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THE EUROPEAN UNION SOLIDARITY
FUND'S RESPONSE TO THE 2009 ABRUZZI
EARTHQUAKE: THE RELEVANCE AND
COST OF OPERATIONS



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THE EUROPEAN UNION SOLIDARITY FUND'S RESPONSE TO THE 2009 ABRUZZI EARTHQUAKE: THE RELEVANCE AND COST OF OPERATIONS

(pursuant to Article 287(4), second subparagraph, TFEU)

EUROPEAN COURT OF AUDITORS
12, rue Alcide De Gasperi
1615 Luxembourg
LUXEMBOURG

Tel. +352 4398-1
Fax +352 4398-46410
E-mail: eca-info@eca.europa.eu
Internet: <http://eca.europa.eu>

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GLOSSARY

CASE: The acronym for *Complessi Antisismici Sostenibili Ecocompatibili*, i.e. seismically isolated and environmentally sustainable housing. The CASE project was announced by the Italian Council of Ministers on 23 April 2009. On 28 April 2009 the Italian Government issued Decree Law No 39, known as the *Decreto Abruzzo*, which required the Department of Civil Protection to ensure the construction of CASE housing that could be used in a durable manner. The buildings are built on special pillars to isolate them from horizontal earthquake movements. In addition, they are energy efficient and include renewable energy systems, such as photovoltaic panels and solar water heaters.

Department of Civil Protection: The Italian Civil Protection is an integrated system that allows the coordinated use of all available state and private resources. It is a Department of the Prime Minister's office and includes, by law, a number of authorities, administrations and private and public bodies (including the army, navy, air force, many ministries and regional governments) and members of the academic community involved in research activities. The budget for the year 2012 is 1,67 billion euro, out of which 72 % covers loans related to previous years' disasters, 21 % operations envisaged by law and 7 % the Department's internal expenses, including the cost of the air fleet.

EUSF: The European Union Solidarity Fund was set up by Council Regulation (EC) No 2012/2002 of 11 November 2002 to respond to major natural disasters and express European solidarity with disaster-stricken regions in Europe. It has been used for disasters covering a range of different catastrophic events such as floods, forest fires, earthquakes, storms and drought. The EUSF can be mobilised only where the damage caused by the national disaster exceeds the threshold of 3 billion euro (in 2002 prices) or 0,6 % of national GNI. The Fund has an annual budget of 1 billion euro. As of November 2011, almost 2,5 billion euro in aid was financed from the Fund (see *Annex I*).

Implementation agreement: Agreement No C(2009)9138 signed between the Commission and the Department of Civil Protection on 11 November 2009, laying down the amount of the grant and the interventions financed by the EUSF following the Abruzzi earthquake.

L'Aquila: Capital of the Abruzzi region; in 2009 it had a registered population of 73 150 inhabitants, but a daily presence of 100 000 people for study, tertiary activities, jobs and tourism. It is positioned at an altitude of 721 metres, wedged between four mountain peaks above 2 000 metres. The climate is cool in comparison with most of central Italy.

FIGURE 1 — GEOGRAPHICAL POSITION OF L'AQUILA



Source: Eurostat.

MAP: The acronym for *Moduli Abitativi Provvisori*, i.e. provisional accommodation modules.

MUSP: The acronym for *Moduli ad Uso Scolastico Provvisori*, modules for temporary schooling use. These modules are temporary replacements for the schools damaged by the earthquake.

EXECUTIVE SUMMARY

I.

The aim of the European Union Solidarity Fund (EUSF) is to help Member States and countries in the process of negotiating their accession to the European Union to respond to major natural disasters by complementing their public expenditure on essential emergency operations. Operations to be financed include the immediate restoration to working order of infrastructure and plant in the fields of energy, water, waste water, transport, telecommunications, health and education, and the provision of temporary accommodation and rescue services to meet the immediate needs of the population.

II.

In early April 2009, an earthquake hit the Italian Abruzzi region and its capital city of L'Aquila, causing direct damage estimated at more than 10 billion euro. In November 2009, the European Union contributed half a billion euro to the Italian emergency operations from its Solidarity Fund. According to the implementation agreement, this contribution was to be used for (i) first emergency operations (indicative EUSF contribution 50 million euro), (ii) MAP (temporary housing modules for 7 000 people) and MUSP (temporary schools for 15 000 schoolchildren) projects (indicative EUSF contribution 94 million euro) and (iii) the CASE housing project for 15 000 people (indicative EUSF contribution 350 million euro).

III.

The Court's audit examined whether (i) the expenditure provided for in the implementation agreement was compliant with the EUSF regulation, (ii) whether the CASE project was well planned and rapidly implemented and (iii) whether the CASE project was implemented with due regard to economy.

IV.

The Court found that the financed projects, except the CASE project, were eligible according to the EUSF regulation. They had all been implemented according to the implementation agreement and responded to many immediate needs of the earthquake-affected population. The strategy chosen by the Italian authorities to construct CASE apartments was easy to understand, but the project did not succeed in accommodating all the displaced population before winter. The CASE apartments turned out to be unnecessarily costly and accommodated too few people and there were shortcomings in the planning of the project and in ensuring economy in the implementation of the project.

V.

With a view to learning from the Abruzzi experience and taking the specific emergency situation and its impact into due consideration, the Court recommends that the Commission should: (i) consider adapting the EUSF regulation to the recent developments in disaster-response strategies, (ii) encourage Member States to improve their emergency preparedness to achieve timely and cost-effective assistance and (iii) promote due regard to economy in the design and implementation of emergency projects.

INTRODUCTION

1. On 6 April 2009, a 6,3 magnitude earthquake struck the Italian region of Abruzzi. The earthquake caused severe damage to basic infrastructure and brought serious harm to the population. The areas hit by the event included the whole province of L'Aquila, most of the Abruzzi Region and some bordering areas. This strong seismic event had its epicentre in the regional capital L'Aquila, which was particularly hard hit in its historical centre.

Photo 1 — Damage to L'Aquila Cathedral



© European Court of Auditors.

2. Out of a total population of approximately 300 000 affected by the disaster, more than 300 people died and 1 500 were injured. Thousands lost their houses and/or businesses, and up to 67 500 people were placed in tented camps, hotels and private houses. A significant proportion of the buildings surveyed after the earthquake were found to be entirely unsafe¹ (see **Table 1**).
3. According to the application for assistance from the European Solidarity Fund, the total direct damage was estimated at more than 10 billion euro, which represented 0,67 % of Italy's GNI and over three times the threshold of 3 billion euro for mobilising the EU Solidarity Fund². The Italian authorities applied for financial assistance relating to the earthquake within the 10-week deadline set for applications to the EUSF. The Commission issued a decision dated 8 June 2009 proposing that the Council and European Parliament, which together constitute the European Union's budgetary authority, should mobilise 494 million euro for financial assistance³.
4. In its request to mobilise 494 million euro, the Commission stated that the cost of essential emergency operations eligible under Article 3(2) of Regulation (EC) No 2012/2002⁴ had been estimated by the Italian authorities at 2 004 million euro, the largest share being due to rescue services and, in particular, provisional housing. The Commission also stated that the Italian authorities declared that they were exploring possibilities with a view to financing part of the reconstruction beyond emergency operations through relevant operational programmes co-financed by the Structural Funds⁵.

¹ COM(2011) 136 final of 23 March 2011, 'Report from the Commission — European Union Solidarity Fund — Annual report 2009', p. 5.

² COM(2011) 136 final, p. 5.

³ COM(2011) 136 final, p. 6.

⁴ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p. 3).

⁵ COM(2009) 448 final of 28 August 2009, 'Preliminary draft amending budget No 9 to the general budget 2009'.

TABLE 1

EARTHQUAKE DAMAGE TO BUILDINGS

Result of the survey	Private buildings	Public buildings	Cultural heritage
Safe (A)	52,0 %	53,6 %	24,1 %
Partially or temporarily unsafe (B, C)	15,9 %	25,2 %	22,2 %
Totally unsafe (E) or unsafe because of external risks (F)	32,1 %	21,2 %	53,7 %
Number of items tested	71 302	2 219	1 800

Source: Department of Civil Protection.

5. The implementation agreement⁶ was concluded on 11 November 2009 and the grant was paid out on 30 November 2009⁷.

6. According to the implementation agreement, the 494 million euro grant (see **Table 2**) was to be used for:

- initial emergency operations; the total cost of initial assistance to the population was 653 million euro⁸, out of which the indicative amount of 50 million euro was financed by the EUSF;
- the MAP project (covering the provision of smaller temporary housing units for up to 7 000 people) and the MUSP project (covering the provision of temporary schools for some of the over 15 000 schoolchildren affected by the earthquake); the total cost of the MAP and MUSP projects was 321 million euro⁹, of which the indicative amount of 94 million euro was financed by the EUSF;
- the CASE housing project, consisting of temporary houses for at least 15 000 residents of L'Aquila; the total cost of this project was 810 million euro¹⁰, of which the indicative amount of 350 million euro was financed by the EUSF.

⁶ Implementation Agreement No C(2009)9138.

⁷ COM(2011) 136 final, p. 6.

⁸ Final implementation report, 'Relazione di esecuzione delle spese sostenute a valere sul contributo del Fondo di Solidarietà dell'Unione Europea (FSUE); Protezione Civile Nazionale, p. 11.

⁹ *ibid.*

¹⁰ *ibid.*

TABLE 2

ACTIVITIES TO BE FINANCED BY THE EUSF (MILLION EURO)

	National budget	EUSF contribution	Total
First emergency operations	603	50	653
MAP and MUSP projects	227	94	321
CASE project	460	350	810
	1 290	494	1 784

Source: EUSF implementation agreement.

AUDIT SCOPE AND APPROACH

- 7.** The audit set out to answer three specific audit questions:
- (1) Were the operations provided for in the implementation agreement compliant with the EUSF regulation?
 - (2) Was the CASE project well planned and designed?
 - (3) Was the CASE project implemented with due regard to economy?
- 8.** For audit questions (2) and (3) the audit focused on the CASE project, which absorbed most of the EUSF grant (see paragraph 6). The audit took place in the period November 2011 to February 2012 and covered a sample of five procurement procedures and 12 contracts for the construction of buildings and supply of furniture, concrete, pillars and seismic isolators. The sample covered 35 % of the amounts contracted for the CASE project (see **Annex II**). The documentary analyses were complemented by interviews with and observations at the Department of Civil Protection, project sites and relevant stakeholders in the earthquake zone.

OBSERVATIONS

IMPLEMENTATION AGREEMENT AND THE EUSF REGULATION

THE EUSF REGULATION DOES NOT PROVIDE FOR SOLUTIONS SUCH AS THE CASE PROJECT

- 9.** The purpose of the EUSF is to help Member States and countries in the process of negotiating their accession to the EU respond to major natural disasters and to complement their public expenditure on the following essential emergency operations¹¹:
- immediate restoration to working order of infrastructure and plant in the fields of energy, drinking water, waste water, transport, telecommunications, health and education;
 - providing temporary accommodation and emergency services to meet the immediate needs of the population concerned;
 - immediate securing of preventive infrastructures and measures for the immediate protection of the cultural heritage;
 - immediate cleaning up of disaster-stricken areas, including natural zones.
- 10.** The Commission has interpreted¹² this to mean that the amount financing emergency operations may not exceed what is regarded as immediately necessary (restoration to working order) and will not, as a general rule, cover the cost of full reconstruction.
- 11.** All the operations were implemented according to the implementation agreement. However, whereas the EUSF regulation provided for operations such as the first emergency relief operations, assistance to the population and the MAP and MUSP projects, this was not the case for the CASE project.

¹¹ Article 3(2) of Regulation (EC) No 2012/2002.

¹² Report from the Commission — European Union Solidarity Fund — Annual Report 2002–2003 and Report on the experience gained after one year of applying the new instrument.

ELIGIBILITY OF THE INITIAL ASSISTANCE TO THE POPULATION

12. Following the earthquake, the Department of Civil Protection provided first emergency relief operations and assistance to around 67 000 people, who were, at the end of April 2009, accommodated in hotels and private houses (almost 32 000) and in tented camps (more than 35 000).
13. The Fund's resources for first emergency relief operations and assistance to the population were spent in accordance with the provisions of the EUSF regulation, as these consisted of essential emergency operations providing emergency services to meet the immediate needs of the population concerned.

ELIGIBILITY OF THE MAP AND MUSP PROJECTS

14. The implementation agreement provided for the construction of 2 300 temporary houses (MAP) and 34 temporary schools (MUSP). According to the final implementation report, the Department of Civil Protection built 3 313 MAP houses and 33 temporary schools. In addition, 59 damaged schools were repaired and reinforced. The achievements of the MUSP project were especially relevant, because the rapid construction of schools enabled families with schoolchildren to remain in the L'Aquila area.

Photo 2 — MAP project houses



© European Court of Auditors.

- 15.** The MAP and MUSP projects were implemented in line with the provisions of the EUSF regulation. Thus the MAP project provided the population with temporary accommodation and the MUSP project addressed the need for immediate restoration to working order in the field of education.

ELIGIBILITY OF THE CASE PROJECT

- 16.** The implementation agreement provided for the construction of 160 temporary housing blocks¹³ containing 4 000 to 4 500 apartments to accommodate more than 15 000 people. Altogether, 185 apartment blocks were constructed in less than a year after the earthquake.

¹³ 'Norme Tecniche per le Costruzioni 2008', a document signed by the Italian Department of Civil Protection, refers to a maximum duration of 10 years for provisional works, but a minimum of 50 years for permanent works.

Photo 3 — CASE project building



© European Court of Auditors.

- 17.** Instead of providing temporary accommodation, as envisaged by the EUSF regulation, the project erected new permanent structures suitable for housing people during the years needed for reconstruction, which created a lasting impact on the landscape and housing stock of L'Aquila municipality.
- 18.** Although the Commission and the Italian authorities had stated in the implementation agreement that operations going beyond what was immediately necessary should not be financed (see paragraph 10), the CASE apartments are, with their high energy efficiency and seismic isolation, much better equipped than traditional temporary houses and many of the pre-existing buildings.
- 19.** After completing all CASE apartments, the Department of Civil Protection handed them over to L'Aquila municipality, which is currently managing them. In the future, the municipality plans to sell some of the CASE apartments on the free market¹⁴. Others would be used to address social housing needs and for letting to university students and others. Thus, the apartments are expected to generate revenue. Unlike the Structural Funds regulations, however, the EUSF regulation does not include provisions for such eventualities. This suggests that the regulation did not envisage the possibility of financing such new longer-term constructions¹⁵.
- 20.** According to the EUSF regulation, the scope of the EUSF is limited to the most urgent needs, while longer-term reconstruction must be left to other instruments. Therefore, as the CASE project aimed at providing durable accommodation, it did not comply with the EUSF objectives.

¹⁴ Municipality decision of 29 December 2011, verbale No 172.

¹⁵ In the explanatory memorandum to the Commission 'Proposal for a Council Regulation establishing the European Union Solidarity Fund' (COM(2002) 514 final), the Commission states that the longer-term reconstruction of infrastructure and businesses must be left to other instruments.

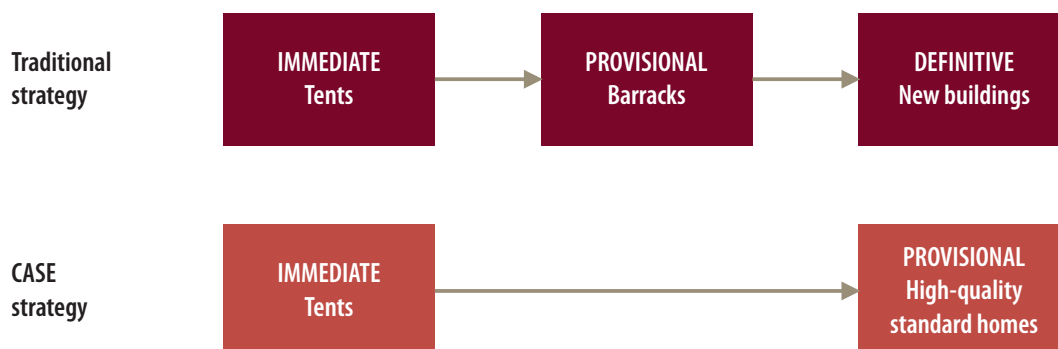
PLANNING AND IMPLEMENTATION OF THE CASE PROJECT

THE STRATEGY UNDERLYING THE CASE PROJECT WAS EASY TO UNDERSTAND, BUT ...

21. For the temporary accommodation of people who lived in L'Aquila municipality, the Italian authorities followed a different strategy from those implemented in past disasters. In past disasters, the strategy consisted of short-term accommodation in tented camps, followed by the construction of provisional dwellings and then the construction of permanent new buildings. The strategy chosen following the L'Aquila earthquake consisted of longer than usual accommodation in tented camps, which the Italian authorities deemed possible because the earthquake happened before the summer, and the simultaneous rapid construction of high-quality apartment blocks. The aim was to provide, if possible before winter, fully equipped apartments, suitable for immediate occupation, including for people who had lost all their belongings during the earthquake. **Figure 2** shows the strategy adopted by the Italian authorities.

FIGURE 2

TRADITIONAL AND CASE STRATEGIES



Source: Department of Civil Protection.

22. The Italian authorities considered that the choice of the strategy was justified for the following reasons:

- (a) the large number of people who lived in the damaged buildings, especially in the city of L'Aquila;
- (b) the L'Aquila landscape is mountainous and it is not easy to find enough land for the construction of a sufficient number of one-storey houses;
- (c) the expected long duration of the reconstruction work on the historical centre, which implied that accommodation would be required for a long period;
- (d) extreme climate conditions with very cold weather during the winter and very high temperatures in summer.

23. In the Court's opinion, the CASE project did not comply with specific provisions of the EUSF regulation, even though the Italian authorities considered the strategy to be justified.

... THERE WERE SHORTCOMINGS IN THE NEEDS ASSESSMENT AND ...

24. The Department of Civil Protection, assisted by international experts, including an EU civil protection team of Member States' experts, assessed the damage to buildings rapidly after the event. One month after the earthquake, the Department of Civil Protection considered that its estimate of the total number of unsafe buildings was reliable¹⁶.

25. The local authorities' records were not suitable for an assessment of the actual accommodation needs of displaced people. In order to implement the CASE project sufficiently quickly, procurement therefore had to start before this information became available. The actual accommodation needs were finally identified on the basis of a census carried out at the beginning of August 2009, i.e. four months after the earthquake and more than two months after the contracts for the construction of CASE housing had been awarded. The census provided reliable information on the actual needs of the population, as it also provided information on the people's preferences concerning temporary accommodation arrangements¹⁷ and led to the subsequent construction of 19 additional apartment blocks¹⁸.

¹⁶ The European Civil Protection Mechanism's technicians participated in the assessment. They were satisfied with the quality of the assessment of buildings. See Community Civil Protection Mechanism, 'Technical Report — Community Civil Protection Mechanism Assessment Mission — Italy Earthquake 2009', April 2009.

¹⁷ The choice was between CASE or lump sum grants for people who found accommodation by themselves.

¹⁸ The number of blocks was initially increased from 150 to 166 and, after the census, to 185.

26. As the data concerning displaced population were not available on a timely basis, it was only on the basis of the census in August 2009 that it became clear that the housing needs exceeded the planned number of apartments, which had to be assigned on the basis of priority criteria. **Table 3** shows the number of families requesting temporary housing and the number of available CASE apartments. According to these data, requests for a CASE apartment could not be met for 4 294 families, or around 8 800 people. Although the number of CASE blocks was increased from 150 to 185, in April 2012 there were still 11 292 people receiving lumps sums for rent at a monthly cost of more than 3 million euro, 162 people living in hotels and 142 in Guardia di Finanza barracks¹⁹.

¹⁹ Il Commissario delegato per la Ricostruzione, Presidente della Regione Abruzzo, 'Report sulla situazione della popolazione post sisma al 10 aprile 2012'.

TABLE 3

FAMILIES REQUESTING AND HOUSED IN CASE APARTMENTS

	Total	Requesting CASE accommodation	Assigned a CASE apartment
Families assessed	15 752	8 715	4 421
With more than 6 members	69	49	26
With 6 members	202	168	120
With 5 members	708	536	408
With 4 members	2 407	1 750	1 309
With 3 members	3 046	1 998	1 486
With 2 members	3 883	2 203	935
With 1 member	5 437	2 011	137

Source: Department of Civil Protection.

... MOST OF THE APARTMENTS WERE NOT AVAILABLE BEFORE WINTER

- 27.** The aim of accommodating the population in apartments before the winter (see paragraph 21) was not completely achieved. Even though the first apartments were ready by the end of September 2009 (less than six months after the earthquake) and the apartment blocks were constructed according to plan, only around 6 300 of the 15 000 people envisaged in the implementation agreement could be housed before the end of November. The last apartments were made available in March 2010 (see **Table 4**). Therefore, additional accommodation costs could not be avoided as, in the meantime, people in need of accommodation spent the winter in hotels.
- 28.** This delay was a consequence of the time needed to launch the necessary procurement procedures and of the need to identify suitable construction sites, which had to be analysed with regard to their seismic, hydrological and geological safety. Although Italy is at high seismic risk (see **Annex III**), it was the first time that the Department of Civil Protection adopted such a strategy. Thus, the technical specifications and tender documents for the CASE houses were only prepared after the earthquake²⁰. Nevertheless, it was possible to launch the first procurement procedures on 22 May 2009, only one and a half months after the earthquake.

²⁰ Recently, the Department of Civil Protection drafted technical specifications for different solutions to be procured via framework contracts. An ad hoc agreement for this purpose was signed on 13 March 2012 with CONSIP, a public stock company acting as central purchasing body for the Italian public administration.

TABLE 4

PROGRESSION IN THE DELIVERY OF CASE APARTMENTS

Date	Apartments delivered	People accommodated
29.9.2009	300	1 042
30.10.2009	825	2 973
30.11.2009	1 694	6 328
31.12.2009	2 941	10 625
31.1.2010	3 588	12 772
28.2.2010	4 357	14 554
10.3.2010	4 415	14 649

Source: Department of Civil Protection.

THE COST OF THE CASE APARTMENTS

THE CASE APARTMENTS WERE RELATIVELY COSTLY

29. For the CASE project, the Department of Civil Protection signed contracts for a total amount of 710 million euro (excluding VAT)²¹, including civil works, green areas, furniture and other costs. A breakdown of the costs that are relevant for the calculation of the cost of the CASE apartments per square metre, i.e. excluding costs for furniture, civil works, demolition, electro-mechanic works and green areas (amounting to 112,5 million euro, see *Annex II*), is shown in *Table 5*.
30. The average construction cost of each of the 185 apartment blocks was 3 230 629 euro, giving a construction cost for each of the 4 449 apartments of 134 337 euro.

²¹ In addition, there were costs amounting to 9 million euro for connecting the apartments to the electricity and gas grids and 11 million euro in technical costs that were not relevant for the calculation of the construction cost.

TABLE 5

CASE CONSTRUCTION COSTS IN EURO

Type of works	Contracted	% of total
Elevators	9 810 023	1,6
Buildings	425 305 706	71,2
Casting/concrete reinforcement	55 160 175	9,2
Concrete	27 344 339	4,6
Welded steel mesh	15 927 758	2,7
Pillars	37 562 778	6,3
Seismic isolators	12 013 512	2,0
Excavations	14 542 086	2,4
TOTAL	597 666 377	100,0

Source: European Court of Auditors' analysis based on documents delivered by the Department of Civil Protection.

31. The Court compared the cost of the CASE houses with standard costs applied in Italy (see **Figure 3**) on the basis of a commonly used reference manual²². Thus, the number of square metres was calculated in accordance with the calculation method used in that manual. The basis for calculating the cost per square metre was 1 960 square metres per apartment block²³. The unit cost was 1 648 euro/square metre of living area²⁴, including the cost of parking spaces.

32. The reference manual establishes, for social housing, a base price of around 1 153 euro/square metre, including parking spaces²⁵, compared to which the CASE blocks were, on average, 43 % more expensive. However, for prefabricated apartments the standard cost was around 640 euro/square metre²⁶ for 5 964 square metre blocks, against which the CASE housing was, on average, 158 % more expensive^{27 28}.

IMPACT OF THE EMERGENCY AND SEISMIC ISOLATION

33. According to the Department of Civil Protection, the requirement to implement the project rapidly had an impact on the selection of construction materials, working methods and contractors. The Court quantified the impact of these factors to have been around 27 million euro:

- (a) The pillars for the construction of the CASE houses were made of steel because these could be delivered more rapidly than the concrete pillars used under normal circumstances. However, they were also more than twice as expensive as the price negotiated for concrete pillars²⁹, which implied additional costs amounting to more than 21 million euro.
- (b) The concrete needed to be workable under all possible weather conditions and had to dry rapidly, which necessitated the use of very high-quality concrete with expensive chemical additives that implied a supplement of around 16 %, or 4 million euro³⁰.

²² *Prezzi Tipologie Edilizie*, Collegio degli Ingegneri e Architetti di Milano, 2010, Edizione Dei.

²³ The reference manual refers to the total walkable surface. Thus, the Court took the average of 1 834 square metres offered by the successful bidders, which included 30 % of around 180 square metres in balconies and staircases, and added the remaining 70 % of those areas.

²⁴ The cost calculated by the Court differs from the cost declared by the Italian Department of Civil Protection (1 314 euro/square metre) mainly because of a different calculation of the square metres of surface area. The Department of Civil Protection based its calculation on a surface of 2 333 square metres, which differs from the method used by the reference manual. Therefore, the cost declared by the Department of Civil Protection is not comparable with the cost reported in the manual.

²⁵ Social housing (*edificio in edilizia convenzionata*); the cost without parking was reported at 1 066 euro/square metre.

²⁶ Industrialised building for civil accommodation (*edificio di civile abitazione industrializzato*), *Prezzi Tipologie Edilizie*, Collegio degli Ingegneri e Architetti di Milano, 2010, Edizione Dei.

²⁷ The reported cost of the MAP houses was 733 euro/square metre, close to the standard cost reported in the reference manual.

²⁸ A higher-standard residential building of a similar size (1 754 square metres), including a large number of more expensive garages instead of parking spaces, costs 1 294 euro/square metre of living area (including parking and garages), against which the cost of the CASE apartments was still 27 % higher.

²⁹ The average unit price for steel pillars was 6 061,45 euro, whereas the final unit price of concrete pillars was 2 743,23 euro.

³⁰ This difference corresponds to the average price difference between concrete class XC4 (Rck 30 N/mm²), used for the seismically isolated platform, or class XF1 (Rck 40 N/mm²) used for the basement platform, and cheaper types of concrete (respectively class XC1 or XF2).

- (c) Because only a few companies offered to construct more than one of the 30 lots within the short deadlines, the contracts were awarded to 16 different bidders. Had it been possible to award the contracts to the nine highest-ranked bidders, savings of around 2 million euro could have been achieved.
- (d) Because the contractors had to implement a big project within a short time, they also had to pay more for materials and labour, as works were carried out in three shifts. These additional costs are not precisely quantifiable.

³¹ This cost includes 12 million euro for seismic isolators, around 3,5 million euro for the additional lifts (19 000 each), and 7,5 million euro for the additional staircases and lift frames (40 000 each).

- 34.** Part of the additional cost is due to the choice of seismically isolated building structure, which required not only seismic isolators, but also additional lifts and staircases connecting the isolated platform with the non-isolated basement. The Court has estimated this additional cost at around 23 million euro³¹.
- 35.** The revised price per square metre, without the cost due to the emergency situation and the additional cost for seismic isolation, was 1 510 euro (see **Table 6**), still considerably higher than for standard constructions (see **Figure 3**).

TABLE 6

RECTIFIED COST OF THE CASE APARTMENTS

Description	Amount (euro)
Total construction cost	597 666 377
Minus: cost of urgent working methods	- 27 000 000
Minus: cost of seismic isolation	- 23 000 000
Rectified cost	547 666 377
Unit cost for 185 apartment blocks	2 960 358
Unit cost for 4 449 apartments	123 098
Price per m² total surface (1 960 m²)	1 510

Source: European Court of Auditors' own calculations.

36. The cost incurred because of the emergency and the choice of equipping the buildings with seismic isolation could explain part of the additional cost of the CASE apartments. However, it was also partly due to the limited number of bidders, short time limits and low importance accorded to the price when awarding contracts.

THE NUMBER OF BIDDERS WAS LIMITED

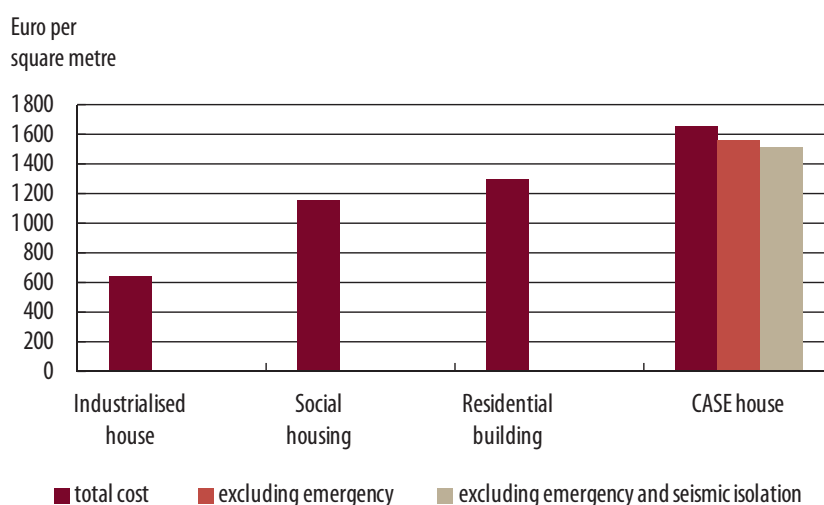
EXTREMELY SHORT TIME LIMITS FOR THE RECEIPT OF TENDERS

37. Despite the possibilities offered by emergency procurement rules, the time limits for the receipt of tenders and requests to participate should be sufficiently long to allow interested parties a reasonable and appropriate period to prepare and submit their tenders, taking particular account of the complexity of the contract³². Longer deadlines facilitate broader competition and a higher quality of tenders, thus favouring the project's success and the due consideration of economy factors.

³² Article 70(12) of Decreto Legislativo of 12 April 2006, No 163 (the Italian Public Procurement Law), provides that whenever urgency situations make it impossible to comply with the minimum time limits envisaged by the law, the administration establishes the limits possibly taking due account of the complexity of the works and of the time necessary for preparing the bids.

FIGURE 3

COST COMPARISON OF CASE WITH STANDARD HOUSING



Source: European Court of Auditors.

- 38.** On the day of the earthquake, the Italian Government declared a state of emergency, which conferred the powers of 'delegated commissioner for the emergency in Abruzzi' upon the Head of the Department of Civil Protection. The state of emergency act empowered the Head of the Department of Civil Protection to issue ordinances derogating from existing laws, which enabled the implementing authority partly to disregard normal procurement procedures. The *Decreto Abruzzo*³³, gave the possibility of procurement through negotiated procedures without prior advertising.
- 39.** Despite the possibilities offered by the *Decreto Abruzzo*, the Department of Civil Protection adopted more transparent open tendering procedures for the construction of buildings and supply of furniture, which accounted for more than 70 % of the total expenditure on the CASE project. Negotiated procedures were used for only 30 % of the expenditure, i.e. for the supply of pillars, concrete and seismic isolators. However, given the initial delay in launching the procurement procedures, the Department of Civil Protection considerably reduced the time available for the submission of bids for all procedures (see **Table 7**).

³³ Decreto-legge
28 Aprile 2009, n. 39.

TABLE 7

DEADLINES FOR SUBMISSION OF BIDS

Procurement	Call for tenders	Deadline	Days	Standard days
Buildings	26.5.2009	3.6.2009	8	52
Furniture	8.7.2009	16.7.2009	8	52
Pillars	22.5.2009	28.5.2009	6	20
Concrete	22.5.2009	29.5.2009	7	20
Seismic isolators	28.5.2009	4.6.2009	7	20

Source: European Court of Auditors' analysis based on procurement notices and invitation letters.

40. According to the Department of Civil Protection there were only a few companies capable of delivering the desired quantities and quality in a short time (details in **Table 8**). Therefore, the Department of Civil Protection invited a relatively low number of companies to take part in negotiated procedures and received a low number of bids. However, many bids were inadmissible, mainly because of the short time available for the receipt of tenders, which led to poor quality bids (see **Box 1**). This indicates that, when setting the time limits for the submission of tenders, the implementing authority could have given greater consideration to the high complexity of the contracts due to the large scale of the works and the short time for implementation. **Table 8** shows that the difference between the number of companies invited and the number of admissible bids was especially high for the supply of concrete (see paragraph 41) and seismic isolators (see **Box 1**).

TABLE 8

BIDS RECEIVED, REJECTED AND ADMITTED

Procurement	Companies invited to negotiated procedures	Bids received	Bids admitted	Bids rejected	Percentage of bids rejected
Buildings	N/A	58	44	14	24,1 %
Furniture	N/A	19	18	1	5,3 %
Pillars	5	5	4	1	20,0 %
Concrete	7	4	1	3	75,0 %
Seismic isolators	5	3	2	1	33,0 %

Source: European Court of Auditors' analysis based on tender documents.

BOX 1

REASONS FOR THE REJECTION OF BIDS

Among the five inadmissible bids for negotiated procedures, there was one company that requested postponement of the deadlines for the submission of tender documents (supply of pillars). In addition, two bids were rejected because they did not include an offer for the first lot (concrete) or because of missing documents (concrete and seismic isolators). For the open tenders for buildings, one bid arrived too late, five offers did not comply with the rules relating to the envelopes and in four cases there were some documents missing — in two cases the bids did not specify which labour contract was applied, and in another two cases the 'antimafia'³⁴ certificate was missing.

³⁴ Certificate of non-involvement in organised crime issued by the Italian Chamber of Commerce.

INADEQUATE SPLITTING OF CONTRACTS INTO LOTS

- 41.** Breaking down tenders into lots of reasonable size also increases competition. However, unlike the procurement of buildings, which was split into a high number of lots in order to guarantee a sufficient number of bidders and better success, negotiated procedures were not adequately split into lots. This was especially evident for the supply of concrete, where one of the three lots was so big that two of the four bidders did not include a financial offer for the first lot because it exceeded their production capacity³⁵ and were therefore excluded from the procurement of the remaining lots.

³⁵ As declared by one bidding company and recorded in the tender evaluation committee minutes.

BOX 2

PUBLIC PROCUREMENT PROCEDURES

The EU financial regulation and the public procurement directive specify that tenders can be awarded by using either the 'lowest price' criterion or the 'best-value-for-money' criterion. Tendering procedures set minimum criteria (selection criteria) that companies willing to participate in a tender have to comply with. The bids clearing this first hurdle are then evaluated against the award criteria (lowest price or best value for money).

Tenders for the CASE project were awarded according to the best-value-for-money criterion. This criterion envisages that bidders present their offers in two different envelopes, one describing the characteristics of the works/goods/services offered (technical offer) and one indicating the price (financial offer).

The merits of the technical offers are evaluated against the technical criteria and given points up to the maximum laid down in the procurement documents. The financial offer is evaluated mathematically with the lowest acceptable bid receiving the highest points according to the weighting specified for each tender. The cumulative weighting always equals 100.

In Italy, the financial offer is evaluated in terms of a discount granted on a pre-defined price, known as the 'base price', which is specified in the procurement documents. Thus, the price in the financial offer cannot be higher than the base price, but tends to be near the base price if a low weighting is given to it.

PRICE WAS A SECONDARY CRITERION FOR AWARDING CONTRACTS

A VERY LOW WEIGHTING WAS GIVEN TO PRICE

- 42.** In the case of best-value-for-money procurement procedures, the award criteria should be those best suited to the tender in question, and the weighting applied to the price in relation to the other criteria should not result in the neutralisation of the price in the choice of contractor³⁶.
- 43.** The supply and works contracts for the CASE project were awarded on the basis of the best-value-for-money criterion. During the evaluation process, the tenderers were awarded points for the merits of their technical and financial offers and the weighting accorded to the financial offers varied from 25 to 55 points out of 100.
- 44.** For the most important contract, the construction of buildings, the weighting accorded to the financial offer was 25/100, which was very low as it resulted in the neutralisation of the effect of price in the choice of contractor. Despite the large number of admissible bids (see **Table 8**), in practice the weighting applied to price was so low that all prices were close to the base price and contracts were awarded at prices that were not lower than the average price offered by all bidders. By comparison, for the supply of furniture, the weight of the financial offer was 40/100 and the competition was more based on price, i.e. the rebates offered were higher and the tendered prices more variable.
- 45.** The awarding of the contracts for the buildings and the supply of furniture were influenced more by discretionary than by objectively verifiable criteria. For the buildings contracts, the most important award criteria within the technical offer was aesthetic/architectonic features of the buildings, which is per se a discretionary criterion, as there is no objectively verifiable indicator for it. The tender notice defined this award criterion in a rather broad manner, thus giving the tender evaluation committee considerable discretionary power³⁷. Best practices suggest, in such cases, giving additional information to justify the assigned scores.

³⁶ This good practice is expressed also in Article 138(3) of Commission Regulation (EC, Euratom) No 2342/2002 of 23 December 2002 laying down detailed rules for the implementation of Council Regulation (EC, Euratom) No 1605/2002 on the Financial Regulation applicable to the general budget of the European Communities (OJ L 357, 31.12.2002, p. 1).

³⁷ Guidelines issued by the AVCP (Autorità per la vigilanza sui contratti pubblici di lavori, servizi e forniture), the Italian supervisory authority on public procurements, envisage that the tender notice should detail all criteria and scores in such a way to provide the tender evaluation committee with extremely reduced discretionality margins — Autorità per la vigilanza sui contratti pubblici di lavori, servizi e forniture, *Linee guida per l'applicazione del criterio dell'offerta economicamente più vantaggiosa negli appalti di servizi e forniture*.

AWARD CRITERIA LED TO AN INCREASED COST PER SQUARE METRE

46. The award criteria and weightings used for procurement had as a consequence that, to win, the bidders offered more than the standard content, such as controlled mechanical ventilation³⁸, solar shields or exclusive finishing materials. These devices, which may have increased comfort levels and may have contributed to better energy efficiency, increased the cost per square metre of the apartments and reduced the financial resources available for constructing more apartments to accommodate more people.

³⁸ One of the four offers audited included such a device, which was claimed to be for 'reaching an ideal micro-climate inside the apartments, which favours thermal and hygrometric wellness and natural air ionisation'.

BOX 3

AWARD CRITERIA AND WEIGHTING FOR THE PROCUREMENT OF BUILDINGS

For the construction of the CASE buildings, the Department of Civil Protection followed an open tender. The award criterion was the 'best value for money'. For the financial offer the weighting was 25 out of 100 points, and for the technical offer 75 out of 100 points. Within the technical offer, the weighting factors were the following:

- (a) architectonic quality of the buildings and external aspects: 15 points
- (b) energy efficiency and quality of the equipment: 10 points
- (c) improvement of the parameters for environmental sustainability: 10 points
- (d) architectonic quality of the internal accommodations and the quality of their finishes: 10 points
- (e) size of surface offered: 5 points
- (f) number of people housed: 5 points
- (g) flexibility and variability of design of the accommodation: 5 points
- (h) flexibility of the buildings in relation to the specific platform length: 5 points
- (i) construction time: 10 points.

47. Under the post-earthquake circumstances, the criteria should have aimed, among other things, at maximising the number of people accommodated. The criteria used, however, were more suitable for long-term investments than for the specific emergency situation, as they gave a high weighting to increasing the architectonic qualities and maximising energy efficiency, but a low weighting to the number of people accommodated and the habitable surface offered (see **Box 3**). As a result, the surface of the apartments actually procured was less than the average surface of the offers received. Furthermore, the number of people actually accommodated was less than the average number in the offers received. These factors contributed to an increase in the cost per square metre and per person accommodated. Furthermore, without the use of architectural criteria, the procurement would have resulted in savings of around 11 million euro³⁹.

DIRECT AGREEMENTS WERE USED FOR ADDITIONAL WORKS

48. In order to save time, new procurement procedures for additional works were avoided and direct deals were used instead. For example, the heating systems, which were not included in the original contracts, were purchased from the same contractors that constructed the buildings. In the addenda to the contracts the prices were calculated by applying the same low rebates from the base prices as were used for the buildings (see paragraph 44). Because the building contracts were awarded on the basis of discretionary criteria (see paragraph 45), the prices paid for heating systems were higher than necessary⁴⁰.

49. Considerable differences were also observed for the construction of lift frames, which, for some buildings, cost 100 % more than for other buildings⁴¹. The final cost of some buildings increased by more than 13 % because of these works and the total cost for the same kinds of additional works varied from less than 128 000 euro per building to more than 280 000 euro per building, i.e. from 6 % of the original cost of the building to more than 13 % (see **Table 9**). Thus, the building which, according to the original contract, was 34 500 euro more expensive than the cheapest building, became almost 189 000 euro more expensive after the additional works.

³⁹ Without the scores for the architectural criteria, the final ranking of the bids would have changed and the price for the construction of 185 buildings would have been 11 million euro cheaper.

⁴⁰ Despite all selected buildings receiving very high scores for energy efficiency (thus heating needs should be similar), the cost for the most expensive heating system was almost 140 000 euro, whereas the cost for the cheapest one was 67 000 euro. The cost for the two remaining buildings was 79 000 euro and 128 000 euro.

⁴¹ One of the sampled constructors installed two lift frames for each of his 22 buildings at a cost of almost 55 000 euro per frame, i.e. 110 000 euro per building, whereas two other constructors produced lift frames at a unit cost of 23 000 euro.

TABLE 9

COST OF ADDITIONAL WORKS FOR SELECTED BUILDINGS

Cost/building	Contract 1	Contract 2	Contract 3	Contract 4
Original contract (euro)	2 152 476,20	2 124 913,27	2 140 101,82	2 117 980,95
Difference compared to cheapest (euro)	34 495,25	6 932,31	22 120,87	0,00
Difference compared to cheapest (%)	+ 1,6 %	+ 0,3 %	+ 1,0 %	0,0 %
Additional works	282 307,78	201 954,75	151 235,25	127 811,34
Difference compared to cheapest (euro)	154 496,44	74 143,41	23 423,91	0,00
Difference compared to cheapest (%)	+ 120,9 %	+ 58,0 %	+ 18,3 %	0,0 %
In % of building cost	13,1 %	9,5 %	7,1 %	6,0 %
Final cost	2 434 783,98	2 326 868,02	2 291 337,07	2 245 792,29
Difference compared to cheapest (euro)	188 991,69	81 075,73	45 544,78	0,00
Difference compared to cheapest (%)	+ 8,4 %	+ 3,6 %	+ 2,0 %	0,0 %
Number of buildings	22 ¹	7	12	22

¹ For this contract, the number of buildings equals 20,53 standard-sized buildings because a number of these were smaller. The unit price for the additional costs are, however, calculated for each of the 22 buildings because the cost for heating systems and lift frames did not take this difference into account, whereas the calculation of the unit price of the buildings was based on the standardised figure.

Source: European Court of Auditors' analysis based on official documents.

CONCLUSIONS AND RECOMMENDATIONS

WERE THE OPERATIONS PROVIDED FOR IN THE IMPLEMENTATION AGREEMENT COMPLIANT WITH THE EUSF REGULATION?

- 50.** The EUSF regulation states that the Fund can only be used for essential emergency operations, including temporary accommodation. The regulation does not envisage financing real reconstruction or revenue-generating projects. Furthermore, according to the EUSF regulation, the scope of the Fund is limited to the most urgent needs, whereas longer-term reconstruction must be left to other instruments. Therefore, in the Court's opinion, the CASE project, which provided lasting and sustainable accommodation, did not comply with the objectives of the EUSF. Furthermore, the CASE apartments are expected to generate considerable revenue in the future, although there are no provisions in the EUSF regulation for such eventualities.
- 51.** Expenditure on initial aid and assistance and on the MAP houses and MUSP buildings was compliant with the EUSF regulation. The projects addressed the immediate needs of the population through emergency operations expressly foreseen in the regulation.

RECOMMENDATION 1

The Commission should clarify the provisions of the EUSF regulation in the light of the recent developments in disaster-response strategies, and consider if changes are needed in particular in relation to addressing temporary accommodation needs by means of permanent constructions, and concerning revenue-generating projects. Furthermore, when revenue is expected, the Commission should ensure that such revenue is reimbursed to the EU budget. The Commission should also re-analyse the application for the assistance by the Italian authorities in the light of the eligible criteria in the regulation.

WAS THE CASE PROJECT WELL PLANNED AND DESIGNED?

- 52.** Despite the discrepancy with the EUSF regulation, the strategy addressed the housing needs of the earthquake-affected population. Alternative solutions appeared to be less effective at accommodating the high number of people given the difficult circumstances in the Abruzzi region.

- 53.** The damage to buildings were assessed rapidly and reliably, but the actual accommodation needs of the displaced people were available only two months after the contracts had already been awarded. Thus, despite L'Aquila being located in the high seismic risk area, there were no adequate arrangements in place to make the information on the population available early enough to tailor the project accordingly. In addition, the potential construction sites had not been identified and assessed in advance.

- 54.** Despite the lack of adequate information on the earthquake-affected population, the technical specifications called for high-quality and expensive three-storey blocks, which absorbed the available resources and reduced the possibilities for adapting the project to the higher than foreseen demand. Thus, the CASE project provided an insufficient number of apartments to address the finally identified needs of the displaced population.

- 55.** The technical specifications for CASE housing were not prepared until after the earthquake. Therefore, although the CASE apartments were constructed rapidly, the project did not meet the target of accommodating all the affected people before the winter.

RECOMMENDATION 2

In general, and with a view to improving the benefits of the EUSF-financed projects, the Commission should, using the available forums and means (e.g. Structural Funds and dissemination of best practices), promote the Member States' preparedness to act rapidly and effectively in emergencies. The aim of the Commission and the Member States at risk should be to:

- (a) have up-to-date disaster management plans, which would also ensure the availability of timely and reliable information on the population affected by a natural disaster and the timely identification of sites to be used for temporary accommodation purposes;
- (b) have pre-identified strategies and solutions that aim to maximise the number of people accommodated in an adequate manner with the limited resources available;
- (c) have arrangements in place to ensure timely emergency procurement (emergency procedures ensuring reasonable economy, technical specifications, framework contracts and lists of potential contractors).

WAS THE CASE PROJECT IMPLEMENTED WITH DUE REGARD TO ECONOMY?

- 56.** Not much attention was paid to economy. Although the comparison with standard construction costs is only indicative, the CASE apartments were clearly more expensive than apartments on the market. The high cost could be partly explained by the use of high-quality materials and seismic isolators and the need to implement the project rapidly. A part of the additional cost could, however, have been avoided if more bidders had participated in tenders and more attention had been paid to economy when evaluating the bids.
- 57.** Because of the late start of the procurement procedures, time limits for the submission of tenders were much shorter than normal, to the detriment of the quality of tenders and competition. The lots concerned by negotiated procedures, especially for the supply of concrete, were too big, which contributed to a reduced number of bidders. The direct negotiations used for awarding additional works helped to save precious time during project implementation, but did not pay sufficient consideration to economy factors and resulted, for some of the audited contracts, in considerably higher costs for similar results.
- 58.** The low weighting accorded to the financial offers for the construction of buildings, the use of ineffective technical award criteria and the high weighting accorded to discretionary criteria (e.g. architectonic quality of the buildings and external aspects, energy efficiency and quality of equipment) increased the cost of the apartments.

RECOMMENDATION 3

In order to improve the economy of future EUSF-financed operations, the Commission should:

- (a) review Member States' procurement procedures following natural disasters, in order to identify and disseminate best practices and lessons learnt with regard to emergency procurement;
- (b) assess whether EUSF grants were used in accordance with the principles of sound financial management, including economy, in order to identify and disseminate best practices and lessons learnt with regard to economy aspects.

This Report was adopted by Chamber II, headed by Mr Harald NOACK, Member of the Court of Auditors, in Luxembourg at its meeting of 12 December 2012.

For the Court of Auditors



Vítor Manuel da SILVA CALDEIRA
President

EU SOLIDARITY FUND INTERVENTIONS SINCE 2002 (NOVEMBER 2002 – SEPTEMBER 2012)

Beneficiary State	Occurrence	Nature of disaster	Category	Damage (million euro)	Aid granted (million euro)	Total aid granted (million euro)
AUSTRIA 	August 2002	Floods	major	2 900	134,0	148,8
	August 2005	Floods (Tyrol, Vorarlberg)	regional	592	14,8	
BULGARIA 	May 2005	Floods	major	222	9,7	20,3
	August 2005	Floods	major	237	10,6	
CROATIA 	May 2010	Floods	neighbouring country	153	3,8	5,0
	September 2010	Floods	neighbouring country	47	1,2	
CYPRUS 	April 2008	Drought	major	165	7,6	7,6
CZECH REPUBLIC 	August 2002	Floods	major	2 300	129,0	145,0
	May 2010	Floods	neighbouring country	205	5,1	
	August 2010	Floods	regional	437	10,9	
ESTONIA 	January 2005	Storm	major	48	1,3	1,3
FRANCE 	September 2002	Floods (Gard)	regional	835	21,0	203,7
	December 2003	Floods (Vallée du Rhône)	regional	785	19,6	
	February 2007	Cyclone Gamède (la Réunion)	regional	211	5,3	
	August 2007	Hurricane Dean (Martinique)	regional	509	12,8	
	January 2009	Storm Klaus	major	3 806	109,4	
	February 2010	Storm Xynthia	regional	1 425	35,6	
GERMANY 	August 2002	Floods	major	9 100	444,0	610,9
	January 2007	Storm Kyrill	major	4 750	166,9	
GREECE 	March 2006	Floods (Evros)	regional	372	9,3	99,1
	August 2007	Forest fires	major	2 118	89,8	
HUNGARY 	April 2006	Floods	major	519	15,1	37,6
	May 2010	Floods	major	719	22,5	
IRELAND 	November 2009	Floods	regional	521	13,0	13,0
ITALY 	October 2002	Earthquake (Molise)	regional	1 558	30,8	1 246,6
	October 2002	Eruption of Etna Volcano	regional	894	16,8	
	April 2009	Earthquake (Abruzzo)	major	10 212	493,8	
	October 2010	Flooding in Veneto	regional	676	16,9	
	October 2011	Flooding in Liguria & Tuscany	regional	722,5	18,1	
	May 2012	Earthquakes Emilia-Romagna	major	13 274	670,2	

Beneficiary State	Occurrence	Nature of disaster	Category	Damage (million euro)	Aid granted (million euro)	Total aid granted (million euro)
 LATVIA	January 2005	Storm	major	193	9,5	9,5
 LITHUANIA	January 2005	Storm	neighbouring country	15	0,4	0,4
 MALTA	September 2003	Storm and floods	major	30	0,96	0,96
 POLAND	May 2010	Floods	major	2 994	105,6	105,6
 PORTUGAL	July 2003	Forest fires	major	1 228	48,5	79,8
	February 2010	Madeira floods and landslides	major	1 080	31,3	
 ROMANIA	April 2005	Spring floods	major	489	18,8	108,0
	July 2005	Summer floods	major	1 050	52,4	
	July 2008	Floods	regional	471	11,8	
	June 2010	Floods	major	876	25,0	
 SLOVAKIA	November 2004	Storm (Tatras)	major	203	5,7	26,1
	May 2010	Floods	major	650	20,4	
 SLOVENIA	September 2007	Floods	major	233	8,3	15,8
	September 2010	Floods	major	251	7,5	
 SPAIN	November 2003	Oil spill (Prestige)	regional	436	8,6	31,0
	August 2003	Forest fires (PT border)	neighbouring country	53	1,3	
	May 2011	Earthquake in Lorca	regional	843	21,1	
 SWEDEN	January 2005	Gudrun storm	major	2 297	81,7	81,7
 UNITED KINGDOM	June 2007	Floods	major	4 612	162,3	162,3
Grand total of aid approved since 2002				EUR 3 160,0 million		

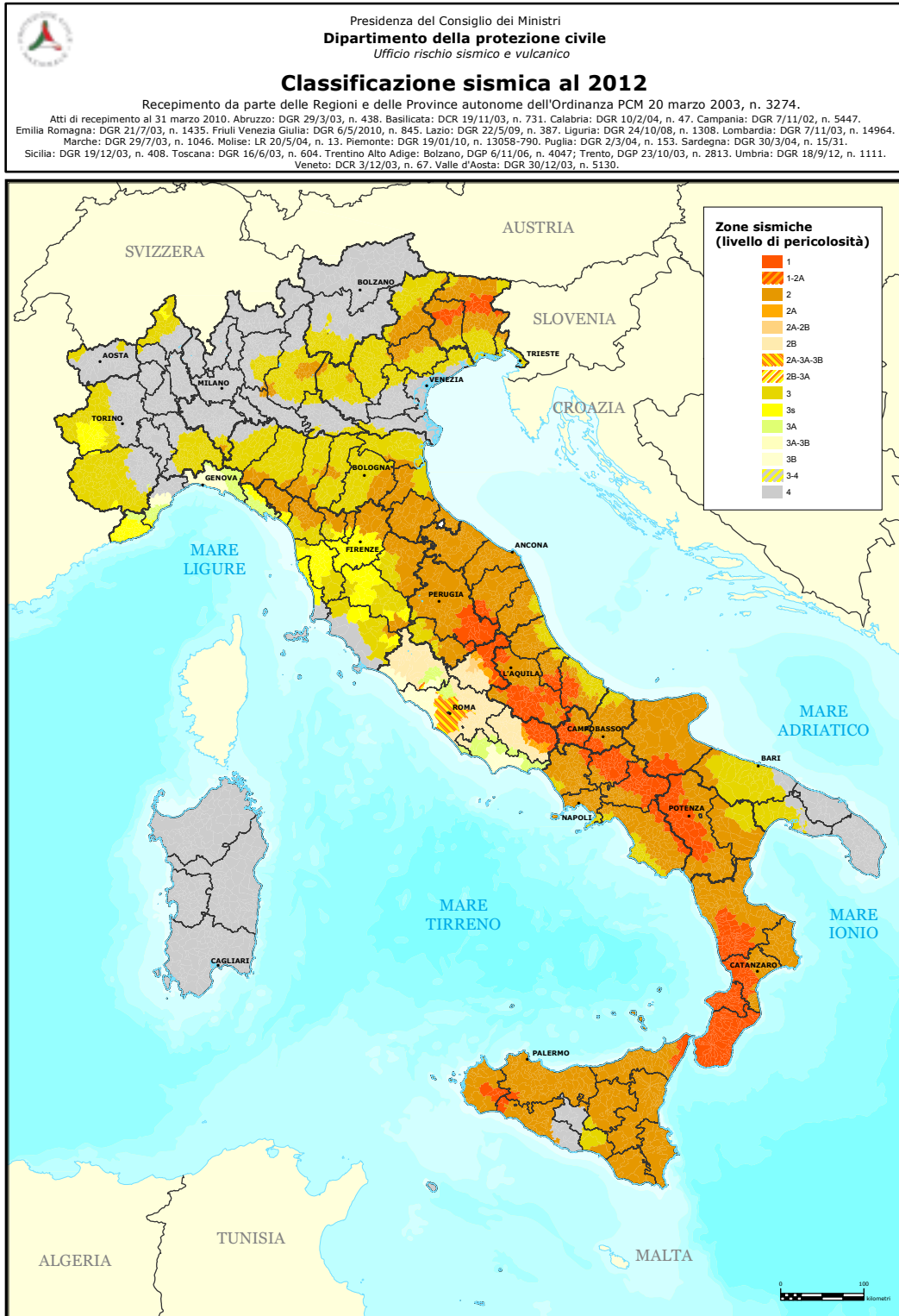
Source: European Commission.

AUDIT COVERAGE

Works/supplies	Contracted amount excluding VAT (million euro)	Checked amount excluding VAT (million euro)	Coverage (%)
Laying of concrete, welded steel mesh, realisation of concrete pillars	55,2	0,0	0,0
Supply of concrete	27,3	27,3	100,0
Supply of steel mesh	15,9	0,0	0,0
Supply of steel pillars	37,6	37,6	100,0
Supply of seismic isolators	12,0	11,3	94,0
Excavations	14,5	0,0	0,0
Buildings	425,3	145,0	34,1
Furniture	55,7	28,5	51,2
Civil works (total)	41,2	0,0	0,0
Demolition	0,1	0,0	0,0
Electro-mechanic works	0,2	0,0	0,0
Lifts	9,8	0,0	0,0
Green areas	15,2	0,0	0,0
TOTAL	710,2	249,7	35,2

Note: Detail may not sum to totals because of rounding.

SEISMIC RISK IN ITALY



FB 2012

REPLY OF THE COMMISSION

EXECUTIVE SUMMARY

II.

The implementation agreement lays down — upon a proposal from the beneficiary country — the types of operations for which the EUSF may be used. The allocation of funding to the selected types of operations thus reflects the uncertainty and possible need for adjustment inherent to an emergency situation.

IV.

The Commission considers that the CASE project under the given circumstances fully corresponded to the conditions and objectives of the EUSF regulation as it responded to an urgent need of thousands of people made homeless by the earthquake by providing temporary accommodation for them until they could return to their own homes. The construction of the CASE blocks for so many people in such short time under the given circumstances was a major achievement and most were available by the end of the year. It was never intended to accommodate the entire homeless population. The project's total cost was influenced by enormous time pressure, the great number of people to cater for and difficult climatic and geological conditions.

V.

The Commission will use the opportunity of the forthcoming review of the regulation to clarify the formulation of 'temporary accommodation' and address the question of revenue generation.

The European Commission proposals to revise existing European civil protection legislation promote the development of planning instruments prepared by Member States in order to adapt to and mitigate the risks and their impacts cost-effectively. The Commission shall support Member States in addressing the capacity gaps and in filling these gaps in the most appropriate and cost-effective way.

Finally, concerning the economy principle, the Commission regularly assesses the implementation of all EUSF grants based on the implementation reports and validity statements submitted by beneficiary countries as well as by own-monitoring and audit missions. Where appropriate it draws the necessary conclusions which are presented in its annual reports. Moreover, the Commission has presented a major assessment of the Solidarity Fund in its communication on the future of the Solidarity Fund presented in October 2011, which serves as a basis for the current revision of some provisions of the regulation.

INTRODUCTION

6.

The total cost of the eligible operations amounted to EUR 1,785 billion, i.e. four times more than the actual EUSF grant of EUR 494 million.

6. First indent

The initial emergency assistance to the population alone amounted to EUR 653 million, thus it was sufficient to cover the EUSF grant of EUR 494 million.

REPLY OF THE COMMISSION

OBSERVATIONS

9.

The European Parliament regularly stresses the regulation's call for a flexible application of the EUSF. For instance, the resolution on natural disasters of 4 September 2007 of the European Parliament¹ 'asks the Commission to mobilise the current EU Solidarity Fund (EUSF) in the most flexible manner possible and without delay, avoiding time-consuming procedures or administrative obstacles'.

In its special report on the Solidarity Fund of 2008² the Court examined especially how rapid, efficient and flexible the Fund was applied in practice. In doing so the Court acknowledged the importance of applying the Fund flexibly and in a way adapted to the specific circumstances of a given disaster as set out in Article 1 of the EUSF regulation. The Court concluded 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'.

10.

The Commission interpretation relates to the reconstruction of infrastructure and plant referred to in the first and third indents only. The provision of temporary accommodation and emergency services is considered fully eligible and has not been narrowed down in any way.

11.

The Commission welcomes the Court's finding that all the operations were implemented according to the implementation agreement. The Italian authorities thus met the conditions imposed on them for receiving the grant.

The Commission considers that the CASE project under the given circumstances fully corresponded to the conditions and objectives of the EUSF regulation as it responded to an urgent need of thousands of people made homeless by the earthquake by providing temporary accommodation for them until they could return to their own homes. In the Commission's view the term 'temporary' used by the regulation has to be applied with due regard to the specific circumstances of a given disaster and take into consideration *inter alia* the expected time needed for reconstruction until the displaced population can return to their own homes. In the case of L'Aquila, this time frame was estimated at 10 years or more. Climatic and geological conditions — which are particularly difficult at L'Aquila — are other factors to be taken into account. Moreover, it is the limited duration of the accommodation that should be decisive, not the nature of the structures in which the accommodation takes place.

The Commission wishes to stress that the total cost of the eligible operations amounted to EUR 1,785 billion, including the initial emergency assistance to the population for EUR 653 million. These first emergency expenses alone were sufficient to justify the EUSF grant of EUR 494 million, therefore the inclusion of the CASE project had no impact on the EU budget.

16.

The implementation agreement describes the type of operations to be carried out. The specific details (number of apartments, etc.) are given indicatively.

The Commission considers that the construction of the CASE blocks was a major achievement and extremely rapid.

¹ <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P6-TA-2007-0362&language=EN>

² Special Report No 3/2008, 'The European Union Solidarity Fund: how rapid, efficient and flexible is it?' (OJ C 153, 18.6.2008)

REPLY OF THE COMMISSION

17.

The regulation provides no definition of the term 'temporary accommodation'. Article 1 of the EUSF regulation however calls for a flexible manner in responding to major disasters. Therefore the Commission takes the view that the adjective 'temporary' refers to the objective of the intervention, namely the accommodation of people, and not to the nature of the buildings. Moreover, 'temporary' should be assessed in the specific context of a situation. At L'Aquila the high number of people to be accommodated, the expected long duration of the reconstruction works and the bad experience of the Italian authorities with more provisional solutions following earlier disasters, led the Commission to consider that the CASE project fully met the intentions of the regulation.

18.

The Commission takes the view that 'immediately necessary' should be interpreted in the light of the specific circumstances. The CASE project — of which the EUSF covered less than half of the cost (43 %) — responded to the urgent need of providing shelter to some 15 000 people for an expected reconstruction period of many years. The specificities of the project — for which the implementation agreement imposes no detailed conditions — correspond with the strategy chosen by the Italian authorities. Higher energy efficiency is an investment that would help reduce future energy bills.

19.

The Commission does not share the view that the absence of a specific provision for revenue generation in the EUSF regulation would suggest the non-eligibility of longer-term projects. The Commission would however agree that revenue generation should be addressed by including a specific provision in the regulation at the time of its future revision.

20.

The Commission agrees with the Court that the EUSF should not normally be used for longer-term reconstruction. The CASE project however does not fall in this category. The CASE buildings are not reconstruction nor are they intended to replace destroyed structures but serve the purpose of providing temporary accommodation for the population until they can return to their own homes. The CASE project therefore complies with the regulation.

21.

The EUSF was created as an instrument enabling the EU to demonstrate (financial) solidarity with countries suffering from major disasters. Unlike most financial EU instruments it has no other policy objectives and is not intended to interfere with the disaster-response policy, strategies and choices of a beneficiary country in responding to a disaster. The EUSF regulation expressly leaves the implementation of the grant to the beneficiary state. This is all the more true as the responsible authorities have to develop and implement their strategy to a specific disaster long before they actually know whether their application for EUSF aid is accepted and what the aid amount will be.

Moreover, while there is no co-financing obligation, the EUSF usually covers only a small part of the cost of disaster-response operations. In the case of L'Aquila, the EUSF contributed only 27 % to the cost of the operations laid down in the agreement.

23.

In the Commission's view the EUSF must be applied in a rapid, efficient and flexible manner as called for in Article 1 of the EUSF regulation. It considers that flexibility in this context means in particular that the operations supported by the Fund respond to the specific circumstances of a given disaster. The CASE project did that particularly well albeit in an innovative way. According to the Commission, the strategy was appropriate and met the conditions and objectives of the regulation.

25.–26. Common reply

The Commission shares the Court's analysis that a high degree of preparedness is key to the success of disaster-response operations and should therefore be promoted.

27.

The construction of the CASE blocks for so many people in such short time under the given circumstances was a major achievement and most were available by the end of the year.

REPLY OF THE COMMISSION

28.

The adoption of a new strategy by the Italian authorities results from the assessment of earlier strategies which in their view proved to be inadequate as they resulted in thousands of victims of earlier disasters having to dwell in unacceptable conditions for many years. The experience gained in implementing this new strategy has already been mainstreamed by the Department of Civil Protection, as shown in footnote 26.

31.–32. Common reply

The Commission considers that the comparison with average social housing standards should be adapted to the specific circumstances at L'Aquila: the great number of people to be catered for, the time pressure, the climatic and the geological conditions, the expected duration of reconstruction, etc. These specific conditions necessarily had an influence on cost and made the construction more expensive.

35.

See the Commission reply to paragraphs 31 and 32.

36.

The CASE project was necessarily prepared and procured under extremely tight time constraints and with complex technical requirements which had a justifiable impact on the cost.

The Italian authorities were confronted with a number of challenges: speedy implementation, meeting specific technical standards, minimising the environmental impact, etc. These factors cannot be seen in isolation and necessarily had an influence on price. Had they given priority to keeping the costs low, the prime purpose of the operation would have failed.

The choices made by the Italian authorities in the procurement had no impact on the EU budget for the reasons explained in the Commission's reply to paragraph 11.

37.

The implementation of the grant is the responsibility of the beneficiary state in compliance with the regulation. The responsibility of the Italian authorities was to comply with the applicable procurement rules.

39.

See also the Commission reply to paragraph 37.

If the conditions set out in Article 31(1)(c) of Directive 2004/18/EC are met, the contracting authority (i.e. the Department of Civil Protection) is entitled to reduce the time available for submission of bids.

40.

See also the Commission reply to paragraph 37.

As explained by the Italian authorities, 'the existence of inadmissible bids is not linked to the short time available for submission. The reasons for inadmissibility, as faithfully reported in the tender reports, should be analysed. The inadmissibility is more likely to be related to rigorous, meticulous compliance with all the conditions set by the tenders, which was the case despite the obvious urgency. Moreover, fulfilment of the conditions set by the tenders was necessary in order to ensure the success of the project in general, which was characterised by the highly unusual completion times.'³

41.

The directive does not oblige the contracting authority to split contracts into lots.

The Member State replied to the Court's comments that 'the amount of concrete in the tender required the on-site presence of concrete plant with an extremely high capacity (264 000 m³ by the end of the works, equivalent to around 3 500 m³ per day). Only one bidder could do this. The Member State also underlined that 'the temporal, logistical, production and economic implications were considered'.⁴

³ The Commission accepts the reply given by the Member States' authorities.

⁴ The Commission accepts the reply given by the Member States' authorities.

REPLY OF THE COMMISSION

42.

For the purpose of EUSF grants, the provisions of the EU directives on public procurement apply, except for contracts covered only by national legislation. As set out in Article 53 of the quoted directive, 'when the award is made to the tender most economically advantageous from the point of view of the contracting authority, various criteria linked to the subject-matter of the public contract in question, for example, quality, price, technical merit, aesthetic and functional characteristics, environmental characteristics, running costs, cost-effectiveness, after-sales service and technical assistance, delivery date and delivery period or period of completion'.

In the context of this provision, there is no obligation to give more weight to price in relation to any other criteria.

44.

See also the Commission reply to paragraph 42.

The Member State reply on this matter was the following:

'[...] clearly, giving a higher weighting to the financial offer would have led to cheaper bids; it is also clear that the type of works to be carried out, the complexity created by the timescale and the juxtaposition of works meant that a vast number of parameters other than price needed to be taken into consideration.'

The Member State also indicated that 'the presence of criteria other than financial aspects in evaluating the bids is not the reason for the price increase, as stated, but rather a key factor in the implementation of the project, ensuring that no contracts were awarded to technically or organisationally unsuitable contractors. These factors would indeed have led to uncontrollable cost increases.'⁵

45.

The tender documents or tender notice should provide a sufficient description of all the selection and/or award criteria.

46.

See the Commission reply to paragraph 44.

47.

See also the Commission reply to paragraph 42.

The award criteria to be used in a given tender are the choice of the contracting authority, under the conditions set out in the directive.

48.

See the Commission replies to paragraph 37 and paragraph 45.

49.

See the Commission reply to paragraph 37.

CONCLUSIONS AND RECOMMENDATIONS

50.

The Commission considers that the CASE project complied with the conditions and objectives of the regulation.

The CASE project responded in a flexible and very effective manner that was well adjusted to the specific situation to the urgent need to provide temporary accommodation for thousands of people. The Commission considers that the term 'temporary' used by the regulation must be applied in a way that reflects the specific circumstances of a given disaster. Temporary thus means 'for the time needed until the population concerned can return to their own homes'. The fact that in the case of L'Aquila this period will take many years is part of the characteristics of this dramatic disaster.

The Commission will use the opportunity of the forthcoming review of the regulation to clarify the formulation of 'temporary accommodation' and address the question of revenue generation.

Furthermore, the Commission notes that, given that the declared expenditure for the other emergency operations exceeded by far the amount of the aid, the Court's findings would not have any impact on the EU budget.

⁵ The Commission accepts the reply given by the Member States' authorities.

REPLY OF THE COMMISSION

51.

The Commission welcomes the Court's finding that expenditure on initial aid and assistance and on MAP houses and MUSP buildings was compliant with the EUSF regulation. The total cost of these operations alone exceeded by far the total amount of EUSF aid.

Recommendation 1

The Commission partially agrees with this recommendation.

The Commission will use the opportunity of the forthcoming review of the regulation to clarify the formulation of 'temporary accommodation' and address the question of revenue generation. However, the Commission does not accept the recommendation to re-analyse the application, as it considers that the CASE project is eligible and, in any case, the question of the eligibility of the CASE project or any possible savings in its execution would not have had any impact on the EU budget as the expenditure declared for first emergency operations alone amounted to EUR 653 million, and was therefore sufficient to justify the EUSF grant of EUR 494 million.

52.

The Commission refers to its reply to paragraph 50.

53.

The Commission shares the Court's view that a high degree of preparedness is key to the success of disaster-response operations and should therefore be promoted.

Nevertheless, the identification and assessment of appropriate construction sites has to be carried out on a proportionate basis.

54.

The number of apartments was significantly increased in the process but it was never intended that the CASE blocks should accommodate the entire homeless population. The CASE project was rather part of a much wider strategy consisting of a multitude of actions.

55.

The adoption of a new strategy results from the assessment of earlier strategies which, as in the case of Italy, proved to be inadequate as they have resulted in thousands of people having to dwell in unacceptable conditions. The experience gained in implementing this new strategy has already been mainstreamed by the Department of Civil Protection, by drafting technical specifications for different solutions to be procured via framework contracts.

The CASE blocks responded to specific needs and circumstances that could hardly have been known before the earthquake. A large number of people could indeed move in before the winter. The Commission considers that given the circumstances the progress of construction was a major achievement.

Recommendation 2

The Commission shares the Court's analysis that a high degree of preparedness is key to the success of disaster-response operations and should therefore be promoted. Over the past years the Commission has considerably stepped up its activities in the field and will continue to do so through the civil protection mechanism. On 20 December 2011, the European Commission proposed legislation to strengthen European cooperation in civil protection which will provide a more efficient, effective and rapid response to disasters as well as enhanced prevention and preparedness actions.

In October 2011, the Commission presented new proposals for the period 2014–20 which include strengthened provisions regarding disaster management. A general requirement to address disaster resilience, risk prevention and management in all programmes has been introduced. A requirement to disaster- (and climate-)proof infrastructure investments to be supported by EU funding has also been introduced.

REPLY OF THE COMMISSION

Recommendation 2 (a)

The European Commission proposal to revise existing European civil protection legislation introduces a new chapter on prevention with a view to enhancing the importance of the EU prevention framework and effectively linking it to the preparedness and prevention actions.

Building on the ongoing work on risk assessment to ensure effective cooperation within the mechanism, the proposal includes a framework for the development of risk-management plans at national level, taking into account and coherent with other risk-management plans in the country.

Recommendation 2 (b)

The Commission plans to promote and support the development and implementation of Member States' risk-management plans, including guidelines on their content where such aspects could be considered.

Recommendation 2 (c)

The provisions of the directives and their transposition into national law apply, including the specific provisions that allow derogation from normal procedures in cases of an emergency, namely the one expressed in Article 31(1)(c) of Directive 2004/18/EC.

56.

Economy is only one of several competing objectives. In a major emergency situation the focus must be on rapid and effective response operations whose specific conditions will necessarily have a bearing on price. While economy is to be sought, it has to be considered in the specific context of an emergency situation.

57.

Longer and more detailed tendering procedures may possibly have saved some money but would have led to delays in the construction of the CASE apartments. The Commission considers that rapidity and economy are to a degree competing objectives. Giving priority to speed over economy was in the Commission's view a justified choice by the Italian authorities.

58.

The regulation leaves the weighting of the different criteria for procurement to the assessment of the Member State.

Recommendation 3 (a)

Public procurement is addressed during *ex post* audit missions on EU grants carried out on a risk-based sample. The Commission will examine whether there are lessons to be drawn from this for general application.

Recommendation 3 (b)

The Commission regularly assesses the implementation of all EUSF grants based on the implementation reports and validity statements submitted by the beneficiary countries as well as by own monitoring and audit missions. Where appropriate it draws the necessary conclusions which are presented in its annual reports. Moreover, the Commission has presented a major assessment of the Solidarity Fund in its communication on the future of the Solidarity Fund presented in October 2011, which serves as a basis for the current revision of some provisions of the regulation.

European Court of Auditors

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FOLLOWING THE EARTHQUAKE IN ABRUZZI REGION IN APRIL 2009, THE EUROPEAN UNION SOLIDARITY FUND CO-FINANCED WITH THE AMOUNT OF 494 MILLION EURO THE EMERGENCY ASSISTANCE TO THE POPULATION AND THE CONSTRUCTION OF TEMPORARY HOUSES AND SCHOOLS. THE COURT ANALYSED THE RELEVANCE AND COST OF THE OPERATIONS AND IN PARTICULAR OF THE CASE PROJECT. IT CONCLUDES THAT THE EUSF REGULATION DID NOT ENVISAGE SOLUTIONS SUCH AS THE CASE PROJECT, WHICH ERECTED PERMANENT HOUSES IN ORDER TO PROVIDE TEMPORARY ACCOMMODATION TO THE EARTHQUAKE-AFFECTED POPULATION. FURTHERMORE, THE COURT FOUND THAT THESE HOUSES RESPONDED TO MANY IMMEDIATE NEEDS OF THE POPULATION, ALTHOUGH WITH INSUFFICIENT CAPACITY, AND THAT THERE WERE SHORTCOMINGS IN THE PLANNING AND IN ENSURING ECONOMY IN THE IMPLEMENTATION OF THE PROJECT.



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