

# Amending budget 10/2008: mobilisation of the Solidarity Fund for Cyprus, financing

2008/2316(BUD) - 07/11/2008 - Commission preliminary draft budget

PURPOSE: presentation of the Preliminary Draft Amending Budget No 11 to the 2008 budget.

CONTENT: Preliminary Draft Amending Budget (PDAB) No 11 for the year 2008 covers the following elements:

- mobilisation of the EU Solidarity Fund for an amount of EUR 7.6 million in commitment and payment appropriations following a **serious drought in Cyprus**;
- a corresponding reduction in payment appropriations of EUR 7.6 million from the budget line 13 04 02 Cohesion Fund.

Cyprus has been suffering from a shortfall of rain that has led to serious effects on living conditions, the economy and the natural environment.

Substantial damages to agriculture were reported particularly in late April and in the following months, growing worse as the crop season progressed towards harvest stage. The water scarcity is also expected to affect tourism, which is an important sector of the Cypriot economy. The drought also had serious repercussions on the water infrastructure, where serious damages caused by the discontinuation of the water flow started appearing in early May 2008.

The cost of essential emergency operations eligible under Article 3(2) of Regulation (EC) No 2012/2002 has been estimated by the Cypriot authorities at EUR 59.45 million and has been broken down by type of operation. The main bulk of the operations concern costs related to the transport of water from Greece and immediate investments into the water infrastructure to secure the functioning of the water distribution network under conditions of discontinued water flow.

The Cypriot authorities stated that Community assistance for compensating private damages, mainly to farmers, will be sought if an appropriate legal basis is available in other EU financial instruments. The Commission notes however that the Common Agricultural Policy and notably the Rural Development policy gives no possibility for compensating farmers for damages due to natural disaster.

The Commission therefore proposes that the application made by Cyprus relating to a drought can be accepted as a **“major disaster”** and that the Solidarity Fund should be used.

**Financing:** the total annual budget available for the Solidarity Fund is EUR 1 billion. In 2008, EUR 273 191 197 has already been mobilised for earlier applications, leaving EUR 726 808 803 available.

Taking into account the identification of excess appropriations in 13 04 02 Cohesion Fund there will be no need for fresh payment appropriations for financing the EU Solidarity Fund payments for Cyprus. **An amount of EUR 7.6 million would thus be allocated from budget line 13 04 02 to budget line 13 06 01 to cover the corresponding needs related to the mobilisation of the EU Solidarity Fund.** This redeployment is possible because payments under the Cohesion Fund for the period 2007-2013 are to a large extent related to major projects. However, major projects need to be approved separately in subsequent Commission decisions before any interim payments can be made. As many major projects are not expected to be submitted and approved this year, no significant interim payments are expected in 2008.