



COMMISSION OF THE EUROPEAN COMMUNITIES

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COM(2006) 91 final

2006/0033 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing the European Globalisation adjustment Fund

(presented by the Commission)

{SEC(2006) 274, SEC(2006) 314, SEC(2006) 315 }

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

1.1. General context

Increased market openness and international competition bring new opportunities in terms of economic dynamism, competitiveness and the creation of high-quality jobs. However, job losses in less competitive sectors are an inevitable impact of trade opening and globalisation: these adjustment costs of trade opening should be acknowledged and addressed through appropriate policy and financial instruments.

There is significant asymmetry between the overall benefits of openness, which are diffuse and often take some time to materialise, and its adverse effects, which are more visible, immediate and concentrated on specific individuals and areas. As underlined recently by several studies and international institutions, this asymmetry - if not properly acknowledged and addressed - may lead to a biased perception of globalisation and, as a result, erode public support for trade liberalisation and market opening.

There is a broad consensus within the Union on the need to address the adverse effects of major structural changes in world trade patterns, notably as concerns those citizens whose employment and livelihood are significantly challenged by increased competition and opening markets.

This is an imperative of fairness and solidarity - intrinsic values of the Union's societies - which clearly has a European dimension, since the Community is competent for external trade policy and thus for decisions that lead to increased trade and trade liberalisation. Therefore, it is logical for the Union to bear the costs of the policies that it implements and above all, of a trade policy which, while being globally beneficial for the European economy and for employment, is the triggering factor of certain redundancies. It is also an efficiency imperative, insofar as actions aiming at quick re-integration into the labour market may facilitate and accelerate transitions, for example by limiting periods of unemployment and the under-use of human capital.

1.2. Grounds for the proposal

The Commission report on 'European Values in a Globalised World'¹ recently underscored the benefits of opening markets and increased international competition, but also highlighted the need *"to help individuals, by getting the right policies to support people whose jobs disappear, helping them to find new jobs, quickly"*.

In this context, Commission President Barroso proposed the establishment of a Globalisation adjustment Fund² hereinafter referred to as the EGF. It would provide a European response to help those adjusting to the consequences of globalisation: a sign of solidarity from the many that benefit from openness to the few who face the sudden shock of losing their job.

¹ Commission communication on European Values in a Globalised World, COM (2005)525 final, 20.10.2005.

² Letter of 20 October 2005 to the Presidents of the EU Council and the European Parliament.

At the European Council of 15-16 December 2005, the Heads of State or Government agreed to establish a Globalisation adjustment Fund, *“designed to provide additional support for workers made redundant as a result of major structural changes in world trade patterns, to assist them with their re-training and job search efforts. Activation of the Fund will be subject to strict criteria relating to the scale of economic dislocation and its impact on local, regional or national economies”*.

The notion that trade costs jobs, together with the notion that trade-related displacement is particularly costly, creates a compelling case for targeted adjustment assistance. While Member States are responsible in the first instance for tackling the negative consequences of trade adjustment, the EU should have a dedicated instrument to assist workers made redundant as a result of trade-related adjustments that have a European dimension (by virtue of their scale and impact).

1.3. Objectives of the proposal

The purpose of the EGF is to demonstrate the Union's solidarity to workers made redundant as a result of trade liberalisation. The EGF will support people i.e. workers and its interventions will be territorially focused. Assistance will be concentrated on workers made redundant in those areas most adversely affected by economic dislocation due to changes in world trade patterns. As economic disruption can occur in all Member States, whether small or large, the interventions of the EGF are available to workers in all Member States.

Specifically, the EGF will intervene in cases where major structural changes in world trade patterns lead to a serious economic disruption such as an economic delocalisation to third countries, or to a massive increase of imports, or to a progressive decline of the EU market share in a given sector. Assistance from the EGF is aimed at the re-integration of the individuals concerned into employment, taking advantage of existing and new employment opportunities while limiting the adjustment costs for the workers, regions and localities concerned.

Several empirical studies indicate that adjustment costs can be higher for trade-dislocated workers than for other job losers. Workers made redundant in internationally highly competitive sectors experience longer unemployment spells - and larger wage losses once re-employed - than workers in other sectors. This is generally due to the fact that trade-displaced workers tend to be older and more likely to have educational qualifications and skills not entirely suited to emerging employment demands.

Since trade-displaced workers can face significant adjustment challenges compared to other workers, targeted support measures and re-employment services can be appropriate and effective when trade shocks disproportionately affect specific regions giving rise to large scale redundancies in local labour markets with few alternative jobs available in the region.

Trade-related redundancies also bring about greater adjustment costs in those areas that are highly dependent on declining sectors and occupations. Targeted support is also particularly relevant when entire sectors are affected by trade and investment liberalisation, the problem being particularly acute when these declining sectors are located in already depressed regions. For this reason, the territorial impact of the announced job losses in a given enterprise or sector will be an essential element in triggering the intervention of the EGF.

The criteria for intervention by the EGF should be strict, transparent and measurable, to allow for objective selection of applications. Assistance from the EGF is available equally and under the same conditions to workers of all types of enterprises, since changes in world trade patterns affect multinational and national companies as well as small and medium sized enterprises (SME's).

Given the changing and unforeseeable nature of the factors that trigger action from this new instrument, the Regulation should allow for the possibility of adapting the criteria as soon as experience of EGF implementation is available, notably as concerns the intervention criteria. In particular, the review of the Regulation should provide an opportunity to adapt the EGF intervention criteria, if needed, to ensure that they adequately encompass the specificities and characteristics of all Member States, including the relative size of their labour markets.

The EGF will provide a financial contribution for actions, as part of a coordinated package of personalised services designed to re-integrate the affected redundant workers into the labour market. It aims to finance an array of personalised support services tailored to meet the specific needs of the workers affected by redundancies. It will thus combine active measures such as job-search assistance with in-work temporary allowances: experience shows that in-work wage complementary allowances, designed to ensure that work pays, are most effective in improving participation in employment if combined with active labour market policies.

In this way, the EGF aims to contribute to establishing the conditions of *flexicurity* within the EU: a balance between flexibility and employment security, which seeks to improve people's chances of finding work and using new skills while at the same time promoting the flexibility required to meet the new challenges of globalisation.

Assistance from the EGF will be complementary to the efforts of the Member States, at national, regional and local level. The EGF will not provide support to companies negatively affected by globalisation, and its financial contribution will not replace companies' obligations stemming from national law or collective agreements.

The EGF will only intervene at the request of a Member State. The simultaneous closure of several subsidiary enterprises of a multi-national company across the Union may lead to the submission of applications for a contribution from the EGF by several Member States concerned; the Commission will analyse individually each application to determine whether the criteria and conditions for mobilising the EGF are met.

Once the projected redundancies are notified in accordance with article 1 and 3 of Directive 75/129/EEC³, the affected workers could receive assistance as soon as possible. While each EGF intervention will have to be authorised by a specific decision of the Council and European Parliament, acting as Community budget authority, the applicant Member State could take immediate action on its own, without waiting for the financing decision or for the actual disbursement of the financial contribution. In this way, the period of advance notification before the redundancies effectively occur (which is often provided for and determined by EU and national legislation) could be fully used to start providing personalised services to affected workers.

³ OJ L 48, 22.2.1975, p. 29

1.4. Consistency with other policies and objectives of the Union

The main European Union response to the opportunities and challenges of globalisation and trade adjustment is through the positive management of change: the Lisbon Strategy sets the framework for modernisation and reform leading to growth and jobs. The Union's financial instruments - the Structural Funds in particular - are increasingly focused on delivering these objectives; the involvement of social partners through autonomous social dialogue reinforces partnership.

The Structural Funds support a strategic approach, and strengthen human and physical capital over the medium to long term through a seven-year programming cycle. In particular, the European Social Fund (ESF) prioritises anticipation, adaptation and positive management of change through increasing adaptability of workers and enterprises, enhancing access to employment and participation in the labour market, reinforcing social inclusion of people at a disadvantage and combating discrimination, and promoting partnerships for reform. The new Lifelong Learning programme (2007-2013), namely through the Leonardo da Vinci sub-programme, will allow the development of innovative training tools which can respond to specific skills requirements.

The new Fund complements existing policies and financial instruments, including the Community policies aiming at anticipating and accompanying restructuring. However, in contrast to the latter, the EGF combines a territorial dimension with specific and targeted assistance, focused exclusively on personalised support for the re-integration into employment of workers adversely affected by the evolution of international trade patterns.

Duplication of actions carried out under other Community policies, notably Cohesion policy, will be avoided by means of a number of provisions which clearly define the scope of the instrument, excluding double financing and explicitly providing for co-ordination of the assistance from the various Community funding sources and would not substitute for unemployment or pre-pension payments by Member States.

Lastly, while the EGF aims at assisting redundant workers in general, the Commission and the applicant Member States should ensure that contributions from EGF comply with the principles of gender equality and non-discrimination enshrined in the Treaty.

2. CONSULTATION OF INTERESTED PARTIES AND IMPACT ASSESSMENT

2.1. Consultation of interested parties

Through the EGF, financial contributions will be made to Member States. This Regulation reflects the views of the Member States as stated in the conclusions of the European Council of 15-16 December 2005, where it was agreed to establish a European Globalisation adjustment Fund.

Globalisation, in the broader context of economic restructuring and employment, has been a subject of on-going dialogue between Commission and the social partners. The second-phase consultation of social partners on corporate restructuring and European works councils under Article 138(3) of the Treaty was launched on 31 March 2005⁴. In order to ensure the full

⁴ Commission communication on restructuring and employment, COM (2005)120 final, 31.3.2005.

involvement of social partners, the Commission will include this proposal in forthcoming meetings of Social Dialogue Committee and the Sectoral Conference

2.2. Collection and use of expertise

Extensive use has been made of the Commission's internal analysis, drawing on studies and reports prepared within the context of trade, employment and cohesion policy.

2.3. Impact assessment

An impact assessment has been carried out.

The analysis has led to the conclusion that the option of setting up a specific, dedicated Fund at EU level to assist trade-related redundant workers in those cases where such redundancies lead to a significant unfavourable impact in a given region is the preferable option. Assistance from EGF will only intervene in complement to the activities carried out by the Member States at the appropriate territorial levels. Assistance from EGF should take the form of personalised support services, tailored to meet the specific needs of the workers affected.

3. LEGAL ELEMENTS OF THE PROPOSAL

3.1. Summary of the proposed action

The proposal aims to establish the EGF, to enable the Community to provide targeted support for the re-integration into employment of workers made redundant as a result of major structural changes in world trade patterns.

3.2. Legal basis

The third paragraph of Article 159 provides the legal basis for this Regulation. Article 159 (3) allows the Council to take action, in accordance with the procedure referred to in Article 251 and after consulting the Economic and Social Committee and the Committee of the Regions, if specific actions prove necessary outside the Structural Funds and without prejudice to the measures decided upon within the framework of the other Community policies.

Specific action outside the Structural Funds is deemed necessary to provide targeted support for workers made redundant as a result of major structural changes in world trade patterns where such redundancies have a significant negative impact on the regional or local economy. By helping trade-redundant workers to reintegrate into employment, the Fund will contribute to strengthening economic and social cohesion in the Union.

3.3. Subsidiarity and proportionality

The Community may take steps, in accordance with the principle of subsidiarity laid down in Article 5 of the Treaty, to promote the objectives of solidarity. The goals of the Fund cannot be achieved individually by Member States, given 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 branches of the budgetary authority, thus expressing solidarity by the Community and the Member

States as a whole. In this way, the proposal will contribute to making the objective of EU solidarity more tangible for the affected workers and more generally to EU citizens.

In accordance with the principle of proportionality, the provisions of this Regulation do not go beyond what is necessary to achieve its goals. The obligations imposed on the Member States reflect the need to help affected workers reintegrate into the labour market quickly. The administrative burden on the Community and national authorities has been limited to what is required for the Commission to exercise its responsibility for the execution of the Community budget. Evaluation activities will be undertaken at the initiative and under the responsibility of the Commission.

Since the financial contribution is made to the authorities of the Member State, the Member State will be required to present a report justifying the use made of the financial contribution. Particular attention will be given to ensuring that the procedures to be followed allow decisions to be taken as quickly as possible.

3.4. Choice of instruments

The proposal should take the form of a Regulation. Other means would not be adequate because the objective can only be achieved through a directly applicable legal instrument.

4. BUDGETARY IMPLICATIONS

The maximum amount of expenditure from the Fund shall be up to € 500 million per year in current prices. According to the December 2005 European Council conclusions and in line with the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure to be agreed by the European Parliament, the Council and the Commission, no specific financial provision for the Fund will be made in the multiannual financial framework; based on the above guidelines, the Commission proposes to determine the level of “underspends” relevant to the financing of the EGF in any given year (year n) in the following manner:

1. First, the margin left available under the global ceiling for commitment appropriations of the previous year, i.e. the difference between total commitment appropriations in the multiannual financial framework and total commitment appropriations entered in the budget of the year $n - 1$;
2. secondly, if the previous amount is not sufficient, cancelled commitment appropriations of the previous 2 years.

Appropriations will be mobilised via an Amending Budget, if and when needed, with reference to the amount determined as laid down above. To streamline the decision-making process, the Commission will submit proposals in ‘batches’, as appropriate, during the budgetary year.

5. ADDITIONAL INFORMATION

5.1. Review clause

The proposal includes the possibility of a review, after the Commission has submitted the first annual report, with a view to responding better to the objectives and scope set out in Article 1 of the Regulation.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

establishing the European Globalisation adjustment Fund

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community, and in particular the third paragraph of Article 159,

Having regard to the proposal from the Commission¹

Having regard to the opinion of the European Economic and Social Committee²,

Having regard to the opinion of the Committee of the Regions³,

Acting in accordance with the procedure laid down in Article 251⁴,

Whereas:

- (1) Notwithstanding the overall positive effect of globalisation on growth and jobs in the Community, it is opportune to establish a European Globalisation adjustment Fund (hereinafter referred to as "the EGF"), through which the Community would show its solidarity towards workers affected by redundancies resulting from changes in world trade patterns;
- (2) The EGF should provide specific, one-off support to facilitate the re-integration into employment of workers in areas or sectors suffering the shock of serious economic disruption;
- (3) Actions under this Regulation should be defined according to strict intervention criteria relating to the scale of economic dislocation and its impact on a given sector or geographical area, to ensure that the financial contribution from the EGF is concentrated on the most seriously affected parts of the Community.
- (4) The activities of the EGF should be coherent and compatible with the other Community policies and comply with its acquis.
- (5) An action funded under this Regulation should not receive financial assistance from other Community financial instruments.

¹ xxx

² OJ C , , p. .

³ OJ C , , p. .

⁴ OJ C , , p. .

- (6) Community aid should only be given upon application of the affected Member State. The Commission should ensure equal treatment of the requests submitted by the Member States.
- (7) To facilitate implementation of this Regulation, expenditure should be eligible from the date at which a Member State begins to provide personalised services to the affected workers, following the notification of projected redundancies, in accordance with Directive 75/129/EEC⁵. Reflecting the need for a concentrated response aiming specifically at re-integration into employment, a deadline should be laid down for the use of the financial contribution of the EGF.
- (8) The Member State should remain responsible for the implementation of the financial contribution and for the management and control of the actions supported by Community financing, 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 Communities⁶. The Member State should justify the use made of the financial contribution received.
- (9) Since the objectives of the action to be taken, cannot be sufficiently achieved by the Member States and can therefore, by reason of the scale and effects, be better achieved at Community level, the Community may adopt measures, in accordance with the principles of subsidiarity as set out in Article 5 of the Treaty. 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

Subject-matter and scope

1. This Regulation establishes a European Globalisation adjustment Fund, hereinafter referred to as "the EGF", to enable the Community to provide support for workers made redundant as a result of major structural changes in world trade patterns where these redundancies have a significant adverse impact on the regional or local economy.
2. This Regulation lays down rules regarding the operation of the EGF in order to facilitate re-integration into employment of workers affected by trade-related redundancies.

⁵ OJ L 48, 22.2.1975, p. 29.

⁶ OJ L 248, 16.9.2002, p.1.

Article 2

Intervention criteria

A financial contribution from the EGF shall be provided where major structural changes in world trade patterns lead to a serious economic disruption, notably a massive increase of imports into the EU, or a progressive decline of the EU market share in a given sector or a delocalisation to third countries, which results in:

- (a) at least 1000 redundancies in an enterprise, including workers made redundant in its suppliers or downstream producers, in a region where unemployment, measured at NUTS III level, is higher than the EU or national average,

or

- (b) at least 1000 redundancies, over a period of 6 months, in one or more enterprises in a sector, measured at NACE 2 level, which represents at least 1% of regional employment measured at NUTS II level.

Article 3

Eligible actions

A financial contribution under this Regulation shall be made for actions, as part of a coordinated package of personalised services designed to re-integrate redundant workers into the labour market, including:

- (a) active labour market measures, such as job-search assistance, occupational guidance, tailor-made training and re-training including ICT skills, outplacement assistance and entrepreneurship promotion or aid for self-employment;
- (b) special in-work time-limited income supplements, such as job search allowances, mobility allowances, income support allowances to individuals participating in training activities; and temporary wage supplements for workers of at least 50 years of age who accept to re-enter the labour market at a lower wage.

Article 4

Type of financial contribution

The Commission shall award a financial contribution in the form of a single instalment, which shall be implemented within the framework of shared management between the Member States and the Commission, in accordance with Article 53, paragraph 1, point b) and paragraphs 5 and 6 of Regulation (EC, Euratom) No 1605/2002.

Article 5

Applications

1. The Member State shall submit an application for a contribution from EGF to the Commission within a period of 10 weeks from the date on which the conditions set out in Article 2 for mobilising the EGF are met.
2. The application shall contain the following information:
 - (a) A reasoned analysis of the link between the redundancies and the major structural changes in world trade patterns; demonstration of the number of redundancies; and an explanation of the unforeseeable nature of these redundancies;
 - (b) The identification of the dismissing enterprises (national or multi-national); and the categories of workers to be targeted;
 - (c) The expected impact of the redundancies as regards local, regional or national employment;
 - (d) The specific actions to be funded and a breakdown of their estimated cost, including their complementarity with actions financed by the Structural Funds;
 - (e) The date at which the Member State started or plans to start providing personalised services to the affected workers;
 - (f) The procedures followed for consulting the social partners;
 - (g) The authority responsible for management and financial control in accordance with Article 18.
3. Having regard to the actions implemented by the Member State and the enterprises concerned by virtue of national law or collective agreements, and paying particular attention to actions funded by the European Social Fund, hereinafter referred to as "the ESF", the information provided under paragraph 2 shall include a summary description of the actions taken and planned by the national authority and enterprises concerned, including an estimate of their cost.
4. The Member State shall also provide statistical and other information, at the most appropriate geographical level, which the Commission requires to assess the fulfilment of the intervention criteria.
5. On the basis of the information referred to in paragraph 2, the Commission shall assess, in co-operation with the Member State, whether the conditions for making a financial contribution under this Regulation are met.
6. The Commission shall ensure equal treatment of applications presented by Member States.

Article 6

Complementarity, compliance and co-ordination

1. Assistance from the EGF shall not replace actions which are the responsibility of companies by virtue of national law or collective agreements.
2. Assistance from the EGF shall complement actions of the Member States at national, regional and local level.
3. Actions in receipt of a financial contribution from the EGF shall be compatible with the Treaty and acts adopted according to its provisions.
4. In accordance with their respective responsibilities, the Commission and the Member States shall ensure the co-ordination of the assistance from Community Funds.
5. The Member State shall ensure that the specific actions receiving a contribution under the EGF shall not also receive assistance from other Community financial instruments.

Article 7

Equality between women and men and non-discrimination

The Commission and the Member States shall promote equality between men and women, and ensure non-discrimination on the basis of sex, race, ethnic origin, religion or belief, disability, age or sexual orientation in accessing support from the EGF.

Article 8

Technical assistance at the initiative of the Commission

1. At the initiative of the Commission, subject to a ceiling of 0.35% of the financial resources available for that year, the EGF may be used to finance monitoring, information, administrative and technical support, audit, control and evaluation activities necessary to implement this Regulation.
2. Such tasks shall be executed in accordance with Council Regulation (EC, Euratom) No 1605/2002, as well as with its implementing rules applicable to this form of implementation of the budget.

Article 9

Information and publicity

The Member State shall provide information on and publicise the funded actions. The information shall be addressed to redundant workers and the wider public. It shall highlight the role of the Community and ensure that the contribution from the EGF is visible.

Article 10

Determination of financial contribution

1. The Commission shall, on the basis of the assessment carried out in accordance with Article 5(5) particularly taking into account the number of redundancies, the proposed actions and the estimated costs, determine as quickly as possible the amount of financial contribution, if any, to 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 5.2.(d).

2. Where, on the basis of the assessment carried out in accordance with Article 5(5), the Commission has concluded that the conditions for a financial contribution under this Regulation are met; it shall initiate the procedure set out in Article 12 as soon as possible.
3. Where, on the basis of the assessment carried out in accordance with Article 5(5), the Commission has concluded that the conditions for a financial contribution under this Regulation are not met, it shall notify the Member State concerned as soon as possible.

Article 11

Eligibility of expenditure

Expenditure shall be eligible for a contribution from the EGF from the date on which a Member State starts to provide personalised services to the workers affected following the announcement of collective redundancies.

Article 12

Budget procedure

1. Where the Commission has concluded that a financial contribution should be made from the EGF, it shall submit to the budgetary authority a proposal to authorise appropriations corresponding to the amount determined in accordance with Article 10.

A proposal according to paragraph 1 shall include the following:

- (a) the assessment carried out in accordance with Article 5(5), together with a summary of the information on which that assessment is based;
 - (b) evidence that the criteria laid down in Article 2 are met;
 - (c) the reasons justifying the amounts proposed.
2. The Commission shall submit the proposals in batches to the budgetary authority.

On 1st July 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.

3. Once the appropriations are made available by the budgetary authority, the Commission shall adopt a decision on a financial contribution.

Article 13

Payment and use of the financial contribution

1. Following adoption of the decision in accordance with Article 12(3), the Commission shall pay the financial contribution to the Member State in a single instalment.
2. The Member State shall use the financial contribution, as well as any interest earned thereon, within 18 months of the date from which expenditure becomes eligible pursuant to Article 11.

Article 14

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 15

Final report and closure

1. No later than six months after the expiration of the period specified in Article 13(2), the Member State shall present a report to the Commission on the execution of the financial contribution, including information on the type of actions and main outcomes, together with a statement justifying the expenditure and indicating, whenever appropriate, the complementarity of actions with those funded by the ESF.
2. No later than six months after the Commission has received all the information required under paragraph 1, it shall wind up the financial contribution from the EGF.

Article 16

Annual report

1. For the first time in 2008 and before 1 July of each year, the Commission shall present to the European Parliament and to the Council a report on the activities under this Regulation in the previous year. The report shall in particular contain information relating to applications submitted, Decisions adopted, actions funded and the winding-up of financial contribution made.
2. The report will be transmitted, for information, to the social partners.

Article 17

Evaluation

1. The Commission shall carry out at its own initiative and in close co-operation with the Member States:
 - (a) a mid-term evaluation of the effectiveness and sustainability of results obtained;
 - (b) an ex-post evaluation.
2. The results of the evaluation will be transmitted, for information, to the budgetary authority and to the social partners.

Article 18

Management and financial control

1. Without prejudice to the Commission's responsibility for implementing the general budget of the European Communities, Member States shall take responsibility in the first instance for the management of actions supported by the Fund 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 Community 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 are based on verifiable supporting documents, are correct and regular;
 - (d) preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate. They shall notify these to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.
2. The Member States 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 Community 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 in the time allowed by the relevant Member State, default interest shall be due.

When amounts unduly paid to a beneficiary cannot be recovered, the Member State is responsible for reimbursing the amounts lost to the general budget of the European Union.

3. The Commission, in its responsibility for the implementation of the general budget of the European Communities, 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, in compliance with the provisions of Council Regulation (EC, Euratom) No 1605/2002. It shall particularly ensure that Member States have smoothly functioning management and control systems.

To that end, without prejudice to the powers of the Court of Auditors or the checks carried out by the Member States 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 Fund with a minimum of one working day's notice. The Commission shall give notice to the Member State concerned with a view to obtaining all the assistance necessary. Officials or servants of the Member State concerned may take part in such checks.

4. 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 19

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 12, the Commission shall require the Member State to reimburse a corresponding amount of the financial contribution received.
2. Where a Member State has failed to comply with the obligations stated in the decision on a financial contribution, the Commission shall take the necessary steps 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 18 (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 above to make the financial corrections required by cancelling all or part of the contribution of the Fund 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 in the time allowed by the relevant Member State, default interest shall be due.

Article 20

Review clause

On the basis of the first annual report provided for in Article 16, the European Parliament and the Council may review this Regulation, on the basis of a proposal by the Commission, to ensure that the solidarity objective of the EGF is met and that its provisions adequately take into account the economic, social and territorial characteristics of all Member States.

The European Parliament and the Council shall in any case review this Regulation by 31 December 2013.

Article 21

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 from 1 January 2007.

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

1. NAME OF THE PROPOSAL

Proposal for a REGULATION of the European Parliament and of the Council establishing the European Globalisation adjustment Fund (the EGF)

2. ABM / ABB FRAMEWORK

Policy Area(s) concerned and associated Activity/Activities:

Competitiveness for Growth and Employment

3. BUDGET LINES

3.1. Budget lines (operational lines and related technical and administrative assistance lines (ex- B.A lines)) including headings

Two budget lines under heading 1A¹

For Member States: 04.0601

For Administrative Management: 04.0601

3.2. Duration of the action and of the financial impact

Indefinite, with the possibility of using up to EUR 500 million per year in current prices to be made available on a case by case basis by the budgetary authority to provide additional support for workers made redundant as a result of major structural changes in world trade patterns upon proposal from the Commission of an amending budget

Up to 0.35% of any financial contribution paid under the EGF may be used for Technical Assistance under article 8.

¹ The maximum amount of expenditure from the Fund shall be up to € 500 million per year in current prices. According to the December 2005 European Council conclusions and in line with the Interinstitutional Agreement on budgetary discipline and improvement of the budgetary procedure to be agreed by the European Parliament, the Council and the Commission, no specific financial provision for the Fund will be made in the multiannual financial framework; based on the above guidelines, the Commission proposes to determine the level of “underspends” relevant to the financing of the EGF in any given year (year *n*) in the following manner:

- first, the margin left available under the global ceiling for commitment appropriations of the previous year, i.e. the difference between total commitment appropriations in the multiannual financial framework and total commitment appropriations entered in the budget of the year *n - 1*;
- secondly, if the previous amount is not sufficient, cancelled commitment appropriations of the previous 2 years.

Appropriations will be mobilised via an Amending Budget, if and when needed, with reference to the amount determined as laid down above. To streamline the decision-making process, the Commission will submit proposals in ‘batches’, as appropriate, during the budgetary year.

3.3. Budgetary characteristics (add rows if necessary)

Budget line	Type of expenditure		New	EFTA contribution	Contributions from applicant countries	Heading in financial perspective
	Non-comp	Non Diff	Yes	No	No	No 3
	Non-comp	Diff	NO	NO	NO	No 3

4. SUMMARY OF RESOURCES

4.1. Financial Resources

4.1.1. Summary of commitment appropriations (CA) and payment appropriations (PA)

EUR million (to 3 decimal places)

Expenditure type	Section no.		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
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Operational expenditure

Commitment Appropriations (CA)	8.1	a	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Payment Appropriations (PA)		b	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

Administrative expenditure within reference amount

Technical & administrative assistance (NDA)	8.2.4	c	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
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TOTAL REFERENCE AMOUNT

Commitment Appropriations		a+c	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
Payment Appropriations		b+c	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

Administrative expenditure not included in reference amount²

Human resources and associated expenditure (NDA)	8.2.5	d	0.864	0.864	0.864	0.864	0.864	0.864	
Administrative costs, other than human resources and associated costs, not included in reference amount (NDA)	8.2.6	e							

Total indicative financial cost of intervention

TOTAL CA including cost of Human Resources		a+c +d+ e	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
TOTAL PA including cost of Human Resources		b+c +d+ e	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

Co-financing details

If the proposal involves co-financing by Member States, or other bodies (please specify which), an estimate of the level of this co-financing should be indicated in the table below (additional lines may be added if different bodies are foreseen for the provision of the co-financing):

EUR million (to 3 decimal places)

Co-financing body		Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later	Total
.....	f							
TOTAL CA including co-financing	a+c +d+ e+f							

4.1.2. Compatibility with Financial Programming

- X The proposal is compatible with existing financial programming.
- X The proposal will entail reprogramming of the relevant heading in the financial perspective.
- X The proposal may require application of the provisions of the Interinstitutional Agreement (i.e. flexibility instrument or revision of the financial perspective).

4.1.3. Financial impact on Revenue

- X The proposal has no financial implications on revenue

² Expenditure within chapter xx 01 other than articles xx 01 04 or xx 01 05.

- Proposal has financial impact – the effect on revenue is as follows:

NB: All details and observations relating to the method of calculating the effect on revenue should be shown in a separate annex.

EUR million (to one decimal place)

Budget line	Revenue	Prior to action [Year n-1]	Situation following action						
			[Year n]	[n+1]	[n+2]	[n+3]	[n+4]	[n+5]	
	<i>a) Revenue in absolute terms</i>								
	<i>b) Change in revenue</i>	Δ							

(Please specify each revenue budget line involved, adding the appropriate number of rows to the table if there is an effect on more than one budget line.)

- 4.2. Human Resources FTE (including officials, temporary and external staff) - see detail under point 8.2.1.**

Annual requirements	Year n	n + 1	n + 2	n + 3	n + 4	n + 5 and later
Total number of human resources	8	8	8	8	8	8

5. CHARACTERISTICS AND OBJECTIVES

Details of the context of the proposal are required in the Explanatory Memorandum. This section of the Legislative Financial Statement should include the following specific complementary information:

- 5.1. Need to be met in the short or long term**

See Explanatory Memorandum

- 5.2. Value-added of Community involvement and coherence of the proposal with other financial instruments and possible synergy**

See Explanatory Memorandum

5.3. Objectives, expected results and related indicators of the proposal in the context of the ABM framework

5.4. Method of Implementation (indicative)

Show below the method(s) chosen for the implementation of the action.

Shared management with Member states, Decision on a financial contribution

6. MONITORING AND EVALUATION

Monitoring and evaluation are limited to reflect the character of the instrument and in order not to impose undue burdens on national administrations. However, monitoring visits around mid-term of the implementation of the financial contribution are foreseen for selected cases.

7. ANTI-FRAUD MEASURES

It is proposed that control and audit measures shall be carried out by the Member State on the basis of a risk analysis. The Member State shall present a report to the Commission on the financial execution of each financial contribution, together with a statement justifying the expenditure and indicating any other source of funding received for the operations concerned. The proposal envisages the possibility of audits by Community bodies in accordance with the Financial Regulation.

8. DETAILS OF RESOURCES

8.1. Objectives of the proposal in terms of their financial cost

Commitment appropriations in EUR million (to 3 decimal places)

(Headings of Objectives, actions and outputs should be provided)	Type of output	Av. cost	Year n		Year n+1		Year n+2		Year n+3		Year n+4		Year n+5 and later		TOTAL	
			No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost	No. outputs	Total cost
OPERATIONAL OBJECTIVE No.1.....																
Action 1																
- Output 1																
- Output 2																
Action 2																
- Output 1																
Sub-total Objective 1																

OPERATIONAL OBJECTIVE No.2 ¹															
Action 1															
- Output 1															
Sub-total Objective 2															
OPERATIONAL OBJECTIVE No.n ¹															
Sub-total Objective n															
TOTAL COST															

8.2. Administrative Expenditure

8.2.1. Number and type of human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources (number of posts/FTEs)					
		Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5
Officials or temporary staff (XX 01 01)	A*/AD	4	4	4	4	4	4
	B*,	2	2	2	2	2	2
	C*/AST	2	2	2	2	2	2
Staff financed by art. XX 01 02							
Other staff financed by art. XX 01 04/05							
TOTAL		8	8	8	8	8	8

Human resources will be requested in the framework of the APS decision or through internal redeployment.

8.2.2. Description of tasks deriving from the action

Assessment of applications, preparation of Decisions on a financial contribution, monitoring and closure of assistance

8.2.3. Sources of human resources (statutory)

Five statutory posts currently allocated to the management of the programme

8.2.4. Other Administrative expenditure included in reference amount (XX 01 04/05 – Expenditure on administrative management)

EUR million (to 3 decimal places)

Budget line (number and heading)	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
04.0601							
1 Technical and administrative assistance (including related staff costs)							
Executive agencies							
Other technical and administrative assistance	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
- <i>intra muros</i>							

- <i>extra muros</i>							
Total Technical and administrative assistance	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.

8.2.5. *Financial cost of human resources and associated costs not included in the reference amount*

EUR million (to 3 decimal places)

Type of human resources	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later
Officials and temporary staff (XX 01 01)	0.864	0.864	0.864	0.864	0.864	0.864
Staff financed by Art XX 01 02 (auxiliary, END, contract staff, etc.) (specify budget line)						
Total cost of Human Resources and associated costs (NOT in reference amount)	0.864	0.864	0.864	0.864	0.864	0.864

Calculation– **Officials and Temporary agents**
Reference should be made to Point 8.2.1, if applicable

8 statutory posts à EUR 108.000 p.a

Calculation– **Staff financed under art. XX 01 02**

Reference should be made to Point 8.2.1, if applicable

8.2.6. *Other administrative expenditure not included in reference amount*

EUR million (to 3 decimal places)

	Year n	Year n+1	Year n+2	Year n+3	Year n+4	Year n+5 and later	TOTAL
XX 01 02 11 01 – Missions							
XX 01 02 11 02 – Meetings & Conferences							
XX 01 02 11 03 – Committees							
XX 01 02 11 04 – Studies & consultations							

XX 01 02 11 05 - Information systems							
2 Total Other Management Expenditure (XX 01 02 11)							
3 Other expenditure of an administrative nature (specify including reference to budget line)							
Total Administrative expenditure, other than human resources and associated costs (NOT included in reference amount)							

Calculation - Other administrative expenditure not included in reference amount