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Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

**amending Regulation (EC) No 1927/2006 establishing the European Globalisation
Adjustment Fund**

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Grounds for and objectives of the proposal

The European Globalisation Adjustment Fund (EGF) was established in 2006 by Regulation (EC) No 1927/2006¹ with the main objective of showing solidarity with and providing support to workers affected by redundancies resulting from changes in world trade patterns. By co-funding active labour market policy measures, the EGF aimed at facilitating the re-integration into employment of workers in areas, sectors, territories, or labour market regions suffering the shock of serious economic disruption. The eligibility requirements for EGF support were at least 1 000 redundancies either during a four-month period in an enterprise and its suppliers and downstream producers or during a nine-month period in an economic sector defined as a NACE Revision 2 Division in a region or two contiguous regions determined at NUTS II level. The maximum contribution from the EGF was set at 50 % of the total costs of the active labour market measures and the period of implementation of EGF supported measures could not exceed 12 months from the date of application.

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 Plan², envisaged the revision of Regulation (EC) No 1927/2006. The aim of this revision, brought about by Regulation (EC) No 546/2009³, was to extend the scope of the EGF as part of Europe's crisis response and to turn it into an early, more effective crisis intervention instrument in line with the fundamental principles of solidarity and social justice. The amendments included permanent changes to Regulation (EC) No 1927/2006, such as the reduction from 1 000 to 500 of the required number of redundancies to trigger an application for EGF support and an extension from 12 to 24 months of the implementation period for EGF supported measures. A temporary derogation was introduced in order (1) to enlarge the scope of the EGF to cover support in favour of workers made redundant as a direct consequence of the financial and economic crisis (paragraph 1a of Article 1 of Regulation (EC) No 1927/2006) and (2) to increase the level of EGF co-funding from 50 to 65 % (Article 10(1) of Regulation (EC) No 1927/2006). The temporary derogation expires on 30 December 2011 and the possibility of reviewing it is provided for in the second paragraph of Article 20 of Regulation (EC) No 1927/2006.

Between 1 January 2007 and 30 April 2009 (i.e. before the crisis derogation existed) the Commission received 15 applications, targeting EGF support to 18 430 workers and the total amount of the requested EGF contribution was EUR 78 776 367.

Since the entry into force on 1 May 2009 of Regulation (EC) No 546/2009 revising Regulation (EC) No 1927/2006 the number of applications has significantly increased as shown below.

¹ OJ L 48, 22.2.2008, p. 82

² COM(2008)800, 26.11.2008

³ OJ L 167, 29.6.2009, p. 26

Applications for EGF support submitted under the temporary crisis derogation

| Year | Number of applications | Number of workers targeted | Sum of EGF contributions requested (EUR) |
|--------------|------------------------|----------------------------|--|
| 2009 | 22 | 19 381 | 99 396 898 |
| 2010 | 24 | 25 083 | 115 353 865 |
| Total | 46 | 44 464 | 214 750 763 |

Applications for EGF support submitted under the trade related criterion

| Year | Number of applications | Number of workers targeted | Sum of EGF contributions requested (EUR) |
|--------------|------------------------|----------------------------|--|
| 2009 | 4 | 6 569 | 25 990 290 |
| 2010 | 6 | 3 074 | 17 126 749 |
| Total | 10 | 9 643 | 43 117 039 |

Following a consultation launched by the Commission, Member States have indicated that, without the temporary derogation it would have been impossible to submit most of the crisis related applications, thus leaving about 45 000 workers who suffered from the consequences of the economic and financial crisis without EGF support. In addition, the increased co-funding rate of 65 % reduced the financing burden of EGF supported measures for applicant Member States globally by about EUR 60 million for all applications submitted between 1 May 2009 and 31 December 2010⁴.

The decision on the expiry of the temporary crisis derogation was taken in 2009. At that time, the latest available Commission Economic Forecasts⁵ (Autumn 2008) for the European Union (EU) as a whole indicated a gradual recovery from mid-2009 with an expected GDP growth of 0.2% in 2009 and 1.1% in 2010. Employment was forecast to decline by 0.5% in 2009 and to increase by 0,1 % in 2010. The unemployment rate was expected to reach 7.8% and 8,1 % of the labour force respectively in 2009 and 2010. Compared with these forecasts, the situation in 2009 turned out to be significantly worse. EU GDP declined by 4,2 %, while employment decreased by 1.9% and the rate of unemployment reached 8.9%. Despite the fact that GDP growth in 2010 is foreseen to have been higher than expected at some 1.8%, employment has further decreased by 0,6 % while the unemployment rate reached a record high of 9,6 %.

Moreover, the latest Commission Economic Forecast (Spring 2011) indicates that the prospects for economic and especially labour market recovery for 2011 and 2012 are worse than those broadly expected in autumn 2008. This is particularly true as regards the creation of new jobs and the rate of unemployment.. For 2011, the Spring forecast foresees a small increase of employment by 0.4% and a stable unemployment rate of 9,5 %. For 2012 the same forecast predicts employment growth to remain subdued at 0.7% and the unemployment rate to still be at 9,1 %. This reflects the fact that recovery in employment normally lags that of

⁴ Excluding applications withdrawn or rejected

⁵ http://ec.europa.eu/economy_finance/publications/european_economy/forecasts_en.htm

GDP. The relatively weak labour market conditions⁶ despite a gradual improvement of the Gross Domestic Product (GDP) growth prospects demonstrate that besides the effect of an unwinding of the policy measures taken in response to the crisis to dampen its effect on unemployment, structural adjustment resulting from the crisis continues to take place across sectors and enterprises and consequently further job losses due to closure of enterprises should be expected to continue for a certain time. As a result, a more substantial improvement of employment conditions could only be expected from 2013 onwards. .

This outlook for a rather jobless recovery is confirmed by the Commission in its Annual Growth Survey: advancing the EU's comprehensive response to the crisis⁷. In order to avoid the risk of a return to growth without sufficiently dynamic job creation, tackling unemployment and preventing long term exclusion from the labour market are seen as essential. Restoring the main growth drivers would require a reallocation of labour and capital across sectors and enterprises and better financial incentives to move from unemployment to employment.

As stated by the Commission the crisis has resulted in a large loss in economic activity, a substantial increase in unemployment, a steep fall in productivity, and badly weakened public finances. This is a particularly difficult context for Member States to provide tailor-made support to a large number of workers simultaneously made redundant as a result of the crisis. An extension of the increased EGF co-financing rate of 65 % would make it possible to alleviate to some extent the burden on Member States' public finances.

The expected continued impact of the crisis on company closures and the need for fiscal consolidation in Member States justify an extension of the crisis related derogation in Regulation (EC) No 1927/2006.

Therefore, it is proposed to extend the temporary crisis-related derogation, which expires on 30 December 2011, until 31 December 2013, i.e. until the end of the implementation period of Regulation (EC) No 1927/2006. This will make it possible for Member States to continue to present applications for EGF support in favour of workers still made redundant as a consequence of the financial and economic crisis and to benefit from an EGF co-funding rate of 65 %.

- **General context**

Since the introduction of the temporary crisis-related derogation, there has been a sharp increase in the number of applications for EGF support and an increase in the number of Member States applying for EGF support. This indicates that the role of the EGF as a crisis intervention instrument in case of large scale redundancies resulting from the financial and economic crisis is genuinely being accepted.

The European Parliament called for the extension of the crisis related derogation in its resolution of 7 September 2010⁸ on the funding and functioning of the European Globalisation Adjustment Fund. The European Parliament took the view that *'the period of validity of the derogation inserted in 2009 with a view to assisting workers who lose their jobs as a result of the economic and financial crisis should be extended until the end of the current*

⁶ Ibid.

⁷ COM(2011)11, 12.1.2011

⁸ European Parliament Resolution (2010/2072/INI)

Multiannual Financial Framework and that the co-financing rate should, therefore, be maintained at 65 %, given that the underlying causes on which their approval was based are far from having been removed.'

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

The European Social Fund⁹ (ESF) was established to contribute to the priorities of the Community as regards strengthening economic and social cohesion by improving employment and job opportunities, encouraging a high level of employment and more and better jobs. It supports the European Employment Strategy as well as Member States' policies aiming to achieve full employment and quality and productivity at work, promote social inclusion, including the access of disadvantaged people to employment, and reduce national, regional and local employment disparities.

The main difference with the EGF is that the ESF consists of multi-annual programmes in support of strategic, long-term goals – notably anticipation and management of change and restructuring, with activities such as life-long learning. The EGF, in turn, provides one-off, time-limited individual support, geared directly to workers affected by redundancies as a result of trade globalisation or the financial and economic crisis. To promote an effective support of displaced workers the duration of the EGF support measures and the choice of the instrument are based on an assessment of whether redundancies are caused by a possibly temporary decline in activity of the relevant enterprise and suppliers or economic sector or by permanent structural factors.

- **Consistency with the EU'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 the Communication¹⁰ Europe 2020 – A strategy for smart, sustainable and inclusive growth, the Commission sees a clear role for the EGF is under the Flagship initiative 'An industrial policy in the globalisation era', in particular in view of a quick redeployment of skills to emerging high growth sectors and markets.

By aiming at a rapid re-integration into employment of workers made redundant as a result of globalisation or the economic and financial crisis the EGF contributes to the following guidelines¹¹ for Member States' employment policies:

- Guideline 7: Increasing labour market participation of women and men, reducing structural unemployment and promoting job quality;
- Guideline 8: Developing a skilled workforce responding to labour market needs and promoting lifelong learning;
- Guideline 10: Promoting social inclusion and combating poverty.

⁹ Regulation (EC) No 1081/2006, OJ L 210, 31.7.2006, p. 12

¹⁰ COM(2010)2020, 3.3.2010

¹¹ Council Decision of 21 October 2010 on guidelines for the employment policies of the Member States. OJ L 308, 24.11.2010, p. 46

Finally, in its Communication on New Skills for New Jobs – Anticipating and matching labour market needs¹² the Commission highlighted the necessity for the EU in order to pave the way towards recovery to enhance its human capital and employability by upgrading skills, as well as ensuring a better match between the supply of skills and labour market demands. Activation, retraining and skills upgrading measures were identified as means to promote employment and reintegration into the labour market. Co-funding skills upgrading activities is amongst the main objectives of the EGF.

- **Impact on fundamental rights**

The proposal has no impact on fundamental rights.

2. RESULTS OF CONSULTATIONS WITH THE INTERESTED PARTIES

- **Consultation of interested parties**

Consultation methods, main sectors targeted and general profile of respondents

The Commission consulted the Member States twice: firstly, by means of a questionnaire on 26 August 2010 and secondly, at a meeting held in Porto on 29 and 30 September 2010. The main purpose of these consultations was to collect views on the effectiveness of the crisis related amendments introduced in 2009 by Article 1.1a and Article 10(1) into Regulation (EC) No 1927/2006, which expire on 30 December 2011 and the need to extend these until 31 December 2013.

Summary of responses and how they have been taken into account

As regards the possibility to submit applications for redundancies directly resulting from the global financial and economic crisis (Article 1.1a of Regulation (EC) No 1927/2006) the consultation indicated that this had indeed enabled Member States to ask for support from the EGF for workers who lost their job as a result of the crisis and provide EGF assistance for their reintegration into employment. A vast majority of Member States indicated that these workers could not have benefitted from EGF support on the basis of trade-related globalisation criteria. The consultation further indicated that it was generally felt easier to gather evidence and to establish a demonstrable link between the redundancies and the financial and economic crisis, than with the changes in world trade patterns due to globalisation.

On the need to extend the crisis-related derogation until the end of 2013 a vast majority of responding Member States wished the possibility of submitting applications for redundancies resulting from the global financial and economic crisis to continue. The arguments in favour of such an extension included comments on the positive experience with the impact of EGF support on workers' capacity to reintegrate the labour market in a situation where the effects of the economic crisis would be felt after 2011, it had affected different Member States at different times, and where its effects on employment would still be strong. Moreover, it was pointed out that an extension by two years did not prejudge the future beyond the end of 2013.

¹² COM(2008)868, 16.12.2008

As regards the possibility for applicants to benefit from a co-funding rate of 65 % (Article 10(1) of Regulation (EC) No 1927/2006), the consultation indicated that the increased co-funding rate had facilitated the decision to apply for EGF support for a number of reasons. The extra 15 % had made it possible to give the equivalent in extra help to the workers concerned. The gap between the ESF rate and the EGF rate had been reduced for the Member States who could obtain higher rates from the ESF and without this reduction no EGF applications would have been submitted by them. National co-funding remained a problem, but at 35 % instead of 50 %, this problem was less acute. A large majority of Member States found the rate of 65 % during the crisis to be appropriate and favoured an extension of this higher intervention rate until the end of 2013.

The outcome of these consultations is reflected in the proposed amendments to Regulation (EC) No 1927/2006.

- **Collection and use of expertise**

There was no need for external expertise.

- **Impact assessment**

There was no impact assessment required for this proposal.

3. LEGAL ELEMENTS OF THE PROPOSAL

- **Summary of the proposed action**

In order to extend the temporary derogation to support workers made redundant as a result of the global financial and economic crisis the date laid down in the second paragraph of paragraph 1a of Article 1 of Regulation (EC) No 1927/2006 is replaced by 31 December 2013. This amendment also automatically extends the increased co-financing rate of 65 % until the same date, as laid down in Article 10(1) of Regulation (EC) No 1927/2006.

- **Legal basis**

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

- **Subsidiarity principle**

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

The objectives of the proposal cannot be sufficiently achieved by the Member States. They can only be achieved through an amendment of Regulation (EC) No 1927/2006.

Action at the level of the EU will better achieve the objectives of solidarity embedded in the proposal for the following reasons below.

The adaptation of the EGF, a financial instrument made available at the level of the EU, to the needs of the current economic and financial situation can only be carried out by a legislative initiative taken at the level of the EU.

In making this proposal, the Commission has based itself on the needs arising from the current assessment of the economic and financial situation of the Member States and the economic forecasts for the period 2012–13. These differ significantly from the assessment and forecasts available at the end of 2008 and the beginning of 2009, when the temporary crisis-related amendments were introduced in Regulation (EC) No 1927/2006.

This proposal therefore complies with the principle of subsidiarity.

- **Proportionality principle**

The proposal complies with the proportionality principle for the following reasons.

In accordance with the principle of proportionality, the proposed amendments to Regulation (EC) No 1927/2006 do not go beyond what is necessary to adjust the functioning of the EGF to the current forecasts concerning the economic and financial crisis and its impact on employment and on Member States' deficits by (1) maintaining the possibility to apply for EGF support for workers made redundant as a result of the continuing financial and economic crisis and (2) providing for a co-funding rate of 65 % instead of 50 %.

The crisis related derogation gives Member States the possibility to apply for EGF support for workers made redundant as a consequence of the crisis for cases where a clear and demonstrable link can be established between these redundancies and the crisis. It is obvious that if no such cases occur, the possibility will not be used.

The proposal does not impose any additional administrative burden upon Member States compared to the requirements imposed by the current provisions of Regulation (EC) No 1927/2006.

- **Choice of instrument**

Proposed instrument: a Regulation.

Other means would not be adequate for the following reason:

A regulation is the appropriate legal instrument to amend an existing regulation.

4. BUDGETARY IMPLICATION

Article 28 of the Interinstitutional Agreement between the European Parliament, the Council and the Commission of 17 May 2006¹³ on budgetary discipline and sound financial management provides that the EGF may not exceed a maximum annual amount of EUR 500 million.

Based on the requests for EGF support in the past¹⁴ the proposed extension of the crisis related derogation in Regulation (EC) No 1927/2006 is not expected to exceed this maximum annual amount. These requests reached EUR 51,8 million in 2007 and EUR 20,6 million in 2008. In 2009 the total amount of EGF support requested reached EUR 131,7 million, of

¹³ OJ C 139, 14.6.2006, p. 1.

¹⁴ Excluding withdrawn and rejected applications

which 75 % concerned crisis related applications and 25 % trade related applications. In 2010 the total amount of EGF support requested reached EUR 132,5 million, of which 87 % related to crisis related applications and 13 % to trade related applications.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL
amending Regulation (EC) No 1927/2006 establishing the European Globalisation Adjustment Fund

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 thereof,

Having regard to the proposal from the European Commission,

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

Having regard to the opinion of the European Economic and Social Committee¹⁵,

Having regard to the opinion of the Committee of the Regions¹⁶,

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006¹⁷ has established the European Globalisation Adjustment Fund (hereinafter "EGF") to enable the Union to provide support and show solidarity to workers made redundant as a result of major structural changes in world trade patterns due to globalisation.
- (2) As part of the response to the financial and economic crisis Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009¹⁸ amended the Regulation (EC) No 1927/2006 by providing, in particular for a temporary derogation aimed at broadening its scope to cover crisis-related redundancies and a temporary increase in the EGF co-financing rate.
- (3) In the light of the current economic and financial situation in the Union, it is appropriate to extend this derogation before its expiry on 30 December 2011.
- (4) Regulation (EC) No 1927/2006 should therefore be amended accordingly.

¹⁵ OJ C , , p. .

¹⁶ OJ C , , p. .

¹⁷ OJ L 48, 22.2.2008, p. 82

¹⁸ OJ L 167, 29.6.2009, p. 26

HAVE ADOPTED THIS REGULATION:

Article 1

In Article 1(1a) of Regulation (EC) No 1927/2006

the second subparagraph is replaced by the following:

"This derogation shall apply to all applications submitted no later than by 31 December 2013."

Article 2

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

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
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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*
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 - 3.2.3. *Estimated impact on appropriations of an administrative nature*
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 - 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 Amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund

1.2. Policy area(s) concerned in the ABM/ABB structure¹⁹

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**²⁰

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 Flagship initiative 'An industrial policy for the globalisation era' which is part of the Commission Europe 2020 Strategy for smart, sustainable and inclusive growth.

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 the economic and financial crisis.

Specific objective No 2: Raising awareness of the EGF, as an expression of solidarity, among the general public

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

¹⁹ ABM: Activity-Based Management – ABB: Activity-Based Budgeting.
²⁰ 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 65 % for active labour market measures for workers made redundant as a result of the global financial and economic crisis. In addition, this co-funding rate will also benefit workers made redundant as a result of trade globalisation.

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*

In the light of the economic and financial crisis Regulation (EC) No 1927/2006 was amended in 2009 and provided for a time-limited crisis related derogation. This derogation expires on 30 December 2011. However, the most recent economic forecasts predict the effects of the crisis, and in particular its negative impact on the pace of restructuring, job creation and unemployment rate to continue at least until the end of 2012. This proposal should enable the EGF to intervene in support of workers made redundant as a result of the global financial and economic crisis until 31 December 2013 at an intervention rate of 65 %.

1.5.2. *Added value of EU involvement*

EU 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 the global economic and financial crisis. Experience achieved so far with the EGF seems to indicate that EU involvement makes it possible to provide more tailor made support for a longer period of time, often involving measures that would not have been provided without EU involvement.

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

See the experience since the revision of Regulation (EC) No 1927/2006 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 31 December 2011 to 31 December 2013
- 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) envisaged²¹

- Centralised direct management** by the Commission
- Centralised indirect management** with the delegation of implementation tasks to:
 - executive agencies
 - bodies set up by the Communities²²
 - 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

²¹ 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

²² As referred to in Article 185 of the Financial Regulation.

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Article 16 of Regulation (EC) No 1927/2006 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 year. This report contains i.a. the Commission's observations on the monitoring activities during the year under consideration.

In accordance with Article 17 of Regulation (EC) No 1927/2006, the Commission will carry out before the end of 2011, 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 2014, 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 18 of Regulation (EC) No 1927/2006.

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 18 (1) (d) and in Article 18 (2) of Regulation (EC) No 1927/2006.

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 ⁽²³⁾ | from EFTA ²⁴ countries | from candidate countries ²⁵ | from third countries | within the meaning of Article 18(1)(aa) of the Financial Regulation |
| 1.1 | 04.0501 European Globalisation Adjustment Fund | NDA | NO | NO | NO | NO |
| | 04.010414 European Globalisation Adjustment Fund – Expenditure on administrative management | | | | | |
| | 40.0243 Reserve for the European Globalisation Adjustment Fund | | | | | |

- 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. | n.a. | [...] | YES/N O | YES/N O | YES/N O | YES/NO |

²³ DA= Differentiated appropriations / DNA= Non-Differentiated Appropriations

²⁴ EFTA: European Free Trade Association.

²⁵ 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 2012 ²⁶ | Year 2013 | 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 ²⁷ | | | | | |
| Number of budget line | | (3) | | | |
| TOTAL appropriations for DG EMPL | Commitments | =1+1a +3 | | | |
| | Payments | =2+2a +3 | | | |

²⁶ Year N is the year in which implementation of the proposal/initiative starts.

²⁷ 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 2012 | Year 2013 | TOTAL |
|------------------------------------|----------------|--------------|--------------|-------|
| DG: EMPL | | | | |
| • Human resources | | No impact | No impact | |
| • Other administrative expenditure | | | | |
| TOTAL DG EMPL | Appropriations | | | |

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

EUR million (to 3 decimal places)

| | | Year N ²⁸ | Year N+1 | TOTAL |
|--|-------------|-------------------------|-------------|-------|
| TOTAL appropriations under HEADINGS 1 to 5 of the multiannual financial framework | Commitments | | | |
| | Payments | | | |

²⁸ 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 ↓ | | | Year 2012 | | Year 2013 | | ... enter as many years as necessary to show the duration of the impact (see point 1.6) | | | | | | TOTAL | |
|---|------------------------------|----------------------------|-------------------|------|-------------------|------|---|------|-------------------|------|-------------------|------|-------------------------|------------|
| | Type of output ²⁹ | Average cost of the output | Number of outputs | Cost | Number of outputs | Cost | Number of outputs | Cost | Number of outputs | Cost | Number of outputs | Cost | Total number of outputs | Total cost |
| SPECIFIC OBJECTIVE No 1 ³⁰ ... | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| Sub-total for specific objective N°1 | | | | | | | | | | | | | | |
| SPECIFIC OBJECTIVE No 2... | | | | | | | | | | | | | | |
| - Output | | | | | | | | | | | | | | |
| Sub-total for specific objective N°2 | | | | | | | | | | | | | | |
| TOTAL COST | | | | | | | | | | | | | | |

²⁹ Outputs are products and services to be supplied (e.g.: number of student exchanges financed, number of km of roads built, etc.).
³⁰ 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 2012 ³¹ | Year 2013 | ... enter as many years as necessary to show the duration of the impact (see point 1.6) | TOTAL |
|--|-------------------------|-----------|---|-------|
|--|-------------------------|-----------|---|-------|

| HEADING 5 of the multiannual financial framework | | | | |
|--|--|--|--|--|
| Human resources | | | | |
| Other administrative expenditure | | | | |
| Subtotal HEADING 5 of the multiannual financial framework | | | | |

| Outside HEADING 5³² of the multiannual financial framework | | | | |
|--|--|--|--|--|
| Human resources | | | | |
| Other expenditure of an administrative nature | | | | |
| Subtotal outside HEADING 5 of the multiannual financial framework | | | | |

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

³¹ Year N is the year in which implementation of the proposal/initiative starts.

³² 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 2012 | Year 2013 | ... enter as many years as necessary to show the duration of the impact (see point 1.6) | | | |
|--|---------------------------------|--------------|---|--|--|--|
| XX 01 01 01 (Headquarters and Commission's Representation Offices) | | | | | | |
| XX 01 01 02 (Delegations) | | | | | | |
| XX 01 05 01 (Indirect research) | | | | | | |
| 10 01 05 01 (Direct research) | | | | | | |
| XX 01 02 01 (CA, INT, SNE from the "global envelope") | | | | | | |
| XX 01 02 02 (CA, INT, JED, LA and SNE in the delegations) | | | | | | |
| XX 01 04 yy ³³ | - at Headquarters ³⁴ | | | | | |
| | - 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 | | | | | | |

XX is the policy area or budget title concerned.

The human resources required will be met by staff from the DG who are already assigned to management of the action and/or have been redeployed within the DG, together if necessary with any additional allocation which may be granted to the managing DG under the annual allocation procedure and in the light of budgetary constraints.

Description of tasks to be carried out:

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

³³

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

³⁴

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 framework³⁵.

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 2012 | Year 2013 | ... 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 | | | | | | |

³⁵ 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 | ... insert as many columns as necessary in order to reflect the duration of the impact (see point 1.6) | | | | |
|----------------------|--|--|-----------|--|--|--|
| | | Year 2012 | Year 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