BRIEFING

European Parliament

European Union Solidarity Fund

SUMMARY

Established in 2002 to support disaster-stricken regions, the European Union Solidarity Fund (EUSF) complements the efforts of public authorities by helping to fund vital emergency and recovery operations in areas affected by catastrophes such as flooding, earthquakes or forest fires. With an annual budget of €500 million, EUSF funding is granted following an application from a Member State or candidate country, and may be used to finance measures including restoring infrastructure to working order, providing temporary accommodation or cleaning up disaster areas.

Although a revision of the EUSF Regulation took place in 2014, simplifying rules and clarifying eligibility criteria, several problems still remain. European Commission reports on the EUSF have drawn attention to the long waiting time countries still face before receiving EUSF funding, while industry experts also point to the risk that the EUSF could run out of funding in the event of several large disasters taking place within a short space of time. With a number of major natural disasters occurring over the past years, the EUSF has attracted renewed attention, leading the European Commission to put forward new proposals addressing the issue of post-disaster support. Parliament was also actively involved in these discussions, adopting a resolution on the EUSF in December 2016 which included several measures aimed at improving its operations, also calling on Member States to use ESI funds to invest in disaster prevention.

Recent developments, such as new rules that allow reconstruction operations to be financed under the European Regional Development Fund and the proposal for a reinforced Civil Protection Mechanism, have helped create greater coherence between the EUSF and other EU measures. Perhaps most importantly, by complementing the work of the EUSF, these measures have the potential to improve the effectiveness of the EU's disaster prevention and response operations. The planned increase in the EUSF budget outlined under the recent MFF proposal can also help contribute to this process by strengthening the EUSF's response capacity, yet these plans will be subject to tough negotiations in the Council and Parliament. The next few months will arguably be of critical importance for ensuring the continued strength of the EU's disaster response capabilities and, in particular, the EUSF's role within this process.

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In this Briefing

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Background

Set up to help countries cope with the aftermath of a major natural disaster, the European Union Solidarity Fund (EUSF) provides support for emergency and recovery operations in Member States and candidate countries, and has contributed a total of €5.2 billion since 2002, intervening in over 80 disasters, including floods, forest fires, earthquakes, storms and drought, in 24 countries.

Statistics show that over the past decade, the EU has seen a significant rise in the number of natural disasters, driven by a combination of factors such as climate change, population growth, and poor risk management. With a number of recent disasters occurring in regions experiencing severe budgetary constraints following the economic crisis, such events have once again put the operation of this emergency fund in the spotlight, reinforcing the need for an effective support mechanism.

The EUSF was established by Council Regulation (EC) No 2012/2002, in the wake of the disastrous flooding in central Europe in the summer of 2002. Building on its initial success, the European Commission sought to further develop the EUSF in the years that followed, issuing a proposal in 2005 to enlarge its scope and lower the threshold for mobilising the fund, and a communication in 2011 aiming at boosting EUSF effectiveness, but neither proposal gained Member State support.

Treaty basis

According to Article 175 (3) of the Treaty on the Functioning of the European Union, if specific actions (leading to the strengthening of EU economic, social and territorial cohesion) prove necessary outside the funds, such actions may be adopted by Parliament and Council. Article 212 (3), meanwhile, provides that Parliament and Council shall adopt the measures necessary to carry out cooperation measures (including assistance) with third countries other than developing countries.

In order to move forward, the Commission published a new proposal to amend the EUSF Regulation in 2013, which ultimately led to the adoption of Regulation (EU) No 661/2014 of the Council and of the Parliament on 15 May 2014. The revised regulation introduced numerous measures to help simplify the rules, improve the Fund's response time, clarify eligibility criteria and place a new focus on disaster prevention and risk management. In particular, the revision allowed eligible states to receive advance payments of up to 10 % of their total financial contribution, and shortened to six weeks the Commission's timeframe for responding to an application. It also established clear rules defining regional disasters as events where direct damage exceeds 1.5 % of regional gross domestic product (GDP), introduced a new provision on drought and extended the time within which states must apply for aid (12 weeks) and implement a project (18 months), reflecting many of the demands set out by Parliament. While the reform has streamlined the EUSF, a number of operational problems remain.

The Fund in practice

Purpose and scope

In accordance with the EUSF Regulation, the Fund can provide assistance in the case of natural disasters that have serious repercussions on the living conditions, natural environment or economy of one or more regions in a Member State or candidate country. In principle, the Fund provides support in three cases: a **major disaster** (total direct damage exceeds €3 billion or 0.6 % of gross national income (GNI) of the country involved), a **regional disaster** (total direct damage exceeds 1.5 % of regional GDP) and in cases where an eligible state is affected by the same disaster as a **neighbouring eligible country**. According to the EUSF Regulation, the aim of the Fund is to complement the efforts of the states concerned and to cover part of their public expenditure relating to essential emergency and recovery operations. The Fund is not intended to cover all costs related to natural disasters: it does not compensate private losses and is, in essence, limited to non-insurable damage. Crucially, funding may only be granted to a country that has applied for EUSF aid.

Applying for funding

Countries submit an application to the European Commission within 12 weeks of the initial damage, which the Commission has six weeks to consider. The application should provide information on the total direct damage caused by the natural disaster and its impact on the population, economy and the environment concerned, estimate the costs of the operations to be undertaken, and identify any other sources of funding, also providing a short description of the implementation of EU legislation on disaster risk prevention and management. If approved, the Commission suggests a specific amount of financial assistance, allocated in the form of a grant, which must be endorsed by the European Parliament and the Council before it can be paid out, as the EUSF is funded by additional money raised by EU countries. Funding may be used to **restore plant and infrastructure to working order**, to **provide temporary accommodation** and **fund rescue services, secure preventive infrastructure** and **protect sites of cultural heritage**, and to **clean up disaster areas** and **nature zones**.

EUSF budget and implementation

As soon as the budget is made available by Parliament and Council, the European Commission adopts a decision awarding the financial contribution to the given country. Funding is paid out with immediate effect in a single instalment; however, countries may also request an advance payment of no more than 10 % of the total amount, up to a maximum of €30 million. In total at least one quarter of the annual amount, set at €500 million (2011 prices), should remain available on 1 October each year, to cover any needs that may arise in the last three months of the year.

Figure 1 – Ten largest allocations of EUSF support since 2002 (as of May 2018).

	Nature of disaster	Country	Date	Damage (€ million)	Aid granted (€ million)
1	Earthquakes (Abruzzo, Lazio, Marche and Umbria)	Italy	August 2016 to January 2017	21 879	1 196.8
2	Earthquakes (Emilia Romagna)	Italy	May 2012	13 274	670.2
3	Earthquake (Abruzzo)	Italy	April 2009	10 212	495.8
4	Floods	Germany	August 2002	9 100	444
5	Floods	Germany	May 2013	8 154	360.5
6	Storm Kyrill	Germany	January 2007	4 750	166.9
7	Floods	UK	June 2007	4 612	162.3
8	Floods	Austria	August 2002	2 900	134
9	Floods	Czech Republic	August 2002	2 300	129
10	Storm Klaus	France	January 2009	3 806	109.4

Source: European Commission, DG Regio website.

Beneficiary states are required to use the money within 18 months of funding being granted and must present a report on the implementation of the financial contribution from the Fund no later than six months after the expiry of this period. The beneficiary state is responsible for implementing the aid and coordinating the financial contribution to its emergency and recovery operations, and must avoid double financing by ensuring that reimbursed expenditure is not refunded by other EU instruments, such as the European structural and investment funds.

Assessment

Each year, the European Commission draws up an annual **report on the activity** of the use of the EUSF during the previous year, which is presented to the European Parliament and to the Council. Its most recent report (2016) was published in December 2017. It confirms the trend as outlined in

previous reports, that, following the reform, applicants appear to have a better understanding of what is required for an application to be successful. This has helped streamline the whole procedure as they are less likely to submit applications that they know will be unsuccessful. This, in turn, reduces the need for the Commission to ask for additional information, a step that has often delayed the application process in the past.

On the issue of financing, the 2016 report emphasises the fact that it was possible to carry forward unspent amounts from the preceding year. In light of the decision to halve the maximum annual budget to €500 million under the 2014-2020 financial framework, this flexibility has helped to maintain the EUSF's operational capacity. As the events of 2016 showed, the fund's rather small budget could come under undue pressure in the event of a number of severe disasters occurring within a short timeframe. Following a series of earthquakes in Central Italy in 2016 and 2017, Italy completed its final application in February 2017. Even though the entire 2016 allocation had remained unspent, which meant that is was possible to add it to the available 2017 allocation, the amount was not sufficient to cover the full mobilisation of the EUSF for Italy. This difference could only be covered by frontloading more than half of the annual amount available for 2018, which suggests a potential insufficiency of the fund's budget. Following applications for EUSF support from France, Greece, Portugal and Spain in 2017, the Commission proposed amending the budget for 2018 by almost €100 million. While, thus far, the fund has always managed to respond to all applications, it is arguably crucial to retain this capability. As stated in the 2016 report, any difficulties with maintaining the established aid rates could undermine the principle of equitable treatment.

The possibility of making advance payments has proven to be particularly useful, enabling the EU to respond to applications and beneficiaries to receive payments usually within one month. In its 2016 report, the Commission picks up on the proposal of the European Parliament to increase the advance payments above its current rates of 10 %, which could help improve the responsiveness of the EUSF, whose full mobilisation still requires many months.

As the 2015 report notes, the length of time between a disaster and the full payment of aid remains one of the central problems of the EUSF. Applicants appear to be using the extended 12 week application period in full, which lengthens the whole process. In addition, the procedure for adoption of the decision to mobilise funding, and the attendant amending budget by Parliament and the Council, is itself time-consuming, a procedure which, among others, includes an eight week scrutiny period for national parliaments. Furthermore, in some cases, the whole process can be significantly delayed by the requirement to translate the application into a European Commission working language. Clearly, notwithstanding the improvements introduced by the 2014 Regulation, the time issue remains a substantial problem area for the EUSF.

Stakeholders and advisory bodies

In 2013 the Committee of the Regions issued an opinion on the EUSF. While noting that the Fund had proved a success, the Committee emphasised that its operation could be improved by simplifying the red tape involved in releasing EUSF resources. The Committee also put forward a number of proposals, such as extending the time limit for using the contribution from the EUSF to 24 months, and fixing the eligibility threshold for assistance in the case of regional disasters at 1 % of regional GDP. As disasters often occur in areas that do not correspond to a specific NUTS 2 region, the Committee suggested allowing disaster stricken regions to apply for assistance together. In addition, the Committee called for a more precise definition of the Fund's eligible operations and proposed that EUSF funding be used not only to repair but also to restore infrastructure to a standard that is better able to withstand possible future disasters.

One particularly extensive evaluation of the EUSF and assessment of its recent reforms is to be found in a 2015 paper by the International Institute for Applied Systems Analysis. Overall, the document notes that the reform of the EUSF has the potential to improve how the Fund responds to major natural disasters by, for instance, establishing clearer eligibility criteria for regional disasters. Its

analysis focuses on three aspects of the EUSF's performance: the extent to which the Fund demonstrates solidarity with the EU Member States, the Fund's robustness and its risk of depletion and, lastly, the extent to which the EUSF promotes risk management and reduction.

On the first aspect the paper finds, that, when measured as a percentage of eligible costs, the EUSF has actually awarded far more funding to long-standing Member States, who are better prepared to cope with disasters, than to the new Member States, which suggests that the Fund is failing in its capacity to demonstrate solidarity with all Member States. The authors argue that one way of improving solidarity with new Member States is to provide proportionately more funding as a percentage of eligible costs to less affluent countries. In terms of the Fund's robustness, the paper estimates that, following the reform, depletion of the EUSF is expected every 33 years. However, if multiple risks, including climate and demographic change, are included in the calculation, the authors contend that this 'would likely increase the stress on the fund' and could potentially lead to a situation where there is insufficient funding to support all eligible disasters. On the issue of disaster risk reduction, the article notes that the reform allows the Commission to refuse EUSF funding for those countries that do not introduce the disaster prevention strategies required under EU law, which is meant to motivate governments to take risk reduction measures. While recognising that this is an important step forward, the authors feel that more could be done to improve countries' awareness of the risks and encourage them to take risk reduction measures to cut their disaster risk.

The EUSF's robustness and risk reduction strategies are also examined by the **enhance** project, analysing the extent to which the EUSF is capable of supporting countries in the event of a disaster. Noting that the EU flood risk is expected to increase from the current annual level of €4.9 billion to €23.5 billion in 2050, the report considers that the EUSF will be unable to provide sufficient aid for all countries affected by major disasters. The report argues significant action is needed on risk reduction, suggesting governments receiving funds could be required to apply more far-reaching risk reduction measures than under the 2014 reform. As the EUSF is often the key source of funding for recovery operations, its increasing budgetary constraints potentially raise two problems: not only does it place additional stress on the EUSF, which must be able to ensure it has sufficient funds to respond to all disasters, wherever they occur; there is also arguably little incentive for such countries to invest in emergency operations if the EUSF is always available as a last line of defence. The solution, however, remains unclear. While the European Commission may refuse assistance to countries who repeatedly fail to take risk reduction measures, there are doubts as to whether the EU would take such a politically sensitive decision in the event of a major disaster.

European Parliament

Parliament's December 2016 own-initiative resolution puts forward a number of proposals for improving the operation of the EUSF in the future. It recommends that future EUSF reforms take the possibility of redefining regional natural disasters into consideration, allow the submission of a single application by eligible countries affected by the same natural disaster at cross-border level, and take account of indirect damages when assessing applications. In addition, Parliament calls on the Commission to consider the possibility of increasing the advance payment threshold from 10 % to 15 %. As mentioned above, although the Commission welcomed this proposal in its latest report, no reform has been initiated. Moreover, Parliament argues that the deadlines for processing applications should be shortened from six to four weeks, the eligibility threshold for regional natural disasters be set at 1 % of regional GDP and, when assessing requests, the socio-economic development of the affected regions need to be considered.

The resolution draws attention to a number of aspects regarding EUSF management, focusing on issues such as speed of reaction, prevention and complementarity, and transparency and cooperation between the different decision-making levels. On the issue of the EUSF's response time, it calls on Member States to examine their own administrative procedures in order to speed up the mobilisation of aid for affected regions and states. In the area of prevention and complementarity, Parliament stresses the need to develop synergies between different EU funds and policies in order

to cushion the impact of natural disasters. Parliament highlights the importance of taking more action to invest in climate change mitigation and adaptation, emphasising that prevention should become a horizontal task. Parliament also suggests introducing mandatory updated national plans for disaster management and information on the preparation of agreements on emergency contracts. It calls on Member States to improve how they communicate and cooperate with local and regional authorities, including when assessing damage eligible for EUSF support, preparing applications and delivering projects to address the impact of natural disasters.

In its resolution of 14 March 2018, preparing a common position on the post-2020 MFF, Parliament proposes increasing the financial envelope of the EUSF to an annual allocation of €1 billion. Highlighting the need to double the EUSF's budget, which would bring it back up to its pre 2014-2020 level, Parliament emphasises the instrument's significance in providing assistance and the budgetary constraints caused by the high number of natural disasters in recent years. It also stresses the instrument's positive impact on public opinion.

Discussing the latest decision on the mobilisation of the EUSF to Greece, Spain, France and Portugal on 30 May 2018, the Parliament called on Member States to invest in the prevention of catastrophes and to use the European structural and investment funds to finance these preventive measures as well as the reconstruction of the affected regions. Furthermore, it welcomed the Commission proposal for a new Civil Protection Mechanism to prevent and act in natural disasters, complementing the EUSF. This will be addressed more thoroughly below.

Moving towards a new approach

With a number of major natural disasters occurring in the past years, focus on the EUSF's role has increased, leading not only to renewed discussions on the Fund in the European Commission and Parliament, as outlined above, but also to specific proposals on how to increase its responsiveness.

2016 omnibus proposal

Recognising that simpler and more flexible EU financial rules are vital for improving EU budget adaptability to changing circumstances and response to unexpected developments, the Commission published a proposal for a regulation to revise the financial rules applicable to the general budget by suggesting changes in 15 legislative acts, including the EUSF Regulation, in September 2016. This omnibus proposal sets out a number of ways of achieving greater budgetary flexibility to allow the Union to provide faster crisis management, including through the more efficient activation of the EUSF. Specifically, the document proposes action to ensure simpler mobilisation of the EUSF via an autonomous transfer from the reserve to the budget line, once the appropriate mobilisation decision has been adopted by the European Parliament and the Council, as well as the automatic carryover of amounts corresponding to commitment appropriations for the EUSF. Overall Parliament welcomed the omnibus proposal, recognising that it introduces new rules in terms of simplification and easier mobilisation of funding (see 2016 resolution above). In a context where substantial EUSF funds remain unused each year, Parliament noted that the proposal would ensure the partial budgetisation of the EUSF annual financial allocation. A simpler mobilisation via autonomous transfer was however rejected by both the Parliament and the Council. In a first reading it was decided that mobilisation by draft amending budget should remain the status quo and that budgetary authority oversight be maintained.

Multiannual financial framework for 2021 to 2027

The EUSF is one of the special instruments outside the Multiannual financial framework (MFF). These flexibility mechanisms allow the EU to mobilise the necessary funds to react to unforeseen events, such as crisis and emergency situations. Whereas their scope, financial allocation and operating modalities are provided for in the MFF regulation, additional financial resources may be entered in the EU budget over and above the expenditure ceilings.

The Commission's proposal for the 2021-2027 MFF includes several options to strengthen the special instruments. Under the plans, the scope of the EUSF is to be increased to a maximum annual amount of €600 million (2018 prices). Furthermore, all limitations in carrying over unused spending from other special instruments are to be eliminated. This is potentially an important development as the elimination of the so-called 'de-commitment' rules could help facilitate the greater mobilisation of the special instruments. The text, as adopted by the Commission, is currently up for discussion at the Council and Parliament.

Complementary measures

While the EUSF's flexibility and responsiveness is crucial for its functioning, should a major disaster occur it could well be necessary to complement the EUSF with other funds. Creating coherence between existing EU policies dealing with prevention and preparedness could be an important factor for improving the Fund's effectiveness and increasing the efficiency of the disaster prevention and response process.

European Regional Development Fund

In November 2016, the Commission published a proposal to amend the Common Provisions Regulation (CPR), and make it possible for reconstruction operations to be fully financed by the European Regional Development Fund (ERDF) without the need for national co-financing. The regulation was then amended by the Parliament and the Council and finally adopted on 4 July 2017. By adding a new paragraph to Article 120 of the CPR, this enables countries to introduce a separate priority axis for reconstruction operations supported by the ERDF within an operational programme, with a co-financing rate of up to 95 %. The operations eligible for financing under this separate priority axis concern reconstruction in response to a major or regional disaster, as defined in the EUSF Regulation. In addition, the new provisions make it possible to fund operations under this measure directly following a disaster, i.e. before the operational programme is amended.

rescEU

In his 2016 State of the Union Address Commission President Jean-Claude Juncker presented his vision of the future of Europe. Given the frequency and complexity of natural disasters that have stricken many European countries over the past years, the proposal to strengthen the EU's ability to deal with them was a central part of his agenda for 'a Europe that protects'.

Under the name of rescEU, the Commission has put forward a proposal to reinforce the EU Civil Protection Mechanism (UCPM). This instrument is tasked with coordinating the action of EU Member States and partner countries (Former Yugoslav Republic of Macedonia, Iceland, Montenegro, Norway, Serbia, and Turkey) following a man-made disaster or natural catastrophe. Unlike the EUSF, it delivers assistance in the immediate aftermath of a disaster. Also, its scope of intervention is not limited to its members, but has worldwide reach. Thus all territories in the region affected by the recent hurricanes, including third countries, may apply for support under this mechanism. The UCPM intervenes at the request of the affected countries and since its creation in 2001 has responded to over 200 requests. As, for example, Commissioner for Humanitarian Aid and Crisis Management Christos Stylianides points out, relying on a voluntary system and on extra capacities that Member States can offer to another country in need, the current disaster response tools are limited and the EU is often not able to provide the assistance fast enough. Establishing a response reserve of civil protection assets that strengthens the EU's response capacities, the reinforced UCPM, under the new name 'rescEU', is expected to change that. Fully covered by EU financing, this reserve is expected to assist Member States in responding to disasters when national capacities are overwhelmed. Meanwhile, a shared pool of emergency response resources should be made available for deployment in disaster-stricken Member States under a European Civil Protection Pool. Furthermore, in order to improve prevention and preparedness capacities, Member States are asked

to share their national strategies. This will help to collectively identify and address possible gaps. The proposal has yet to be adopted by the European Parliament and the Council.

Responding immediately to natural or man-made disasters, rescEU and other emergency tools are complementary to the EUSF, which supports long-term reconstruction efforts in the aftermath of a disaster. Increasing the pace and effectiveness of EU crisis response, rescEU is expected to tackle a number of the shortcomings of the EUSF that are outlined above. As not many states activated the current Civil Protection Mechanism prior to applying for the EUSF, a reinforced and improved version under rescEU may change that and relieve the EUSF of some of the financial burden.

Outlook

While the 2014 reform of the EUSF introduced a number of important improvements, problems nevertheless remain. Not only do eligible states continue to face long waiting times before receiving EUSF funding, research suggests that the allocation of funding is uneven, with more EUSF support going to affluent countries than to new Member States. What is more, should a series of major disasters take place in quick succession, experts predict that the Fund will not be sufficient to mitigate all eligible disasters. Whereas the Commission proposes to increase its budget in the upcoming MFF, the most recent case of the Italian earthquakes showed the EUSF's limits. Parliament has called for further tightening of the deadline for processing applications and lowering of the eligibility threshold for regional natural disasters, which could help speed-up the process and ensure poorer regions receive more aid. The recent amendment of the CPR to allow ERDF support for reconstruction has the potential to lift some of the financial pressure from the EUSF, as does the reinforced Civil Protection Mechanism for short-term crisis response. Greater budgetary flexibility is also expected from the omnibus proposal and the provisions in the 2021-27 MFF, both yet to be adopted by Parliament and the Council. Yet while these developments have the potential to improve the effectiveness of the EU's disaster response capabilities, it is important not to underestimate the importance of the action taken by individual countries in the field of risk reduction, which can play a crucial role in supporting the EU's work in the area of disaster response.

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