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# REPORT FROM THE COMMISSION

## European Union Solidarity Fund
## Annual report 2006

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## 1. INTRODUCTION

The European Union Solidarity Fund was set up on 15 November 2002[1]. Article 12 of the Solidarity Fund Regulation provides that a report on the activity of the Fund in the previous year be presented to the European Parliament and to the Council. The present report presents the activities of the 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.

## 2. NEW APPLICATIONS RECEIVED IN 2006

In 2006 the Commission received four new applications for Solidarity Fund assistance. Annex 1 gives a detailed overview of all cases. These were assessed in the light of the criteria set out in the Regulation and of the information that applicant States were able to provide.

### United Kingdom

On 17 February 2006 the UK submitted an application for Solidarity Fund assistance relating to the explosions and fire at the Buncefield oil storage depot in Hertfordshire which occurred on 11 December 2005. The explosions caused damage to property, infrastructure and the environment and lead to disruptions of business. 2000 people were temporarily evacuated from their homes. The total direct damage caused by the disaster was EUR 730 million. The population in the affected area amounts to 138 000 people, of which the UK authorities estimated that a maximum of 10 000 had been affected.

The Regulation states in Article 2 (1) that it applies *mainly* to major natural disasters[2]. Although it thus does not exclude the eligibility of technological disasters, these could only be considered eligible under exceptional circumstances[3].

The normal threshold for mobilising the EUSF in the UK in 2006 was EUR 3.203 billion (i.e. EUR 3 billion in 2002 prices). As the direct damage of the explosion was considerably lower than the normal threshold for mobilising the

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1 Council Regulation (EC) N° 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund, OJ L 311/3 of 14.11.2002, in the following referred to as “the Regulation”.

2 Article 2(1) states: *“At the request of a Member State or country involved in accession negotiations with the European Union, hereinafter referred to as "beneficiary State", assistance from the Fund may be mainly mobilised when a major natural disaster with serious repercussions on living conditions, the natural environment or the economy in one or more regions or one or more countries occurs on the territory of that State.”*

3 The only case so far in which the EUSF was mobilised for a non-natural disaster concerned the sinking of the “Prestige” oil tanker off the Spanish coast.

EUSF, the UK submitted the application under the “extraordinary regional disaster” criteria contained in Article 2(2) of the Regulation, which provides for the use of the EUSF if a set of very specific conditions are met[4]. The Regulation requires the Commission to apply these conditions “with the utmost rigour”.

The assessment of the application indicated that, while the explosion had caused some notable damage locally, the application did not meet the conditions set out by the Regulation for mobilising the Fund. The damages were considerably below the normal threshold for mobilising the Fund (representing less than 23 % of that threshold) and only a very small part of the population of the region was affected. In the light of these circumstances the UK authorities decided to withdraw the application by letter received by the Commission on 22 March 2006.

**Greece**

On 22 May 2006 the Greek authorities submitted an application relating to flooding that occurred in March 2006 in the area of the Evros River on the eastern border of Greece. Supplementary information was provided in July and November 2006; the translation of this information from the original Greek caused a substantial delay for the assessment of the application. This was the second application within 13 months relating to flooding in the Evros river region. The first application, presented in 2005, had been found not eligible and was rejected[5].

The 2006 flooding caused direct damage of some EUR 372 million, almost three times the amount of damage caused in the preceding year, but still lower than the normal threshold for mobilising the Solidarity Fund of EUR 1.004 billion, i.e. 0.6% of Greece’s Gross National Income (GNI). The application was therefore examined under the criteria for extraordinary regional disaster.

Over 70% of the some 180 000 persons constituting the population in the flooded area were found to be directly affected. Major damage was caused to networks and infrastructure in the area and paralysed economic activity in the region. Around 100 million m² of farmland were flooded along the river banks and an estimated 2 000 head of livestock were lost. The floods caused total destruction of agricultural produce while the slow drainage of the flooded areas removed any possibility of planting new crops. Due to the lack of agricultural produce much of the local industry was prevented from engaging in any agricultural, processing or commercial activity in a region in which the main occupation of 90% of the population is agriculture. The extensive damage to the irrigation and water supply network resulted in the need to distribute bottled water in a number of municipalities. Repair of the water supply networks, identification of alternative bore holes unaffected by contamination of the hydrological basin and the search for new springs were expected to create a critical situation in the wider area for more than one year. It has also been noted that the negative effect on economic activity caused by the floods, considered the worst over the last 50 years, took place in an area that has already

4 *" .....an extraordinary disaster, mainly a natural one, affecting the major part of the population of a region, with serious and lasting repercussions on living conditions and the economic stability of the region"*

5 For details cf Annual Report 2005 COM(2006)444 final

been severely affected by floods in 2005. This cumulative effect has severely hit the resilience of the local economy

Early 2007 the Commission therefore decided to propose the mobilisation of the Fund and to grant an amount of EUR 9.3 million.

**Hungary**

Following the flooding disaster that hit Hungary in April/May 2006, the Hungarian authorities submitted to the Commission on 9 June an application for Solidarity Fund assistance. The application was presented in English thus requiring no translation before the Commission services could carry out its assessment. Additional information requested by the Commission and necessary to complete the assessment was received on 21 September. The flooding qualified as a major disaster within the meaning of the Regulation as the direct damages of some EUR 560 million exceeded the threshold for mobilising the Fund (EUR 459.494 million, which represents 0.6% of Hungary's GNI).

The disaster affected over 1.5 million inhabitants in 8 of the Hungary's 20 counties along the catchment areas of the Danube and Tisza rivers. The Hungarian authorities reported serious damage to infrastructures, in particular in the water/waste water sector (EUR 136 million), for flood protection (EUR 85 million), in the transport sector (EUR 93 million) as well as in agriculture (over EUR 61 million), to the cultural heritage, and to several natural parks.

The Commission decided on 1 December 2006 to mobilise the Solidarity Fund and proposed to grant financial aid amounting to EUR 15 million. The corresponding amending budget proposal - covering the Hungarian as well as the Greek case - was presented in 2007, as soon as the assessment of the Greek application had been completed.

**Spain**

Following the forest fires that affected Galicia during August 2006, the Spanish authorities, on 6 October, submitted to the Commission an application for Solidarity Fund assistance. The application was presented in Spanish and the translation took more than 4 weeks.

According to the information provided by the Spanish authorities, the fires caused total damage of some EUR 91 million representing less than 3% of the normal threshold for mobilising the Solidarity Fund applicable to Spain (EUR 3.203 billion, i.e. EUR 3 billion in 2002 prices). As total damage remained below the normal threshold for mobilising the Solidarity Fund the application was examined under the criteria for “extraordinary regional disaster”.

The Spanish application related to Galicia as a whole which has a total population of 2.760 million inhabitants. A total of 1908 fires were recorded, occurring on the territory of 128 municipalities mostly in the western part of Galicia with a population of 1.5 million inhabitants, including major cities like Santiago de Compostela, Ourense and Vigo. While there was evidence of extensive damage in forestry and to the environment the application was able to provide little evidence for damage directly affecting the population. Overall, the evidence presented did not allow the Commission to conclude that the majority of the population of the region to which the application related had been directly affected.

The possibility - as hinted at in the application - that a number of the fires had non-natural origins was not further explored.

In its assessment the Commission concluded that while the evidence provided by the Spanish authorities suggested that serious effects on the environment were incurred, which would also negatively affect living conditions, the disaster did not affect the major part of the population and there was no evidence of lasting effects on the economic stability of the region. The latter was supported by the fact that the damage represents only 0.2% of the GDP of Galicia.

The Commission decided therefore on 20 February 2007 to reject the application and informed the Spanish authorities accordingly.

## 3. APPLICATIONS RECEIVED IN 2005

The assessment - under the exceptional regional disaster criteria - of the **Austrian** application of 19 October 2005, relating to flooding in the Länder of Vorarlberg and Tyrol in August 2005 was completed after additional information was received from the Austrian authorities on 12 January 2006.

The total direct damage was estimated at EUR 591.94 million, representing approximately 0.27% of Austria's GNI or 45% of the normal threshold for mobilising the EUSF in Austria (0.6% of GNI). Over 60% of the 98 000 inhabitants in the area concerned by the flooding were found to be seriously affected.

Evidence showed that flooding caused severe and lasting disruption of infrastructures, in particular in the fields of transport, water/waste water and energy with lasting effects for all sectors of economic activity, including agriculture. Damage in the private sector was characterised by a high number of destroyed houses (over 1200 alone in Tyrol), serious damage to businesses and in particular in tourism, the region's main source of income. The effects of the flooding were expected to be felt for well over a year. Taking into account the exceptional damage the consequences of this flood in a region of almost 100 000 inhabitants could not be seen as merely local. The Commission therefore concluded that the Solidarity Fund should be mobilised and proposed to grant financial aid amounting to EUR 14.8 million

The assessment of the two flooding related disasters for which **Romania** had applied in 2005 was completed early in 2006 once the Romanian authorities had provided on 29 December 2005 the information requested by the Commission. On 10 March the Commission decided to mobilise the Solidarity Fund and to propose aid amounting to EUR 18.8 million for the spring flooding and EUR 52.4 million for the summer flooding.

On 23 December 2005 the Commission had already proposed to grant **Bulgaria** financial aid for the two flooding disasters that had occurred in the spring and summer of 2005 amounting, respectively, to EUR 9.7 million and EUR 10.6 million.

On 27 April 2006 the Council and the Parliament adopted the Commission's amending budget proposal which covered in one single package five grants to Austria, Romania and Bulgaria and the respective grant decisions could be adopted on 19 June for Bulgaria, on 29 June for Austria and on 26 July for Romania.

## 4. SPECIAL ISSUE: THE USE OF EXCHANGE RATES OUTSIDE THE EURO-ZONE

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. If the relevant conversion date is the date of application and there is a revaluation of the national currency with respect to the Euro in the period up until the date of payment, then the aid amount in national currency will decrease. Of course, possible effects caused by exchange rate changes between the date of application and the payment date can be of both positive and negative nature.

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. The Commission intends to continue its current practice, in line with the underlying idea of the EUSF of an un-bureaucratic instrument.

In addition, the Commission intends to continue its practice to require the beneficiary State to apply as the reference exchange rate the Commission’s financial accounting rate. The rates to be used for that purpose are published in the Official Journal and can be found in the following electronic address:

http://europa.eu.int/comm/budget/inforeuro.

## 5. FINANCING

The five cases from 2005 for which the procedure had not yet been completed before the end of the year (floods in Romania, Bulgaria and Austria) were dealt with in one single amending budget. Preliminary Draft Amending Budget No 1/2006[6] was approved by the Budgetary Authority on 27 April 2006. The payments could be made after adoption of the grant decision and after the implementation agreement

6 SEC(2006)325 final of 10.3.2006

was signed. In all five cases payments were delayed due to the late presentation by the beneficiary States of proposals for the use to be made of the grants which have to be included in the implementation agreement (for details cf. Annex 1)

The amounts of aid in each case were determined on the basis of the standard method previously developed by the Commission and explained in detail in the 2002/2003 annual report (see also Annex 3 of the present report). The amounts of aid in 2006 were the following:

| **Beneficiary** | **Disaster** | **Category** | **Amount of aid** (EUR) |
|---|---|---|---|
| Austria | flooding | regional | 14°798°589 |
| Romania | spring flooding | major | 18°797°800 |
| Romania | summer flooding | major | 52°406°870 |
| Bulgaria | spring flooding | major | 9°722°183 |
| Bulgaria | summer flooding | major | 10°632°185 |
| **Total** | | | **106°357°627** |

The significant amount of required resources for the five cases relating to flooding and the unavailability of corresponding free payment appropriations at the time of the budgetary procedure made it necessary to include a request for additional payment appropriations in Preliminary Draft Amending Budget 1/2006.

For the he applications from Greece and Hungary received in 2006 the Commission presented Preliminary Draft Amending Budget No 2/2007[7] which was approved by the Budgetary Authority on 7 June 2007; the annual report of next year will report on this.

## 6. MONITORING

In 2006, the Commission carried out seven monitoring visits: the first visit in June concerned Slovakia (Tatra storm), a second series of visits concerned the four countries (Sweden, Estonia, Latvia and Lithuania) that had been affected by the major storm of January 2005. Visits to Romania and Bulgaria were carried out in respectively October and November, both concerning the implementation of the Solidarity Fund grants following the double flood disasters of 2005.

As on previous occasions these visits were highly welcomed by the authorities concerned and provided an opportunity to clarify technical issues such as those concerning eligibility of expenditure and control issues. The Slovak authorities raised an issue concerning the rate of exchange to be applied by beneficiaries outside the Euro-zone. The agreed solution (see point 4 above) was relevant for all other beneficiaries who had received grants in 2005 and 2006 and was subsequently generally applied. The visits also allowed the Commission to gain an impression of the added value of the Solidarity Fund and to gather information on the

[7] COM(2007)148 final of 28.3.2007

implementation systems. It was found that the implementation systems put in place varied from one country to another but could generally be regarded as being effective and transparent, most countries using the structures and procedures already in place for the Structural Funds. Implementation was found to be progressing at a satisfactory pace and in most countries appropriate steps had been made to ensure respect for monitoring and control obligations. Where this seemed not fully to be the case the Commission reiterated the necessity to make monitoring and control an integral part of the implementation systems from the outset.

## 7. CLOSURES

Article 8(2) of Regulation 2012/2002 states that no later than six months after the expiry of the one-year period from the date of disbursement of the grant, the beneficiary State shall present a report on the financial execution of the grant (hereinafter: an "implementation report")with a statement justifying the expenditure (hereinafter: a "validity statement"). At the end of this procedure, the Commission shall wind up the assistance from the Fund.

As regards the closure of assistance of the two Italian cases for which the implementation report was received on 18 November 2005 (Earthquake-Molise/Apulia and Volcanic eruption-Etna), the Commission noted that the full amount of the EUSF grants (i.e. EUR 16 798 000 for the Mount Etna eruption and EUR 30 826 000 for the Molise/Apulia earthquakes) has been spent by the Italian authorities. The Commission requested a number of clarifications from the Italian authorities on the validity statement relating to the financial execution of the grant (under Article 9 of the implementation agreement), which were received on 22 November 2006. After a thorough analysis of the additional information, the Commission wound up the assistance on 30 April 2007.

As regards the aid granted to Portugal (forest fires in 2003), for which the implementation report was received in June 2005, the Commission received additional information from the Portuguese authorities on 8 May 2006 and 25 August 2006. The Portuguese authorities indicated that an amount of EUR 42 359 112.21 (out of the total grant of EUR 48 539 000) has been effectively spent. Consequently, a balance of EUR 6 179 887.79 will have to be recovered. In addition, in the statement on the closure of assistance, the Portuguese authorities indicated that, following an audit, a sum of EUR 211 613.80 cannot be confirmed as being eligible under the Solidarity Fund. Consequently, this amount will be recovered as well. However, at the end of the period covered by this annual report it was not yet possible to wind up the assistance as a confirmation of the damage estimates in the application was still pending. Article 10(2) of the Regulation states that in case of significantly lower valuation of the damage incurred, as shown by new elements, the Commission shall require the beneficiary State to reimburse a corresponding amount of the grant. Therefore, the Portuguese authorities were requested to confirm the amount of direct damage. By letter received on 16 April 2007 the Portuguese authorities confirmed the amount of direct damage that was effectively established (EUR 1302 million as opposed to EUR 1228 million estimated in the application). Consequently, the total amount to be recovered is EUR 6 391 501.59. The procedures for the recovery of this amount have been initiated.

In 2006, the Commission received final implementation reports for grants made in 2004 from Spain (forest fires at the Portuguese border) and Malta (flooding). Additional information was received on the implementation report concerning the aid granted after the "Prestige"-oil spill in Spain. At the end of the period covered by this annual report the assessment of these implementation reports was still ongoing. As regards the aid of EUR 19.625 million granted to France in relation of the floods in the Rhone delta in 2004, for which the implementation report was also received in 2006, the assistance was wound up on 29 November 2006. Since an amount of EUR 135 492.09 remained unspent, a recovery procedure has been initiated by the Commission.

## 8. PROPOSAL FOR A NEW SOLIDARITY FUND REGULATION

After the Financial Counsellors group of the Council had started examining the Commission proposal for a new Solidarity Fund Regulation under the UK Council Presidency, this work was intensified during the first months under the Austrian Presidency in 2006. While the widening of the scope of the instrument was opposed by a few Member States, a vast majority of delegations expressed reservations about nearly all other new elements contained in the proposal. The Commission presented a series of working papers to demonstrate that those concerns - in particular regarding the financing of the reviewed Fund - were unfounded, but no progress was made. At the meeting of 15 March the Austrian Presidency concluded not to pursue the proposal further for the time being.

By contrast, the European Parliament adopted on 18 May the very favourable Berend report, which had been prepared by the REGI Committee. While requesting a series of amendments, the report generally supported all of the elements contained in the Commission proposal. Following the adoption of the Berend report the item was again put on the agenda of the Council working group on 30 May, although this new element did not produce any change in the position of the Member States.

The Commission undertook a series of attempts, including at the level of the Commission President, to convince Member States and in particular the incoming Finnish and, towards the end of 2006, the German Council Presidencies to re-launch the debate on the proposal. However, by the end of 2006 no progress was made.

## 9. CONCLUSIONS

A total of four new applications for Solidarity Fund assistance were received in 2006, a limited number compared to the three preceding years. 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, whereby 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 (note: 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 avoiding 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. But, 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 or not investing 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.

**Annex 1**
**European Union Solidarity Fund applications received or completed in 2006**

| Applicant Country | RO | BG | BG | RO | AT | UK | EL | HU | ES |
|---|---|---|---|---|---|---|---|---|---|
| Name and nature of disaster | **Spring flooding** | **Spring flooding** | **Summer flooding** | **Summer flooding** | **Flooding** | **Explosion** | **Evros flooding** | **Flooding** | **Forest fires** |
| First damage date | 15/04/2005 | 25/05/2005 | 5/08/2005 | 2/07/2005 | 22/08/2005 | 11/12/2005 | 13/03/2006 | 3/04/2006 | 4/08/2006 |
| Application date* | 22/06/05 | 13/07/05 | 24/08/05 | 9/09/05 | 19/10/05 | 17/02/2006 | 22/05/2006 | 9/06/2006 | 6/10/2006 |
| Complete information available on | 29/12/05 | 30/09/05 | 6/10/05 | 29/12/05 | 12/1/06 | - | 13/11/06 | 21/906 | 6/10/06 |
| Major disaster threshold (m€) | 302.114 | 103.274 | 103.274 | 302.114 | 1 336.348 | 3 202 578.000 | 1 004.136 | 459.492 | 3 202.578 |
| Total direct damage (m€)** | 489.530 | *222.279* | 237.446 | *1 049.681* | *591.944* | 700.00*** | *372.26* | 519.10 | 90.96 |
| Category | **major** | **major** | **major** | **major** | regional | (regional) | regional | **major** | regional |
| Damage/threshold | 162.03% | *215.23%* | *229.92%* | 347.45% | *44.30%* | *0.02%* | *37.07%* | *112.97%* | *2.84%* |
| Cost of eligible emergency operations (m€)** | 160.867 | *144.478* | *190.433* | 259.176 | 196.242 | - | *325.00* | *334.51* | *85.15* |
| Eligible cost/ total damage | 32.9% | *65.0%* | *80.2%* | 24.7% | *33.2%* | - | *87.30%* | *64.44%* | *93.61%* |
| Aid/eligible cost | 11.69% | *6.73%* | *5.58%* | 20.22% | *7.54%* | - | *2.86%* | *4.50%* | - |
| Aid rate (% of total damage) | 3.84% | *4.37%* | *4.48%* | 4.99% | *2.50%* | - | *2.50%* | 2.90% | - |
| Date of grant decision | 26/07/2006 | 19/6/2006 | 19/6/2006 | 26/07/2006 | 29/6/2006 | - | 2007 | 2007 | rejected 2007 |
| Date of Implementation agreement | 28/07/2006 | 21/06/2006 | 21/06/2006 | 28/07/2006 | 20/09/2006 | - | 2007 | 2007 | - |
| Aid granted (EUR) | ***18°797°800*** | ***9°722°183*** | ***10°632°185*** | ***52°406°870*** | **14°798°589** | **application withdrawn** | **(9°306°527)** | **(15°063°587)** | **-** |

* Registration of initial application at Commission
** As accepted by Commission
*** Amount could not be verified

**Annex 2**
**Criteria to mobilise the EU Solidarity Fund**

**Extract from Council Regulation 2012/2002:**

**"Article 2:**

1. At the request of a Member State or country involved in accession negotiations with the European Union, hereinafter referred to as 'beneficiary State', assistance from the Fund may be mainly mobilised when a major natural disaster with serious repercussions on living conditions, the natural environment or the economy in one or more regions or one or more countries occurs on the territory of that State.

2. A '**major disaster**' within the meaning of this Regulation means any disaster resulting, in at least one of the States concerned, in damage estimated either at over EUR 3 billion in 2002 prices, or more than 0,6 % of its GNI.

By way of exception, a **neighbouring Member State or country involved in accession negotiations with the European Union**, which has been affected by the same disaster can also benefit from assistance from the Fund.

However, under exceptional circumstances, even when the quantitative criteria laid down in the first subparagraph are not met, a **region** could also benefit from assistance from the Fund, where that region has been **affected by an extraordinary disaster**, mainly a natural one, affecting the major part of its population, with serious and lasting repercussions on living conditions and the economic stability of the region. Total annual assistance under this subparagraph shall be limited to no more than 7,5 % of the annual amount available to the Fund. Particular focus will be on remote or isolated regions, such as the insular and outermost regions as defined in Article 299(2) of the Treaty. The Commission shall examine with the utmost rigour any requests which are submitted to it under this subparagraph."

## Annex 3
## Determination of the amount of aid

A progressive system in two brackets is applied whereby a country affected by a disaster receives a lower rate of aid of 2.5% for the part of total direct damage below the “major disaster” threshold and a higher share of aid of 6% for the part of the damage exceeding the threshold. The two amounts are added up.

The threshold is the level of damage defined by the Regulation to trigger the intervention of the Fund, i.e. 0.6% of GNI or EUR 3 billion in 2002 prices. This element ensures that the relative capacity of a State to deal itself with a disaster is taken into account. It also ensures that for the same amount of damage relatively poorer countries receive more aid in absolute terms than richer ones. For extraordinary regional disasters the same method is being applied, meaning consequently that countries affected by those disasters, which by definition remain below the threshold, receive 2.5 % of total direct damage in aid.

**Annex 4**
**Thresholds for major disasters applicable in 2006**
(based on 2004 figures for Gross National Income)

**(Million EUR)**

| Country | | GNI 2004 | 0.6% of GNI | Major disaster threshold 2006 |
|---|---|---|---|---|
| AT | ÖSTERREICH | 234 184 | 1 405.103 | 1 405.103 |
| BE | BELGIQUE-BELGIË | 290 703 | 1 744.220 | 1 744.220 |
| BG | BALGARIJA | 18 927 | 113.563 | 113.563 |
| CY | KYPROS | 12 297 | 73.784 | 73.784 |
| CZ | ČESKA REPUBLIKA | 82 560 | 495.358 | 495.358 |
| DE | DEUTSCHLAND | 2 216 000 | 13 296.000 | **3 202.578*** |
| DK | DANMARK | 195 471 | 1 172.825 | 1 172.825 |
| EE | EESTI | 8 456 | 50.733 | 50.733 |
| EL | ELLADA | 167 356 | 1 004.137 | 1 004.137 |
| ES | ESPAÑA | 827 642 | 4 965.852 | **3 202.578*** |
| FI | SUOMI/FINLAND | 149 197 | 895.182 | 895.182 |
| FR | FRANCE | 1 657 132 | 9 942.792 | **3 202.578*** |
| HR | HRVATSKA | 27 623** | 165.739 | 165.739 |
| HU | MAGYARORSZÁG | 76 582 | 459.494 | 459.494 |
| IE | IRELAND | 125 714 | 754.285 | 754.285 |
| IT | ITALIA | 1 343 620 | 8 061.718 | **3 202.578*** |
| LT | LIETUVA | 17 591 | 105.543 | 105.543 |
| LU | LUXEMBOURG (G-D) | 22 643 | 135.855 | 135.855 |
| LV | LATVIJA | 10 945 | 65.667 | 65.667 |
| MT | MALTA | 4 203 | 25.220 | 25.220 |
| NL | NEDERLAND | 489 791 | 2 938.746 | 2 938.746 |
| PL | POLSKA | 186 029 | 1 116.176 | 1 116.176 |
| PT | PORTUGAL | 140 465 | 842.788 | 842.788 |
| RO | ROMÂNIA | 58 947** | 353.681 | 353.681 |
| SE | SVERIGE | 281 444 | 1 688.665 | 1 688.665 |
| SI | SLOVENIJA | 25 905 | 155.429 | 155.429 |
| SK | SLOVENSKÁ REPUBLIKA | 32 790 | 196.738 | 196.738 |
| TR | TÜRKIYE | 24 1373 | 1 448.237 | 1 448.237 |
| UK | UNITED KINGDOM | 1 754 367 | 10 526.204 | **3 202.578*** |

* ~ EUR 3 billion in 2002 prices
** GDP (GNI not available)