

EN

EN

EN



EUROPEAN COMMISSION

Brussels, 24.9.2010
COM(2010) 533 final

**DRAFT AMENDING BUDGET N° 8
TO THE GENERAL BUDGET 2010**

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

(presented by the Commission)

DRAFT AMENDING BUDGET N° 8 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 adopted on 7 September,
- the draft amending budgets No 2/2010⁵, 3/2010⁶, 5/2010⁷, 6/2010⁸ and 7/2010⁹.

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 8 to the 2010 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 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) 149
⁷ COM(2010) 320
⁸ COM(2010) 315
⁹ COM(2010) 383

TABLE OF CONTENTS

1.	Introduction.....	3
2.	Mobilisation of the EU Solidarity Fund.....	3
2.1.	Ireland: Flooding.....	3
3.	Financing.....	5
4.	Summary table by heading of the Financial Framework	7

1. INTRODUCTION

Draft Amending Budget (DAB) No 8 for the year 2010 covers the following elements:

- Mobilisation of the EU Solidarity Fund for an amount of EUR 13,0 million in commitment and payment appropriations relating to the effects of severe flooding affecting Ireland.
- A corresponding reduction in payment appropriations of EUR 13,0 million from the line 04 02 01 — Completion of European Social Fund (ESF) — Objective 1 (2000 to 2006).

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. Ireland: Flooding

In November 2009, the major part of Ireland was affected by heavy rain leading to severe flooding. The flooding caused severe damage to the agricultural sector, residential properties and businesses, to the road network and other infrastructure.

Subsequently, Ireland 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 2012/2002¹⁰ 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 27 January 2010, within the deadline of 10 weeks after the first damage was recorded on 19 November 2009. On 15 June 2010, following a request by the Commission of 24 March, the Irish authorities submitted further information confirming *inter alia* the estimated amount for total direct damage and presenting a more refined damage evaluation.
- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.

¹⁰ 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.

- (3) The Irish authorities estimate the total direct damage caused by the disaster at EUR 520,9 million. This amount represents 55,68 % of the normal threshold for mobilising the Solidarity Fund applicable to Ireland in 2010 of EUR 935,45 million (i.e. 0,6 % of GNI based on 2008 data).
- (4) As total damage remains below the normal threshold the application was examined on the basis of 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. 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 Regulation calls for "utmost rigour" in assessing applications presented under the "extraordinary regional disaster" criterion.
- (5) Ireland is part of the third largest island in Europe situated on the northwestern border of continental Europe. While Ireland is not an outermost region as defined in the Treaty its insularity and remoteness from the European mainland clearly impact its economic situation and make it more vulnerable. These factors cannot be disregarded in assessing Ireland's application for Solidarity Fund assistance.
- (6) As set out in the Annual Report on the Solidarity Fund (2002-2003)¹¹ 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 flooding disaster seriously affected a major part of Ireland's territory. The Irish authorities claim that the disaster has dramatically worsened the situation where Ireland is already suffering from the most serious economic downturn that the country has seen over the past decades.
- (7) One of the conditions set out in Regulation 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 region on which the Irish application is based comprises a coherent area of 15 counties with over 1,7 million inhabitants (around two thirds of the Irish territory and 40 % of the population). The application describes the different ways in which the population was affected through personal damage and interruption of economic activities, disruption of main utilities, and interruption and damages to the road network. With the exception of Cork and Galway City, the majority of the damage occurred in predominately rural areas where the roads infrastructure is crucial to carry out day-to-day businesses. Moreover, in relation to those directly impacted, a significant amount of individuals have received assistance from the Social and Family Affairs Humanitarian Assistance Scheme. A particular factor is the long duration of the flooding which in some areas lasted several months. It can thus be concluded, as described in the Irish application, that the major part of the population was affected.

¹¹ 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

- (8) As regards the impact and consequences of the flooding 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 farming sector and the impact of the flooding on the road infrastructure with damages to the latter alone of over EUR 159 million. The region affected by the flooding includes counties in the Border, Midland and Western NUTS2 region where the gross value added (GVA) per person is only 69,3 % of the State average (data of 2007). The Midland region has the lowest GVA per person at 65.8 % of State average. With the sharp economic downturn of the past years and few employment opportunities at present, the flooding caused even a higher employment deficit. Moreover, the share of GVA of agriculture within the affected region is higher than in all other regions of Ireland. Many farmers had to be granted aid under the Aid Scheme for Damaged Fodder as their complete fodder stocks had been destroyed. Disruption to farming production impacts proportionately on a greater number of people in the affected regions in a more significant way than would be the case in regions less dependent on the agricultural sector. The insularity of Ireland and the relative remoteness from mainland European economies add to the difficulties to recover from an already challenging situation. Over all, it can be concluded that the flooding caused serious and lasting repercussions on the living conditions and the economic stability in a predominately rural area struggling to improve living standards and encourage investment opportunities.
- (9) The cost of operations eligible under Article 3(2) of Regulation 2012/2002 is estimated at EUR 111,5 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.
- (10) The affected regions are eligible as "Competitiveness and Employment Regions" (8 regions) and "Phasing-in regions" (7 regions) under the Structural Funds (2007-2013).
- (11) As regards a possible coverage of eligible damage by insurance, the Irish authorities indicated that there is no insurance coverage of eligible cost.

In conclusion, for the reasons set out above, the flooding referred to in the application can be considered to be extraordinary within the meaning of the Regulation and to meet the conditions set out by Article 2(2), last subparagraph, of Regulation 2012/2002 for exceptionally mobilising 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 this case 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
Ireland, 2009 flooding	520 900 000	935 456 000	13 022 500	0	13 022 500
Total					13 022 500

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 04 02 01 — Completion of European Social Fund (ESF) — Objective 1 (2000 to 2006) are such that payment appropriations of EUR 13 022 500 may be reallocated to budget line 13 06 01 to cover the corresponding needs related to the mobilisation of the EU Solidarity Fund.

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2010 Financial framework		Budget 2010 (including AB 1 to AB 3 and DAB 2 to DAB 3 + DAB 5 to DAB7)		DAB 8/2010		Budget 2010 (including AB 1 to AB 3 and DAB 2 to DAB 3 + DAB 5 to DAB8)	
	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			14 861 853 253	11 342 270 803
1b. Cohesion for growth and employment	49 388 000 000		49 387 592 092	36 384 885 000		-13 022 500	49 387 592 092	36 371 862 500
Total Margin¹²	63 555 000 000		64 249 445 345 <i>-194 445 345</i>	47 727 155 803			64 249 445 345 <i>-194 445 345</i>	47 740 178 303
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		668 000 000	659 387 500	+13 022 500	+13 022 500	681 022 500	672 410 000
Total Margin¹³	1 693 000 000		1 674 487 370 <i>18 512 630</i>	1 397 957 870	+13 022 500	+13 022 500	1 687 509 870 <i>18 512 630</i>	1 410 980 370
4. EU AS A GLOBAL PLAYER¹⁴	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. ADMINISTRATION¹⁵	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	141 501 452 802 <i>518 729 198</i>	122 966 449 450 <i>11 651 432 550</i>	+13 022 500		141 514 475 302 <i>518 729 198</i>	122 966 449 450 <i>11 651 432 550</i>

¹² 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.

¹³ 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)

¹⁴ The 2010 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 248,9 million).

¹⁵ 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.

