

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 13.10.2010
COM(2010) 577 final

**DRAFT AMENDING BUDGET N° 9
TO THE GENERAL BUDGET 2010**

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

(presented by the Commission)

DRAFT AMENDING BUDGET N° 9 TO THE GENERAL BUDGET 2010

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 2010 adopted on 17 December 2009²,
- the amending budget 1/2010 adopted on 19 May 2010³,
- the amending budget 2/2010 adopted on 16 June 2010⁴,
- the amending budget 3/2010 (former draft amending budget No 2/2010⁵ in part) adopted on 7 September 2010,
- the amending budget 4/2010 (former draft amending budget No 5/2010⁶) adopted on 21 September 2010,
- the amending budget 5/2010 (former draft amending budget No 7/2010⁷) adopted on 22 September 2010,
- the draft amending budgets No 2/2010⁸, 3/2010⁹, 6/2010¹⁰ and 8/2010¹¹.

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 9 to the 2010 budget.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 64, 12.3.2010.

³ OJ L 183, 16.7.2010.

⁴ OJ L 206, 6.8.2010.

⁵ COM(2010) 108

⁶ COM(2010) 320

⁷ COM(2010) 383

⁸ COM(2010) 108

⁹ COM(2010) 149

¹⁰ COM(2010) 315

¹¹ COM(2010) 533

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.

TABLE OF CONTENTS

1.	Introduction.....	4
2.	Mobilisation of the EU Solidarity Fund.....	4
2.1.	Madeira island - Portugal: Landslides and flooding	4
2.2.	France: Storm Xynthia	5
3.	Financing.....	8
4.	Summary table by heading of the Financial Framework	9

1. INTRODUCTION

Draft Amending Budget (DAB) No 9 for the year 2010 covers the following elements:

- Mobilisation of the EU Solidarity Fund for an amount of EUR 66,9 million in commitment and payment appropriations relating to the effects of landslides and severe flooding on Madeira island – Portugal and the effects of Storm Xynthia in France.
- A corresponding reduction in payment appropriations of EUR 66,9 million from the line 06 04 14 03 — Energy projects to aid economic recovery — European Offshore wind grid system.

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. Madeira island - Portugal: Landslides and flooding

In February 2010, unusual and abnormal intensity of rainfall on the island of Madeira triggered landslides and severe flooding causing damage to public and private infrastructure, to businesses and agriculture.

Subsequently, Portugal submitted an application for financial assistance from the European Union Solidarity Fund.

The Commission services have carried out a thorough examination of the application in accordance with Council Regulation (EC) No 2012/2002¹² and in particular with Articles 2, 3 and 4 thereof. The most important elements of the assessment can be summarised as follows:

- (1) The application was received at the Commission on 20 April 2010, within the deadline of 10 weeks after the first damage was recorded on 20 February 2010. Following a request from the Commission services, further information necessary to complete the assessment of the application was provided on 15 July 2010.

¹² 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.

- (2) The disaster is of natural origin. The Portuguese authorities estimated the total direct damage at EUR 1.080 billion. This amount represents 0,68 % of Portugal's gross national income.
- (3) As the estimated total direct damage exceeds the threshold of 0,6 % of GNI applicable to Portugal for mobilising the Solidarity Fund the disaster qualifies as a “major natural disaster” and falls thus within the main field of application of Regulation (EC) No 2012/2002. 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.
- (4) The floods have caused severe destruction and damage, most importantly in the field of hydrology with an estimated total of 130 km of waterways on rivers and smaller watercourses damaged representing 45 % of total damage. Roads and bridges, utility networks and infrastructures, private homes and property also suffered severe damage with some 800 houses concerned, half of which fully destroyed, and over 700 people having to be placed in temporary accommodation. Businesses and agriculture suffered some EUR 122 million direct losses. The effects of the flooding were particularly drastic as the main area of destruction concerned the centre of Madeira's capital Funchal where as a consequence of the cleaning-up operations of thousands of cubic meters of rubble the waterfront has to be entirely rebuilt. While under the terms of Regulation (EC) No 2012/2002 for "major disasters" the insularity and outermost situation of Madeira is not a criterion of its own this can however not be neglected when considering the economic consequences of the disaster.
- (5) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 165,24 million 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.
- (6) The affected region is eligible as "Phasing-in Region" under the Structural Funds (2007-2013). The Portuguese authorities declared that they are exploring possibilities to finance a part of the reconstruction going beyond emergency operations through the relevant operational programmes co-financed by the Structural Funds.
- (7) As regards coverage of eligible damage by insurance, the Portuguese authorities indicated that at the moment of application they had no possibility to determine the possible insurance coverage of eligible cost. Should any insurance coverage exist, related operations would not be eligible for Solidarity Fund funding.

In conclusion, for the reasons set out above, it is proposed to accept the application submitted by Portugal relating to the flooding disaster in Madeira in February 2010 as a “major disaster” and to propose the mobilisation of the Solidarity Fund.

2.2. France: Storm Xynthia

In February 2010, the major part of France was hit by storm Xynthia whereas the region on the Atlantic coast line, namely the departments of Charente-Maritime and Vendée, were most seriously affected. The storm killed 53 persons and injured nearly 80. It flooded widespread

areas including residential areas and caused severe damage to dams and dykes, public and private infrastructure, to road and train networks, agriculture and businesses.

Subsequently, France submitted an application for financial assistance from the European Union Solidarity Fund.

The Commission services have carried out a thorough examination of the application in accordance with Council Regulation (EC) No 2012/2002¹³ and in particular with Articles 2, 3 and 4 thereof. The most important elements of the assessment can be summarised as follows:

- (1) The application was received at the Commission on 7 May 2010, within the deadline of 10 weeks after the first damage was recorded on 27 February 2010. On 24 June and on 20 July the French authorities presented two supplementary dossiers with a more refined damage evaluation and economic impact assessment of the disaster.
- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.
- (3) While the disaster concerned the major part of France with total damage estimated at EUR 2.4 billion the French authorities limited their application to the most hardly hit zone within two departments, Charente-Maritime and Vendee situated directly on the Atlantic coast.
- (4) For the designated zone the French authorities estimate the total direct damage caused by the disaster at EUR 1 425,43 million. This amount represents 41,12 % of the normal threshold for mobilising the Solidarity Fund applicable to France in 2010 of EUR 3 466,57 million (i.e. EUR 3 billion in 2002 prices). In absolute terms it is the second highest amount of damage of all Solidarity Fund applications for a so-called regional disaster.
- (5) As total damage remains below the normal threshold 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 TFEU. The designated region does not fall within this category. The Regulation calls for "utmost rigour" in assessing applications presented under the "extraordinary regional disaster" criteria.
- (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 zone on which the French application is based comprises a coherent area of 46 municipalities on the coastline of the departments of Charente-Maritime and Vendee. In addition, the zone includes

¹³ 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.

minor parts at infra-communal level of the urban poles of La Rochelle and Rochefort. 101 336 inhabitants live within the designated zone and are claimed to have been significantly concerned by the storm. The application describes the different ways in which the population was affected through personal damage, interruption of economic activities, disruption of main utilities and telecommunications, interruption of traffic etc. Many houses were flooded and destroyed. Train, road and ferry connections were cut off, fixed and mobile phone lines were disrupted. Dams, coastal defensive lines and infrastructure were severely damaged. Considerable damage to farmland and to oyster production sites was reported. The information provided allows concluding that these phenomena concerned the major part of the population.

- (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 destabilisation of agricultural activities, in particular through the long term salinisation effects of some 32 000 ha of farmland flooded by sea water and subsequent losses in harvests over several years. The region's oyster and mussel production, the most important in France, suffered very important losses with some 1050 producers concerned, many of which are at risk of going out of business. The economically important tourism sector suffers from the damage caused to beaches and coastal installations, campgrounds and destroyed mobile homes for rent and fewer bookings. It is expected that cumulated losses in the tourism sector will exceed one year's return. Reference is also made to a high feeling of insecurity and vulnerability of the resident population vis-à-vis the force of sea in particular while the flood defences have not yet been fully restored. The necessity to renew some 200 km of flood defences will require important building works over several years. Moreover, the necessity for local authorities to invest in flood-related operations will greatly impact on their finances with negative consequences for other services to the population. Overall, the main sectors of the regional economy, tourism, agriculture and oyster production, are clearly suffering from the effects of the storm. Even though the two economic centres in the region, the cities of La Rochelle and Rochefort suffered relatively little from the storm they are of only limited importance for the economy of the rural hinterland and will not be able to compensate the before mentioned destabilising factors.
- (8) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 473,842 million and broken down into 4 categories: A) immediate restoration to working conditions of infrastructure, B) temporary accommodation and rescue services, C) preventive infrastructures and D) cleaning up of disaster stricken areas/zones.
- (9) The affected regions are eligible as "Competitiveness and Employment Regions" under the Structural Funds (2007-2013).
- (10) The French authorities indicated that there is no insurance coverage of eligible cost.

In conclusion, for the reasons set out above, it is proposed to accept the application submitted by France relating to the disaster created by storm Xynthia as an "extraordinary regional disaster" and to propose the mobilisation of the Solidarity Fund.

3. 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 mobilising the Fund and 6 % above. 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 these cases and to grant the following aid amounts:

(EUR)

	Direct damage	Threshold	Amount based on 2,5 %	Amount based on 6 %	Total amount of aid proposed
Portugal – Madeira flooding 2010	1 080 000 000	958 406 000	23 960 150	7 295 640	
Total					31 255 790

(EUR)

	Direct damage	Threshold	Amount based on 2,5 %	Amount based on 6 %	Total amount of aid proposed
France - Storm Xynthia 2010	1 425 430 000	3 466 573 000	35 635 750	-	
Total					35 635 750

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 the current stage the expected needs on budget line 06 04 14 03: Energy projects to aid economic recovery — European Offshore wind grid system are such that payment appropriations of EUR 66 891 540 may be reallocated to budget line 13 06 01 to cover the corresponding needs related to the mobilisation of the EU Solidarity Fund. This situation on budget item 06 04 14 03 was already announced in the Budget Forecast Alert information note of June 2010¹⁴, and will not have an effect on the final implementation of the programme.

¹⁴ SEC(2010)767/2

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2010 Financial framework		Budget 2010 (incl. DAB 1 to 8/2010)		DAB 9/2010		Budget 2010 (incl. DAB 1 to 9/2010)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	14 167 000 000		14 861 853 253	11 342 270 803		-66 891 540	14 861 853 253	11 275 379 263
1b. Cohesion for growth and employment	49 388 000 000		49 387 592 092	36 371 862 500			49 387 592 092	36 371 862 500
Total Margin¹⁵	63 555 000 000		64 249 445 345 <i>-194 445 345</i>	47 714 133 303		-66 891 540	64 249 445 345 <i>-194 445 345</i>	47 647 241 763
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 146 000 000		43 819 801 768	43 701 207 586			43 819 801 768	43 701 207 586
Total Margin	59 955 000 000		59 498 833 302 <i>456 166 698</i>	58 135 640 809			59 498 833 302 <i>456 166 698</i>	58 135 640 809
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 025 000 000		1 006 487 370	738 570 370			1 006 487 370	738 570 370
3b. Citizenship	668 000 000		681 022 500	672 410 000	+66 891 540	+66 891 540	747 914 040	739 301 540
Total Margin¹⁶	1 693 000 000		1 687 509 870 <i>18 512 630</i>	1 410 980 370	+66 891 540	+66 891 540	1 754 401 410 <i>18 512 630</i>	1 477 871 910
4. EU AS A GLOBAL PLAYER¹⁷	7 893 000 000		8 160 182 000 <i>-18 300 000</i>	7 787 695 183			8 160 182 000 <i>-18 300 000</i>	7 787 695 183
5. ADMINISTRATION¹⁸	7 882 000 000		7 918 504 785 <i>43 495 215</i>	7 917 999 785			7 918 504 785 <i>43 495 215</i>	7 917 999 785
TOTAL Margin	140 978 000 000	134 289 000 000	141 514 475 302 <i>518 729 198</i>	122 966 449 450 <i>11 651 432 550</i>	+66 891 540	0	141 581 366 842 <i>518 729 198</i>	122 966 449 450 <i>11 718 324 090</i>

¹⁵ The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million). EUR 195 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

¹⁶ 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)

¹⁷ The 2010 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 248,9 million).

¹⁸ 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 80 million for the staff contributions to the pension scheme.