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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)0008 – C7-0012/2010 – 2010/0003(BUD))

Committee on Budgets

Rapporteur: Reimer Böge

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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)0008 – C7-0012/2010 – 2010/0003(BUD))**

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2010)0008 – C7-0012/2010),
 - 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 management¹ (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 Fund² (EGF Regulation),
 - having regard to the report of the Committee on Budgets and the opinion of the Committee on Employment and Social Affairs (A7-0021/2010),
- 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 the refrigerator manufacturing sector which occurred in one enterprise – "Snaigė" plc - and two of its suppliers³,
- D. whereas the application fulfils 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;

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

³ EGF/2009/010 LT/Snaigė.

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 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 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. Considers that the functioning and the funding of the EGF should be evaluated in the context of the general assessment of the programmes and other 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 European Parliament 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 THE EUROPEAN UNION**

of xx February 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 Interinstitutional Agreement of 17 May 2006 between the European Parliament, the Council and the Commission on budgetary discipline and sound financial management⁴, 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 Fund⁵, and in particular Article 12(3) thereof,

having regard to the proposal from the European Commission,

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 "Snaigė" plc and two of its suppliers, on 23 July 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 258 163.

⁴ OJ C 139, 14.6.2006, p. 1.

⁵ OJ L 406, 30.12.2006, p. 1.

- (5) The EGF should, therefore, be mobilised in order to provide a financial contribution for the application submitted by Lithuania.

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 258 163** in commitment and payment appropriations.

Article 2

This Decision shall enter into force on the [...] day following that of its publication 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 management⁶ and of the Article 12 of Regulation (EC) No 1927/2006⁷, 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 triologue could be organised in order to find an agreement on the use of the Fund and the amounts required. The triologue can take a simplified form.

II. State of play: Commission's proposal

On 22 January 2010 the Commission has adopted three new proposals for a decision on the mobilisation of the EGF. Following the European Parliament's request, each proposal for a decision will be presented from now on in separate documents.

The new cases concern the redundancies occurred in Lithuania (refrigerators manufactory and construction of buildings sectors) and Germany (automotive manufacturing industry). These are the first applications to be examined under the budget 2010.

The current proposal concerns the mobilisation of a global amount of **EUR 258.163** from the European Globalisation Adjustment Fund (EGF) in favour of Lithuania, in order to cover the assistance to workers made redundant in one enterprise, AB Snaigė (manufacturer of refrigerators) and two of its suppliers (UAB Jugos kabeliai and UAB Hoda).

The **Lithuanian application**, case EGF/2009/010 LT/Snaigė, submitted on 23 July 2009 to the Commission, relates to 651 redundancies, of which 480 are targeted for assistance.

This application is based on the intervention criterion of Art. 2 (c) of the EGF Regulation, allowing the applicants to derogate from the general intervention criteria:

"A contribution from the EGF may be considered admissible even if the conditions laid down in subparagraphs (a) and (b) are not entirely met, when redundancies have a serious impact on employment and the local economy".

⁶ OJ C 139, 14.6.2006, p. 1.

⁷ OJ L 406, 30.12.2006, p. 1.

Lithuania has justified the exceptional circumstances of these redundancies by the particularly difficult economic and labour market situation in Alytus, where Snaigė is based. Alytus has already suffered from large-scale redundancies, particularly in the textile sector, which was the subject of an earlier contribution from the Fund in 2008 (EUR 298 994, 1.089 redundancies).

Following the evaluation of the total number of job losses, during the indicated period, along with the pre-existence of serious economic disruption in Alytus Commission concluded that Lithuanian's application complies with eligibility criteria of Art. 2(c).

In accordance with Commission's assessment, the application fulfils the eligibility criteria set up by the EGF Regulation. Moreover, it is concluded that sufficient information of a direct and demonstrable link between redundancies and the global financial and economic crisis and significant negative effect on the local, regional and national economy has been provided by the Member State. Thus, the Commission recommends to the Budget Authority to approve the applications.

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request (DEC 02/2010) for a **global amount of EUR 258.163** 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) for commitments and payments.

The IIA allows the mobilisation of the Fund within the annual ceiling of EUR 500 million. This is the first proposal for the mobilisation of the Fund in 2010.

III. Procedure

The Commission has presented a transfer request⁸ 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 trialogue 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 decisions on the mobilisation of the Fund.

⁸ DEC 02/2010 of 22 January 2010

OPINION OF THE COMMITTEE ON EMPLOYMENT AND SOCIAL AFFAIRS

ES/sg
D(2010)4484

M. Alain Lamassoure
President of the Committee on budgets
ASP 13E158

Subject: Opinion on the mobilisation of the European Globalisation Adjustment Fund (EGF) for the case EGF/2009/010 LT/Snaigé (COM(2010)8 final)

Dear Mr Lamassoure,

The Committee on Employment and Social Affairs (EMPL) as well as its Working Group on the EGF examined the mobilisation of the EGF for the case EGF/2009/010 LT/Snaigé and adopted the following opinion.

The EMPL committee and the Working Group on the EGF are in favour of the mobilisation of the Fund concerning this request. In this respect, the EMPL committee presents some remarks without, however, putting into question the transfer of the payments.

The deliberations of the EMPL committee are based on the following considerations:

- a) Whereas the 651 redundancies are related to the same event caused by the financial and economic crisis.
- b) Whereas mostly women belonging to the age group 25 to 54 years as well as to the category of "craft and related trade workers" are concerned by the dismissals.
- c) Whereas the reconciliation of working and family life is promoted by the European Employment Guidelines.
- d) Whereas these redundancies occur at a time when the unemployment rate of Lithuania increased within 12 months from 6,4% to 16,7%.
- e) Whereas the measures supported by the EGF are first and foremost put in place to "re-integrate redundant workers into the labour market".
- f) Whereas the Temporary Financial Aid is aimed at motivating redundant workers to accept a new job at a lower wage rate than their previous job.
- g) Whereas the dissatisfaction with the approach to comply with Article 12,4 of the EGF regulation persists after the Commission's reply on the remarks of EMPL on the applications EGF/2009/007 SE/Volvo, EGF/2009/009 AT/Steiermark and EGF/2009/011

NL/Heijmans stating that "it is in the nature of Shared Management (Article 4 EGF Regulation, Article 53 Financial Regulation and Article 42 Implementing Rules) that implementation is carried out by the Member State and that correct implementation is verified by the Commission by means of on-the-spot checks and audits, financial corrections and recoveries (and that) at the application stage, the correctness of the implementation cannot yet be verified".

- h) Whereas, independently of financial aspects, the EMPL committee needs to be fully informed about how the Member States make use of the EGF with a view to the future development of the fund and is, therefore, in need of comprehensive information about the complementarity of EGF and ESF in particular and other Structural Funds in general.

Therefore, the Committee on Employment and Social Affairs calls on the Committee on Budgets, as the committee responsible, to incorporate the following suggestions in its motion for a resolution concerning the Lithuanian application:

- 1) Agrees with the decision of the Commission to accept the application of Lithuania even though the application criteria of Article 2a) of the EGF regulation 1927/2006 are not fully met and that, therefore, the workers entitled for assistance should be supported on the basis of Article 2c) of the same regulation;
- 2) Regrets, however, that the measures in favour of the redundant workers were only available as from 1 August 2009 as some workers already lost their job in November 2008;
- 3) Welcomes the measures put in place in favour of a better reconciliation of working and family life and calls upon the Member States to include the care for children and other family members not only in those applications where a majority of women is involved but more systematically and in a strategic way to further erase inequalities between women and men in the labour market.
- 4) Reiterates its call upon the European Commission to include in their annual report not only detailed information about the compliance of Member States' implementation of the EGF assistance with regard to Article 7 of the EGF regulation but also an analysis of which measures promoted especially the equality of men and women with regard to the integration in the labour market.
- 5) Calls upon the Member States and the Commission to establish a list of those measures put in place with the assistance of the EGF which were most successful in increasing the mobility of workers on the national labour market as well as cross border with regard to finding employment in neighbouring countries.
- 6) Underlines that job incentives are highly disputed measures; asks, therefore, the Commission to pay special attention to the experiences made with these measures in the framework of the EGF assistance and to report back to the European Parliament as soon as possible.
- 7) Asks the Commission to inform the EP if the spending in the framework of the EGF receives particular attention by the Commission with regard to its special procedure and

requests a report on the outcomes of the audits of the EGF applications of 2007 and 2008.

- 8) Asks the Commission to include into their annual reports comprehensive information about the complementarity of the EGF with the measures supported by other Structural Funds and including information about the administrative structures put in place in the Member States to manage the compliance with Article 6 of the EGF regulation.
- 9) Stresses that, apart from a good financial management, it is important to have well established coordination structures, especially when many stakeholders are involved.

Yours sincerely,

Pervenche Berès

RESULT OF FINAL VOTE IN COMMITTEE

Date adopted	23.2.2010
Result of final vote	+: 28 -: 0 0: 0
Members present for the final vote	Alexander Alvaro, Francesca Balzani, Lajos Bokros, Andrea Cozzolino, Jean-Luc Dehaene, Göran Färm, José Manuel Fernandes, Eider Gardiazábal Rubial, Salvador Garriga Polledo, Jens Geier, Ivars Godmanis, Ingeborg Gräßle, Carl Haglund, Jiří Havel, Monika Hohlmeier, Sidonia Elżbieta Jędrzejewska, Anne E. Jensen, Alain Lamassoure, Vladimír Maňka, Barbara Matera, Miguel Portas, László Surján, Helga Trüpel, Derek Vaughan, Angelika Werthmann, Jacek Włosowicz
Substitute(s) present for the final vote	Frédéric Daerden, Giovanni La Via