European Globalisation Adjustment Fund (EGF): temporary derogation

2011/0147(COD) - 10/06/2011 - Legislative proposal

PURPOSE: to extend the temporary derogation to support workers made redundant as a result of the global financial and economic crisis until by 31 December 2013.

PROPOSED ACT: Regulation of European Parliament and of the Council.

BACKGROUND: the European Globalisation Adjustment Fund (EGF) was established in 2006 by Regulation (EC) No 1927/2006 with the main objective of showing solidarity with and providing support to workers affected by redundancies resulting from changes in world trade patterns.

In the light of the scale and the speed of development of the financial and economic crisis in 2008, the Commission, in its European Economic Recovery Plan, envisaged the revision of Regulation (EC) No 1927/2006. The aim of this revision, brought about by Regulation (EC) No 546/2009, was to extend the scope of the EGF as part of Europe's crisis response and to turn it into an early, more effective crisis intervention instrument in line with the fundamental principles of solidarity and social justice.

The amendments included permanent changes, such as the reduction from 1 000 to 500 of the required number of redundancies to trigger an application for EGF support and an extension from 12 to 24 months of the implementation period for EGF supported measures.

A temporary derogation was introduced in order (1) to enlarge the scope of the EGF to cover support in favour of workers made redundant as a direct consequence of the financial and economic crisis (paragraph 1a of Article 1 of Regulation (EC) No 1927/2006) and (2) to increase the level of EGF co-funding from 50 to 65% (Article 10(1) of Regulation (EC) No 1927/2006).

The temporary derogation expires on 30 December 2011 and the possibility of reviewing it is provided for in the second paragraph of Article 20 of Regulation (EC) No 1927/2006.

Therefore, it is proposed to extend the temporary crisis-related derogation, which expires on 30 December 2011.

IMPACT ASSESSMENT: no impact assessment was carried out.

LEGAL BASIS: Article 175(3) of the Treaty on the Functioning of the European Union (TFEU).

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

BUDGETARY IMPLICATION: Article 28 of the Interinstitutional Agreement of 17 May 2006on budgetary discipline and sound financial management provides that the EGF may not exceed a maximum annual amount of EUR 500 million.

Based on the requests for EGF support in the past the proposed extension of the crisis related derogation in Regulation (EC) No 1927/2006 is not expected to exceed this maximum annual amount. These requests reached EUR 51.8 million in 2007 and EUR 20.6 million in 2008. In 2009 the total amount of EGF support requested reached EUR 131.7 million, of which 75% concerned crisis related applications and 25% trade related applications. In 2010 the total amount of EGF support requested reached EUR 132,5 million, of which 87% related to crisis related applications and 13% to trade related applications.