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

European Union Solidarity Fund Annual Report 2016

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1. INTRODUCTION

Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the EU Solidarity Fund ('the Regulation') provides in its Article 12 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 describes the activities of the EU Solidarity Fund ('the Solidarity Fund') during the year 2016. The report summarises the applications received and the cases closed in 2016. Applications submitted to the Commission in 2016 were assessed according to the revised criteria laid down in the Regulation following its amendment in 2014¹.

In 2016, the Commission received six applications for financial contribution from the Solidarity Fund, namely from Greece (Lefkada earthquake), from the United Kingdom (flooding), from Germany (Lower Bavaria flooding), from Cyprus (drought and fires), from Portugal (Madeira fires) and from Italy (earthquakes). The series of earthquakes in the Italian Apennines between August 2016 and January 2017 represents the biggest natural disaster for the Solidarity Fund.

Four countries requested advance payments introduced with the revision of the Regulation in 2014. In these cases the Commission paid out the advances amounting to a total of EUR 31.3 million within a few weeks after receiving the applications.

In 2016, the Solidarity Fund was mobilised for an amount of EUR 33.1 million for two applications, namely for the earthquake in Greece and the flooding in Germany. Decisions on the other four applications received in 2016 were taken in early 2017.

In 2016, the Commission closed four Solidarity Fund interventions. Details are described in Section 4.

Annex I presents the 'major disaster' thresholds applicable in 2016 for mobilising the Solidarity Fund. Annex II presents an overview of the applications received in 2016 including the relevant financial information.

2. APPLICATIONS RECEIVED IN 2016

The Commission received six applications for a financial contribution from the Solidarity Fund in 2016. They were all submitted within the legal deadline of 'no later than 12 weeks after the first occurrence of damage' (Article 4(1) of the Regulation). Four of the applications concerned regional disasters and two concerned a major disaster.

GREECE – Lefkada earthquake 2015

A series of earthquakes reaching magnitude 6.1 on the Richter scale struck Lefkada on the morning of 17 November 2015. Damage was also recorded in the northern parts of Ithaki and Kefalonia. Several aftershocks followed the event. Temporary housing, shelter and food were provided to the affected population. The earthquake damaged 120 housing units, of which 20 were considered unsuitable for living. Damage to the provincial and municipal infrastructure networks, private and public

¹ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 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 27.6.2014, p. 143).

buildings (e.g. local hospital, ports) and to cultural sites (mainly churches) was reported. Landslides buried and destructed some of the touristically most important beaches in the west of the island.

Greece applied for a financial contribution from the Solidarity Fund on 5 February 2016. In response to a query from the Commission updated information was submitted on 9 March 2016.

The Greek authorities initially estimated the total direct damage at EUR 65.919 million. In March 2016, the Greek authorities updated the total direct damage to EUR 66.073 million. The damage represented 2.1 % of the regional Gross Domestic Product (GDP) of the concerned NUTS level 2 region Ionia Nisia (EL62)² thus it qualified as a regional disaster. The threshold for mobilising the Solidarity Fund for this region is 1.5 % of regional GDP.

On 8 April 2016 the Commission paid out an advance to Greece amounting to EUR 164 798 which represents 10 % of the anticipated financial contribution from the Solidarity Fund.

The Commission assessed the request and proposed to the European Parliament and Council on 21 June 2016 to mobilise the Solidarity Fund for an amount of EUR 1 651 834. The balance of the financial contribution from the Solidarity Fund was paid out to Greece on 15 November 2016 after the corresponding amending budget had been approved by the European Parliament and Council.

UNITED KINGDOM – Flooding 2015

On 5 December 2015 the United Kingdom (UK) suffered widespread flooding affecting 11 regions³. The disaster flooded over 16 000 households and 4 985 businesses, around 3 600 households had to be placed in alternative accommodation. The rescue and recovery efforts were supported by 1 700 military personnel, with around 700 on the ground at any one time. The disaster had a strong impact on the tourism industry (e.g. hotel cancellations, fewer tourists) with 35 % of the tourism businesses located in areas affected by flooding in the north of England alone. Farms also suffered a loss of production.

The UK submitted an application for a financial contribution from the Solidarity Fund on 26 February 2016 with the total direct damage estimated at EUR 2 300 million. In the application the UK authorities pointed out that the damage assessment was still on-going and the reported amount was provisional. The final application with the updated figure of EUR 2 412.042 million was submitted on 22 September 2016. The disaster qualified as a regional natural disaster as total direct damage represented 5.77 % of the weighted average GDP of the 11 concerned NUTS level 2 regions⁴ clearly exceeding the threshold of 1.5 % of weighted average regional GDP as laid down in the Regulation.

The UK did not request the payment of an advance.

² EL62 = Regional GDP of EUR 3 137 million based on 2014 data.

³ 11 affected regions = UKC2-Northumberland, UKD1-Cumbria, UKD3-Great Manchester, UKD4-Lancashire, UKE2-North Yorkshire, UKE4-West Yorkshire, UKL1-West Wales and the Valleys, UKM2-Eastern Scotland, UKM3-South Western Scotland, UKM5-North Eastern Scotland and UKN0-Northern Ireland.

⁴ Weighted regional GDP of EUR 41 784 million based on 2014 data.

The Commission assessed the request and proposed to the European Parliament and Council on 13 January 2017 to mobilise the Solidarity Fund for an amount of EUR 60 301 050. The information necessary to pay out the financial contribution was submitted by the UK on 5 May 2017. The payment to the UK was made on 17 July 2017 after the corresponding amending budget had been approved by the European Parliament and Council.

GERMANY – Flooding of Lower Bavaria 2016

Between May and June 2016, Germany experienced unusually heavy rainfalls triggering rivers to burst their banks and flooding several villages, especially in the region of Niederbayern (Lower Bavaria). Hardest hit was the district of Rottal-Inn in Lower Bavaria. The town of Simbach am Inn was almost entirely destroyed on 1 June. An area of approximately 430 km² with about 5 000 homes was flooded in the district of Rottal-Inn alone. In total, more than 47 000 people in Lower Bavaria were affected and seven people lost their lives. The disaster damaged public infrastructure, private homes and businesses.

Germany applied for a financial contribution from the Solidarity Fund on 19 August 2016. The application was limited to one single NUTS level 2 region, namely Niederbayern (DE22). The estimated total direct damage was EUR 1 259.005 million. This represented 3.03 % of the region's GDP⁵ and exceeded the 1.5 % regional threshold as laid down in the Regulation.

Germany did not request the payment of an advance.

The Commission assessed the request and proposed to the European Parliament and Council on 14 October 2016 to mobilise the Solidarity Fund for an amount of EUR 31 475 125. After the corresponding amending budget had been approved by the European Parliament and Council the financial contribution from the Fund was paid out to Germany on 29 March 2017.

CYPRUS – Drought and fires 2016

During the period from October 2015 to June 2016 Cyprus suffered from very low precipitation and repeated heat waves. The resulting drought caused crop failure, forest and vegetation fires and water shortages. Water scarcity had a severe impact on agriculture, households and the environment. Large parts of the Nicosia, Larnaca and Famagusta districts suffered 100 % of damage of rainfed crops (such as barley, wheat and other non-irrigated fodder crops). The inflow to water reservoirs was severely reduced, especially Dam Kouris, the main source to water treatment plants and irrigation. In mid-June, the heat wave over Cyprus triggering two big forest fires. The first at Argaka burnt an area of 763 ha of the Pafos state forest. The second at Solea burnt an area of 1897 ha most of which is part of the Adelfoi state forest.

Cyprus applied for a contribution from the Solidarity Fund on 5 September 2016. Cyprus estimated the total direct damage caused by drought and forest fires at EUR 180.803 million. This amount exceeded the major disaster threshold for mobilising the Solidarity Fund applicable to Cyprus in 2016 of EUR 101.412 million (i.e. 0.6 % of GNI based on 2014 data).

⁵ DE22 = Regional GDP of EUR 41 522 million based on 2014 data.

On 5 December 2016 the Commission paid out an advance to Cyprus amounting to EUR 729 876 which represented 10 % of the anticipated financial contribution from the Solidarity Fund.

The Commission assessed the request and proposed to the European Parliament and Council on 24 January 2017 to mobilise the Solidarity Fund for an amount of EUR 7 298 760. The balance of the financial contribution from the Solidarity Fund was paid out to Cyprus on 16 May 2017 after the corresponding amending budget had been approved by the European Parliament and Council.

PORTUGAL – Fires on the island of Madeira 2016

High temperatures, very strong winds and extremely low precipitation which hit the island of Madeira between 8 and 13 August 2016 caused large wildfires with particularly serious effects on the capital Funchal and the municipality of Calheta. They also had a strong impact on daily life and property of the population including three casualties. The burnt area covered 6 000 ha of which 560 ha concerned protected areas belonging to the Natura 2000 network. Historical property, hundreds of private homes were damaged or destroyed. In addition, basic infrastructure, businesses and the agriculture sector were also affected.

Portugal applied for a contribution from the Solidarity Fund on 21 September 2016. Portugal sent additional information to complete the application on 26 October 2016.

The Portuguese authorities presented the application as a regional disaster with total direct damage caused by the disaster estimated at EUR 157 million. For the outermost regions – which include Madeira – the regional disaster threshold is 1 % of regional GDP. The reported direct damage represented 3.84 % of Madeira's GDP⁶, which therefore qualified as a regional disaster.

On 23 November 2016 the Commission paid out an advance to Portugal amounting to EUR 392 500 which represented 10 % of the anticipated financial contribution from the Fund.

The Commission assessed the request and proposed to the European Parliament and Council on 24 January 2017 to mobilise the Solidarity Fund for an amount of EUR 3 925 000. The balance of the financial contribution from the Solidarity Fund was paid out to Portugal on 16 May 2017 after the corresponding amending budget had been approved by the European Parliament and Council.

ITALY – Series of earthquakes 2016/2017

Italy was struck by an earthquake with a magnitude of 6 on the Richter scale on 24 August 2016. It affected wide areas of the Apennines chain in Central Italy, in the regions of Abruzzo, Lazio, Marche and Umbria. A multitude of aftershocks followed. At the end of October 2016, the same region was hit by two further serious earthquakes. The first occurred on 26 October with a magnitude of 5.9 on the Richter scale, the second happened on 30 October 2016 with a magnitude of 6.5. These earthquakes further worsened the situation and caused extensive additional damage in the affected areas. On 18 January 2017 four further earthquakes struck the southern end of the area where infrastructure and homes already damaged previously

⁶ PT30 = Regional GDP of EUR 4 085 million based on 2014 data.

collapsed due to the combination of heavy snow and the new shocks. The serious and widespread damage affected private and public buildings, infrastructure, businesses, farming and important cultural heritage and turned out to be by far the most serious disaster ever dealt with by the Solidarity Fund.

Italy initially applied for a financial contribution from the Solidarity Fund on 16 November 2016. On that basis the Commission awarded an advance on the anticipated Solidarity Fund contribution of EUR 30 million and paid it out on 9 December 2016.

To take account of the subsequent earthquakes, Italy submitted on 15 February 2017 an updated application with a revised estimate including all damage caused by the earthquakes between 24 August 2016 and 18 January 2017. Further information was provided on 25 May 2017.

At the moment of writing this report the processing of this application was still ongoing and will be reported in the 2017 annual report of the Solidarity Fund.

3. FINANCING

The European Parliament and Council approved two financial contributions from the Solidarity Fund in 2016.

- (1) **Greece, Lefkada earthquake 2015:** The European Parliament and Council approved the mobilisation of the Solidarity Fund on 11 October 2016. The total contribution amounting to EUR 1 651 834 could be covered by the EUR 50 million appropriations available in the 2016 budget for advances. The payment to Greece was executed in November 2016.
- (2) **Germany, Lower Bavaria flooding 2016:** The European Parliament and Council approved a financial contribution from the Solidarity Fund of EUR 31 475 125 on 19 October 2016⁷. As the payment could not be executed in 2016, the budget appropriations needed to be carried forward to 2017. The payment to Germany was made in March 2017.

In 2016, four countries (Greece, Cyprus, Portugal and Italy) requested advance payments. All requests totalling EUR 31,287 million were approved by the Commission. These were paid from the EUR 50 million reserve for advances inscribed in the 2016 budget. Greece received the advance in April 2016, Portugal in November, Cyprus and Italy in December 2016.

Beneficiary State	Disaster	Category	Procedure	Amount (EUR)
Greece	Lefkada earthquake 2015	regional	Mobilisation decision	1 651 834
Germany	Flooding of Lower Bavaria 2016	regional	Amending budget	31 475 125
GRAND TOTAL				33 126 959

4. CLOSURES

During 2016, the Commission closed four Solidarity Fund interventions. All of them had been implemented under the terms of the Regulation before its revision in 2014. Under these terms Article 8(2) stipulated that within 18 months from the date of disbursement of the financial contribution, the beneficiary State shall present a report on the financial execution ('implementation report') with a statement justifying the expenditure ('validity statement').

- (1) **Spain, forest fires of 2003:** the financial contribution from the Solidarity Fund amounted to EUR 1,331 million. Spain submitted the implementation report and statement of validity in March 2006. The Commission requested additional information from Spain to complete its assessment. The Spanish authorities reported that an amount of EUR 778 258,73 needs to be returned. The Commission recovered this amount and closed the intervention in June 2016.
- (2) **Spain, Lorca earthquake of 2011:** the financial contribution from the Solidarity Fund amounted to EUR 21,071 million. Spain requested to extend

⁷ Amending Budget No 6 for the year 2016 covers the mobilisation of the Solidarity Fund for an amount of EUR 31 475 125 in commitment and payment appropriations. The mobilisation relates to floods in Germany.

the deadline for submitting the implementation report and validity statement. The Commission received the implementation report and supporting documents in July 2014. On the basis of the information provided in the validity statement, the eligible expenditure under the Solidarity Fund was EUR 364 473,17 short of the financial contribution paid. The Commission recovered this amount in June 2016.

- (3) **Croatia, flooding of 2012:** the financial contribution from the Solidarity Fund amounted to EUR 286 587. The implementation report and statement of validity were submitted in June 2015. At the request of the Commission Croatia submitted additional information following which the intervention was closed in July 2016.
- (4) **Austria, flooding of 2013:** the financial contribution from the Solidarity Fund amounted to EUR 21,662 million. In August 2015, Austria presented the implementation report and statement of validity. The report was found complete and meeting the requirements of the Regulation so that the Commission could close the intervention in August 2016.

In 2016, the Commission also received three implementation reports and statements of validity from Romania for the drought and fires disaster of 2012, from Germany for the flooding of 2013 and from the Czech Republic for the flooding of 2013. The closure procedure for these interventions is on-going.

5. CONCLUSIONS

The number of new Solidarity Fund applications presented to the Commission during 2016 was limited, whereby two applications related to disasters that had already occurred during November and December 2015 (Lefkada earthquake and UK floods). This seems to confirm once more that the revision and clarification of the criteria for regional disasters in the Regulation as amended in 2014 is bearing the expected results, in particular that clearly ineligible applications are no longer presented.

In August and October however Italy was struck again by devastating earthquakes which – together with a further severe tremor in January 2017 – turned out to be by far the biggest catastrophe the Solidarity Fund had to deal with since its creation in 2002. With EUR 22 billion the amount of damage was almost double than that of the second biggest case, the earthquake in the Emilia-Romagna of 2012. These events confirm the pattern that has been identified on earlier occasions: While flooding events represent by far the biggest share of disasters leading to Solidarity Fund applications (some two thirds of all cases), earthquakes are among the rarest but by far the most damaging and costly, not to speak of the human toll in terms of people killed, injured or displaced for a long period of time.

The small number of applications in 2016 and the fact that the Italian earthquake application was only completed during 2017 was a fortunate coincidence in budgetary terms. The mobilisations made during 2016 were paid from the unused part of the 2015 annual allocation that was carried forward to 2016. Accordingly the full amount of the 2016 allocation remained untouched and was carried forward to 2017, thus allowing to mobilise in 2017 the by far biggest Solidarity Fund contribution ever for Italy. This scenario demonstrates that the possibility to carry forward by one year the unspent amounts of the preceding year is extremely helpful in maintaining the Solidarity Fund operational in budgetary terms even though its annual allocation has been reduced for the 2014-2020 multiannual financial framework from EUR 1 billion in current prices to EUR 500 million in 2011 prices. It will be important to maintain this flexibility after 2020. On the other hand, the events of 2016 also show that the financial basis of the Solidarity Fund is rather small and could easily run into difficulties should a number of severe disasters occur in a relatively short period of time, particularly when it was not possible to carry forward any significant amount from the preceding year. In such an event it could be difficult to maintain the established aid rates which would undermine the principle of equitable treatment.

The possibility to make advance payments introduced into the Regulation in the 2014 revision proved to be very useful. While an advance payment was not requested by all applying states, the Commission was able to pay out the requested advance in all but one case within one month of the complete application dossier having been submitted. It seems worth reflecting whether increasing advance payments above the current rate of 10 % of the expected Solidarity Fund financial contribution (limited to a maximum of EUR 30 million) could offer a viable solution to improving the responsiveness of the Solidarity Fund whose full mobilisation through a budget procedure in each case still requires many months.