



COMMISSION OF THE EUROPEAN COMMUNITIES

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**PRELIMINARY DRAFT AMENDING BUDGET No 6
TO THE BUDGET FOR 2005**

GENERAL STATEMENT OF REVENUE

**STATEMENT OF REVENUE AND EXPENDITURE BY SECTION
Section III – Commission**

(presented by the Commission)

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Having regard to:

- the Treaty establishing the European Community, and in particular Article 272 thereof,
- the Treaty establishing the European Atomic Energy Community, and in particular Article 177 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 European Commission hereby presents to the budgetary authority the preliminary draft amending budget No 6 to the 2005 budget for the reasons set out in the explanatory memorandum.

¹ OJ L 248, 16.9.2002, p. 1.

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GENERAL STATEMENT OF REVENUE AND STATEMENT OF REVENUE AND EXPENDITURE BY SECTION

The general statement of revenue and the statement of revenue and expenditure for section III - Commission - are forwarded separately via the SEI-BUD system. An English language version is attached as a budgetary annex by way of example.

EXPLANATORY MEMORANDUM

On 8 January 2005 a major storm hit large parts of northern Europe causing severe damage in a number of countries. Within the ten week deadline set by Article 4 of Council Regulation (EC) No 2012/2002² Sweden, Estonia, Latvia and Lithuania applied for financial assistance from the EU Solidarity Fund relating to the storm.

The Commission services have carried out a thorough examination of the applications in accordance with Regulation (EC) 2012/2002 and in particular with Articles 2, 3 and 4 thereof.

The most important elements of the assessments can be summarised as follows:

Sweden

- (1) The application was presented on 10 March 2005 within the deadline of ten weeks after the first damage was recorded on 8 January 2005. Upon request from the Commission services, the Swedish authorities provided additional information which was received on 26 May 2005.
- (2) The disaster is of natural origin. Sweden estimated total direct damage at EUR 2.297 billion. As this amount exceeds the threshold of 0.6% of Sweden's GNI (EUR 1.603 billion) the disaster qualifies as a "major natural disaster" and falls thus within the main field of application of Regulation 2012/2002.
- (3) The storm caused significant damages to forests and infrastructure, in particular in the South of Sweden. It is estimated that the storm felled 75 million cubic metres of timber (equivalent to the total amount of felled timber in the whole of Sweden during a year). 450 000 households were left without electricity and 250 000 telephone subscribers without telecommunications. Trains were cancelled in the whole of southern Sweden and road networks were blocked by enormous amounts of felled trees and power cables. Nine people lost their lives as a direct consequence. The damages are estimated by the Swedish authorities as worse than any natural disaster in modern time in Sweden.
- (4) The cost of essential emergency operations has been estimated by Sweden at EUR 85.858 million and has been broken down by type of operation. This amount contains insurable operations of EUR 1.177 million. As payments from the Fund are in principle limited to finance measures alleviating non insurable damages, the total amount of eligible operations under Article 3(2) of Regulation 2012/2002 amounts to EUR 84.682 million.
- (5) The Swedish authorities indicated that there are no plans to propose any changes to the Objective 2 programmes in the effected areas because of the storm. Sweden's rural development programme is in principle fully committed within the given budgetary framework. The county administration boards have some flexibility between measures to promote sustainable development in rural areas (e.g. new priorities within the training measure).

² Council Regulation (EC) N° 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, OJ L 311 of 14.11.2002

- (6) The Swedish authorities confirmed that insurance coverage is not included in the eligible operations of EUR 84.682 million referred to under point 4 above.

For the reasons set out above it is proposed to accept the application made by Sweden as a “major disaster” and to propose the mobilisation of the Solidarity Fund.

Estonia

- (1) The application was presented on 14 March 2005 within the deadline of ten weeks after the first damage was recorded on 8 January 2005. Upon request from the Commission services, the Estonian authorities provided additional information which was received on 6 June 2005.
- (2) The disaster is of natural origin. Estonia estimated total direct damage at EUR 47.868 million. As this amount exceeds the threshold of 0.6% of Estonia’s GNI (EUR 45.209 million) the disaster qualifies as a “major natural disaster” and falls thus within the main field of application of Regulation 2012/2002.
- (3) The storm affected approximately 39% of Estonia's territory and some 18% of Estonia’s total population. Counties in the west coast area not only suffered from strong wind but also from flooding. The storm caused severe damage to infrastructure and forests (it is estimated that over 1.1 million solid cubic meters of timber were felled). The population suffered in particular from major disruption of electricity and telephone networks caused by falling trees.
- (4) The cost of essential emergency operations eligible under Article 3(2) of Regulation 2012/2002 has been estimated by Estonia at EUR 19.644 million and has been broken down by type of operation. This amount includes EUR 5.752 million for fully reconstructing Narva-Jõesuu mole which goes beyond what can be accepted as essential emergency operations. The estimate should therefore be corrected to a maximum of EUR 16.768 million.
- (5) Estonia indicated that no other Community funds were used when dealing with the immediate consequences of the natural disaster. Structural Funds are planned to be reallocated within the measure 4.2 "Development of environmental infrastructure (ERDF)" of the Objective 1 SPD for repairing damage caused by the storm to a limited extent.
- (6) According to the Estonian authorities the insurance coverage is not included in the eligible operations referred to under point 4 above.

For the reasons set out above it is proposed to accept the application made by Estonia as a “major disaster” and to propose the mobilisation of the Solidarity Fund.

Latvia

- (1) The application was presented on 10 March 2005 within the deadline of ten weeks after the first damage was recorded on 8 January 2005. Upon request from the Commission services, the Latvian authorities provided additional information which was received on 20 June 2005.

- (2) The disaster is of natural origin. Latvia estimated total direct damage at EUR 192.590 million. As this is three times the amount of the threshold of 0.6% of Latvia's GNI (EUR 59.092 million) the disaster qualifies as a "major natural disaster" and falls thus within the main field of application of Regulation 2012/2002.
- (3) Among the three Baltic States, Latvia was hardest hit by the storm, in particular in the coastal zone where additional damage was caused by flooding. The storm caused severe damage to agriculture, forestry, electricity and other infrastructure networks, transport and communication. In forestry, it is estimated that some 6.9 million solid cubic meters of timber were felled leading to a destabilisation of the wood market which makes up some 40% of Latvia's exports. The population suffered in particular from major disruption of electricity, telephone and water/wastewater networks. The storm is expected to become a hindering factor with respect to the country's fiscal policy, namely, having a negative impact on the budget deficit.
- (4) The cost of essential emergency operations eligible under Article 3(2) of Regulation 2012/2002 has been estimated by Latvia at EUR 57.191 million and has been broken down by type of operation.
- (5) Latvia indicated that no other Community funds were used when dealing with the immediate consequences of the natural disaster. The Structural Funds Programme was amended in order to allow for restoration of forests damaged by the storm.
- (6) According to the Latvian authorities the insurance coverage is not included in the eligible operations referred to under point 4 above.

For the reasons set out above it is proposed to accept the application made by Latvia as a "major disaster" and to propose the mobilisation of the Solidarity Fund.

Lithuania

- (1) The application was presented on 16 March 2005 within the deadline of ten weeks after the first damage was recorded on 8 January 2005. Upon request from the Commission services, the Lithuanian authorities provided additional information which was received on 15 June 2005.
- (2) The disaster is of natural origin. Lithuania estimated total direct damage at EUR 15.156 million. As this amount is below the threshold of 0.6% of Lithuania's GNI (EUR 94.261 million) the disaster does not qualify as a "major natural disaster" according to Regulation 2012/2002. However, Lithuania was affected by the same wind storm during the night of 8/9 January 2005 which led to the major disaster in Latvia. Therefore, the condition for exceptionally benefiting from the Fund set out in Article 2(2), second subparagraph, of Regulation 2012/2002, whereby a neighbouring country affected by "the same disaster" can also benefit from assistance from the Fund, was found to be met.
- (3) The worst-hit regions are Klaipėda, Šiauliai, Telšiai, Panevėžys and Tauragė. The storm caused severe damage to private homes, public buildings, tourist resorts, protective sand fences at the coast, hospitals, and electricity and transport networks. In forestry, it is estimated that more than 1 million cubic metres of timber was felled by the storm, which destabilised the market and caused additional expenses for the

protection of forests against insects and for the cleaning of forest roads. The storm also caused damage to cultural sites (mainly churches and manors).

- (4) The cost of essential emergency operations eligible under Article 3(2) of Regulation 2012/2002 has been estimated by Lithuania at EUR 9.296 million and has been broken down by type of operation.
- (5) Lithuania indicated that no other Community funds were used when dealing with the immediate consequences of the natural disaster. Lithuania does not plan to use the Structural Funds to deal with the consequences of the natural disaster.
- (6) According to the Lithuanian authorities, insurance coverage for state-owned property is not mandatory and the eligible operations have consequently not been insured.

For the reasons set out above it is proposed to accept the application made by Lithuania as the “same disaster affecting a neighbouring country” and to propose the mobilisation of the Solidarity Fund.

Forestry

A considerable part of total damage in all four countries was caused in forestry. The Commission services have examined the calculation of forestry damage and noted some differences in the approach to assess damages and the underlying assumptions chosen in each case. However, it should be noted that the conditions of forestry in the countries concerned are not fully comparable and that there are differences in the respective wood markets. The calculation of estimated total damages is based on the information transmitted by the applicant Member States. Overall, the calculation of estimated total damage presented in the application is acceptable.

Financing

The total annual budget available for the Solidarity Fund is EUR 1 000 million. In 2005 an amount of EUR 5.667578 million has already been earmarked for earlier applications leaving EUR 994.332422 million available.

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 and 6% above. It is proposed to apply the same percentages in this case.

The Commission’s proposed allocation under the Fund is based on the information made available by the applicants.

The Commission proposes to grant the following amounts:

	Direct damage	<i>Amount based on 2.5%</i>	<i>Amount based on 6%</i>	<i>(EUR)</i> Total amount of aid proposed
Sweden	2 297 313 252	40 081 300	41 643 675	81 724 975
Estonia	47 868 000	1 130 225	159 540	1 289 765
Latvia	192 590 000	1 477 300	8 009 880	9 487 180
Lithuania	15 156 395	378 910		378 910
Total				92 880 830

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 2012/2002.

SUMMARY TABLE BY HEADING OF THE FINANCIAL PERSPECTIVE

Financial perspective Heading/subheading	2005 Financial perspective		Budget 2005 incl. AB 1 and 2/2005, PDAB 3-5/2005		PDAB 6/2005		Budget 2005 incl. AB 1and 2/2005, PDAB 3-6/2005	
	CA	PA	CA	PA	CA	PA	CA	PA
1. AGRICULTURE								
- Agricultural expenditure	44 598 000 000		42 835 450 000	42 835 450 000			42 835 450 000	42 835 450 000
- Rural development and accompanying measures	6 841 000 000		6 841 000 000	6 279 400 000			6 841 000 000	6 279 400 000
Total	51 439 000 000		49 676 450 000	49 114 850 000			49 676 450 000	49 114 850 000
Margin			1 762 550 000				1 762 550 000	
2. STRUCTURAL ACTIONS								
- Structural funds	37 247 000 000		37 291 564 455	29 390 527 704			37 291 564 455	29 390 527 704
- Cohesion fund	5 194 000 000		5 131 932 989	3 005 500 000			5 131 932 989	3 005 500 000
Total	42 441 000 000		42 423 497 444	32 396 027 704			42 423 497 444	32 396 027 704
Margin			17 502 556				17 502 556	
3. INTERNAL POLICIES ³	9 012 000 000		9 057 667 578	7 923 781 439	92 880 830	92 880 830	9 150 548 408	8 016 662 269
Margin			-40 000 000				-40 000 000	
4. EXTERNAL ACTIONS	5 119 000 000		5 219 000 000	5 476 162 603			5 219 000 000	5 476 162 603
Margin			-100 000 000				-100 000 000	
5. ADMINISTRATION	6 360 000 000		6 292 367 368	6 292 367 368			6 292 367 368	6 292 367 368
Margin			67 632 632				67 632 632	
6. RESERVES								
- Guarantee reserve	223 000 000		223 000 000	223 000 000			223 000 000	223 000 000
- Reserve for emergency aid ⁴	223 000 000		223 000 000	223 000 000			223 000 000	223 000 000
Total	446 000 000		446 000 000	446 000 000			446 000 000	446 000 000
Margin			0				0	
7. PRE-ACCESSION AID	3 472 000 000		2 081 000 000	3 286 990 000			2 081 000 000	3 286 990 000
Margin			1 391 000 000				1 391 000 000	
8. COMPENSATION	1 305 000 000		1 304 988 996	1 304 988 996			1 304 988 996	1 304 988 996
Margin			11 004				11 004	
TOTAL	119 594 000 000	114 235 000 000	116 500 971 386	106 241 168 110	92 880 830	92 880 830	116 593 852 216	106 334 048 940
Margin			3 098 696 192				3 098 696 192	

³ The EUSF amount is entered over and above the relevant headings as foreseen by the IIA of 7 November 2002 (OJ C283 of 20.11.2002).

⁴ Including EUR 100 million, which have been transferred to the emergency aid line. A further EUR 70 million is due to be transferred as a result of the agreement reached at the conciliation of 15 July 2005 during the discussions on PDAB 3/2005.