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**DRAFT AMENDING BUDGET N° 5
TO THE GENERAL BUDGET 2014**

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 Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council of 25 October 2012 on the Financial Regulation applicable to the general budget of the Union¹, and in particular Article 41 thereof,
- the Council Regulation (EU, Euratom) No 1311/2013 of 2 December 2013 laying down the multiannual financial framework for the years 2014-2020², and in particular Article 13 thereof,
- the general budget of the European Union for the financial year 2014 adopted on 20 November 2013³,
- the amending budget No 1/2014⁴, adopted on 16 April 2014,
- the draft amending budget No 2/2014⁵, adopted on 15 April 2014,
- the draft amending budget No 3/2014⁶, adopted on 28 May 2014,
- the draft amending budget No 4/2014⁷, adopted on 9 July 2014,

The European Commission hereby presents to the budgetary authority the draft amending budget No 5 to the 2014 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 298, 26.10.2012, p. 1.
² OJ L 347, 20.12.2013, p. 884.
³ OJ L 51, 20.2.2014, p. 1.
⁴ OJ L 204, 11.07.2014, p.1.
⁵ COM(2014) 234, 15.4.2014.
⁶ COM(2014) 329, 28.5.2014.
⁷ COM(2014)461, 09.07.2014.

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1. INTRODUCTION

Draft Amending Budget (DAB) No 5 for the year 2014 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 46 998 528 in commitment and payment appropriations. The mobilisation relates to floods in Italy (Sardinia) during November 2013, an earthquake in Greece (Kefalonia), ice storms in Slovenia, and the same ice storms, followed by floods in Croatia, at end January / beginning February 2014.

2. MOBILISATION OF THE EU SOLIDARITY FUND

Different types of natural disasters (floods, earthquakes and ice storms) have caused considerable damages to the applicant EU Member States of Italy, Greece, Slovenia and Croatia. While Italy and Greece were affected by non-related, different types of disasters, one of the worst winter blizzards in Europe affected several countries, with particularly damaging effects to Slovenia and Croatia.

While on 28 June 2014 Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014 amending Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund entered into force⁸, substantive rules cannot be applied retroactively. The Commission has therefore carried out thorough examinations of the applications in accordance with the original provisions of Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund and in particular with Articles 2, 3 and 4 thereof.

The most important elements of the assessments are summarised here below.

2.1 Italy – Floods in Sardinia

- (1) Sardinia was affected by extreme rainfall on 18 and 19 November 2013 that caused many rivers to burst their banks and gave rise to widespread floods.
- (2) The application from Italy was received on 24 January 2014, within the deadline of 10 weeks after the first damage was recorded on 18 November 2013.
- (3) The flooding is of natural origin and therefore falls within the main field of application of the Solidarity Fund.
- (4) The Italian authorities estimated total direct damage at EUR 652 418 691 which is below the major disaster threshold of EUR 3,8 billion applicable to Italy in 2014 (i.e. EUR 3 billion in 2002 prices) the disaster does not qualify as a "major natural disaster" according to the EUSF Regulation.
- (5) Italy provided a detailed breakdown of damage whereby the biggest shares relate to damage in the field of road and transport infrastructure of EUR 156,5 million, to damage in the field of hydraulic and water networks of EUR 224,6 million and to public buildings of EUR 40,6 million. The total amount for private damage amounts to EUR 38,3 million.
- (6) As total direct damage remains below the major disaster threshold for activating the Solidarity Fund the application was examined on the basis of the criteria for "extraordinary regional disasters" as laid down in Article 2(2), last 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

⁸ Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014 amending Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund, OJ L 189/143 of 27.6.2014.

the Treaty. Sardinia does not fall within this category. The Regulation calls for "utmost rigour" in assessing applications presented under the provisions for "extraordinary regional disasters".

- (7) As set out in the Annual Report on the Solidarity Fund (2002-2003)⁹ 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.
- (8) 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 out of the total population of 1,288 million inhabitants living in the 310 affected municipalities, 1,031 million people were directly affected by the disaster. It can therefore be concluded that the major part of the population was directly affected by the disaster.
- (9) As regards the requirement to demonstrate serious and lasting repercussions on the living conditions and the economic stability of the region, the application describes that most of Sardinia's territory (except for a minor part to the east of the island) was affected by the disaster. It highlights the destruction and interruption of important 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 and to residential homes. Moreover, a decline in exports in mining and quarrying and of agricultural goods is expected. Significant damage to dams in the Nuoro province was reported. Interruption and destruction of the road and transport network caused many problems to the population, particularly for those commuting to work. Italy estimates that the repair of the road and supply network will last up to 2 years and more. Damage to private businesses (often family-run) was reported, as well as damage to the agricultural sector which plays an important role in Sardinia.
- (10) The cost of essential emergency operations eligible under Article 3(2) of the EUSF Regulation has been estimated by the Italian authorities at EUR 20,9 million and has been presented by type of operation. The highest costs are estimated for preventive infrastructures and immediate protection of cultural heritage.
- (11) The affected region is eligible as a "transition region" under the European Structural and Investment (ESI) Funds (2014-2020). The Italian authorities have not signalled to the Commission their intention to reallocate funding from the ESI Funds programmes for Sardinia towards recovery measures.
- (12) The Italian authorities indicated that there is no insurance coverage of eligible cost.

2.2 Greece – Earthquakes at Kefalonia

- (1) Kefalonia was affected by a heavy earthquake with a magnitude of 5,8 on the Richter scale, followed by dozens of severe aftershocks, northeast of the island, between 26 January 2014 and 3 February 2014, leaving 3 000 people homeless and several casualties. A significant number of houses were severely damaged while people had to be accommodated several nights in tents or in army ships.
- (2) The application from Greece was received on 28 March 2014, within the deadline of 10 weeks after the first damage was recorded on 26 January 2014.

⁹ 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.

- (3) The earthquake is of natural origin and therefore falls within the main field of application of the Solidarity Fund.
- (4) The Greek authorities estimated total direct damage at EUR 147 332 790 which is below the major disaster threshold of EUR 1,2 billion applicable to Greece in 2014 (i.e. 0,6 % of GNI based on 2012 data) the disaster does not qualify as a "major natural disaster" according to the EUSF Regulation.
- (5) As total direct damage remains below the major disaster threshold for activating the Solidarity Fund the application was examined on the basis of the criteria for "extraordinary regional disasters" as laid down in Article 2(2), last 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 Greece does not fall within this category. The Regulation calls for "utmost rigour" in assessing applications presented under the provisions for "extraordinary regional disasters".
- (6) 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.
- (7) 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 Greek application states that the totality of the population of the Ionian Islands, some 208 000 inhabitants, was affected by the earthquakes with the most serious effects being felt on the Islands of Kefalonia and Ithaki for which the state of emergency was declared. The other parts of the Ionian Islands were affected to a lesser degree. After the first shock, thousands of people had to spend the nights in army tents or had to be accommodated on ships. Electricity failed. Further major quakes occurred on 3 February and 4 February leaving 3 000 people homeless. The earthquake activity continued into March. A great number of island inhabitants could not return to their homes for a long period of time due to the continued aftershocks. In addition, public buildings suffered significant damage. Schools and nursery schools were closed until mid-February. Falling rocks and landslides made roads impassable. The plausible evidence provided allows concluding that the major part of the region's population was directly affected.
- (8) As regards the requirement to demonstrate serious and lasting repercussions on the living conditions and the economic stability of the region, the application presents the consequences of the disaster for the whole region of the Ionian Islands, whereby the most serious impact is concentrated on Kefalonia and Ithaki where houses, public buildings, infrastructures and networks, port and airport facilities, as well as cultural, education and healthcare venues suffered extensive damage. The application describes the serious effects on the population, provides details on the economic consequences, in particular as regards the tourism sector and the farming/fishing sector, which have further worsened the already slowed-down economy of the island. However, the economic consequences go beyond and seriously impact on the whole region. In particular tourism, the single most important economic sector is suffering from the physical damage to infrastructures and cultural sites and from cancellations. Due to the failure to operate a satisfactory road and sea communication link and the disruption of the economic lives of local people, many enterprises have gone out of business. Moreover, Greece reports

that as a consequence of the first major earthquake in Kefalonia 100 houses have to be demolished, approximately 1 100 houses have suffered significant damage and 1 400 houses have suffered less severe damage and are temporarily unsuitable for habitation. Problems in the water supply and sewage networks further worsen the living conditions.

- (9) The cost of essential emergency operations eligible under Article 3(2) of the Council Regulation (EC) No 2012/2002 has been estimated by the Greek authorities at EUR 76,8 million and has been broken down by type of operation. The largest share relates to the immediate restoration of the road network amounting to EUR 50 million.
- (10) The affected region is eligible as a "transition region" under the European Structural and Investment (ESI) Funds (2014-2020). The Greek authorities have not signalled to the Commission their intention to reallocate funding from the ESI Funds programmes for the Ionian Islands towards recovery measures.
- (11) The Greek authorities indicated that there is no insurance coverage of eligible cost.

2.3 Slovenia – Ice storm

- (1) Slovenia was affected by some of the worst winter blizzards for decades that hit parts of Europe, affecting several countries including Croatia, Serbia, Romania and Bulgaria. Slovenia was affected mostly between 30 January and 27 February 2014, with almost half of the nation's forests been damaged by ice, while one in four homes was left without power, as heavy snow brought down electricity trees and lines.
- (2) The application from Slovenia was received on 4 April 2014, within the deadline of 10 weeks after the first damage was recorded on 30 January 2014.
- (3) The ice storm is of natural origin and therefore falls within the main field of application of the Solidarity Fund.
- (4) The Slovene authorities estimated total direct damage at EUR 428 733 722. This amount represents 1,23 % of Slovenia's GNI and exceeds the threshold for mobilising the Solidarity Fund of EUR 209,6 million applicable to Slovenia in 2014 (i.e. 0,6 % of GNI based on 2012 data). As the estimated total direct damage exceeds the threshold the disaster qualifies as a "major natural disaster". 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) As regards the impact and consequences of the disaster, the Slovene authorities report severe damage to forests, electric power facilities, public and private buildings, businesses and to the transport and road network. 160 out of 212 municipalities in twelve Slovenian regions were affected. 62 cultural heritage sites were damaged either by ice, snow or floods. Due to the harsh conditions and the damage to power lines, 120 000 households were affected by the disconnected supply of electricity, representing over 15 % of Slovenia's population. Through the EU Civil Protection Mechanism and also bilaterally, 172 electrical generator sets of which 83 of high-capacity were provided to Slovenia from 11 countries. In total, 1 400 electrical generator sets and generators were installed in the affected areas throughout Slovenia with the aim of supplying electricity for urgent needs of the affected inhabitants and for the operation of drinking water pumping sites. At the peak of the events, 40 % of primary schools, secondary institutions and kindergartens were closed. In addition, the damage to the forest sector is significant. Slovenia estimates that over 50 % of all forests were damaged (amounting to EUR 214 million). Cleaning up and restoration measures are expected to last for an extended period of time. The application demonstrated that the ice storm caused significant damage.
- (6) The cost of essential emergency operations eligible under Article 3(2) of the Council Regulation (EC) No 2012/2002 has been estimated by the Slovene authorities at EUR 266,0 million and has been broken down by type of operation. The largest share of the

cost of emergency operations (over EUR 80 million) concerns recovery operations in the field of infrastructure and energy.

- (7) The affected regions partly fall under the category of "less developed regions" and partly under "more developed regions" of the European Structural and Investment (ESI) Funds (2014-2020). The Slovenian authorities have not signalled to the Commission their intention to reallocate funding from the ESI Funds programmes for Slovenia towards recovery measures.
- (8) The Slovenian authorities indicated that there is no insurance coverage of eligible cost.

2.4 Croatia – Ice and floods

- (1) Croatia was affected by the same weather phenomenon which led Slovenia to apply for EU Solidarity Fund. Particularly, the northwest regions and part of the northern Adriatic were affected. In addition, as of 12 February, the melting ice and snow resulted in flooding which caused additional damage to important public basic infrastructures and private and public property.
- (2) The application from Croatia was received on 9 April 2014, within the deadline of 10 weeks after the first damage was recorded on 31 January 2014.
- (3) The ice storm and flooding are of natural origin and therefore fall within the main field of application of the Solidarity Fund.
- (4) The Croatian authorities estimated total direct damage at EUR 291 904 630. This amount represents 0,69 % of Croatia's GNI and exceeds the threshold for mobilising the Solidarity Fund of EUR 254,2 million applicable to Croatia in 2014 (i.e. 0,6 % of GNI based on 2012 data). As the estimated total direct damage exceeds the threshold the disaster qualifies as a "major natural disaster". 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) As regards the impact and consequences of the disaster, the Croatian authorities report that 5 areas were affected: Primorje-Gorski Kotar, Karlovac, Sisak-Moslavina, Varaždin and Zagreb. Due to the heavy weight of ice on trees and infrastructure, trees fell and trunks cracked, while power lines (covered up to 10 cm of ice) snapped, making roads impassable and aggravating the situation by leaving many settlements without electricity. As a consequence of the power failure the public water supply was interrupted during the entire period of the ice storm affecting heavily the daily lives of the population as well as the functioning of public institutions and businesses. Fallen trees made roads impassable so that the affected population could not get to work and some were cut off. In order to assist the elderly population and areas cut off, Special Forces were drafted in. Fallen trees also resulted in a five-day halt in railway traffic on the M202 Zagreb-Rijeka line. The situation was similar to the public road network. Croatia reports that the entire 35 kV network (93 km) was affected; a total of 503 km of power lines and 98 electric towers were damaged. The ice storm affected an area of over 56 000 hectares of forests of which nearly 10 000 hectares were destroyed. In summary, 1 180 houses and 1 390 farm buildings were flooded and a total of 3 720 inhabitants were affected by the floods. The UNHCR assisted the Croatian Red Cross to alleviate the plight of the victims of record flooding in the city of Sisak. In addition to that, Croatia reported several landslides causing damage to the transport infrastructure.
- (6) The cost of essential emergency operations eligible under Article 3(2) of the Council Regulation (EC) No 2012/2002 has been estimated by the Croatian authorities at EUR 135,2 million and has been broken down by type of operation. The largest share of the cost of emergency operations (over EUR 105,4 million) concerns cleaning up operations of disaster stricken areas and natural zones.
- (7) The affected regions fall under the category of "less developed regions" under the Structural Funds (2014-2020). The Croatian authorities have not signalled to the Commission their

intention to reallocate funding from the ESI Funds programmes for Croatia towards recovery measures.

- (8) The Croatian authorities indicated that there is no insurance coverage of eligible cost.

3. FINANCING

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 (i.e. 0,6% of 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 % for the part of the damage 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 and to grant the following aid amounts:

Disaster	<i>Direct damage (EUR)</i>	<i>Threshold (million EUR)</i>	<i>Amount based on 2,5 % (EUR)</i>	<i>Amount based on 6 % (EUR)</i>	Total amount of aid proposed (EUR)
Italy flooding	652 418 691	3 752,330	16 310 467	~	16 310 467
Greece earthquake	147 332 790	1 168,231	3 683 320	~	3 683 320
Slovenia ice / storm	428 733 722	209,587	5 239 675	13 148 803	18 388 478
Croatia ice /flooding	291 904 630	254,229	6 355 725	2 260 538	8 616 263
TOTAL					46 998 528

As this is the first mobilisation decision of 2014, the total amount of aid proposed above complies with the ceiling provisions of the Multi-Annual Financial Framework (MFF) regulation of EUR 530,6 million (EUR 500 million in 2011 prices) and it is also ensured that the required one quarter of this amount will be available on 1st October 2014 in order to cover needs arising until the end of the year.

In conclusion, it is proposed to mobilise the Solidarity Fund for each of these cases and to enter the corresponding appropriations into budget 2014 on budget item 13 06 01, both in commitment and in payment appropriations.

As the Solidarity Fund is a special instrument as defined in the MFF regulation, the corresponding appropriations should be budgeted outside the corresponding MFF ceilings.

4. SUMMARY TABLE BY MFF HEADING

Heading	Budget 2014 (incl. AB 1 and DAB 2 and 4/2014)		Draft Amending Budget 5/2014		Budget 2014 (incl. AB 1 and DAB 2 to 5/2014)	
	CA	PA	CA	PA	CA	PA
1. Smart and inclusive growth	63 986 340 779	66 374 487 058			63 986 340 779	66 374 487 058
<i>Ceiling</i>	63 973 000 000				63 973 000 000	
<i>Margin</i>	75 989 221				75 989 221	
1a Competitiveness for growth and jobs	16 484 010 779	12 028 322 326			16 484 010 779	12 028 322 326
<i>Ceiling</i>	16 560 000 000				16 560 000 000	
<i>Margin</i>	75 989 221				75 989 221	
1b Economic social and territorial cohesion	47 502 330 000	54 346 164 732			47 502 330 000	54 346 164 732
<i>Ceiling</i>	47 413 000 000				47 413 000 000	
<i>Margin</i>	-89 330 000				-89 330 000	
<i>Flexibility Instrument</i>	89 330 000				89 330 000	
<i>Margin</i>	0				0	
2. Sustainable growth: natural resources	59 267 214 684	56 564 930 369			59 267 214 684	56 564 930 369
<i>Ceiling</i>	59 303 000 000				59 303 000 000	
<i>Margin</i>	35 785 316				35 785 316	
Of which: European Agricultural Guarantee Fund (EAGF) — Market related expenditure and direct payments	43 778 100 000	43 776 956 403			43 778 100 000	43 776 956 403
<i>Sub-ceiling</i>	44 130 000 000				44 130 000 000	
<i>Net transfer between EAGF and EAFRD</i>	351 900 000				351 900 000	
<i>Margin</i>						
3. Security and citizenship	2 171 998 732	1 677 039 976			2 171 998 732	1 677 039 976
<i>Ceiling</i>	2 179 000 000				2 179 000 000	
<i>Margin</i>	7 001 268				7 001 268	
4. Global Europe	8 325 000 000	6 842 004 256			8 325 000 000	6 842 004 256
<i>Ceiling</i>	8 335 000 000				8 335 000 000	
<i>Margin</i>	10 000 000				10 000 000	
5. Administration	8 404 517 081	8 405 389 881			8 404 517 081	8 405 389 881
<i>Ceiling</i>	8 721 000 000				8 721 000 000	
<i>Margin</i>	316 482 919				316 482 919	
Of which: Administrative expenditure of the institutions	6 797 392 438	6 798 265 238			6 797 392 438	6 798 265 238
<i>Sub-ceiling</i>	7 056 000 000				7 056 000 000	
<i>Margin</i>	258 607 562				258 607 562	
6. Compensations	28 600 000	28 600 000			28 600 000	28 600 000
<i>Ceiling</i>	29 000 000				29 000 000	
<i>Margin</i>	400 000				400 000	
Total	142 183 671 276	139 892 451 540			142 183 671 276	139 892 451 540
<i>Ceiling</i>	142 540 000 000	135 866 000 000			142 540 000 000	135 866 000 000
<i>Flexibility Instrument</i>	89 330 000				89 330 000	
<i>Contingency Margin</i>		4 026 700 000				4 026 700 000
<i>Margin</i>	445 658 724	248 460			445 658 724	248 460
Special Instruments	456 181 000	350 000 000	46 998 528	46 998 528	503 179 528	396 998 528
Grand Total	142 639 852 276	140 242 451 540			142 686 850 804	140 289 450 068