Amending budget 7/2011: mobilisation of the EU Solidarity Fund for Spain and Italy

2011/2301(BUD) - 21/11/2011 - Commission draft budget

PURPOSE: presentation of draft amending budget N° 7 to the general budget 2011 which aims to mobilise the EU Solidarity Fund for Spain and Italy affected by natural disasters.

CONTENT: Draft Amending Budget (DAB) No 7 for the year 2011 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 37 979 875 in commitment and payment appropriations relating to:

- the earthquake in Murcia, Spain (EUR 21 070 950);
- flooding in the Veneto, Italy (EUR 16 908 925).

(1) Spain: the affected area concerns the whole municipality of Lorca which belongs to the Autonomous Community of Murcia. Total damage was estimated by the Spanish authorities at EUR 843 million. This figure however includes an amount of EUR 162 000 in compensation paid by the State to the families of the victims which may not be considered as "direct damage". The Commission therefore considers that total direct damage amounts to **EUR 842 838 million**. As the total damage represents only 23.8% of the normal threshold applicable to Spain in 2011, the Spanish authorities presented their application under the criteria for so-called "extraordinary regional disasters" laid down in Article 2(2), final subparagraph, of Regulation (EC) No 2012/2002 setting out the conditions for mobilising the Solidarity Fund “under exceptional circumstances”. One of the conditions set out in the 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 zone to which the Spanish application refers is the entire municipality of Lorca in the Autonomous Community of Murcia with a total population of 92 694 inhabitants (Murcia’s total population is 1 461 979). The earthquake claimed nine casualties, some 300 people were injured, approximately 10 000 inhabitants were evacuated and around 30 000 inhabitants had to spend the first night on the streets. Moreover, the application describes that an estimated 80% of buildings suffered damage with businesses and schools temporarily shut down. In addition, it is noted that around 708 shops, 50 craft businesses, 482 service companies, and 210 hotels and restaurants were affected. The disaster therefore seriously affected the socio-economic situation of the wider region far beyond Lorca with economic activity being drastically reduced if not stopped.

(2) Italy: during the period from 31 October to 2 November 2010, the Veneto region of north-eastern Italy was hit by torrential rainfall. The disaster is of natural origin and therefore falls within the main field of application of the Solidarity Fund. The damage figures presented by the Italian authorities under the "major disaster" scenario are composed of four main categories: (i) damage declared by public entities (municipalities, provinces, prefectures, regional forest service etc): EUR 588 million; (ii) damage caused by subsequent landslides: EUR 124 million; (iii) cost of restoration of the hydraulic security system: EUR 2 732 million; (iv) additional "execution costs": EUR 273 million. However, the Commission considers that only a smaller part of those costs relate to the repair of damage directly caused by the floods. Accordingly, total direct damage therefore remains below the aforementioned threshold and the Commission considers that the Veneto flooding does not qualify as a major disaster.

As total damage remains below the normal threshold the application was examined on the basis of the criteria for so-called “extraordinary regional disaster” laid down in Article 2(2), final subparagraph, of Regulation (EC) No 2012/2002 setting out the conditions for mobilising the Solidarity Fund “under exceptional circumstances”. 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 designated zone comprises parts of 14 municipalities at infra-communal level. 28 391 registered residents live in these 14 municipalities whereas 20 068 people (i.e. 70.6% of the population) are claimed to have been significantly concerned by the floods. About 2 800 temporarily displaced people were reported. More than 2 000 houses were affected by the floods, many garages and 450 cars were damaged. It was reported that over 2 500 SMEs lost their infrastructure, machineries and working tools. For the whole of Veneto the number of enterprises at risk as a consequence of the flood is 40 400 of which 9 900 are small enterprises employing some 250 000 people. On this basis the Commission considers that total direct damage may be estimated at **EUR 676.357 million** . This amount represents 19 % of the normal threshold for mobilising the Solidarity Fund applicable to Italy in 2011.

Financing: the total annual budget available for the Solidarity Fund is EUR 1 000 million. 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 reallocate the payment appropriations from budget item 05 04 05 01 — Rural development programmes, taking into account the differences between the payment forecasts from the Member States, as updated in September 2011, and the declarations of payments that have been submitted in November 2011.

It is proposed to grant the following aid amounts:

- **Spain** - earthquake in Lorca EUR 842.838 million of direct damages accepted: EU aid: **EUR 21 070 950**;
- **Veneto** - flooding: EUR 676.357 million in direct damages accepted: EU aid: **EUR 16 908 925**.