



EUROPEAN PARLIAMENT

2009 - 2014

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*Committee on Budgets*

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**2010/2031(BUD)**

9.3.2010

## **DRAFT REPORT**

on the proposal for a decision of the European Parliament and of the Council on mobilisation of the European Globalisation Adjustment Fund, in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management  
(COM(2010)0056 – C7-0035/2010 – 2010/2031(BUD))

Committee on Budgets

Rapporteur: Barbara Matera

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## MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

**on the proposal for a decision of the European Parliament and of the Council on mobilisation of the European Globalisation Adjustment Fund, in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management (COM(2010)0056 – C7-0035/2010 – 2010/2031(BUD))**

*The European Parliament,*

- having regard to the Commission proposal to the European Parliament and the Council (COM(2010)0056 – C7-0035/2010),
  - having regard to the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management <sup>1</sup>(IIA of 17 May 2006), and in particular point 28 thereof,
  - having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund<sup>2</sup> (EGF Regulation),
  - having regard to the report of the Committee on Budgets and the opinion of the Committee on Employment and Social Affairs (A7-0000/2010),
- A. whereas the European Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who suffer from the consequences of major structural changes in world trade patterns and to assist their reintegration into the labour market,
- B. whereas the Union's financial assistance to workers made redundant should be dynamic and made available as quickly and efficiently as possible, in accordance with the Joint Declaration of the European Parliament, the Council and the Commission adopted during the conciliation meeting on 17 July 2008, and having due regard for the IIA of 17 May 2006 in respect of the adoption of decisions to mobilise the EGF,
- C. whereas Lithuania has requested assistance in respect of cases concerning redundancies in 45 enterprises, all operating in the wearing apparel manufacturing sector<sup>3</sup>,
- D. whereas the applications fulfil the eligibility criteria set up by the EGF Regulation,
1. Requests the institutions involved to make the necessary efforts to accelerate the mobilisation of the EGF;
  2. Recalls the institutions' commitment to ensure a smooth and rapid procedure for the adoption of the decisions on the mobilisation of the EGF, providing one-off, time-limited individual support geared to helping workers who have suffered redundancies as a result

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<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> EGF/2009/018 LT/Manufacture of wearing apparel.

of globalisation;

3. Stresses that the European Union should use all its means to face the consequences of the global economic and financial crisis; emphasises the role that the EGF can play in the reintegration of the workers made redundant into the labour market;
4. Stresses that, in accordance with Article 6 of the EGF Regulation, it should be ensured that the EGF supports the reintegration of the individual redundant workers into employment; reiterates that assistance from the EGF shall not replace actions which are the responsibility of companies by virtue of national law or collective agreements, nor measures restructuring companies or sectors;
5. Calls on the Commission to include, in proposals for the mobilisation of the EGF, as well as in its annual reports, precise information on the complementary funding received from the European Social Fund (ESF) and other Structural Funds;
6. Reminds the Commission, in the context of mobilising the EGF, not to systematically transfer payment appropriations from the ESF, since the EGF was created as a separate specific instrument with its own objectives and deadlines;
7. Stresses that the functioning and the added value of the EGF should be evaluated in the context of the general assessment of the programmes and other various instruments created by the IIA of 17 May 2006, within the process of the 2007-2013 multiannual financial framework mid-term review;
8. Notes that the new Commission's proposals for a decision on the mobilisation of the EGF refer to a sole Member State's application, which is in line with Parliament's requests;
9. Approves the decision annexed to this resolution;
10. Instructs its President to sign the decision with the President of the Council and arrange for its publication in the Official Journal of the European Union;
11. Instructs its President to forward this resolution, including its annex, to the Council and the Commission.

## **ANNEX: DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL**

**of xx March 2010**

**on mobilisation of the European Globalisation Adjustment Fund, in accordance with point 28 of the Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management**

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,  
having regard to the Treaty on the Functioning of the European Union,

having regard to the Inter-institutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management<sup>1</sup>, and in particular point 28 thereof,

having regard to Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 establishing the European Globalisation Adjustment Fund<sup>2</sup>, and in particular Article 12(3) thereof,

having regard to the proposal from the European Commission<sup>3</sup>,

Whereas:

- (1) The European Globalisation Adjustment Fund (EGF) was established to provide additional support to redundant workers who suffer from the consequences of major structural changes in world trade patterns and to assist them with their reintegration into the labour market.
- (2) The scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a result of the global financial and economic crisis.
- (3) The Interinstitutional Agreement of 17 May 2006 allows the mobilisation of the EGF within the annual ceiling of EUR 500 million.
- (4) Lithuania submitted an application to mobilise the EGF, in respect of redundancies in the clothing sector, on 23 September 2009. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006, therefore the Commission proposes to deploy an amount of EUR 523 481.
- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Lithuania.

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<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

<sup>3</sup> OJ C [...], [...], p. [...].

HAVE ADOPTED THIS DECISION:

*Article 1*

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund (EGF) shall be mobilised to provide the sum of **EUR 523 481** in commitment and payment appropriations.

*Article 2*

This Decision shall be published in the *Official Journal of the European Union*.

Done at Brussels,

*For the European Parliament*  
*The President*

*For the Council*  
*The President*

## EXPLANATORY STATEMENT

### I. Background

The European Globalisation Adjustment Fund has been created in order to provide additional assistance to workers suffering from the consequences of major structural changes in world trade patterns.

According to the provisions of point 28 of the Interinstitutional Agreement of 17 May 2006 on budgetary discipline and sound financial management<sup>1</sup> and of the Article 12 of Regulation (EC) No 1927/2006<sup>2</sup>, the Fund may not exceed a maximum amount of EUR 500 million, drawn from any the margin under the global expenditure ceiling from the previous year, and / or from the cancelled commitment appropriations from the previous two years, excluding those related to Heading 1b. The appropriate amounts are entered into the budget as a provision as soon as the sufficient margins and / or cancelled commitments have been identified.

As concerns the procedure, in order to activate the Fund the Commission, in case of a positive assessment of an application, presents to the budgetary authority a proposal for mobilisation of the Fund and, at the same time, a corresponding request for transfer. In parallel, a dialogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The dialogue can take a simplified form.

### II. State of play: Commission's proposal

On 19 February 2010 the Commission has adopted two new proposals for a decision on the mobilisation of the EGF in favour of Lithuania. Following the European Parliament's request, each proposal for a decision is presented from now on in separate documents. The new cases concern the redundancies occurred in manufacture of furniture and manufacture of wearing apparel sectors. These are the fourth and the fifth applications to be examined under the budget 2010.

The current proposal concerns the mobilisation of a global amount of **EUR 523.481** from the EGF, in order to cover the assistance to 491 workers made redundant in 45 enterprises, all operating in NACE Revision 2 Division 14 (manufacture of wearing apparel).

This application, case EGF/2009/018 LT/wearing apparel, was submitted to the Commission on 23 September 2009. The application was based on the intervention criterion of Art. 2 (b) of the EGF Regulation which requires at least 500 redundancies to occur within a 9 month period of reference in a NACE 2 division in one region or two contiguous regions at NUTS II level, and was submitted within the deadline of 10 weeks (Art. 5 of the Regulation).

Commission's assessment was based on the evaluation of the link between the redundancies and major structural changes in world trade patterns or the financial crisis, the unforeseen nature of the concerned redundancies, demonstration of number of redundancies, identification of dismissing enterprises, suppliers or downstream producers, sectors and the

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<sup>1</sup> OJ C 139, 14.6.2006, p. 1.

<sup>2</sup> OJ L 406, 30.12.2006, p. 1.

categories of workers to be targeted, the territory concerned and its authorities and stakeholders, the impact for the redundancies as regards the local, regional or national employment, co-ordinated package of personalised services to be funded, including its compatibility with actions funded by the Structural Funds, dates on which the personalised services to affected workers were started or planned to start, procedures for consulting the social partners, management and control systems.

In accordance with Commission's assessment, the application fulfils the eligibility criteria set up by the EGF Regulation and recommends to the Budget Authority to approve the applications.

EMPL committee should adopt its opinions assessing the compliance with the eligibility criteria during the next committee meeting of 4th March.

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request (DEC 06/2010) for a **global amount of EUR 523.481** from the EGF reserve (40 02 43) in commitments and from ESF budget lines (04 02 17 - ESF convergence) in payments to the EGF budget lines (04 05 01).

The IIA allows the mobilisation of the Fund within the annual ceiling of EUR 500 million.

Art. 12 (6) of the EGF Regulation requests that on 1st September at least 25% of the annual maximum amount of the EGF shall remain available in order to cover needs arising until the end of the year.

In 2010, the Budget Authority has already approved three proposals for the mobilisation of the Fund, for a total amount of EUR 7.576.397 (cases: Germany/Karmann, Lithuania/Snaige and Lithuania/Buildings construction).

If these two new proposals will be adopted, a global amount of EUR 8.761.966 should be mobilised under the budget 2010, leaving EUR 491.238.034 available.

### **III. Procedure**

The Commission has presented a transfer request<sup>1</sup> in order to enter specific commitment and payment appropriations in the 2010 budget, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.

The dialogue on the Commission's proposal for a Decision on the mobilisation of the EGF could take a simplified form (an exchange of letters), as provided for in Article 12(5) of the legal base, unless there is no agreement between the Parliament and the Council.

According to an internal agreement, the Employment and Social Affairs Committee (EMPL) should be associated to the process, in order to provide constructive support and contribution to the assessment of the applications from the Fund.

Following its evaluation, the EMPL committee of the European Parliament gave its view on the mobilisation of the Fund, as expressed in the opinion attached to the present report.

The Joint Declaration of the European Parliament, the Council and the Commission, adopted during the conciliation meeting on 17 July 2008, has confirmed the importance of ensuring a rapid procedure with due respect of the Interinstitutional Agreement for the adoption of

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<sup>1</sup> DEC 06/2010 of 19 February 2010

decisions on the mobilisation of the Fund.

**OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS**