



Council of the
European Union

Brussels, 4 October 2016
(OR. en)

12876/16

REGIO 83
ECOFIN 870
FIN 623
FC 58
SOC 588
EMPL 390

COVER NOTE

From:	Secretary-General of the European Commission, signed by Mr Jordi AYET PUIGARNAU, Director
date of receipt:	30 August 2016
To:	Mr Jeppe TRANHOLM-MIKKELSEN, Secretary-General of the Council of the European Union
No. Cion doc.:	COM(2016) 546 final
Subject:	REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL: European Union Solidarity Fund Annual Report 2015

Delegations will find attached document COM(2016) 546 final.

Encl.: COM(2016) 546 final



Brussels, 30.8.2016
COM(2016) 546 final

**REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND
THE COUNCIL**

European Union Solidarity Fund Annual Report 2015

TABLE OF CONTENTS

<u>1.</u>	<u>Introduction</u>	2
<u>2.</u>	<u>Pending applications from 2014</u>	2
<u>3.</u>	<u>New Applications Received in 2015</u>	5
<u>4.</u>	<u>Financing</u>	6
<u>5.</u>	<u>Monitoring</u>	8
<u>6.</u>	<u>Closures</u>	8
<u>7.</u>	<u>Conclusions</u>	10

1. INTRODUCTION

Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the EU Solidarity Fund (hereinafter "the Regulation"), provides that a report on the activity of the Fund in the previous year shall be presented to the European Parliament and to the Council. The present report presents the activities of the EU Solidarity Fund (hereinafter "EUSF" or "the Fund") during the year 2015: the treatment of new applications and the assessment of implementation reports with a view to preparing these for closure. Following the amendment of the EUSF Regulation¹, applications submitted to the Commission after June 2014 were assessed according to new criteria as laid down in the Regulation.

In 2015, the Commission received a relatively small number of applications for EUSF assistance. Only three applications were made in the course of the year concerning two cases of flooding in Greece and severe winter conditions in Bulgaria. The Commission assessed favourably all three applications.

As the 2014 revision of the EUSF Regulation introduced the possibility of advance payments to likely beneficiary States, the Commission created the necessary budgetary conditions in the 2015 EU budget and was thus able to approve the advance payments for the three applications received in the course of the year.

Moreover, the Commission completed the assessment of four applications already received in 2014 from Romania (two applications), Bulgaria and Italy. The Commission assessed favourably all four applications.

In financial terms, in the course of 2015, the Commission approved assistance from the EUSF amounting to a total of EUR 82 780 615, representing seven applications. Including financial assistance already approved at the end of the preceding year of EUR 126 724 968 (but for which the budget appropriations had to be carried forward to 2015) the Commission paid out a total of EUR 209 505 583.

Important progress was also made on the closure of eight EUSF interventions from previous years.

Annex I presents the "major disaster" thresholds for mobilising the Fund applicable in 2015 and annex II presents an "overview of the applications" mobilised in the course of the year including the relevant financial information.

2. PENDING APPLICATIONS FROM 2014

The assessment of the following four applications received in 2014 was completed in 2015. Since these applications were received after the entry into force of the amendment to the EUSF Regulation in June 2014, they were assessed according to the provisions of the revised EUSF Regulation.

¹ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, OJ L 311 of 14.11.2002, p.3 as amended by Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014, OJ L 189 of 27.06.2014, p.143

ROMANIA – spring flooding 2014

During April and May 2014, major parts of Romania were affected by wide-spread flooding causing destruction of public and private infrastructure, private homes and in agriculture. Romania applied for EUSF assistance on 9 July 2014, within the deadline of 12 weeks after the first damage was recorded on 19 April 2014.

The application was submitted as a 'neighbouring country' disaster claiming that parts of Romania it had been affected by the same disaster as the one that occurred in Serbia from 14 May 2014 onwards and which was previously considered by the Commission as a major disaster. After assessment of the meteorological conditions, the Commission came however to the conclusion that the information provided by the Romanian authorities did not allow attributing all of the damage claimed (occurring as early as 19 April) to the same disaster that had affected Serbia. The Commission therefore requested Romania to review and update its application and to exclude damage that had occurred prior to 14 May 2014.

On 29 September 2014 Romania submitted a revised application, limited to damage caused after 14 May 2014 and claiming total direct damage amounting to EUR 167,927 million. This amount represented 0,13% of Romania's Gross National Income (GNI). As total direct damage remained below the major disaster threshold² and as the regional disaster threshold as laid down in Article 2(3) of the Regulation was not reached³, the application was successfully assessed under the 'neighbouring country provision' of Article 2(4). On 9 April 2015 the Commission decided to propose to the budget authority (Parliament and Council) the mobilisation of the EUSF for an amount of EUR 4 198 175. The financial contribution was paid out to Romania on 21 August 2015.

ROMANIA – summer flooding 2014

Romania submitted a second application for EUSF assistance for damage caused by the heavy precipitation and subsequent floods and landslides in south-western Romania during the period from late July to mid-August 2014. The disaster caused damage to public and private infrastructure, to businesses and the agricultural sector, as well as to cultural heritage and private homes.

The application was received at the Commission on 3 October 2014, within the deadline of 12 weeks after the first damage was recorded on 28 July 2014. Upon request from the Commission additional information including revised damage figures were provided on 13 January 2015.

² Article 2(2) of Council Regulation 2012/2002 defines a major natural disaster as having caused direct damage in excess of EUR 3 billion in 2011 prices or more than 0.6% of its Gross National Income. The lower of the two amounts applies.

³ Article 2(3) of Council Regulation 2012/2002 defines a "regional disaster" as any natural disaster resulting in a region at NUTS level 2 of an eligible State in direct damage in excess of 1,5% of that region's GDP. Where several regions at NUTS level 2 are affected the threshold is applied to the average GDP of those regions weighted according to the share of total direct damage in each region.

The Romanian authorities estimated the total direct damage caused by the disaster at EUR 171,911 million representing 0,13% of Romania's GNI and thus remaining below the threshold for a major disaster.

Accordingly, the application was examined on the basis of the criteria for 'regional disasters'. The Romanian application related to one single NUTS 2 region, namely "Sud-Vest Oltenia". The reported direct damage of EUR 171,911 million represented 1,64% of the GDP of this region (EUR 10 480 million based on 2011 figures) thus exceeding the threshold for regional disasters and therefore meeting the criteria for a contribution from the Fund.

On 9 April 2015 the Commission decided to propose to the budget authority the mobilisation of the EUSF for an amount of EUR 4 297 775. The financial contribution was paid out to Romania on 21 August 2015.

BULGARIA – summer flooding 2014

Similar to the events in Romania, Bulgaria suffered from intense and heavy rainfall at the end of July and early August 2014 which caused considerable damage to public and private infrastructure, businesses, private homes and assets and harmed the agricultural sector.

Bulgaria submitted its application to the Commission on 23 October 2014, within the deadline of 12 weeks after the first damage was recorded on 31 July 2014. Updated information necessary to complete the assessment was provided on 12 November 2014.

The Bulgarian authorities estimated the total direct damage caused by the disaster at EUR 79,344 million representing 0,20% of Bulgaria's GNI. Accordingly, the application was examined on the basis of the criteria for "regional disasters". The Bulgarian application related to a single NUTS 2 region, namely "Severozapaden" in the north-west of Bulgaria, one of the poorest regions in the EU. The reported direct damage of EUR 79,344 million represented 2,9% of its GDP (EUR 2 732 million based on 2011 data) and thus exceeded the 1,5% of GDP threshold for regional disasters. Therefore, the application from Bulgaria met the criteria for a contribution from the Fund.

On 9 April 2015 the Commission decided to propose to the budget authority the mobilisation of the EUSF for an amount of EUR 1 983 600. The financial contribution was paid out to Bulgaria on 21 August 2015.

ITALY – autumn flooding 2014

Between 9 October and 18 November 2014 wider parts of north-western Italy suffered from recurrent periods of severe weather with heavy rain and subsequent flooding and landslides which caused serious damage to public and private infrastructure, businesses, private homes and assets and harmed the agricultural sector.

The application was received at the Commission on 23 December 2014, within the deadline of 12 weeks after the first damage was recorded on 9 October 2014. Upon request from the Commission, additional information including slightly revised damage figures was provided on 3 February 2015.

The Italian authorities estimated the total direct damage caused by the disaster at EUR 2 241,052 million, which is below the "major disaster" threshold for mobilising the EUSF applicable to Italy in 2014 (i.e. EUR 3 billion in 2011 prices).

Accordingly, the application was examined on the basis of the criteria for 'regional disasters'. Five Italian NUTS 2 regions, namely Emilia-Romagna, Liguria, Lombardy, Piedmont and Tuscany, were directly affected. On the basis of the figures presented by the Italian authorities the damage caused in the five regions, represented 1,84% of the weighted average regional GDP and thus exceeded the 1,5% of GDP threshold for regional disasters. The application from Italy was therefore eligible for a contribution from the EUSF.

On 9 April 2015 the Commission decided to propose to the budget authority the mobilisation of the EUSF for an amount of EUR 56 026 300. The financial contribution from the Fund was paid out to Italy on 2 October 2015.

3. NEW APPLICATIONS RECEIVED IN 2015

In 2015, the Commission received three new applications. The most important information about these new applications is summarised below.

BULGARIA – Severe winter conditions 2015

At the end of January and during early February 2015 major parts of Bulgaria suffered from heavy rainfall, snow, floods and landslides which caused considerable damage to public infrastructure, businesses, private homes and assets, and harmed the agricultural sector. Over 300 buildings in the city of Burgas alone were flooded. Dykes broke, many rivers (e.g. the Maritsa/Evros river) burst their banks and flooded agricultural land and forests. Gusty winds destroyed pine forests, caused power failures and disrupted the communication networks; roads were blocked by fallen trees.

Bulgaria submitted its application on 24 April 2015, within the deadline of 12 weeks after the first damage was recorded on 30 January 2015.

The Bulgarian authorities estimated the total direct damage caused by the disaster at EUR 243,305 million, which represented 0,622% of Bulgaria's GNI. As the estimated total direct damage exceeded the threshold the disaster qualified as a "major natural disaster" within the meaning of Article 2(2) of the Regulation.

When submitting its application Bulgaria requested the payment of an advance on the anticipated contribution from the EUSF. Following a preliminary assessment of the application the Commission concluded that the conditions for paying an advance laid down in Article 4a of the Regulation were met and awarded an advance

amounting to EUR 637 782 (10% of the anticipated financial contribution from the Fund). It was paid out on 15 July 2015.

After completing its assessment the Commission decided on 10 July 2015 to propose to the budget authority the mobilisation of the EUSF for an amount of EUR 6 377 815. The balance of the financial contribution from the Fund was paid out to Bulgaria on 1 December 2015.

GREECE – Central Greece and Evros flooding 2015

From early February 2015, Greece was affected by wide-spread flooding in the broader area of the rivers Evros and Ardas in the East Macedonia and Thrace Region. During the same period major parts of central and western Greece including the regions of Epirus, West Greece, Central Greece and Thessaly suffered from similar events causing even higher damage than in Eastern Macedonia. The events caused destruction of essential infrastructure, public buildings, private homes, businesses and in agriculture. The flooding in the Evros basin particularly affected the agricultural sector. About 17 500 ha of land was flooded. Farming infrastructure, warehouses and crops were destroyed. 150 km of roads were damaged or destroyed. Water supply and sewerage infrastructures were damaged in 17 settlements. The floods also caused damage to public buildings (schools, gyms, libraries).

In the western, central and northern parts of Greece Epirus, Aitolokarnania, Evrytania, Fthiotida, Thessaly and Peloponnese, suffered from heavy rainfall and storms, as well as heavy snowfall in the mountains, stormy south winds, both in offshore and onshore areas. The event triggered power failures, rivers burst their banks and extensive landslides resulted in a number of mountainous settlements being isolated where inhabitants needed to be evacuated. The disaster caused damage to more than 60% of the road network in Epirus. Agriculture suffered from loss of crops on cultivated land. Stores, homes, commercial businesses, stock farming units and farms were affected. Some of Greece's cultural heritage assets were at stake.

Greece submitted two separate applications for a financial contribution from the EUSF. Both applications were received at the Commission on 23 April 2015, within the deadline of 12 weeks after the first damage was recorded on 1 February (central and western regions) and 4 February 2015 (Evros). The applications were submitted as "regional disasters" under Article 2(3) of the Regulation.

The assessment by the Commission however revealed that the events in Greece (and the major disaster in Bulgaria) were related and had the same meteorological origins. The Commission therefore decided to treat the Greek cases as a single regional disaster. Merging the two applications had no impact on the amount of the EUSF financial contribution while considerably reducing the administrative burden on Greece from implementation and reporting.

In all, five NUTS 2 regions were affected by the disaster: The East Macedonia and Thrace region (Evros flooding) as well as the Epirus, West Greece, Central Greece and Thessaly regions. The Greek authorities estimated the cumulated total direct damage caused by the flooding events at EUR 395,878 million. This amount

represented 4,78% of the weighted average GDP of the 5 concerned NUTS 2 regions and thus exceeded by far the 1,5% of GDP threshold for regional disasters.

When submitting its applications Greece requested the payment of an advance on the anticipated contributions from the EUSF. Following a preliminary assessment of the applications, and before deciding to merge them, the Commission concluded that the conditions laid down in Article 4a of the Regulation were met in both cases. The Commission awarded advances amounting to EUR 331 135 for Evros; and EUR 658 560 for central and western Greece which in both cases represented 10% of the anticipated financial contribution from the Fund. The amounts were paid on 15 July 2015.

After completing its assessment the Commission decided on 10 July 2015 to propose to the budget authority the mobilisation of the EUSF for an amount of EUR 9 896 950. The balance of the financial contribution from the Fund was paid out to Greece on 27 November 2015.

4. FINANCING

In 2015, financial contributions from the EUSF were approved by the budgetary authority for four cases concerning applications received in 2014 and 2015.

Draft Amending Budget No 4 for the year 2015 covered four EUSF applications - two from Romania and one each from Bulgaria and Italy - for an amount of EUR 66 505 850 and was adopted on 7 July 2015⁴. Payments were executed in August and October 2015.

For the three applications received in 2015 - namely from Bulgaria and two from Greece - the Commission decided on 23 July 2015⁵ to propose the mobilisation of the EUSF without, however, presenting a draft Amending Budget as the full amount of EUR 16 274 765 required for these cases could be covered by the EUR 50 million appropriations already mobilised in the 2015 budget for possible advances. The budget authority approved the mobilisation of the EUSF on 6 October 2015⁶. Payments were executed in November and December 2015.

In parallel to the above described mobilisation procedure, and following the requests from Greece and Bulgaria, the Commission decided on 24 June 2015⁷ to award advance payments totalling EUR 1 627 477. These were paid from the EUR 50 million "reserve" for advances inscribed in the 2015 budget. The advances were paid out to Greece and Bulgaria on 15 July 2015.

Solidarity Fund financial contributions – amending budget approved in 2015

⁴ Amending Budget (AB) No 4 for the year 2015 covers the mobilisation of the European Union Solidarity Fund (EUSF) for an amount of EUR 66 505 850 in commitment and payment appropriations. The mobilisation relates to two floods in Romania, one in Bulgaria and one in Italy. OJ L 261 of 7/10/2015.

⁵ COM(2015) 370 final of 23/07/2015.

⁶ Decision (EU) 2015/1872 of the European Parliament and of the Council of 6 October 2015 on the mobilisation of the EU Solidarity Fund (OJ L 275, 20.10.2015, p.30).

⁷ Greece: C(2015) 4181 final and C(2015) 4180 final , Bulgaria: C(2015) 4179 final.

Beneficiary State	Disaster	Category	Amount (EUR)
Romania	Spring flooding 2014	neighbouring	4 198 175
Romania	Summer flooding 2014	regional	4 297 775
Bulgaria	Summer flooding 2014	regional	1 983 600
Italy	Autumn flooding 2014	regional	56 026 300
TOTAL			66 505 850
Solidarity Fund financial contributions – only mobilisation decision in 2015			
Beneficiary State	Disaster	Category	Amount (EUR)
Bulgaria	Severe winter conditions 2015	Major	6 377 815
Greece (2 cases)	Central Greece and Evros flooding 2015	Regional	9 896 950
TOTAL			16 274 765
GRAND TOTAL			82 780 615

5. MONITORING

During 2015 the Commission carried out monitoring visits to four beneficiary States in order to discuss the implementation systems put in place and to reply to specific questions raised by the implementing authorities:

- to Varna (**Bulgaria**) on 24 September 2015 relating to the EUR 10,542 million financial contribution received following the flooding affecting the town of Varna of June 2014 (major disaster);
- to Belgrade (**Serbia**) on 1 October 2015 relating to the EUR 60,225 million financial contribution received following the flooding events of May 2014 (major disaster);
- to Cagliari (**Italy**) on 6 November 2015 following the EUR 16,311 million financial contribution received following the flooding events of November 2013 (regional disaster);
- to Zagreb (**Croatia**) on 1 December 2015 to discuss two cases relating to the EUR 8,616 million financial contribution received following the ice and floods disaster of January 2014 and the EUR 8,960 million financial contribution received for the floods of May 2014 (both major disasters).

All four visits indicated that the relevant authorities were carrying out the implementation and controls in a transparent and correct manner, and in respect of the rules imposed by the EUSF Regulation, the respective grant decisions and implementation agreements. Upon receipt of the implementation reports the Commission will conduct further analyses and take further measures as appropriate.

6. CLOSURES

In the course of 2015, the Commission closed eight EUSF interventions, all of which had been implemented under the terms of Regulation 2012/2002 before its revision. Under these terms Article 8(2) stipulated that no later than six months after the expiry of the implementation period (1 year from the date of disbursement of the financial contribution), the beneficiary States shall present a report on the financial execution of the financial contribution (“implementation report”) with a statement justifying the expenditure (“validity statement”). At the end of this procedure, the Commission shall close the assistance from the Fund.

- (1) **Cyprus, drought of 2008:** the financial contribution from the Fund amounted to EUR 7,605 million. The Commission received the implementation report and statement of validity with considerable delay on 24 July 2012. To complete the assessment, additional information from Cyprus needed to be requested. In January 2015 the Commission was able to close the intervention.
- (2) **Italy, Veneto flooding of 2010:** the financial contribution from the Fund amounted to EUR 16,909 million. The Commission received the implementation report and statement of validity on 19 December 2013, well ahead of the 6-month deadline laid down in the Regulation. The report was found complete and meeting the requirements of the Regulation so that the Commission could close the intervention in January 2015.
- (3) **Czech Republic, spring flooding of 2010:** the financial contribution from the Fund amounted to EUR 5,111 million. To complete the assessment, additional information had to be requested from the Czech authorities. Moreover, the Czech authorities reported that at the end of the implementation period an amount of EUR 794,69 remained unspent (unused allocation plus interests and returns received after the termination of the EUSF account). The Commission recovered this amount and closed the intervention in June 2015.
- (4) **Czech Republic, autumn flooding of 2010:** the financial contribution from the EUSF amounted to EUR 10,912 million. Similar to the "spring flooding case of 2010" the Czech authorities informed the Commission that an amount of EUR 932,64 (unused allocation plus interests and returns received after the termination of the EUSF account) remained unspent. The Commission recovered the amount and the intervention was closed in November 2015.
- (5) **Ireland, flooding of 2009:** the financial contribution from the EUSF amounted to EUR 13,023 million. The implementation report was due by June 2012; however, Ireland requested a prolongation of the submission deadline. The report was received on 20 December 2013. It was found complete and meeting the requirements of the Regulation so that the Commission could close the intervention in September 2015.
- (6) **Croatia, September flooding 2010:** the financial contribution from the EUSF amounted to EUR 1,175 million. The Commission received the implementation report in June 2013. Additional information from Croatia had to be requested in order to complete the assessment. The intervention could be closed in October 2015.

- (7) **Italy, Emilia-Romagna earthquakes of 2012:** the financial contribution from the Fund amounted to EUR 670,192 million. The implementation report was due in June 2014. The Italian authorities requested the extension of the submission deadline and subsequently submitted the report in December 2014. The report was found complete and meeting the requirements of the Regulation so that the Commission could close the intervention in October 2015.
- (8) **Austria, Lavamünd flooding 2012:** the financial contribution from the EUSF amounted to EUR 240 000. In March 2015, Austria presented its implementation report which was found complete and meeting the requirements of the Regulation. However, the Austrian authorities informed the Commission that the municipality of Lavamünd considers that the electricity company *Verbund Hydro Power AG*, operating the hydro-electrical power plant located in Lavamünd, had acted negligently and without due care in relation to the flood. Therefore, the municipality brought a claim for damages against the *Verbund Hydro Power AG* before the Regional Civil Court in Klagenfurt. The court case is pending. Moreover, the Austrian authorities explained that the submission of the claim for damages has no immediate direct consequence and it is not possible at present to predict the outcome or the duration of the civil court action. The Commission closed this intervention in December 2015, and requested Austria to inform the Commission without delay about the outcome of the court case. Should the cost of repairing the damage be subsequently met by a third party, the Commission would require Austria to reimburse the corresponding amount as stipulated in Article 8(4) of Regulation 2012/2002

In 2015, the Commission also received three new implementation reports and statements of validity from Slovenia and from Croatia relating to the flooding of 2012 and from Austria following the flooding of 2013. At the end of the period covered by this annual report the assessment of these implementation reports was still on-going.

7. CONCLUSIONS

2015 was the first full year of EUSF implementation under the rules of the revised Regulation. Due to the small number of applications received since the new provisions entered into force it is still premature to make a final judgement on the effectiveness of the intended results. There are indications, however, that the revised criteria for regional disasters now give potential applicants a much clearer indication whether an application is likely to be accepted and thus saves them from unnecessary work for an unsuccessful application and a possible deception. Under the old, less clear provisions some two thirds of regional disaster applications were assessed ineligible. Since the revision the success rate of regional disaster applications has been 100%.

The delay between a disaster and the payment of aid is still an issue. Applicant States tend to use the application period now extended to 12 weeks fully. In some instances the need to translate the application into a Commission working language is time consuming as is the procedure required for the adoption of the Mobilisation decision and corresponding Amending Budget by Council and the Parliament (which includes a 8 week scrutiny period for national Parliaments). On the other hand, under the new provisions and guidance potential applicants seem to have a clearer understanding of what is required in the application process thus reducing the need for the Commission to request additional information before the assessment of the application can be completed. Lastly, the merger into a single Commission implementing act of the previously separate grant decisions and implementation agreements also help to reduce delays. The Commission is striving to reduce these further through streamlining of the administrative procedures.

In the 2015 budget year the new provision on advance payments became operational for the first time allowing the Commission to pay out 10% of the anticipated aid amount ahead of the formal mobilisation of the Fund. This was done successfully for all three new applications of 2015.

The reduction of the maximum annual budget allocation to EUR 500 million under the 2014-2020 financial frameworks did not give rise to any issues as no exceptionally big disaster occurred during the reporting period. Accordingly, it was not necessary to apply the capping of aid amounts to two thirds of the available annual allocation, as set out since 2014 for such eventualities in the Communications to the Commission on the applications for a financial contribution. In fact, payments in 2015 could fully be made from unspent allocation of 2014 carried forward while the remaining EUR 287 million of the 2014 allocation has expired at the end of 2015. Consequently, the full amount of the 2015 allocation was carried forward to 2016 and thus creating an additional safety net for potential disasters during the year 2016.