

Amending budget 5/2012: mobilisation of the EU Solidarity Fund for Italy; European Year of Volunteering 2011

2012/2242(BUD) - 19/09/2012 - Commission draft budget

PURPOSE: presentation of draft amending budget No 5 to the General Budget 2012 in order to amend a budget line and to mobilise the Solidarity Fund in favour of Italy due to a series of earthquakes in the north of the country.

CONTENT: this draft amending budget (DAB) No 5 for the year 2012 concerns the following:

1. Mobilisation of the EU Solidarity Fund for an amount of **EUR 670 192 359 in commitment and payment appropriations** relating to the series of earthquakes in Emilia-Romagna, Italy in May 2012.
2. **Modification of the budget line 16 05 03 01** – Preparatory action – European Year of Volunteering 2011 to replace the "dash" for payments on the line with a token entry (p.m.), in order to allow the final payments to be made.

1. Mobilisation of the Solidarity Fund: on 20 May 2012, a heavy earthquake with a magnitude of 5.9 on the Richter scale affected wide parts of Northern Italy and caused severe damage in many towns and villages in particular around the epicentre, mostly in the provinces of Modena and Ferrara in the region of Emilia-Romagna. On 29 May, a second strong earthquake with a magnitude of 5.8 on the Richter scale occurred with the epicentre slightly to the west. Both events were followed by several serious aftershocks. The earthquakes caused 27 deaths; an estimated 350 people were injured and over 45 000 people had to be evacuated. There was serious and widespread damage to buildings, infrastructure, businesses, industrial facilities, agriculture and to the important cultural heritage sector.

The earthquakes caused serious harm to the population, affecting almost 1 million people in 106 municipalities within 6 administrative provinces in the Regions of Emilia-Romagna, Veneto and Lombardia. The affected area is densely populated and has a highly developed economy with a great number of companies in the various industrial, manufacturing and craft sectors, many of which are of national importance, and which were greatly affected by the unprecedented damage and collapse of a large part of the industrial buildings. There is the risk of relocation of such activities to other areas. Damage to agricultural businesses was significant and is expected to lead to a dramatic impact on products such as *Grana Padano* and *Parmigiano Reggiano* cheeses and balsamic vinegar. Overall, the disaster is expected to cause a substantial drop in production, commerce, agriculture and other economic activities.

Subsequently, Italy submitted an application for financial assistance from the European Union Solidarity Fund.

The earthquakes are of natural origin and therefore fall within the main field of application of the Solidarity Fund. Total direct damage is the basis for the calculation of the amount of financial assistance. The Italian authorities estimated the **total direct damage** at EUR 13 273 736 063. This amount represents 0,86 % of Italy's GNI and exceeds by almost four times the threshold for mobilising the Solidarity Fund of EUR 3 607 million applicable to Italy in 2012. As the estimated total direct damage exceeds the threshold, the disaster qualifies as a **“major natural disaster”** and thus falls within the main field of application of Regulation (EC) No 2012/2002.

Financing: the total annual budget available for the Solidarity Fund is EUR 1 billion. 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.

A preliminary analysis of the possibility to match increased needs for payment appropriations on some budget lines, with amounts on other lines which would otherwise remain unused, points to an **overall shortage of payment appropriations at year-end**, which the Commission intends to cover by means of a draft amending budget (DAB 6/2012).

As a consequence, **the Commission proposes a corresponding increase in the level of payment appropriations to finance the mobilisation of the Solidarity Fund.**

The Commission calls for swift action to provide support to the affected regions and ensure the payment of the support, once this proposal is adopted. However, in the case of late adoption of the proposal, and of the conclusion of the implementation agreement with the Member State concerned, it may be necessary to have recourse to the provisions of Article 9 of the Financial Regulation (carryover of appropriations).

In terms of financing, it is therefore proposed to mobilise the Solidarity Fund as follows:

- **Italy** – earthquakes in Emilia-Romagna: EUR 13 113.498 million in direct damage accepted: total amount of EU aid proposed **EUR 670 192 359**.

2. Modification of a budget line: the preparatory action European Year of Volunteering 2011 was created in 2010. In accordance with article 49 of the Financial Regulation, the relevant commitment appropriations for a preparatory action may be entered in the budget for not more than three successive financial years. However, the finalisation of payments can continue thereafter.

In order to cover this final payment the Commission will make **an internal transfer within the same budget chapter**. However, in accordance with article 25 of the Financial Regulation, a transfer can only be made to a budget line for which there are authorised appropriations, or which carries a token entry (p. m.). In the 2012 budget, the line in question, 16 05 03 01 – Preparatory action – European Year of Volunteering 2011 only foresees a "dash" in payment appropriations, and so no transfer is possible. Therefore, it is proposed to replace this with a token entry (p.m.) to allow for a transfer.