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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

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/2009/023 PT/Qimonda from Portugal)

EXPLANATORY MEMORANDUM

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[1] allows for the mobilisation of the European Globalisation Adjustment Fund (EGF) within the annual ceiling of EUR 500 million over and above the relevant headings of the financial framework.

The rules applicable to the contributions from the EGF are laid down in Regulation (EC) No 1927/2006 of the European Parliament and of the Council of 20 December 2006 on establishing the European Globalisation Adjustment Fund[2].

On 17 December 2009, Portugal submitted application EGF/2009/023 PT/Qimonda for a financial contribution from the EGF, following redundancies in Qimonda Portugal S.A.

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.

SUMMARY OF THE APPLICATION AND ANALYSIS

Key data:	
EGF Reference no.	EGF/2009/023
Member State	Portugal
Article 2	(a)
Enterprise concerned	Qimonda Portugal S.A.
Suppliers / downstream producers	0
Reference period	8/6/2009 to 8/10/2009
Starting date for the personalised services	1/12/2009
Application date	17/12/2009
Redundancies during the reference period:	
-- total number	519
-- in the main enterprise	519
-- in suppliers / downstream producers	0
Redundancies before / after the reference period	395
Total redundancies	914
Redundant workers targeted for support	839
Personalised services: budget in EUR	3 494 532
Expenditure for implementing EGF[3]: budget in EUR	206 500
% expenditure for implementing EGF	5,6
Total budget in EUR	3 701 032
EGF contribution EUR (65 %)	2 405 671

1 OJ C 139, 14.6.2006, p. 1.
2 OJ L 406 of 30.12.2006, p. 1.
3 In accordance with the third paragraph of Article 3 of Regulation (EC) No 1927/2006.

1. The application was presented to the Commission on 17 December 2009 and supplemented by additional information up to 28 April 2010.

2. The application meets the conditions for deploying the EGF as set out in Article 2(a) of Regulation (EC) No 1927/2006, and was submitted within the deadline of 10 weeks referred to in Article 5 of that Regulation.

Link between the redundancies and major structural changes in world trade patterns due to globalisation or the global financial and economic crisis

3. In order to establish the link between the redundancies and the global financial and economic crisis, Portugal refers to the insolvency of the German multinational Qimonda AG in January 2009. By the end of March 2009, Qimonda Portugal, with its base in Vila do Conde (Norte region) also applied for a state of insolvency. The cause of this request was the total stoppage of production at the German Qimonda factory, which was the supplier of raw materials to the Vila do Conde unit, together with the failure to find an agreement with potential investors who would have continued production in Portugal.

4. The insolvency of the German multinational Qimonda AG was due to (a) the financial crisis, causing a contraction of the global economy and, in the case of Qimonda, the additional effect of reducing its capacity to invest in innovation and production equipment; (b) the difficulties in access to finance in the capital and investment markets, as a result of the crisis; (c) the excess capacity in the Dynamic Random Access Memory (DRAM) market, which created enormous pressure on prices, forcing various companies to reduce production and carry our greater stock control; and (d) the high investment needed for the development of new production technologies.

Demonstration of the number of redundancies and compliance with the criteria of Article 2(a)

5. Portugal 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 or downstream producers.

6. The application cites 519 redundancies in Qimonda during the reference period from 8 June 2009 to 8 October 2009. All of these redundancies were calculated in accordance with the second indent of the second paragraph of Article 2 of Regulation (EC) No 1927/2006.

Explanation of the unforeseen nature of those redundancies

7. The Portuguese authorities argue that the severity of the global credit crisis and the resultant impact on the financial markets was impossible to predict. Qimonda AG, with its head office in Munich and premises in various countries worldwide, was the leader in the world production of DRAM memories for incorporation into computers, servers and a variety of digital readers (MP3 readers, mobile telephones, photographic cameras, games consoles, etc.). The Portuguese plant in Vila do Conde, with 1 700 workers in 2007, was active in the production and engineering services in the area of semiconductors, operating in particular in the areas of assembly and

testing of DRAM memory products. The insolvency of Qimonda AG in January 2009 came as a shock, since the company was preparing to launch a new technology at the time.

Identification of the dismissing enterprises and workers targeted for assistance

8. The application cites a total of 519 redundancies in Qimonda during the four-month reference period. A further 395 workers were made redundant at Qimonda before and after the reference period. Of this total of 914 workers, 839 are targeted for assistance. The 75 workers not targeted had either already found a new job or started self-employment, or retired, or emigrated, or were not available for other reasons.

9. The break-down of the targeted workers is as follows :

Category	Number	Percent
Men	498	59,4
Women	341	40,6
EU citizens	834	99,4
Non EU citizens	5	0,6
15 to 24 years old	203	24,2
25 to 54 years old	627	74,7
Over 54 years old	9	1,1

It is to be noted that 36,6 % of the workers have only elementary education (nine years or fewer of schooling), while just 10,7 % of the workers have participated in post-secondary or higher education. One worker has a long-standing health problem / disability.

10. In terms of professional categories, the break-down is as follows :

Category	Number	Percent
General Managers	1	0,1
Physical, mathematical and engineering science professionals	59	7,0
Other professionals	1	0,1
Physical and engineering science associate professionals	115	13,7
Other associate professionals	5	0,6
Office clerks	3	0,4
Customer service clerks	1	0,1
Models, salespersons and demonstrators	1	0,1
Metal, machinery and related trades workers	5	0,6
Stationary plant and related operators	1	0,1
Machine operators and assemblers	642	76,5
Labourers in mining, construction, manufacturing and transport	5	0,6
Total	839	100,0

11. In accordance with Article 7 of Regulation (EC) No 1927/2006, Portugal has confirmed that a policy of equality between women and men as well as non-discrimination has been applied, and will continue to apply, during the various stages of the implementation of and, in particular, in access to the EGF.

Description of the territory concerned and its authorities and stakeholders

12. Qimonda was situated in Vila do Conde, in the NUTS II region of Norte and the NUTS III region of Grande Porto. The Norte region is the most densely populated

and the most highly industrialised of the country, with a strong concentration of traditional industries (textiles, clothing, footwear, wood and cork), together with agriculture (milk and Port wine) and the emergence of some new sectors, such as health technologies. In all these sectors, small and medium sized enterprises (SMEs) predominate. The region still suffers from a low educational base, particularly affecting the older generation, and from long-term unemployment.

13. In the area concerned, the main authority is the Instituto do Emprego e Formação Profissional (IEFP, I.P.), with seven job centres catering for the affected workers. The most important of these is Vila do Conde itself, where 446 of the workers are registered. The social partners, the town councils and municipal associations are also active as stakeholders, as are several universities and training centres.

Expected impact of the redundancies as regards local, regional or national employment

14. Portugal argues that the Norte region is suffering higher rates of unemployment than the country as a whole, and that the unemployment rate has grown considerably from 9.1 % in the third quarter of 2008 to 11.6 % in the same quarter of 2009. At the same time, long-term unemployment now represents 49 % of total unemployment in the Norte region. Between January and October 2009, the job centres of the Norte region registered an average monthly flow of 22,000 unemployed persons, representing the highest in the country, and up from 17,600 in 2008.

The Norte region, where these redundancies occurred, has already been accepted for EGF support in a previous case, EGF/2009/001 PT/Norte-Centro.

15. Taking the job centre of Povoa do Varzim / Vila do Conde (where half the targeted workers are registered) as a reference point, registered unemployment rose here by 20.8 % from January to October 2009, corresponding to 1,631 persons.

16. The closure of Qimonda had the immediate impact of adding close to 1 000 workers to the job-seekers in this region, which is already depressed. The loss of Qimonda also affects the future prospects of the region, which had been looking to this company as a success story in its efforts to introduce innovation, technological development and internationalisation. Qimonda had been able to attract a more highly qualified group of employees, who may be lost to the region in the absence of immediate and attractive support towards job opportunities there.

Co-ordinated package of personalised services to be funded and a breakdown of its estimated costs, including its complementarity with actions funded by the Structural Funds

17. The following types of measures are proposed, all of which combine to form a co-ordinated package of personalised services aimed at re-integrating the workers into the labour market. Given the diversity of the group, activities will start with the profiling of all unemployed persons (839) in the Job Centres, of whom 400 will be referred to other entities for follow-up information, guidance, mediation etc.

– Skills recognition, validation and certification: This has been set up for 150 people. With the help of recognised New Opportunities Centres (NOC), the workers will identify the knowledge and skills acquired throughout their lives in formal and informal contexts. Together with the trainers, they will map out a customised pathway of varying length, which will lead to the validation of school certification at secondary level.

- Vocational training: The workers will receive the training most appropriate to their educational and skill levels, helping them to adapt to change and to new conditions, as well as possibly creating their own employment or businesses. Some of this training will be given on a modular basis, some will be adult training towards new professional qualifications, and some will be specific professional training tailor-made to the needs of the individuals. Portugal plans to involve some 250 workers in such training. The training courses will be implemented by various recognised training centres, including sectoral associations in the case of training specific to those sectors. Allowances for training, meals, transport, personal accident insurance and accommodation will be offered within strict limits and conditions.

- Grant for training due to personal initiative: This will enable workers to participate in suitable training courses, agreed with them as part of their personal employment plan, and which are offered by approved training institutions. It is expected that some 50 workers will take up this offer.

- Support to self-placement: This is a grant awarded to workers who, during the implementation of the EGF package, find themselves a new job with either an indefinite contract or one for at least six months. The amount varies depending on the length of the contract offered, and can increase if the new workplace is more than 100 km from the location of the worker's residence. This is expected to be allocated to some 80 workers.

- Hiring incentive: For the purposes of stimulating the creation of new jobs, financial support may be allocated to employer entities which sign full-time contracts with an EGF beneficiary worker, which result in an effective increase in the employment level at the company. The minimum duration of the contract has to be 12 months, and a larger incentive is paid for those taking on workers with contracts of unlimited duration. It is expected that 100 workers will benefit from this incentive.

- Entrepreneurship training and technical support: For those workers wishing to create their own businesses, training in specific knowledge and competences for the creation and management of small businesses will be organised. The programme contents and schedules will be flexible and adapted to the needs of the beneficiaries. Attendance of the training is compulsory before the decision to support the business creation is issued, except in cases where there is confirmed existing training or professional experience. Technical support to the project includes activities to support the development of the business idea, preparation of the business plan, constitution of the company and follow-up of the project during the first year of its operations. It is estimated that 40 workers will opt for this measure.

- Support to business creation: Upon completion of the entrepreneurship training and preparation, the workers will be helped with a non-reimbursable subsidy of EUR 20 000 for each job created, including that of the promoter, up to a maximum of three. The jobs created should be filled by other EGF beneficiaries, or by unemployed persons in the job centres of the region, and should be full-time for a minimum duration of two years. It is estimated that the 40 workers trained in entrepreneurship will take up this measure.

– Practice in the workplace: This measure is aimed at providing EGF beneficiaries with a period of practice in a workplace once a new qualification level has been acquired or competences have been developed in a new professional area. The duration of the practice will be between three and nine months. The beneficiaries will receive a monthly grant, the level of which will depend on their qualification level, as well as a meals allowance, a transport allowance and insurance cover. It is estimated that 80 workers will take up this practice opportunity.

– Integration plan: The integration plan will provide some 50 workers with work experience of at least 30 hours per week during a period of up to 12 months. The objective is to make sure that these workers do not lose contact with other workers, do not suffer from isolation and demotivation, and gain the opportunity to acquire new knowledge and skills and thus to improve their employability following the integration period. The workers will be placed with non profit-making employer entities for a limited period; this will entitle them to meals and transport allowances, insurance and an allowance in lieu of wages.

18. The expenditure for implementing EGF, which is included in the application in accordance with Article 3 of Regulation (EC) No 1927/2006, covers preparatory, management and control activities, as well as information and publicity.

19. The personalised services presented by the Portuguese authorities are active labour market measures within the eligible actions defined by Article 3 of Regulation (EC) No 1927/2006. The Portuguese authorities estimate the total costs of these services at EUR 3 494 532 and the expenditure for implementing EGF at EUR 206 500 (=5,6 % of the total amount). The total contribution requested from the EGF is EUR 2 405 671 (65 % of the total costs).

Actions	Estimated number of workers targeted	Estimated cost per worker targeted (in EUR)	Total costs (EGF and national cofinancing) (in EUR)
Personalised services (first paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Information Guidance and Mediation Actions	400	419,22	167 688
Skills recognition, validation and certification	150	800,00	120 000
Vocational training	250	2 800,00	700 000
Grant for training due to personal initiative	50	6 000,00	300 000
Support to self-placement	80	1 700,00	136 000
Hiring incentive	100	3 500,00	350 000
Entrepreneurship training and technical support	40	2 096,10	83 844
Support to business creation	40	30 000,00	1 200 000
Practice in the workplace	80	3 900,00	312 000
Integration plan	50	2 500,00	125 000
Sub total personalised services			**3 494 532**
Expenditure for implementing EGF (third paragraph of Article 3 of Regulation (EC) No 1927/2006)			
Preparatory activities			3 500
Management			197 000
Information and publicity			3 000
Control activities			3 000
Sub total expenditure for implementing EGF			**206 500**
Total estimated costs			**3 701 032**
EGF contribution (65 % of total costs)			***2 405 671***

20. Portugal confirms that the measures described above are complementary with actions funded by the Structural Funds. Portugal will also ensure a clear audit trail for EGF funded activities, and confirms that no other EU funding is sought or used for these activities.

Date(s) on which the personalised services to the affected workers were started or are planned to start

21. Portugal started the personalised services to the affected workers included in the co-ordinated package proposed for co-financing to the EGF, on 1 December 2009. This date therefore represents the beginning of the period of eligibility for any assistance that might be awarded from the EGF.

Procedures for consulting the social partners

22. The EGF application was presented at the meeting of the IEFP,I.P. Board of Directors on 17 December 2009. The IEFP,I.P., which is also the Managing and Paying Authority for the EGF in Portugal, is itself a tripartite body. The social partners are also active among the stakeholders supporting the reintegration of the Qimonda workers into employment.

23. The Portuguese authorities confirmed that the requirements laid down in national and Community legislation concerning collective redundancies have been complied with.

Information on actions that are mandatory by virtue of national law or pursuant to collective agreements

24. As regards the criteria contained in Article 6 of Regulation (EC) No 1927/2006, the Portuguese authorities in their application:

    - confirmed that the financial contribution from the EGF does not replace measures which are the responsibility of companies by virtue of national law or collective agreements;

    - demonstrated that the actions provide support for individual workers and are not to be used for restructuring companies or sectors;

    - confirmed that the eligible actions referred to above do not receive assistance from other Community financial instruments.

25. Qimonda Portugal received both ERDF and ESF grants in the past. These grants are being pursued separately through the appropriate channels. The EGF contribution under the present proposal does not involve the company in any way, nor will the company be involved in its implementation. The EGF contribution here proposed will be used exclusively on active labour policy measures to help the ex-Qimonda workers reintegrate into employment as quickly as possible.

Management and control systems

26. Portugal has notified the Commission that the financial contribution will be managed and controlled by Instituto do Emprego e Formação Profissional, I.P., the public employment service. The overall technical and administrative management is carried

out by the Employment Department, through an EGF Intervention Co-ordination Committee, which includes representatives of the Vocational Training Department, Financial and Management Control Department and the Regional Delegations of the Norte region. The overall financial management has been taken on by the Financial and Management Control Department. The approval and payment of aids is the responsibility of the Regional Delegations of the Norte region. The Job Centres and the Partner Entities of the most affected municipalities will be carrying out most of the active measures. Portugal has confirmed that the principle of separation of functions among and within the relevant entities will be respected.

The Instituto de Gestão do Fundo Social Europeu (IGFSE, I.P.), the European Social Fund Management Institute, will be responsible for auditing and control as regards this EGF application.

Financing

27. On the basis of the application from Portugal, the proposed contribution from the EGF to the coordinated package of personalised services is EUR 2 405 671, representing 65 % of the total cost. The Commission's proposed allocation under the Fund is based on the information made available by Portugal.

28. 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 referred above, to be allocated under heading 1a of the financial framework.

29. 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, as required by Article 12(6) of Regulation (EC) No 1927/2006.

30. By presenting this proposal to mobilise the EGF, the Commission initiates the simplified trialogue procedure, as required by Point 28 of the Inter-institutional 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.

31. 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.

Source of payment appropriations

32. In the current state of implementation, it is foreseeable that the payment appropriations available under the budget line 01.04 05 'Completion of programme for enterprises: improvement of the financial environment for small and medium-sized enterprises (SMEs)' in 2010 will not be fully used this year.

33. Payment appropriations are transferred to trust accounts as required to ensure that the European Investment Fund (EIF) is at all times in a position to make disbursements to the financial intermediaries.

34. The financial crisis had a major effect on the disbursement profile of financial instruments, particularly those in the area of venture capital. According to the European Venture Capital Association (EVCA), investments and divestments (exits) were more than halved between 2007 and 2009 compared to the pre-crisis situation[4]. These developments also had a substantial impact on the forecasts in terms of disbursements for 2010.

35. As a consequence of the above elements, payment appropriations provided in the 2010 budget (EUR 35 million for MAP) will not be fully needed in 2010. The amount of EUR 2 405 671 can therefore be made available for transfer.

[4] The venture capital investments and divestments: EUR 13,1 billion in 2007, EUR 9,8 billion in 2008, EUR 5.8 billion in 2009 (Source: EVCA/PEREP_Analytics for 2007-2009; Market statistics EVCA/Thomson Reuters/PwC for previous years).

Proposal for a

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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/2009/023 PT/Qimonda from Portugal)

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 management[5], 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[6], and in particular Article 12(3) thereof,

Having regard to the proposal from the European Commission[7],

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) Portugal submitted an application to mobilise the EGF, in respect of redundancies in the enterprise Qimonda Portugal S.A., on 17 December 2009 and supplemented it by additional information up to 28 April 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 2 405 671.

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5 OJ C 139, 14.6.2006, p. 1.
6 OJ L 406, 30.12.2006, p. 1.
7 OJ C […], […], p. […].

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

HAVE DECIDED AS FOLLOWS:

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 2 405 671 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*