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REPORT FROM THE COMMISSION TO THE EUROPEAN PARLIAMENT AND THE COUNCIL

European Union Solidarity Fund Annual Report 2013

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1. INTRODUCTION

Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union 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”) during the year 2013: the treatment of pending and new applications and the assessment of implementation reports with a view to preparing these for closure. It also addresses the proposal to amend the Regulation presented in the course of the year[1].

During 2013, the Commission received **eight new applications** for EUSF assistance which represents an average year in terms of the number of applications. Four applications were submitted in January; four more applications arrived in July and August. Three of these applications concerned the flooding events in Slovenia, Austria and Croatia in October/November 2012. The applications received from Germany, Austria, the Czech Republic and Hungary concerned the severe floods of May/June 2013. The application received from Portugal concerned the mud and landslides on the Island of Madeira in January 2013. With the exception of the ones from Portugal and Hungary the Commission accepted all these applications and proposed the mobilisation of the EUSF.

The Commission also completed its assessment of an application from Romania pending from 2012 relating to drought and fires for which it also proposed the mobilisation of the Fund.

In financial terms, in the course of 2013, the Commission approved aid from the EUSF amounting to a total of EUR 415,127 million; details are described in chapter 4 “Financing”. In total EUR 14,321 million of aid could be paid out, namely for the flooding events in Slovenia and Austria of 2012.

Annexes 1 to 3 present the applicable thresholds for mobilising the fund for 2013, a summary of the applications received and a complete list of applications dealt with since 2002.

1 Proposal for a Regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund, COM(2013) 522 final of 25.7.2013.

2. APPLICATIONS PENDING FROM 2012

Romania (drought and fires)

During the summer of 2012 major parts of Romania suffered from very low precipitation and repeated waves of extremely high temperatures, leading to drought with important crop failure, numerous forest and vegetation fires, shortage of water for the population, and resulting problems for the water supply and hydro-energy production systems. Subsequently, Romania submitted an application for EUSF assistance on 2 November 2012.

In the cases of drought the provision of the Regulation whereby applications have to be submitted within 10-weeks of the occurrence of the first damage cannot be reasonably applied. The Commission has therefore applied the same principles that it established when assessing the first comparable EUSF application, namely the 2008 drought in Cyprus. Accordingly, the date at which the drought was considered to have reached its peak should be considered as the starting date of the 10-week application period. In Romania prolonged periods of low rainfall, high temperatures and numerous fires over several months lead to the development of severe drought conditions affecting some 2,764 million hectares of land in 35 of the 41 Romanian counties which cumulated on 25 August 2012 with the outbreak of major vegetation and forest fires. The Commission, therefore, considered that 25 August 2012 should be accepted as the starting date of the major disaster. The application presented to the Commission on 2 November 2012 respected the time-limits.

In their initial application the Romanian authorities estimated the total direct damage at over EUR 1,9 billion representing 263% of the major disaster threshold for mobilising the EUSF applicable to Romania in 2012 of EUR 735,487 million (i.e. 0,6% of GNI based on 2010 data). This figure however contained agricultural damage that had occurred prior to the defined starting date which may not be included in the total amount of damage. The Commission requested Romania to review its damage assessment. The revised total damage presented by Romania minus other ineligible indirect cost amounted to EUR 806,7 million. Over 99% of the estimated damage related to private agriculture and forestry which is not eligible for EUSF aid as it is not covered by the types of eligible emergency operations pursuant to Article 3(2) of the Regulation. The cost of operations eligible under Article 3(2) therefore amounted to EUR 2,476 million (i.e. costs of emergency operations of the rescue services, in particular fire-fighting and water transport, and rehabilitation operations on the water infrastructure). Since aid from the EUSF may not exceed the total cost of eligible operations the Commission decided on 3 October 2013 to propose the mobilisation of the Fund amounting to EUR 2,476 million, covering the cost of eligible operations. Following the completion of the budget procedure in the Council and the European Parliament and the conclusion of the implementation agreement between the Commssion and Romania, the EUSF contribution was paid out on 10 March 2014.

3. New applications received in 2013

Floods in Slovenia, Austria and Croatia (three cases)

In late October and early November 2012 intense rainfall in south-eastern Europe caused rivers to burst their banks flooding in wider areas of the rivers Sava, Kupa, Mura and Drava in Slovenia and in the basins of the rivers Mura, Drava and Lavant in Austria as well as on the territory of Croatia.

Subsequently, all three countries submitted applications for EUSF financial assistance: Slovenia applied for a major disaster, whereas Croatia's and Austria's applications were based on the so-called "neighbouring country" provision whereby a country affected by the same disaster as a neighbouring country where a major disaster has occurred may exceptionally benefit from EUSF financial assistance.

(1) **Slovenia**: The application was received on 2 January 2013, within the 10-weeks deadline, after the first damage was recorded on 28 October 2012. Total direct damage was estimated at EUR 359,535 million stemming in particular from significant damage in agriculture, forestry, to the local road infrastructure and watercourses. Over 2 500 homes, administrative and economic facilities as well as 10 schools suffered damage. This amount represented 1,008% of Slovenia's GNI and exceeded by far the major disaster threshold for mobilising the EUSF of EUR 214,021 million applicable to Slovenia in 2013 (i.e. 0,6% of GNI based on 2011 data). On 30 April 2013, the Commission therefore proposed to mobilise financial assistance of EUR 14,081 million. Following the completion of the budget procedure in the Council and the European Parliament and the conclusion of the implementation agreement between the Commission and Slovenia, the financial contribution was paid out on 19 November 2013.

(2) **Austria**: The disaster in Slovenia also impacted on Austria, albeit in a very limited way. The town of Lavamünd, located at the immediate confluence of the rivers Drava (Drau) and Lavant on Austria's border with Slovenia, was inundated with water rising up to two meters high damaging public buildings, private homes, businesses and local infrastructure.

    The application was presented on 11 January 2013 within 10-weeks deadline after the first damage was recorded on 5 November 2012. Updated information was received on 28 February 2013. Total direct damage caused by the disaster amounted to EUR 9,6 million. This amount represented only a small fraction of the major disaster threshold for mobilising the EUSF of EUR 1,798 billion (i.e. 0,6% of Austria's GNI of 2011). However, given that the flooding in Lavamünd had the same origins as the major disaster in Slovenia the Austrian authorities presented their application under the so called "neighbouring country” provision. Despite the limited damage which represented only 0,53% of the threshold, the EUSF could be mobilised. The financial contribution from the Fund amounting to EUR 240 000 was paid out on 19 November 2013.

(3) **Croatia**: Croatia, which at the time of the disaster was covered by the scope of the EUSF as a country negotiating its accession to the EU, presented its application on 3 January 2013 within the deadline of 10-weeks after the first damage was recorded on 26 October 2012. Croatia reported that important infrastructure as well as private and public property was damaged in

9 counties, in 4 of which the disaster had serious effects on the local economy and the living conditions of some 795 000 inhabitants. Agriculture and forestry, industrial and commercial facilities, private homes, dykes, bridges and piers on the Croatian coastline suffered in particular. Several hundred private homes were flooded and people had to be evacuated. In the remaining 5 counties the flood protection measures taken by Hrvatske vode (Croatian waters) prevented damage to private property.

The Croatian authorities estimated the total direct damage at over EUR 11,463 million. As this amount was clearly below the major disaster threshold for mobilising the EUSF of EUR 259,805 million (i.e. 0,6% of GNI based on 2011 data) the disaster did not qualify as a "major natural disaster". However, like Austria, Croatia invoked the "neighbouring country" provision which the Commission accepted. The financial contribution from the Fund amounting to EUR 286 587 was paid out on 15 January 2014.

Floods in Central Europe (four cases)

In May and June 2013 Central Europe was affected by a meteorological situation very similar to the one which lead to the 100-year-flooding-event in 2002 and subsequently to the creation of the EUSF. Again, Germany, Austria and the Czech Republic were affected by extreme flooding. Hungary was also concerned, albeit to a much more limited degree. In spite of partly higher flood levels, overall damage, while still very high, remained below that of 2002, in particular in Austria and the Czech Republic, not least because of the effectiveness of flood protection and risk control measures introduced since 2002.

Subsequently, Germany submitted an application for financial assistance from the EUSF under the criteria for a major disaster, whereas the applications from Austria and the Czech Republic were based on the so-called "neighbouring country" provision. Hungary applied under the criteria for “extraordinary regional disasters”.

(1) **Germany**: The application was received on 24 July 2013, within the 10-weeks deadline after the first damage was recorded on 18 May 2013. Large areas of Germany experienced amounts of extremely intense rainfall and water levels reached a new all-time high on many rivers. The floods were more extensive and more severe than the floods of August 2002 and the previous record summer floods of July 1954. In total, twelve German Länder were directly affected, eight people lost their lives, with at least 128 people injured. More than 100 000 people were evacuated from flood-affected areas with a total of almost 600 000 people affected by the disaster. 32 000 houses were damaged or completely destroyed and severe damage to public infrastructure was reported.

The German authorities estimated the total direct damage at over EUR 8,153 billion. Since this amount exceeded by far the threshold for mobilising the EUSF of EUR 3,679 billion applicable to Germany in 2013 (EUR 3 billion in 2002 prices), the disaster qualified as a “major natural disaster”. On 3 October 2013, the Commission proposed to mobilise financial assistance of EUR 360,454 million. The corresponding amending budget (covering also the Austrian and Czech cases described below) was adopted by the Council and the European Parliament on 20 November 2013 but provided that a major part of the necessary appropriations would only be available in

2014. Accordingly, the EUSF contribution was paid out on 19 March 2014 after the implementation agreement between the Commission and Germany had been concluded.

(2) **Austria**: The Commission received the application on 6 August 2013, within the deadline of 10-weeks after the first damage was recorded on 30 May 2013. The flood affected seven of the nine Austrian Länder, in particular Vorarlberg, Tyrol, Salzburg, Lower and Upper Austria with a population of some 4,6 million inhabitants. In some river basins (Saalach, Salzach, Inn, and upper Danube) flood levels reached a 500 year high. It resulted in widespread damage to infrastructure, in particular protective infrastructure along the rivers, in the transport and in the water/waste water sectors. Private homes and property were damaged or destroyed, crop failure resulted from flooding of over 22 000 hectares of agricultural land. Over 300 businesses suffered direct damage, including some in the all-important tourism sector.

The total direct damage was estimated at EUR 866,462 million, representing 48% of the major disaster threshold of EUR 1,798 billion (i.e. 0,6% of Austria's GNI), thus not qualifying as a "major disaster". As the major disaster in Germany was caused by the same weather phenomenon, the Austrian application was accepted under the "neighbouring country" provision of the Regulation. The Commission decided on 3 October 2013 to propose financial assistance of EUR 21,662 million to Austria. The financial contribution from the Fund was paid out on 14 February 2014.

(3) **Czech Republic**: The Commission received the application on 8 August 2013, within the deadline of 10-weeks after the first damage was recorded on 2 June 2013. Torrential rainfalls caused flooding with up to 50-year return periods especially in the catchment areas of the Berounka, Vltava and Labe rivers and affecting in particular the regions of South Bohemia, Plzeň, Central Bohemia, Hradec Králové, Liberec, Ústí and the City of Prague which represent approx. 54% of the Czech Republic territory and directly concerned more than one third of the population of the Czech Republic. 15 people were killed and 23 000 had to be evacuated. The floods damaged or destroyed in particular the transport infrastructure (railways, roads and bridges etc.), telecommunication networks, water supply and wastewater systems, as well as electricity and gas networks. More than 7 000 private homes were damaged. Health care and social services, businesses, the agricultural and forest sector also suffered extensive damage.

The total direct damage was estimated at EUR 637,131 million. This amount represented 73% of the threshold of EUR 871,618 million (i.e. 0,6% of the Czech Republic's GNI), thus not qualifying as a "major disaster". However, as in the case of Austria, the Czech flooding had the same meteorological origins as the major disaster in Germany. The application was thus based on the so-called "neighbouring country" provision. The Commission decided on 3 October 2013 to propose financial assistance to the Czech Republic amounting to EUR 15,928 million. Following the adoption of the corresponding amending budget by the Council and the European Parliament and the conclusion of the implementation agreement between the Commission and the Czech Republic, the EUSF contribution was paid out on 19 March 2014.

(4) **Hungary**: The extreme floods wave on the Danube and its tributaries upstream in Germany and Austria reached Hungary on 4 June and left the country on 14 June 2013. The most severely hit area was concentrated in Central Hungary in and around Budapest where damage was caused to infrastructure, in particular in the transport sector, water supply and wastewater systems, health, education, telecommunication, private homes and businesses. Some 2 500 hectares of agricultural land were inundated resulting in crop losses. More widespread damage could however be avoided thanks to very intense emergency operations. The Commission received Hungary's application on 13 August 2013, within the deadline of 10-weeks after the first damage was recorded on 4 June 2013.

Hungary estimated the total direct damage at EUR 27,951 million. This amount represented less than 5% of the major disaster threshold for mobilising the EUSF of EUR 569,258 million (i.e. 0,6% of Hungary's GNI), the disaster therefore did by far not qualify as a "major disaster". The "neighbouring country criterion" could not be applied as none of Hungary's neighbours suffered a major disaster from the floods. The application was therefore presented under the criteria laid down for so-called "extraordinary regional disasters". The Commission's assessment however concluded that Hungary's application did not meet the exceptional criteria for a regional disaster as stipulated in the Regulation as it provided no evidence for serious and lasting repercussions on the living conditions of the population and on the economic stability of the affected region. On 3 October 2013, the Commission therefore decided to reject the application as it could not be considered to be extraordinary within the meaning of the Regulation. The Hungarian authorities were informed accordingly.

Floods and landslides in Madeira (Portugal)

On 4 and 5 November 2012, unusually high rainfall in parts of the Portuguese Autonomous Region of Madeira triggered landslides and flooding causing damage to public infrastructure, to private property and in agriculture. Consequently, Portugal submitted an application for EUSF financial assistance which was received at the Commission on 14 January 2013, within the 10-weeks deadline.

Portugal reported total direct damage of EUR 25,7 million which represented only 2,5% of the major disaster threshold of EUR 987,376 million (i.e. 0,6% of GNI). The application was therefore presented under the criteria laid down for so-called "extraordinary regional disasters". Given the disaster's limited impact on Madeira's population and economic stability and despite Madeira's status as an outermost region the Commission concluded that the application did not meet the exceptional criteria for a regional disaster as stipulated in the Regulation. On 22 April 2013, the Commission decided to reject the application as the disaster could not be considered to be extraordinary within the meaning of the Regulation. The Portuguese authorities were informed accordingly.

Where a financial contribution from the Fund was mobilised, the full amount shall be used within 12 months from the date on which the Commission has disbursed it. The financial contribution may only be used for essential emergency and recovery operations as defined in Article 3 of the Regulation.

4. FINANCING

In 2013, financial contributions from the Fund were approved by the budgetary authority for **seven cases** concerning applications received in 2012 and 2013.

The corresponding Preliminary Draft Amending Budget No 5 for the year 2013 for applications received in 2013 from Slovenia, Austria and Croatia (flooding of October/November 2012) was completed on 11 September 2013[2]. Following the adoption of the grant decisions and the conclusion of the implementation agreements, the payments for Slovenia and Austria were done on 19 November 2013. For Croatia, the payment was done on 15 January 2014.

Preliminary Draft Amending Budget No 9 for the year 2013 covered the flooding disasters in Germany, Austria, and the Czech Republic in May/June 2013 and the application from Romania in relation to the drought and fires events of 2012[3]. EUR 150 million in payment appropriations (of a total of EUR 400,5 million) were made available only in 2014. Payments for all four cases were done following the carry-over of the budget appropriations to 2014.

Solidarity Fund financial contribution – budget approved in 2013			
Beneficiary State	**Disaster**	**Category**	**Amount (**EUR)
Slovenia	Flooding 2012	Major	14 081 355
Austria	Flooding 2012	Neighbouring	240 000
Croatia	Flooding 2012	Neighbouring	286 587
Germany	Flooding 2013	Major	360 453 575
Austria	Flooding 2013	Neighbouring	21 661 550
Czech Republic	Flooding 2013	Neighbouring	15 928 275
Romania	Drought and fires 2012	Major	2 475 689
TOTAL			**415 127 031**

5. MONITORING

During 2013 the Commission carried out monitoring visits to three beneficiary countries in order to discuss the implementation systems put in place and to reply to specific questions raised by the implementing authorities:

– to Lorca (**Spain**) on 5 February 2013 relating to the EUR 21,071 million financial contribution received following the earthquake affecting the town of Lorca of 11 May 2011.

[2] Amending Budget (AB) No 5 for the year 2013 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 14 607 942 in commitment and payment appropriations relating to a flooding disaster in Slovenia, Croatia and Austria in autumn 2012. Official Journal L 327 of 6/12/2013.

[3] Amending Budget (AB) No 9 for the year 2013 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 400,5 million in commitment appropriations and EUR 250 million in payment appropriations. Proposed by the Commission on 3 October 2013 (COM(2013)691), amended by the Council on 30 October 2013 and approved by the European Parliament on 20 November 2013. Official Journal L 49 of 19/02/2014.

– to Genoa (**Italy**) on 23 April 2013 relating to the EUR 18,062 million financial contribution received following the flooding events of Liguria and Tuscany of 2011.

– to Bologna (**Italy**) on 5 June 2013 following the EUR 670,192 million financial contribution received for the devastating earthquakes affecting Emilia-Romagna, Lombardia and Veneto of 20 May 2012.

All three visits gave reasonable assurance 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 Regulation, the respective grant decision and implementation agreement. Upon receipt of the final reports the Commission will conduct further analyses and take appropriate measures as appropriate.

6. CLOSURES

Article 8(2) of the Regulation lays down that no later than six months after the expiry of the one-year period from the date of disbursement of the financial contribution, the beneficiary State 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.

Accordingly, in the course of 2013, four files were closed:

(1) **Germany, storm Kyrill of 2007**: the financial contribution from the Fund amounted to EUR 166,91 million. Germany presented on 9 July 2009 its implementation report including 15 statements of validity established by the German Länder affected by the storm. The auditing work of the Commission required further information from the German authorities which was provided in May 2012. Germany declared that an amount of EUR 9 778,59 was later covered by a third party. The Regulation provides that amounts covered by a third party have to be returned to the Commission. This amount was recovered by the Commission in April 2013 and the case was closed in May 2013.

(2) **France, storm Klaus of 2009**: the financial contribution from the Fund amounted to EUR 109,38 million. The implementation report from France was received on 31 August 2011. Following an internal audit by the French authorities, the ineligible expenditure amount declared amounted to EUR 1,105 million. This amount was later corrected to EUR 1,066 million. In addition, the Commission's assessment showed that further information regarding the statement of validity needed to be requested from France. In August 2013, the Commission's Directorate-General for Budget initiated the off-setting procedure in relation to the amount of EUR 1,066 million against a French-European Regional Development Fund payment. France did not object and the off-setting was executed on 21 August 2013. The case was closed.

(3) **Greece, Evros flooding of 2006**: the financial contribution from the Fund amounted to EUR 9,31 million. The implementation report from Greece was received at the Commission in July 2009. Additional information from Greece needed to be requested in April 2010 and June 2012. Greece sent its final replies in April 2013 allowing to resolve all open issues relating the statement of validity. The case was closed in November 2013.

(4) **Italy, Abruzzo earthquake of 2009**: the financial contribution amounted to EUR 493,77 million. The implementation report was received by the Commission in January 2011. Italy reported eligible expenditure of EUR 919,98 million, exceeding the EUSF contribution by EUR 426,12 million. Given the size of the financial contribution, this case was audited by the Commission and also subject of a performance audit undertaken by the European Court of Auditors. The final report of the performance audit of the European Court of Auditors was published in February 2013 (Special Report No 24/2012). The final audit report of the Commission was sent to Italy in May 2013. Following the Commission's audit ineligible expenditure was detected. Italy could legally exclude the irregular expenditure from the declared one and still justify a sufficient amount of regular expenditure to cover the totality of the EUSF financial contribution. As a consequence, the findings detected did not have any financial impact on the EU budget and no recovery of EU funds was required. The case was closed on 27 November 2013.

In 2013, the Commission also received nine new implementation reports for cases relating to flooding events of 2010: from Slovakia, Poland, Czech Republic, Hungary, Croatia, Romania and Slovenia. Croatia and the Czech Republic submitted their reports for disasters that occurred in spring and autumn of 2010. In addition, the Commission received a report from Italy relating to the Veneto flooding of 2011. At the end of the period covered by this annual report the assessment of these implementation reports was still on-going.

7. PROPOSAL TO AMEND COUNCIL REGULATION (EC) NO 2012/2002 ESTABLISHING THE EUROPEAN UNION SOLIDARITY FUND AND CONCLUSIONS

As in previous years, only a small part of the applications for aid received related to major disasters (two of a total of eight cases) whereas the other six applications all related to extraordinary regional disasters or were based on the exceptional "neighbouring country" provision. As in previous years, assessing whether regional disaster applications meet the exceptional criteria laid down in the Regulation proved challenging and time consuming.

On the whole, the implementation of the Solidarity Fund in 2013, like the experience made in previous years, confirmed the Commission's view that important improvements to the operation of the Fund, in particular a better responsiveness, could be achieved by adjusting a limited number of provisions of the Regulation, while maintaining the rationale and character of the Fund and without touching on matters of finance and the volume of permitted spending.

Therefore, based on its 2011 Communication on the 'Future of the EU Solidarity Fund'[4], the Commission presented in mid-2013 a legislative proposal to amend the Regulation[5]. This proposal included in particular elements geared towards making the Fund more responsive and simpler to use with clearer criteria as to who can benefit, simplifying the existing rules so that aid can be paid out more rapidly than before, introducing the possibility of advance payments, spelling out more clearly who and what will be eligible, particularly for regional disasters, and focusing on disaster prevention and risk management strategies for Member States, including the

4 COM(2011)613 final

5 COM(2013)522

full implementation of relevant Union legislation on disaster risk prevention and management and the use of available Union funding for relevant investments.

Deliberations of the proposal began at the end of November in the European Parliament and in the Council with the Lithuanian Presidency in December. Negotiations were concluded under Greek Presidency in 2014. Regulation (EU) No 661/2014 of the European Parliament and of the Council of 15 May 2014 amending Council Regulation (EC) No 2012/2002 establishing the European Union Solidarity Fund entered into force on 28 June 2014. The results will be presented in the 2014 annual report.