# Amending and supplementary budget 5/2002: floods

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PURPOSE : presentation of the preliminary draft supplementary and amending budget 5/2002 aiming to finance the needs of the Union's Solidarity Fund for the financial year 2002. CONTENT : after the floods that hit central Europe during august 2002 it was decided to set up a new financial instrument enabling the community to grant emergency aid in the event of major disasters to Member States and countries involved in accession negotiations. The Commission proposed a Council Regulation establishing the European Union Solidarity Fund (EUSF) and an Inter-institutional Agreement, describing how this new instrument was to be financed through a new flexibility mechanism, which would allow up to EUR 1 billion per annum to be made available over and above the appropriate headings of the financial perspective. Political agreement on the two proposals was reached between the European parliament and the agreement on the two proposals was reached between the EP and the Council at conciliation of 22 October 2002. The EUSF regulation contains a specific provision whereby the Fund may retroactively be mobilised for disasters since August of this year. Member States, Parliament and the Commission have declared on several occasions that financial aid from the EUSF should be made available to the countries concerned as a matter of urgency. The Commission has thus decided to propose to the Budgetary Authority this Preliminary Draft Supplementary and Amending Budget on the basis of applications by Germany, Austria and the Czech Republic and France, states that were partly devastated by floods in August and September 2002. As concerns the application relating to the August floods in Austria, Germany and the Czech Republic, the Commission considers that all three applications meet the requirements of the regulation to mobilise the Fund. Total damage exceed by far the quantitative threshold of 0.6% of GNI (Austria, Czech Republic) or EUR 3 billion (Germany). The serious repercussions of the floods on living conditions, the natural environment or the economy are clearly demonstrated. The estimated costs of operations referred to in Article 3 of the regulation make up a considerable share of total damage exceeding in any event the maximum possible grant from the Fund. As concerns the French application, the quantitative criterion is clearly not met as the damage remains below the EUR 3 billion threshold. The Commission has therefore rigorously examined whether the criteria of the EUSF regulation are satisfied. The Commission has come to the conclusion that the sudden damage to the dpartement du Gard can be considered as an extraordinary disaster within the terms of the regulation. In reaching this conclusion, the Commission took account of the extensive scale of the damage in terms of the large amount of territory affected (covering 253 communes), the proportion of the population affected in the Gard (94%), the long-term nature of the damage (for example, permanent damage to the quality of agricultural land, the delocalisation of enterprises). Account was also taken of the potential effects on the stability of the economy which, with an unemployment rate of 13.8%, is already in a relatively weak position. It is estimated that making good the physical and financial damage will take at least five years. 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 the portion of the damage exceeding 0,6 % of GNI or EUR 3 billion should give rise to higher aid intensity than damage up to these thresholds. As a consequence, the Commission requests the budgetary authority to allocate EUR 599 million to budget line B2-400 (under heading 3 of the financial perspective) and EUR 129 million to line B7-090 (under heading 7). The necessary pay appropriations will be allocated within the budget 2002 through transfers, using unused payment appropriations, in particular in the field of Structural actions. As soon as the availabilities of payment by the budget line are confirmed, the Commission will propose a transfer to the budgetary authority in due time to allow for payment operations in 2002.