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**DRAFT AMENDING BUDGET N° 1
TO THE GENERAL BUDGET 2011**

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

(presented by the 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 Communities¹, and in particular Article 37 thereof,
- the general budget of the European Union for the financial year 2011 adopted on 15 December 2010,

The European Commission hereby presents to the budgetary authority the Draft Amending Budget No 1 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 these statements by section is attached for information as a budgetary annex.

¹ OJ L 248, 16.9.2002, p. 1.

TABLE OF CONTENTS

1.	Introduction.....	3
2.	Mobilisation of the EU Solidarity Fund.....	3
2.1.	Poland.....	3
2.2.	Slovakia.....	5
2.3.	Hungary.....	6
2.4.	Czech Republic	7
2.5.	Croatia.....	8
2.6.	Romania	8
2.7.	Conclusion.....	10
3.	Financing.....	10
4.	Summary table by heading of the Financial Framework	11

1. INTRODUCTION

Draft Amending Budget (DAB) No 1 for the year 2011 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 182 388 893 in commitment and payment appropriations relating to the effects of heavy rainfalls in Poland, Slovakia, the Czech Republic, Hungary, Croatia and Romania.

2. MOBILISATION OF THE EU SOLIDARITY FUND

2.1. Poland

In May and June, two consecutive flood waves affected a large part of the Polish territory coming from the south to the north moving downstream the main rivers Vistula, Oder and Warta. The floods hit almost all provinces ('voivodeships') of Poland causing significant damages to the farming sector, to public infrastructure and private assets, to transport networks and to cultural heritage sites.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 23 July 2010 within the deadline of 10 weeks after the first damage was recorded on 14 May 2010. On 29 September the Polish authorities presented to the Commission an update of their estimate of total damages.
- (2) The Polish authorities estimate the total direct damage at EUR 2.999 billion. This amount represents 0,8468 % of Poland's Gross National Income (GNI) and exceeds the normal threshold for mobilising the Solidarity Fund of EUR 2.124 billion (i.e. 0,6 % of GNI based on 2008 data). The analysis of the Commission services revealed that the methods used by Poland for estimating the different categories of damage are very plausible.

- (3) The disaster is of natural origin. As the estimated total direct damages of EUR 2.999 billion exceed the threshold for mobilising the Solidarity Fund applicable to Poland in 2010 the disaster qualifies as a “major natural disaster” and falls thus within the main field of application of Council 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) As the two flood waves stemmed from the same long-lasting meteorological condition they can be considered as a single disaster within the meaning of Council Regulation (EC) 2012/2002. The floods caused severe destruction to basic infrastructures, private homes, public buildings, businesses, farming land and caused significant damages to renowned cultural heritage sites and brought serious harm to the affected population. It was reported that only two 'voivodeships' out of Poland's 16 provinces escaped the floods.
- (5) Three provinces in southern Poland that were particularly badly hit by the May-June 2010 floods were: Lower Silesian Province (Dolnośląskie) and Opole Province (Opolskie), both of which are in the Oder (Odra) River catchment area, and Lesser Poland or Małopolska Province (Małopolskie), almost all of which lies in the Vistula River catchment area. It was reported that over 20 people lost their lives. The number of families affected by the floods amounts to 66 660 with 14 563 families evacuated. In all, 811 communes suffered from the floods, 1 387 enterprises were damaged, 683 000 ha of land were flooded, as well as over 18 000 buildings. Over 55.6 km railway lines were found to need immediate repair whereas during the floods over 400 km of tracks were closed or traffic was restricted. Flood prevention embankments of around 1 300 km await reconstruction. Public buildings (e.g. 802 schools, 160 kindergartens) were damaged. Two UNESCO world heritage sites (St. Philip's and St. James's churches in Sękowa) require intensive conservatory and repair works. Poland requested support through the Community Civil Protection Mechanism. There is no doubt that the information provided allows concluding that the floods caused serious repercussions on living conditions, the natural environment and the economy. The Polish application contains a detailed analysis of the impact of the floods and a breakdown of total estimated damages by sector.
- (6) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Polish authorities at EUR 2.195 billion and has been presented broken down by type of operation. The largest share of the cost of emergency operations (over EUR 1.248 billion) concerns the cost of immediate restoration to working conditions of infrastructure. Based on the information received from the Polish authorities, it is evident that the cost of eligible operations exceeds the amount of a possible grant from the Solidarity Fund by far. The types of operation effectively to be financed from the Fund will be defined in the Implementation Agreement.
- (7) The affected regions are eligible as "Convergence Regions" under the Structural Funds (2007-2013).
- (8) The Polish authorities indicated that there is no insurance coverage of eligible cost.

2.2. Slovakia

Slovakia was hit by record heavy rainfall in May and June 2010. Areas were drenched, slopes slid and the wide-spread flooding caused severe damage to public and private infrastructure, to road and train networks, agriculture and businesses.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 16 July 2010 within the deadline of 10 weeks after the first damage was recorded on 9 May 2010. On 27 September the Slovak authorities presented to the Commission further details including an update of their estimates of total damages.
- (2) The Slovak authorities estimate the total direct damage at EUR 561 133 594. This amount represents 0,8902 % of Slovakia's GNI and exceeds the normal threshold for mobilising the Solidarity Fund applicable to Slovakia in 2010 of EUR 378.205 million (i.e. 0,6 % of GNI based on 2008 data).
- (3) The disaster is of natural origin. As the estimated total direct damages exceed the threshold for mobilising the Solidarity Fund the disaster qualifies as a “major natural disaster” and falls thus within the main field of application of Council 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. The analysis of the Commission services revealed that the methods used by Slovakia for estimating the different categories of damage are plausible.
- (4) The floods and landslides occurred mainly in the central and eastern parts of Slovakia that are considered as economically less developed. The largest damages were registered in the Prešov and Košice regions. The application describes the impact of the events: 306 houses were affected by landslides (approx. 235 landslides occurred in the country), 45 894 households were affected by the floods and 150 residential premises were damaged or destroyed. Several public buildings were damaged, people lost their lives, and enormous damages to the countries' transport infrastructure were reported. However, the major part of damage occurred in the field of agriculture (agricultural products) with the preliminary calculation of damage amounting to EUR 149.9 million. Due to the high impact of the floods, Slovakia requested support through the Community Civil Protection Mechanism. It can be concluded that the floods and landslides caused serious and long lasting repercussions on living conditions, the natural environment and the economy, also in a countries' regions that are considered less economically developed. The Slovak application contains a detailed analysis of the impact of the floods and a break-down of total estimated damages by sector.
- (5) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Slovak authorities at EUR 78 419 054 and has been presented broken down by type of operation. The largest share of the cost of emergency operations (over EUR 40 million) concerns the activities of the immediate restoration to working conditions of infrastructure. Based on the information received from the Slovak authorities, it is evident that the real cost of eligible operations exceeds the amount of a possible grant from the Solidarity Fund

by far. The types of operation effectively to be financed from the Fund will be defined in the Implementation Agreement.

- (6) In Slovakia, three regions are eligible as "Convergence Regions" and one region is eligible as "Competitiveness and Employment Region" under the Structural Funds (2007-2013).
- (7) The Slovak authorities indicated that there is no insurance coverage of eligible cost.

2.3. Hungary

As a result of one month of near-continuous rainfall in May and June 2010 severe flooding occurred in Hungary causing widespread damage to the agricultural sector, residential properties and businesses, to the road network and other infrastructure with the north-eastern and central parts of the country being particularly badly affected.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 24 July 2010 within the deadline of 10 weeks after the first damage was recorded on 15 May 2010.
- (2) The Hungarian authorities estimate the total direct damage at EUR 719 343 706. This amount represents 0,7307 % of Hungary's GNI and exceeds the normal threshold for mobilising the Solidarity Fund applicable to Hungary in 2010 of EUR 590.710 million (i.e. 0,6 % of GNI based on 2008 data).
- (3) The disaster is of natural origin. As the estimated total direct damages exceed the normal threshold for mobilising the Solidarity Fund the disaster qualifies as a "major natural disaster" and falls thus within the main field of application of Council 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. The analysis of the Commission services revealed that the methods used by Hungary for estimating the different categories of damage are very detailed and sound and that the results are plausible. The estimate of total direct damage appears in fact to be rather prudent.
- (4) The extraordinary weather that developed in the Carpathian Basin and followed by rainstorms, whirlwinds, exceptional gusts of wind exceeding the speed of 160 km/h resulted in massive floods. Emergency measures were ordered in 11 counties out of 19 counties. The Hungarian application provides detailed information on the scale of damages and can be summarised as follows: The two major rivers of Hungary, the Danube and Tisza over swelled and the highest, third-level alertness had to be ordered along a total reach of 3 088 km. 5 259 people were forced to leave their homes, the emergency order affected almost 780 000 people (nearly 8 % of the population) and about half a million people were in direct danger. 317 homes were destroyed, over 5 600 residential buildings in 105 settlements need restoration works. The events caused massive damages to railway infrastructure (612 extraordinary events on 25 lines were reported). 50 000 vehicles had to do a byway each day. Public schools, kindergartens and other educational institutions reported damages. Most damage however occurred in the field of agriculture. Due to the high impact of the floods Hungary requested support through the Community Civil Protection Mechanism. It can be concluded that the floods caused serious and long lasting repercussions on

living conditions, natural environment and economy, in particular in the field of agriculture. The Hungarian application contains a detailed analysis of the impact of the floods and a break-down of total estimated damages by sector.

- (5) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Hungarian authorities at EUR 194 195 242 and has been presented broken down by type of operation. The largest share of the cost of emergency operations (over EUR 85.754 million) concerns the rescue service activities. Based on the information received from the Hungarian authorities, it is evident that the real cost of eligible operations exceeds the amount of a possible grant from the Solidarity Fund by far. The types of operation effectively to be financed from the Fund will be defined in the Implementation Agreement.
- (6) In Hungary, 6 regions are eligible as "Convergence Regions" and one region is eligible as "Phasing-in Region" under the SF 2007-2013.
- (7) The Hungarian authorities indicated that there is no insurance coverage of eligible cost.

2.4. Czech Republic

The territory of the Czech Republic was hit by severe torrential rains during May and June 2010. These rains resulted in two interconnected waves of floods which affected the North-Eastern part of the territory causing damages to residential properties and businesses, to the road network and other infrastructure.

- (1) The application for financial assistance from the European Union Solidarity Fund (EUSF) was presented to the Commission on 23 July 2010 within the deadline of 10 weeks after the first damage was recorded on 18 May 2010.
- (2) The disaster is of natural origin. The Czech authorities estimate the total direct damage caused by the disaster at EUR 204 456 041. As this amount is below the threshold of EUR 824.029 million (i.e. 0,6 % of the Czech Republic's GNI) the disaster does not qualify as a "major natural disaster" under the terms of Council Regulation (EC) No 2012/2002. However, the Czech Republic was affected by the same flooding disaster which led to the major disaster in Poland and Slovakia. Therefore, the condition set out in Article 2(2) second subparagraph of Council Regulation (EC) No 2012/2002, whereby a country affected by the same major disaster as a neighbouring country may exceptionally benefit from Solidarity Fund aid, was found to be met.
- (3) The area worst hit is located in the North-Eastern part of the Czech Republic and includes four regions (Moravian-Silesian, Olomouc, Zlín and South-Moravian Region) that are bordering on Poland, Slovakia and Austria. As a consequence of the flood five people lost their lives, hundreds of homes were flooded and destroyed, public property and the road network were badly affected. Due to transport difficulties, some companies had to decrease production. Moreover, the affected regions belong to economically weak localities with essential negative changes in employment.
- (4) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Czech authorities at EUR 136 945 071 and has been presented broken down by type of operation.

- (5) The Czech authorities indicated that no other Community funds were used when dealing with the immediate consequences of the flooding disaster. The Czech Republic considers not using the Structural Funds to deal with the consequences of the flooding disaster.

2.5. Croatia

From the end of May and during almost the whole month of June 2010, Croatia had to face intense rain with hail and thunderstorms causing severe floods that struck eastern and central parts of the country. The disaster caused significant damages to the agriculture sector, public and private property and the transport infrastructure.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 9 August 2010 within the deadline of 10 weeks after the first damage was recorded on 31 May 2010.
- (2) The disaster is of natural origin. The Croatian authorities estimate the total direct damage caused by the disaster at EUR 153 039 303. As this amount is below the threshold of EUR 275.804 million (i.e. 0,6 % of Croatia's GNI) the disaster does not qualify as a "major natural disaster" according to Council Regulation (EC) No 2012/2002. However, Croatia was affected by the same flooding disaster which led to the major disaster in Hungary. Therefore, the condition set out in Article 2(2) second subparagraph of Council Regulation (EC) No 2012/2002, whereby a country affected by the same major disaster as a neighbouring country may exceptionally benefit from Solidarity Fund aid, was found to be met. As a country in the process of negotiating its accession to the EU Croatia is eligible for EU Solidarity Fund assistance.
- (3) As regards the impact and consequences of the flooding, the Croatian authorities report that 427 houses were flooded, 682 houses were damaged and over a hundred families needed to be evacuated. Significant damages were caused to the road infrastructure causing blockages of road traffic which made it difficult to take immediate action. Most damages however were caused to the farming sector which amounts to over EUR 141 million representing 92 % of the total damages.
- (4) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Croatian authorities at EUR 11 670 861 and has been presented broken down by type of operation.

The Croatian authorities indicated that no other Community funds were used when dealing with the immediate consequences of the flooding disaster.

2.6. Romania

At the end of June lasting until July, Romania was affected by heavy flooding and land slides covering the major part of the territory. The disaster caused significant damages to infrastructure, to the agricultural sector and to private and public property.

- (1) The application for financial assistance from the European Union Solidarity Fund was presented to the Commission on 31 August 2010 within the deadline of 10 weeks after the first damage was recorded on 23 June 2010.

- (2) The disaster is of natural origin and therefore falls within the field of application of the Solidarity Fund.
- (3) The Romanian authorities estimate the total direct damage at EUR 875 757 770. This amount represents 0,6669 % of Romania's GNI and exceeds the normal threshold for mobilising the Solidarity Fund of EUR 787.935 million (i.e. 0,6 % of GNI based on 2008 data). The analysis of the Commission services revealed that the methods used by Romania for estimating the different categories of damage are plausible.
- (4) As the estimated total direct damages of EUR 875 757 770 exceed the threshold for mobilising the Solidarity Fund of EUR 787.935 million applicable to Romania in 2010 the disaster qualifies as a “major natural disaster” and falls thus within the main field of application of Council 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.
- (5) In June and during the following month, Romania faced severe flooding causing significant damages in the field of agriculture, infrastructure and private homes. The application describes the impact of the events: 37 counties (out of 41 counties) and over 6.7 million inhabitants were affected. 15 000 people needed evacuation, 3 936 private homes were affected of which 3 073 were damaged and 863 were completely destroyed. 147 public buildings need restoration work. 443 km of defence lines, 293 km of dyke lines and 35 dams, 5 257 km of road infrastructure as well as bridges, culverts and footbridges were damaged. The most important damages however were reported in the field of agriculture: 110 585 ha of cultivable land, 31 088 ha of pasture and hay fields and over 2 000 ha of other fields, vineyards and orchards were flooded. In the forestry sector, significant losses of plantations, damages to forest nurseries, big amounts of damaged timber and other types of trees were reported. Due to the high impact of the floods, Romania requested support through the Community Civil Protection Mechanism. It can be concluded that the floods caused serious and long lasting repercussions on living conditions, natural environment and economy, in particular in the field of agriculture. The Romanian application contains a detailed analysis of the impact of the floods and a break-down of total estimated damages by sector.
- (6) The cost of essential emergency operations eligible under Article 3(2) of Council Regulation (EC) No 2012/2002 has been estimated by the Romanian authorities at EUR 715 029 944 and has been presented broken down by type of operation. However, as for the cost of immediate cleaning up of disaster stricken zones, the Romanian authorities could not provide any information. Based on the information received from the Romanian authorities, it is evident that the real cost of eligible operations exceeds the amount of a possible grant from the Solidarity Fund by far. The types of operation effectively to be financed from the Fund will be defined in the Implementation Agreement.
- (7) The affected regions are eligible as "Convergence Regions" under the Structural Funds (2007-2013).
- (8) The Romanian authorities indicated that there is no insurance coverage of eligible cost.

2.7. Conclusion

In conclusion, for the reasons set out above, it is proposed to accept the applications submitted by Poland, Slovakia, Hungary, the Czech Republic, Croatia and Romania relating to the flooding disasters of May, June and July 2010 and to propose the mobilisation of the Solidarity Fund for each of these cases.

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 (in million)	Amount based on 2.5 %	Amount based on 6 %	Total amount of aid proposed
Poland - flooding 2010 "major disaster"	2 998 989 248	2 124.920	53 123 000	52 444 155	105 567 155
Slovakia - flooding 2010 "major disaster"	561 133 594	378.205	9 455 125	10 975 716	20 430 841
Hungary - flooding 2010 "major disaster"	719 343 706	590.710	14 767 750	7 718 022	22 485 772
Czech Republic - flooding 2010 "neighbouring country"	204 456 041	824.029	5 111 401	0	5 111 401
Croatia - flooding 2010 "neighbouring country"	153 039 303	275.804	3 825 983	0	3 825 983
Romania - flooding 2010 "major disaster"	875 757 770	787.935	19 698 375	5 269 366	24 967 741
Total					182 388 893

4. SUMMARY TABLE BY HEADING OF THE FINANCIAL FRAMEWORK

Financial framework Heading/subheading	2011 Financial framework		Budget 2011		DAB 1/2011		Budget 2011 (incl. DAB 1/2011)	
	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	11 627 802 798			13 520 566 270	11 627 802 798
1b. Cohesion for growth and employment	50 987 000 000		50 980 593 784	41 652 094 626			50 980 593 784	41 652 094 626
Total Margin²	63 974 000 000		64 501 160 054 -27 160 054	53 279 897 424			64 501 160 054 -27 160 054	53 279 897 424
2. PRESERVATION AND MANAGEMENT OF NATURAL RESOURCES								
Of which market related expenditure and direct payments	47 617 000 000		42 891 201 900	42 788 499 841			42 891 201 900	42 788 499 841
Total Margin	60 338 000 000		58 659 248 389 1 678 751 611	56 378 918 184			58 659 248 389 1 678 751 611	56 378 918 184
3. CITIZENSHIP, FREEDOM, SECURITY AND JUSTICE								
3a. Freedom, Security and Justice	1 206 000 000		1 138 954 740	813 277 345			1 138 954 740	813 277 345
3b. Citizenship	683 000 000		682 897 000	645 969 000	+178 562 910	+178 562 910	861 459 910	824 531 910
Total Margin³	1 889 000 000		1 821 851 740 67 148 260	1 459 246 345	+178 562 910	+178 562 910	2 000 414 650 67 148 260	1 637 809 255
4. EU AS A GLOBAL PLAYER⁴	8 430 000 000		8 754 299 377 -70 439 377	7 237 527 520	+3 825 983	+3 825 983	8 758 125 360 -70 439 377	7 241 353 503
5. ADMINISTRATION⁵	8 334 000 000		8 172 839 289 243 160 711	8 171 544 289			8 172 839 289 243 160 711	8 171 544 289
TOTAL Margin	142 965 000 000	134 280 000 000	141 909 398 849 1 996 461 151	126 527 133 762 7 934 866 238	+182 388 893	+182 388 893	142 091 787 742 1 996 461 151	126 709 522 655 7 934 866 238

² 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.

³ 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)

⁴ The 2010 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.

⁵ 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.

