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REPORT FROM THE COMMISSION

European Union Solidarity Fund
Annual Report 2012

TABLE OF CONTENTS

1. Introduction 3
2. Pending applications from 2011 4
3. New applications received in 2012 5
4. Financing 8
5. Monitoring 8
6. Closures 9
7. Conclusions 10

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1. INTRODUCTION

Article 12 of 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 be presented to the European Parliament and to the Council. The present report presents the activities of the Fund in 2012 covering, as in previous reports, the treatment of pending and new applications and the assessment of implementation reports with a view to preparing these for closure.

In the course of 2012, a total of 7 applications for Solidarity Fund assistance were received which represents a normal and average year in terms of the number of applications. Two applications were received during the first half of the year and five more followed over the summer and autumn months.

The **seven applications received in 2012** concerned two disasters in Italy (severe winter conditions in major parts of the country, and the earthquakes in Emilia-Romagna, Lombardia and Veneto), four cases from Spain (forest fires in Valencia, fires in the Canary Island, fires in Malaga and flooding in Andalusia, Murcia and Valencia) and one case from Romania (drought and fires). The application received from Italy relating to the severe weather conditions of February 2012 could not be accepted by the Commission. However, the second application from Italy relating to the series of earthquakes that struck the regions of Emilia-Romagna, Lombardia and Veneto of May 2012 led to the biggest grant ever in the history of the Solidarity Fund. An amount of over EUR 670 million was paid out to Italy in December 2012, just six months after the disaster struck. The Spanish applications concerned smaller disasters with damage considerably below the normal threshold for mobilising the Solidarity Fund. In none of these cases the conditions of the Regulation for exceptionally mobilising the Fund under the criteria for “regional disasters” were found not to meet. The assessment of the application from Romania was still pending by the end of the year.

IIn the course of 2012 the Commission also completed its assessment of two cases pending from 2011. The application from Italy relating to flash floods in Liguria and Tuscany of 2011 was accepted. The application from Cyprus relating to the naval base explosion of 2011 was not accepted. Both cases are described in this report.

In all, in the course of 2012, the Commission granted Solidarity Fund aid amounting to a total of EUR 688 254 041, details are described in chapter 4 “Financing”.

Moreover, the management of the Solidarity Fund in 2012 confirmed the experience from preceding years: Major disasters - which are the principal concern of the Solidarity Fund - represent only a small part of applications for aid. The biggest number of applications relate to smaller disasters below the damage threshold. The assessment of the latter however reveals that the majority of these cases do not meet the conditions for exceptionally mobilising the Fund. Replacing these rather complicated requirements in the Regulation with a clear and simple condition was one of the elements of the Commission’s preparatory work during 2012 for the review of the Solidarity Fund Regulation.

2. PENDING APPLICATIONS FROM 2011

Cyprus (naval base explosion)

On 11 July 2011 an enormous explosion occurred at the Evangelos Florakis naval base near Larnaca, 60 km from the capital, Nicosia. The *accident* was caused by the explosion of big amounts of ammunition stored in containers originating from the intercepted M/V Monchegorsk ship carrying arms from Iran to Syria in 2009. The confiscated ammunition had been offloaded in Cyprus and stored on the naval base under open skies. The explosion is suspected to have been caused by self-ignition due to very high outside temperatures. Adjacent to the naval base lays the Vasilikos Power Plant (VPP) – Cyprus' most important power station generating approximately 50% of the country's power. As a result of the blast the power plant suffered severe damage causing serious energy shortages on the island. The Cypriot authorities submitted on 19 September 2011 an application for Solidarity Fund aid. Damage to the power plant alone was estimated at between EUR 330 million and EUR 700 million. Including other damage the estimate of total direct damage was thus comprised in a bracket between EUR 467 million and EUR 837 million. The threshold for mobilising the Solidarity Fund applicable to Cyprus in 2011 amounted to EUR 99,845 million (i.e. 0,6% of GNI based on 2009 figures). Updated information provided by the Cypriot authorities showed seriously revised damage figures amounting to a total of EUR 357,19 million; i.e. considerably less than the initial estimate. Direct damage to the power station was then estimated at EUR 220 million. After deducting non-eligible damage the total direct damage amounted to EUR 271,05 million.

According to the Cypriot authorities the Electricity Authority of Cyprus' insurance companies have accepted liability for the cost of restoration of the power station. The Commission concluded that all damage claimed by the Cypriot authorities is either effectively insured or insurable and therefore not eligible for Solidarity Fund aid. Moreover, the Fund may not intervene in cases of liability of a third party (which may also be a public authority) for the damage caused. For these reasons, on 20 March 2012 the Commission decided that the application from Cyprus did not meet the conditions for mobilising the Fund and informed the Cypriot authorities accordingly.

Italy (Liguria flooding)

An extreme weather system with heavy rain over north-west Italy on 25 October 2011 led to flash floods and landslides whereby the provinces of La Spezia in Liguria, in particular the Cinque Terre area, and Massa Carrara in Tuscany were most seriously affected. The disaster caused significant damage to residential homes, businesses and agriculture and the disruption of major transport links and essential public infrastructure networks. The Italian authorities submitted an application for Solidarity Fund assistance on 22 December 2011. Total direct damage was estimated at EUR 722,467 million representing 20,43% of the normal threshold of EUR 3,536 billion applicable to Italy in 2011 for mobilising the Solidarity Fund (i.e. EUR 3 billion in 2002 prices). The application was therefore examined under the exceptional criteria for "extraordinary regional disasters". The Commission concluded that the application demonstrated that the conditions whereby a) the majority of the population in the disaster-stricken zone must be affected and b) that the disaster caused serious and lasting repercussions on the living conditions and the economic stability were met. On 15 March 2012, the Commission proposed to mobilise financial assistance of EUR 18,062 million. The corresponding amending budget procedure was completed on 12 June 2012. Following the conclusion of the Implementation Agreement with Italy the grant was paid out in full on 26 November 2012.

3. NEW APPLICATIONS RECEIVED IN 2012

During 2012, three Member States submitted in total seven applications for EU Solidarity Fund financial assistance. The Commission approved one application from Italy (Emilia-Romagna earthquakes). Four applications (three from Spain, one from Italy) were found not to meet the criteria and were rejected by the Commission. Spain decided to withdraw its application in relation to the fires in Malaga. The assessment of Romania’s application relating to drought and fires during the summer of 2012 will be presented in the Annual Report 2013.

Italy (severe winter weather)

During February 2012, the Northern-Central and Southern parts of Italy were affected by extreme weather conditions with unusual cold and extended snowfall causing damage to public and private infrastructures, residential homes, agriculture and businesses. The application was received at the Commission on 5 April 2012 after the first damage was recorded on 1 February 2012. The Italian authorities estimated the total direct damage at over EUR 2,735 billion which represented 75,82% of the normal threshold for mobilising the Solidarity Fund applicable to Italy in 2012 of EUR 3,607 billion (i.e. EUR 3 billion in 2002 prices). The application was therefore examined under the exceptional criteria for "extraordinary regional disasters". While the condition whereby the major part of the population living in the disaster-stricken are needs to be affected was found to be met, the application provided no convincing evidence that the harsh winter conditions caused serious and lasting repercussions (for more than a year) on living conditions and the economic stability of the affected area as a whole - which comprises the biggest part of the Italian peninsula. On 26 September 2012, the Commission decided that the application from Italy could not be considered to be an extraordinary disaster within the meaning of the Regulation. The Italian authorities were informed accordingly.

Italy (Emilia-Romagna earthquakes)

The second application for Solidarity Fund aid submitted by Italy was received at the Commission on 27 July 2012 and concerned a *major* disaster: two devastating earthquakes on 20 and 29 May 2012 struck wide parts of Northern Italy causing severe damage in many towns and villages, mostly in the provinces of Modena and Ferrara in the region of Emilia-Romagna. There was serious and widespread damage to buildings, infrastructure, businesses, industrial facilities, agriculture and to the important cultural heritage sector. The two major quakes and the hundreds of aftershocks occurred within a few weeks and affected an area concentrated in two provinces of Emilia-Romagna with effects spreading out into the neighbouring provinces and the regions of Veneto and Lombardia. Following the established policy under the Solidarity Fund when several events of the same nature affect the same area and happen during a relatively short period of time, these events are regarded as a single disaster. Total direct damage was estimated at EUR 13,274 billion. As this amount exceeds by far the major disaster threshold of EUR 3,607 billion (i.e. EUR 3 billion in 2002 prices) applicable to Italy in 2012, the disaster qualified as a "major natural disaster". On 19 September 2012, the Commission proposed to mobilise financial assistance of EUR 670,192 million, the biggest amount of aid since the creation of the Fund. 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 Italy, the grant was paid out in full on 19 December 2012.

Spain (3 cases)

During the summer of 2012 large parts of Spain suffered from forest fires, in particular in the Autonomous Community of Valencia and in the Autonomous Community of the Canary Islands. In late September 2012 flooding caused additional damage in the three autonomous regions of Andalusia, Murcia and Valencia. Subsequently, for each of the three disasters, Spain submitted an application for financial assistance from the Solidarity Fund:

(1) **Forest fires in Valencia**: In their initial application of 30 August 2012 the Spanish authorities estimated total damage at EUR 140,380 million. Updated information was received on 5 September 2012 and 9 October 2012. On that basis the Commission considered that an amount of EUR 155,767 million could be accepted as total direct damage, representing 4,3% of the normal EUR 3,607 billion threshold (i.e. EUR 3 billion in 2002 prices) applicable to Spain. The application was therefore examined under the exceptional criteria for "extraordinary regional disasters". The condition whereby the major part of the population in the disaster-stricken zone has been affected was however not found to be met. The application referred mainly to damage caused in agricultural and tourism and to the natural environment. Moreover, the Commission considered that no convincing evidence was provided showing that the disaster had serious and lasting repercussions on living conditions and economy stability of the region. For these reasons, the Commission decided on 30 April 2013 that the application did not meet the conditions for exceptionally mobilising the Fund under the criteria for extraordinary regional disasters and informed the Spanish authorities accordingly.

(2) **Canary island fires**: The initial application related to fires on the island of La Gomera and was received at the Commission on 23 September 2012 after the first damage was recorded on 4 August 2012. Since more fires occurred on the territory of other islands belonging to the Autonomous Community of the Canary Islands, the Spanish authorities decided to include further damage

figures relating to forest fires on Tenerife and La Palma. Updated damage figures for the three islands were presented to the Commission on 9 October and 17 October 2012 amounting to EUR 72,235 million of which the major part (EUR 60,7 million) related to the island of La Gomera. The total direct damage represented only 2% of the normal threshold of EUR 3,607 billion (i.e. EUR 3 billion in 2002 prices) applicable to Spain and the application was therefore examined under the exceptional criteria for "extraordinary regional disasters". The assessment showed that the application did not present detailed evidence or distinguish between the direct effects of the fires on the population (damage to property, interruption of utilities etc.) and the expected economic consequences from which wider parts of the population may suffer. The condition whereby the disaster had caused serious and lasting repercussions on the economic stability of the region was not found to be met. For these reasons, the Commission decided on 30 April 2012 that the application did not meet the conditions for exceptionally mobilising the Fund under the criteria for extraordinary regional disasters and informed the Spanish authorities accordingly.

(3) **Andalusia, Murcia and Valencia flooding:** The application from Spain was presented to the Commission on 7 December 2012 after the first damage was recorded on 28 September 2012. Total direct damage was estimated at EUR 408,990 million representing 11,3% of the normal EUR 3,607 billion threshold (i.e. EUR 3 billion in 2002 prices) applicable to Spain, the application was therefore examined under the exceptional criteria for "extraordinary regional disasters". The assessment showed that the flooding events did not relate to a single coherent region or area but to a number of flooding areas in different, unconnected areas dispersed across the three autonomous regions of Valencia, Murcia and Andalusia. Moreover, the Commission assessed that there was no convincing evidence demonstrating that the flooding had serious and lasting repercussions on the economic stability of the affected regions. For these reasons, the Commission decided on 30 April 2013 that the application did not meet the conditions for exceptionally mobilising the Fund under the criteria for extraordinary regional disasters and informed the Spanish authorities accordingly.

Spain (Malaga fires)

The fourth application from Spain related to fires in the province of Malaga (part of the Autonomous Community of Andalusia) at the end of August 2012. The fires affected the natural environment and caused limited damage to private property. The Spanish authorities requested Solidarity Fund assistance on 6 November 2012, estimating the total direct damage caused by the fires at EUR 22,425 million. Following contacts with the Spanish authorities in which the Commission explained that a disaster on this scale (less than 1% of the EUR 3,607 billion threshold) did not meet the conditions for Solidarity Fund aid, the Spanish authorities decided in December 2012 to withdraw its application.

4. FINANCING

In 2012, grants from the Solidarity Fund were approved by the budgetary authority for **two cases** for which applications were received in 2011 and 2012.

The corresponding Preliminary Draft Amending Budget No 2 for the year 2012 for the application from Italy (flooding in Liguria and Veneto of 2011) was completed on 12 June 2012[1]. Following the adoption of the grant decision and the conclusion of the implementation agreement, the payment was done on 26 November 2012.

Preliminary Draft Amending Budget No 5 for the year 2012 covers the Italian application relating to the series of earthquakes in Emilia-Romagna, Lombardia and Veneto and was approved by the budgetary authority on 21 November 2012. The payment to Italy was made on 19 December 2012 after adoption of the grant decision and after the implementation agreement was signed[2].

Solidarity Fund grants – budget approved in 2012			
Beneficiary State	**Disaster**	**Category**	**Amount (**EUR)
Italy	Liguria & Tuscany flooding	regional	18 061 682
Italy	Series of earthquakes in Emilia-Romagna, Lombardia & Veneto	major	670 192 359
TOTAL			**688 254 041**

5. MONITORING

In the course of 2012 the Commission carried out monitoring visits to five beneficiary countries of Solidarity Fund grants in order to be informed of the implementation systems put in place by the responsible national authorities and to discuss specific questions by the implementing authorities:

– to Warsaw (**Poland**) on 20 January 2012 relating to the EUR 105,5 million grant following the flooding in spring 2010.

– to Prague (**Czech Republic**) on 17 February 2012 relating to both flooding events of 2010 (flooding in spring/grant of EUR 5,1 million and flooding in autumn/grant of EUR 10,9 million).

– to Bratislava (**Slovakia**) on 20 March 2012 following the EUR 20,4 million grant for the flooding in spring 2010.

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1 Amending Budget (AB) No 2 for the year 2012 covers the mobilisation of the EU Solidarity Fund for an amount of EUR 18 061 682 in commitment and payment appropriations relating to flooding in Italy (Liguria and Tuscany) in October 2011. Adopted by the Commission on 16 March 2012 (COM(2012)125), amended by the Council on 15 May 2012 and approved by the European Parliament on 12 June 2012. Official Journal L 214 of 10/08/2012.

2 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. COM(2012)538. Approved by the European Parliament on 21 November 2012. Official Journal L 15 of 18/01/2013.

– to Ljubljana (**Slovenia**) on 24 April 2012 relating to the EUR 7,5 million grant following the flooding disaster of autumn 2010.

– to Zagreb (**Croatia**) on 25 April 2012 covering both flooding events of 2010 (flooding in spring/grant of EUR 3,8 million and flooding in autumn/grant of EUR 1,2 million).

– to Venice (**Italy**) on 9 November 2012 relating to the EUR 16,9 million grant following the flooding of autumn 2010.

The Commission visits were generally very much welcomed and 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 Solidarity Fund Regulation, the grant decision and the implementation agreement.

Upon receipt of the final reports the Commission will conduct further analyses and take appropriate measures where necessary.

6. CLOSURES

Article 8(2) of Solidarity Fund Regulation states that no later than six months after the expiry of the one-year period from the date of disbursement of the grant, the beneficiary State shall present a report on the financial execution of the grant ("implementation report") with a statement justifying the expenditure ("validity statement"). At the end of this procedure, the Commission shall wind up the assistance from the Fund.

In the course of 2012, four Solidarity Fund files were closed:

(1) In the case of storm Dean of 2007 affecting the French overseas departments of Martinique and Guadeloupe (**France**), financial aid amounting to EUR 12,78 million was granted. The implementation report from France was submitted on 28 June 2010. The auditing work of the Commission required further information from the French authorities. Following the submission of additional information from France, the Commission completed its analysis and assessment in 2012 and the case was wound up in February 2012.

(2) As regards the closure of assistance of the case relating to the flooding disaster in **Slovenia** of 2007, financial aid amounting to EUR 8,25 million was granted and the implementation report from Slovenia was received on 7 October 2010. Further additional information from Slovenia needed to be requested and the Commission, following its analysis and assessment, came to the conclusion that the information provided from Slovenia was satisfactory. The case was wound up in July 2012.

(3) With regard to the closure of the **Romanian** case relating to the flooding disaster of spring 2005, financial aid amounting to EUR 18,80 million was granted to Romania. The Commission received the implementation report on 4 March 2008 covering both flooding disasters of 2005 (spring and summer flooding). The Commission's closure procedure was interrupted by an OLAF

case in which OLAF coordinated an investigation of the Romanian authorities. The Commission's analyses in close cooperation with OLAF and the Romanian authorities revealed that there were no issues as regards the spring flooding case of 2005. The Solidarity Fund intervention regarding the spring flooding case was wound up in October 2012. However, the case relating to the summer flooding of 2005 remains pending.

(4) In the case of the Prestige oil spill of 2003 (**Spain**), financial aid amounting to EUR 8,63 million was paid out and the implementation report was received by the Commission on 31 August 2005. Further information was received by the Commission in December 2005. However, the Commission's analysis and assessment showed that necessary information was lacking and needed to request further information from Spain. Finally, in November 2012 the closure procedure was completed and the case could be wound up.

None of these cases required a recovery of Funds.

In 2012, the Commission also received two overdue implementation reports for grants made in 2009 from Cyprus (drought 2008) and from Romania (flooding 2008) and two further reports for grants made in 2011 from Portugal (Madeira flooding 2010) and from France (storm Xynthia 2010). At the end of the period covered by this annual report the assessment of these implementation reports was still on-going.

7. CONCLUSIONS

2012 was a year with an average number of seven new applications for Solidarity Fund assistance. Only one of them[3] concerned a major disaster, i.e. the main field of application of the Solidarity Fund. This case, the earthquake in Emilia-Romagna, turned out to be the biggest disaster in the history of the Solidarity Fund with damage considerably exceeding even the earlier earthquake in L'Aquila. The Solidarity Fund proved its ability to cope with such events by making a record amount of aid available within record time. Such results can only be achieved with the good cooperation of the applicant State as was the case here.

By contrast, applications based on the exceptional criteria for "extraordinary regional disasters" – again proved to be difficult to assess and were not successful. Five such cases were received during 2012 – none of which could be accepted. Especially those cases where damage remains very limited to a few per cent of the national threshold hardly ever meet the specific conditions of the Regulation. As discussed in the 2011 Communication on the Future of the Solidarity Fund[4] simple and clearer criteria would certainly help potential applicant States assess the likelihood of a successful application better, save unnecessary work and spare them the frustration of having applications rejected.

The case of the application relating to the naval base explosion in Cyprus is another example demonstrating that applications relating to man-made disasters will hardly ever meet the eligibility criteria of the Solidarity Fund Regulation because of liability

[3] not counting the pending application for the drought in Romania
[4] COM(2011)613 of 6 October 2011

issues, the polluter pays principle and the exclusion of insurable damage from Solidarity Fund aid. As proposed in the 2011 Communication, the scope of the Fund should be more clearly defined and be limited to natural disasters including possible cascading effects.

The 2012 experience with managing the Solidarity Fund confirms the Commission's view that important improvements to the operation of the Fund, in particular a better responsiveness, could be achieved by adjusting a number of key provisions of the current Regulation, while maintaining its rationale and character and without touching on matters of finance and the volume of permitted spending. These include inter alia the possibility to make advance payments, a clear and simple definition of regional disasters, a specific provision on drought, administrative streamlining and the introduction of measures encouraging implementation of relevant EU legislation on disaster risk prevention. The Commission presented a legislative proposal in summer 2013[5], which would overall allow for a quicker reaction and presence in the areas affected by disasters.

5 COM(2013)522