Amending budget 1/2006: mobilisation of the Union Solidarity Fund following the floods in Bulgaria, Romania and Austria

2006/2066(BUD) - 10/03/2006 - Commission preliminary draft budget

PURPOSE : to present the preliminary draft amending budget 1/2006.

CONTENT : to recall, between April and August 2005 severe floods hit large parts of central and eastern Europe causing severe damage in a number of countries. Within the 10 week deadline set by Article 4 of Council Regulation 2012/2002/EC Bulgaria, Romania and Austria applied for financial assistance from the EU Solidarity Fund relating to the storm. The Commission services carried out a thorough examination of the applications in accordance with this Regulation.

The most important elements of the assessments can be summarised as follows:

Bulgaria:

- **May 2005**: the Bulgarian authorities estimated the total direct damage at EUR 222 279 548. As this amount exceeds the threshold of 0.6 % of Bulgaria's GNI (EUR 103.274 million) the disaster qualifies as a "major natural disaster" and falls thus within the main field of application of Regulation 2012/2002/EC. The total direct damage is the basis for the calculation of the amount of financial assistance. The financial assistance may only be used for essential emergency operations as defined in Article 3 of the Regulation. The Bulgarian authorities indicated that no use of European Community funds was possible when dealing with the immediate consequences of the natural disaster. For the rehabilitation of the flooded areas, Bulgaria envisages two Phare projects. In addition, Bulgaria plans to use the Structural and Cohesion funds during the 2007–2013 programming period for the restructuring of the damaged region;
- **August 2005**: the Bulgarian authorities estimated total direct damage at EUR 237 446 248.

Romania:

- **April-May 2005**: the Romanian authorities estimated the total direct damage at EUR 489 529 837. As this amount exceeds the threshold of 0.6 % of Romania's GNI (EUR 302.114 million) the disaster qualifies as a "major natural disaster". Total direct damage is the basis for the calculation of the amount of financial assistance. The financial assistance may only be used for essential emergency operations as defined in Article 3 of the Regulation. For the rehabilitation of the flooded areas, Romania envisages to reallocate EUR 52.5 million under the SAPARD programme. An envisaged EIB loan of some EUR 250 million for road rehabilitation in northern Romania is not linked to the 2005 floods;
- **July-August 2005**: this was the second serious flooding affecting Romania within a period of 4 months and was caused by unusual and extreme meteorological conditions in south Eastern Europe over the summer months of 2005, equally affecting Bulgaria. These conditions lead to exceptionally high levels of rainfall, in several waves, that successively affected major parts of the country. The Romanian authorities estimated the total direct damage at EUR 1 049 681 003. As this amount exceeds the threshold of 0.6 % of Romania's GNI (EUR 302.114 million) the disaster qualifies as a "major natural disaster". For the rehabilitation of the flooded areas, Romania envisages to use

EUR 49 million from ISPA for the reconstruction of rail and road infrastructure sections damaged by the floods (approved by the Commission in October 2005). A further EUR 20 million is envisaged to be made available under the Phare programme.

Austria:

- **August 2005**: this application is based on the so-called "extraordinary regional disaster" criterion laid down in Article 2(2), final subparagraph of Regulation 2012/2002/EC setting out the conditions for mobilising the Solidarity Fund "under exceptional circumstances". Under this criterion, a region could also benefit from assistance from the Fund, where that region has been affected by an extraordinary disaster, mainly a natural one, affecting the major part of its population, with serious and lasting repercussions on living conditions and the economic stability of the region. The Austrian authorities estimate the direct damages at EUR 591 943 573 which represents approximately 0.27 % of Austria's Gross National income. This figure is lower than the applicable threshold for mobilising the Solidarity Fund for major disasters (0.6 % of Austria's GNI, i.e. EUR 1 336.348 million). The Solidarity Fund could therefore only exceptionally be mobilised if the conditions laid down in Article 2(2), last subparagraph of Regulation 2012/2002 are met. Austria has re-programmed EUR 750 000 of ERDF funding within the Objective 2 SPD for Vorarlberg (approved by Commission decision of 1/12/05). For Tirol no modifications to the approved Objective 2 programme is envisaged.

On the issue of financing, the total annual budget available for the Solidarity Fund is EUR 1 billion. In 2006, no resources had been earmarked for earlier applications leaving EUR 1 billion available. 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 and 6 % above. It is proposed to apply the same percentages in this case.

The Commission's proposed allocation under the Fund is based on the information made available by the applicants.

This amount of compensation will leave at least 25 % of the European Union Solidarity Fund available for allocation during the last quarter of the year, as required by Article 4(2) of Regulation 2012/2002.