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DRAFT REPORT

on the review of the European Union Solidarity Fund
(2020/2087(INI))

Committee on Regional Development

Rapporteur: Younous Omarjee

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MOTION FOR A EUROPEAN PARLIAMENT RESOLUTION

on the review of the European Union Solidarity Fund
(2020/2087(INI))

The European Parliament,

– having regard to Articles 174, 175, 212(2) and 349 of the Treaty on the Functioning of the European Union (TFEU),

– having regard to Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund[1],

– having regard to all the reports published by the Intergovernmental Panel on Climate Change (IPCC) and, more specifically, to its report of 31 March 2014 entitled 'Impacts, Adaptation and Vulnerability',

– having regard to the Paris Agreement, signed on 12 December 2015,

– having regard to its resolution of 15 January 2013 on the European Union Solidarity Fund, implementation and application[2],

– having regard to its resolution of 1 December 2016 on the European Union Solidarity Fund: an assessment[3],

– having regard to the Commission Staff Working Document of 15 May 2019 entitled 'Evaluation of the European Union Solidarity Fund 2002-2017' (SWD(2019)0186),

– having regard to Regulation (EU) 2020/461 of the European Parliament and of the Council of 30 March 2020 amending Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States and to countries negotiating their accession to the Union that are seriously affected by a major public health emergency[4],

– having regard to its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences[5],

– having regard to the position paper of the European Economic and Social Committee of 25 March 2020 on the proposal for a regulation of the European Parliament and of the Council amending Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States and countries negotiating their accession to the Union seriously affected by a major public health emergency (COM(2020)0114),

– having regard to the Commission communication to the European Parliament, the European Council, the Council, the European Economic and Social Committee and the

[1] OJ L 311, 14.11.2002, p. 3.
[2] OJ C 440, 30.12.2015, p. 13.
[3] OJ C 224, 27.6.2018, p. 140.
[4] OJ L 99, 31.3.2020, p. 9.
[5] Texts adopted P9_TA(2020)0054.

Committee of the Regions entitled ‘The European Green Deal’ (COM(2019)0640),

– having regard to Rule 54 of its Rules of Procedure,

– having regard to the opinion of the Committee on Budgets,

– having regard to the report of the Committee on Regional Development (A9-0000/2020),

A. whereas the European Union Solidarity Fund (EUSF), established by Council Regulation (EC) No 2012/2002 in order to provide financial assistance to Member States and accession countries undergoing major disasters, represents true European added value and the materialisation of a will, that has sometimes been lacking, to provide mutual assistance at Union level;

B. whereas, in its resolution of 17 April 2020 on EU coordinated action to combat the COVID-19 pandemic and its consequences, Parliament pointed out that solidarity among the Member States was not an option, but an obligation, stemming inter alia from Articles 2 and 21 of the Treaty on European Union (TEU), and was part and parcel of our European values, as set out in Article 3 of the TEU;

C. noting with interest that, according to a recent survey, more than two thirds of Europeans believe that the European Union should equip itself with more resources to deal with crises such as COVID-19;

D. whereas, so far, assistance from the Fund has concerned around a hundred natural disasters in 24 countries, totalling some EUR 6.6 billion;

E. noting the usefulness of the EUSF, highlighted by the Commission’s evaluation, in particular as regards reducing the burden on local authorities facing significant damage as a result of natural disasters;

F. whereas, however, the promptness at which the financial assistance is released also depends on the ability of potential beneficiaries to provide full estimates of the total amount of damage caused by the disaster as soon as possible, as well as on the quality of the official coordination structures set up in the states concerned;

G. whereas the Fund’s regulatory framework was revised in 2014 by amending Regulation (EU) No 661/2014, in particular with a view to simplifying procedures, shortening the time frame for replying after the submission of applications, clarifying the eligibility criteria for requests for assistance in the event of regional disasters, extending the implementation period and introducing advance payments, as called for by Parliament on several occasions; whereas, however, further progress is needed;

H. whereas the rate of approval of requests for assistance in the event of major disasters is 100%, while that of requests for assistance in the event of regional disasters has risen from 32% to 85% following the 2014 revision of the EUSF Regulation;

I. regretting, however, that, although the reform of the regulation in 2014 contributed to a 12% reduction in the time between the submission of the application for assistance and

the relevant payment, the period required in order for the full grant to be deployed is still too long when the aid is being urgently awaited;

J. regretting, likewise, that the Fund's assistance does not cover the additional costs of rebuilding energy- and resource-efficient infrastructure that is more disaster-resilient and climate-resilient, as called for in the European Green Deal;

K. noting with interest that, as illustrated by the COVID-19 crisis, there is a high degree of complementarity between cohesion policy instruments and the EUSF, the fund which responds to natural disasters in the short and medium term, while cohesion policy is geared to longer-term planning with regard to civil protection and preventive and risk management infrastructure;

L. welcoming the Commission's proposal to extend the scope of the EUSF to include health emergencies, so that this financial instrument can be used to provide assistance to populations affected by a pandemic;

M. whereas, because of climate change, emergency situations are likely to intensify and multiply; highlighting, therefore, the usefulness of the budgetary mechanism of dynamic allocation, introduced in 2014, which enabled the Fund, amongst other things, to provide record support of EUR 1.2 billion for the earthquakes in Italy in 2016-2017;

N. whereas the new multiannual financial framework (MFF) provides for a new budgetary package entitled 'Solidarity and Emergency Aid Reserve' (SEAR), bringing together the EUSF and the Emergency Aid Reserve (EAR), which is designed to respond, on the one hand, to emergencies arising from major disasters in Member States or accession countries (EUSF) and, on the other, to specific urgent needs in the Union or in third countries, in particular in the event of humanitarian crises (EAR);

O. regretting that people in the EU are not very aware of the existence of the Solidarity Fund, in particular because the Fund largely intervenes only after reconstruction work has been completed, in the form of reimbursements;

P. whereas special attention should be paid to the outermost regions (ORs), islands – which are particularly vulnerable to disasters – mountainous regions, sparsely populated regions and all areas that are particularly prone to the risk of natural disasters;

1. Expresses its deep concern that extreme weather events and natural disasters will only increase and intensify alongside climate change;

2. Is of the view that all citizens expect European solidarity to be shown when disasters occur;

3. Stresses with concern that, in recent years, Europeans have had to face multiple emergencies that have devastated human lives, property, the environment and cultural heritage;

4. Draws attention to events such as COVID-19, which is severely affecting all of Europe, forest fires across the continent, including in unusual places such as the Arctic, and the series of violent earthquakes in Europe, particularly in Italy in 2016-2017, causing

hundreds of deaths and some EUR 22 billion in damage, and in Croatia in March 2020; points out, moreover, that storms, extreme rainfall and flooding have caused considerable damage in many cities and valleys, and that increasingly violent hurricanes have caused devastation in the outermost regions, such as Hurricane Irma in 2017 in Saint-Martin, and Hurricane Lorenzo in 2019 in the Azores, which were particularly destructive;

5. Points out that it is vital that aid and funds be sent every more rapidly to affected regions, and that links with the Union Civil Protection Mechanism (UCPM) and the ERDF climate-change adaptation component are essential in order to create a comprehensive package;

6. Points out that, according to the United Nations Office for Disaster Risk Reduction, over the last 20 years (2000-2019), 7 348 natural disasters have been recorded worldwide at a cost of around USD 3 000 billion, compared to 3 656 disasters between 1980 and 1999;

7. Points out that, according to the Commission, natural disasters alone cost the EU more than 90 000 human lives and more than EUR 500 billion in economic losses between 1980 and 2017;

8. Stresses that, according to a UN report published on 13 October 2020, natural disasters will lead to the loss of around 150 million lives per year worldwide by 2030 and that the costs of the disasters are expected to reach USD 20 billion per year;

9. Is of the view that the risks of natural, ecological and health disasters have now become systemic and that the least developed and most fragile territories, such as islands, are often the most affected by the impact of climate change;

Disaster management, damage assessment and simplification of procedures

10. Considers it vital to improve disaster risk prevention and management in Europe; recommends, in this regard, that Member States put in place, together with the Commission, disaster management plans for accurate and rapid damage assessment;

11. Calls on the Commission to continue its work on simplifying the EUSF;

12. Is of the opinion that climate change and the intensification of natural disasters are making territories and regions increasingly vulnerable; calls on the Commission, accordingly, to consider revising the EUSF in order better to take into account disasters on a regional scale;

13. Calls on the Commission to ensure the dissemination of good practices with regard to governance and institutional coordination structures in disaster situations;

14. Points to the difficulties faced by beneficiary countries when it comes to determining the precise amount of damage in a very short period of time and suggests that the Commission consider alternative simplified methods for determining how much the Fund should contribute;

15. Draws particular attention to the situation of local authorities which have little experience in EU-funded projects and calls on the Commission to provide them with increased operational support, in particular administrative support;

16. Calls on the Commission to adapt the EUSF as far as possible to the regions that are the most vulnerable to natural, ecological and health disasters, particularly the ORs, islands, mountainous regions, regions that are prone to intense seismic or volcanic activity and those that are sparsely populated;

17. Believes that all lessons should be learned from Hurricane Irma that struck Saint-Martin in 2017 and calls for the EUSF and other emergency aid schemes to be extended to Overseas Countries and Territories (OCTs);

Fund resources and swift mobilisation of appropriations

18. Points out that in its revised proposal of 27 May 2020 on the MFF 2021-2027 the Commission provided for a maximum annual budget of EUR 1 billion for the EUSF (in 2018 prices) and therefore notes with concern that under the agreement on the new MFF, the EUSF has been merged with the Emergency Aid Reserve (EAR) into a new 'Solidarity and Emergency Aid Reserve' (SEAR) package, with an overall annual budgetary allocation of EUR 1.2 billion;

19. Considers that the establishment of a SEAR may have the advantage of some flexibility, but notes that, in its current form, the EUSF allocation remains uncertain, since it depends on the amounts mobilised by the EAR; undertakes, accordingly, closely to monitor the management of the SEAR in order to see whether the funding amount and allocation key provided for in this new financial instrument meet the needs of the EUSF, in view of the extension of its scope and the scale and proliferation of emergencies resulting, in particular, from climate change;

20. Welcomes the fact that the revised EUSF adopted in April 2020 has increased the level of advance payments from 10% to 25% of the amount of the financial contribution anticipated and the maximum amount of the advances from EUR 30 million to EUR 100 million; points out, however, that for countries facing major disasters, the effectiveness of the Fund is directly linked to the level of advance payments and is of the view that it should be much higher, amounting to at least 33%;

21. Notes that the average time needed to make advance payments is five months and calls on the Commission to consider some more reactive solutions;

22. Notes with regret that it takes on average one year for the entire grant to reach the beneficiary and that the Fund cannot therefore, under the current conditions, claim to act as an instrument for rapid intervention; calls on the Commission to expedite payment procedures and to explore ways of simplifying, as much as possible, the administrative procedures required to access aid, in order to relieve disaster-stricken regions or countries from unnecessary administrative burdens;

23. Believes that, in the future, the EUSF budget will have to be increased in order to make it a real tool for EU solidarity;

Risk prevention and quality of reconstruction

24. Calls for the criteria for determining operations that are ‘eligible’ for assistance from the Fund to take greater account of the latest risk prevention principles, so as to enable countries to improve the quality of their infrastructure during reconstruction and thus be better prepared to deal with disasters;

25. Takes the view that operations such as ‘framework loans’, implemented with the EIB, could also be used to finance the reconstruction of more expensive, but more resilient, safer and greener infrastructure;

26. Calls on the Commission to strengthen synergies between the EUSF and cohesion funds, as well as with the UCPM, with a view to effective and structured risk management in the short, medium and long term, not only through the construction of sustainable, energy- and resource-efficient infrastructure, but also through the deployment of preventive measures;

Health emergencies

27. Welcomes the fact that, following the revision of the EUSF Regulation proposed by the Commission on 13 March 2020, operations which can be covered by the Fund have now been extended to major public health emergencies, covering not only medical assistance but also measures to prevent, monitor or control the spread of diseases;

28. Takes the view that this broadening of the scope of the EUSF requires a larger budget;

29. Suggests that the Commission and the Member States increase their cooperation with the relevant WHO emergency preparedness services in order to develop rapid response plans to health emergencies;

Visibility of the Fund’s assistance

30. Calls on the Commission and the Member States to improve the visibility of the Fund’s assistance through ad hoc, targeted communication activities, and to make rapid response and delivery of aid a priority, in order specifically to highlight the Union’s added value in the event of natural and health disasters and its ability to put genuine mutual assistance into practice by providing significant budgetary resources;

31. Instructs its President to forward this resolution to the Council and to the Commission.

EXPLANATORY STATEMENT

Climate change, the huge loss of biodiversity caused by the sixth wave of species extinction, and the massive environmental pollution caused by human activities are disrupting the world's ecosystem to such an extent that many scientists describe our time as the Anthropocene Epoch.

Human activities have become the main force driving change on Earth. The disruption caused by human activities has many major consequences, including climate change, which is the main cause of the substantial increase in extreme weather events.

By 2030 these disasters will have increased in number and intensity. Moreover, the risk of natural disasters has now become systemic. The European Union must prepare for this and reinforce its measures to prevent such disasters and remedy them when they occur.

The speed of climate change and its growing impact must require us to review on an ongoing basis all the arrangements designed to mitigate it, including the EUSF.

Origin, scope and purpose of the Fund

The European Union Solidarity Fund (EUSF - hereinafter 'the Fund') was established following the severe floods in Central Europe in 2002. Its original aim was to provide rapid financial assistance to EU Member States and accession countries in the event of major **natural** disasters – at both national and regional level – resulting from floods, storms, earthquakes, volcanic eruptions, forest fires or drought. The Fund thus represents the materialisation of genuine European solidarity, which is reflected in the mobilisation of additional financial resources to cover a share of the public expenditure to be incurred by states dealing with disasters the scale of which warrants intervention at European level.

To date, some 24 European countries affected by a hundred or so major natural disasters have benefited from Solidarity Fund assistance, totalling over EUR 6 billion.

A natural disaster is regarded as 'major' if it results in direct damage estimated to be in excess of EUR 3 billion (2011 prices) or more than 0.6% of the gross national income (GNI) of the beneficiary state. 'Regional natural disaster' is also defined, as meaning any natural disaster in a NUTS 2 region that results in direct damage in excess of 1.5% of that region's gross domestic product (GDP). In the case of outermost regions, within the meaning of Article 349 of the Treaty on the Functioning of the European Union, this latter threshold is set at 1% of the regional GDP.

In March 2020, in response to the spread of the COVID-19 epidemic, the Commission proposed to extend the scope of the Fund to cover major **public health** emergencies. Accordingly, the Commission decided to set the criterion for mobilising assistance from the Fund at half of the threshold for natural disasters, i.e. 0.3 % of GNI or EUR 1.5 billion – again, whichever is the lowest. This proposal, endorsed by Parliament on 26 March 2020, on the basis of an urgent procedure, and by the Council on 30 March 2020, was published in the Official Journal on 31 March 2020.

Successive amendments to Regulation (EC) No 2012/2002

In its resolution of 15 January 2013 on the implementation of the EUSF, Parliament strongly criticised the time taken to grant aid in the event of natural disasters, the complexity of procedures and the impossibility, for the affected countries, of obtaining advance payments. On 25 July 2013, the Commission submitted a new legislative proposal which included those elements and led to the entry into force of amending Regulation (EU) No 661/2014 of 15 May 2014. The new regulation governing the mobilisation of the EUSF introduced primarily the following changes:

- an extension to the time frame for submitting an application for a financial contribution from the Fund, from 10 to 12 weeks,
- a faster payment procedure,
- the option to receive advance payments, which, however, are limited to 10% of the amount of the financial contribution anticipated and must in no case exceed EUR 30 000 000,
- a longer period (from 12 to 18 months) within which beneficiary countries may use their grants,
- a clearer scope and clearer eligibility rules,
- a greater focus on prevention.

However, in 2014 the ceiling for the EUSF's annual budget allocation was revised downwards, from EUR 1 billion in current prices to EUR 500 million in 2011 prices. In return, the Fund was given greater budgetary flexibility as it was now possible to carry over unused appropriations to the following year.

As regards Regulation (EU) 2020/461 of 30 March 2020, not only did it extend the scope of the 2002 Regulation to cover major health emergencies, but it also took note of the insufficient and inadequate level of advance payments, raising them from 10% to 25% of the estimated contribution from the Fund, with a new maximum amount of EUR 100 000 000.

On 27 May 2020, the Commission submitted a revised proposal for the 2021-2027 Multiannual Financial Framework (MFF), which made provision for a return to a maximum annual budget allocation of EUR 1 billion in 2018 prices.

In the agreement on the MFF 2021-2027, the EUSF was, however, combined with the Emergency Aid Reserve (EAR) within a new 'Solidarity and Emergency Aid Reserve' (SEAR) package. This may be used to respond, under the EUSF, to emergencies arising from major disasters in Member States or accession countries, but also to deal rapidly with specific urgent needs in the Union or in third countries, in particular in the event of humanitarian crises (EAR). The annual amount of the SEAR is fixed at EUR 1 200 million (2018 prices).

Position of the Rapporteur

The purpose of this report is to assess the operation of the Fund specifically in the wake of the various adjustments that have been made, on the basis of the experience gained in implementing it over the years. It is mainly based on an evaluation published in May 2019 by

Commission services, covering the period 2002-2017, in addition to the latest annual activity report, covering the years 2017-2018.

In your rapporteur's view, the following aspects appear to be problematic and should be the subject of in-depth reflection:

Damage assessment

Following the amendments to the 2014 regulation, the time frame for submitting applications for assistance was extended by two weeks in order to enable applicants to put together the file required in order to be granted support. This means that states or regions affected by a disaster now have twelve weeks to provide not only a comprehensive assessment of the direct damage and its impact on the population, the economy and the environment – specifying those which fall within the public domain – but also an estimate of the costs of restoring basic public infrastructure and equipment, together with a a short description of the implementation of Union legislation on disaster risk prevention and management.

This is clearly a very short period of time, which imposes an additional burden on states or regions that are already under pressure. This difficulty is compounded by the fact that, in some cases, affected states or regions do not have any documentary evidence of the value of certain damaged infrastructure, especially when it is very old.

Given that the extension of the deadline would have the effect of delaying the granting of assistance, which would be counter-productive, the solution to this problem must be sought elsewhere. Reliable and efficient damage assessment systems could be one of the solutions envisaged. The Commission could therefore take on a coordinating role. In addition, some thought should be given to the option of reviewing the method for calculating the grant to be provided by the Fund, based on simpler methodologies, which would allow for faster assessments.

Time frame for mobilising funds and making advance payments

Even though the revised 2014 regulation reduced by 12% the time frame between the submission of the application and the payment of the aid, the time needed to pay out the full grant is still one year, on average. In many cases, therefore, the Fund provides assistance when the restoration works have been completed, in the form of retrospective funding, or reimbursement. According to the Commission's analysis, since there is very limited scope for reducing the duration of administrative procedures prior to payment of the aid, ways of compensating for this relative slowness need to be found elsewhere.

Of the 20 applications for assistance approved between the entry into force of the revised regulation in 2014, which introduced advances, and 2017, 12 required advance payments. It would appear, therefore, that in a majority of cases, states or regions need funding faster than the Fund allows it to be given, and seek to obtain it this way. In this regard, your rapporteur welcomes the latest revision of the regulation following the COVID-19 outbreak, which raised the ceiling for advances from 10 to 25% of the estimated grant amount. However, this percentage could be further revised upwards, which is what your rapporteur would recommend.

Eligible operations and reconstruction costs

Another issue, related to the above, which clearly emerges from the Commission's analysis is the financing of reconstruction costs. Indeed, the evaluation notes that there is generally a gap between the estimated value of the infrastructure and the cost of reconstruction based on criteria that are in keeping with the requirements of respect for the environment, resilience and modernity. The 2014 regulation thus clearly states that the Fund may help finance the restoration of infrastructure to working order only up to the estimated cost of returning it to its original state. However, reconstruction should be an opportunity to improve the affected infrastructure and equipment in order to make it better able to withstand natural disasters in the future.

In this regard, the evaluation highlights the artificial nature of the assessment of reconstruction costs which are supposed to enable a hypothetical return to the *status quo ante*, i.e. to infrastructure that is often outdated.

Your rapporteur therefore suggests reviewing the criteria for assessing reconstruction costs and strengthening synergies with cohesion policy funds, with which there is real complementarity given that they are part of a longer-term perspective of strategic planning and investment in disaster risk prevention and management.

Cooperation with the EIB could be useful in this regard.

Fund's effectiveness and resources

The Commission's analysis covering the period 2002-2017 notes that the rate of approval for applications for assistance with major national disasters is 100%, while at the regional level, the approval rate has increased from 31% to 85% since the 2014 reform.

In addition, it appears that over the period under review, 98% of the grants awarded were used and were accepted by the Commission as eligible expenditure at the end of the implementation period.

As regards the budgetary mechanism of dynamic allocation, put in place in 2014, this enables, amongst other things, any unused amounts to be carried over to the following year, bringing some much-needed flexibility, particularly when it came to helping Italy cope with the series of earthquakes that took place there between August 2016 and January 2017. In this situation, the Fund was able to draw on the amounts carried over from 2016 and those allocated for 2018, reaching the record amount of EUR 1.2 billion.

It seems, therefore, that the Fund has proven both its usefulness and its effectiveness. Nevertheless, as just illustrated by the COVID-19 epidemic, and as the increasingly frequent and violent manifestations of climate change would suggest, Member States are likely to face new major disasters in the coming years, for which the limited capacities of the Fund might no longer be sufficient.

For that reason, your rapporteur wishes to express his concern about the merging of the EUSF and the EAR, as this makes the funding opportunities from the EUSF – now linked to the needs of the EAR – uncertain, for a joint budget that is barely higher than that proposed by the Commission in May 2020 for the Fund alone. It goes without saying that the management of the new reserve will have to be closely monitored in order to see whether the amount and distribution of its funds between the EUSF and the EAR are adequate. If they are not, a new

allocation key and/or increased financial allocation will have to be considered.