



EUROPEAN COMMISSION

Brussels, 21.11.2011
COM(2011) 796 final

**DRAFT AMENDING BUDGET N° 7
TO THE GENERAL BUDGET 2011**

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

**DRAFT AMENDING BUDGET N° 7
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 2010²,
- the amending budget No 1/2011³ adopted on 6 April 2011,
- the amending budget No 2/2011⁴, adopted on 5 July 2011,
- the amending budget No 3/2011⁵, adopted on 14 July 2011,
- the amending budget No 4/2011, adopted on 28 September 2011,
- the amending budget No 5/2011, adopted on 25 October 2011,
- the draft amending budget No 6/2011⁶, adopted on 18 October 2011,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 7 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 this statement is attached for information as a budgetary annex.

¹ OJ L 248, 16.9.2002, p. 1.

² OJ L 68, 15.3.2011, p. 1.

³ OJ L 172, 30.6.2011, p. 1.

⁴ OJ L 213, 19.8.2011, p. 1.

⁵ OJ L 251, 27.9.2011, p. 1.

⁶ COM(2011) 674 final.

TABLE OF CONTENTS

1. INTRODUCTION.....	3
2. MOBILISATION OF THE EU SOLIDARITY FUND.....	3
2.1 SPAIN.....	3
2.2 ITALY	5
3. FINANCING.....	7
4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK.....	9

1. INTRODUCTION

Draft Amending Budget (DAB) No 7 for the year 2011 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 37 979 875 in commitment and payment appropriations relating to the earthquake in Murcia, Spain (EUR 21 070 950) and flooding in the Veneto, Italy (EUR 16 908 925).

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1 Spain

On 11 May 2011, the town of Lorca was hit by two consecutive earthquakes with a magnitude of 5.2 killing 9 people and injuring some 300 more. A further 10 000 people were evacuated and around 30 000 people had to spend the first night on the streets. Furthermore, the disaster caused widespread damages to residential homes, businesses, public buildings, cultural heritage sites, to the road network and basic infrastructures.

- (1) The application was received at the Commission on 20 July, within the deadline of 10 weeks after the first damage was recorded on 11 May 2011. An updated version of the application was received on 1 August 2011.
- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.
- (3) The affected area concerns the whole municipality of Lorca which belongs to the Autonomous Community of Murcia. Total damage was estimated by the Spanish authorities at EUR 843 million. This figure however includes an amount of EUR 162 000 in compensation paid by the State to the families of the victims which may not be considered as "direct damage". The Commission therefore considers that total direct damage amounts to EUR 842,838 million.
- (4) As the total damage represents only 23.8 % of the normal threshold applicable to Spain in 2011 of EUR 3,535 billion⁷, the Spanish authorities presented their application under 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 this provision, 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 Regulation calls for "utmost rigour" in assessing applications presented under the "extraordinary regional disaster" criterion. The Autonomous Community of Murcia cannot be considered as a remote or isolated region.
- (5) As set out in the Annual Report on the Solidarity Fund (2002-2003)⁸ 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

⁷ i.e. EUR 3 billion in 2002 prices

⁸ 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

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. The earthquake seriously affected the whole municipality of Lorca whereby the two earthquakes that occurred on 11 May had effects in most of the Murcia region, including Cartagena, Águilas, Murcia, Mazarrón and many towns in Albacete, Jaén, Almeria and Alicante. Lorca is the third-largest town in the region of Murcia.

- (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 to which the Spanish application refers is the entire municipality of Lorca in the Autonomous Community of Murcia with a total population of 92 694 inhabitants (Murcia's total population is 1 461 979). The entire population of Lorca (and beyond) was affected by the disaster: The earthquake claimed nine casualties, some 300 people were injured, approximately 10 000 inhabitants were evacuated and around 30 000 inhabitants had to spend the first night on the streets. The remainder of the town's inhabitants took refuge in outlying districts or along the coast. Three field hospitals were run by the Red Cross, three camps provided shelter for over 5 000 people, 15 000 bedding items were distributed. Moreover, the application describes that an estimated 80 % of buildings suffered damage with businesses and schools temporarily shut down. The information provided in the application allows concluding that the condition whereby the major part of the population must have been affected is clearly met.
- (7) As regards the requirement of serious and lasting repercussions on the living conditions and the economic stability of the region, the application refers in particular to severe damages to basic infrastructures and facilities, private dwellings, businesses and industrial companies as well as the disruption of local road networks. The earthquake also damaged a significant number of public schools, public library and music conservatory. The information provided shows that there is insufficient capacity to house new students on the Lorca Health Sciences Campus due to arrive for the new academic year in September while students constitute an important economic factor for the region. Damages to the town's historic architectural monuments are also significantly impacting on the important tourism sector in the region. Around 708 shops, 50 craft businesses, 482 service companies, and 210 hotels and restaurants were affected. A slump in tourism constitutes a serious problem for the area. Moreover, before the earthquake Lorca was a regional centre and the focal point for business, health, education and cultural activities, drawing in residents from towns in the wider region for over a quarter of a million people. The disaster therefore seriously affected the socio-economic situation of the wider region far beyond Lorca with economic activity being drastically reduced if not stopped. The application contains a detailed analysis of the impact of the earthquake and a break-down of total estimated damages by sector.
- (8) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 104 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.
- (9) The affected region is eligible as a "Phasing out" region under the Structural Funds (2007-2013). The Spanish authorities have not signalled to the Commission any intention to use other sources of Community funding to deal with the consequences of the earthquake.
- (10) The Spanish authorities indicated that there is no insurance coverage of eligible cost.

2.2 Italy

During the period from 31 October to 2 November 2010, the Veneto region of north-eastern Italy was hit by torrential rainfall. The effects of the heavy rainfall were aggravated by a warm Mediterranean "Sirocco" wind that melted the snow in the nearby mountains. This meteorological situation triggered rivers to burst their banks flooding widespread areas, causing damage to road and infrastructure networks, agriculture, businesses and residential homes. Extensive damage was recorded throughout the Veneto, while the river basin of the Bacchiglione including the urban areas of Vicenza and Padova was particularly hard hit.

- (11) The application was received at the Commission on 7 January 2011, within the deadline of 10 weeks after the first damage was recorded on 31 October 2010. A considerably revised version of the application with an updated and refined damage assessment and substantially new figures was received on 11 August 2011.
- (12) The disaster is of natural origin and therefore falls within the main field of application of the Solidarity Fund.
- (13) The initial application as presented in January was based on the criteria for so-called "extraordinary regional disasters" laid down in Article 2 (2) last subparagraph of Council Regulation (EC) No 2012/2002 and was therefore limited to the core disaster zone along the Bacchiglione River with total damage estimated at EUR 994,9 million. However, the application was incomplete and contained no evidence for the major part of this damage. The assessment of the application could therefore not be completed.
- (14) In response to a request from the Commission services the Italian authorities presented on 11 August an updated application with extensive new material and a new valuation of the damages. The new damages figures reported relate to the whole of the Veneto region and amount to a total of EUR 3,717 billion. This amount exceeds by EUR 182 million the threshold of EUR 3,536 billion applicable to Italy in 2011 for mobilising the Solidarity Fund (i.e. EUR 3 billion in 2002 prices). On the basis of these figures the disaster would qualify for aid under the criteria for a "major natural disaster" as laid down in Council Regulation (EC) No 2012/2002.
- (15) As an alternative to the "major disaster scenario" the revised application of 11 August also presents updated information on the basis of the criteria for a so-called extraordinary regional disaster. Without this being specifically mentioned it appears that this information is provided in case the application is not accepted on the basis of the criteria for a major disaster.
- (16) The damage figures presented by the Italian authorities under the "major disaster" scenario are composed of four main categories: 1) damage declared by public entities (municipalities, provinces, prefectures, regional forest service etc): EUR 588 million; 2) damage caused by subsequent landslides: EUR 124 million; 3) cost of restoration of the hydraulic security system: EUR 2 732 million; 4) additional "execution costs": EUR 273 million. While the damage reported for points 1) and 2) appears plausible it is evident from the application that points 3) and 4) contain, to a large extent, costs for the upgrading of the water management system to respond to higher protection needs as shown by the floods. Only a smaller part of those costs relate to the repair of damage directly caused by the floods. Costs for preventive measures may however not be taken into consideration when assessing Solidarity Fund applications. While on the basis of the data provided an exact quantification is not possible there can be no doubt that the costs contained in the application relating to prevention rather than restoration by far exceed EUR 182 million. Total direct damage therefore remains below

the aforementioned threshold and the Commission considers that the Veneto flooding does not qualify as a major disaster.

- (17) As total damage remains below the normal threshold the application was examined on the basis of the criteria for so-called "extraordinary regional disaster" 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 Veneto region does not fall into this category. The Regulation calls for "utmost rigour" in assessing applications presented under the "extraordinary regional disaster" criterion.
- (18) As described above, the Italian authorities also presented evidence limited to the most hardly hit zone along the Bacchiglione river basin in view of meeting the "regional disaster" criteria, as an alternative to the major disaster scenario. For the designated zone, the Italian authorities estimate the total direct damage caused by the flood at EUR 1 156,86 million. This amount of total damage is composed of 1) damage reported by the municipalities (including damage to private property, businesses, in agriculture, for provisional accommodation, cultural heritage and emergency operations) of EUR 178,612 million, 2) damage to utilities of EUR 2,035 million, 3) local civil engineering operations of EUR 50,562 million, 4) damage to motorway A4 of EUR 1,308 million, 5) human and animal health operations of EUR 0,639 million, 6) pay for civil protection volunteers of EUR 1,800 million, and 7) "costs for safety measures in the affected territories" of EUR 921,912 million. The damage figures of points 1) to 6) appear plausible, whereas point 7) - similarly to what was presented under the major disaster scenario - includes measures not only to repair direct damage but to enhance the overall safety standard of the water management system (including forests and protection from landslides). The data presented distinguishes however between "non-deferrable", "very urgent", "urgent" and "necessary" operations. It can be assumed that those operations classified as "non-deferrable" and "very urgent" correspond to immediate repairs of damage caused by the floods. The amount presented for these categories is EUR 492,506 million (including EUR 51,105 million already contained in the civil engineering cost borne by the municipalities that have to be deducted). On this basis the Commission considers that total direct damage may be estimated at EUR 676,357 million. This amount represents 19 % of the normal threshold for mobilising the Solidarity Fund applicable to Italy in 2011.
- (19) 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 designated zone comprises parts of 14 municipalities at infra-communal level. 28 391 registered residents live in these 14 municipalities whereas 20 068 people (i.e. 70,6 % of the population) are claimed to have been significantly concerned by the floods. About 2 800 temporarily displaced people were reported. More than 2 000 houses were affected by the floods, many garages and 450 cars were damaged. The application describes the different ways in which the population was affected through personal damage, interruption of economic activities, disruption of main utilities, telecommunications and interruption of traffic. It can thus be concluded that the major part of the population was affected by the floods.
- (20) As regards the impact and consequences of the flood as well as the requirement to demonstrate serious and lasting repercussions on the living conditions and the economic stability of the

region, the application refers in particular to the destabilisation of the natural environment and economic stability of the whole Veneto region. The economic structure of Veneto is based on small and medium sized companies, many of them family run and mostly export oriented. It was reported that over 2 500 SME's lost their infrastructure, machineries and working tools. For the whole of Veneto the number of enterprises at risk as a consequence of the flood is 40 400 of which 9 900 are small enterprises employing some 250 000 people. In the field of agriculture, the loss of some livestock was reported, farmland was covered by mud.

- (21) As set out in the Annual Report on the Solidarity Fund (2002-2003)⁹ 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. The evidence provided by the Italian authorities demonstrates that the flooding disaster seriously affected the Veneto region with the most serious consequences concentrated in the Bacchiglione river basin.
- (22) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 779,06 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. Given that only a part of the reported damage can be accepted as direct damage (cf. point 18 above) the amount of eligible operations must be corrected to a maximum of EUR 573,225 million.
- (23) The affected region is eligible as a "Competitiveness and Employment region" under the Structural Funds (2007-2013). The Italian authorities have not signalled to the Commission any intention to use other sources of Community funding to deal with the consequences of the floods.
- (24) The Italian authorities indicated that there is no insurance coverage of eligible cost.

3. FINANCING

The total annual budget available for the Solidarity Fund is EUR 1 000 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 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 reallocate the payment appropriations from budget item 05 04 05 01 — Rural development programmes, taking into account the differences between the payment forecasts from the Member States, as updated in September 2011, and the declarations of payments that have been submitted in November 2011.

⁹ 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

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

(EUR)

	<i>Direct damage accepted</i>	<i>Threshold</i>	<i>Amount based on 2,5 %</i>	<i>Amount based on 6 %</i>	<i>Total amount of EU aid proposed</i>
Spain – earthquake in Lorca	842,838 million	3 536 million	21 070 950	-	21 070 950
Veneto flooding	676,357 million	3 536 million	16 908 925	-	16 908 925
Total					37 979 875

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		Budget 2011 (incl. AB 1-5 and DAB 6)		DAB 7/2011		Budget 2011 (incl. AB 1-5 and DAB 6-7/2011)	
	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	11 523 944 758			13 520 566 270	11 523 944 758
1b. Cohesion for growth and employment	50 987 000 000		50 983 843 784	42 060 394 626			50 983 843 784	42 060 394 626
Total Margin¹⁰	63 974 000 000		64 504 410 054 -30 410 054	53 584 339 384			64 504 410 054 -30 410 054	53 584 339 384
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 617 000 000		42 868 061 900	42 788 499 841			42 868 061 900	42 788 499 841
Total Margin	59 688 000 000		58 659 248 389 1 028 751 611	56 378 918 184		-37 979 875	58 659 248 389 1 028 751 611	56 340 938 309
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 206 000 000		1 180 030 263	857 199 845			1 180 030 263	857 199 845
3b. Citizenship	683 000 000		879 831 486	842 903 486	37 979 875	37 979 875	917 811 361	880 883 361
Total Margin¹¹	1 889 000 000		2 059 861 749 26 072 737	1 700 103 331	37 979 875	37 979 875	2 097 841 624 26 072 737	1 738 083 206
4. EU AS A GLOBAL PLAYER¹²	8 430 000 000		8 759 300 431 -70 439 377	7 242 528 574			8 759 300 431 -70 439 377	7 242 528 574
5. ADMINISTRATION¹³	8 144 000 000		8 172 839 289 53 160 711	8 171 544 289			8 172 839 289 53 160 711	8 171 544 289
TOTAL Margin	142 125 000 000	133 440 000 000	142 155 659 912 1 112 135 628	127 077 433 762 6 544 566 238	37 979 875	0	142 193 639 787 1 112 135 628	127 077 433 762 6 544 566 238

¹⁰ 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.

¹¹ 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)

¹² 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.

¹³ 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.