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COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET N° 1
TO THE GENERAL BUDGET 2009**

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

(presented by the Commission)

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 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, as last amended by Council Regulation (EC, Euratom) No 1525/2007², and in particular Article 37 thereof,

The European Commission hereby presents to the budgetary authority the Preliminary Draft Amending Budget No 1 to the 2009 budget.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 343, 27.12.2007, p. 9.

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CHANGES TO THE STATEMENT OF EXPENDITURE BY SECTION

The changes to the statement of expenditure by section are forwarded separately via the SEI-BUD system. An English version of the changes to the statement of expenditure by section is attached for information as a budgetary annex.

1. INTRODUCTION

Preliminary Draft Amending Budget (PDAB) No 1 for the year 2009 covers the following elements:

- Mobilisation of the EU Solidarity Fund for an amount of EUR 11,8 million in commitment and payment appropriations relating to the effects of floods affecting Romania.
- A corresponding reduction in payment appropriations of EUR 11,8 million from the line 13 03 16 (European Regional Development Fund (ERDF)-Convergence).

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. Romania: Floods

In July 2008 a fairly extensive part of Romania was affected by heavy rain, leading to severe flooding and landslides. Within the 10-week deadline set by Article 4 of Council Regulation (EC) No 2012/2002³, the Romanian authorities applied for financial assistance from the EU Solidarity Fund.

The Commission carried out a thorough examination of the application in accordance with Council Regulation (EC) No 2012/2002 and in particular Articles 2, 3 and 4 thereof. The most important points of the assessment can be summarised as follows:

- (1) The application was presented to the Commission on 1 October 2008, within the deadline of 10 weeks after the first damage was recorded on 24 July 2008.
- (2) The disaster is of natural origin. The Romanian authorities estimated the total direct damage at EUR 471,4 million. This amount represents approximately 83 % of the normal threshold for mobilising the Solidarity Fund applicable to Romania of EUR 566,8 million (i.e. 0,6 % of Romania's GNI). 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.
- (3) As total damage remains below the normal threshold the application is based on the so-called "extraordinary regional disaster" criterion 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 this criterion, 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.
- (4) The application relates to five counties (Maramures, Suceava, Botosani, Iasi, Neamt) in the north-eastern part of Romania. The affected region is a contiguous and coherent area with a total population of over 3 million inhabitants. The Romanian authorities

³ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, OJ L 311 of 14.11.2002, p.3.

indicated that the major part of the population living in this area has been affected. 241 municipalities with a total population of 1,6 million inhabitants suffered directly from the disaster, with a partial or total destruction of private homes and agricultural crops.

- (5) The Romanian authorities presented evidence to demonstrate serious and lasting repercussions on living conditions and the economic stability of the affected region. Serious damage was reported to basic infrastructures, agriculture, forestry, livestock, and private homes. While the economy in the affected region relies strongly on the agricultural sector, the floods covered 39 214 ha of agriculture land and 240 ha of forests. Up until 2009 no agricultural production is expected to take place in the affected areas. In addition, basic infrastructures were seriously damaged: a total of 1 949 km of roads were flooded, 2 000 bridges and about 87,6 km of bank and dams were totally damaged. The roads affected by floods at the state border of Romania with Moldavia and Ukraine have considerably affected the economic exchange between Romania and the countries situated in the Northern and North-Eastern part of Europe. The disaster caused lasting repercussions on living conditions in the affected region, with around 14 644 households being destroyed, lasting unavailability of basic infrastructure (water/energy), and a seriously damaged transport infrastructure leading to a complete isolation of around 100 municipalities.
- (6) The cost of essential emergency operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 has been estimated by the Romanian authorities at EUR 390,8 million and has been broken down by type of operation. The main bulk of the operation concerns the immediate restoration to working order of transport and water infrastructures and the immediate securing of preventive infrastructure for floods protection. The types of operation to be financed from the Fund will be clearly defined in the Implementation Agreement.
- (7) The Romanian authorities stated that no funding from other sources of Community financing was received at the time of application.
- (8) The Romanian authorities also declared that there is no coverage of eligible damage by insurance.

For the reasons set out above, therefore, it is proposed that the application made by Romania relating to the flooding in July 2008 be accepted as a “extraordinary regional disaster” and that the Solidarity Fund should be used.

2.2. Financing

The total annual budget available for the Solidarity Fund is EUR 1 billion. 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 mobilizing the Fund and 6 % above. For extraordinary regional disasters the rate 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)

	Direct damage	Threshold	<i>Amount based on 2.5 %</i>	<i>Amount based on 6 %</i>	Total amount of aid proposed
Romania flooding	471 415 101	566 845 000	11 785 377	-	11 785 377

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.

At this early stage in the budget year it is difficult to accurately predict where redeployment might be possible. However, to avoid the need for fresh payment appropriations, it is proposed that an amount of EUR 11,8 million would be allocated from budget line 13 03 16 European Regional Development Fund (ERDF)-Convergence to budget line 13 06 01 to cover the corresponding needs related to the mobilisation of the EU Solidarity Fund. The implementation of line 13 03 16 will be closely monitored during the budget year.

SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2009 Financial framework		Budget 2009		PDAB 1/2009		Budget 2009 + PDAB 1/2009	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	11 272 000 000		11 768 997 000	11 024 385 513			11 768 997 000	11 024 385 513
1b. Cohesion for growth and employment	48 428 000 000		48 426 884 669	34 975 134 166		-11 785 377	48 426 884 669	34 963 348 789
Total Margin⁴	59 700 000 000		60 195 881 669 <i>4 118 331</i>	45 999 519 679		-11 785 377	60 195 881 669 <i>4 118 331</i>	45 987 734 302
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	46 679 000 000		41 131 356 325	41 083 823 325			41 131 356 325	41 083 823 325
Total Margin	59 639 000 000		56 121 437 011 <i>3 517 562 989</i>	52 566 129 680			56 121 437 011 <i>3 517 562 989</i>	52 566 129 680
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	872 000 000		863 925 000	617 440 000			863 925 000	617 440 000
3b. Citizenship	651 000 000		650 963 000	678 960 000	+11 785 377	+11 785 377	662 748 377	690 745 377
Total Margin⁵	1 523 000 000		1 514 888 000 <i>8 112 000</i>	1 296 400 000	+11 785 377	+11 785 377	1 526 673 377 <i>8 112 000</i>	1 308 185 377
4. EU AS A GLOBAL PLAYER⁶	7 440 000 000		8 103 930 360 <i>-419 930 360</i>	8 324 169 158			8 103 930 360 <i>-419 930 360</i>	8 324 169 158
5. ADMINISTRATION⁷	7 699 000 000		7 700 730 900 <i>76 269 100</i>	7 700 730 900			7 700 730 900 <i>76 269 100</i>	7 700 730 900
6. COMPENSATION	210 000 000		209 112 912 <i>887 088</i>	209 112 912			209 112 912 <i>887 088</i>	209 112 912
TOTAL Margin	136 211 000 000	123 858 000 000	133 845 980 852 <i>3 187 019 148</i>	116 096 062 329 <i>8 083 937 671</i>	+11 785 377	0	133 857 766 229 <i>3 187 019 148</i>	116 096 062 329 <i>8 083 937 671</i>

⁴ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a.

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 2009 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve, or 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 78 million for the staff contributions to the pension scheme.