## **EU Solidarity Fund: technical adjustments**

2013/0248(COD) - 25/07/2013 - Legislative proposal

PURPOSE: to amend <u>Council Regulation (EC) No 2012/2002</u> establishing the European Union Solidarity Fund with a view to simplifying its functioning and making it more visible to citizens.

PROPOSED ACT: Regulation of the European Parliament and of the Council.

ROLE OF THE EUROPEAN PARLIAMENT: the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

BACKGROUND: the EU Solidarity Fund (EUSF) was created in 2002 to enable the EU to respond to major disasters inside the EU and in countries involved in accession negotiations. The instrument is generally meeting its objectives well but is considered not to be sufficiently responsive and visible and as far as certain criteria for its activation are concerned too complicated and not sufficiently clear.

In 2005, the Commission presented a <u>proposal for a new EUSF Regulation</u>. While the proposal was favourably received by the European Parliament, it was not adopted in the Council. The Commission officially withdrew the proposal in June 2012.

In October 2011, the Commission presented a <u>Communication on the Future of the Solidarity Fund</u> which contains an evaluation of the operations of the current instrument and proposes options for improving its functioning.

This proposal is situated in the context of the new Multiannual Financial Framework for the years 2014-2020.

Moreover, the proposal complements the recent common proposal of the Commission and the High Representative for implementing arrangements of the Solidarity Clause enshrined in Article 222 TFEU which underlines the role of the Solidarity Fund as one of the key Union instruments in applying this provision of the Treaty.

IMPACT ASSESSMENT: no impact assessment was undertaken. However, The 2011 Communication served as a basis for discussions with the Member States and the European Parliament and other stakeholders.

LEGAL BASIS: the third subparagraph of Article 175 and Article 212(2) of the Treaty on the Functioning of the European Union.

CONTENT: the main objective of the proposal is to **improve the functioning of the existing Solidarity** Fund instrument by making it quicker to respond and more visible to citizens, simpler to use and its provisions clearer. This is to be achieved by a limited number of technical adjustments to the Regulation.

The **principles of the instrument remain unchanged as do its financing method** outside the multiannual financial framework (MFF) and the likely level of spending.

The proposal contains those adjustments to the EUSF-Regulation that were discussed in the 2011 Communication on the Future of the Solidarity Fund:

**Scope**: a clearer definition of the scope of the EUSF limited to natural disasters including man-made disaster that are the direct consequence of a natural disaster (cascading effects). This will eliminate existing legal uncertainties about the scope and thus avoid that applications are presented which do not meet the conditions.

**Exceptional mobilisation**: a new and simple **single criterion** for the exceptional mobilisation of the EUSF for so-called extraordinary regional disasters based on a GDP-related threshold has been introduced. The lack of clarity under the current provisions about the conditions for exceptionally mobilising the EUSF will be eliminated by setting the damage threshold for regional disasters at 1.5% of GDP at NUTS 2 level. This will considerably simplify and speed up the preparation of applications by eligible States and their assessment by the Commission. At the same time it will significantly reduce the number of rejected applications as applicants will know from the outset whether the criterion is met.

**Advanced payments**: the introduction of the possibility to make **rapid advance payments** upon request of the affected Member State, limited to 10% of the expected amount of the financial aid capped at EUR 30 million. Recoveries from the Member States from the Solidarity Fund and from the Cohesion Instruments (ERDF and Cohesion Fund) up to a maximum annual amount should be made available to the Solidarity Fund as assigned revenue in order to make commitments for advance payments available in the Union budget. In addition to including a specific provision in the Solidarity Fund Regulation this will also require including a provision in the Common Provisions Regulation relating to the Cohesion Policy Funds and in the transitional provisions relating to the current programming period. It is envisaged that the Commission will present an amending proposal to be adopted at the same time as the present proposal.

**Starting dates**: the proposal includes a specific provision for **slowly unfolding disasters** such as drought. Defining the start of such disasters as the date at which the public authorities took the first countermeasures will eliminate legal difficulties stemming from the current obligation to submit applications within 10 weeks of the date of the first damage.

**Disaster prevention**: provisions are included to encourage more effective disaster prevention, including full implementation of relevant Union legislation on prevention, the use of available Union funding for related investments and improved reporting on these actions. In the event that a disaster of the same nature as one for which the Fund was previously mobilised should occur and Union legislation has not been complied with, the Commission will **seriously consider rejecting a new application** or granting a reduced amount of aid only.

**Awarding aid**: it is proposed to **merge the decision awarding the aid** and the implementation agreements into a **single act**. This administrative measure will help to speed up the processing of applications inside the Commission and therefore allow paying out aid more rapidly.

Moreover, a number of further elements were included in the proposal, such as:

- a specific provision on the eligibility of VAT and the exclusion of Technical Assistance,
- a provision requiring respect for the Union acquis,
- a revised provision to avoid double financing,
- extended ex-post reporting on prevention measures,
- a provision on the use of the Euro and its conversion into national currencies.

**Further modifications**: a number of modifications are introduced to bring the Regulation in line with the Financial Regulation as amended in 2012. This concerns not only terminology but in particular certain rules and obligations in relation the implementation of the Fund by Member States under the principle of shared management and by eligible candidate countries (countries negotiating the accession to the Union) under the principle of indirect management. In order not to put at risk the objectives of the Fund, i.e. to make financial assistance available as quickly as possible after the occurrence of a major disaster, it is

however necessary to derogate from certain provisions of the Financial Regulation, in particular as concerns the normally time-consuming process of designating the implementing authorities, including those for audit and control, as well as regarding the timing of annual reporting.

**BUDGETARY IMPLICATIONS**: the EUSF is not budgeted. Actual spending will depend on applications for aid submitted by eligible States following the (unpredictable) occurrence of natural disasters and the maximum amount of annual allocation available to the Fund as decided in the IIA. The proposal takes account of the Multi-annual Financial Framework 2014 – 2020 which foresees maintaining the current mechanism whereby the necessary budgetary resources for awarding financial aid are raised over and above the MFF ceilings by a decision of the budget authority within a maximum annual allocation of EUR 500 million (2011 prices).

The decision to express the maximum annual allocation of the Fund in 2011 prices (instead of current prices) is mirrored in the proposal by applying the same basis to the amount of EUR 3 billion which is one of the two damage threshold for defining 'major disasters'. The other threshold defined as 0.6% of gross national income is not affected.

In cases where an advance has been paid its amount will be taken into account when the final contribution from the Fund is paid out.