



EUROPEAN
COMMISSION

Brussels, 30.5.2018
COM(2018) 380 final

2018/0202 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Globalisation Adjustment Fund (EGF)

{SEC(2018) 273 final} - {SWD(2018) 289 final}

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

• Reasons for and objectives

The European Globalisation Adjustment Fund (EGF) was initially established by Regulation (EC) No 1927/2006¹ for the programming period 2007-2013. It was set up to provide the Union with an instrument to demonstrate solidarity with, and give support to, workers made redundant as a result of major structural changes in world trade patterns caused by globalisation and whose redundancies have a significant adverse impact on the regional or local economy. By co-funding active labour market policy measures, the EGF aims to facilitate the return to work of workers in areas, sectors, territories or labour markets suffering from the shock of serious economic disruption.

In the light of the scale and speed at which the financial and economic crisis developed in 2008, the Commission, in its European Economic Recovery Plan², envisaged revising Regulation (EC) No 1927/2006. Apart from some permanent changes based on the first years of EGF implementation, the main aim of this revision³ was to broaden the scope of the EGF from 1 May 2009 until 30 December 2011. The Commission wanted to enable the EGF to demonstrate Union solidarity and provide support for workers made redundant as a direct consequence of the financial and economic crisis and to increase the co-funding rate from 50 to 65 % to reduce the burden for Member States.

For the multiannual financial framework 2014-2020, the EGF's scope was extended by Regulation (EU) No 1309/2013⁴ of the European Parliament and of the Council, repealing Regulation (EC) No 1927/2006. The aim was to cover not only job displacements resulting from a serious economic disruption caused by a continuation of the global financial and economic crisis addressed in Regulation (EC) No 546/2009 but to also cover any new global financial and economic crisis. The EGF could therefore also offer assistance in the event of unexpected crises leading to a serious disruption of the local, regional or national economy. Such unexpected crises could, for example, include a major recession in important trading partners or a collapse of the financial system comparable to the one that occurred in 2008. To ensure that EGF support was available to workers whatever their contract of employment or employment relationship, the notion of 'workers' was expanded. This meant that it was possible to include not only workers with contracts of employment of indefinite duration, as in Regulation (EC) No 1927/2006, but also workers with fixed-term contracts, temporary agency workers, owner-managers of micro enterprises and self-employed workers. Also, Member States could, under certain circumstances, include in their EGF applications as many young people not in education, employment or training (NEETs) as dismissed workers. This was in the light of the high level of youth unemployment and the fact that it is even more difficult for young people not in education, employment or training to find a job when there are major disruptions on the labour market, such as those caused by a major restructuring event.

¹ OJ L 406, 30.12.2006, p. 1.

² COM(2008) 800 final, 26.11.2008.

³ Regulation (EC) No 546/2009, OJ L 167, 29.6.2009, p. 26.

⁴ Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

The prime objective of this proposal is to ensure that the EGF continues to operate beyond 31 December 2020, without a temporal limitation to the period, as this is a special instrument beyond the multiannual financial framework ceilings.

To ensure that the EGF remains a valid European-level instrument, an application for EGF support for workers can be triggered when the number of redundancies reaches a minimum threshold. Experience with the functioning of Regulation (EU) No 1309/2013 has shown that a threshold of 250 redundancies within a given reference period is advisable, in particular when it is possible to submit applications for a lower number of redundancies in small labour markets or under exceptional circumstances. The threshold of 250 is lower than the threshold for the 2014-2020 programming period. This is because there is a general trend of fewer very large scale redundancies and because the dismissal of 250 workers usually has a significant impact in most regions. This is also to acknowledge the fact that in many Member States, most workers are employed by small and medium-sized enterprises (SMEs).

On 17 November 2017, the European Pillar of Social Rights⁵ was jointly proclaimed by the European Parliament, the Council and the Commission as a response to social challenges in Europe. Taking into account the changing realities of the world of work, the EU has to be ready for the current and future challenges of globalisation and digitisation. This means making growth more inclusive and improving employment and social policies. The principles of the European Pillar of Social Rights will act as an overarching guiding framework for the European Globalisation Adjustment Fund (EGF) and will allow the Union to put the relevant principles into practice for major restructuring events.

At Union level, the European Semester of economic policy coordination is the framework to identify national reform priorities and monitor their implementation. Member States develop their own national multiannual investment strategies in support of those reform priorities. Those strategies should be presented alongside the yearly National Reform Programmes as a way to outline and coordinate priority investment projects to be supported by national and/or Union funding. They should also serve to use Union funding in a coherent manner and to maximise the added value of the financial support to be received notably from the programmes supported by the Union under the European Regional Development Fund, the Cohesion fund, the European Social Fund, the European Maritime and Fisheries Fund and the European Agricultural Fund for Rural Development, the European Investment Stabilisation Function and InvestEU, where relevant.

Nowadays' globalised world is characterised by an ever increasing interconnectedness and interdependence of world markets. Due to the interplay and mutual effects of open trade, technological change or other factors like the transition to a low carbon economy, it is increasingly difficult to single out a specific factor that causes job displacements. Paradoxically, due to these most recent trends in globalisation, an unchanged EGF would probably see fewer applications and uptake. The fact that the incidence of very large-scale restructuring cases (involving more than 500 redundancies) has been considerably less over the past decade would very likely further impact the uptake of the fund. Therefore, in the future, the EGF will only be mobilised when a restructuring event has a significant impact, which is defined by the minimum threshold of 250 displaced workers mentioned above.

Despite the still high levels of youth unemployment, experience has shown that other instruments could be more suitable for providing assistance to NEETs, notably the European Social Fund. Tying assistance to young people to an EGF application could be regarded as fostering inequity, as it would exclude most of the young people in need.

⁵ https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en.

The focus of the EGF is on active labour market measures aimed at rapidly bringing dismissed workers back into stable employment. Like Regulation (EU) No 1309/2013, this proposal provides that the EGF financially contributes to a package of active labour market measures. These measures will primarily aim at providing tailor - made support to help reintegration into the labour market, increasing the emphasis on acquisition of digital skills and supporting mobility whenever relevant. The EGF cannot contribute to the funding of passive measures. Allowances may only be included if they are designed as incentives to make it easier for dismissed workers to participate in active labour market policy measures. In order to ensure a reasonable balance between genuinely active labour market policy measures and ‘activated’ allowances, the share of allowances in a coordinated package of active labour market measures is capped.

The EGF will remain one of the special instruments that allow the Union to react to unforeseen circumstances and is therefore being placed outside the budgetary ceilings of the multiannual financial framework. However, its effectiveness has suffered from the length and procedural requirements of the decision-making process. Shortening as much as possible the time between the notice of the dismissals and the actual payment of possible EGF assistance and simplifying the procedures should be a common concern for all parties involved in the EGF process: Member States should strive to submit a complete application as soon as possible once the relevant criteria are met; the Commission should assess and decide on eligibility soon after a complete application is submitted, and the budgetary authority should swiftly take its decision on deploying the EGF funding.

As applications will be based entirely on whether or not the restructuring event has a significant impact, defined by a threshold of 250 displaced workers, there will no longer be the extensive application requirements of the current and former programming periods that often prevented Member States from applying. Therefore, the administrative burden on the Member State will be reduced when it applies and on the Commission when it checks eligibility. This will make deciding on a contribution much easier and faster.

Experience in the implementation of the fund has shown that Member States only ask for its mobilisation in case of true emergency situations. Even though the threshold currently is 500 displaced workers, applications range widely, from 108 to 6120 workers who lost their jobs within the reference period.⁶ In order to mitigate the risks of a potentially higher number of EGF applications, the EGF will operate under a higher annual maximum amount⁷ and the reference period will also be shortened from nine to six months (in the framework of sectoral applications). Even though a higher uptake of the fund is expected and intended by removing obstacles to its use, there does not seem to be a risk of an excessive use of the fund by Member States.

To cover the needs arising at the beginning of the year, the Commission will continue to propose within the annual budgetary procedure a minimum amount in payment appropriations for the relevant budgetary line.

Assistance from the EGF will be in addition to the efforts of the Member States at national, regional and local level. For reasons of sound financial management, the EGF cannot replace measures that are already covered by Union funds and programmes included in the

⁶ The threshold was initially 1000 displaced jobs in the 2007-2013 funding period. The lower threshold of 500 displaced jobs did not create a big increase in applications in the 2014-2020 funding period. However, several applications used the exceptional circumstance clause, basing an application on a lower number of dismissed workers, as these dismissals had a significant impact on the region concerned.

⁷ The up-take of an emergency relief fund depends on the number of emergencies, which are hard to predict. Should a severe economic downturn lead to a full uptake, possible consequences would need to be discussed at the time of the multiannual financial framework review.

multiannual financial framework. Nor can the EGF's financial contribution replace national measures or replace measures that are the responsibility of dismissing companies under national law or collective agreements.

The budget procedure in the proposal follows directly from point 9 of the draft Interinstitutional Agreement. Whenever possible, the process will be shortened and streamlined.

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

To avoid any competition between instruments, the co-funding rate of the EGF will be aligned with the highest co-funding rate of the European Social Fund Plus (ESF+) in the respective Member State.

This overall proposal provides for a date of application as of 1 January 2021 and is presented for a Union of 27 Member States, in line with the notification by the United Kingdom of its intention to withdraw from the European Union and Euratom based on Article 50 of the Treaty on European Union received by the European Council on 29 March 2017.

- **Consistency with existing policy provisions**

As indicated in 'A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020'⁸, ESF+ and the European Regional Development Fund (ERDF) will continue to provide funding for structural actions for economic, social and territorial cohesion. Both the ESF+ and the ERDF consist of multi-annual programmes that support strategic, long-term goals, such as the anticipation and management of change and restructuring. The EGF, in turn, is established to provide support in exceptional circumstances and outside a multi-annual programming routine.

- **Consistency with other Union policies**

The 'EU Quality Framework for anticipation of change and restructuring'⁹ is the EU policy instrument that provides the framework for best practice for anticipating and dealing with corporate restructuring. The EU Quality Framework for anticipation of change and restructuring offers a comprehensive framework on how the challenges of economic adjustment and restructuring and their employment and social impact should be addressed using the right policy means. The EU Quality Framework for anticipation of change and restructuring calls upon Member States to use EU and national funding in such a way that the social impact of restructuring, especially the adverse effects on employment, can be cushioned more effectively. The main EU instruments to assist workers affected are ESF+, which is designed to offer assistance in an anticipatory way, and the EGF, which is designed to offer assistance in a reactive way in the case of unexpected major restructuring events.

The Commission proposal for the 2021-2027 Multiannual Financial Framework set a more ambitious goal for climate mainstreaming across all EU programmes, with an overall target of

⁸ https://ec.europa.eu/commission/sites/beta-political/files/communication-new-modern-multiannual-financial-framework_en.pdf

⁹ Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions EU Quality Framework for anticipation of change and restructuring, (COM(2013)882 final, 13.12.2013).

25% of EU expenditure contributing to climate objectives. The contribution of this fund to the achievement of this overall target will be tracked through an EU climate marker system at an appropriate level of disaggregation, including the use of more precise methodologies where these are available. The Commission will continue to present the information annually in terms of commitment appropriations in the context of the annual draft budget.

To support the full utilisation of the potential of the fund to contribute to climate objectives, the Commission will seek to identify relevant actions throughout the fund preparation, implementation, review and evaluation processes.

2. LEGAL BASIS, SUBSIDIARITY AND PROPORTIONALITY

• Legal basis

The legal basis is the Treaty on the Functioning of the European Union (TFEU), and in particular the third paragraph of Article 175.

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

• Subsidiarity (for non-exclusive competence)

Funding from the Union budget concentrates on activities whose objectives cannot be sufficiently achieved by the Member States alone, and where the Union intervention can bring additional value compared to action of Member States alone. The mobilisation of the EGF to co-fund measures aimed at assisting displaced workers find new employment respects the principle of subsidiarity, and it creates European added value.

It is standard practice for national labour market programmes to assist displaced workers, and it is not the EGF's aim to replace such programmes. However, unexpected restructuring events that cause a significant impact can test the limits of what regular national programmes are able to do. Therefore, because of the scale and effects of unexpected large-scale restructuring and because the EGF is an expression of solidarity across and between Member States, assistance can be better delivered at Union level. Mobilising a financial contribution from the EGF will require the agreement of both arms of the budgetary authority and therefore be an expression of solidarity by the Union and the Member States. In this way, the proposal will help to make the objective of Union solidarity in exceptional circumstances more tangible for that part of the labour force affected in particular and for Union citizens in general. The Union intervention will thus be limited to what is necessary to fulfil the objectives of showing Union solidarity with displaced workers.

The mobilisation of the EGF creates additional value compared to action of Member States alone. EGF co-financed measures not only increase the overall number of services offered to dismissed workers, but especially also the variety of services offered and their level of intensity. The mobilisation of the EGF furthermore creates role effects. These relate to the extent to which innovative ideas can be tested, best practices identified and incorporated into the regular package of provision. EGF co-financed measures also contribute to the general improvement of delivery processes.

- **Proportionality**

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

- **Choice of the instrument**

Proposed instrument: a Regulation.

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

3. RESULTS OF RETROSPECTIVE EVALUATIONS, STAKEHOLDER CONSULTATIONS AND IMPACT ASSESSMENTS

- **Retrospective evaluations/fitness checks of existing legislation**

An ex- post evaluation of the existing Regulation has to be carried out by 31 December 2021. However, a mid-term evaluation of the 2014-2020 EGF¹⁰ was conducted, and the results have been taken into account.

The mid-term evaluation of the 2014-2020 EGF suggests that the EGF's design needs improving. Several challenges should be tackled for the future.

On the scope, the stakeholder consultations conducted for the evaluation show that the EGF's design needs to be revised or better defined. This includes aspects such as the Fund's exact scope and the criteria that trigger its use. In line with the principle of subsidiarity, any occurrence of restructuring must have a significant impact on the economy and the labour market to justify mobilising EGF assistance. However, the notion of 'significant impact' is not clearly defined. This is especially true for smaller redundancies below the current threshold of 500 workers made redundant (relevant for 2014-2020). In rural areas, such cases could well be eligible under the derogation clause specified in Article 4(2) of the EGF Regulation, for example, but Member States are not sure how to prove the significant impact. Many implementers therefore suggested a lower threshold.

The terms 'globalisation' and 'crisis' are not clearly defined either. Member States are often unsure under which criterion they should submit an application. Identifying what actually triggered the redundancy to see if it could qualify for a potential application and evidencing it in an application is regularly seen as one of the main obstacles preventing a Member State from applying. In the light of these difficulties, and considering that more jobs are lost due to technological change (these redundant workers face the same challenges as workers made redundant because of globalisation, as their skills become outdated or obsolete), a possible solution could be to include within the EGF's scope all large-scale redundancies that cause a significant impact. The evaluation suggests this would make the EGF more relevant and better

¹⁰ Report from the Commission on the mid-term evaluation of the European Globalisation Adjustment Fund (EGF) (COM(2018) 297 final, 16.5.2018), and accompanying Commission staff working document on the mid-term evaluation of the European Globalisation Adjustment Fund (EGF) (SWD(2018)192 final, 16.5.2018)

suited for future economic challenges, and also fairer, as it would not focus on a very specific group of displaced workers. Such changes would lead to a more balanced use of the EGF, extending its potential to the EU-13 Member States (these Member States currently do not use the EGF very often). The burden of having to provide evidence for an application to prove that job losses were caused by globalisation or a crisis would be eliminated. As this is also one of the two most time-consuming steps in the application phase, this simplification would speed up the mobilisation of EGF assistance by a few weeks, because major background checks would no longer be required. A broadened scope and lower threshold would also offer more possibilities for smaller Member States to apply for assistance.

As for monitoring and reporting requirements, the evaluation concluded that in order to better analyse the EGF's effectiveness, Member States should be required to collect more detailed monitoring data, especially on the category of workers (professional and educational background), their employment status and the type of employment found.

It appears that the EGF should be better aligned with other EU policies. The evaluation suggests embedding EGF assistance more closely in the 'EU Quality Framework for anticipation of change and restructuring' and designing a more coordinated approach for both preventive measures in anticipation of major restructuring events and one-off reactive measures such as those currently co-financed by the EGF. This could mean widening the range of the EGF's activity or developing a more closely coordinated approach with other EU instruments such as the ESF+. Even though the EGF's design shows a clear complementarity with the ESF+, Member States could better embed EGF assistance in a comprehensive package of restructuring aid. Labour market transitions require intensive investments in human capital, both in the form of proactive anticipative measures and reactive measures.

During the 2014-2020 programming period, it is possible under certain circumstances to include as many NEETs in an EGF application as dismissed workers. Youth unemployment is and will continue to be a major challenge. Also, experience shows that EGF assistance, if offered to NEETs, is largely taken up. However, the evaluation suggests that thought should be given to whether the EGF is the right avenue to offer such assistance or if other channels would offer a better chance of reaching the young people concerned. It could be considered unfair if help is only offered to NEETs in regions affected by mass restructuring caused by globalisation or the financial crisis but not to those in regions affected by automation.

- **Stakeholder consultations**

Extensive stakeholder consultations, including open internet-based consultations, targeted consultations and focus group meetings, were core elements of the mid-term evaluation mentioned above and the impact assessment mentioned below.

The Commission also conducted stakeholder events where it discussed possible changes to the design of the EGF post-2020. These discussions took place during the regular EGF Contact Persons' Meetings and Networking Seminars in October 2017 and March 2018, and during an extraordinary EGF Contact Persons' Meeting in January 2018, which was fully dedicated to the post-2020 discussions.

In general, stakeholder views did not diverge from the Commission's views and are reflected in this proposal.

- **External expertise**

In preparing the mid-term evaluation, the Commission contracted out an evaluation study to an external consultant.

Likewise, in preparing the impact assessment, the Commission contracted out a study to an external consultant.

- **Impact assessment**

An impact assessment was carried out. This impact assessment, which is part of the regulatory proposals of Directorate-General Employment, Social Affairs and Inclusion for the next multiannual financial framework, covers the following funds:

- the European Social Fund (ESF — one of the European Structural and Investment Funds (ESI Funds)) and Youth Employment Initiative (YEI);
- the Fund for European Aid to the Most Deprived (FEAD);
- the European Globalisation Adjustment Fund (EGF);
- the EU Health programme; and
- the Employment and Social Innovation (EaSI) programme.

The following options were assessed for the funds covered by the impact assessment:

Option 1: *merging the ESF, YEI, FEAD, EaSI, EU Health programme.*

- This was the preferred option based both on the results of evaluations and on stakeholder consultations. In the view of managing authorities, a broad integration of funds would improve their capacities to streamline their strategic intervention across the social policy scope. This would enhance their flexibility in planning interventions, and facilitate the delivery of the principles of the European Pillar of Social Rights. Beneficiaries confirmed that there is still untapped potential to strengthen synergies between programmes and projects funded;

Option 2: *merging the ESF, YEI, FEAD, EaSI, EU Health programme and EGF*

- This would only result in an artificial reduction in the number of funds. The EGF's very specific objectives, high political visibility and budgetary flexibility would be lost if it were to be merged with the ESF+. This has been confirmed by stakeholders in the framework of the consultation process¹¹;

Option 3: *merging the funds under shared management (i.e. excluding the EaSI and the EU Health programme, but including the EGF) –*

- This would mean sacrificing the EGF's high visibility as an EU-level emergency instrument to cushion the adverse side effects of globalisation. The potential flexibility and synergies to be gained from merging EaSI within the ESF+ would be lost;

Option 4: *keeping the FEAD as a separate fund, but merging the two types of FEAD programmes (material assistance and social inclusion)*

- This would allow for more synergies between the basic material assistance types of support and social inclusion measures while keeping the current implementation rules. It would not however ensure adequate demarcation vis-à-vis ESF-type social inclusion measures;

¹¹ See study to support the impact assessment of human capital investments, DG EMPL (ongoing): “*The integration of EGF in framework of other DG EMPL funds was generally not deemed desirable by the different stakeholders involved in the management of EGF.*”

Option 5: merging all ESI funds

- This would impair policy delivery, as it would not be possible to adapt implementation rules to the specific requirements of the policies supported. It would also not increase synergies and coherence with other human capital funds.

The impact assessment was examined by the Regulatory Scrutiny Board (RSB), which gave a positive opinion with reservations. The RSB's opinion is available under Ares(2018)2265999. The comments of the RSB were taken into account. The comments relevant to the EGF primarily related to the explanation of the rationale of the EGF. The RSB also suggested a more precise presentation of the modalities of the use of the EGF, and a more detailed analysis of the extent to which the proposed changes address problems identified. The RSB also recommended setting out the reasons for keeping the EGF outside the multiannual financial framework more clearly.

The final policy proposal does not deviate from the findings of the impact assessment. The most important finding regarding the EGF is that as an emergency relief fund, the EGF should remain outside the budgetary ceilings of the multiannual financial framework. Emergency funds are not expected to absorb a specific budget. Being inside the multiannual financial framework would therefore mean the contrary, having a specific budget that the fund is supposed to spend, which would turn it into a tool of regular restructuring assistance. However, being outside the multiannual financial framework implies a lengthy mobilisation procedure, which counteracts its function as an emergency relief fund. Therefore, the mobilisation procedure needs to be sped-up and streamlined. The impact assessment underlines the importance of a lower threshold and of a broader scope of the EGF.

- **Simplification**

not applicable

- **Fundamental rights**

not applicable

4. BUDGETARY IMPLICATIONS

The EGF is one of the special instruments not included in the budgetary ceilings of the multiannual financial framework, with a maximum annual amount of EUR 200 Mio (in 2018 prices) from 1 January 2021 to 31 December 2027.

Its functioning is governed by point 9 of the draft Interinstitutional Agreement between the European Parliament, the Council and the Commission on cooperation in budgetary matters and on sound financial management.

The human and administrative resources required are set out in the Legislative Financial Statement.

5. OTHER ELEMENTS

- **Implementation plans and monitoring, evaluation and reporting arrangements**

Monitoring the performance of EGF will be strengthened by introducing provisions for a common monitoring system with output and result indicators in the EGF Regulation. Success will mainly be measured through re-employment rates, i.e. the share of people who found a job after receiving EGF assistance.

Member States will be required to include the delivery of common output and result indicators in their contracts with the implementing bodies. The requirements currently introduced in the EGF financing decisions will be incorporated in the EGF Regulation, meaning data on the employment status of beneficiaries is to be delivered when the respective Member State submits the final report a year later. This also includes information on the type and quality of employment (e.g. permanent/non-permanent) and changes in the beneficiaries' employability at the end of the operations (e.g. qualifications gained). The data collected will need to be based on surveys and data provided by the national authorities. This will make it possible to assess the extent to which the assistance helped to improve the beneficiaries' employability and change their employment status, in order to determine whether the EGF is functioning effectively.

Given the findings of previous evaluations and Court of Auditors reports, case-specific target setting will be introduced. These targets will need to take into account the specific characteristics of a case and the extent to which past cases are comparable. The targets should refer to beneficiaries' re-integration rates. These are necessary for reporting and evaluation purposes but are not tied to penalty mechanisms or result-based payments. Emergency situations can be characterised by the fact that they occur unexpectedly, in often quickly changing unpredictable environments. Result-based payments would only be fair if the results could directly be attributed to the assistance granted and would not be heavily dependent on external factors as well. In the final reports, however, Member States will need to provide a reasoned analysis of the extent to which the targets have been reached. Evaluations have shown that result orientation as such was never an issue. Bringing people back into employment and/or increasing their employability have always been the greatest concern for Member States. However, result measurement has not always been possible due to the poor availability of data.

The EGF mid-term evaluation showed that future evaluations should be scheduled so as to ensure that enough data is available. Therefore, in line with the Better Regulation Guidelines, the timing of future evaluations will be better aligned with the implementation cycle of the EGF. This will mean that every four years an evaluation is to be completed.

Evaluations will be carried out in line with paragraphs 22 and 23 of the Interinstitutional Agreement of 13 April 2016¹², where the three institutions confirmed that evaluations of existing legislation and policy should provide the basis for impact assessments of options for further action. The evaluations will assess the programme's effects on the ground based on the programme indicators/targets and a detailed analysis of the degree to which the programme can be deemed relevant, effective, efficient, provides enough EU added value and is coherent with other EU policies. They will include lessons learnt to identify any lacks/problems or any potential to further improve the actions or their results and to help maximise their exploitation/impact.

The Commission will continue to report every 2 years on the Fund's activities.

- **Detailed explanation of the specific provisions of the proposal**

Articles 2 and 3 of the proposed draft Regulation set out the mission and the objectives of the EGF. As a change to the current EGF Regulation (EU) 1309/2013, the mission explicitly includes the EGF's role in contributing to the relevant principles of the European Pillar of Social Rights. Furthermore, it is made clear in the objectives that the EGF will tackle any kind

¹² Interinstitutional Agreement between the European Parliament, the Council of the European Union and the European Commission on Better Law-Making of 13 April 2016; OJ L 123, 12.5.2016, p. 1–14

of unexpected major restructuring, making the Fund more adaptable to current and future economic challenges.

The intervention criteria are set out in Article 5. The proposed threshold of the redundancies is a minimum 250 displaced workers, whereas it is a minimum 500 displaced workers in the current Regulation. This is to better reflect the realities in many regions, where the occurrence of restructuring involving 250 displaced workers has a significant impact on the labour market. It is also to reflect that overall, the share of very large-scale redundancies is declining. A new provision has been added allowing Member States to apply for EGF assistance if redundancies occur in the same region but in different economic sectors. For less populous regions especially, a wave of dismissals in various sectors at the same time can have a very significant impact on the labour market. A new provision has been added setting out that the EGF, as a trade-oriented fund, cannot be mobilised if public sector redundancies are the direct consequence of public budgetary cuts. This is also to reflect the fact that the EGF does not give aid to the dismissing enterprise, which in this instance would be the public authorities of the Member State applying for EGF assistance.

Article 8 sets out the eligible measures. As a change to the current Regulation, the inclusion of the dissemination of skills required in the digital age is mandatory. In the light of the requirements of the job market, this is considered a necessary requirement. The measures offered are to be based on the personal needs and qualifications of the beneficiary.

Technical assistance from the Commission is to support any measures necessary to implement the proposed Regulation. According to Article 12 of the proposed Regulation, this could be up to an amount equalling 0.5 % of the annual maximum amount of the EGF. This is higher than in the current programming period, as specific assistance will be offered to Member States less experienced in implementing the EGF or restructuring assistance as such. This would also include additional measures to increase networking and the exchange of good practice between Member States.

The standard period for implementing EGF measures will remain 24 months. However, Article 15 of the proposed Regulation stipulates that the 24 months are to be counted from the time the decision to mobilise the EGF is adopted and not from the date of application for EGF support. This is to reflect the fact that many Member States have budgetary procedures in place that do not allow them to take the risk and pre-finance such measures without knowing if the assistance will actually be granted. However, if a Member State is willing to take the risk, measures are eligible from the time the redundancies are announced, as is the case in the current Regulation.

Article 16 of the proposed Regulation stipulates the budgetary procedure. Because decisions to mobilise the EGF are to be based on the formal requirement that a minimum of 250 workers have lost their job within a specific reference period, an extensive analysis of the background of the redundancies is no longer required. Therefore, Commission proposals to mobilise the EGF, which were based on such analyses, are no longer needed. The budgetary authority will decide on a transfer request. The Commission will attach the draft implementing decision and a brief summary of the application to the transfer request. This procedure will ensure a faster deployment of the financial contributions.

The division of responsibilities between the Commission and the Member States is set out in the proposed Article 23. The EGF will remain under shared management, and no significant changes are made to the provisions on the appointment of implementing bodies, audit issues, fraud prevention.

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the European Globalisation Adjustment Fund (EGF)

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 Committee,¹³

Having regard to the opinion of the Committee of the Regions,¹⁴

Acting in accordance with the ordinary legislative procedure,

Whereas:

- (1) Horizontal principles as set out in Article 3 of the Treaty on the European Union ("TEU") and in Article 10 TFEU, including principles of subsidiarity and proportionality as set out in Article 5 TEU should be respected in the implementation of the Funds, taking into account the Charter of Fundamental Rights of the European Union. Member States and the Commission should aim at eliminating inequalities and at promoting equality between men and women and integrating the gender perspective, as well as at combating discrimination based on sex, racial or ethnic origin, religion or belief, disability, age or sexual orientation. The objectives of the Funds should be pursued in the framework of sustainable development and the Union's promotion of the aim of preserving, protecting and improving the quality of the environment as set out in Articles 11 and 191(1) TFEU, taking into account the polluter pays principle.
- (2) On 17 November 2017, the European Pillar of Social Rights¹⁵ was jointly proclaimed by the European Parliament, the Council and the Commission as a response to social challenges in Europe. Taking into account the changing realities of the world of work, the Union shall be made ready for the current and future challenges of globalisation and digitisation, making growth more inclusive and by improving employment and social policies. The twenty key principles of the Pillar are structured around three categories: equal opportunities and access to the labour market; fair working conditions; social protection and inclusion. The European Pillar of Social Rights shall act as an overarching guiding framework of the European Globalisation Adjustment Fund (EGF), allowing the Union to set the relevant principles into practice in the case of major restructuring events.

¹³ OJ C , , p. .

¹⁴ OJ C , , p. .

¹⁵ https://ec.europa.eu/commission/priorities/deeper-and-fairer-economic-and-monetary-union/european-pillar-social-rights_en.

- (3) On 20 June 2017, the Council endorsed the Union response¹⁶ to the ‘UN 2030 Agenda for Sustainable Development’¹⁷ — a sustainable European future. The Council underlined the importance of achieving sustainable development across the three dimensions (economic, social and environmental), in a balanced and integrated way. It is vital that sustainable development is mainstreamed in the European policy framework, and that the Union is ambitious in the policies it uses to address global challenges. The Council welcomed the Commission Communication on ‘Next steps for a sustainable European future’ of 22 November 2016 as a first step in mainstreaming the Sustainable Development Goals and applying sustainable development as an essential guiding principle for all Union policies, including through its financing instruments.
- (4) In February 2018, the Commission adopted its Communication on ‘A new, modern Multiannual Financial Framework for a European Union that delivers efficiently on its priorities post-2020’¹⁸. The Communication stresses that the Union budget shall support Europe’s unique social market economy. Therefore, it will be of utmost importance to improve employment opportunities and to address the skills challenges, especially also those linked to digitisation. Budgetary flexibility shall be a key principle in the next Multiannual Financial Framework. Flexibility mechanisms shall remain in place to allow the Union to react to unforeseen events, and to ensure that budgetary resources are used where most urgently needed.
- (5) In its ‘White Paper on the Future of Europe’¹⁹ the Commission expresses concerns regarding isolationist movements, growing doubts over the benefits of open trade and the Union’s social market economy in general.
- (6) In its ‘Reflection Paper on Harnessing Globalisation’²⁰ the Commission identifies the combination of trade related globalisation and technological change as the major drivers of an increased demand for skilled labour and a reduced number of jobs that require lower qualifications. Despite the overall tremendous advantages of more open trade and further integration of world economies, these negative side effects need to be tackled. As the current benefits of globalisation are already unequally distributed among people and regions, causing a significant impact on those adversely affected, there is a danger that the ever faster evolving technological advances will further fuel these effects. Therefore, in line with the principles of solidarity and sustainability, it will be necessary to ensure that the benefits of globalisation will be shared more fairly by reconciling economic opening and technological advance with social protection.
- (7) In its ‘Reflection Paper on the Future of Union Finances’²¹ the Commission underlines the need to reduce economic and social divergences between and within Member States. Therefore, a key priority is to invest in equality, social inclusion, education and training as well as health.
- (8) Globalisation and technological change is likely to further increase the interconnectedness and interdependence of world economies. Labour reallocation is an integral and inevitable part of such economic change. If the benefits of change are to be distributed fairly, offering assistance to displaced workers and those threatened by

¹⁶ <http://eu-un.europa.eu/eu-response-2030-agenda-sustainable-development-sustainable-european-future/>.

¹⁷ <https://sustainabledevelopment.un.org/post2015/transformingourworld>.

¹⁸ https://ec.europa.eu/commission/sites/beta-political/files/communication-new-modern-multiannual-financial-framework_en.pdf

¹⁹ https://ec.europa.eu/commission/white-paper-future-europe-reflections-and-scenarios-eu27_en.

²⁰ https://ec.europa.eu/commission/publications/reflection-paper-harnessing-globalisation_en.

²¹ https://ec.europa.eu/commission/publications/reflection-paper-future-eu-finances_en.

displacement is of utmost importance. The ‘EU Quality Framework for anticipation of change and restructuring’²², is the Union policy instrument that sets the framework of best practice for anticipating and dealing with corporate restructuring. It offers a comprehensive framework on how the challenges of economic adjustment and restructuring and their employment and social impact should be addressed by adequate policy means. It also calls upon Member States to use EU and national funding in a way to ensure that the social impact of restructuring, especially the adverse effects on employment, can be cushioned more effectively. The main Union instruments to assist workers affected are the European Social Fund Plus (ESF+), which is designed to offer assistance in an anticipatory way, and the EGF, which is designed to offer assistance in the case of unexpected major restructuring events in a reactive manner.

- (9) The EGF was established by Regulation (EC) No 1927/2006 of the European Parliament and of the Council²³ for the multiannual financial framework from 1 January 2007 to 31 December 2013. The EGF has been set up to enable the Union to show solidarity towards workers who lost their jobs as a result of major structural changes in world trade patterns due to globalisation.
- (10) The scope of Regulation (EC) No 1927/2006 was broadened in 2009 by Regulation (EC) No 546/2009 of the European Parliament and of the Council²⁴ as part of the European Economic Recovery Plan to include workers who lost their jobs as a direct consequence of the global financial and economic crisis.
- (11) For the duration of the multiannual financial framework from 1 January 2014 to 31 December 2020, Regulation (EU) No 1309/2013 of the European Parliament and of the Council²⁵ extended the scope to cover not only job displacements resulting from a serious economic disruption caused by a continuation of the global financial and economic crisis addressed in Regulation (EC) No 546/2009, but also from any new global financial and economic crisis.
- (12) The Commission carried out a mid-term evaluation of the EGF to assess how and to what extent the EGF achieves its objectives. The EGF proved to be effective, attaining a higher reintegration rate of displaced workers than in the previous programming period. The evaluation also found that the EGF generated European added value. This is particularly true in terms of its volume effects, meaning that EGF assistance not only increases the number and variety of services offered, but also their level of intensity. Moreover, EGF interventions have high visibility and demonstrate the EU added value of the intervention directly to the general public. However, several challenges were identified. On the one hand, the mobilisation procedure was considered to be too long. Furthermore, many Member States reported problems putting together the extensive background analysis of the event that triggered the redundancies. The main reason that keeps Member States that would have had a

²² COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT, THE COUNCIL, THE EUROPEAN ECONOMIC AND SOCIAL COMMITTEE AND THE COMMITTEE OF THE REGIONS EU Quality Framework for anticipation of change and restructuring, (COM(2013)882 final, 13.12.2013).

²³ Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund ([OJ L 406, 30.12.2006, p. 1](#)).

²⁴ Regulation (EC) No 546/2009 of the European Parliament and of the Council of 18 June 2009 amending Regulation (EC) No 1927/2006 on establishing the European Globalisation Adjustment Fund ([OJ L 167, 29.6.2009, p. 26](#)).

²⁵ Regulation (EU) No 1309/2013 of the European Parliament and of the Council of 17 December 2013 on the European Globalisation Adjustment Fund (2014-2020) and repealing Regulation (EC) No 1927/2006.

potential EGF case from applying are financial and institutional capacity problems. On the one hand, it could simply be a lack of manpower – Member States currently can ask for technical assistance only if they implement an EGF case. Since redundancies can happen unexpectedly, it would be important that Member States are ready to react immediately and can submit an application without any delays. Furthermore, in certain Member States, more profound institutional capacity building efforts seem necessary in order to ensure an efficient and effective implementation of EGF cases. The threshold of 500 displaced jobs was criticized as being too high, especially in lesser populated regions²⁶.

- (13) The Commission underlines the continuing importance of the role of the EGF as a flexible fund to support workers who lose their jobs in large-scale restructuring events and to help them to find another job as rapidly as possible. The Union should continue to provide specific, one-off support to facilitate the re-integration into employment of displaced workers in areas, sectors, territories or labour markets suffering a shock of serious economic disruption. Considering the interplay and mutual effects of open trade, technological change or other factors like the transition to a low carbon economy, and therefore considering that it is increasingly difficult to single out a specific factor that causes job displacements, the mobilisation of the EGF shall in the future only be based on the significant impact of a restructuring event. Given its purpose, which is to provide support in situations of urgency and unexpected circumstances, complementing the more anticipatory assistance offered by the ESF+, the EGF shall remain a flexible and special instrument outside the budgetary ceilings of the Multiannual Financial Framework, as set out in the Commission's communication.' A Modern Budget for a Union that Protects, Empowers and Defends - The Multiannual Financial Framework for 2021 – 2027' and its annex²⁷.
- (14) As stated, in order to maintain the European nature of the EGF, an application for support should be triggered when a major restructuring event causes a significant impact on the local or regional economy. Such an impact should be defined by a minimum number of job displacements within a specific reference period. Taking into account the findings of the mid-term evaluation, the threshold shall be set at 250 jobs displacement within a reference period of four months (or 6 months in sectoral cases). Taking into account that waves of dismissals in different sectors but the same region have an equally significant impact on the local labour market, regional applications shall be possible as well. In small labour markets, such as small Member States or remote regions, including the outermost regions as referred in Article 349 of the TFEU, or in exceptional circumstances, applications could be submitted in case of a lower number of job displacements.
- (15) In order to express Union solidarity with displaced workers and self-employed persons whose activity has ceased, the co-funding rate of the cost of the package of personalised services and its implementation should equal that of the ESF+ in the respective Member State concerned.
- (16) Part of the budget of the Union allocated to the EGF should be implemented by the Commission under shared management with Member States within the meaning of Regulation (EU, Euratom) [*number of the new Financial Regulation*] of the European Parliament and of the Council²⁸ (the 'Financial Regulation'). Therefore, when

²⁶ COM (2018) 297 final and accompanying SWD (2018) 192 final.

²⁷ Commission SWD (2018) 171 final and its annex COM (2018) 321 final.

²⁸ OJ L [...], [...], p. [...].

implementing the EGF under shared management, the Commission and the Member States should respect the principles referred to in the Financial Regulation, such as sound financial management, transparency and non-discrimination.

- (17) The European Monitoring Centre on Change, based in the European Foundation for the Improvement of Living and Working Conditions (Eurofound) in Dublin, assists the Commission and the Member States with qualitative and quantitative analyses in order to help in the assessment of trends of globalisation, restructuring and the use of the EGF.
- (18) Displaced workers and self-employed persons whose activity has ceased should have equal access to the EGF independently of their type of employment contract or employment relationship. Therefore, displaced workers as well as self-employed persons whose activity has ceased should be regarded as possible EGF beneficiaries for the purposes of this Regulation.
- (19) Financial contributions from the EGF should be primarily directed at active labour market measures aimed at reintegrating beneficiaries rapidly into sustainable employment, either within or outside their initial sector of activity. Measures should reflect the prospected needs of the local or regional labour market. However, whenever relevant, the mobility of displaced workers should also be supported in order to help find new employment elsewhere. A particular focus shall be laid on the dissemination of skills required in the digital age. The inclusion of pecuniary allowances in a coordinated package of personalised services should be restricted. Companies could be encouraged to participate in the national co-funding for the EGF-supported measures.
- (20) When drawing up the coordinated package of active labour market policy measures, Member States should favour measures that will significantly contribute to the employability of the beneficiaries. Member States should strive towards the reintegration into sustainable employment of the largest possible number of beneficiaries participating in these measures as soon as possible within the six-month period before the final report on the implementation of the financial contribution is due.
- (21) Member States should pay particular attention to disadvantaged beneficiaries, including young and older unemployed persons and those at risk of poverty, when designing the coordinated package of active labour market policy measures, given that those groups experience particular problems in re-entering the labour market. Notwithstanding, the principles of gender equality and of non-discrimination, which are among the Union's core values and are enshrined in the European Pillar of Social Rights, should be respected and promoted when implementing the EGF.
- (22) In order to support beneficiaries effectively and rapidly, Member States should do their utmost to submit complete applications for a financial contribution from the EGF. In case the Commission requires further information for the assessment of an application, the provision of additional information should be limited in time.
- (23) In the interest of beneficiaries and bodies responsible for implementation of the measures, the applicant Member State should keep all actors involved in the application process informed of the progress of the application.
- (24) In compliance with the principle of sound financial management, financial contributions from the EGF should not replace but should, where possible,

complement support measures which are available for beneficiaries within the Union funds or other Union policies or programmes.

- (25) Special provisions should be included for information and communication activities on EGF cases and outcomes.
- (26) To facilitate the implementation of this Regulation, expenditure should be eligible either from the date on which a Member State starts to provide personalised services or from the date on which a Member State incurs administrative expenditure for implementing the EGF.
- (27) In order to cover the needs arising especially during the first months of each year, when the possibilities for transfers from other budget lines are particularly difficult, an adequate amount of payment appropriations should be made available on the EGF budget line in the annual budgetary procedure.
- (28) [The Multiannual Financial Framework and the Interinstitutional Agreement between the European Parliament, the Council and the Commission of [future date] on budgetary discipline, on cooperation in budgetary matters and on sound financial management²⁹ ('the Interinstitutional Agreement') determine the budgetary framework of the EGF].
- (29) In the interest of the beneficiaries, assistance should be made available as quickly and efficiently as possible. The Member States and the Union institutions involved in the EGF decision-making process should do their utmost to reduce processing time and simplify procedures so as to ensure the smooth and rapid adoption of decisions on the mobilisation of the EGF. Therefore, the Budgetary Authority shall in the future decide on transfer requests submitted by the Commission, not requiring a Commission Proposal for the mobilisation of the EGF anymore.
- (30) In the event of an enterprise closing down, displaced workers may be helped to take over some or all of the activities of their former employer.
- (31) In order to enable political scrutiny by the European Parliament and continuous monitoring by the Commission of results obtained with EGF assistance, Member States should submit a final report on the implementation of the EGF.
- (32) The Member States should remain responsible for the implementation of the financial contribution and for the management and control of the actions supported by Union funding, in accordance with the relevant provisions of Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council (the 'Financial Regulation')³⁰ or its successor Regulation. The Member States should justify the use made of the financial contribution received from the EGF. In view of the short implementation period of EGF operations, reporting obligations should reflect the particular nature of the EGF interventions.
- (33) Member States should also prevent, detect and deal effectively with any irregularities including fraud committed by beneficiaries. Moreover, in accordance with Regulation (EU, Euratom) No 883/2013³¹, and Regulations (Euratom, EC) No 2988/95³² and No

²⁹ Reference to be updated.

³⁰ Reference to be updated.

³¹ Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF) and repealing Regulation (EC) No 1073/1999 of the European Parliament and of the Council and Council Regulation (Euratom) No 1074/1999 (OJ L 248, 18.9.2013, p. 1).

2185/96³³ the European Anti-Fraud Office (OLAF) may carry out administrative investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939³⁴, the European Public Prosecutor's Office may investigate and prosecute fraud and other criminal offences affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371³⁵ on the fight against fraud to the Union's financial interests by means of criminal law. Member States should take the necessary measures so that any person or entity receiving Union funds fully cooperates in the protection of the Union's financial interests, grants the necessary rights and access to the Commission, the European Anti-Fraud Office (OLAF), the European Public Prosecutor's Office (EPPO) and the European Court of Auditors (ECA) and ensures that any third parties involved in the implementation of Union funds grant equivalent rights. Member States should report to the Commission on detected irregularities including fraud, and on their follow-up as well as on the follow-up of OLAF investigations.

- (34) In accordance with the Financial Regulation, Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council[1], Council Regulation (Euratom, EC) No 2988/95[2], Council Regulation (Euratom, EC) No 2185/96[3] and Council Regulation (EU) 2017/1939 [4], the financial interests of the Union are to be protected through proportionate measures, including the prevention, detection, correction and investigation of irregularities and fraud, the recovery of funds lost, wrongly paid or incorrectly used and, where appropriate, the imposition of administrative sanctions. In particular, in accordance with Regulation (EU, Euratom) No 883/2013 and Regulation (Euratom, EC) No 2185/96 the European Anti-Fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union. In accordance with Regulation (EU) 2017/1939, the European Public Prosecutor's Office (EPPO) may investigate and prosecute fraud and other illegal activities affecting the financial interests of the Union as provided for in Directive (EU) 2017/1371 of the European Parliament and of the Council[5]. In accordance with the Financial Regulation, any person or entity receiving Union funds is to fully cooperate in the protection of the Union's financial interests, to grant the necessary rights and access to the Commission, OLAF, the EPPO and the European Court of Auditors (ECA) and to ensure that any third parties involved in the implementation of Union funds grant equivalent rights.
- (35) Horizontal financial rules adopted by the European Parliament and the Council on the basis of Article 322 of the Treaty on the Functioning of the European Union apply to this Regulation. These rules are laid down in the Financial Regulation and determine in particular the procedure for establishing and implementing the budget through grants, procurement, prizes, indirect implementation, and provide for checks on the

³² Council Regulation (EC, Euratom) No 2988/95 of 18 December 1995 on the protection of the European Communities financial interests (OJ L 312, 23.12.1995, p. 1).

³³ Council Regulation (Euratom, EC) No 2185/96 of 11 November 1996 concerning on-the-spot checks and inspections carried out by the Commission in order to protect the European Communities' financial interests against fraud and other irregularities (OJ L 292, 15.11.1996, p. 2).

³⁴ Council Regulation (EU) 2017/1939 of 12 October 2017 implementing enhanced cooperation on the establishment of the European Public Prosecutor's Office ('the EPPO') (OJ L 283, 31.10.2017, p. 1).

³⁵ Directive (EU) 2017/1371 of the European Parliament and of the Council of 5 July 2017 on the fight against fraud to the Union's financial interests by means of criminal law (OJ L 198, 28.7.2017, p. 29).

responsibility of financial actors. Rules adopted on the basis of Article 322 TFEU also concern the protection of the Union's budget in case of generalised deficiencies as regards the rule of law in the Member States, as the respect for the rule of law is an essential precondition for sound financial management and effective EU funding.

- (36) Pursuant to paragraph 22 and 23 of the Inter-institutional agreement for Better Law-Making of 13 April 2016, there is a need to evaluate this Programme on the basis of information collected through specific monitoring requirements, while avoiding overregulation and administrative burdens, in particular on Member States. These requirements, where appropriate, can include measurable indicators, as a basis for evaluating the effects of the Programme on the ground.
- (37) Reflecting the importance of tackling climate change in line with the Union's commitments to implement the Paris Agreement and the United Nations Sustainable Development Goals, this Programme will contribute to mainstream climate action in the Union's policies and to the achievement of an overall target of 25 % of the EU budget expenditures supporting climate objectives. Relevant actions will be identified during the fund's preparation and implementation, and reassessed in the context of its evaluation.
- (38) Since the objectives of this Regulation cannot be sufficiently achieved by the Member States, but can rather, by reason of their scale and effects, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.
- (39) Considering the fact that the digital transformation of the economy requires a certain level of digital competence of the workforce, the dissemination of skills required in the digital age should be a mandatory horizontal element of any coordinated package of personalised services offered.

HAVE ADOPTED THIS REGULATION:

Article 1

Subject matter

This Regulation establishes the European Globalisation Adjustment Fund (EGF).

It lays down the objectives of the EGF, the forms of Union funding and the rules for providing such funding, including applications by the Member States for financial contributions from the EGF for measures targeting the beneficiaries referred to in Article 7.

Article 2

Mission

The EGF shall contribute to a better distribution of the benefits of globalisation and technological advance by helping displaced workers adapt to structural change. As such, the EGF shall contribute to the implementation of the principles defined under the European Pillar of Social Rights and enhance social and economic cohesion among regions and Member States.

Article 3

Objectives

1. The general objective of the programme is to demonstrate solidarity with and offer support to displaced workers and self-employed persons whose activity has ceased in the course of unexpected major restructuring events, referred to in Article 5.
2. The specific objective of the EGF is to offer assistance in case of unexpected major restructuring events, particularly those caused by globalisation-related challenges, such as changes in world trade patterns, trade disputes, financial or economic crises, the transition to low-carbon economy or as a consequence of digitisation or automation. Particular emphasis shall lie on measures that help the most disadvantaged groups.

Article 4

Definitions

For the purposes of this Regulation,

- (a) 'displaced worker' means a worker whose employment is ended prematurely by redundancy, or whose contract is not renewed, due to economic reasons;
- (b) 'self-employed person' means a person who employed fewer than 10 workers;
- (c) 'beneficiary means' a person participating in EGF co-funded measures.
- (d) 'irregularity' means any breach of applicable law, resulting from an act or omission by an economic operator involved in the implementation of the EGF, which has, or would have, the effect of prejudicing the budget of the Union by charging unjustified expenditure to that budget.

Article 5

Intervention criteria

1. Member States may apply for financial contributions from the EGF for measures targeting displaced workers and self-employed persons in accordance with the provisions laid down in this Article.
2. A financial contribution from the EGF shall be provided in major restructuring events that result in the following:
 - (a) the cessation of activity of more than 250 displaced workers or self-employed persons, over a reference period of four months, in an enterprise in a Member State, including where that cessation applies in its suppliers or downstream producers;
 - (b) the cessation of activity of more than 250 displaced workers or self-employed persons, over a reference period of six months, particularly in SMEs, where all operate in the same economic sector defined at NACE Revision 2 division level and located in one region or two contiguous regions defined at NUTS 2 level or in more than two contiguous regions defined at NUTS 2 level provided that there are more than 250 workers or self-employed persons affected in two of the regions combined;

- (c) the cessation of activity of more than 250 displaced workers or self-employed persons, over a reference period of four months, particularly in SMEs, operating in the same or different economic sectors defined at NACE Revision 2 division level and located in the same region defined at NUTS 2 level.
3. In small labour markets or in exceptional circumstances, in particular with regard to applications involving SMEs, where duly substantiated by the applicant Member State, an application for a financial contribution under this Article may be considered admissible even if the criteria laid down in points (a), (b) or (c) of paragraph 1 are not entirely met, when the redundancies have a serious impact on employment and the local or regional economy. The applicant Member State shall specify which of the intervention criteria set out in points (a), (b) or (c) of paragraph 1 are not entirely met. The aggregated amount of contributions in exceptional circumstances may not exceed 15 % of the annual ceiling of the EGF.
 4. The EGF may not be mobilised when workers are dismissed as a result of budget cuts taken by a Member State, which affect sectors that depend on public financing.

Article 6

Calculation of displacements and of cessation of activity

1. The applicant Member State shall specify the method used for calculating the number of workers and self-employed persons defined in Article 4 for the purpose of Article 5.
2. The applicant Member State shall calculate the number referred to in paragraph 1 as it stands on one of the following dates:
 - (a) the date on which the employer, in accordance with Article 3(1) of Council Directive 98/59/EC,³⁶ notifies the competent public authority in writing of the projected collective redundancies;
 - (b) the date of the employer's individual notice to lay off or to terminate the contract of employment of the worker;
 - (c) the date of the de facto termination of the contract of employment or its expiry;
 - (d) the end of the assignment to the user undertaking; or
 - (e) for a self-employed person, the date of cessation of the activities as determined in accordance with national law or administrative provisions.

In the cases referred to in point (a), the applicant Member State shall provide the Commission with additional information on the actual number of redundancies effected according to Article 5(1) of this Regulation, prior to the completion of the assessment by the Commission.

Article 7

Eligible beneficiaries

The applicant Member State may provide a coordinated package of personalised services in accordance with Article 8 co-financed by the EGF to eligible beneficiaries, who may include:

³⁶ Reference to be checked/updated: *Council Directive 98/59/EC of 20 July 1998 on the approximation of the laws of the Member States relating to collective redundancies* ([OJ L 225, 12.8.1998, p. 16](#)).

- (a) displaced workers and self-employed persons whose activity has ceased, calculated in accordance with Article 6, within the reference periods provided for in Article 5;
- (b) displaced workers and self-employed persons whose activity has ceased, calculated in accordance with Article 6, outside the reference period provided for in Article 5; namely 6 months before the start of the reference period or between the end of the reference period and the last day before the date of the completion of the assessment by the Commission.

The workers and self-employed persons referred to in point (b) of the first subparagraph shall be considered eligible provided that a clear causal link can be established with the event which triggered the redundancies during the reference period.

Article 8

Eligible measures

1. A financial contribution from the EGF may be made for active labour market measures that form part of a coordinated package of personalised services, designed to facilitate the re-integration of the targeted beneficiaries and, in particular, the most disadvantaged among the displaced workers, into employment or self-employment.

The dissemination of skills required in the digital industrial age is a mandatory horizontal element of any package of personalised services offered. The level of training shall be adapted to the qualifications and the needs of the respective beneficiary.

The coordinated package of personalised services may include in particular:

- (a) tailor-made training and retraining, including in information and communication technology and other skills required in the digital age, certification of acquired experience, job-search assistance, occupational guidance, advisory services, mentoring, outplacement assistance, entrepreneurship promotion, aid for self-employment, business start-ups and employee take-overs, and cooperation activities;
- (b) special time-limited measures, such as job-search allowances, employers' recruitment incentives, mobility allowances, training or subsistence allowances, including allowances for carers.

The costs of the measures referred to in point (b) may not exceed 35 % of the total costs for the coordinated package of personalised services listed in this paragraph.

The investments for self-employment, starting an own business or for employee take-overs may not exceed EUR 20 000 per displaced worker.

The design of the coordinated package of personalised services shall anticipate future labour market perspectives and required skills. The coordinated package shall be compatible with the shift towards a resource-efficient and sustainable economy, and shall also focus on the dissemination of skills required in the digital industrial age and take into account the demand on the local labour market.

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

- (a) special time-limited measures referred to in point (b) of paragraph 1, which are not conditional on the active participation of the targeted beneficiaries in job-search or training activities;
- (b) measures which are the responsibility of enterprises by virtue of national law or collective agreements.

The measures supported by the EGF shall not substitute passive social protection measures.

- 3. The coordinated package of services shall be drawn up in consultation with the targeted beneficiaries or their representatives, or the social partners.
- 4. At the initiative of the applicant Member State, a financial contribution from the EGF may be made for the preparatory, management, information and publicity, control and reporting activities.

Article 9

Applications

- 1. The applicant Member State shall submit an application to the Commission within 12 weeks of the date on which the criteria set out in Article 5(2) or (3) are met.
- 2. Within ten working days of the date of submission of the application, or, where applicable, of the date on which the Commission is in possession of the translation of the application, whichever is the later, the Commission shall inform the Member State of any additional information it requires in order to assess the application.
- 3. Where additional information is required by the Commission, the Member State shall reply within ten working days of the date of the request. That deadline shall be extended by the Commission by ten working days at the duly justified request of the Member State concerned.
- 4. On the basis of the information provided by the Member State, the Commission shall complete its assessment of the application's compliance with the conditions for providing a financial contribution, within 60 working days of the receipt of the complete application or, where applicable, of the translation of the application. Where the Commission is unable, exceptionally, to comply with that deadline, it shall provide a written explanation setting out the reasons for the delay.
- 5. An application shall contain the following information:
 - (a) an assessment of the number of redundancies in accordance with Article 6, including the method of calculation;
 - (b) the confirmation that, where the dismissing enterprise has continued its activities after the lay-offs, it has complied with its legal obligations governing the redundancies;
 - (c) a brief description of the events that led to the displacement of workers;
 - (d) the identification, where applicable, of the dismissing enterprises, suppliers or downstream producers, sectors, and the categories of targeted beneficiaries broken down by gender, age group and educational level;
 - (e) the expected impact of the redundancies as regards the local, regional or national economy and employment;

- (f) a detailed description of the coordinated package of personalised services and related expenditure, including, in particular, any measures in support of employment initiatives for disadvantaged, older and young beneficiaries;
- (g) an explanation to what extent the recommendations set out in the EU Quality Framework for anticipation of change and restructuring were taken into account, and how the coordinated package of personalised services complements actions funded by other national or Union funds, including information on measures that are mandatory for the dismissing enterprises concerned by virtue of national law or pursuant to collective agreements;
- (h) the estimated budget for each of the components of the coordinated package of personalised services in support of the targeted beneficiaries and for any preparatory, management, information and publicity, control and reporting activities;
- (i) for evaluation purposes, indicative case specific targets defined by the Member State regarding the re-employment rate of beneficiaries 6 months after the end of the implementation period;
- (j) the dates on which the personalised services to the targeted beneficiaries and the activities to implement the EGF, as set out in Article 8, were started or are due to be started;
- (k) the procedures followed for consulting the targeted beneficiaries or their representatives or the social partners as well as local and regional authorities or other relevant stakeholders as applicable;
- (l) a statement of compliance of the requested EGF support with the procedural and material Union rules on State aid as well as a statement outlining why the coordinated package of personalised services does not replace measures that are the responsibility of companies by virtue of national law or collective agreements;
- (m) the sources of national pre-financing or co-funding and other co-funding if applicable.

Article 10

Complementarity, compliance and coordination

1. A financial contribution from the EGF shall not replace measures which are the responsibility of companies by virtue of national law or collective agreements.
2. Support for targeted beneficiaries shall complement measures of the Member States at national, regional and local level including those co-financed by Union funds, in line with the recommendations set out in the EU Quality Framework for anticipation of change and restructuring.
3. The financial contribution from the EGF shall be limited to what is necessary to provide temporary, one-off support for targeted beneficiaries. The measures supported by the EGF shall comply with Union and national law, including State aid rules.
4. In accordance with their respective responsibilities, the Commission and the applicant Member State shall ensure the coordination of the assistance from Union funds.

5. The applicant Member State shall ensure that the specific measures receiving a financial contribution from the EGF do not receive assistance from other Union financial instruments.

Article 11

Equality between men and women and non-discrimination

The Commission and the Member States shall ensure that equality between men and women and the integration of the gender perspective are an integral part of, and are promoted during, the various stages of the implementation of the financial contribution from the EGF.

The Commission and the Member States shall take all appropriate steps to prevent any discrimination based on gender, gender identity, racial or ethnic origin, religion or belief, disability, age or sexual orientation in access to the EGF and during the various stages of the implementation of the financial contribution.

Article 12

Technical assistance at the initiative of the Commission

1. At the initiative of the Commission, a maximum of 0.5 % of the annual ceiling of the EGF may be used for technical and administrative assistance for its implementation, such as preparatory, monitoring, control, audit and evaluation activities including corporate information technology systems, communication activities and those enhancing the EGF's visibility and other administrative and technical assistance measures. Such measures may cover future and previous programming periods.
2. Subject to the ceiling set out in paragraph 1, the Commission shall submit a request for a transfer of appropriations for technical assistance to the relevant budgetary lines in accordance with Article 31 of the Financial Regulation.
3. The Commission shall implement technical assistance at its own initiative under direct or indirect management in accordance with [points (a) and (c) of Article 62(1)] of the Financial Regulation.
4. The Commission's technical assistance shall include the provision of information and guidance to the Member States for using, monitoring and evaluating the EGF. The Commission shall also provide information along with clear guidance on using the EGF to the European and national social partners. Guidance measures may also include the creation of taskforces in cases of severe economic disruptions in a Member State.

Article 13

Information, communication and publicity

1. The Member States shall acknowledge the origin and ensure the visibility of the Union funding by providing coherent, effective and targeted information to multiple audiences, including targeted information to beneficiaries, local and regional authorities, social partners, the media and the public.

Member States shall use the EU emblem in accordance with [Annex VIII of the Common Provisions Regulation] together with a simple funding statement ("funded/co-funded by the European Union").

2. The Commission shall maintain and update regularly an online presence, accessible in all official languages of the institutions of the Union, to provide updated information on the EGF, guidance on the submission of applications, as well as information on accepted and rejected applications and on the role of the European Parliament and the Council in the budgetary procedure.
3. The Commission shall implement information and communication activities on EGF cases and outcomes based on its experience with the aim of improving the effectiveness of the EGF and ensuring that Union citizens and workers know about the EGF.

The Member States shall ensure that all communication and visibility material is made available upon request to Union Institutions, bodies or agencies and that a royalty-free, non-exclusive and irrevocable licence to use such material and any pre-existing rights attached to it is granted to the Union. The licence grants the following rights to the Union:

- internal use i.e. right to reproduce, copy and make available the communication and visibility materials to EU and EU Member States' institutions and agencies and their employees;
- reproduction of the communication and visibility materials by any means and in any form, in whole or in part;
- communication to the public of the communication and visibility materials by using any and all means of communication;
- distribution to the public of the communication and visibility materials (or copies thereof) in any and all forms;
- storage and archiving of the communication and visibility materials
- sub-licensing of the rights on the communication and visibility materials to third parties

Additional rights may be granted to the Union.

4. The resources allocated to communication actions under this Regulation shall also contribute to covering the corporate communication of the political priorities of the Union provided that they are related to the general objectives referred to in Article 3.

Article 14

Determination of the financial contribution

1. The Commission shall, on the basis of the assessment carried out in accordance with Article 9 and in particular taking into account the number of targeted beneficiaries, the proposed measures and the estimated costs, evaluate and propose as quickly as possible the amount of a financial contribution from the EGF, if any, that may be made within the limits of the resources available.
2. The co-financing rate of the EGF for the measures offered shall be aligned with the highest co-financing rate of the ESF+ in the respective Member State.
3. Where, on the basis of the assessment carried out in accordance with Article 9, the Commission concludes that the conditions for a financial contribution under this Regulation are met, it shall immediately initiate the procedure set out in Article 16.

4. Where, on the basis of the assessment carried out in accordance with Article 9, the Commission concludes that the conditions for a financial contribution under this Regulation are not met, it shall immediately notify the applicant Member State.

Article 15

Eligibility period

1. Expenditure shall be eligible for a financial contribution from the EGF from the dates set out in the application pursuant to point (j) of Article 9(5) on which the Member State concerned starts, or is due to start, providing the personalised services to the targeted beneficiaries or incurs the administrative expenditure to implement the EGF, in accordance with Article 8(1) and (4).
2. The Member State shall carry out the eligible measures set out in Article 8 as soon as possible, and at the latest within 24 months after the date of entry into force of the decision on the financial contribution.
3. The implementation period is the period from the dates set out in the application pursuant to point (j) of Article 9(5) on which the Member State concerned starts the personalised services to the targeted beneficiaries and the activities to implement the EGF, as set out in Article 8, and ends 24 months after the date of entry into force of the decision on the financial contribution.
4. Where a beneficiary accesses an education or training course the duration of which is two years or more, the expenditure for such a course shall be eligible for EGF co-funding up to the date when the final report referred to in Article 20(1) is due, provided that the relevant expenditure have been incurred before that date.
5. Expenditure pursuant to Article 8(4) shall be eligible until the deadline for submission of the final report in accordance with Article 20(1).

Article 16

Budgetary procedure and implementation

1. Where the Commission has concluded that the conditions for providing a financial contribution from the EGF are met, it shall submit a request for a transfer to the relevant budgetary lines in accordance with Article 31 of the Financial Regulation.
2. The transfer request needs to be accompanied by a summary of the examination of the eligibility of the application.
3. The Commission shall adopt a decision on a financial contribution, by means of an implementing act, which shall enter into force on the date the Commission is notified of the approval of the budgetary transfer by the European Parliament and the Council. The decision shall constitute a financing decision within the meaning of Article 110 of the Financial Regulation.

Article 17

Payment and use of the financial contribution

1. Following the entry into force of a decision on a financial contribution in accordance with Article 16(3) the Commission shall pay the financial contribution to the Member State concerned in a single 100 % pre-financing payment, in principle

within 15 working days. The pre-financing shall be cleared once the Member State submits the certified statement of expenditure in accordance with Article 20(1). The unspent amount shall be reimbursed to the Commission.

2. The financial contribution referred to in paragraph 1 shall be implemented under shared management in accordance with Article 63 of the Financial Regulation.
3. Detailed technical terms of the financing shall be determined by the Commission in the decision on a financial contribution referred to in Article 16(3).
4. When carrying out the measures contained in the coordinated package of personalised services, the Member State concerned may submit a proposal to the Commission to amend the actions included by adding other eligible measures listed in points (a) and (b) of Article 8(1), provided that such amendments are duly justified and the total does not exceed the financial contribution referred to in Article 16(3). The Commission shall assess the proposed amendments and, if it agrees, shall amend the decision on a financial contribution accordingly.
5. The Member State concerned shall have the flexibility to re-allocate amounts between the budget items laid down in the decision on a financial contribution pursuant to Article 16(3). Should a reallocation exceed a 20 % increase for one or more of the items specified, the Member State shall notify the Commission beforehand.

Article 18

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 19

Indicators

1. Indicators to report on progress of the Programme towards the achievement of the objectives established in Article 3 are set out in the Annex.
2. The performance reporting system shall ensure that data for monitoring programme implementation and results are collected efficiently, effectively and in a timely manner. To that end, proportionate reporting requirements shall be imposed on Member States.
3. The Commission is empowered to adopt delegated acts in accordance with Article 25 to amend the indicators in the Annex where considered necessary to ensure effective assessment of the use of the fund.

Article 20

Final report and closure

1. Not later than at the end of the seventh month after the expiry of the period specified in Article 15(3), the Member State concerned shall present a final report to the Commission on the implementation of the financial contribution, including information on:
 - (a) the type of measures and main results, explaining the challenges, lessons learned, synergies and complementarities with other EU funds and indicating,

whenever possible, the complementarity of measures with those funded by other Union or national programmes in line with the EU Quality Framework for anticipation of change and restructuring;

- (b) the names of the bodies delivering the package of measures in the Member State;
 - (c) the indicators set out in Article 19;
 - (d) the results of a beneficiary survey conducted six months after the end of the implementation period, which shall cover the perceived change in the employability of beneficiaries, or for those who already found employment, more information on the quality of employment found, such as the change in working hours, level of responsibility or change of salary level in comparison to previous employment, and the sector in which the person found employment and break down this information by gender, age group and education level;
 - (e) whether the dismissing enterprise, with the exception of micro enterprises and SMEs, has been a beneficiary of State aid or previous funding from Union cohesion or structural funds in the preceding five years;
 - (f) a statement justifying the expenditure.
2. Not later than at the end of the nineteenth month after the expiry of the period specified in Article 15(3), the Member State concerned shall submit the simple dataset informing on the longer-term result indicator specified in point (3) of the Annex.
 3. No later than six months after the Commission has received all the information required in accordance with paragraph 1, it shall wind up the financial contribution by determining the final amount of the financial contribution from the EGF and the balance due, if any, by the Member State concerned in accordance with Article 24. The winding-up shall be conditional on the provision of the longer-term result indicator in accordance with paragraph 2.

Article 21

Biennial report

1. By 1 August 2021 and every two years thereafter, the Commission shall present to the European Parliament and to the Council a comprehensive, quantitative and qualitative report on the activities under this Regulation and Regulation (EU) No 1309/2013 in the previous two years. The report shall focus mainly on the results achieved by the EGF and shall in particular contain information relating to applications submitted, decisions adopted, measures funded, including statistics on the indicators set out in the Annex, and the complementarity of such measures with measures funded by other Union funds, in particular ESF+, and information relating to the winding-up of financial contributions made and shall also document those applications that have been rejected or reduced owing to a lack of sufficient appropriations or to non-eligibility.
2. The report shall be transmitted for information to the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the social partners.

Article 22

Evaluation

1. Every four years the Commission shall carry out on its own initiative and in close cooperation with the Member States, an evaluation of the EGF financial contributions.
2. The results of the evaluations referred to in paragraph 1 shall be transmitted, for information, to the European Parliament, the Council, the Court of Auditors, the European Economic and Social Committee, the Committee of the Regions and the social partners. The recommendations of the evaluations shall be taken into account for the design of new programmes in the area of employment and social affairs or the further development of existing programmes.
3. The evaluations referred to in paragraph 1 shall include relevant statistics on the financial contributions, broken down by Member State.
4. To ensure effective assessment of progress of the EGF towards the achievement of its objectives, the Commission is empowered to adopt delegated acts in accordance with Article 25 to amend the Annex to review or complement the indicators where considered necessary and to supplement this Regulation with provisions on the establishment of a monitoring and evaluation framework.

Article 23

Management and financial control

1. Without prejudice to the Commission's responsibility for implementing the general budget of the Union, Member States shall take responsibility for the management of measures supported by the EGF and the financial control of the measures. The steps they take shall include:
 - (a) verifying that management and control arrangements have been set up and are being implemented in such a way as to ensure that Union funds are being used efficiently and correctly, in accordance with the principle of sound financial management;
 - (b) ensuring that the delivery of monitoring data is a mandatory requirement in contracts with bodies delivering the coordinated package of personalised services;
 - (c) verifying that the financed measures have been properly carried out;
 - (d) ensuring that expenditure funded is based on verifiable supporting documents, and is legal and regular;
 - (e) preventing, detecting and correcting irregularities including fraud and recovering amounts unduly paid together with interest on late payments where appropriate. The Member States shall report on irregularities including fraud to the Commission.
2. For the purposes of Article [63(3)?] of the Financial Regulation, Member States shall identify bodies responsible for the management and control of the measures supported by the EGF. Those bodies shall provide the Commission with the information set out in [Article 63(5), (6) and (7) ?] of the Financial Regulation on the implementation of the financial contribution when submitting the final report referred to in Article 20(1) of this Regulation.

Where authorities designated in accordance with Regulation (EU) No 1309/2013 have provided sufficient guarantees that payments are legal and regular, and properly accounted for, the Member State concerned may notify to the Commission that these authorities are confirmed under this Regulation. In this case, the Member State concerned shall indicate which authorities are confirmed and which is their function.

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

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

5. The Commission is empowered to adopt delegated acts in accordance with Article 25 to supplement paragraph 1(e) by setting out the criteria for determining the cases of irregularity to be reported and the data to be provided.
6. The Commission shall adopt an implementing act setting out the format to be used for reporting of irregularities in accordance with the advisory procedure referred to in Article 26(2) in order to ensure uniform conditions for the implementation of this Article.
7. Member States 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 a financial contribution received from the EGF.

Article 24

Recovery of the financial contribution

1. In cases where the actual cost of the coordinated package of personalised services is less than the amount of the financial contribution pursuant to Article 16, the Commission shall recover the corresponding amount after having given the Member State concerned the possibility to submit its observations.
2. If, after completing the necessary verifications, the Commission concludes that a Member State either has failed to comply with the obligations stated in the decision on a financial contribution or is not complying with its obligations under Article 23(1), it shall give the Member State concerned the possibility to submit its

observations. The Commission shall, if no agreement has been reached, adopt a decision by means of an implementing act to make the financial corrections required by cancelling all or part of the contribution of the EGF to the measure in question. That decision shall be taken within 12 months after having received the observations from the Member State. The Member State concerned shall recover any amount unduly paid as a result of an irregularity and, where the amount is not repaid by the applicant Member State in the time allowed, default interest shall be due.

Article 25

Exercise of the delegation

1. The power to adopt delegated acts is conferred on the Commission subject to the conditions laid down in this Article.
2. The power to adopt delegated acts referred to in Article 19(3) and Article 23(5) shall be conferred on the Commission for an indeterminate period of time from date of entry into force of this Regulation.
3. The delegation of power referred to in Article 19(3) and Article 23(5), may be revoked at any time by the European Parliament or by the Council. A decision to revoke shall put an end to the delegation of the power specified in that decision. It shall take effect the day following the publication of the decision in the Official Journal of the European Union or at a later date specified therein. It shall not affect the validity of any delegated acts already in force.
4. Before adopting a delegated act, the Commission shall consult experts designated by each Member State in accordance with the principles laid down in the Interinstitutional Agreement on Better Law-Making of 13 April 2016.
5. As soon as it adopts a delegated act, the Commission shall notify it simultaneously to the European Parliament and to the Council.
6. A delegated act adopted pursuant to Article 19(3) and Article 23(5) shall enter into force only if no objection has been expressed either by the European Parliament or by the Council within a period of two months of notification of that act to the European Parliament and the Council or if, before the expiry of that period, the European Parliament and the Council have both informed the Commission that they will not object. That period shall be extended by two months at the initiative of the European Parliament or of the Council.

Article 26

Committee Procedure

1. The Commission shall be assisted by a committee. That committee shall be a committee within the meaning of Regulation (EU) No 182/2011.
2. Where reference is made to this paragraph, Article 4 of Regulation (EU) No 182/2011 shall apply.

Article 27

Transitional provision

Regulation (EU) No 1309/2013 shall continue to apply to applications submitted until 31 December 2020. It shall apply until the closure of the respective cases.

Article 28

Entry into force

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

It shall apply to applications submitted as from 1 January 2021.

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 (*programme cluster*)
- 1.3. Nature of the proposal/initiative
- 1.4. Grounds for the proposal/initiative
- 1.5. Duration and financial impact
- 1.6. Management mode(s) planned

2. MANAGEMENT MEASURES

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

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

- 3.1. Heading(s) of the multiannual financial framework and expenditure budget line(s) affected
- 3.2. Estimated impact on expenditure
 - 3.2.1. *Summary of estimated impact on expenditure*
 - 3.2.2. *Estimated impact on appropriations of an administrative nature*
 - 3.2.3. *Third-party contributions*
- 3.3. Estimated impact on revenue

LEGISLATIVE FINANCIAL STATEMENT

1. FRAMEWORK OF THE PROPOSAL/INITIATIVE

1.1. Title of the proposal/initiative

Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (EGF).

1.2. Policy area(s) concerned (*Programme cluster*)

European Globalisation Adjustment Fund as included in DG EMPL 2018 Management Plan.

1.3. The proposal/initiative relates to:

- a new action
- a new action following a pilot project/preparatory action³⁷
- the extension of an existing action
- a merger or redirection of one or more actions towards another/a new action

1.4. Grounds for the proposal/initiative

1.4.1. Requirement(s) to be met in the short or long term including a detailed timeline for roll-out of the implementation of the initiative

Regulation (EU) No 1309/2013 must be reviewed by the end of 2020. The review, which is carried out by means of the Proposal for a Regulation, enables the Fund to continue, to enlarge its objective offer support to displaced workers and self-employed persons whose activity has ceased in the course of unexpected major restructuring events, and to amend some technical details in order to have more coherence and synergies, flexibility, focus on performance, and simplification.

1.4.2. Added value of Union involvement (it may result from different factors, e.g. coordination gains, legal certainty, greater effectiveness or complementarities). For the purposes of this point 'added value of Union involvement' is the value resulting from Union intervention which is additional to the value that would have been otherwise created by Member States alone.

Expected generated Union added value (ex-post) Union involvement through the EGF makes it possible to complement national measures in order to re-integrate dismissed workers by offering them a unique combination of tailored measures that lead to more sustainable results, increase the self-esteem of beneficiaries, who finally have a more proactive approach to job seeking, and improve their employability. Experience achieved so far with the EGF indicates that the help offered would not have been available without the involvement of the EGF.

1.4.3. Lessons learned from similar experiences in the past

See the experience gained under Regulation (EU) No 1309/2013 as set out in the Explanatory Memorandum of the Proposal for a Regulation.

³⁷ As referred to in Article 58(2)(a) or (b) of the Financial Regulation.

1.4.4. Compatibility and possible synergy with other appropriate instruments

The ESF+ and EGF will continue to complement each other, as the former will continue to function as a preventive and anticipatory fund, while the latter will remain a reactive emergency Fund outside the MFF. The ESF+ will for example complement the EGF by proactively supporting adequate measures in areas that are at risk due to foreseeable economic challenges. Support for targeted beneficiaries shall complement measures of the Member States at national, regional and local level including those co-financed by Union funds, in line with the recommendations set out in the EU Quality Framework for anticipation of change and restructuring (QFR).

1.5. Duration and financial impact

limited duration

- in effect from 01/01/2021
- Financial impact from 2021 to 2027 for commitment appropriations and from 2021 to 2031 for payment appropriations.

unlimited duration

- Implementation with a start-up period from YYYY to YYYY, followed by full-scale operation.

1.6. Management mode(s) planned³⁸

Direct management by the Commission

- by its departments, including by its staff in the Union delegations;
- by the executive agencies

Shared management with the Member States

Indirect management by entrusting budget implementation tasks to:

- third countries or the bodies they have designated;
- international organisations and their agencies (to be specified);
- the EIB and the European Investment Fund;
- bodies referred to in Articles 70 and 71 of the Financial Regulation;
- public law bodies;
- bodies governed by private law with a public service mission to the extent that they provide adequate financial guarantees;
- bodies governed by the private law of a Member State that are entrusted with the implementation of a public-private partnership and that provide adequate financial guarantees;
- persons entrusted with the implementation of specific actions in the CFSP pursuant to Title V of the TEU, and identified in the relevant basic act.
- *If more than one management mode is indicated, please provide details in the 'Comments' section.*

Comments

[...]

[...]

³⁸ Details of management modes and references to the Financial Regulation may be found on the BudgWeb site:
<https://myintracomm.ec.europa.eu/budgweb/EN/man/budgmanag/Pages/budgmanag.aspx>

2. MANAGEMENT MEASURES

2.1. Monitoring and reporting rules

Specify frequency and conditions.

Article 21 of the proposed Regulation requires the Commission to present every two years to the European Parliament and the Council a quantitative and qualitative report on the activities carried out under the proposed Regulation as well as under Regulation (EU) No 1309/2013 in the previous two years. This report shall focus mainly on the results achieved by the EGF and shall in particular contain information relating to applications submitted, decisions adopted, measures funded,

In accordance with Article 22 of the proposed Regulation, the Commission will carry out before the end of 30 June 2025, an interim evaluation on the mobilised EGF funding. By 31 December 2029, the Commission is required to carry out an ex-post evaluation of the mobilised EGF funding.

2.2. Management and control system(s)

2.2.1. *Justification of the management mode(s), the funding implementation mechanism(s), the payment modalities and the control strategy proposed*

The requirements applicable to management and financial control are laid down in Article 23 of the proposed Regulation.

EGF is and will remain under shared management. Experience has shown that a tailor-made package of personalised services needs to be designed by the authority closest to the citizens. Depending on the Member State and the type of restructuring event, this would usually be a local, regional or national authority. The implementation tasks will therefore be delegated to the Member State authorities. EU intervention is needed due to the scale of the impact of the redundancies, but in line with the subsidiarity principle it will be limited to what is necessary to fulfil the objectives of showing Union solidarity with displaced workers.

Given its purpose, which is to provide support in situations of urgency and unexpected circumstances, the EGF shall remain a flexibility and special instrument outside the budgetary ceilings of the Multiannual Financial Framework.

Regarding the mobilisation mechanism is laid down in Article 16 of the proposed Regulation. The Commission shall pay the financial contribution to the Member State concerned in a single 100 % pre-financing payment.

2.2.2. *Information concerning the risks identified and the internal control system(s) set up to mitigate them*

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

2.2.3. *Estimation and justification of the cost-effectiveness of the controls (ratio of "control costs ÷ value of the related funds managed"), and assessment of the expected levels of risk of error (at payment & at closure)*

The requirements applicable to management and financial control are laid down in Article 23 of the proposed Regulation.

In terms of expected error rate(s), at the stage of the legislative proposals the aim is to maintain the error rate below the threshold of 2%. A different materiality threshold

could only be discussed on a case-by-case basis in the light of the legislative debate, notably when the Legislative Authority would not (fully) endorse the proposed programme simplifications and/or would cap the controls, which would have consequences on the expected error rate. This would then require a coordinated approach.]

2.3. Measures to prevent fraud and irregularities

Specify existing or envisaged prevention and protection measures, e.g. from the Anti-Fraud Strategy.

The measures to prevent, detect and correct irregularities are laid down in Article 23(1)(e) and in Article 23(2) of the proposed Regulation.

In the case of the shared management funds there is the more specific Joint Anti-Fraud Strategy (JAFS) 2015-2020 of DG Regional and Urban Policy, DG Employment, Social Affairs and Inclusion and DG Maritime Affairs and Fisheries.

The Commission Communication on an anti-fraud strategy (COM(2011)376 final of 24.6.2011) welcomes the existing strategy as a best practice initiative and envisages complementary actions to it, the most important being that the Commission proposal for 2014-2020 regulations request Member States to put in place fraud prevention measures. The current Commission proposal includes an explicit requirement to put in place such measures. This should further reinforce fraud awareness in Member States among all bodies involved in the management and control of funds and thus reduce the risk of fraud.

3. ESTIMATED FINANCIAL IMPACT OF THE PROPOSAL/INITIATIVE

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

Heading of multiannual financial framework	Budget line	Type of expenditure	Contribution			
	Instrument which is out of the Multiannual Financial Framework 2021-2027	Diff./Non-diff. ³⁹	from EFTA countries ⁴⁰	from candidate countries ⁴¹	from third countries	within the meaning of Article [21(2)(b)] of the Financial Regulation
n.a.	17 01 01 Support expenditure for the European Globalisation Adjustment Fund	Non-diff.	NO	NO	NO	NO
n.a.	17.04 Operational line for the European Globalisation Adjustment Fund	Diff.	NO	NO	NO	NO
n.a.	30.03 Reserve for the European Globalisation Adjustment Fund	Diff	NO	NO	NO	NO

³⁹ Diff. = Differentiated appropriations / Non-diff. = Non-differentiated appropriations.

⁴⁰ EFTA: European Free Trade Association.

⁴¹ Candidate countries and, where applicable, potential candidates from the Western Balkans

3.2. Estimated impact on expenditure

3.2.1. Summary of estimated impact on expenditure

EUR million (to three decimal places)

Heading of multiannual financial framework	<...>	Special instrument outside the MFF ceilings
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			2021	2022	2023	2024	2025	2026	2027	Post 2027	TOTAL
17.04 Operational line for the European Globalisation Adjustment Fund	Commitments	(1)	p.m.		p.m.						
	Payments	(2)	n.a.	n.a.							
30.03 Reserve for the European Globalisation Adjustment Fund ⁴²	Commitments	(1)	212	216	221	225	230	234	239		1.578
	Payments	(2)	p.m.		p.m.						
Appropriations of an administrative nature financed from the envelope of the programme ⁴³	Commitments = Payments	(3)	p.m.		n.a.						
TOTAL appropriations	Commitments	=1+3	212	216	221	225	230	234	239		1.578
	Payments	=2+3	p.m.		p.m.						

Heading of multiannual financial framework	7	‘Administrative expenditure’
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⁴² The figures indicated above are the maximum amounts available each year for the European Globalisation Adjustment Fund

⁴³ 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.

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
Human resources		1.435	1.435	1.435	1.435	1.435	1.435	1.435		10.045
Other administrative expenditure		n.a.		n.a.						
TOTAL appropriations under HEADING 7 of the multiannual financial framework	(Total commitments = Total payments)	1.435	1.435	1.435	1.435	1.435	1.435	1.435		10.045

EUR million (to three decimal places)

		2021	2022	2023	2024	2025	2026	2027	<i>Post 2027</i>	TOTAL
TOTAL appropriations across HEADINGS of the multiannual financial framework	Commitments	1.435	1.435	1.435	1.435	1.435	1.435	1.435		10.045
	Payments									

For other administrative expenditure, the whole global envelope is shown under the ESF+ legislative financial statement.

3.2.2. Summary of estimated impact on appropriations of an administrative nature

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

EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
-------	------	------	------	------	------	------	------	-------

HEADING 7 of the multiannual financial framework								
Human resources	1.435	1.435	1.435	1.435	1.435	1.435	1.435	10.045
Other administrative expenditure								
Subtotal HEADING 7 of the multiannual financial framework	1.435	1.435	1.435	1.435	1.435	1.435	1.435	10.045

Outside HEADING 7⁴⁴ of the multiannual financial framework								
Human resources								
Other expenditure of an administrative nature								
Subtotal outside HEADING 7 of the multiannual financial framework								

TOTAL	1.435	1.435	1.435	1.435	1.435	1.435	1.435	10.045
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The appropriations required for human resources and other expenditure of an administrative nature will be met by appropriations from the DG that 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.

⁴⁴ 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.

3.2.2.1. 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 time equivalent units

Years	2021	2022	2023	2024	2025	2026	2027
• Establishment plan posts (officials and temporary staff)							
Headquarters and Commission's Representation Offices	9	9	9	9	9	9	9
Delegations							
Research							
• External staff (in Full Time Equivalent unit: FTE) - AC, AL, END, INT and JED ⁴⁵							
Heading 7							
Financed from HEADING 7 of the multiannual financial framework	- at Headquarters	2	2	2	2	2	2
	- in Delegations						
Financed from the envelope of the programme ⁴⁶	- at Headquarters						
	- in Delegations						
Research							
Other (specify)							
TOTAL	11	11	11	11	11	11	11

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 staff	Analyse and discuss EGF applications submitted by the Member States. Prepare the documentation for EGF applications being presented to the Commission and the Budgetary Authority; consult and discuss with the relevant Commission Services throughout their workflow. Monitor the implementation of the financial contributions. Prepare and/or discuss relevant modifications to the applications presented.
External staff	Analyse and discuss EGF applications submitted by the Member States. Prepare the documentation for EGF applications being presented to the Commission and the Budgetary Authority; consult and discuss with the relevant Commission Services throughout their workflow. Monitor the implementation of the financial contributions. Prepare and/or discuss relevant modifications to the applications presented.

⁴⁵ AC= Contract Staff; AL = Local Staff; END = Seconded National Expert; INT = agency staff; JPD= Junior Professionals in Delegations.

⁴⁶ Sub-ceiling for external staff covered by operational appropriations (former 'BA' lines).

3.2.3. Third-party contributions

The proposal/initiative:

- does not provide for co-financing by third parties
- provides for the co-financing by third parties estimated below:

Appropriations in EUR million (to three decimal places)

Years	2021	2022	2023	2024	2025	2026	2027	TOTAL
Specify the co-financing body								
TOTAL appropriations co-financed								

3.3. Estimated impact on revenue

- The proposal/initiative has no financial impact on revenue.
- The proposal/initiative has the following financial impact:
 - on own resources
 - on other revenue

please indicate, if the revenue is assigned to expenditure lines

EUR million (to three decimal places)

Budget revenue line:	Impact of the proposal/initiative ⁴⁷						
	2021	2022	2023	2024	2025	2026	2027
Article							

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

[...]

Other remarks (e.g. method/formula used for calculating the impact on revenue or any other information).

[...]

⁴⁷ As regards traditional own resources (customs duties, sugar levies), the amounts indicated must be net amounts, i.e. gross amounts after deduction of 20 % for collection costs.