



European Economic and Social Committee

ECO/501
Modification of the Solidarity Fund – No-Deal Brexit

OPINION

European Economic and Social Committee

Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States to cover serious financial burden inflicted on them following a withdrawal of the United Kingdom from the Union without an agreement

[COM(2019) 399 final – 2019/0183 (COD)]

Rapporteur-general: **Ioannis Vardakastanis**

Referral	Council of the European Union, 13/09/2019 European Parliament, 16/09/2019
Legal basis	Articles 175 (3) and 304 of the Treaty on the Functioning of the European Union
Section responsible	Economic and Monetary Union and Economic and Social Cohesion
Bureau decision	24/09/2019
Adopted at plenary	25/09/2019
Plenary session No	546
Outcome of vote (for/against/abstentions)	144/0/6

1. Conclusions and recommendations

- 1.1 The EESC believes that the principles of solidarity and subsidiarity are essential to the functioning of the European Union. It is important, therefore, that in the event of the United Kingdom leaving the EU without an agreement on 31 October, all Member States stay united and face the consequences and challenges of this decision together.
- 1.2 The EESC understands that the proposal is part of a package of contingency measures for the withdrawal of the United Kingdom without an agreement, that was adopted by the Commission on 4 September 2019 following a call from the European Council to explore all possibilities for existing funds to be used to help alleviate potential financial burdens on Member States.
- 1.3 The EESC agrees with the addition to the Regulation establishing the EU Solidarity Fund of the stipulation that the notion of "major disasters" covers natural disasters as well as situations where serious financial burden is inflicted on a Member State as a direct consequence of the withdrawal of the United Kingdom from the Union without an agreement, provided that this remains a one-off event within the time-limit of 2020.
- 1.4 The EESC proposes that the Commission consider creating an EU instrument that can deal with such political situations and crises in the future. However, if such a new instrument were put in place, it should only be for exceptional situations and be decided formally, case by case. The specific conditions for which compensation can be granted should be defined clearly.
- 1.5 The EESC strongly believes that the Commission should take all the necessary steps to ensure that the extension of the scope does not lead to a situation that would put at risk the ability of the EU Solidarity Fund (EUSF) to respond to unforeseen events connected with natural disasters.
- 1.6 The EESC believes that the envisaged date of 30 April 2020 is rather late and therefore calls on the Commission to speed up the procedure for the decisions on mobilising the funds in the event that the UK leaves the EU with no agreement.
- 1.7 The EESC welcomes the increase in the advance payments from the current level of 10% of the expected amount to 25%, but more needs to be done so that the response is rapid and effective.
- 1.8 The EESC considers that the Commission should pay particular attention to small and medium-sized enterprises (SMEs), as they are the most vulnerable to the challenges of Brexit.

2. General comments

- 2.1 The EU Solidarity Fund was created in 2002 to support Member States and accession countries in situations of major disasters caused by natural events such as floods, storms, earthquakes, volcanic eruptions, forest fires or drought. It can be mobilised upon an application from the country concerned if the disaster is of a dimension justifying intervention at European level.

- 2.2 The EESC agrees that the EUSF is a tangible expression of EU solidarity, whereby Member States stay united and agree to support one another by making additional financial resources available through the EU budget.
- 2.3 As of 1 November 2019 the United Kingdom will be a third country unless it ratifies the Withdrawal Agreement by 31 October 2019 or requests a third extension, to which the European Council (Article 50) agrees by unanimity.
- 2.4 In the event that the UK leaves the EU without an agreement, all EU primary and secondary law will cease to apply to it from that moment onwards. There will be no transition period, as provided for in the Withdrawal Agreement. This will cause significant damage for citizens, businesses and public services and would have serious economic and financial impact.
- 2.5 The EESC believes that while Brexit without an agreement will be a one-off event, its disruptive effects could constitute a major disaster. Although it is difficult to assess exactly, it will have a significant impact on the economy, the labour market and public finances, especially in the short term. Moreover, it is fair to make the assumption that some sectors and areas and some Member States may be more impacted by the event of withdrawal without an agreement than others. The EESC believes that it would be justified to invoke the solidarity principle, together with the subsidiarity principle, in order to mitigate those effects.
- 2.6 The EESC therefore welcomes the proposal to modify Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the EU Solidarity Fund in order to extend its scope to cover certain types of additional public expenditure and to broaden the notion of "major disasters" to cover not only natural disasters but also situations where serious financial burden is inflicted on a Member State as a direct consequence of the withdrawal of the United Kingdom without an agreement. As this is a one-off situation, the available appropriations for this goal must be limited to half of the maximum available amount for the years 2019 and 2020.

3. **Specific comments**

- 3.1 The EESC has been in favour of the EUSF since it was first proposed and has encouraged the Commission to make all the necessary amendments so that the fund can become a more effective support mechanism for Member States, candidate countries and neighbouring countries in the event of a natural disaster.
- 3.2 The EESC agrees with the extension of the scope of the Regulation, warning that this must remain a one-off event. It therefore proposes that consideration be given to creating an EU instrument that can deal with such political situations and crises in the future.
- 3.3 The EESC is of the view that the Commission should take the necessary steps to ensure that extension of the scope does not lead to a situation in which the ability of the EUSF to respond to unforeseen events connected with natural disasters is put at risk.
- 3.4 The EESC understands that the threshold of EUR 1.5 billion in 2011 prices or 0.3% GNI for Member States to be eligible to apply for assistance has been set so cases are put forward in

which the Member State in question cannot carry the financial burden that it has suffered ("serious financial burden") alone.

- 3.5 The EESC invites the Commission to provide draft guidelines to assist Member States in calculating the serious financial burden caused by Brexit without an agreement.
- 3.6 The EESC calls on the Commission to speed up the procedure for the decisions on mobilising the funds. It believes that the envisaged date of 30 April 2020 is rather late.
- 3.7 The EESC believes that the increase in the advance payments from the current level of 10% of the expected amount to 25% is one step to speed up the procedure, but more needs to be done so that the response is rapid and effective.
- 3.8 The EESC requests that steps be taken to ensure that, following the parallel BREXIT-related amendment to the European Globalisation Fund (EGF), there are no overlaps with EUSF reimbursements, as this could lead to the duplication of funds.
- 3.9 The EESC is of the view that the economic cost from a Brexit with no agreement will be particularly high for sectors that are most exposed to the United Kingdom. This may be the case, for example, of agri-food exporters targeting the UK market, fishing businesses who depend on access to UK waters and tourist businesses in regions that are popular with UK tourists. Special attention should be paid to such problems and appropriate allocations for mitigating these effects should be mobilised.
- 3.10 The EESC considers that organised civil society should play a vital role in the determination of the effects caused by a Brexit with no agreement. The Commission should encourage Member States to consult relevant organisations when preparing the applications.

Brussels, 25 September 2019

Luca Jahier

The president of the European Economic and Social Committee
