

## IV

(Notices)

## NOTICES FROM EUROPEAN UNION INSTITUTIONS AND BODIES

## COURT OF AUDITORS

**SPECIAL REPORT No 3/2008****The European Union Solidarity Fund: how rapid, efficient and flexible is it?  
Together with the Commission's replies**

*(pursuant to Article 248(4), second subparagraph, EC)*

(2008/C 153/01)



## TABLE OF CONTENTS

	<i>Paragraph</i>	<i>Page</i>
EXECUTIVE SUMMARY .....	I-VI	3
INTRODUCTION .....	1-5	3
AUDIT SCOPE AND APPROACH .....	6-8	4
OBSERVATIONS .....	9-41	4
Rapidity .....	9-26	4
How much time did it take from the disaster to the payment of aid? .....	9-19	4
What factors account for variation in time taken for obtaining aid from the Fund? .....	20-22	7
Can the time actually taken be regarded as showing that the Fund provided a rapid response to the applicants? .....	23-26	7
Efficiency .....	27-31	9
Flexibility .....	32-40	9
How are regional disasters treated by the Fund? .....	34-38	9
Does the grant calculation principle compromise the fair treatment of grants allocated to regional disasters? .....	39-40	11
Are applicants satisfied with the Fund? .....	41	11
CONCLUSIONS AND RECOMMENDATIONS .....	42-47	12
<i>Annex</i> — EU Solidarity Fund Applications since 2002 .....		13
<b>The Commission's replies</b> .....		15

## EXECUTIVE SUMMARY

I. The European Union Solidarity Fund (EUSF) was set up in 2002 in response to the serious floods in Germany, Austria, the Czech Republic and France. The Fund was intended to demonstrate solidarity with Member States suffering as a result of natural disasters. Up to the end of 2006 it had provided aid of over EUR 1 billion in respect of 23 disasters.

II. The Council wanted the EUSF to be rapid, efficient and flexible in providing assistance. This report examines whether the Fund had achieved these aims and whether the recipient states were satisfied with the Fund.

III. The Court reviewed all the applications sent to the Fund up to the end of 2006 and found that the Fund did not provide a rapid response. This is confirmed by a survey carried out by the Court. The time taken between the disaster and the payment was usually about one year.

IV. The direct costs associated with managing the Fund by the Commission are low and so the Court concludes that the Fund is working efficiently. As regards flexibility, the Court found no cases where the Fund showed a lack of flexibility in its treatment of applications for aid.

V. However despite the protracted process involved in obtaining aid from the Fund, states that received money were satisfied with the Fund. The Fund has therefore, in respect of the states that received aid, met its underlying objective of demonstrating solidarity with Member States in times of disaster.

VI. The Court recommends that the Commission provide detailed guidance to applicants and advice on how to achieve the prompt submission of information in order to ensure that delays in the processing of applications are avoided.

## INTRODUCTION

1. In summer 2002 there were serious floods in Germany, Austria, the Czech Republic and France. The flooding was so severe that the economies in the regions affected ground to a halt for a while. The European Community reacted swiftly and created the European Union Solidarity Fund, hereafter called the Fund, in November 2002 <sup>(1)</sup>.

2. The Fund was created to enable the Community to provide rapid, efficient and flexible financial aid in emergency situations related to natural disasters. It is not designed to meet all the costs linked to a disaster immediately but mainly to reimburse a part of those connected with ensuring the restoration of vital services and provision of temporary accommodation. The underlying aim of the Fund is to demonstrate solidarity with those states suffering as a result of natural disasters. With an annual budget of EUR 1 billion, the Fund intervenes <sup>(2)</sup>:

- (a) if a Member or Accession State is affected by a major disaster, i.e. a natural disaster resulting in a damage estimated at more than 0,6 % of gross national income or more than EUR 3 billion if gross national income of the disaster affected country is above EUR 500 billion (2002 prices);

- (b) by way of exception, if a Member or Accession State suffers from a neighbouring country disaster, i.e. a natural disaster that also affected a neighbouring Member or Accession State where it caused damage of a level of a major disaster as defined above; and

- (c) by way of exception, if a Member or Accession State suffers a regional disaster, i.e. a disaster that affects a major part of the population of a region and will have serious and lasting repercussions on living conditions and economic stability in that region.

3. The grant rate for all disasters is calculated in relation to the total direct damage suffered by the state. For major disasters the aid comprises two rates: for damage which is less than the EUR 3 billion the rate of aid is 2,5 % and for damage above this amount the rate is 6 %. For regional and neighbouring disasters there is a single rate of 2,5 % of the total direct damage.

4. The fund is operated by the Directorate-General for Regional Policy (Regional Policy DG). From the start of the Fund to the end of 2006 Regional Policy DG received 41 applications for aid. Nearly half of the applications for aid were connected with flooding disasters. See *Table 1* for details of the different types of disasters covered by all the applications.

<sup>(1)</sup> Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p. 3).

<sup>(2)</sup> Article 2 of Regulation (EC) No 2012/2002.

Table 1  
Numbers of different types of disaster (in aid application)

Type of disaster	In year					Total
	2002	2003	2004	2005	2006	
Flooding	4	3	3	7	2	19
Forest fires	0	3	7	0	1	11
Storm	0	0	0	5	0	5
Earthquake	0	1	1	0	0	2
Oilspill	0	1	0	0	0	1
Adverse weather	0	1	0	0	0	1
Volcanic eruption	0	1	0	0	0	1
Explosion	0	0	0	0	1	1
<b>Total</b>	<b>4</b>	<b>10</b>	<b>11</b>	<b>12</b>	<b>4</b>	<b>41</b>

Source: Regional Policy DG records of applications.

5. Overall, aid totalling EUR 1 084 million was granted during this period for 23 approved applications as shown in Table 2 (for a detailed list of cases see Annex I).

Table 2

Numbers of applications and amount of aid in the years 2002-2006 by category of emergency

Category of emergency	Applications received	Applications approved	Applications rejected	Amount of aid granted (million EUR)
Major natural disaster	15	14	1	961,3
Neighbouring country	2	2	0	1,6
Regional disaster	24	7	17 (1)	121,1
<b>Total</b>	<b>41</b>	<b>23</b>	<b>18</b>	<b>1 084</b>

(1) Includes two cases which were withdrawn rather than rejected.

Source: Regional Policy DG records of applications.

## AUDIT SCOPE AND APPROACH

6. The objective of the audit was to assess the rapidity, efficiency and flexibility of the implementation of the Fund by the Commission since its inception. This was done by reviewing all 41 aid applications received between the commencement of the Fund (2002) and the end of 2006 by the Regional Policy DG.

7. The Court sought to answer the following questions:

(a) Did the Fund provide a rapid response to the applicants, i.e. states or regions affected by a disaster?

(b) Was the aid granted efficiently?

(c) Was the Fund's response to applicants flexible without compromising the principle of equitable treatment?

(d) Are applicants satisfied with the Fund?

8. The audit was mainly carried out through interviews, file examination at the Commission and analysis of the data collected. In addition, the Court carried out an electronic survey by addressing questionnaires to the 37 applicants out of 41 in 17 states that had sought aid from the Fund (see Annex I). The Court received answers from 33 applicants from 15 Member States (89 % response rate).

## OBSERVATIONS

### Rapidity

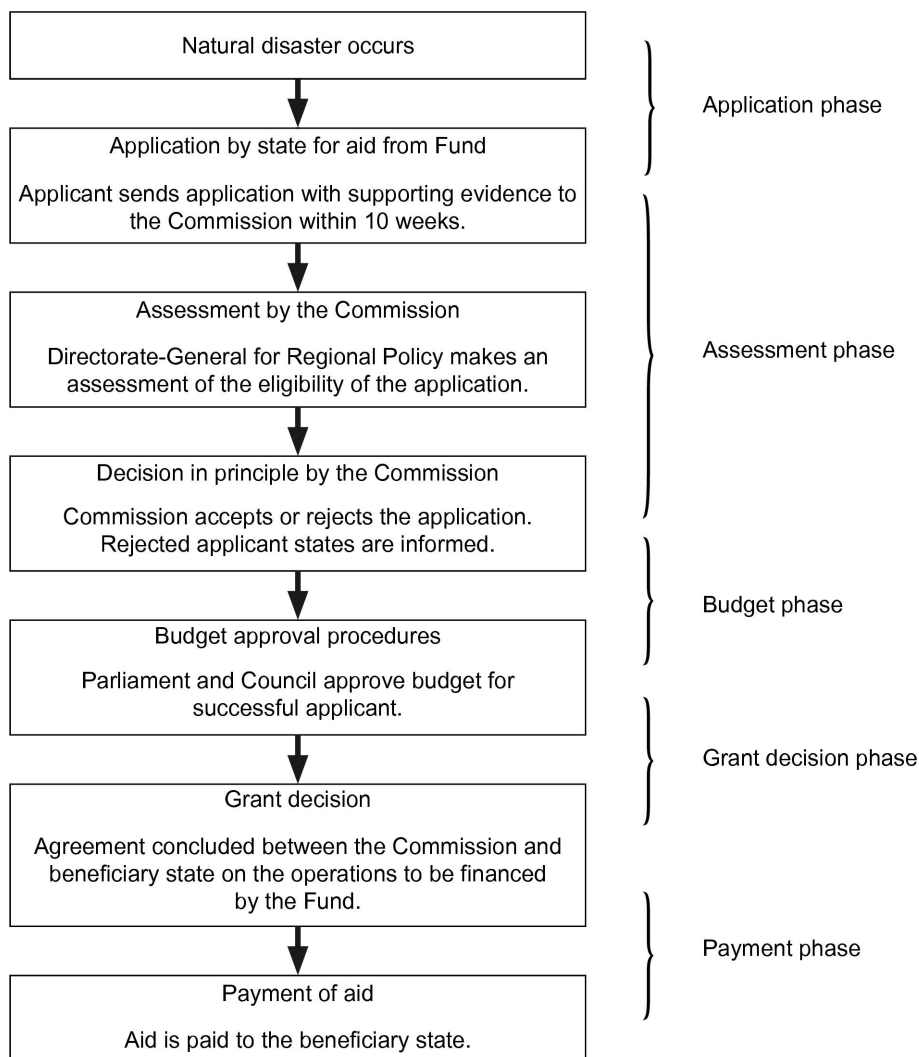
#### How much time did it take from the disaster to the payment of aid?

9. The average time for the 23 successful applications to receive aid was 375 days.

10. The Court examined the time taken for obtaining aid from the Fund by dividing the processing of applications into phases. There are five main phases in the administrative process from the date of disaster to the date of payment (see Figure 1).

Figure 1

**Phases in the processing of applications for aid from the Fund**



11. Table 3 below shows the average time taken for each phase in the process. Whilst the average time for the first two phases refers to all 41 applications, the average time for the last three phases refers only to the 23 successful applications.

Table 3

**Average number of days per phase in the processing of applications for aid from the Fund**

Phase	Average time in calendar days
Application	66
Assessment	148
Budget	65
Grant decision	94
Payment	24

Source: Regional Policy DG records of applications.

About two months on average to receive an application from a state.

12. As shown in Table 3, the average duration of the application phase is 66 days. The Regulation governing the aid from the Fund requires that applications be sent to the Commission 'as soon as possible and no later than ten weeks after the first damage caused by the disaster' (1). However, in seven cases (almost in 17 % of cases) the application was submitted more than ten weeks after the disaster, hence after the deadline. Apparently, the applicants need at least two months to prepare the application. The application takes such time because it is necessary to collect evidence to support the application including information on the proportion of the population affected by the disaster.

(1) Article 4(1) of Regulation (EC) No 2012/2002.

Almost five months on average for Commission to obtain missing information and assess the eligibility of the application.

13. As shown in *Table 3*, the assessment phase is the longest of all the phases in the processing of applications for aid from the Fund. It accounts for more than one third of the time from the date of disaster to the date of payment. After receiving an application the Commission checks the eligibility of the application, which implies, in almost all cases, asking for additional information from the applicant state concerned (see *Textbox 1*). This stage ends with a decision in principle whether or not to provide assistance.

*Textbox 1*

#### Providing the Commission with the necessary information

The time needed for the Commission to analyse an application and request additional information varies significantly. In a flooding in 2005, a lot of information — and in particular electronic data — was sent immediately after the disaster occurred and before the official application was submitted. The result was that the Commission requested further information 1,6 months before it received the application and the assessment stage was shorter than the average. In a forest fire case in 2003, the authorities sent the Commission the information it had requested the next day. This resulted in an overall assessment time of 1,5 months only. At the other extreme, in a case of 2003, the assessment took 12,5 months. The reason was that the national authorities sent a huge but incomplete package of supporting documentation in their national language.

14. The Court examined how the applicants view the duration of the assessment phase (see *Table 4*). According to the survey data, more than half of the successful applicants and also two thirds of the unsuccessful applicants found the Commission's time spent for the assessment of their application to be reasonable. The successful applicants are those whose applications were approved, the unsuccessful are those whose applications were rejected.

*Table 4*

#### Percentage of applicants considering the assessment phase as reasonable, too long or having some other opinion

Opinion on the duration of the assessment phase	Applicants	
	Successful	Unsuccessful
Reasonable	50 %	67 %
Too long	39 %	11 %
Other	11 %	11 %
NA	0 %	11 %
<b>Total</b>	<b>100 %</b>	<b>100 %</b>

Source: Survey data obtained from the applicants by the Court.

15. Furthermore, *Table 5* shows the average duration of the assessment phase considered by the applicants as reasonable and the average duration of the assessment phase considered by the applicants as too long. Interestingly enough, the unsuccessful applicants appear to be more 'patient' than the successful applicants. It is worth remarking that only one unsuccessful applicant considered the time taken by the Commission as 'too long'.

*Table 5*

#### Relationship between the success of the application, the duration of the assessment phase and the applicants' opinion

Approved applications		Rejected applications	
Average time for those applicants who considered the time spent as reasonable	Average time for those applicants who considered the time spent as too long	Average time for those applicants who considered the time spent as reasonable	Average time for those applicants who considered the time spent as too long
101 days	171 days	129 days	181 days

Source: Survey data obtained from the applicants by the Court.

More than two months on average to make the financial resources available in the EU budget.

16. Following the decision in principle by the Commission, the budget phase commences. The budget line for EUSF is only a token entry. The Commission prepares a 'budgetary request' which is presented to the budgetary authority (Council and Parliament). This budgetary amending procedure takes more than two months on average but can increase to four months during holiday periods (see *Textbox 2*).

*Textbox 2*

#### Passing the budgetary amending procedure

For two flooding applications in 2005, the decision in principle was taken in December 2005 but the budget amendment was only approved in April 2006, four months later. For a flooding case in 2004, the decision in principle was taken in June 2005 and the budget amendment was only approved in September 2005, three months later.

Three months on average to get all documents signed.

17. Once the necessary financial resources have been made available in the budget, the Commission adopts a grant decision and concludes an agreement with the applicant. This agreement sets out the type and location of operations to be financed by the Fund. As shown in *Table 3*, on average, this phase takes three

months. Abnormal delays were however observed in seven cases which were due to the applicants taking too much time to submit the requested documents, which is sometimes as simple as the bank account identification number for the payment. The method by which documents are sent to the Commission can also cause delay. For instance some applicants who returned the signed grant agreement by diplomatic mail to their permanent representation, who then forwarded it to the Commission found that this in fact was slower than direct post mail.

18. The sum of the average time for the budget phase and the average time for the grant decision phase represents almost half of the average time from the date of disaster to the date of obtaining aid from the Fund. Hence, making the financial resources available and getting all documents signed takes as much time as assessing an application.

Almost one month on average to pay.

19. As shown in *Table 3*, the average time for the payment phase is 24 days. Once the agreement has been signed by both parties, the payment itself usually takes less than one month, but it can take longer. This is the case if the signed agreement is only received by the Commission at the beginning of the budget year. Then — due to accounting procedures at the end and beginning of the year — the payment will not be made before the month of March.

**What factors account for variation in time taken for obtaining aid from the Fund?**

20. So far, this report has presented the average time taken for each of the five phases in the process of obtaining aid from the Fund. There was a wide variation around the average time. The Court sought to identify factors which might account for the variation. So the Court examined the extent to which variation is explained by the category of the disaster, the type of the disaster and the country where the disaster took place. Three categories of disaster were distinguished: major, neighbouring and regional disasters. With respect to their type, the disasters were classified as flooding, forest fire, storm, earthquake, oilspill, adverse weather, volcanic eruption and explosion. No significant relationship between the category of disaster and time taken for obtaining aid from the Fund was found. The same holds for the type of disaster and the country where the disaster took place.

21. An example of the analysis of variation in time taken for obtaining aid from the Fund is presented in *Table 6*. There the relationship between the type of disaster and the duration of the application phase is shown. As can be seen, the type of disaster does not account for a significant part of the variation in time the applicant needs to present the case to the Commission.

*Table 6*

**Duration of the application phase in relation to the type of the disaster**

Type of disaster	Number of applications	Average number of days	Minimum number of days	Maximum number of days	Standard deviation
Flooding	19	67	12	106	17
Forest fires	11	58	24	70	17
Storm	5	64	61	67	2
Earthquake	2	72	70	74	2
Oilspill	1	55	55	55	0
Adverse weather	1	79	79	79	0
Volcanic eruption	1	79	79	79	0
Explosion	1	68	68	68	0
<b>All disasters</b>	<b>41</b>	<b>66</b>	<b>12</b>	<b>106</b>	<b>15</b>

Source: Regional Policy DG records of applications.

22. The Court's analysis suggests that the time necessary to mobilise funds depends mainly on:

- (a) the administrative rules to be applied;
- (b) the rapidity of the Commission, including the need for translation;
- (c) the promptness of the national authorities' replies; and
- (d) the quality of the information provided by the applicant.

**Can the time actually taken be regarded as showing that the Fund provided a rapid response to the applicants?**

23. An attempt was undertaken to benchmark the rapidity of the Fund against similar funds or activities. Various other funds and activities were reviewed. The closest equivalent was found to be the Commission's Directorate-General for Humanitarian Aid

(ECHO) Emergency Aid Fund. However, despite there being similarities between the two funds, they are not sufficiently similar to provide a benchmark for the rapidity of the Solidarity Fund. The Emergency Aid Fund has a specific regulatory and procedural framework which is designed to ensure that it can provide immediate relief (e.g. an assessment phase of less than one week and a fixed budget line). The Fund does not have an equivalent regulatory framework.

24. However, when analysing the data, the Court noted that the first four applications were paid within a time span of between 100 and 150 days from the date of the disaster, on average in 131 days. The Commission started to deal with the first four applications before the Fund was fully set up. The processing time for those four applications provides a standard of comparison against which the processing time for subsequent applications can be judged. If for an application received in 2003 or later when the Fund was fully set up the processing time, i.e. the time from the date of disaster to the date of obtaining aid from the Fund, exceeds 150 days, it can be considered as long. The average processing time for the 19 successful applications after the first four applications was 415 days, hence above the benchmark just defined. Therefore, the Court does not consider the Fund to be rapid in providing aid in the years after 2002. The Fund was much more rapid in dealing with the first four applications than it was in dealing with the subsequent ones.

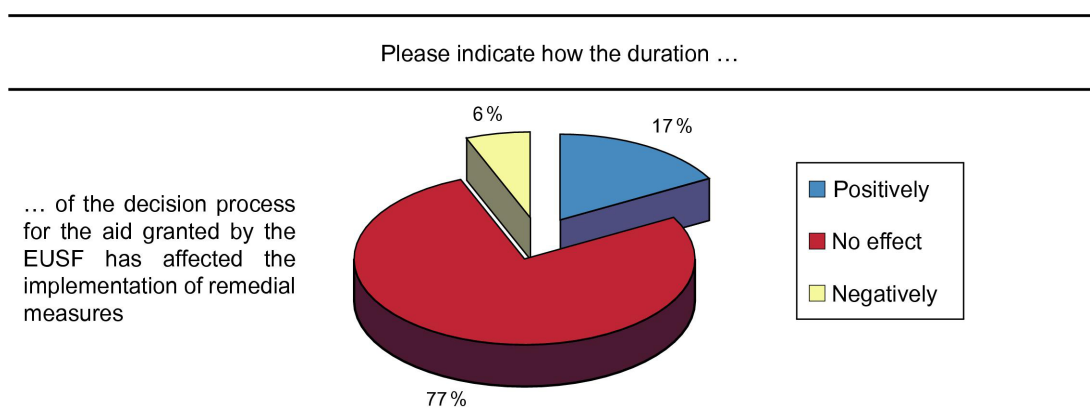
25. The four benchmark cases could help to identify how to speed up the process in new cases. In these four cases:

- (a) the assessment lasted on average only nine days because significant documentation was provided to the Commission in the preliminary stages (before the formal application);
- (b) the budget phase lasted on average only eight days since the Commission sent the proposal to the Parliament on the same day that the decision in principle was taken; and
- (c) in the grant decision phase, a significant amount of time was saved by the signature of the agreement by both parties on the same day.

26. The Court examined whether the applicants considered that the duration of the process had had an impact on the implementation of remedial measures. The survey revealed that most of the applicants considered that the duration of process had not had any effect on the implementation of remedial measures. This opinion is probably due to the fact that the Fund is mainly used for the reimbursement of a small part of the costs caused by the disaster (see *Graph 1*).

Graph 1

Survey based opinion of beneficiary states on the effect of the Fund on the implementation of remedial measures



**Efficiency**

27. The Fund is required to be efficient. The regulation stipulates that 'administrative procedures should be adjusted accordingly and confined to an absolute minimum' without defining the concept further <sup>(1)</sup>.

28. The Court reviewed the procedures that the beneficiary states are required to comply with in respect of tendering, contracting, implementing, reporting and auditing the grant. The Court concluded that the requirements for beneficiary states of EUSF are less cumbersome than those receiving other EU funds. It can therefore be considered that the administrative procedures have been reduced to a level which ensures that the procedures are efficient for beneficiary states.

29. The Court reviewed the administrative procedures at the Commission to assess whether they were confined to a minimum. The Court concluded that within the current framework of the Fund (i.e. a solidarity and not an emergency fund) all the five phases of administrative procedures were necessary and none of them was redundant.

30. Despite the fact that the Commission does not have an accounting system providing data to calculate the costs of the Fund, the average direct cost of managing the Fund can be estimated to be around 0,06 % (or less than 0,1 %) of the amount granted as shown in *Table 7*. Since the establishment of the Fund in 2002, two people have been permanently allocated to the task of managing the Fund services. They deal with the process from the initiation of applications up to the closure of the aid.

31. In an effort to calculate the total cost of managing the Fund by the Commission additional information was requested from both Human Resources and Audit Directorates on other personnel assigned to this task, mission frequency and cost by operational and audit units as well as other administrative, monitoring and control on-the-spot costs. Limited information was available. So in order to create a 'benchmark' for evaluation purposes, the Court calculated an estimate for all above costs on a yearly basis. This sums up to an average annual amount of EUR 170 000. In *Table 7* it can be seen that the administrative costs are minimal when compared to the amount managed. As an indication, in 2002, a year with only four cases to manage, the administrative costs represented 0,02 % of the aid granted. The Court's findings indicate that the Commission manage the Fund in an efficient way.

<sup>(1)</sup> Recital (8) of Regulation (EC) No 2012/2002.

Table 7

**Administrative costs and workload of the Fund per year**

	Year 2002	Year 2003	Year 2004	Year 2005	Year 2006
Annual administrative costs of DG REGIO (million EUR)	0,15	0,16	0,17	0,18	0,19
Number of applications	4	10	11	12	4
Aid granted (million EUR)	728	107	20	205	24

Source: Court's estimation of the costs and Regional Policy DG.

**Flexibility**

32. In the context of this analysis flexibility is defined as the ease with which a system can be adjusted for use in applications or environments other than those for which it were specifically designed. The Fund was designed for the major disasters. Therefore it can exhibit flexibility in responding to the applications associated with regional disasters.

33. The Fund should enable the Community to respond flexibly to emergency situations, but exceptional cases must be treated with the utmost rigour <sup>(2)</sup>. The flexibility of the Fund must not compromise the principle of equitable treatment.

**How are regional disasters treated by the Fund?**

34. The Court reviewed the treatment of regional and major disasters. The analysis focused on 'flexibility' from the perspective of the equitable treatment of applications. This means the fair assessment of the requests submitted by the applicants and the use of coherent and consistent criteria by the Commission for the approval or rejection of applications.

35. Of the 18 applications that were rejected <sup>(3)</sup>, 15 (83 %) concerned regional disasters. The reason for this very high level of rejection is that the definition of regional disaster is rather

<sup>(2)</sup> Article 2(2) of Regulation (EC) No 2012/2002.

<sup>(3)</sup> Including two withdrawn applications.

vague and their eligibility for the Fund is more complex to assess. Each rejection by the Commission is justified by a set of reasons. The main reasons that the Commission gave for rejection were:

- (a) applications were submitted late and/or were incomplete;
- (b) damage reported in the application did not affect a major part of the population and was not classified as regional disaster;
- (c) incorrect information about the date of the disaster given by Member States.

36. Whilst the Court does not claim that cases which have been rejected should have been accepted, it notes that there are two cases where there is a lack of clarity in the criteria applied or in the justification presented to the Member State (see *Textbox 3*). In one case the eligibility conditions as regards the level of population affected has not been applied as in equivalent cases.

*Textbox 3*

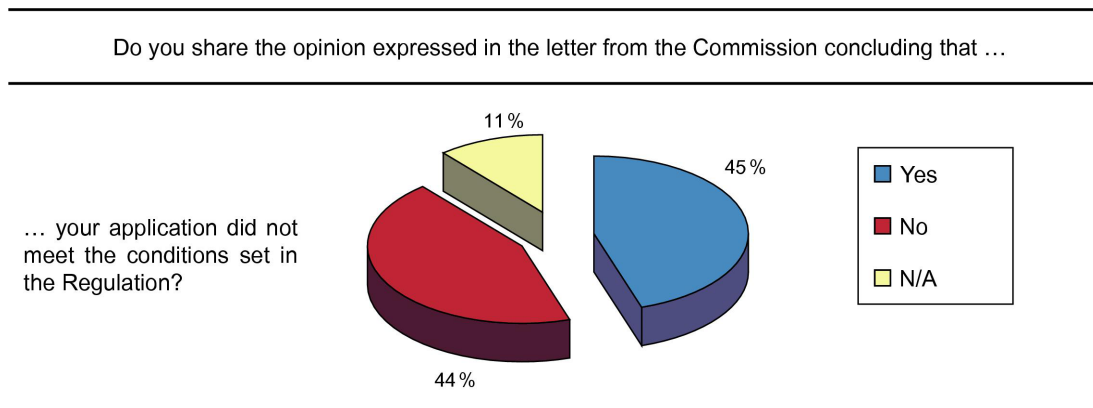
**Some eligibility criteria applied for regional disasters**

For one forest fire rejected in 2005 — the Commission alleged, as one argument, that it did not affect a major part of the population (see conditions in paragraph 2). However, it did not use the same argument to reject another similar case in 2003. On the contrary, the Commission itself explained in its annual EUSF report 2002-2003 why that condition was not applicable for this particular case even though the condition makes little sense for either of the rejected forest fire applications.

One of the Commission's reasons for rejecting a flooding case in 2004 was that the Community Mechanism for Civil Protection had not been activated, which implied that the flooding was of a limited nature. Activating this mechanism is, however, not a compulsory requirement under the Regulation. This case was compared to another rejected flooding case in 2005, where the Commission also referred to the mechanism for Civil Protection, but then in this case stated that this element was not relevant.

*Graph 2*

**Applicants' opinion of Commission's reason for rejection**



37. The Court examined whether the applicants for all categories of disaster whose applications were rejected agreed with the Commission's reasons for rejection. This could be considered as measure of the extent to which the eligibility rules are coherent and clearly understood. The survey data indicates that 45% of the applicants agreed with the Commission's arguments for rejecting their application as shown in *Graph 2*. The rejected

applicants did not agree with the Commission's arguments for the following reasons:

- (a) the impossibility for the regions concerned to provide the data requested by the Commission to the level of accuracy requested and in a very short time period prescribed — in an emergency context in which priority is given to immediate needs;

- (b) it is sometimes difficult to quantify exclusively in economic terms the impact of damage to populations; for instance in small rural communes there is damage not just to property but to a way of life and general living conditions. At the same time it was claimed that all these small incidents can, if added together, create a big problem;
- (c) in some cases the authorities believe that, in the past, the Commission accepted the application and financed the action in similar cases.

38. The views noted indicate that applicants have problems with the time allocated to them to prepare an application, the assessment of the damage in terms of components of damage which are difficult to quantify as well as with the criteria used by the Commission to assess the application. This last critical element could imply that the applicants have concerns about the fairness of treatment in some cases.

#### Does the grant calculation principle compromise the fair treatment of grants allocated to regional disasters?

39. According to the method used by the Commission <sup>(1)</sup>, all regional disasters receive the same percentage of total direct damage, namely a flat rate of 2,5 % of the total direct damage, without taking into account the 'prosperity' of the applicant state or region. In contrast, in major disasters the grant calculation is based on the Gross National Income of the applicant giving a more equitable treatment between countries in relation to their prosperity.

40. The mobilisation of the Fund under the 'exceptional criterion' (regional) is the rule and not the exception (58 % of disasters were regional disasters). Moreover, the conditions for a successful application under the extraordinary regional disaster criterion which are required to be examined with the utmost rigour are extremely difficult to meet. So 83 % of applications for regional disasters were rejected after a longer assessment period. The rejections were not due to the non-availability of funds since from its creation in October 2002 up to the end of 2006 the Fund has granted aid for not much more than its budget for one year.

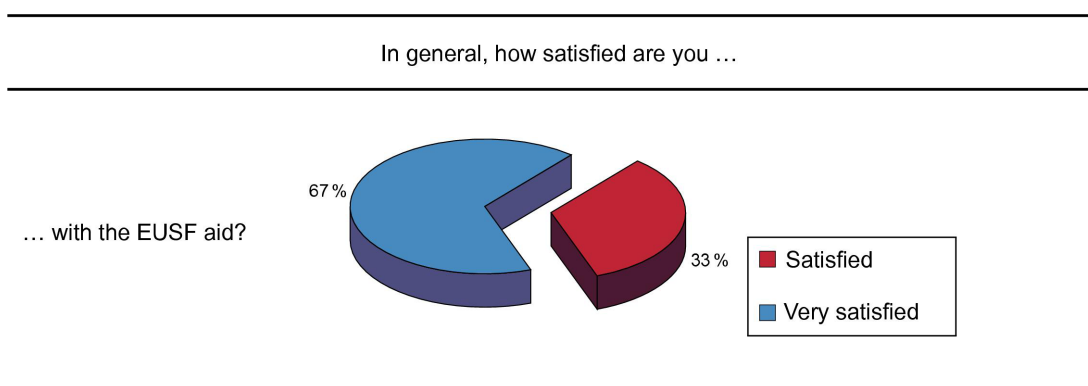
#### Are applicants satisfied with the Fund?

41. All applicants that have replied to the survey were satisfied with the Fund. The Fund is perceived as a sign of solidarity, with a positive impact on public opinion, especially in the new Member States. Based on the survey replies (see *Graph 3*), the main reasons given for this satisfaction are:

- (a) the Fund's contribution was a signal of the EU solidarity with the population of the regions affected, in view of the scale of the disasters;
- (b) the grant helped to alleviate the enormous expenses linked to the disasters (extending secondary emergency operations, speeding up the process and so on);
- (c) the aid represented a reduction of the burden on public budgets, albeit sometimes limited compared to the degree of the disaster;
- (d) the contribution had a positive impact on public opinion with regard to the accession to the EU for candidate countries.

Graph 3

#### Global satisfaction from EUSF



<sup>(1)</sup> The Commission's annual European Union Solidarity Fund Report 2002-2003, p. 24.

**CONCLUSION AND RECOMMENDATIONS**

42. The Court's examination of the operation of the Fund in 2002-2006 shows that the Fund does not provide a rapid response. On average, the applicants had to wait for 12 months after the disaster to receive payment of the assistance. The delays are not related to the category or the nature of the disaster, or to the origin of the application. The time necessary to mobilise funds depends mainly on the extent of the administrative rules applied, on the rapidity of the Commission, on the promptness of the national authorities' replies and on the quality of the information provided in each case by the applicants (see paragraphs 10 to 26).

43. The existing number of staff managing the Fund at the level of the Commission has proved to be efficient. In addition, the total costs of managing the Fund were found to be very low in relation to the aid granted (see paragraphs 27 to 31).

44. There are no cases where the Fund showed a lack of flexibility in its treatment of applications for aid. Without questioning the rejection of applications there are a few cases which illustrate a lack of clarity in the justification of the rejection of applications for regional disasters. The method used for the calculation of the grant amount for approved regional disasters does

not take into account the prosperity of the state, so it may not respect the principle of fairness (see paragraphs 32 to 40).

45. Finally it should be noted that, despite the issues raised above, all applicants that have replied to the survey are satisfied with the Fund. In this way the Fund has achieved its underlying objective which is to demonstrate solidarity with Member States in disaster situations (see paragraph 41).

46. In order to speed up the payment of the assistance, the Commission should have procedures in place, before the end of 2008, to ensure that an applicant state receives detailed guidance on the requirements of the application as soon as possible, preferably within one week of a state or region advising the Commission that they will be seeking aid from the Fund.

47. In addition the Commission should establish direct contact with the body in the Member or Accession State responsible for preparing the application to warn them of the common weaknesses in applications received and stress the importance of sending back the application and any other document requested by the Commission, including the final agreement, rapidly.

This report was adopted by the Court of Auditors in Luxembourg at its meeting of 13 March 2008.

*For the Court of Auditors*  
Vitor Manuel DA SILVA CALDEIRA  
*President*

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## ANNEX

## EU SOLIDARITY FUND APPLICATIONS SINCE 2002 (LAST UPDATE 31 DECEMBER 2007/REGIONAL POLICY DG)

Year	Country	Nature of the disaster	Damage (million EUR)	Category	Aid granted (million EUR)	Receipt of EUSF aid at national level <sup>(1)</sup>	
2002	1	AT	flooding	2 900,0	major	134,0	27.12.2002
	2	CZ	flooding	2 300,0	major	129,0	13.1.2003
	3	FR	flooding (Le Gard)	835,0	regional	21,0	27.12.2002
	4	DE	flooding	9 100,0	major	444,0	29.12.2002
Total aid 2002					728,0		
2003	1	ES	oilspill (Prestige)	436,0	regional	8,6	29.3.2004
	2	IT	earthquake (Molise/Apulia)	1 558,0	regional	30,8	11.3.2004
	3	IT	volcanic eruption (Etna)	849,0	regional	16,8	11.3.2004
	4	IT	flooding (northern Italy)	1 900,0	regional	rejected	n/a
	5	EL	adverse winter weather	n/a	major	rejected	n/a
	6	PT	forest fires	1 227,9	major	48,5	2.12.2003
	7	FR	forest fires (southern France)	531,1	regional	rejected	n/a
	8	ES	forest fires (Portuguese border)	53,2	neighbouring country	1,3	6.9.2004 (payment date)
	9	MT	flooding	30,2	major	1,0	12.11.2004 (payment date)
	10	IT	flooding (Friuli Venezia-Giulia)	525,1	regional	rejected	n/a
Total aid 2003					107,0		
2004	1	FR	flooding (Rhone delta)	785,0	regional	19,6	7.7.2004
	2	ES	flooding (Malaga)	72,9	regional	rejected	n/a
	3-9	ES	forest fires (7 applications)	479,8	regional	all 7 rejected	n/a
	10	SK	flooding	29,1	regional	rejected	n/a
	11	SI	earthquake	12,5	regional	withdrawn	n/a
Total aid 2004					19,6		

2005	1	SK	storm (Tatras)	202,7	<b>major</b>	5,7	7.11.2005
	2	IT	flooding (Sardinia)	223,0	<b>regional</b>	rejected	n/a
	3	EE	storm	47,9	<b>major</b>	1,3	not available
	4	LV	storm	192,6	<b>major</b>	9,5	not available
	5	SE	storm	2 297,3	<b>major</b>	81,7	18.4.2006
	6	LT	storm	15,2	<b>neighbouring country</b>	0,4	12.4.2006
	7	EL	Evros flooding	1 35,0	<b>regional</b>	rejected	n/a
	8	RO	spring flooding	489,5	<b>major</b>	18,8	17.8.2006
	9	BG	spring flooding	222,3	<b>major</b>	9,7	7.7.2006
	10	BG	summer flooding	237,4	<b>major</b>	10,6	7.7.2006
	11	RO	summer flooding	1 049,7	<b>major</b>	52,4	17.8.2006
	12	AT	flooding (Tyrol/Vorarlberg)	591,9	<b>regional</b>	14,8	24.10.2006
<b>Total aid 2005</b>						<b>204,9</b>	
2006	1	UK	explosion	730,0	<b>(regional)</b>	withdrawn	n/a
	2	EL	flooding	372,3	<b>regional</b>	9,3	17.12.2007
	3	HU	flooding	519,1	<b>major</b>	15,1	19.10.2007
	4	ES	forest fires	91,0	<b>regional</b>	rejected	n/a
<b>Total aid 2006</b>						<b>24,4</b>	
<b>Grand total of aid granted since 2002</b>						<b>EUR 1 083,9 million <sup>(2)</sup></b>	

(<sup>1</sup>) The EUSF grant has to be used within one year of the date of receipt of the grant in the beneficiary country. No later than six months after the expiry of the one-year period the beneficiary country has to present an implementation report with a statement of validity.

(<sup>2</sup>) Including amounts waiting to be paid out in 2006 for applications from 2005.

## THE COMMISSION'S REPLIES

### EXECUTIVE SUMMARY

III. The rapidity with which funds are made available to beneficiaries is a direct reflection of the procedure provided in the EUSF Regulation, which have meant that, in practice, it is not a rapid response instrument but a refinancing instrument for expenditures already incurred by the national authorities.

IV. The Commission agrees that the conditions for a successful application for 'regional disasters' (as opposed to 'major disasters') are more difficult to meet. This is intended by the legislator, who requires the Commission in Article 2 of the Regulation to examine 'with the utmost rigour' any regional disaster application.

V. The Solidarity Fund has helped to alleviate the financial burden on states affected by disasters and it has been beneficial to the image of the Union in the eyes of its citizens, offering help and additional resources at times of particular hardship.

VI. The Commission agrees to the recommendations of the Court. Shortly after the adoption of the Regulation a standard application form was developed as well as a detailed guidance note for applications (both available on the InfoRegio website). The Commission intends to seek direct contact with the body preparing the request, provided that the applicant state agrees, and to extend its application guidelines in order to warn applicant bodies of possible sources of delays.

### OBSERVATIONS

10-13. Some of the five stages identified by the Court may overlap. For example, the first presentation of the application is often lacking essential information and the Commission cannot complete its assessment until it receives the missing information.

For the applications received in 2005 (the year with the highest number of applications during the period assessed by the Court) the average time before the Commission had received the missing information was 93 days.

In those cases, in which the application was submitted after the 10-week deadline foreseen by the Regulation, the Commission rejected the applications.

16. The Commission requests additional appropriations via a Preliminary Draft Amending Budget (PDAB) decided on by the two arms of the budgetary authority (Council and Parliament) <sup>(1)</sup>.

24-25. The first four submissions under the EUSF in 2002 should be looked at separately and cannot be used as a benchmark as they were dealt with under very unusual circumstances. Complete applications in working languages of the Commission were received very early and dealt with while the Regulation was still being developed and the internal procedures yet had to be

established. As the eligibility rules in the Regulation were established in the context of these first disasters, the required assessment time was extremely short. The very high total aid amount of EUR 728 million, never been exceeded since then, allowed for a separate amending budget in the budget procedure. The fact that the implementation agreements were signed on the occasion of a European Council meeting (Copenhagen) also illustrates strong political will and the exceptional character of these first cases.

The current EUSF Regulation does not provide for a rapid response instrument but only for a refinancing instrument for emergency expenditures already incurred by the national authorities.

36. The Commission considers that the criteria in the Regulation have been applied in the clearest possible way (see detailed comments in textbox 3). However, the definition of regional disaster in the Regulation is rather vague and conditions for successful applications are difficult to meet. Member States and the Commission invest considerable time and effort in, respectively, preparing and assessing applications for smaller regional disasters that regularly lead to rejections.

In all cases cited where the Commission proposed the mobilisation of the EUSF, this was endorsed by the Council and Parliament.

*Textbox 3.* One reason for rejecting the 'forest fire' applications in 2005 was that the disasters did not affect a major part of the population. Another reason was that there had been no 'serious and lasting repercussions on living conditions and the economic stability of the region'.

<sup>(1)</sup> Point 26 of the Interinstitutional Agreement between the Parliament, the Council and the Commission on budgetary discipline and sound financial management.

The case of the Prestige oilspill to which the Court alludes is not comparable to any other application ever treated by the Commission because the Prestige disaster happened at sea where the population criterion cannot reasonably be applied.

As the Court indicates, activating the mechanism for civil protection is not a requirement under the Regulation. Thus, the question whether or not the civil protection mechanism was mobilised could not even have been relevant for the decision in both cases.

39. The method for calculating the grant was discussed in detail with the Council and has in no case given rise to criticisms from beneficiary countries.

#### CONCLUSION AND RECOMMENDATIONS

42. The issues raised with regard to rapidity are inherent to the conditions and procedures imposed by the Solidarity Fund Regulation. As the experience gathered so far shows that there is room — and in the Commission's view the need — for improvement, the Commission in 2005 presented a proposal for a revised regulation with simpler and clearer criteria for its activation in less time. The proposal was very favourably received by the European Parliament but so far there has been no progress in the Council.

44. The Commission considers that the criteria in the Regulation have been applied in the clearest possible way (see detailed comments in textbox 3). However, the definition of regional disaster in the Regulation is rather vague and conditions for successful applications are difficult to meet. Member States and the Commission invest considerable time and effort in, respectively, preparing and assessing applications for smaller regional disasters that regularly lead to rejections. One of the major changes in

the proposed, new regulation is therefore to resort only to quantitative thresholds for the level of damage required to trigger utilisation of the Fund, which would improve the transparency of the Fund. With the proposed revision of the Solidarity Fund Regulation, the national authorities would have a clearer idea of when the Fund is likely to be able to support them in recovering from a disaster.

As regards fairness, the prosperity of a country is taken into account mainly in the definition of the 'major disaster' threshold. The method for calculating the grant was discussed in detail with the Council and has in no case given rise to criticisms from beneficiary countries.

46. The Commission agrees with the recommendation of the Court. It notes however that, shortly after the adoption of the Regulation, it published guidelines for applicant countries and explained in detail in what way it applies the provisions of the Regulation. In order to simplify the procedure and to help avoid delays in the submission of information, the Commission developed a standard application form as well as a detailed guidance note for applications. It is also available on the InfoRegio website. In many cases however, applications were submitted 'ad hoc', without the applicant states seeking any prior contact with the Commission.

47. The Commission agrees to the recommendation of the Court to establish direct contact with the body responsible for preparing the application. In the standard application form the Commission proposes that the applicant state indicates the body introducing the request and an administrative contact. In some cases up to now applicant states preferred that the Commission communicates via the Permanent Representation. The Commission intends to extend its application guidelines in order to warn applicant bodies of possible sources of delays in the procedure and in order to stress the importance of sending back the application and any other document requested by the Commission rapidly.

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