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DRAFT AMENDING BUDGET N° 7 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 Union[1], 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 2014-2020[2], and in particular Article 13 thereof,

– the general budget of the European Union for the financial year 2014 adopted on 20 November 2013[3],

– the amending budget No 1/2014[4], adopted on 16 April 2014,

– the draft amending budget No 2/2014[5], adopted on 15 April 2014,

– the draft amending budget No 3/2014[6], adopted on 28 May 2014,

– the draft amending budget No 4/2014[7], adopted on 9 July 2014, as amended on 16 October 2014[8],

– the draft amending budget No 5/2014[9], adopted on 8 September 2014,

– the draft amending budget No 6/2014[10], adopted on 17 October 2014,

The European Commission hereby presents to the budgetary authority the draft amending budget No 7 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.
8 COM(2014) 641, 16.10.2014.
9 COM(2014) 564, 08.09.2014.
10 COM (2014) 649, 17.10.2014

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1. INTRODUCTION

Draft Amending Budget (DAB) No 7 for the year 2014 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 79 726 440 in commitment and payment appropriations. The mobilisation relates to floods in Serbia and Croatia in May 2014 and to floods in Bulgaria in June 2014.

2. MOBILISATION OF THE EU SOLIDARITY FUND

During the month of May 2014, severe weather hit major parts of the Republic of Serbia and to a lesser degree Croatia, leading to some of the worst floods in living memory, causing massive destruction of public and private infrastructure, as well as damaging hundreds of thousands of households. A month later, intense and heavy rainfall exceeding up to four times the monthly climatic norms affected parts of the Republic of Bulgaria leading to serious flooding and disruption.

The Commission has carried out a thorough examination of all three applications in accordance with Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund[11] as amended by Regulation (EU) No 661/2014 of the European Parliament and of the Council[12] (hereafter "the Regulation"),and in particular with Articles 2, 3 and 4 thereof.

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

2.1 Serbia – Floods

(1) Major parts of Serbia were affected by severe weather conditions during May 2014, leading to some of the worst floods in living memory that caused massive destruction of public and private infrastructure, as well as damaging hundreds of thousands of households.

(2) The application from Serbia, an eligible State within the meaning of Article (2)1 of the Regulation, was received on 30 July 2014, within the deadline of 12 weeks after the first damage was recorded on 14 May 2014. Updated information was provided on 18 August 2014.

(3) The flooding is of natural origin and therefore falls within the field of application of the Solidarity Fund.

(4) The Serbian authorities estimate the total direct damage caused by the disaster at EUR 1,1 billion. It is based on the results of the Recovery Needs Assessment carried out with the participation of the EU and international organisations in the immediate aftermath of the disaster. This amount represents 3,8 % of Serbia's GNI and exceeds the threshold for mobilising the Solidarity Fund of EUR 174,7 million applicable to Serbia 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", according to Article 2(2) of the Regulation. The financial assistance may only be used for essential emergency and recovery operations as defined in Article 3 of the Regulation.

(5) As regards the impact and consequences of the disaster, the Serbian authorities report widespread catastrophic flooding accompanied by torrents, erosion and landslides, mainly on the rivers Sava, Kolubara, the Tamnava, Jadar, Zapadna Morava, Velika Morava, Mlava and Pek including their tributaries. The floods most severely affected the districts of Kolubara, Mačva, Moravicki, Pomoravlje, and part of Belgrade. The affected municipalities have a population of some 1,6 million inhabitants, of which 180 000 required assistance. There were 60 casualties. Almost 32 000 people were rescued from the affected areas by the emergency services, around 5 000 of which needed to be placed in temporary accommodation. 485 housing units were destroyed, some 16 200 apartments and individual housing units sustained damage. The open pit mines of Tamnava West Field, Veliki Crljeni, as well parts of the

[11] OJ L 311, 14.11.2002, p.3.
[12] OJ L 189, 27.06.2014, p.143.

Kolubara coal basin were flooded. These coal mines are producing the coal for the major power plant "Nikola Tesla A" in Obrenovac which generates about 63 % of the electricity for the whole country. In most of the affected municipalities the water supply was disrupted for up to 10 days and partly remains polluted. Moreover, the floods affected health facilities, schools, and the road and rail networks and caused serious harm to the environment. The floods are estimated to have caused damage equivalent to 2,7 % of GDP and up to 2 % of GDP in economic losses in 2014 alone. The hardest hit economic sectors are energy, mining, and agriculture but significant damages were also inflicted on transport infrastructure (roads, bridges and railways), as well as on numerous facilities for flood and coastal protection.

(6) In addition to the mobilisation of all available national forces, international humanitarian and civil protection assistance was requested bilaterally and multilaterally. On the EU side assistance was provided from Germany, Slovenia, Bulgaria, Austria, Czech Republic, France, Denmark, Romania, Spain, the Netherlands and Poland coordinated through the European Union Civil Protection Mechanism. International teams for flood rescue operations as well as high capacity pumping were deployed. The European Commission also allocated an amount of EUR 3 million for humanitarian assistance in both Bosnia-Herzegovina and Serbia, to address the immediate needs of the most vulnerable people affected by the disaster, providing food and non-food items, cash and vouchers, pipelines and sanitary equipment.

(7) The cost of essential emergency operations eligible under Article 3(2) of the Regulation, has been estimated by the Serbian authorities at EUR 381,9 million and has been broken down by type of operation. The largest share of the cost of emergency operations (over EUR 202 million) concerns recovery operations in the field of energy. The second largest share of cost concerns the transport sector amounting to EUR 106 million.

(8) Under the Instrument for Pre-accession Assistance (IPA) EUR 30 million has already been reallocated to support short term recovery efforts. An additional EUR 50 million will be allocated by the end of the year to further support floods recovery and reconstruction. Funds under the cross-border cooperation component of IPA will be used to support border areas between Serbia and Bosnia-Herzegovina for a total amount of EUR 4 million. Moreover, the International Donors' Conference, held in Brussels on 16 July, resulted in pledges from States, international organisations and the private sector amounting to over EUR 986 million for Serbia, of which EUR 106,8 million as grants, the rest as loans. In addition, more than EUR 41 million was pledged for cross-border activities.

(9) The Serbian authorities did not indicate any insurance coverage of eligible cost.

2.2 Croatia – Floods

(1) The east part of Croatia was affected by the same weather conditions that affected Serbia, causing serious damage, albeit to a lesser degree.

(2) The application from Croatia was received on 31 July 2014, within the deadline of 12 weeks after the first damage was recorded on 17 May 2014.

(3) The flooding is of natural origin and therefore falls within the field of application of the Solidarity Fund.

(4) The Croatian authorities estimate the total direct damage caused by the disaster at EUR 297,6 million. This amount represents 0,7 % 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", according to Article 2(2) of the Regulation. The financial assistance may only be used for essential emergency and recovery operations as defined in Article 3 of the Regulation.

(5) As regards the impact and consequences of the disaster, the Croatian authorities report that the floods affected five counties in the Sava river basin located in the East of the country: Osijek-Baranja, Vukovar-Srijem, Brod-Posavina, Požega-Slavonija and Sisak-Moslavina. Water levels partly exceeded the highest ever recorded, and qualified as a once in a 1000-year flood. The flood caused considerable damage to residential, commercial, communal and infrastructure facilities, as well as to agricultural crops and livestock. Over 26 000 people had to be evacuated. Energy networks failed, roads and bridges were seriously damaged and/or buried in landslides or washed-up mud. Some 2 700 residential buildings and over 4 000 farm buildings were flooded, many of which suffered structural damage.

(6) The cost of essential emergency and recovery operations eligible under Article 3(2) of the Regulation, has been estimated by the Croatian authorities at EUR 108,8 million and has been broken down by type of operation. The largest share of the cost of emergency operations (over EUR 38 million) concerns the restoration of transport infrastructure. The second largest share of cost concerns rescue services amounting to EUR 24,7 million.

(7) The affected regions fall under the category of "less developed regions" under the European Structural and Investment Funds (2014-2020). The Croatian authorities have not signalled to the Commission their intention to reallocate funding from the ESI Fund programme for Croatia towards recovery measures. The EU Civil Protection Mechanism was activated to assist with insecticides for mosquito spraying.

(8) As regards the implementation of Union legislation on disaster risk prevention and management related to the nature of the disaster Croatia is in the process of implementing Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks (the "Floods Directive")[13]. Preliminary flood risk assessments have been carried out. Flood hazard maps and flood risk maps were established for two pilot areas and are in progress for other areas. Flood risk management plans are in the preparatory phase but have not yet been established.

(9) At the date of submitting the application Croatia was not subject to infringement proceedings concerning Union legislation relating to the nature of the disaster.

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

2.3 Bulgaria – Floods

(1) A month later, some areas in Bulgaria were affected by intense and heavy rainfall exceeding up to four times the monthly climatic norms leading to serious flooding and disruption.

(2) The application from Bulgaria was received on 25 August 2014, within the deadline of 12 weeks after the first damage was recorded on 19 June 2014. On 12 September 2014 the Bulgarian authorities submitted updated information.

(3) The flooding is of natural origin and therefore falls within the field of application of the Solidarity Fund.

(4) The Bulgarian authorities estimate the total direct damage caused by the disaster at EUR 311,3 million. This amount represents 0,8 % of Bulgaria's GNI and exceeds the threshold for mobilising the Solidarity Fund of EUR 232,5 million applicable to Bulgaria 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", according to Article 2(2) of the Regulation. The financial assistance may only be used for essential emergency and recovery operations as defined in Article 3 of the Regulation.

[13] OJ L 288, 6.11.2007, p.27.

(5) As regards the impact and consequences of the disaster, the Bulgarian authorities report that from 19 June 2014, as a result of severe weather, numerous towns and villages in Bulgaria were significantly affected by flooding, in particular in the Eastern, North-Eastern and Central parts of the country. The regions of Varna, Dobrich, Gabrovo, Veliko Tarnovo, Burgas, Montana, Kyustendil, Plovdiv, Haskovo, Yambol and the Sofia-region suffered most of the damage. In the coastal municipality of Asparuhovo (Varna) heavy rainfall and a tidal wave destroyed houses and farms, flooded buildings and streets and destroyed cars. Electricity and communication networks throughout the region were disrupted. Flash floods, bursting rivers and landslides caused casualties and severe damage in the Severen tsentralen and Severoiztochen regions. Fifteen casualties were reported, thousands were directly affected and hundreds had to be evacuated and provided with temporary accommodation. There was damage to public infrastructure and facilities in the areas of energy, water and water resources, telecommunications, transport, health, education, emergency services, cultural heritage and protected natural areas. Abundant deposits of washed up soil and waste, sewerage overflow and discharge of waste water have worsened the living conditions in the affected areas. As a result of the flooding landslides and erosion processes have been activated.

(6) The cost of essential emergency and recovery operations eligible under Article 3(2) of the Regulation, has been estimated by the Bulgarian authorities at EUR 285,4 million and has been broken down by type of operation. The largest share of the cost of emergency operations (over EUR 87 million) concerns the securing of preventive infrastructures. Over 70 million are estimated to be required for the restoration of transport infrastructure.

(7) The affected regions fall under the category of "less developed regions" under the European Structural and Investment Funds (2014-2020). The Bulgarian authorities have not signalled to the Commission their intention to reallocate funding from the ESI Fund programme for Bulgaria towards recovery measures. No request for assistance through the EU Civil Protection Mechanism was made.

(8) As regards the implementation of Union legislation on disaster risk prevention and management related to the nature of the disaster Bulgaria has transposed Directive 2007/60/EC of the European Parliament and of the Council of 23 October 2007 on the assessment and management of flood risks (the “Floods Directive”) in 2010 into national law and a preliminary flood risk assessment for each river basin district has been conducted based on a methodology for flood risk and flood hazard assessment developed by the Ministry of Environment and Water.

(9) At the date of submitting the application Bulgaria was not subject to infringement proceedings concerning Union legislation relating to the nature of the disaster.

(10) The Bulgarian authorities indicated that damage amounting to some EUR 2,3 million in the health sector is covered by insurance. This amount was deducted from 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	*Direct damage (million EUR)*	*Major disaster threshold (million EUR)*	*Total cost of eligible operations (million EUR)*	*2.5% of direct damage up to threshold (EUR)*	*6% of direct damage above threshold (EUR)*	*Capping applied*	**Total amount of aid proposed (EUR)**
Serbia	*1 105,622*	*174,649*	*381,967*	*4 366 225*	*55 858 380*	*no*	***60 224 605***
Croatia	*297,629*	*254,229*	*108,799*	*6 355 725*	*2 604 000*	*no*	***8 959 725***
Bulgaria	*311,328*	*232,502*	*285,440*	*5 812 550*	*4 729 560*	*no*	***10 542 110***
TOTAL							**79 726 440**

This is the second proposal for mobilisation decision of 2014, and the total amount of aid proposed above complies with the provisions of the Multi-Annual Financial Framework (MFF) regulation foreseeing a total amount of EUR 530,6 million (EUR 500 million in 2011 prices).

In conclusion, it is proposed to mobilise the Solidarity Fund for each of these cases and to enter the total appropriations for Croatia and Bulgaria of EUR 19 501 835 into budget 2014 on budget article 13 06 01 and the corresponding appropriations of EUR 60 224 605 for Serbia on budget article 13 06 02 (dedicated to accession countries), 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 2-6/2014)		Draft Amending Budget 7/2014		Budget 2014 (incl. AB 1 and DAB 2-7/2014)	
	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**
Ceiling	*63 973 000 000*				*63 973 000 000*	
Margin	*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
Ceiling	*16 560 000 000*				*16 560 000 000*	
Margin	*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
Ceiling	*47 413 000 000*				*47 413 000 000*	
Margin	*-89 330 000*				*-89 330 000*	
Flexibility Instrument	*89 330 000*				*89 330 000*	
Margin	0				*0*	
2. Sustainable growth: natural resources	**59 190 929 284**	**56 558 779 469**			**59 190 929 284**	**56 558 779 469**
Ceiling	*59 303 000 000*				*59 303 000 000*	
Margin	*112 070 716*				*112 070 716*	
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
Sub-ceiling	*44 130 000 000*				*44 130 000 000*	
Net transfer between EAGF and EAFRD	*351 900 000*				*351 900 000*	
Margin						
3. Security and citizenship	**2 171 998 732**	**1 677 039 976**			**2 171 998 732**	**1 677 039 976**
Ceiling	*2 179 000 000*				*2 179 000 000*	
Margin	*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**
Ceiling	8 335 000 000				8 335 000 000	
Margin	*10 000 000*				*10 000 000*	
5. Administration	**8 404 610 581**	**8 405 483 381**			**8 404 610 581**	**8 405 483 381**
Ceiling	*8 721 000 000*				*8 721 000 000*	
Margin	*316 389 419*				*316 389 419*	
Of which: Administrative expenditure of the institutions	6 797 485 938	6 798 358 738			6 797 485 938	6 798 358 738
Sub-ceiling	*7 056 000 000*				*7 056 000 000*	
Margin	*258 514 062*				*258 514 062*	
6. Compensations	**28 600 000**	**28 600 000**			**28 600 000**	**28 600 000**
Ceiling	*29 000 000*				*29 000 000*	
Margin	*400 000*				*400 000*	
Total	**142 107 479 376**	**139 886 394 140**			**142 107 479 376**	**139 886 394 140**
Ceiling	***142 540 000 000***	***135 866 000 000***			***142 540 000 000***	***135 866 000 000***
Flexibility Instrument	***89 330 000***				***89 330 000***	
Contingency Margin		***4 026 700 000***				***4 026 700 000***
Margin	***521 850 624***	***6 305 860***			***521 850 624***	***6 305 860***
Special Instruments	**503 179 528**	**403 149 428**	**79 726 440**	**79 726 440**	**582 905 968**	**482 875 868**
Grand Total	**142 610 658 904**	**140 289 543 568**	**79 726 440**	**79 726 440**	**142 690 385 344**	**140 369 270 008**