Mobilisation of the European Globalisation Adjustment Fund: redundancies in machinery production in Poland

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PURPOSE: to mobilise the European Globalisation Adjustment Fund (EGF) in respect of redundancies in the manufacture of machinery and equipment sector in Poland.

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 Poland to mobilise the EGF. The main elements of the assessment are as follows:

Poland:application EGF/2010/013 PL/Podkarpackie machinery from Poland: on 27 April 2010, Poland submitted application EGF/2010/013 PL/Podkarpackie for a financial contribution from the EGF, following redundancies in three enterprises operating in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment') in the NUTS II region of Podkarpackie (PL32) in Poland.The application was supplemented by additional information up to 4 August 2010.

In order to establish the link between the redundancies and the global financial and economic crisis, Poland argues that the machinery production sector is particularly vulnerable to changes in the global economy due to the high share of international trade in global production and thus the direct competition of producers from other countries on the global market. In 2008 the share of exports in the value of sold production from the Polish machine building sector amounted to 45.6 %.

Decreased demand in the EU-15 countries (receiving 77.8% of Polish exports in 2008) strongly contributed to the drop in the value of goods sold abroad, as 8 out of the 10 biggest recipients of Polish machines are EU Member States. The value of export of machinery and equipment from Poland to the EU Member States decreased by over 10% between 2008 and 2009, while machinery production in total dropped by approximately 8%.

Poland submitted this application under the intervention criteria of Article 2(b) of Regulation (EC) No 1927/2006, which requires at least 500 redundancies over a nine-month period in enterprises operating in the same NACE Revision 2 Division in one region or two contiguous regions at NUTS II level. The application cites 594 redundancies in three enterprises classified in the NACE Revision 2 Division 28 ('Manufacture of machinery and equipment') in the NUTS II region of Podkarpackie (PL32) during the nine-month reference period from 1 June 2009 to 1 March 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 Poland, the proposed contribution from the EGF to the coordinated package of personalised services is **EUR 453 570**, 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 453 570** 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.