A Brexit Adjustment Reserve that works for the Regions

General considerations

- The departure of the UK from the EU will have a major impact across several European regions, all the more in the event of a “disorderly Brexit”. Evidence shows that the exposure at territorial level would be highly asymmetrical due to the different nature and scale of economic relations with the UK. In most areas, the fallout of Brexit will be further aggravated by the COVID-19 crisis.

- The CPMR has for long raised the need to address the effects of Brexit, both in terms of ensuring continued strong interregional cooperation and financial mechanisms to offset the territorial impact on the most affected regions.

- The European Council proposal to set up a ‘Brexit Adjustment Reserve’ is consistent with this demand. The level of ambition displayed must now be mirrored in the design and the implementation of this instrument.

Governance and role of regional and local authorities

- Local and regional authorities have the best knowledge, operational capacity and relations with their own local communities to ensure the specific needs arising from Brexit are comprehensively addressed.

- Local and regional authorities should therefore be in the driving seat regarding the implementation of the Brexit Adjustment Reserve. The sectors hit by Brexit will differ across Europe’s areas depending on the specialisation of their local economies. The interventions required to address its costs should therefore be place-based and tailor-made.

- The governance of the reserve should at the same time ensure the active participation of the Regions and guarantee a swift operational implementation.

- It is of utmost importance that Regions are eligible for funding and can request and apply directly for financial compensation.

- The assessment of the applications for funding should be objective and transparent, as well as consistent with the core purposes of the instrument. Clear safeguards should be put in place to avoid an unbalanced distribution of resources and an excessive competition for funding which carries the risk of exhausting the reserve before regions heavily affected by Brexit could apply. The unintended consequences of a first come first served approach should be avoided at all cost.
Funding and criteria

- It is crucial to prevent the fragmentation of the relatively modest resources attributed to the Brexit Adjustment Reserve (EUR 5 billion), in light of the scale of the challenges it is asked to address.

- The funding should be concentrated on the areas where they are most needed if the instrument is to have real impact. The allocation must take into account the sectorial impacts and their local intensity. It should therefore be based on regional economic data and comprehensively cover the wide spectrum of sectors affected by Brexit across the different regions.

- Special attention should be given to Regions with strong geographical and economic links to the UK or territories under British sovereignty in Europe, particularly concerning frontier workers and sectors such as fisheries, tourism, real state, agriculture and agro-food products, industries, connectivity between the Atlantic and North Sea ports (including the Channel), road transport, marine renewable energies and offshore wind, scientific research and maritime training.

Timing

- The Brexit Adjustment Reserve should be up and running as soon as possible given the costs already borne by regions due to the uncertainty of Brexit. The uncertainty surrounding the negotiations with the UK should not be an excuse for delays in this process, given that financial aid would be even more needed if the current instability is protracted or a “hard Brexit” occurs.

- An agile ad-hoc regulation could be negotiated and adopted using a fast-track procedure, to ensure that funds can be disbursed quickly and efficiently.

- The possibility of the Brexit Adjustment Reserve funding to be spent retroactively should be considered in case it is not operational when the transitional period ends.