

Implementation and financing of the general budget of the Union in 2020 in relation to the withdrawal of the United Kingdom from the Union

2019/0186(APP) - 04/09/2019

PURPOSE: to present measures concerning the implementation and financing of the general budget of the Union in 2020 in relation to the withdrawal of the United Kingdom from the Union.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the United Kingdom has decided to leave the European Union using the procedure provided for in Article 50 of the Treaty on European Union (TEU).

Following a request from the United Kingdom, the European Council agreed on 11 April 2019 to further extend the deadline provided for in Article 50(3) of the TEU until 31 October 2019. Unless the United Kingdom ratifies the withdrawal agreement by 31 October 2019 or requests a third extension and it is adopted unanimously by the European Council, the United Kingdom will leave the Union without agreement and become a third country on 1 November 2019.

The Commission continues to consider that an orderly withdrawal of the United Kingdom from the Union on the basis of the Withdrawal Agreement is the best outcome.

This proposal is an extension to 2020 of the contingency framework for the Union budget laid down in [Council Regulation \(EU, Euratom\) 2019/1197](#) on measures concerning the implementation and financing of the general budget of the Union in 2019 in relation to the withdrawal of the United Kingdom from the Union. The proposal lays down rules on the relations between the Union, on the one hand, and the United Kingdom and its beneficiaries, on the other, as regards the financing and implementation of the budget in 2020.

Since the notification by the United Kingdom of its withdrawal intention, the European Union has consistently stated that the Union and the United Kingdom are bound to honour their respective obligations resulting from the whole period of the United Kingdom's membership in the Union.

A withdrawal without an agreement would leave the budgetary relations between the Union and the UK without agreed legal arrangements. Such a legal vacuum would create considerable uncertainty and difficulties for the implementation of the Union's budgets for 2019 and 2020, for all UK beneficiaries and in some cases also for beneficiaries of the other Member States.

After withdrawal, the Treaties and the secondary legislation will not be applicable to the United Kingdom. The United Kingdom or entities established in the United Kingdom will cease to be eligible to receive funding under those Union programmes, unless relevant provisions for participation of third countries are included in the legal acts of EU spending programmes

CONTENT: the purpose of this proposal is to extend to 2020 the contingency framework under Regulation (EU, Euratom) 2019/1197 and, consequently, to avoid, or at least minimise, the most significant disruptions for beneficiaries of EU spending programmes and other actions at the time of withdrawal and until the end of 2020, also with the expectation that this will facilitate a financial settlement between the Union and the United Kingdom. The proposed contingency framework provides for the possibility to maintain throughout 2020 the eligibility to benefit from Union financing for the United Kingdom and United Kingdom entities under legal commitments entered into before the withdrawal date or between the withdrawal date and the end of 2019. This is subject to the condition that the United Kingdom makes a written commitment to contribute to the financing of the budget for 2020 under the terms set in this proposal.

Furthermore, as the United Kingdom would finance its share of the budget 2020, and in line with the objective of implementing fully the multiannual financial framework 2014-2020 decided while the United Kingdom was a member of the Union, the United Kingdom and United Kingdom entities would be eligible in 2020 for the purposes of conditions set in any calls, tenders, contests or any other procedure which may lead to financing from the Union's budget.

The contingency framework providing for the eligibility of United Kingdom and United Kingdom entities would cease to apply if the United Kingdom discontinues the payments or where significant deficiencies have been observed in the execution of the controls and audits.

The contribution from the United Kingdom is based on the draft budget for 2020 as proposed on 5 July 2019 for 28 Member States and would be adjusted to take into account the level of payment appropriations under the adopted budget. It is reasonable that no Member State is in a less favourable position as regards their contribution than laid down in the budget for 2020 as proposed, following the adoption of this Regulation.

Therefore, to ensure the beneficial effect of this Regulation for all Member States, a specific amount would be deducted before that contribution is entered in the Union budget. Such specific amount would benefit the Member States which would otherwise be at a disadvantage following the adoption of this Regulation, as further specified in dedicated practical arrangements setting out the distribution of the payments due and entrusting the Commission with the disbursement of the specific amount.

If no agreement is reached in 2019 or 2020, the situation at the beginning of 2021 will be equivalent to the one at the withdrawal date for the mutual commitments undertaken by the Union and the United Kingdom. In any event the Union and the United Kingdom would need to honour their respective obligations resulting from the whole period of the United Kingdom membership in the Union.

BUDGETARY IMPLICATIONS: in case of a withdrawal without an agreement, this proposal would restore the eligibility of the United Kingdom and United Kingdom beneficiaries as long as the United Kingdom contributes to the budget for 2020. It would also allow receiving the United Kingdom's contributions as laid down in the draft budget for 2020, after adjusting those contributions to take into account the level of payment appropriations under the adopted budget.

The United Kingdom's acceptance of the conditions for the 2019 contingency framework and its written commitment to accept the necessary controls and audits would be conditions for the application of this contingency framework for 2020.