**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 1 June 2012

10490/12

**Interinstitutional File:
2011/0269 (COD)**

**SOC 428
ECOFIN 446
FSTR 48
COMPET 324
AGRI 353
CODEC 1465**

PROGRESS REPORT

from:	Presidency
to:	Permanent Representatives Committee (Part I) / Council (EPSCO)
No Cion doc.:	15440/11 SOC 867 ECOFIN 678 FSTR 56 COMPET 440 CODEC 1672 - COM(2011) 608 final
Subject:	Proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) - Progress Report

The Commission submitted its proposal for a Regulation of the European Parliament and of the Council on the European Globalisation Adjustment Fund (2014-2020) on 6 October 2011 to the European Parliament and the Council[1].

I. SUBSTANCE OF THE COMMISSION PROPOSAL

The prime objective of this proposal is to ensure that the European Globalisation Adjustment Fund (EGF) continues to operate in the next programming period in line with the basic principles laid down for the next Multiannual Financial Framework (MFF) 2014–2020.

1 COM(2011) 608 final (see doc. 15440/11).

The aim of the EGF shall be to contribute to economic growth and employment in the EU by enabling the Union to demonstrate solidarity at Union level with workers made redundant as a result of globalisation, trade agreements impacting upon the agricultural sector, or an unexpected crisis, and to provide financial support for their rapid reintegration into employment, or for changing or adjusting their agricultural activities.

In its presentation of the proposal at the meeting of the Social Questions Working Party on 14 November 2011, the Commission stressed that the EGF should be maintained during the programming period 2014-2020 as it was offering an added value, having proven to be providing a better response in case of large-scale redundancies than the European Social Fund (ESF), while at the same time respecting the principle of subsidiarity.

Features taken over from the previous EGF:

- The fund is to remain outside the EU budget as a "crisis" instrument (with 3 billion EUR foreseen for the programming period, *from which up to 2.5 billion for farmers*[2]);

- The threshold of 500 redundancies, introduced in 2009, is to be maintained.

- Applications for crisis related reasons, introduced in 2009, would become a permanent possibility;

- 24 months implementation period for EGF supported measures;

- Applications would have to be made, like in the past, by Member States, but a single application could cover more than two regions;

- The measures would still be focused on active labour market policies (at least 50 % of the package);

[2] Major new features of the proposal for the new EGF are marked in italics.

Main new features:

- ***New categories of workers*** (temporary workers, self-employed and owner-managers of SMEs) would become eligible;

- The basic ***co-financing rate*** of 50 % may be increased to 65 % for Member States with convergence regions;

- The scope of the fund is to be expanded to include ***farmers*** affected by possible new trade agreements, bearing in mind that there is a requirement to maintain a rural population with its activities and a need to intervene before the complete cessation of their activities, i.e. a need to anticipate the negative effects.

- The Commission suggests anticipating changes in the agricultural sector by way of ***delegated acts*** (Article 290 TFEU) to determine the specific intervention criteria and amounts for this sector on a case-by-case basis (i.e. to designate eligible sectors/products, define affected geographical areas, set maximum amounts for EU support, reference periods, eligibility conditions and dates for expenditure as well as other conditions).

- the application and approval process is further streamlined, the information required in an EGF application is reduced, the Member States will have more flexibility to implement EGF contributions, the monitoring and reporting is improved and the visibility of the EGF is enhanced.

II. STATE OF PLAY

The Working Party on Social Questions has, over the course of five meetings[3], examined the Commission proposal in detail on the basis of three Presidency questionnaires[4] and two Presidency compromise proposals[5].

Some delegations welcomed the Commission proposal, considering the EGF as a very important and much needed instrument of solidarity with workers and underlining that it sets a positive sign in these times of ongoing economic difficulties.

Many delegations expressed their scepticism concerning the proposal. A significant number of Member States is, as a matter of principle, opposed to the continuation of the EGF.

A major issue is the extension of the EGF's scope to agriculture (opposed or questioned by many of them). In this context it was criticised that too many aspects were left to the discretionary powers of the Commission and that there was a risk that the Commission was negotiating trade agreements at the expense of the agricultural sector. The high amount to be reserved for the agricultural sector was also put into question.

The co-financing rate is a further controversial item, the views ranging from a preference for a single rate (preferably at or around 50 %) to differentiated rates up to 65 % and more.

Widespread doubts were expressed as to the excessive use of "delegated acts" in determining the modalities for triggering the EGF; one delegation sees them as source of considerable legal uncertainty. Another delegation suggested using the committee (former "comitology") procedure instead for deciding which actions are to be funded.

---

3 Documents 17886/11, 7018/1/12 REV 1 COR 1, 8807/2/12 REV 2, 9340/1/12 REV 1 and 10448/12.

4 Documents 7432/12, 7982/12 and 10195/12.

5 Documents 8806/12 and 10194/12.

Doubts were expressed as to the added value of the fund; a couple of delegations argued that the European Social Fund (ESF) could finance similar measures. Concerns were voiced as to the link to cohesion, the fact that the fund seems to be more and more permanent and becoming purely sectoral. Different delegations made a series of further remarks: the crisis argument should not be included any more, the fund was not effective for smaller labour markets, hardest hit countries would have less access to the fund, smaller Member States might not get a fair share of the finances available, the responsibility for labour market policies should remain with the Member States, there generally was an urgent need for financing and thus no time to wait for the EU level funding, and it might be regarded as the norm that the fund remains outside the multiannual financial framework (MFF) as an extra-budgetary item.

III. CONCLUSION

All aspects of the proposal have been examined under the Danish Presidency in the attempt to clarify as many provisions as possible. At this stage all delegations are considered to have general scrutiny reservations as their final position on a variety of aspects of the proposal will depend on the evolution of the file not only in the Working Party. DK, MT and UK have parliamentary reservations.

The Committee is invited to take note of this Report and to forward it to the EPSCO Council on 21 June 2012.

BACKGROUND INFORMATION

The EGF was initially established in 2006 for the duration of the programming period 2007-2013 by Regulation 1927/2006[6] with the main objective of providing the EU with an instrument to demonstrate solidarity with, and give support to, workers affected by redundancies resulting from changes in world trade patterns where these redundancies have a significant adverse impact on the regional or local economy.

By co-funding active labour market policy measures, the EGF aims to facilitate the re-integration of workers in areas, sectors, territories or labour markets suffering the shock of serious economic disruption.

In the light of the scale and speed of developments in the financial and the economic crisis in 2008, on proposal of the Commission, a revision was brought about by Regulation (EC) No 546/2009[7], aiming at extending the scope of the EGF as part of Europe's crisis response and turning it into an early, more effective crisis intervention instrument in line with the fundamental principles of solidarity and social justice.

Taking into account the economic situation and the need for fiscal consolidation, the Commission proposed in June 2011 that the temporary crisis derogation, expiring on 31 December 2011, be extended until 31 December 2013, i.e. the end of the implementation period of Regulation 1927/2006. While the European Parliament in its Plenary on 29 September 2011 adopted its position in first reading on the Commission proposal without any amendments, the EPSCO Council on 1 December 2011 did not reach the required quorum for a political agreement on the prolongation of the crisis derogation.

---

[6] OJ L 48, 22.2.2008, p. 82.
[7] OJ L 167, 29.6.2009, p. 26.