation Adjustment Fund
- The European Union Solidarity Fund



State aid

- EU State aid rules allow significant support by Member States to companies affected by a 'no-deal' Brexit. The de minimis Regulation allows €200,000 to be granted over a three-year period without any conditionality. This instrument could, therefore be particularly relevant to support small and medium-sized enterprises.