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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Globalisation Adjustment Fund (2014 - 2020)

{SEC(2011) 1130 final}
{SEC(2011) 1131 final}
{SEC(2011) 1133 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

- **General context**

In its Communication 'A Budget for Europe 2020'¹ the Commission stressed the need to tackle effectively a number of challenges that constitute a serious threat to social cohesion and competitiveness. These pressing challenges are mainly: shortfalls in skills levels, under-performance of active labour market policy and education systems, social exclusion of marginalised groups and low labour mobility.

In this context, the need is recognised to provide, for the duration of the Multiannual Financial Framework (MFF) 2014 – 2020, specific, one-off support to workers made redundant as a result of major structural changes triggered by the increasing globalisation of production and trade patterns. As in the 2007-2013 programming period, this specific support should be provided through the European Globalisation Adjustment Fund (EGF), one of the existing special instruments whose mobilisation does not affect the expenditure ceilings of the MFF.

In the same Communication the Commission indicated that through the EGF the Union should also be able to provide support in the event of large-scale redundancies resulting from a serious disruption of the local, regional or national economy caused by an unexpected crisis. The scope of the EGF will furthermore be extended to provide transitory support to farmers to facilitate their adaptation to a new market situation resulting from the conclusion by the Union of trade agreements affecting agricultural products.

- **Grounds for and objectives of the proposal**

The European Globalisation Adjustment Fund (EGF) was initially established for the duration of the programming period 2007 – 2013 by Regulation (EC) No 1927/2006² to provide the Union with an instrument to demonstrate solidarity with, and give support to, workers made redundant as a result of major structural changes in world trade patterns caused by globalisation where these redundancies have a significant adverse impact on the regional or local economy. By co-funding active labour market policy measures, the EGF aims to facilitate the re-integration of workers in areas, sectors, territories or labour markets suffering the shock of serious economic disruption.

In the light of the scale and the speed of development of the financial and economic crisis in 2008, the Commission, in its European Economic Recovery Plan³, envisaged the revision of Regulation (EC) No 1927/2006. Apart from some permanent changes based on the first years of EGF implementation, the main aim of this revision⁴ was to extend from 1 May 2009 until 30 December 2011 the scope of the EGF to enable it

¹ COM(2011) 500 final, 29.6.2011.

² OJ L 406, 30.12.2006, p. 1.

³ COM(2008) 800 final, 26.11.2008.

⁴ Regulation (EC) No 546/2009, OJ L 167, 29.6.2009, p. 26.

to demonstrate Union solidarity and provide support for workers made redundant as a direct consequence of the financial and economic crisis and to increase the co-funding rate from 50 to 65 %, thus reducing the burden for Member States. Taking into account the current economic situation and the need for fiscal consolidation the Commission has proposed⁵ that the temporary crisis derogation be extended until 31 December 2013, i.e. the end of the implementation period of Regulation (EC) No 1927/2006.

The prime objective of this proposal is to ensure that the EGF continues to operate in the next programming period in line with the basic principles laid down for the MFF 2014 – 2020, which also extended the scope of the EGF to include farmers.

In line with the main aim of Regulation (EC) No 1927/2006 the proposal aims to demonstrate solidarity at Union level with redundant workers affected by exceptional circumstances and to provide support towards their rapid reintegration into employment in line with the objectives of the Europe 2020 strategy.

Specifically, the EGF will provide support in cases where workers have been made redundant as a result of major structural changes in world trade patterns, in line with the initial scope of the EGF as laid down in Article 1 of Regulation (EC) No 1927/2006. The EGF will also be able to act in the event of unexpected crises leading to a serious disruption of the local, regional or national economy. Such unexpected crises could, for example, include a major recession in important trading partners, a collapse of the financial system comparable to the one that occurred in 2008, a serious energy or primary commodity supply problem, a natural disaster, etc. The EGF will also be available to help farmers adjust to a new market situation resulting from a trade agreement, such as an agreement on agricultural products concluded by the Union. Examples of such possible forthcoming trade agreements are those under negotiation with Mercosur countries, or in the context of the World Trade Organisation under the Doha Development Agenda.

In order to ensure that the EGF remains a valid European-level instrument, an application for EGF support for workers can be triggered when the number of redundancies reaches a minimum threshold. Experience with the functioning of Regulation (EC) No 1927/2006 has shown that a threshold of 500 redundancies within a given reference period is acceptable, in particular taking into account the possibility to submit applications for a lower number of redundancies in small labour markets or in exceptional circumstances.

For the agricultural sector an EGF application would be triggered on a different basis. Ex-ante information about the sectors and / or products likely to be affected by increased imports as a direct result of trade agreements will be provided in the analysis carried out by the Commission departments for the trade negotiations. Once the trade agreement is initialled, the Commission departments further check the sectors or products for which a substantial increase in Union imports and a significant drop in prices are expected and will assess the likely effect on sectoral income. On this basis the Commission would designate agricultural sectors or products and, where relevant, regions as eligible for possible EGF support. Member

⁵ COM(2011) 336 final, 10.6.2011.

States would have the possibility to submit applications for an EGF contribution, provided that they can prove that eligible sectors experience significant trade-related losses, that farmers operating in these sectors are affected and that they have identified and targeted the affected farmers.

In order to ensure that EGF support is available to workers independently of their contract of employment or employment relationship, the notion of 'workers' is extended to include not only workers with contracts of employment of indefinite duration as in Regulation (EC) No 1927/2006, but also workers with fixed-term contracts, temporary agency workers and owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

As the access to EGF support is conditioned by the fact that the workers must have been made redundant, or for farmers that they are adjusting that part of their activity affected by the relevant trade agreement, the proposal contains specific provisions on how the redundancy should be counted for each worker.

The EGF is designed to contribute to the growth and employment objectives of the Europe 2020 strategy. Therefore, its focus is on active labour market measures aimed at reintegrating dismissed workers rapidly into stable employment. As does Regulation (EC) No 1927/2006, this proposal provides for a financial contribution from the EGF for a package of active labour market measures. It cannot contribute to the funding of passive measures as these are not compatible with the growth and employment objectives of the Europe 2020 strategy. Allowances may only be included if they are designed as incentives to facilitate the participation of dismissed workers in active labour market policy measures. In order to ensure a reasonable balance between genuinely active labour market policy measures and 'activated' allowances, the share of allowances in a coordinated package of active labour market measures is capped.

For farmers, including all members of the farm household active on the farm, the measures would focus on the acquisition of appropriate training and skills and use of advisory services enabling them to adjust their activities, including carrying out new activities, within and / or outside agriculture, as well as to support to a limited extent the initial investments in changing or adjusting their activities so as to assist them to become structurally more competitive and secure their livelihoods. Support could also be given to cooperation activities with a view to creating new market options especially for small-scale farmers.

The EGF is being placed outside the MFF because of the unforeseeable and urgent character of the circumstances which warrant its deployment. However, its effectiveness has suffered from the length and procedural requirements of the decision-making process. Shortening as much as possible the time lag between the date of application for EGF support and the date of payment, and simplifying the procedures, should be a common concern for all parties involved in the EGF process: Member States should strive to submit a complete application as soon as possible once the relevant criteria are met; the Commission should assess and conclude on eligibility soon after the submission of a complete application, and the budgetary authority should swiftly take its decision on deploying the EGF funding. In order to cover the needs arising at the beginning of the year, the Commission will continue to

propose within the annual budgetary procedure a minimum amount in payment appropriations for the relevant budgetary line.

In view of the unpredictable nature of the needs arising for support from the Fund, it is necessary to reserve a part of the annual maximum amount for applications receiving financial contributions after 1 September each year. In case the needs for support from the Fund exceed the amount remaining available, the Commission's proposals will reflect the proportion set for support of the agricultural sector during the duration of the MFF.

Assistance from the EGF will be in addition to the efforts of the Member States, at national, regional and local levels. For reasons of sound financial management the EGF cannot replace measures that are already covered by Union Funds and Programmes included in the MFF. Nor can the EGF financial contribution replace measures that are the responsibility of dismissing companies under national law or collective agreements.

The budget procedure in the proposal follows directly from point 13 of the draft Interinstitutional Agreement⁶. Whenever possible, the process will be shortened and streamlined.

Taking account of the fact that the measures co-funded by the EGF are implemented by means of shared management with the Member States, the payment mechanism for the financial contribution will remain in line with those applied for this management mode of the Union budget. At the same time, the financing arrangements should reflect the scope of the actions to be carried out by the Member States as proposed in their applications.

The co-funding rate will be modulated, with a 50 % contribution to the cost of the package and its implementation as the norm, and the possibility to raise this rate to 65 % in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds. The purpose of this modulation is to ensure that the Union's expression of solidarity with workers in these Member States and regions is not hampered by a lack of Member State co-funding resources, as recognised by the higher co-funding rates laid down under the Structural Funds. The Commission, in its assessment of such applications, will decide whether the higher co-funding rate is justified in the specific case proposed by the Member State.

One of the key messages for the period 2014 – 2020 is that expenditure at Union level should be result-oriented, thus ensuring that the output and impact of the expenditure push forward the implementation of the Europe 2020 strategy and the achievement of its targets. For expenditure related to the EGF the MFF sets the target that at least 50 % of workers assisted through the EGF should find a new and stable job after 12 months. In order to enable the Commission to monitor whether Member States are successfully striving towards this target, Member States will present an interim report on the implementation of EGF support after 15 months. Within the same results-oriented approach the proposal provides for the possibility that Member

⁶ COM(2011) 403 final, 29.6.2011.

States, subject to approval by the Commission, can amend the planned active labour market policy measures if in the course of the 24-month implementation period other measures become more relevant and promising to reach a higher reintegration rate.

- **Existing provisions in the area of the proposal**

As indicated in the Communication⁷ on the MFF, the Structural Funds, comprising the European Social Fund (ESF) and the European Regional Development Fund (ERDF) will provide funding for structural actions for economic, social and territorial cohesion. This funding will be concentrated on the key priorities of the Europe 2020 strategy, such as promoting employment, investment in skills, education and life-long learning, social inclusion and the fight against poverty as well as enhancing institutional capacity and efficient public administration. Both the ESF and the ERDF consist of multi-annual programmes in support of strategic, long-term goals, in particular the anticipation and management of change and restructuring. The EGF, in turn, is established to provide support in exceptional circumstances and outside a multi-annual programming routine.

As indicated in the same Communication, the Common Agricultural Policy (CAP) will maintain its current two-pillar structure and will continue to provide direct support to farmers and to support market measures, entirely funded by the Union budget. It will also continue to deliver specific environmental public goods, improve the competitiveness of the agriculture and forestry sectors and promote the diversification of economic activity and quality of life in rural areas under its second pillar, and in particular under the support provided by the European Agricultural Fund for Rural Development (EAFRD). Like the Structural Funds, the EAFRD consists of multi-annual programmes in support of strategic, long-term goals.

The EGF, in turn, is established to provide European Union solidarity by means of time-limited support to workers being made redundant and to farmers needing to change or adjust their previous agricultural activities in exceptional circumstances and outside the multi-annual programming routine.

To promote the effective use of Union economic, social and territorial cohesion instruments the choice of the instrument will be based on an assessment of whether the redundancies are caused by structural factors or by a temporary deterioration of the employment situation caused by the factors defined in the Regulation.

- **Consistency with the Union's other policies and objectives**

The EGF contributes to the objectives of the Europe 2020 strategy, which should enable the Union to emerge stronger from the crisis, and to turn its economy towards smart, sustainable and inclusive growth, accompanied by a high level of employment, productivity and social cohesion. In its Communication⁸ 'Europe 2020 – A strategy for smart, sustainable and inclusive growth', the Commission highlights the role of the EGF under the flagship initiative 'An industrial policy in the

⁷ COM(2011) 500 final, 29.6.2011.

⁸ COM(2010) 2020 final, 3.3.2010.

globalisation era', in particular with a view to quick redeployment of skills to emerging high-growth sectors and markets.

- **Impact on fundamental rights**

The proposal has no impact on fundamental rights.

2. RESULTS OF CONSULTATIONS WITH INTERESTED PARTIES AND IMPACT ASSESSMENT

- **Consultation of interested parties**

Two stakeholder conferences were held to discuss the future of the EGF, on 25-26 January 2011⁹ and 8 March 2011¹⁰.

Evidence¹¹ on the acceptance of the EGF was collected by asking Member State experts about the future of the EGF through two questionnaires sent to them on 26 August 2010 and 12 October 2010 and European social partner organisations through a questionnaire sent to them on 2 February 2011. Twenty-five Member States replied; relatively few social partner organisations answered but they participated actively in the conferences. Member State experts were further consulted at an expert meeting in Porto on 29-30 September 2010¹² and in Brussels on 9 March 2011¹³. The main outcome of these consultations was overwhelming support for a rapid crisis intervention instrument in the event of large-scale redundancies. Nevertheless the complexity of the procedure and the slowness of the current decision-making process were severely criticised by all.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

The impact assessment of the EGF is covered by the Impact Assessment¹⁴ of the financial instruments of the Directorate-General Employment, Social Affairs and Inclusion, i.e. the European Social Fund (ESF), the EGF, the PROGRESS programme, EURES and the PROGRESS Micro-finance Facility.

The impact assessment considered three options for the EGF:

- **Option 1 – No policy change**, i.e. the EGF continues without its own budget. Following each application the budgetary authority has to take a decision whether this particular situation merits support. The main disadvantage is the long delay caused by the administrative procedures surrounding the decision-

⁹ <http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=320&furtherEvents=yes>
¹⁰ <http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=323&furtherEvents=yes>
¹¹ <http://ec.europa.eu/social/BlobServlet?docId=6578&langId=en>
¹² <http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=285&furtherEvents=yes>
¹³ <http://ec.europa.eu/social/main.jsp?langId=en&catId=326&eventsId=330&furtherEvents=yes>
¹⁴ SEC(2011)xxx.

making process. The main advantages are the flexibility of the instrument, in particular taking into account the largely unpredictable nature of the expenditure, the awareness it raises in the European Parliament of mass redundancies, the high visibility of each application as well as the high visibility of the EGF itself.

- **Option 2 – Incorporation of EGF actions into the ESF.** The main disadvantages are the need for a clear budget allocation during the programming period despite the 'unprogrammable' nature of mass redundancies, the possible conflict with overall allocation criteria used in cohesion policy and a reduction of the political visibility of Union support as the budgetary authority would not be involved. The main advantages of this option are increased coherence and complementarity with the ESF, the shortening of the decision-making process and the simplification and streamlining of EGF applications as the EGF could benefit from ESF structures, procedures, management and control systems as well as ESF simplifications in areas such as eligible costs.
- **Option 3 – the EGF as a stand-alone fund with its own budgetary allocation.** The main disadvantages are the loss of budgetary flexibility as it would earmark for a variable expenditure pattern a fixed amount of expenditure, the delivery mechanism (a negative impact on the delivery mechanism compared with option 2 as the EGF would not benefit from ESF structures, procedures and simplification) and finally the risk of some overlap with the ESF. The main advantage is the high degree of visibility for European solidarity.

The assessment has shown that in terms of speed of delivery of EGF assistance options 2 and 3 are preferable. However, these options involve a higher risk of reduced efficiency because of non-use of allocated resources. The involvement of policy makers in option 1 guarantees the highest level of public commitment of the Union to the welfare of redundant workers. Therefore, option 1 is the preferred option, offering as it does the necessary flexibility to enable effective use of resources, without affecting the Multiannual Financial Framework. It contains scope to further simplify the delivery mechanism and thus improve the effectiveness of the assistance provided to dismissed workers and to farmers affected by globalisation.

As far as the financial set-up is concerned this proposal is based on option 1, i.e. a specific instrument operating outside the MFF. The specific content of the provisions, and in particular the adaptation of the EGF rules to cover farmers, has been further assessed in the ex-ante evaluation accompanying this proposal.

The ex-ante evaluation¹⁵ considered three options:

- **Option 1 - No policy change**, i.e. the EGF continues to operate under its current rules as amended by the so-called 'crisis derogation' and set of eligible actions;

¹⁵ SEC(2011)yyy.

- **Option 2 - Extension of the eligible population**, i.e. the EGF continues to operate under its current rules as amended by the so-called 'crisis derogation' and set of eligible actions as in option 1, but its intervention criteria are extended to include temporary agency workers and workers with fixed-term contracts;
- **Option 3 - Further extension of the eligible population and the set of eligible actions**, i.e. the EGF expands option 2 by including in the eligible population owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) and by extending the set of eligible actions to take into account the specific requirements of owner-managers.

On the basis of the assessment of the advantages and disadvantages of the three above options, this proposal extends support to that part of the labour force negatively impacted by globalisation of economic activities, sudden crisis situations or trade agreements, either as a permanent or temporary employee or as an owner-manager or self-employed worker.

3. LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

The proposal aims to ensure that the EGF continues to operate in the next programming period in line with the basic principles laid down for the MFF 2014 – 2020. The EGF should enable the Union to demonstrate solidarity at Union level and to provide support to workers made redundant as a consequence of trade globalisation, as a result of an unexpected crisis or as a consequence of trade agreements impacting upon the agricultural sector.

- **Legal basis**

The Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175 and Articles 42 and 43.

Article 175(3) allows the European Parliament and the Council to take action in accordance with the ordinary legislative procedure and after consulting the Economic and Social Committee and the Committee for the Regions, if specific actions prove necessary outside the Structural Funds and the Common Agricultural Policy and without prejudice to the measures decided upon within the framework of the other policies of the Union.

As regards specifically the provisions in this Regulation related to support for active farmers, EGF assistance can be considered as aid to agricultural activities and as action taken in pursuance of an express objective of the Union's Agricultural Policy. Therefore, Articles 42 and 43 of the Treaty on the Functioning of the European Union constitute the appropriate legal basis for the measures targeting farmers.

- **Subsidiarity principle**

The subsidiarity principle applies insofar as the proposal does not fall under the exclusive competence of the Union.

The objectives of demonstrating solidarity at Union level in exceptional circumstances to that part of the workforce that has been negatively impacted by globalisation, a sudden crisis or trade agreements, cannot be sufficiently achieved by the Member States alone. They can be better achieved at Union level taking into account that the EGF is an expression of solidarity across and between Member States. Mobilising a financial contribution from the EGF will require the agreement of both arms of the budgetary authority, thus expressing solidarity by the Union and the Member States. In this way, the proposal will contribute to making the objective of Union solidarity in exceptional circumstances more tangible for that part of the labour force affected in particular and for Union citizens in general.

- **Proportionality principle**

In accordance with the principle of proportionality, the provisions of this proposal do not go beyond what is necessary to achieve its goals. The obligations imposed on the Member States reflect the need to help the affected workforce to adapt to changing circumstances and to reintegrate rapidly into employment. The administrative burden on the Union and on the national authorities has been limited to what is necessary for the Commission to exercise its responsibility for the implementation of the Union budget. Since the financial contribution is made to the Member State under the principle of shared management, the Member State will be required to report on the use made of the financial contribution.

- **Choice of instrument**

Proposed instrument: a Regulation.

Other means would not be appropriate for the following reason: the objective of demonstrating Union-level solidarity can only be achieved through a directly applicable legal instrument.

4. BUDGETARY IMPLICATION

The EGF is one of the special instruments not included in the MFF, with a maximum amount from January 2014 to 31 December 2020 of EUR 3 billion, while the amount in support of the agricultural sector shall not exceed EUR 2,5 billion (2011 prices).

Its functioning is governed by point 13 of the Draft Interinstitutional Agreement¹⁶ between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management.

It may not exceed a maximum annual amount of EUR 429 million.

5. OPTIONAL ELEMENTS

¹⁶ COM(2011) 403 final, 29.6.2011.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Globalisation Adjustment Fund (2014 - 2020)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third paragraph of Article 175, as well as Articles 42 and 43 thereof,

Having regard to the proposal from the Commission,

After transmission of the draft legislative act to the national Parliaments,

Having regard to the opinion of the European Economic and Social Committee¹⁷,

Having regard to the opinion of the Committee of the Regions¹⁸,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) On 26 March 2010, the European Council agreed to the Commission's proposal to launch a new strategy, Europe 2020. One of the three priorities of the Europe 2020 strategy is inclusive growth by empowering people through high levels of employment, investing in skills, fighting poverty and modernising labour markets, training and social protection systems so as to help people anticipate and manage change, and build a cohesive society.
- (2) The European Globalisation Adjustment Fund (EGF) was established by Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund¹⁹ for the duration of the Financial Framework from 1 January 2007 to 31 December 2013 to enable the Union to show solidarity towards workers made redundant as a result of major structural changes in world trade patterns due to globalisation and to provide support for their rapid reintegration into employment. This initial objective of the EGF remains valid.
- (3) The Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on

¹⁷ OJ C , , p. .

¹⁸ OJ C , , p. .

¹⁹ OJ L 48, 22.2.2008, p. 82.

'A budget for Europe 2020'²⁰ recognises the role of the EGF as a flexible fund to support workers who lose their jobs and help them to find another job as rapidly as possible. The Union should continue to provide, for the duration of the Multiannual Financial Framework from 1 January 2014 to 31 December 2020, specific, one-off support to facilitate the re-integration into employment of redundant workers in areas, sectors, territories or labour markets suffering the shock of serious economic disruption. Given its purpose, which is to provide support in situations of urgency and unexpected circumstances, the EGF should remain outside the Multiannual Financial Framework.

- (4) The scope of Regulation (EC) No 1927/2006 was broadened in 2009 by Regulation (EC) No 546/2009 of the European Parliament and of the Council²¹ as part of the European Economic Recovery plan to include workers made redundant as a result of the global financial and economic crisis. In order to enable the EGF to intervene in future crisis situations, its scope should cover redundancies resulting from a serious economic disruption when caused by an unexpected crisis comparable to the financial and economic crisis that hit the economy from 2008 onwards.
- (5) In compliance with the Communication on 'A Budget for Europe 2020', the scope of the EGF should be broadened to facilitate the adaptation of farmers to a new market situation resulting from international trade agreements in the agricultural sector and leading to a change or a significant adjustment in the agricultural activities of the affected farmers so as to assist them to become structurally more competitive or to facilitate their transition to non-agricultural activities.
- (6) In order to maintain the European nature of the EGF, an application for support should be triggered when the number of redundancies reaches a minimum threshold. In small labour markets, such as small Member States or remote regions, and in exceptional circumstances, applications may be submitted for a lower number of redundancies. As regards farmers, the necessary criteria should be determined by the Commission in relation to the consequences of each trade agreement.
- (7) Redundant workers should have equal access to the EGF independently of their type of employment contract or employment relationship. Therefore, workers with fixed term contracts and temporary agency workers made redundant as well as owner-managers of micro, small and medium-sized enterprises and self-employed workers who cease their activities and farmers who change or adjust their activities to a new market situation following trade agreements, should be regarded as redundant workers for the purposes of this Regulation.
- (8) Regarding farmers, the scope of the EGF should include beneficiaries affected by bilateral agreements concluded by the Union in accordance with Article XXIV of the GATT or multilateral agreements concluded within the World Trade Organisation. This covers farmers changing or adjusting their previous agricultural activities within a period starting upon initialling of such trade agreements and ending three years after their full implementation.

²⁰ COM(2011) 500 final, 29.6.2011.

²¹ OJ L 167, 29.6.2009, p. 27.

- (9) Financial contributions from the EGF should be primarily directed at active labour market measures aimed at reintegrating redundant workers rapidly into employment, either within or outside their initial sector of activity, including the agricultural sector. The inclusion of pecuniary allowances in a coordinated package of personalised services should therefore be restricted.
- (10) When drawing up the coordinated package of active labour market policy measures, Member States should favour measures that will significantly contribute to the employability of the redundant workers. Member States should strive towards the reintegration into employment or new activities of at least 50 % of the targeted workers within 12 months of the date of application.
- (11) In order to support redundant workers effectively and rapidly, Member States should do their utmost to submit complete applications. The provision of supplementary information should be exceptional and limited in time.
- (12) In compliance with the principle of sound financial management, financial contributions from the EGF should not replace support measures which are available for redundant workers within the Union's Structural Funds or other Union policies or programmes.
- (13) Special provisions should be included for information and communication activities on EGF cases and outcomes. In addition, to bring about greater efficiency in communication to the public at large and stronger synergies between the communication activities undertaken at the initiative of the Commission, the resources allocated to communication actions under this Regulation should also contribute to covering the corporate communication of the political priorities of the Union provided that these are related to the general objectives of this Regulation.
- (14) In order to ensure that the Union's expression of solidarity with workers is not hampered by a lack of Member State co-funding resources, the co-funding rate should be modulated, with a maximum 50 % contribution to the cost of the package and its implementation as the norm, and the possibility to raise this rate to up to 65 % in the case of applications submitted by those Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds.
- (15) To facilitate the implementation of this Regulation, expenditure should be eligible either from the date on which a Member State incurs administrative expenditure for implementing the EGF or from the date on which a Member State starts to provide personalised services or, in the case of farmers, from the date set in a Commission act in accordance with Article 4(3).
- (16) In order to cover the needs arising during the final months of each year, it is necessary to ensure that at least one quarter of the annual maximum amount of the EGF remains available on 1 September. Financial contributions made during the remainder of the year should be allocated taking into account the overall ceiling laid down for support to farmers in the Multiannual Financial Framework.
- (17) The Interinstitutional Agreement between the European Parliament, the Council and the Commission of [.....] on cooperation in budgetary matters and on sound

financial management²² ('the Interinstitutional Agreement') determines the budgetary framework of the EGF.

- (18) In the interest of the redundant workers, the Member States and the Union institutions involved in the EGF decision-making process should do their utmost to reduce processing time and simplify procedures.
- (19) In order to enable continuous monitoring by the Commission of results obtained with EGF assistance, Member States should submit interim and final reports on the implementation of the EGF.
- (20) The Member States should remain responsible for the implementation of the financial contribution and for the management and control of the actions supported by Union funding, in accordance with Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities ('the Financial Regulation')²³. The Member States should justify the use made of the financial contribution received from the EGF.
- (21) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States and can therefore, by reason of their scale and effects, be better achieved at the Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on the European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives,

HAVE ADOPTED THIS REGULATION:

Article 1 **Objectives**

This Regulation establishes the European Globalisation Adjustment Fund (EGF) for the period of the Multiannual Financial Framework from 1 January 2014 to 31 December 2020.

The aim of the EGF shall be to contribute to economic growth and employment in the Union by enabling the Union to show solidarity towards workers made redundant as a result of major structural changes in world trade patterns due to globalisation, trade agreements affecting agriculture, or an unexpected crisis, and to provide financial support for their rapid reintegration into employment, or for changing or adjusting their agricultural activities.

Actions benefiting from financial contributions by the Fund pursuant to Article 2(a) and (b) shall aim to ensure that a minimum of 50 % of workers participating in these actions find stable employment within a year from the date of application.

²² COM(2011) 403 final, 29.6.2011.

²³ OJ L

Article 2

Scope

This Regulation shall apply to applications by the Member States for financial contributions to be provided to:

- (a) workers made redundant as a result of major structural changes in world trade patterns due to globalisation, demonstrated, in particular, by a substantial increase in imports into the Union, a rapid decline of the Union market share in a given sector or a delocalisation of activities to non-member countries, where these redundancies have a significant adverse impact on the local, regional or national economy;
- (b) workers made redundant as a result of a serious disruption of the local, regional or national economy caused by an unexpected crisis, provided that a direct and demonstrable link can be established between the redundancies and that crisis;
- (c) workers changing or adjusting their previous agricultural activities during a period starting upon initialling of the trade agreement by the Union containing trade liberalisation measures for the relevant agricultural sector and ending three years after the full implementation of these measures and provided that these trade measures lead to a substantial increase in Union imports of an agricultural product or products accompanied by a significant decrease in prices of such products at the Union or, where relevant, the national or regional level.

Article 3

Definition

For the purposes of this Regulation, the following definitions of a worker apply:

- (a) 'a worker' means workers with contracts of employment of indefinite duration whose employment contract or relationship is in accordance with Article 4; or
- (b) 'a worker' means fixed-term workers as defined in Council Directive 1999/70/EC²⁴, whose employment contract or relationship is in accordance with Article 4(1)(a) or (b), and ends and is not renewed within the period set out in that point of Article 4; or
- (c) 'a worker' means temporary agency workers as defined in Article 3 of Directive 2008/104/EC of the European Parliament and of the Council²⁵, whose user undertaking is an enterprise in accordance with Article 4(1)(a) or (b), and whose assignment to the user undertaking ends and is not renewed within the period set out in that point of Article 4; or
- (d) 'a worker' means owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers) and all members of the household active in the business, provided that, if farmers, they were already producing the output affected by the relevant trade agreement before the measures concerning the specific sector were implemented.

²⁴ OJ L 175, 10.7.1999, p. 43.

²⁵ OJ L 327, 5.12.2008, p. 9.

Article 4
Intervention criteria

1. A financial contribution from the EGF shall be provided where any of the conditions set out in points (a), (b) and (c) of Article 2 occur and result in:
 - (a) at least 500 workers being made redundant over a period of four months in an enterprise in a Member State, including workers made redundant in its suppliers or downstream producers;
 - (b) at least 500 workers being made redundant over a period of nine months, particularly in small or medium-sized enterprises, operating in one economic sector defined at NACE Revision 2 division level and located in one region or two contiguous regions defined at NUTS II level, or in more than two contiguous regions defined at NUTS II level provided that more than 500 workers are made redundant in two of the regions combined.
2. In small labour markets or in exceptional circumstances, where duly substantiated by the applicant Member State, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a) or (b) of paragraph 1 are not entirely met, when redundancies have a serious impact on employment and the local economy. The Member State shall specify which of the intervention criteria set out in points (a) and (b) of paragraph 1 is not entirely met.
3. As regards farmers, when, after a trade agreement is initialled and on the basis of the information, data and analyses available to it, the Commission considers that the conditions for support in accordance with Article 2(c) are likely to be met for a significant number of farmers, it shall adopt delegated acts in accordance with Article 24 designating the eligible sectors or products, defining the affected geographical areas where appropriate, setting a maximum amount for potential support at Union level, setting reference periods and eligibility conditions for farmers and eligibility dates for expenditure as well as establishing the deadline by which applications must be submitted and, if necessary, the content of these applications in accordance with Article 8(2).
4. Where owner-managers of micro, small and medium-sized enterprises and self-employed workers change or, in the case of farmers, adjust their previous activities, such situations shall be considered as redundancies for the purposes of this Regulation.

Article 5
Calculation of redundancies

For the purposes of calculating the number of redundancies provided for in Article 4(1), a redundancy shall be counted:

- (a) for workers with contracts of employment of indefinite duration or for workers with a fixed term contract that comes to an end before its expiry, from:
 - (1) the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker; or

- (2) the date of the de facto termination of the contract of employment before its expiry; or
 - (3) the date on which the employer, in accordance with Article 3(1) of Council Directive 98/59/EC²⁶, notifies the competent public authority in writing of the projected collective redundancies; in this case the applicant Member State shall provide the Commission with additional information on the actual number of redundancies effected according to Article 4(1), prior to the completion of the assessment by the Commission.
- (b) for fixed term workers and for temporary agency workers, from either:
 - (1) the date of the de facto termination of the contract of employment, or
 - (2) the end of the assignment to the user undertaking, or
 - (3) the date at which they become unemployed.
 - (c) For owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers), the redundancy shall be counted either from the date of cessation of the activities caused by any of the conditions set out in Article 2, and determined in accordance with national law or administrative provisions, or from the date specified by the Commission in the delegated act adopted in accordance with the Article 4(3).

For each enterprise or self-employed worker covered by an application the Member State shall specify how the redundancies are being counted.

Article 6 **Eligible workers**

The applicant Member State may provide personalised services co-financed by the EGF to affected workers, who may include:

- (a) all workers being made redundant in accordance with Article 5, within the period provided for in Article 4(1), (2) or (3),
- (b) workers being made redundant before or after the period provided for in Article 4(1)(a) or (2), in cases where an application under Article 4(2) derogates from the criteria set out in Article 4(1)(a),
- (c) farmers changing or adjusting their previous agricultural activities following the initialling by the Union of a trade agreement referred to in the delegated act taken in accordance with Article 4(3).

The workers referred to in point (b) are considered eligible, provided that they were made redundant after the general announcement of the projected redundancies and that a clear

²⁶ OJ L 225, 12.8.1998, p. 16.

causal link can be established with the event which triggered the redundancies during the reference period.

Article 7

Eligible actions

1. A financial contribution may be made for active labour market measures that form part of a coordinated package of personalised services, designed to facilitate the re-integration of the targeted redundant workers into employment or self-employment or, in the case of farmers, to change or adjust their previous activities. The coordinated package of personalised services may include in particular:

- (a) job-search assistance, occupational guidance, advisory services, mentoring, outplacement assistance, entrepreneurship promotion, aid for self-employment and business start-up or for changing or adjusting activity (including investments in physical assets), co-operation activities, tailor-made training and re-training, including information and communication technology skills and certification of acquired experience;
- (b) special time-limited measures, such as job-search allowances, employers' recruitment incentives, mobility allowances, subsistence or training allowances (including allowances for carers or farm relief services), all of which limited to the duration of the documented active job search or life-long learning or training activities;
- (c) measures to stimulate in particular disadvantaged or older workers to remain in or return to the labour market.

The costs of the measures under (b) may not exceed 50 % of the total costs of the coordinated package of personalised services listed in this paragraph.

The cost of investments in physical assets for self-employment and business start-up or for changing or adjusting activity may not exceed EUR 35 000.

2. The following measures shall not be eligible for a financial contribution from the EGF:

- (a) special time-limited measures as listed in paragraph 1 (b) which are not conditional upon the active participation of the targeted workers in job-search or training activities;
- (b) actions which are the responsibility of enterprises by virtue of national law or collective agreements.

3. At the initiative of the applicant Member State, a financial contribution may be made for the preparatory, management, information and publicity, control and reporting activities.

Article 8
Applications

1. The Member State shall submit a complete application to the Commission within a period of 12 weeks from the date on which the criteria set in Article 4(1) or (2) are met or, where applicable, before the deadline set by the Commission in accordance with Article 4(3). In exceptional and duly justified circumstances the application may be supplemented with additional information by the applicant Member State within six months from the date of application, following which the Commission shall assess the application on the basis of the available information. The Commission shall complete its assessment of the application within twelve weeks of the date of receipt of a complete application or (in the case of an incomplete application) six months after the date of the initial application, whichever is the earlier.
2. The application shall include the following information:
 - (a) a reasoned analysis of the link between the redundancies and the major structural changes in world trade patterns, or the serious disruption of the local, regional or national economy caused by an unexpected crisis, or the new market situation in the agricultural sector in the Member State and resulting from the effects of a trade agreement initialled by the European Union in accordance with Article XXIV of the GATT or a multilateral agreement initialled within the World Trade Organisation as per Article 2(c). This analysis shall be based on statistical and other information at the most appropriate level to demonstrate the fulfilment of the intervention criteria set out in Article 4;
 - (b) an assessment of the number of redundancies in accordance with Article 5, and an explanation of the events giving rise to those redundancies;
 - (c) the identification, where applicable, of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of targeted workers;
 - (d) the expected impact of the redundancies as regards the local, regional or national economy and employment;
 - (e) the estimated budget for each of the components of the coordinated package of personalised services in support of the targeted workers;
 - (f) the dates on which the personalised services to the affected workers and the activities to implement EGF, as set out in Article 7(1) and (3) respectively, were started or are planned to be started;
 - (g) the procedures followed for consulting the social partners or other relevant organisations as applicable;
 - (h) a statement of compliance of the requested EGF support with the procedural and material Union rules on state aid as well as a statement that the personalised services do not replace measures that are the responsibility of companies by virtue of national law or collective agreements;
 - (i) the sources of national co-funding;

- (j) if applicable, any further requirements which may have been laid down in the delegated act taken in accordance with Article 4(3).
3. On the basis of the information provided for in paragraph 2 and any additional information submitted by the applicant Member State within the period provided for in paragraph 1, the Commission shall assess, in consultation with the Member State concerned, whether the conditions for making a financial contribution are met.

Article 9

Complementarity, compliance and coordination

1. Support for redundant workers shall complement actions of the Member States at national, regional and local level.
2. The financial contribution shall be limited to what is necessary to provide solidarity and support for individual redundant workers. The activities supported by the EGF shall comply with Union and national law, including state aid rules.
3. In accordance with their respective responsibilities, the Commission and the applicant Member State shall ensure the coordination of the assistance from Union Funds.
4. The applicant Member State shall ensure that the specific actions receiving a financial contribution shall not also receive assistance from other Union financial instruments.

Article 10

Equality between men and women and non-discrimination

The Commission and the Member States shall ensure that equality between men and women and the integration of the gender perspective are promoted during the various stages of the implementation of the financial contribution. The Commission and the Member State shall take appropriate steps to prevent any discrimination based on sex, racial or ethnic origin, religion or belief, disability, age, sexual orientation and type of contract of employment or employment relationship in access to and during the various stages of the implementation of the financial contribution.

Article 11

Technical assistance at the initiative of the Commission

1. At the initiative of the Commission, subject to a ceiling of 0,5 % of the annual maximum amount of the EGF, the EGF may be used to finance the preparation, monitoring, data gathering and creation of a knowledge base relevant to the implementation of the EGF. It may also be used to finance administrative and technical support, information and communication activities, as well as audit, control and evaluation activities necessary to implement this Regulation.

2. Subject to the ceiling set out in paragraph 1, the budgetary authority shall make available an amount for technical assistance at the start of each year on the basis of a proposal from the Commission.
3. The tasks set out in paragraph 1 shall be performed in accordance with the Financial Regulation, as well as the implementing rules applicable to this form of implementation of the budget.
4. The Commission's technical assistance shall include the provision of information and guidance to the Member States for using, monitoring and evaluating the EGF. The Commission may also provide information on using the EGF to the European and national social partners.

Article 12

Information, communication and publicity

1. The applicant Member State shall provide information on and publicise the funded actions. The information shall be addressed to the targeted workers, local and regional authorities, social partners, the media and the general public. It shall highlight the role of the Union and ensure that the contribution from the EGF is visible.
2. The Commission shall set up an Internet site, available in all Union languages, to provide information on the EGF, guidance on the submission of applications, and information on accepted and rejected applications, highlighting the role of the budgetary authority.
3. The Commission shall implement information and communication activities on EGF cases and outcomes.
4. The resources allocated to communication actions under this Regulation shall also contribute to covering the corporate communication of the political priorities of the Union provided that these are related to the general objectives of this Regulation.

Article 13

Determination of financial contribution

1. The Commission shall, on the basis of the assessment carried out in accordance with Article 8(3), particularly taking into account the number of targeted workers, the proposed actions and the estimated costs, evaluate and propose as quickly as possible the amount of a financial contribution, if any, that may be made within the limits of the resources available. The amount may not exceed 50 % of the total of the estimated costs referred to in Article 8(2)(e) or 65 % of these costs in the case of applications submitted by a Member State on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds. The Commission, in its assessment of such cases, will decide whether the 65 % co-funding rate is justified.

2. Where on the basis of the assessment carried out in accordance with Article 8(3) the Commission has concluded that the conditions for a financial contribution under this Regulation are met, it shall immediately initiate the procedure set out in Article 15.
3. Where on the basis of the assessment carried out in accordance with Article 8(3) the Commission has concluded that the conditions for a financial contribution are not met, it shall notify the applicant Member State as soon as possible.

Article 14

Eligibility of expenditure

Expenditure shall be eligible for a financial contribution from the dates set out in Article 8(2)(h) on which the Member State starts the personalised services to the targeted workers or the administrative expenditure to implement the EGF in accordance with Article 7(1) and (3) respectively. In the case of farmers, expenditure shall be eligible for a contribution from the date set in the delegated act taken in accordance with Article 4(3).

Article 15

Budget procedure

1. The arrangements for the EGF shall comply with point 13 of the Interinstitutional Agreement.
2. The appropriations concerning the EGF shall be entered in the general budget of the European Union as a provision.
3. Where the Commission has concluded that the conditions for mobilising the EGF are met, it shall submit a proposal to deploy it. The Decision to deploy the EGF shall be taken jointly by the two arms of the budgetary authority. The Council shall act by a qualified majority and the European Parliament shall act by a majority of its component members and three fifths of the votes cast.

At the same time as it presents the proposal for a Decision to deploy the EGF, the Commission shall present to the two arms of the budgetary authority a proposal for a transfer to the relevant budgetary lines. In case of disagreement a triologue procedure shall be initiated.

Transfers related to the EGF shall be made in accordance with the Financial Regulation.

4. Jointly with the proposal for a Decision to deploy the EGF the Commission shall adopt a Decision on a financial contribution, by means of an implementing act, which shall enter into force on the date at which the budgetary authority adopts the Decision to deploy the EGF.
5. A proposal pursuant to paragraph 3 shall include the following:
 - (a) the assessment carried out in accordance with Article 8(3), together with a summary of the information on which that assessment is based;

- (b) evidence that the criteria laid down in Articles 4 and 9 are met; and
 - (c) the reasons justifying the amounts proposed.
6. On 1 September each year, at least one quarter of the annual maximum amount of the EGF shall remain available in order to cover needs arising until the end of the year.

Article 16

Payment and use of the financial contribution

1. Following the entry into force of a Decision on a financial contribution in accordance with Article 15(4) the Commission shall pay the financial contribution to the Member State in form of a pre-financing of at least 50 % of the Union's financial contribution to the Member State, in principle within 15 days, followed where necessary in form of intermediate and final payments. The pre-financing shall be cleared when the financial contribution is wound up in accordance with Article 18(3).
2. This financial contribution shall be implemented within the framework of shared management between the Member States and the Commission, in accordance with the Financial Regulation.
3. Detailed terms of financing, in particular the rate of pre-financing and the modalities of intermediate and final payments shall be determined by the Commission in the Decision on a financial contribution referred to in Article 15(4).

Intermediate payments shall be made in order to reimburse the expenditure incurred by the Member States in carrying out the eligible actions, subject to presentation to the Commission of a declaration of expenditure signed by a representative of an accredited public body pursuant to Article 21.

4. The Member State shall carry out the eligible actions set out in Article 6 as soon as possible, but not later than 24 months after the date of the application, pursuant to Article 8(1).
5. When carrying out the actions contained in the package of personalised services the Member State may submit to the Commission a proposal to amend the actions included by adding other eligible actions listed in Article 7(1)(a) and (c), provided that those amendments are duly justified and the total does not exceed the financial contribution pursuant to paragraph 1. The Commission shall assess the proposed revisions and, if it agrees, shall notify the Member State accordingly.
6. Expenditure pursuant to Article 7(3) shall be eligible until the deadline for submission of the report.

Article 17

Use of the euro

Applications, decisions on financial contributions and reports under this Regulation, as well as any other related documents, shall express all amounts in euro.

Article 18
Interim and final report and closure

1. No later than 15 months after the date of the application pursuant to Article 8(1) or by the date laid down in the delegated act taken in accordance with Article 4(3) the Member State shall present an interim report to the Commission on the implementation of the financial contribution, including on the funding, timing and type of actions already carried out and on the rate of reintegration into employment or new activities achieved 12 months after the date of the application.

In addition, the interim report shall contain information on:

- (a) a description of the coordinated package of personalised services and related expenditure, including how it complements actions funded by other national or Union Funds as well as information on actions that are mandatory for the enterprises concerned by virtue of national law or pursuant to collective agreements;
 - (b) a description of the actions taken and planned by the national, regional or local authorities, Union Funds, social partners and enterprises, including an estimate of how these contribute to the reintegration of the workers into employment or new activities.
2. No later than six months after the expiry of the period specified in Article 16(4) the Member State shall present a final report to the Commission on the implementation of the financial contribution, including information on the type of actions and main outcomes, the characteristics of the targeted workers and their employment status, together with a statement justifying the expenditure and indicating whenever possible the complementarity of actions with those funded by the ESF.
3. No later than six months after the Commission has received all the information required under paragraph 2, it shall wind up the financial contribution by determining the final amount of the financial contribution and, if any, the balance due by the Member State in accordance with Article 22.

Article 19
Biennial report

1. By 1 August of every second year year, and for the first time in 2015, the Commission shall present to the European Parliament and to the Council a quantitative and qualitative report on the activities under this Regulation and Regulation 1927/2006 in the previous two years. The report shall focus mainly on the results achieved by the EGF and shall in particular contain information relating to applications submitted, decisions adopted, actions funded, including their complementarity with actions funded by other Union Funds, notably the European Social Fund (ESF) and the European Agricultural Fund for Rural Development (EAFRD), and the winding-up of financial contributions made. It should also document those applications that have been rejected or reduced owing to a lack of sufficient appropriations or to non-eligibility.

2. The report shall be transmitted for information to the European Economic and Social Committee, the Committee of the Regions and the social partners.

Article 20
Evaluation

1. The Commission shall carry out at its own initiative and in close cooperation with the Member States:
 - (a) by 30 June 2018, a mid-term evaluation of the effectiveness and sustainability of the results obtained;
 - (b) by 31 December 2022, an ex-post evaluation with the assistance of external experts, to measure the impact of the EGF and its added value.
2. The results of the evaluation shall be transmitted, for information, to the European Parliament, the Council, the European Economic and Social Committee, the Committee of the Regions and the social partners.

Article 21
Management and financial control

1. Without prejudice to the Commission's responsibility for implementing the general budget of the European Union, Member States shall take responsibility in the first instance for the management of actions supported by the EGF and the financial control of the actions. To that end, the measures they take shall include:
 - (a) verifying that management and control arrangements have been set up and are being implemented in such a way as to ensure that Union funds are being used efficiently and correctly, in accordance with the principles of sound financial management;
 - (b) verifying that the financed actions have been properly carried out;
 - (c) ensuring that expenditure funded is based on verifiable supporting documents, and is correct and regular;
 - (d) preventing, detecting and correcting irregularities as defined in [Regulation (EU) No .../... of the European Parliament and of the Council of ... on laying down general provisions on the European Regional Development Fund, the European Social Fund and the Cohesion Fund and repealing Regulation (EC) No. 1083/2006] on the Structural Funds and recovering amounts unduly paid together with interest on late payments where appropriate. They shall notify any such irregularities to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.
2. Member States shall accredit bodies responsible for the proper management and control of the actions supported by the EGF in accordance with Article 56 of the Financial Regulation and with the criteria and procedures laid down in the General Regulation on the Structural Funds. By 1 February of the following financial year,

these accredited bodies shall provide the Commission with the information set out in Article 56(5) of the Financial Regulation.

3. The Member State shall make the financial corrections required where an irregularity is ascertained. The corrections made by the Member State shall consist in cancelling all or part of the financial contribution. The Member State shall recover any amount lost as a result of an irregularity detected, repay it to the Commission and, where the amount is not repaid by the relevant Member State in the time allowed, default interest shall be due.
4. The Commission, in its responsibility for the implementation of the general budget of the European Union, shall take every step necessary to verify that the actions financed are carried out in accordance with the principles of sound and efficient financial management. It is the responsibility of the applicant Member State to ensure that it has smoothly functioning management and control systems. The Commission shall satisfy itself that such systems are in place.

To that end, without prejudice to the powers of the Court of Auditors or the checks carried out by the Member State in accordance with national laws, regulations and administrative provisions, Commission officials or servants may carry out on-the-spot checks, including sample checks, on the actions financed by the EGF with a minimum of one working day's notice. The Commission shall give notice to the applicant Member State with a view to obtaining all the assistance necessary. Officials or servants of the Member State concerned may take part in such checks.

5. The Member State shall ensure that all supporting documents regarding expenditure incurred are kept available for the Commission and the Court of Auditors for a period of three years following the winding-up of the financial contribution received from the EGF.

Article 22

Reimbursement of financial contribution

1. In cases where the amount of the actual cost of an action is less than the estimated amount quoted pursuant to Article 15, the Commission shall adopt a Decision, by means of an implementing act, requiring the Member State to reimburse the corresponding amount of the financial contribution received.
2. Where the Member State fails to comply with the obligations stated in the Decision on a financial contribution, the Commission shall take the necessary steps by adopting a Decision, by means of an implementing act, to require the Member State to reimburse all or part of the financial contribution received.
3. Prior to the adoption of a decision under paragraphs 1 or 2, the Commission shall conduct a suitable examination of the case and shall, in particular, allow the Member State a specified period of time in which to submit its comments.
4. If, after completing the necessary verifications, the Commission concludes that a Member State is not complying with its obligations under Article 21(1), it shall, if no agreement has been reached and the Member State has not made the corrections in a period set by the Commission, and taking account of any comments made by the

Member State, decide within three months from the end of the period referred to in paragraph 3 to make the financial corrections required by cancelling all or part of the contribution of the EGF to the action in question. Any amount lost as a result of an irregularity detected shall be recovered and, where the amount is not repaid by the applicant Member State in the time allowed, default interest shall be due.

Article 23

Financial management of support to farmers

By way of derogation from Articles 21 and 22, support for farmers shall be managed and controlled in accordance with Regulation (EC) No..... on the financing, management and monitoring of the common agricultural policy.

Article 24

Exercise of the delegation

1. The powers to adopt delegated acts are conferred on the Commission subject to the conditions laid down in this Article.
2. The delegations of power referred to in this Regulation shall be conferred for an indeterminate period of time from the date of entry into force of this Regulation.
3. The delegations of power referred to in Article 4 may be revoked at any time by the European Parliament or by the Council.

A decision of revocation shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the *Official Journal of the European Union* or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.

4. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
5. A delegated act adopted pursuant to Article 4(3) shall enter into force only if no objection has been expressed either by the European Parliament or the Council within a period of 2 months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by 2 months at the initiative of the European Parliament or the Council.

Article 25

Repeal

Regulation (EC) No 1927/2006 is repealed with effect from 1 January 2014.

It shall continue to apply for applications submitted up to 31 December 2013.

Article 26
Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

It shall apply to all applications submitted between 1 January 2014 and 31 December 2020.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

For the European Parliament
The President

For the Council
The President

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

- 1.1. Title of the proposal/initiative
- 1.2. Policy area(s) concerned in the ABM/ABB structure
- 1.3. Nature of the proposal/initiative
- 1.4. Objective(s)
- 1.5. Grounds for the proposal/initiative
- 1.6. Duration and financial impact
- 1.7. Management method(s) envisaged

2. MANAGEMENT MEASURES

- 2.1. Monitoring and reporting rules
- 2.2. Management and control system
- 2.3. Measures to prevent fraud and irregularities

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on operational appropriations*
 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
 - 3.2.4. *Compatibility with the current multiannual financial framework*
 - 3.2.5. *Third-party participation in financing*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT FOR PROPOSALS

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund 2014 - 2020

1.2. Policy area(s) concerned in the ABM/ABB structure²⁷

ABB Activity: European Globalisation Adjustment Fund as included in DG EMPL 2010 Management Plan

1.3. Nature of the proposal/initiative

The proposal/initiative relates to a **new action**

The proposal/initiative relates to a **new action following a pilot project/preparatory action**²⁸

The proposal/initiative relates to **the extension of an existing action**

The proposal/initiative relates to **an action redirected towards a new action**

1.4. Objectives

1.4.1. *The Commission's multiannual strategic objective(s) targeted by the proposal/initiative*

The proposal falls under the "Communication on a Budget for Europe 2020" containing the Multiannual Financial Framework 2014 - 2020.

1.4.2. *Specific objective(s) and ABM/ABB activity(ies) concerned*

Specific objective no.1: Maintain participation in the labour market of workers made redundant as a result of changes in world trade patterns and unexpected crises.

Specific objective no 2: Including fixed-term workers and temporary agency workers in the scope of the EGF.

Specific objective no. 3: Including owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

ABM/ABB activity(ies) concerned: European Globalisation Adjustment Fund (EGF)

²⁷ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
²⁸ As referred to in Article 49(6)(a) or (b) of the Financial Regulation.

1.4.3. *Expected result(s) and impact*

Specify the effects which the proposal/initiative should have on the beneficiaries/groups targeted.

The proposal will enable the European Union to continue its support through the EGF at a co-funding rate of 50 % for active labour market measures for workers made redundant as a result of trade related globalisation and unexpected crises. This rate may be increased to 65 % in the case of Member States on the territory of which at least one region at NUTS II level is eligible under the "Convergence" objective of the Structural Funds. The eligible population is expanded to include fixed-term workers, temporary agency workers and the owner-managers of micro, small and medium-sized enterprises and self-employed workers (including farmers).

1.4.4. *Indicators of results and impact*

Specify the indicators for monitoring implementation of the proposal/initiative.

- Number of applications for EGF support received
- Number of redundant workers targeted for EGF assistance
- Number of redundant workers reintegrated into employment following EGF supported measures

1.5. Grounds for the proposal/initiative

1.5.1. *Requirement(s) to be met in the short or long term*

Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund must be reviewed by the end of 2013. The review, which is carried out by means of the proposed Regulation, enables the Fund to continue for the period of the Multiannual Financial Framework 2014 - 2020, to enlarge its scope to include additional eligible populations, and to amend some technical details in order to improve its functioning.

1.5.2. *Added value of Union involvement*

Union involvement through the EGF makes it possible to complement national means available for the re-integration of workers made redundant as a consequence of trade globalisation or unexpected crises. Experience achieved so far with the EGF indicates that Union involvement makes it possible to provide more tailor-made support, for a longer period of time, often involving measures that could not have been provided without the involvement of the EGF.

1.5.3. *Lessons learned from similar experiences in the past*

See the experience gained under Regulation (EC) No 1927/2006 as set out in the explanatory Memorandum.

1.5.4. *Coherence and possible synergy with other relevant instruments*

The EGF is coherent and offers a synergy with the European Social Fund.

1.6. Duration and financial impact

- Proposal/initiative of limited duration
- Proposal/initiative in effect from 1 January 2014 to 31 December 2020
- Financial impact from YYYY to YYYY
- Proposal/initiative of **unlimited duration**
- Implementation with a start-up period from YYYY to YYYY,
- followed by full-scale operation.

1.7. Management mode(s) envisaged²⁹

- Centralised direct management** by the Commission
- Centralised indirect management** with the delegation of implementation tasks to:
 - executive agencies
 - bodies set up by the Communities³⁰
 - national public-sector bodies/bodies with public-service mission
 - persons entrusted with the implementation of specific actions pursuant to Title V of the Treaty on European Union and identified in the relevant basic act within the meaning of Article 49 of the Financial Regulation
- Shared management** with the Member States
- Decentralised management** with third countries
- Joint management** with international organisations (*to be specified*)

If more than one management mode is indicated, please provide details in the "Comments" section.

Comments

²⁹ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site: http://www.cc.cec/budg/man/budgmanag/budgmanag_en.html

³⁰ As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Article 19 of the proposed Regulation requires the Commission to present each year to the European Parliament and the Council a quantitative and qualitative report on the activities carried out under this Regulation in the previous two years. This report contains i.a. the Commission's observations on the monitoring activities during the years under consideration.

In accordance with Article 20 of the proposed Regulation, the Commission will carry out before the end of June 2018, in close cooperation with Member States, a mid-term evaluation of the effectiveness and sustainability of the results obtained under the EGF. By 31 December 2022, the Commission is required to carry out, with the assistance of external experts, an ex-post evaluation in order to measure the impact of the EGF and its added value.

2.2. Management and control system

2.2.1. Risk(s) identified

The risks are those related to shared management of Community Funds.

2.2.2. Control method(s) envisaged

The requirements applicable to management and financial control are laid down in Article 20 of the proposed Regulation.

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures.

The measures to prevent, detect and correct irregularities are laid down in Article 20(1)(d) and in Article 20(2) of the proposed Regulation.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected

- Existing expenditure budget lines

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|---|------------------------|-----------------------------------|--|----------------------|---|
| | Number [Description.....] | DA/NDA ⁽³¹⁾ | from EFTA ³² countries | from candidate countries ³³ | from third countries | within the meaning of Article 18(1)(aa) of the Financial Regulation |
| n.a. | 04.0501 European Globalisation Adjustment Fund 04.010414 European Globalisation Adjustment Fund – Expenditure on administrative management 40.0243 Reserve for the European Globalisation Adjustment Fund | DA | NO | NO | NO | NO |

- New budget lines requested

In order of multiannual financial framework headings and budget lines.

| Heading of multiannual financial framework | Budget line | Type of expenditure | Contribution | | | |
|--|--|---------------------|---------------------|--------------------------|----------------------|---|
| | Number [Heading.....] | Diff./non-diff. | from EFTA countries | from candidate countries | from third countries | within the meaning of Article 18(1)(aa) of the Financial Regulation |
| n.a. | A new budget line will be requested for implementation of part of the EGF by DG AGRI | [DA...] | /NO | /NO | /NO | /NO |

³¹ DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

³² EFTA: European Free Trade Association.

³³ Candidate countries and, where applicable, potential candidate countries from the Western Balkans.

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to 3 decimal places)

| | | |
|--|--------|--|
| Heading of multiannual financial framework: | Number | |
|--|--------|--|

| DG: EMPL | | | Year 2014 ³⁴ | Year 2015 | TOTAL |
|---|-------------|-------------|----------------------------|--------------|-------|
| • Operational appropriations PM | | | | | |
| Number of budget line | Commitments | (1) | | | |
| | Payments | (2) | | | |
| Number of budget line | Commitments | (1a) | | | |
| | Payments | (2a) | | | |
| Appropriations of an administrative nature financed from the envelop of specific programs ³⁵ | | | | | |
| Number of budget line | | (3) | | | |
| TOTAL appropriations for DG EMPL | Commitments | =1+1a +3 | | | |
| | Payments | =2+2a +3 | | | |

³⁴ Year N is the year in which implementation of the proposal/initiative starts.

³⁵ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

| | | | | | |
|---|-------------|-------|--|--|--|
| • TOTAL operational appropriations | Commitments | (4) | | | |
| | Payments | (5) | | | |
| • TOTAL appropriations of an administrative nature financed from the envelop of specific programs | | (6) | | | |
| TOTAL appropriations under HEADING EMPL of the multiannual financial framework | Commitments | =4+ 6 | | | |
| | Payments | =5+ 6 | | | |

If more than one heading is affected by the proposal / initiative:

| | | | | | |
|---|-------------|-------|--|--|--|
| • TOTAL operational appropriations | Commitments | (4) | | | |
| | Payments | (5) | | | |
| • TOTAL appropriations of an administrative nature financed from the envelop of specific programs | | (6) | | | |
| TOTAL appropriations under HEADINGS 1 to 4 of the multiannual financial framework (Reference amount) | Commitments | =4+ 6 | | | |
| | Payments | =5+ 6 | | | |

| | | |
|--|----------|--------------------------------|
| Heading of multiannual financial framework: | 5 | " Administrative expenditure " |
|--|----------|--------------------------------|

EUR million (to 3 decimal places)

| | Year 2014 | Year 2015 | Year 2016 | Year 2017-2020 | TOTAL |
|------------------------------------|-----------|-----------|-----------|----------------|--------------|
| DG: EMPL + AGRI | | | | | |
| • Human resources | 1.271 | 1.271 | 1.271 | 1.271 per year | 8.897 |
| • Other administrative expenditure | 0.140 | 0.140 | 0.140 | 0.140 per year | 0.98 |
| TOTAL | 1.411 | 1.411 | 1.411 | 1.411 per year | 9.877 |

| | | | | |
|---|--------------------------------------|--|--|--|
| TOTAL appropriations under HEADING 5 of the multiannual financial framework | (Total commitments = Total payments) | | | |
|---|--------------------------------------|--|--|--|

EUR million (to 3 decimal places)

| | | Year N ³⁶ | Year N+1 | TOTAL |
|---|-------------|----------------------|----------|-------|
| TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework | Commitments | | | |
| | Payments | | | |

³⁶ Year N is the year in which implementation of the proposal/initiative starts.

3.2.2. *Estimated impact on operational appropriations*

- The proposal/initiative does not require the use of operational appropriations
- The proposal/initiative requires the use of operational appropriations, as explained below:

Commitment appropriations in EUR million (to 3 decimal places)

| Indicate objectives and outputs | | ... enter as many years as necessary to show the duration of the impact (see point 1.6) | | | | | | | | | | TOTAL | |
|---|--|---|------|-----------|------|----------------|------|--------|------|--------|------|-------------------------|------------|
| | | | | Year 2014 | | Year 2015-2020 | | | | | | | |
| Type of output ³⁷ | Average cost of the output ³⁷ | Number | Cost | Number | Cost | Number | Cost | Number | Cost | Number | Cost | Total number of outputs | Total cost |
| SPECIFIC OBJECTIVE No 1 ³⁸ ... | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | |
| Sub-total for specific objective N°1 | | | | | | | | | | | | | |
| SPECIFIC OBJECTIVE No 2... | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | |
| Sub-total for specific objective N°2 | | | | | | | | | | | | | |
| TOTAL COST | | | | | | | | | | | | | |

³⁷ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
³⁸ As described in Section 1.4.2. "Specific objective(s)..."

3.2.3. Estimated impact on appropriations of an administrative nature

3.2.3.1. Summary

- The proposal/initiative does not require the use of administrative appropriations
- The proposal/initiative requires the use of administrative appropriations, as explained below:

EUR million (to 3 decimal places)

| | Year 2014 ³⁹ | Year 2015 | Years 2016-2020 | TOTAL |
|--|-------------------------|-----------|-----------------|-------|
|--|-------------------------|-----------|-----------------|-------|

| HEADING 5 of the multiannual financial framework | | | | |
|--|-------|-------|----------------|--------------|
| Human resources | 1.271 | 1.271 | 1.271 per year | 8.897 |
| Other administrative expenditure | 0.14 | 0.14 | 0.14 per year | 0.98 |
| Subtotal HEADING 5 of the multiannual financial framework | 1.411 | 1.411 | 1.411 per year | 9.877 |

| Outside HEADING 5⁴⁰ of the multiannual financial framework | | | | |
|--|--|--|--|--|
| Human resources | | | | |
| Other expenditure of an administrative nature | | | | |
| Subtotal outside HEADING 5 of the multiannual financial framework | | | | |

| | | | | | | |
|--------------|--|--|--|--|--|--|
| TOTAL | | | | | | |
|--------------|--|--|--|--|--|--|

³⁹ Year N is the year in which implementation of the proposal/initiative starts.

⁴⁰ Technical and/or administrative assistance and expenditure in support of the implementation of EU programmes and/or actions (former "BA" lines), indirect research, direct research.

3.2.3.2. Estimated requirements of human resources

- The proposal/initiative does not require the use of human resources
- The proposal/initiative requires the use of human resources, as explained below:

Estimate to be expressed in full amounts (or at most to one decimal place)

| | Year 2014 | Year 2015 | Same for years 2016 to 2020 | |
|--|---------------------------------|--------------|--------------------------------|--|
| 04 01 01 01 (Headquarters and Commission's Representation Offices) | 9 | 9 | Ditto | |
| XX 01 01 02 (Delegations) | | | | |
| XX 01 05 01 (Indirect research) | | | | |
| 10 01 05 01 (Direct research) | | | | |
| 04 01 02 01 (CA, INT, SNE from the "global envelope") | 2 | 2 | | |
| XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations) | | | | |
| XX 01 04 yy ⁴¹ | - at Headquarters ⁴² | | | |
| | - in delegations | | | |
| XX 01 05 02 (CA, INT, SNE - Indirect research) | | | | |
| 10 01 05 02 (CA, INT, SNE - Direct research) | | | | |
| Other budget lines (specify) | | | | |
| TOTAL | 11 | 11 | 11 | |

XX is the policy area or budget title concerned.

The needs for human and administrative resources shall be covered within the allocation already granted for managing this action and/or redeployed within the DG, complemented as the case may be by any additional allocation that might be granted to the managing DG in the framework of the annual allocation procedure in the light of budgetary constraints.

Description of tasks to be carried out:

| | |
|--------------------------------|--|
| Officials and temporary agents | |
| External personnel | |

⁴¹ Under the ceiling for external personnel from operational appropriations (former "BA" lines).

⁴² Essentially for Structural Funds, European Agricultural Fund for Rural Development (EAFRD) and European Fisheries Fund (EFF).

3.2.4. *Compatibility with the current multiannual financial framework*

- Proposal/initiative is compatible the current multiannual financial framework.
- Proposal/initiative will entail reprogramming of the relevant heading in the multiannual financial framework.

Explain what reprogramming is required, specifying the budget lines concerned and the corresponding amounts.

N/A

- Proposal/initiative requires application of the flexibility instrument or revision of the multiannual financial framework⁴³.

Explain what is required, specifying the headings and budget lines concerned and the corresponding amounts.

N/A

3.2.5. *Third-party contributions*

- The proposal/initiative does not provide for co-financing by third parties
- The proposal/initiative provides for the co-financing estimated below:

Appropriations in EUR million (to 3 decimal places)

| | Year 2014 | Year 2015 | ... enter as many years as necessary to show the duration of the impact (see point 1.6) | | | Total |
|---|---------------------|---------------------|---|--|--|-------|
| <i>Specify the co-financing body</i> | | | | | | |
| TOTAL appropriations cofinanced | | | | | | |

⁴³ See points 19 and 24 of the Interinstitutional Agreement.

3.3. Estimated impact on revenue

- Proposal/initiative has no financial impact on revenue.
- Proposal/initiative has the following financial impact:
 - on own resources
 - on miscellaneous revenue

EUR million (to 3 decimal places)

| Budget revenue line: | Appropriations available for the ongoing budget exercise | Year | Year | ... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6) | | |
|----------------------|--|------|------|--|--|--|
| | | 2012 | 2013 | | | |
| Article | | | | | | |

For miscellaneous assigned revenue, specify the budget expenditure line(s) affected.

N/A

Specify the method for calculating the impact on revenue.

N/A