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DRAFT AMENDING BUDGET N° 5
TO THE GENERAL BUDGET 2012

GENERAL STATEMENT OF REVENUE

STATEMENT OF EXPENDITURE BY SECTION
Section III – Commission

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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[2],

– the amending budget No 1/2012[3] adopted on 20 April 2012,

– the amending budget No 2/2012[4], adopted on 12 June 2012,

– the amending budget No 3/2012[5], adopted on 5 July 2012,

– the draft amending budget No 4/2012[6], adopted on 20 June 2012,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 5 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] OJ L 56, 29.2.2012, p. 1.
[3] OJ L 184, 13.7.2012, p. 1.
[4] OJ L 214, 10.8.2012, p. 1.
[5] OJ L 221, 17.8.2012, p. 1.
[6] COM(2012) 340 final.

TABLE OF CONTENTS

1. INTRODUCTION 5
2. MOBILISATION OF THE EU SOLIDARITY FUND 5
3. FINANCING OF THE EU SOLIDARITY FUND 7
4. MODIFICATION OF A BUDGET LINE 7
5. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK 9

1. INTRODUCTION

Draft Amending Budget (DAB) No 5 for the year 2012 concerns the following:

– Mobilisation of the EU Solidarity Fund for an amount of EUR 670 192 359 in commitment and payment appropriations relating to the series of earthquakes in Emilia-Romagna, Italy in May 2012.

– Modification of the budget line 16 05 03 01 – Preparatory action – European Year of Volunteering 2011 to replace the "dash" for payments on the line with a token entry (p.m.), in order to allow the final payments to be made.

2. MOBILISATION OF THE EU SOLIDARITY FUND

On 20 May 2012, a heavy earthquake with a magnitude of 5.9 on the Richter scale affected wide parts of Northern Italy and caused severe damage in many towns and villages in particular around the epicentre, mostly in the provinces of Modena and Ferrara in the region of Emilia-Romagna. On 29 May, a second strong earthquake with a magnitude of 5.8 on the Richter scale occurred with the epicentre slightly to the west. Both events were followed by several serious aftershocks. The earthquakes caused 27 deaths, an estimated 350 people were injured and over 45 000 people had to be evacuated. There was serious and widespread damage to buildings, infrastructure, businesses, industrial facilities, agriculture and to the important cultural heritage sector.

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 from Italy was received at the Commission on 27 July 2012, within the deadline of 10 weeks after the first damage was recorded on 20 May 2012.

(2) The earthquakes are of natural origin and therefore fall within the main field of application of the Solidarity Fund. The two major quakes and the hundreds of aftershocks occurred within a few weeks and affected an area concentrated in two provinces of Emilia-Romagna with effects spreading out into the neighbouring provinces and the regions of Veneto and Lombardia. Following the established policy under the Solidarity Fund when several events of the same nature affect the same area and happen during a relatively short period of time, these events are regarded as a single disaster.

(3) Total direct damage is the basis for the calculation of the amount of financial assistance. The Italian authorities estimated the total direct damage at EUR 13 273 736 063. This amount represents 0,86 % of Italy's GNI and exceeds by almost four times the threshold for mobilising the Solidarity Fund of EUR 3 607 million (i.e. EUR 3 billion in 2002 prices) applicable to Italy in 2012. As the estimated total direct damage exceeds the threshold, the disaster qualifies as a “major natural disaster” and thus falls within the main field of application of Regulation (EC) No 2012/2002.

(4) The application contains a rather detailed description of the impact of the disaster and a break-down of estimated damages by sector and region. Aggregated information from the national Civil Protection Department has been taken into account. According to this information, the

earthquakes have caused severe destruction to basic infrastructure, private homes, public buildings, businesses and the significant cultural heritage of the area. They have caused serious harm to the population, affecting almost 1 million people in 106 municipalities within 6 administrative provinces in the Regions of Emilia-Romagna, Veneto and Lombardia. By far the biggest part of the damage (nearly 92 %) was recorded in Emilia-Romagna, particularly in the provinces of Modena, Ferrara, Bologna and Reggio Emilia. Lombardia and Veneto were affected to a lesser extent with nearly 8 % and 0,4 % of total damage respectively. In Emilia-Romagna alone, the earthquakes led some 45 000 people to evacuate their homes and seek temporary housing solutions. Much of the population has found independent accommodation where they will receive government support while some 16 000 people have applied for assistance, so that some 90 emergency camps and indoor accommodation facilities had to be set up by the emergency services.

(5) The affected area is densely populated and has a highly developed economy with a great number of companies in the various industrial, manufacturing and craft sectors, many of which are of national importance, and which were greatly affected by the unprecedented damage and collapse of a large part of the industrial buildings. There is the risk of relocation of such activities to other areas. Damage to agricultural businesses was significant and is expected to lead to a dramatic impact on products such as Grana Padano and Parmigiano Reggiano cheeses and balsamic vinegar. Overall, the disaster is expected to cause a substantial drop in production, commerce, agriculture and other economic activities. Of particular importance is the damage caused to the area's rich cultural heritage. Its assessment is particularly difficult and this point is described in detail in the application. For Emilia-Romagna alone, relevant damage is currently estimated at EUR 2 075 million.

(6) The Commission services came to the conclusion that - taking into consideration the size of the event and the limited time to assess the damages - the methods used by the Italian authorities for estimating the different categories of damage are generally sufficiently detailed and plausible.

(7) The cost of essential emergency operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 has been estimated by the Italian authorities at EUR 714 672 825 and is presented broken down into the 4 categories laid down by the Regulation: A) immediate restoration to working order 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. By far the largest share of the cost of emergency operations of over EUR 465 million concerns the activities relating to temporary accommodation for some 43 000 people for up to 3 years, of which some EUR 155 million for modular housing units. Nearly EUR 90 million relate to repairs of basic infrastructure and over EUR 60 million to the cost of the rescue services. The types of operation effectively to be financed from the Fund will be defined in the Implementation Agreement.

(8) The affected zone is eligible as "Competitiveness and Employment Regions" under the Structural Funds (2007-2013).

(9) The Italian 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 Italy relating to the series of earthquakes in May 2012 as a “major disaster” and to propose the mobilisation of the Solidarity Fund.

3. FINANCING OF THE EU SOLIDARITY FUND

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**
Italy - earthquakes 2012	*13 113,498 million*	*3 606 million*	*90 165 575*	*580 026 784*	*670 192 359*
Total					***670 192 359***

As to the financing of the corresponding payment appropriations, the Commission services are currently in the process of updating their forecasts of payment needs until the end of 2012, and submit their requests to adjust payment appropriations.

A preliminary analysis of the possibility to match increased needs for payment appropriations on some budget lines, with amounts on other lines which would otherwise remain unused, points to an overall shortage of payment appropriations at year-end, which the Commission intends to cover by means of a draft amending budget (DAB 6/2012), to be presented by mid-October 2012.

As a consequence, the Commission proposes a corresponding increase in the level of payment appropriations to finance the mobilisation of the Solidarity Fund.

The Commission calls for swift action to provide support to the affected regions and ensure the payment of the support, once this proposal is adopted. However, in the case of late adoption of the proposal, and of the conclusion of the implementation agreement with the Member State concerned, it may be necessary to have recourse to the provisions of Article 9 of the Financial Regulation (carryover of appropriations).

4. MODIFICATION OF A BUDGET LINE

The preparatory action European Year of Volunteering 2011 was created in 2010. In accordance with article 49 of the Financial Regulation, the relevant commitment appropriations for a preparatory action may be entered in the budget for not more than three successive financial years. However, the finalisation of payments can continue thereafter.

Among other actions, a grant agreement, covering the coordination of civil sociey activities at European level in the framework of the European Year of Volunteering 2011 (developing a policy agenda for volunteering in Europe, mobilising and capacity building and dissimination), was signed with the Alliance (European Centre of Volunteering) in 2010.

The pre-financing was paid in 2010. The final report, together with the request for final payment, was received only in late June 2012.

In order to cover this final payment the Commission will make an internal transfer within the same budget chapter. However, in accordance with article 25 of the Financial Regulation, a transfer can only be made to a budget line for which there are authorised appropriations, or which carries a token entry (p.m.). In the 2012 budget, the line in question, 16 05 03 01 – Preparatory action – European Year of Volunteering 2011 only foresees a "dash" in payment appropriations, and so no transfer is possible. Therefore, it is proposed to replace this with a token entry (p.m.) to allow for a transfer.

5. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2012 Financial framework		Budget 2012 (incl. AB 1-3/2012 and DAB 4/2012)		DAB 5/2012		Budget 2012 (incl. AB 1-3/2012 and DAB 4-5/2012)	
	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	11 482 916 106			15 403 000 000	11 482 916 106
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**	**55 318 662 427**			**68 155 576 141**	**55 318 662 427**
Margin[7]			*-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		715 498 462	666 761 862	670 192 359	670 192 359	1 385 690 821	1 336 954 221
Margin			*1 563 220*				*1 563 220*	
Total	**2 105 000 000**		**2 083 305 022**	**1 502 339 740**	**670 192 359**	**670 192 359**	**2 753 497 381**	**2 172 532 099**
Margin[8]			*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[9]			*-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[10]			*327 358 004*				*327 358 004*	
TOTAL	**148 049 000 000**	**141 360 000 000**	**147 900 234 344**	**129 088 042 948**	**670 192 359**	**670 192 359**	**148 570 426 703**	**129 758 235 307**
Margin			*1 209 764 338*	*12 445 957 052*			*1 209 764 338*	*12 445 957 052*

7 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.

8 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)

9 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.

10 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.