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2020/371 (BUD)

DRAFT AMENDING BUDGET No 1 TO THE GENERAL BUDGET 2021

Brexit Adjustment Reserve

Having regard to:

– the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,

– Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 18 July 2018 on the financial rules applicable to the general budget of the Union (…)[1], and in particular Article 44 thereof,

– the general budget of the European Union for the financial year 2021, as adopted on 18 December 2020[2],

The European Commission hereby presents to the European Parliament and to the Council Draft Amending Budget No 1 to the 2021 budget.

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the general statement of revenue and to the individual section III are available on EUR-Lex (https://eur-lex.europa.eu/budget/www/index-en.htm).

[1] OJ L 193, 30.7.2018.
[2] OJ L XX, xx.3.2021.

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EXPLANATORY MEMORANDUM

1. INTRODUCTION

The adoption of the proposal for a Regulation of the European Parliament and of the Council establishing the Brexit Adjustment Reserve (the Reserve) on 25 December 2020[3] provides for the establishment of a Reserve within the thematic special instruments outside of the EU budget ceilings of the multiannual financial framework 'to counter unforeseen and adverse consequences in Member States and sectors that are worst affected' by the adverse consequences of the withdrawal of the United Kingdom (UK) from the Union, mitigating thus its impact on the economic, social and territorial cohesion.

The purpose of Draft Amending Budget (DAB) No 1 for the year 2021 is to enter in the Union annual budget 2021 EUR 4 244 832 000 in current prices (EUR 4 000 000 000 in 2018 prices), both in commitment and in payment appropriations, to meet the pre-financing needs resulting from the implementation of the Brexit Adjustment Reserve in 2021. The maximum resources for the implementation of the Reserve amount to EUR 5 000 000 000 in 2018 prices (EUR 5 370 994 000 in current prices)

2. ESTABLISHMENT OF THE BREXIT ADJUSTMENT RESERVE

Following the conclusions of the European Council of 21 July 2020[4], the adoption of the Multiannual Financial Framework on 17 December 2020[5] and the adoption of the EU 2021 budget on 18 December 2020, the European Parliament and the Council invited the Commission to submit a proposal for the relevant instrument necessary to operationalise the Brexit Adjustment Reserve[6], in view of ensuring that a sufficient amount of appropriations can be made available for mobilisation in the financial year 2021 without delay. Following the adoption of the proposal for a Regulation of the European Parliament and of the Council establishing the Brexit Adjustment Reserve on 25 December 2020, this DAB proposes to enter in the EU 2021 budget the budgetary impact of the Reserve for the year 2021.

Upon adoption of the Regulation, the support will be disbursed in two allocation rounds. The first round – covered by this DAB – will be paid in 2021 in the form of pre-financing within the meaning of Article 115(2), point (b)(i), of the Financial Regulation, whereby an amount per Member State has been set based on an allocation key taking into account the relative degree of economic integration with the UK, including trade in goods and services, and the negative implications on the EU fisheries sector.The allocation criteria for pre-financing to be paid by the Commission to Member States are set out in Annex I of the proposal for the Reserve. The second round will be activated in 2024 following the clearance of the pre-financing and calculation of the additional amounts due to Member States from the Reserve, where eligible. The corresponding appropriations will be thus added to the Reserve in the context of the 2024 draft budget.

The proposal for a Regulation foresees that it is necessary to grant Member States flexibility and in particular to allow the Commission to adopt the financing decision providing the pre-financing without the obligation pursuant to Article 110(2) of the Financial Regulation to provide a description of the concrete actions to be financed.

In line with recital 11 and Article 4(3) of the proposal for a Regulation, the Commission requests to make available EUR 4 244 832 000 in both commitment and payment appropriations to cover the

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3 COM(2020) 854 final.

4 EUCO 10/20

5 Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I , 22.12.2020

6 Common understanding on the content of the budget for 2021, based on the Draft Elements of Joint Conclusions no. 4 as presented by the Commission on 4 December 2020, reached by the Conciliation Committee on 4 December 2020.

Reserve's pre-financing needs. This amount will be entered as a provision pending the final adoption of the Regulation.

EUR

Budget line	Name	Commitment appropriations	Payment appropriations
Section III – Commission			
30 04 03	Brexit Adjustment Reserve (BAR)	4 244 832 000	4 244 832 000
Total		**4 244 832 000**	**4 244 832 000**

Once the BAR Regulation is definitively adopted, the appropriations will be transferred without delay from the reserve article '30 04 03' to the budget article '16 02 03'. The financial contribution from the Reserve to a Member State will then be implemented within the framework of shared management in accordance with Article 63 of the Financial Regulation.

3. FINANCING

The Brexit Adjustment Reserve is one of the thematic special instrument within the MFF Regulation 2021-2027[7]. The related appropriations are therefore entered into the budget over and above the expenditure ceilings of the MFF 2021-2027.

[7] Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027, OJ L 433I, 22.12.2020

4. SUMMARY TABLE BY MFF HEADING

In EUR

	Budget 2021		Draft Amending Budget 1/2021		Budget 2021 (incl. DAB 1/2021)	
	CA	**PA**	**CA**	**PA**	**CA**	**PA**
1. Single Market, Innovation and Digital	**20 816 559 767**	**17 191 587 232**			**20 816 559 767**	**17 191 587 232**
Ceiling	*20 919 000 000*				*20 919 000 000*	
Margin	*102 440 233*				*102 440 233*	
2. Cohesion and Values	**52 861 898 534**	**66 153 765 904**			**52 861 898 534**	**66 153 765 904**
Of which under Flexibility Instrument	*76 382 534*				*76 382 534*	
Ceiling	*52 786 000 000*				*52 786 000 000*	
Margin	*484 000*				*484 000*	
2a. Economic, social and territorial cohesion	48 190 516 000	61 867 897 545			48 190 516 000	61 867 897 545
Ceiling	*48 191 000 000*				*48 191 000 000*	
Margin	*484 000*				*484 000*	
2b. Resilience and values	4 671 382 534	4 285 868 359			4 671 382 534	4 285 868 359
Of which under Flexibility Instrument	*76 382 534*				*76 382 534*	
Ceiling	*4 595 000 000*				*4 595 000 000*	
Margin						
3. Natural Resources and Environment	**58 568 566 908**	**56 804 203 452**			**58 568 566 908**	**56 804 203 452**
Ceiling	*58 624 000 000*				*58 624 000 000*	
Margin	*55 433 092*				*55 433 092*	
Of which: Market related expenditure and direct payments	**40 367 954 000**	**40 353 742 883**			**40 367 954 000**	**40 353 742 883**
EAGF sub-ceiling	*40 925 000 000*				*40 925 000 000*	
Rounding difference excluded for calculating the sub-margin						
Net transfers between EAGF and EAFRD	*557 046 000*				*557 046 000*	
Net balance available for EAGF expenditure (sub-ceiling corrected by transfers between EAGF and EAFRD)	*40 367 954 000*				*40 367 954 000*	
EAGF sub-margin						
4. Migration and Border Management	**2 278 829 759**	**2 686 245 978**			**2 278 829 759**	**2 686 245 978**
Ceiling	*2 467 000 000*				*2 467 000 000*	
Margin	*188 170 241*				*188 170 241*	
5. Security and Defence	**1 709 261 441**	**670 628 243**			**1 709 261 441**	**670 628 243**
Ceiling	*1 805 000 000*				*1 805 000 000*	
Margin	*95 738 559*				*95 738 559*	
6. Neighbourhood and the World	**16 097 196 204**	**10 810 999 356**			**16 097 196 204**	**10 810 999 356**
Ceiling	*16 247 000 000*				*16 247 000 000*	
Margin	*149 803 796*				*149 803 796*	
7. European Public Administration	**10 448 313 002**	**10 449 588 091**			**10 448 313 002**	**10 449 588 091**
Ceiling	*10 635 000 000*				*10 635 000 000*	
Margin	*186 686 998*				*186 686 998*	
of which: Administrative expenditure of the institutions	**8 035 824 720**	**8 037 099 809**			**8 035 824 720**	**8 037 099 809**
Sub-ceiling	*8 216 000 000*				*8 216 000 000*	
Sub-margin	*180 175 280*				*180 175 280*	
Appropriations for headings	**162 780 625 615**	**164 767 018 256**			**162 780 625 615**	**164 767 018 256**
Ceiling	***163 483 000 000***	***166 140 000 000***			***163 483 000 000***	***166 140 000 000***
Of which under Flexibility Instrument	***76 382 534***	***628 462 086***			***76 382 534***	***628 462 086***
Margin	***778 756 919***	***2 001 443 830***			***778 756 919***	***2 001 443 830***
Thematic special instruments	**1 470 835 000**	**1 293 450 000**	**4 244 832 000**	**4 244 832 000**	**5 715 667 000**	**5 538 282 000**
Total appropriations	**164 251 460 615**	**166 060 468 256**	**4 244 832 000**	**4 244 832 000**	**168 496 292 615**	**170 305 300 256**