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COVER NOTE

from:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
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to:	Mr Uwe CORSEPIUS, Secretary-General of the Council of the European Union
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Subject:	Draft amending budget No 2 to the general budget for 2012 - Statement of expenditure by Section - Section III - Commission

Delegations will find attached Commission document COM(2012) 125 final.

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Brussels, 16.3.2012
COM(2012) 125 final

DRAFT AMENDING BUDGET N° 2
TO THE GENERAL BUDGET 2012

STATEMENT OF EXPENDITURE BY SECTION
Section III – Commission

DRAFT AMENDING BUDGET N° 2
TO THE GENERAL BUDGET 2012

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 Communities[1], and in particular Article 37 thereof,

– the general budget of the European Union for the financial year 2012 adopted on 1 December 2011,

– the draft amending budget No 1/2012[2], adopted on 27 January 2012,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 2 to the 2012 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 COM(2012) 31 final.

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1. INTRODUCTION

Draft Amending Budget (DAB) No 2 for the year 2012 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 18 061 682 in commitment and payment appropriations relating to flooding in Italy (Liguria and Tuscany) in October 2011.

2. MOBILISATION OF THE EU SOLIDARITY FUND

On 25 October 2011, an extreme weather system centred over north-west Italy led to a vast amount of rain falling within just a few hours. Worst affected, were the provinces of La Spezia in Liguria and Massa Carrara in Tuscany. As a result of the deluge, many small upland rivers burst their banks, carrying enormous quantities of water, mud and debris to the valleys below, and causing two major rivers – the Vara and the Magra – to flood several towns. Also severely hit, was the nearby area of Cinque Terre, in the province of La Spezia. The resulting disaster caused serious damage to residential homes, businesses and agriculture and the disruption of major transport links and essential public infrastructure networks. Parts of the disaster zone concern the area of "Cinque Terre", an integral part of the Italian Riviera and UNESCO World Heritage site.

Subsequently, Italy 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 2012/2002 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 22 December 2011, well within the deadline of 10 weeks after the first damage was recorded on 25 October 2011.

(2) The disaster is of natural origin and falls within the field of application of the Solidarity Fund.

(3) For the designated disaster zone comprising neighbouring parts of Liguria and Tuscany the Italian authorities estimated total direct damage at EUR 722 467 299. This amount represents 20,43 % of the normal threshold of EUR 3,536 billion applicable to Italy in 2011 for mobilising the Solidarity Fund (i.e. EUR 3 billion in 2002 prices).

(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 area in Italy does 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) 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. In order to meet the Solidarity Fund criteria, the Italian authorities based their application on an area of 20 municipalities that were most hardly hit by the disaster. The area is situated on the coastal strip of Cinque Terre, the hydrographical basin of the Vara river in the Province of La Spezia and the Lunigiana area in the Province of Massa Carrara with a total population of over 52 000 inhabitants.

(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 Italian application states that a total of 28 858 inhabitants in 20 municipalities were directly affected by the disaster out of a total population of 52 251. The evidence provided appears plausible. It can therefore be concluded that the major part of the population was directly affected and that this condition is met.

(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 and interruption of the utility networks and other infrastructures (such as in the fields of transport, water and electricity), the impact of the floods on the natural environment, the effects on businesses and tourism as well as the destruction of residential homes. In the affected area of Liguria, the disaster caused 13 casualties and over one thousand people had to leave their homes. In Tuscany, two casualties and the need to evacuate over 300 people were reported. Homes were destroyed, significantly damaged or made uninhabitable, making it impossible for residents to return to their homes in the near future. Roads were damaged, the motorway A15 was partially closed and railway networks were interrupted, embankments and bridges collapsed. Public networks like water, gas, electricity, sewerage systems and treatment plants were also interrupted. 846 mostly family run SMEs with 1 209 employees severely suffered from the consequence of the floods. Over two thirds of these are directly linked to tourism, one of the leading sectors of the area. Furthermore, this extraordinary natural disaster caused heavy damages to beaches and trekking routes, both backbones of the tourism industry. The Italian authorities estimate a loss in GDP of around 20 % and 25 % in revenues in 2012. Full return to normal conditions is expected to take up to a year or even longer.

(8) The cost of operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 is estimated at EUR 511,4 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. The highest costs are estimated for the restoration of transport and preventive infrastructures as well as for cleaning up.

(9) The affected region is eligible as a "Competitiveness and Employment region" under the Structural Funds (2007-2013). The Italian authorities have signalled to the Commission their intention to reallocate funding from the Structural Fund programmes for Liguria and Tuscany towards recovery measures.

(10) The Italian authorities indicated that there is no insurance coverage of eligible cost.

In conclusion, for the reasons set out above, the flooding disaster 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 (EC) No 2012/2002 for exceptionally mobilising the Solidarity Fund.

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

(EUR)

	Direct damage accepted	Threshold	*Amount based on 2,5 %*	*Amount based on 6 %*	**Total amount of aid proposed**
Liguria and Tuscany flooding 2011	*722,467 million*	*3 536 million*	*18 061 682*	-	*18 061 682*
Total					***18 061 682***

At this stage in the year, and on the basis of the implementation forecasts, there is no source of possible redeployment of the required payment appropriations. On the contrary, all indicators point to a likely shortage of payment appropriations later in the year.

As a consequence, the Commission proposes a corresponding increase in the level of payment appropriations.

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2012 Financial framework		Budget 2012 (incl. DAB 1/2012)		DAB 2/2012		Budget 2012 (incl. DAB 1-2/2012)	
	CA	PA	CA	PA	CA	PA	CA	PA
1. SUSTAINABLE GROWTH								
1a. Competitiveness for growth and employment	14 853 000 000		15 403 000 000	11 500 977 788			15 403 000 000	11 500 977 788
Margin			*-50 000 000*				*-50 000 000*	
1b. Cohesion for growth and employment	52 761 000 000		52 752 576 141	43 835 746 321			52 752 576 141	43 835 746 321
Margin			*8 423 859*				*8 423 859*	
Total	**67 614 000 000**		**68 155 576 141**	**55 336 724 109**			**68 155 576 141**	**55 336 724 109**
Margin[3]			*-41 576 141*				*-41 576 141*	
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	48 093 000 000		43 969 637 305	43 875 978 049			43 969 637 305	43 875 978 049
Total	**60 810 000 000**		**59 975 774 185**	**57 034 220 262**			**59 975 774 185**	**57 034 220 262**
Margin			*834 225 815*				*834 225 815*	
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 406 000 000		1 367 806 560	835 577 878			1 367 806 560	835 577 878
Margin			*38 193 440*				*38 193 440*	
3b. Citizenship	699 000 000		697 436 780	648 700 180	18 061 682	18 061 682	715 498 462	666 761 862
Margin			*1 563 220*				*1 563 220*	
Total	**2 105 000 000**		**2 065 243 340**	**1 484 278 058**	**18 061 682**	**18 061 682**	**2 083 305 022**	**1 502 339 740**
Margin[4]			*39 756 660*				*39 756 660*	
4. EU AS A GLOBAL PLAYER	**8 997 000 000**		**9 405 937 000**	**6 955 083 523**			**9 405 937 000**	**6 955 083 523**
Margin[5]			*-150 000 000*				*-150 000 000*	
5. ADMINISTRATION	**8523 000 000**		**8 279 641 996**	**8 277 736 996**			**8 279 641 996**	**8 277 736 996**
Margin[6]			*327 358 004*				*327 358 004*	
TOTAL	**148 049 000 000**	**141 360 000 000**	**147 882 172 662**	**129 088 042 948**	**18 061 682**	**18 061 682**	**147 900 234 344**	**129 106 104 630**
Margin			*1 209 764 338*	*12 445 957 052*			*1 209 764 338*	*12 445 957 052*

3 The European Globalisation adjustment Fund (EGF) is not included in the calculation of the margin under Heading 1a (EUR 500 million). EUR 50 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

4 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)

5 The 2012 margin for heading 4 does not take into account the appropriations related to the Emergency Aid Reserve (EUR 258,9 million). EUR 150 million above the ceiling is financed by the mobilisation of the Flexibility Instrument.

6 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 84 million for the staff contributions to the pension scheme.