Mobilisation of the European Globalisation Adjustment Fund: redundancies in the textile sector in Slovenia

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the textile sector in Slovenia.

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

CONTENT: the European Globalisation Adjustment Fund (EGF) was established by Council Regulation No 1927/2006 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.

The Interinstitutional Agreement of 17 May 2006 on budgetary discipline allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) through a flexibility mechanism, within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The Commission services have carried out a thorough examination of the application submitted by Slovenia to mobilise the EGF. The main elements of the assessment are as follows:

Slovenia:application EGF/2010/014 SI/Mura from Slovenia: on 28 April 2010, Slovenia submitted application EGF/2010/014 SI/Mura for a financial contribution from the EGF, following redundancies in the enterprise Mura, European Fashion Design, Proizvodjna oblail, d.d. (hereinafter 'Mura') in Slovenia. The application was supplemented by additional information up to 24 June 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Slovenia argues that after the encouraging performance of the textile industry in the EU-27 in 2007, there was a notorious setback in 2008 due to the economic and financial crisis. The difficulties faced by some 'textile end-users sectors' (i.e. construction, automotive industry and housing) in combination with increasing production costs were detrimental for the textile sector. This drop in demand was directly felt in Slovenia in the textile sector (27% of all jobs that existed in this sector in June 2008).

Slovenia submitted this application under the intervention criteria of Article 2(a) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a four-month period in an enterprise in a Member State, including workers made redundant in its suppliers and downstream producers. The application cites 2 554 redundancies in the single enterprise Mura during the four-month reference period from 21 October 2009 to 20 February 2010. After a thorough examination of this application, the Commission has concluded in accordance with Article 10 of Regulation (EC) No 1927/2006 that the conditions for a financial contribution under this Regulation are met.

On the basis of the application from Slovenia, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 2 247 940**, representing 65% of the total cost.

IMPACT ASSESSMENT: no impact assessment was carried out.

FINANCIAL IMPLICATION: considering the maximum possible amount of a financial contribution from the EGF under Article 10(1) of Regulation (EC) No 1927/2006, as well as the scope for reallocating appropriations, the Commission proposes to mobilise the EGF for the total amount of **EUR 2 247 940** to be allocated under heading 1a of the financial framework.

The proposed amount of financial contribution will leave more than 25% of the maximum annual amount earmarked for the EGF available for allocations during the last four months of the year.

By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Interinstitutional Agreement of 17 May 2006, with a view to securing the agreement of the two arms of the budgetary authority on the need to use the EGF and the amount required. The Commission invites the first of the two arms of the budgetary authority that reaches agreement on the draft mobilisation proposal, at appropriate political level, to inform the other arm and the Commission of its intentions. In case of disagreement by either of the two arms of the budgetary authority, a formal trialogue meeting will be convened.

The Commission presents separately a transfer request in order to enter in the 2010 budget specific commitment and payment appropriations, as required in Point 28 of the Interinstitutional Agreement of 17 May 2006.