European Union Solidarity Fund

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This report presents the activities of the EU Solidarity Fund in 2006 covering, as in previous reports, three areas: the treatment of new applications received in the course of 2006, monitoring of the ongoing implementation of grants, and the assessment of implementation reports with a view to preparing these for closure.

In addition, the report presents the progress which has been made with regard to the proposal for a new Regulation on the Solidarity Fund presented by the Commission on 6 April 2005 for the period after the expiry of the 2000-2006 Financial Perspectives.

In 2006 the Commission received four new applications for Solidarity Fund assistance: from Hungary, the UK, Greece and Spain. The Hungarian application was the only one relating to a major natural disaster - the main field of application of the Solidarity Fund - for which the Commission was able to propose the mobilisation of the Fund. It was subsequently endorsed by the Budget Authority.

Three other applications were presented under the regional disaster criteria. One application - the one relating to the explosion at the Buncefield oil depot – was withdrawn by the UK government in view of the doubts about its appropriateness in the light of the criteria in the Regulation, which generally tend to exclude support in the case of disasters of technological origin. The report notes that the proposal for a new Solidarity Fund Regulation makes explicit reference to technological disasters). The information provided in support of the Greek application relating to the flooding of the Evros River, the second of the regional disaster applications in 2006, was considered to satisfy the criteria and the mobilisation of the Fund was therefore proposed. The application relating to the forest fires in Galicia was rejected because the criteria in the Regulation were not met.

For applications in 2006, the Commission proposed a total amount of aid from the Fund of EUR 24.4 million. After 2004, this represented the second lowest annual amount since the creation of the Fund in 2002.

While on a smaller scale than in preceding years, experience in 2006 confirmed the general trend by which the majority of applications for Solidarity Fund assistance are not presented for major disasters which represent the main scope of the Fund, but under the exceptional criteria for regional disasters. These criteria - which according to the Regulation are to be examined by the Commission “with the utmost rigour” - continue to be relatively difficult to meet. The rate of unsuccessful applications for the regional (exceptional) criteria, at around 60%, continues to be high. For major disaster applications for which only a single quantitative criterion applies, the positive assessments have so far a rate of 100%.

The Commission continues to believe that, on the one hand, by using a single criterion to trigger utilisation of the Fund with lower quantitative thresholds than applied today and, on the other hand, by suppressing the present (non-quantitative) ‘exceptional’ regional disaster criteria, the efficient use of the Solidarity Fund would be improved. At the same time, it would help avoid the frustration that follows rejected applications because the exceptional criteria are very difficult to meet. On the basis of past evidence, such changes would be broadly neutral in the sense that the same decisions to mobilise the Fund would have been taken under the new criteria. By clarifying the criteria, and removing the less straightforward regional criteria of the current Regulation, applicant States would have a clearer signal as to whether to invest considerable resources in making an EUSF application. As such, the new criteria would make a concrete contribution to "better regulation".

This is why the Commission hopes that the Council will be ready to consider again the Commission's proposal of 6 April 2005 for a new Solidarity Fund Regulation, which contained the relevant provisions. Moreover, widening the scope of the Fund to disasters of other than natural origin would offer the Community an opportunity for the Community to provide an important expression of its solidarity in the event of crises other than those of natural origin.

The Commission notes that recent applications for aid under the Solidarity Fund from countries outside the Euro-zone raised the question of which exchange rate to apply for the conversion of the grant into national currency. The Regulation does not contain a specific provision on the use of the Euro. The issue raises particular problems in case of exchange rate fluctuations, for example between the date of application and the date on which the grant is credited to the beneficiary State's bank account. In all cases up to now, the conversion into Euro has been carried out on the basis of the exchange rate at the time of application. In order to simplify the financial execution of the grant the Commission so far asked beneficiary States to apply this single exchange rate throughout implementation and as the basis for the final implementation report and the statement on the financial execution of the grant.