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Committee on Budgets

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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)0582 – C7-0334/2010 – 2010/2243(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)0582 – C7-0334/2010 – 2010/2243(BUD))**

The European Parliament,

- having regard to the Commission proposal to the European Parliament and the Council (COM(2010)0582 – C7-0334/2010),
 - 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 letter of the Committee on Employment and Social Affairs,
 - having regard to the report of the Committee on Budgets (A7-0000/2010),
- A. whereas the European Union has set up the appropriate legislative and budgetary instruments to provide additional support to workers who are suffering from the consequences of major structural changes in world trade patterns and to assist their reintegration into the labour market,
- B. whereas the scope of the EGF was broadened for applications submitted from 1 May 2009 to include support for workers made redundant as a direct result of the global financial and economic crisis,
- C. 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,
- D. whereas Slovenia has requested assistance in respect of cases concerning 2 554 redundancies in the enterprise Mura, European Fashion Design, which operates in the wearing apparel sector,
- E. whereas the application fulfils the eligibility criteria set up by the EGF Regulation,

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

1. Requests the institutions involved to make the necessary efforts to accelerate the mobilisation of the EGF;
2. Recalls the institutions' commitment to ensuring 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 and the financial and economic crisis; emphasises the role that the EGF can play in the reintegration of workers made redundant into the labour market;
3. Stresses that, in accordance with Article 6 of the EGF Regulation, it should be ensured that the EGF supports the reintegration of individual redundant workers into employment; reiterates that assistance from the EGF must not replace actions which are the responsibility of companies by virtue of national law or collective agreements, nor measures restructuring companies or sectors;
4. Notes that the information provided on the coordinated package of personalised services to be funded from the EGF includes detailed information on the complementarity with actions funded by the Structural Funds; reiterates its call to present a comparative evaluation of these data in its annual reports as well;
5. Welcomes the fact that, in the context of mobilising the EGF, an alternative source of payment appropriations to unused European Social Fund has been proposed by the Commission, following the frequent reminders by the European Parliament that the EGF was created as a separate specific instrument with its own objectives and deadlines and that appropriate budget lines for transfers must therefore be identified;
6. Notes that, in order to mobilise the EGF for this case, payment appropriations will be transferred from a budget line dedicated to the support of SMEs and innovation; regrets the severe shortcomings of the Commission when implementing the framework programmes on competitiveness and innovation, particularly during an economic crisis which should significantly increase the need for such support;
7. Recalls that the functioning and the added value of the EGF should be evaluated in the context of the general assessment of the programmes and various other instruments created by the IIA of 17 May 2006 within the process of the 2007-2013 Multiannual Financial Framework mid-term review;
8. Welcomes the new format of the Commission's proposal, which presents in its explanatory memorandum clear and detailed information on the application, analyses the eligibility criteria and explains the reasons which led to its approval, 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 to 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

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on the 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 (application EGF/2010/014 SI/Mura from Slovenia)

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 management¹, 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 Fund², 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 for workers made redundant as a result of major structural changes in world trade patterns due to globalisation 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 direct 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) Slovenia submitted an application to mobilise the EGF in respect of redundancies in the enterprise Mura on 28 April 2010 and supplemented it by additional information on 24 June 2010. This application complies with the requirements for determining the financial contributions as laid down in Article 10 of Regulation (EC) No 1927/2006. The Commission, therefore, proposes to mobilise an amount of EUR 2 247 940.

¹ OJ C 139, 14.6.2006, p. 1.

² 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 Slovenia.

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the European Union for the financial year 2010, the European Globalisation Adjustment Fund shall be mobilised to provide the sum of EUR 2 247 940 in commitment and payment appropriations.

Article 2

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

Done at _____,

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 management¹ and of the Article 12 of Regulation (EC) No 1927/2006², 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 trilogue could be organised in order to find an agreement on the use of the Fund and the amounts required. The trilogue can take a simplified form.

II. State of play: Commission's proposal

On 19 October 2010 the Commission has adopted a new proposal for a decision on the mobilisation of the EGF in favour of Slovenia in order to support the reintegration in the labour market of workers made redundant due to the global financial and economic crisis.

This is the twenty-fifth application to be examined under the budget 2010 and refers to the mobilisation of a global amount of EUR 2.247.940 from the EGF for Slovenia. It concerns 2.554 redundancies in the enterprise Mura, European Fashion Design in Slovenia, which operates in the wearing apparel sector, during the fourth-month reference period from 21 October 2009 to 20 February 2010.

The application, case EGF/2010/014 SI/Mura, was submitted to the Commission on 28 April 2010 and supplemented by additional information up to 24 June 2010. It was based on the intervention criterion of Art. 2 (a) of the EGF Regulation, which requires at least 500 redundancies over a four-month period in an enterprise, including its suppliers and downstream producers, 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 and

¹ OJ C 139, 14.6.2006, p. 1.

² OJ L 406, 30.12.2006, p. 1.

compliance with the criteria of Article 2 (a), explanation of the unforeseen nature of those redundancies, identification of dismissing enterprises and workers targeted for assistance, 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.

In order to mobilise the Fund, the Commission has submitted to the Budget Authority a transfer request (DEC 37/2010) for a global amount of EUR 2.247.940 from the EGF reserve (40 02 43) in commitments and from the budget line "Competitiveness and innovation Framework Programme - Entrepreneurship and Innovation Programme" (01 04 04) in payments to the EGF budget lines (04 05 01).

The Rapporteur is pleased to observe that the Commission has identified an alternative source of payment appropriations to unused ESF Funds, in accordance with the frequent requests from the European Parliament.

However, she considers that the choice made in this case (budget line dedicated to the support of entrepreneurship and innovation) is not satisfactory given the severe shortcomings that the Commission encounters when implementing the programmes on competitiveness and innovation. In a period of economic crisis these appropriations should be in fact rather increased. She invites therefore the Commission to continue in her effort to identify more appropriate budget lines for payments in the future.

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

In 2010, the Budget Authority has already approved fifteen proposals for the mobilisation of the Fund and a transfer for the Technical assistance, for a total amount of EUR 47.432.497, which added to the additional amount of EUR 28.502.666 related to the other proposals under discussion (including the present one), leaves an amount of EUR 424.064.837 available until the end of 2010.

III. Procedure

The Commission has presented a transfer request¹ 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 trilogue 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.

¹ DEC 37/2010 of 19 October 2010

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.