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**DRAFT AMENDING BUDGET N° 2
TO THE GENERAL BUDGET 2011**

**STATEMENT OF EXPENDITURE BY SECTION
Section III - Commission**

(presented by the Commission)

DRAFT AMENDING BUDGET N° 2 TO THE GENERAL BUDGET 2011

STATEMENT OF EXPENDITURE BY SECTION Section III - Commission

Having regard to:

- the Treaty on the Functioning of the European Union, and in particular Article 314 thereof, in conjunction with the Treaty establishing the European Atomic Energy Community, and in particular Article 106a thereof,
- the Council Regulation (EC, Euratom) No 1605/2002 of 25 June 2002 on the Financial Regulation applicable to the general budget of the European Communities¹, and in particular Article 37 thereof,
- the general budget of the European Union for the financial year 2011 adopted on 15 December 2010,
- the draft amending budget No 1/2011², adopted on 14 January 2011.

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 2 to the 2011 budget.

CHANGES TO THE STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The changes to the statement of revenue and expenditure by section are available on EUR-Lex (<http://eur-lex.europa.eu/budget/www/index-en.htm>). An English version of the changes to these statements by section is attached for information as a budgetary annex.

¹ OJ L 248, 16.9.2002, p. 1.
² COM(2011) 9

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1. INTRODUCTION

Draft Amending Budget (DAB) No 2 for the year 2011 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 19 546 647 in commitment and payment appropriations relating to the effects of heavy rainfalls in Slovenia, Croatia and the Czech Republic.

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. Slovenia

- (1) The application was received at the Commission on 26 November 2010, within the deadline of 10 weeks after the first damage was recorded on 17 September 2010. The Slovenian authorities claim assistance for damages caused by flooding which followed intense rainfall during the period from 17 September 2010 to 20 September 2010.
- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.
- (3) The Slovenian authorities estimate the total direct damage caused by the disaster at EUR 251 300 861. This amount represents 115,45 % of the normal threshold for mobilising the Solidarity Fund applicable to Slovenia in 2010 of EUR 217.669 million (i.e. 0,6 % of Slovenian GNI according to 2008 data).
- (4) As the estimated total direct damage of EUR 251.3 million exceeds the threshold for mobilising the Solidarity Fund applicable to Slovenia the disaster qualifies as a “major natural disaster” under the terms of Council Regulation (EC) No 2012/2002 and falls thus within the main field of application of the Solidarity Fund. Total direct damage is the basis for the calculation of the amount of financial assistance. The financial assistance may only be used for essential emergency operations as defined in Article 3 of the Regulation.
- (5) As regards the impact of the disaster, the flooding affected 137 of Slovenia's 210 municipalities and caused widespread damage to infrastructure, businesses and private

property. In total, 8 241 buildings were flooded, including the premises of 127 businesses. In terms of infrastructure, 91 bridges were damaged as well as 550 km of state road and 2000 km of local roads. 296 residents were evacuated from their homes. Furthermore, Slovenia suffered damage to cultural heritage in several areas, including the flooding of the entire historic centres of Kostanjevica na Krki and Krško, and damage to the Salt Pans near Piran. The Slovenian authorities have submitted a rigorous application and have provided convincing evidence of the major nature of this disaster.

- (6) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 171.3 million and broken down by type of operation. The largest share of the cost of emergency operations (over EUR 73 million) concerns the cost in the field of water and waste water management.
- (7) The affected region is eligible as a "Convergence Region" under the Structural Funds (2007-2013). The Slovenian authorities have not signalled to the Commission any intention to use other sources of Community funding to deal with the consequences of the floods.
- (8) The Slovenian authorities indicated that there is no insurance coverage of eligible cost.

2.2. Croatia

Croatia faced intense rain from 17 to 22 September 2010 causing severe floods that particularly struck the area of Western Croatia. The disaster caused significant damages to infrastructure, to the agriculture sector and to private property.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 25 November 2010 within the deadline of 10 weeks after the first damage was recorded on 17 September 2010.
- (2) The disaster is of natural origin. The Croatian authorities estimate the total direct damage caused by the disaster at EUR 47 002 839. As this amount is below the threshold of EUR 275.804 million (i.e. 0,6 % of Croatia's GNI of 2008) the disaster does not qualify as a "major natural disaster" according to Council Regulation (EC) No 2012/2002. However, Croatia was affected by the same flooding disaster which led to the major disaster in Slovenia. Therefore, the condition set out in Article 2(2) second subparagraph of Council Regulation (EC) No 2012/2002, whereby a country affected by the same major disaster as a neighbouring country may exceptionally benefit from Solidarity Fund aid, was found to be met. As a country in the process of negotiating its accession to the EU Croatia is eligible for EU Solidarity Fund assistance.
- (3) As regards the impact and consequences of the flooding, the Croatian authorities report that over a thousand private homes (houses and apartments) were flooded and many families needed to be evacuated. It was reported that the Museum "Lapidarium" in Novigrad was heavily affected by the floods. Significant damages were caused to energy, water and waste water infrastructure, transport, education and health infrastructure causing e.g. electricity blackouts and blockages of road traffic which made it difficult to take immediate action. Most damages however were caused to the farming sector which amounts to over EUR 7 million of the total damages.

- (4) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Croatian authorities at EUR 28 647 292 and has been presented broken down by type of operation. The largest share of cost concerns operations for cleaning-up of disaster stricken zones and are estimated at over EUR 16 million.
- (5) The Croatian authorities indicated that no other Community funds (e.g. IPA funding) are used in dealing with the immediate consequences of the flooding disaster.

2.3. The Czech Republic

At the beginning of August 2010, the northern parts of the Czech Republic experienced unusual heavy rainfall triggering rivers to burst their banks, forcing people to leave their homes and causing damage to public infrastructures, private homes, agriculture and businesses.

- (1) The application was received at the Commission on 14 October 2010, within the deadline of 10 weeks after the first damage was recorded on 7 August 2010.
- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.
- (3) The Czech authorities estimate the total direct damage caused by the disaster at EUR 436 477 560. This amount represents 53 % of the normal threshold for mobilising the Solidarity Fund applicable to the Czech Republic in 2010 of EUR 824.03 million (i.e. 0,6 % of GNI based on 2008 data).
- (4) As total damage remains below the normal threshold for mobilising the Solidarity Fund the application was examined on the basis of the criteria for so-called "extraordinary regional disasters" laid down in Article 2(2), final subparagraph, of Regulation (EC) No 2012/2002 setting out the conditions for mobilising the Solidarity Fund "under exceptional circumstances". Under these criteria, a region can exceptionally benefit from assistance from the Fund where that region has been affected by an extraordinary disaster, mainly a natural one, affecting the major part of its population, with serious and lasting repercussions on living conditions and the economic stability of the region. The Regulation calls for special focus on remote and isolated regions such as the insular and outermost regions defined in Article 349 of the Treaty. The affected areas in the Czech Republic do not fall within this category. The Regulation calls for "utmost rigour" in assessing applications presented under the provisions for "extraordinary regional disasters".
- (5) As set out in the Annual Report on the Solidarity Fund (2002-2003)³ the Commission considers that, in order for the specific criteria for regional disasters to be meaningful in the national context, a distinction needs to be drawn between serious regional events and those that are merely local. In accordance with the principle of subsidiarity the latter are the responsibility of the national authorities, while the former can be considered for support under the Solidarity Fund. According to the application the

³ Annual report 2002-2003 and Report on the experience gained after one year of applying the new instrument, COM(2004) 397 final of 26.5.2004

floods affected a coherent single area of the Czech Republic, namely the Liberec Region (Liberecký kraj) and the neighbouring District Děčín belonging to the Ústí nad Labem Region (Ústecký kraj). The Liberec Region shares its borders with Poland and Germany, whereas the District Děčín is bordering on Germany. The highest precipitation intensity and flooding occurred in the Nisa river basin and partly in the Elbe river basin.

- (6) One of the conditions set out in Regulation (EC) No 2012/2002 for the exceptional mobilisation of the Solidarity Fund is that the major part of the population in the region to which the application relates must be affected. The Czech Republic's application states that in the Liberec Region 262 088 inhabitants in 81 municipalities were directly affected (out of a total of 439 027 inhabitants). In the District of Děčín 43 municipalities were concerned with nearly 90 % of the total population affected. The evidence provided is plausible and can be accepted.
- (7) As regards the requirement to demonstrate serious and lasting repercussions on the living conditions and the economic stability of the region, the application highlights the destruction of vital infrastructures (such as in the fields of transport, water and energy), the impact on businesses and the severe damage to a great number of family homes. It was reported that a total of 3 239 houses and 220 apartment buildings in the Liberec region and 1 199 houses and 48 apartment buildings in the Děčín district suffered damages; many of which beyond repair. Nearly 2 500 persons needed to be placed in provisional accommodation. The supply of gas and electricity was interrupted and numerous individual sources of drinking water (wells) were contaminated. In the Liberec Region 7 bridges on main roads and 198 bridges on secondary roads were destroyed. In the Děčín district, 146 bridges were destroyed. 195 km of roads were damaged. A railroad section was closed for several months. Private companies lost machinery, equipment, inventory, or supplies mostly without having been insured and are now in danger of having to close down. The largest damage with respect to employment occurred in tourism, one of the key economic factors in the region. The floods resulted in a decline of visitors in the Liberec region by more than 40 %. Major damages also affected the tourist infrastructure. In the field of agriculture, 165.5 ha of agricultural land were destroyed, 400 ha of cereal and 100 ha of colza could not be harvested. Overall, a 15 % economic decline occurred in the Liberec region within 2 months after the floods. Moreover, recovery is seriously hampered by the economic downturn of recent years and the lack of public funds to repair vital infrastructures and other damages quickly. Full return to normal conditions is expected to take several years.
- (8) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 334 772 020 and broken down into 4 categories: A) immediate restoration to working conditions of infrastructure, B) temporary accommodation and rescue services, C) preventive infrastructures and immediate protection of cultural heritage and D) cleaning up of disaster stricken areas/zones. The largest share of the cost of emergency operations (EUR 195 million) concerns the cost in the field of transport infrastructures.
- (9) The affected region is eligible as "Convergence Region" under the Structural Funds (2007-2013). The Czech authorities declared that no financial means will be relocated to the relevant areas.

- (10) As regards a possible coverage of eligible damage by insurance, the Czech authorities indicated that there is no insurance coverage of eligible cost.

2.4. Conclusion

In conclusion, for the reasons set out above, it is proposed to accept the applications submitted by Slovenia, Croatia and the Czech Republic relating to the flooding disasters of August and September 2010 and to propose the mobilisation of the Solidarity Fund for each of these cases.

3. FINANCING

The total annual budget available for the Solidarity Fund is EUR 1000 million. As solidarity was the central justification for the creation of the Fund, the Commission takes the view that aid from the Fund should be progressive. That means that, according to previous practice, the portion of the damage exceeding the threshold (0,6 % of the GNI or EUR 3 billion in 2002 prices, whichever is the lower amount) should give rise to higher aid intensity than damage up to the threshold. The rate applied in the past for defining the allocations for major disasters is 2,5 % of total direct damage under the threshold for mobilising the Fund and 6% above. The rate applied for defining the allocations for exceptional regional disasters or neighbouring country disasters is 2,5 % of total direct damage. The methodology for calculating Solidarity Fund aid was set out in the 2002-2003 Annual Report on the Solidarity Fund and accepted by the Council and the European Parliament.

It is proposed to apply the same percentages in this case and to grant the following aid amounts:

(EUR)

Beneficiary State	Direct damage	Threshold	Amount based on 2,5 %	Amount based on 6 %	Total amount of aid proposed
Slovenia – September flooding 2010 "major disaster"	251 300 861	217 669 000	5 441 725	2 017 912	7 459 637
Croatia – September flooding 2010 "neighbouring country criterion"	47 002 839	275 804 000	1 175 071	-	1 175 071
The Czech Republic – August flooding 2010	436 477 560	824 029 000	10 911 939	-	10 911 939
Total					19 546 647

This amount of compensation will leave at least 25 % of the European Union Solidarity Fund available for allocation during the last quarter of the year, as required by Article 4(2) of Regulation (EC) 2012/2002.

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		Budget 2011 (incl. DAB 1/2011)		DAB 2/2011		Budget 2011 (incl. DAB 1-2/2011)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	12 987 000 000		13 520 566 270	11 627 802 798			13 520 566 270	11 627 802 798
1b. Cohesion for growth and employment	50 987 000 000		50 980 593 784	41 652 094 626			50 980 593 784	41 652 094 626
Total Margin⁴	63 974 000 000		64 501 160 054 <i>-27 160 054</i>	53 279 897 424			64 501 160 054 <i>-27 160 054</i>	53 279 897 424
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 617 000 000		42 891 201 900	42 788 499 841			42 891 201 900	42 788 499 841
Total Margin	60 338 000 000		58 659 248 389 <i>1 678 751 611</i>	56 378 918 184			58 659 248 389 <i>1 678 751 611</i>	56 378 918 184
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 206 000 000		1 138 954 740	813 277 345			1 138 954 740	813 277 345
3b. Citizenship	683 000 000		861 459 910	824 531 910	+18 371 576	+18 371 576	879 831 486	842 903 486
Total Margin⁵	1 889 000 000		2 000 414 650 <i>67 148 260</i>	1 637 809 255	+18 371 576	+18 371 576	2 018 786 226 <i>67 148 260</i>	1 656 180 831
4. EU AS A GLOBAL PLAYER⁶	8 430 000 000		8 758 125 360 <i>-70 439 377</i>	7 241 353 503	+1 175 071	+1 175 071	8 759 300 431 <i>-70 439 377</i>	7 242 528 574
5. ADMINISTRATION⁷	8 334 000 000		8 172 839 289 <i>243 160 711</i>	8 171 544 289			8 172 839 289 <i>243 160 711</i>	8 171 544 289
TOTAL Margin	142 965 000 000	134 280 000 000	142 091 787 742 <i>1 996 461 151</i>	126 709 522 655 <i>7 934 866 238</i>	+19 546 647	+19 546 647	142 111 334 389 <i>1 996 461 151</i>	126 729 069 302 <i>7 915 319 591</i>

⁴ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million). EUR 34 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

⁵ The European Union Solidarity Fund (EUSF) amount is entered over and above the relevant headings as foreseen by the IIA of 17 May 2006 (OJ C 139 of 14.6.2006)

⁶ The 2011 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 253,9 million). EUR 71 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

⁷ For calculating the margin under the ceiling for heading 5, account is taken of the footnote (1) of the financial framework 2007-2013 for an amount of EUR 82 million for the staff contributions to the pension scheme.

