Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

The EU Solidarity Fund (EUSF) was created in 2002\(^1\) 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 proposal for a new EUSF Regulation\(^2\). While the proposal was favourably received by the European Parliament\(^3\) it was not adopted in the Council. The Commission officially withdrew the proposal in June 2012.

In October 2011 the Commission presented a Communication on the Future of the Solidarity Fund\(^4\) which contains an evaluation of the operations of the current instrument and proposes options for improving its functioning. An analysis of the current policy was also included in a separate chapter to the EUSF annual report for 2008\(^5\).

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\(^6\) which underlines the role of the Solidarity Fund as one of the key Union instruments in applying this provision of the Treaty.

2. RESULTS OF CONSULTATION WITH THE INTERESTED PARTIES

The Communication of October 2011 served as a basis for discussions with the Member States and the European Parliament and other stakeholders.

The European Economic and Social Committee and the European Parliament adopted reports that very broadly shared the analysis of the Communication and supported the ideas presented by the Commission for improving the Fund through a number of adjustments to the Regulation.\(^7\)\(^8\)

Member States expressed their views in meetings of the COCOF and Structural Actions Working Party of the Council.

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2. COM(2005)108
4. COM(2011)613
5. COM(2009)193
6. Consolidated version of the Treaty on the Functioning of the European Union, OJ C83/47 of 30.3.2010
7. Opinion of the European Economic and Social Committee on the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions on the future of the European Union Solidarity Fund, ECO/319 of 28 March 2012
3. Substance of the Proposal

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:

- A clear 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.

- 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. As demonstrated in the 2011 Communication 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. The rate of 1.5% of regional GDP is proposed as the new threshold because a detailed analysis of past applications has shown that it will lead to almost identical results as in the past while achieving considerable simplification and considerably help speeding up decision-making and paying out grants.

- 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.

- The inclusion of 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 counter-measures will eliminate legal difficulties stemming from the current obligation to submit applications within 10 weeks of the date of the first damage.

- The introduction of certain provisions encouraging 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.

- The merger of 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.

The recommendations of the performance audit report of the European Court of Auditors on the financial aid to Italy for the L'Aquila earthquake\(^\text{10}\) are taken into account by including a clearer definition of the terms "temporary accommodation" and "immediate emergency operations" as well as a provision on revenue generation.

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 and a provision on the use of the Euro and its conversion into national currencies.

Lastly, 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.

### 4. LEGAL ELEMENTS OF THE PROPOSAL

#### Legal basis

The legal basis of this proposal is Article 175 third subparagraph and Article 212 second paragraph of the Treaty on the Functioning of the European Union which corresponds with the legal base of the current Regulation. Recourse to Article 212 is necessary to include non-Member States that are in the process of negotiating their accession to the EU.

While the Solidarity Fund is to be seen as one of the Union instruments for the implementation of the Solidarity Clause enshrined in Article 222 TFEU the latter is not

\(^\text{10}\) European Court of Auditors, Special Report No 24 2012. The European Union Solidarity Fund’s response to the 2009 Abruzzi Earthquake: The relevance and cost of operations.
appropriate as legal basis for the Fund. Article 222 is reserved for the most serious of crisis situations whereas the criteria for the activation of the Solidarity Fund are defined in a way leading to the use of the Fund several times each year. Under the legislative procedure foreseen by Article 222 the European Parliament is informed but not actively involved; this is not in line with the provisions of the Fund fully involving the Parliament in raising the appropriations for Solidarity Fund financial aid. Moreover, the Solidarity Fund includes certain non-Member States not covered by Article 222.

**Subsidiarity principle**

The proposal respects the subsidiarity principle and does not go beyond what is necessary to achieve the objectives of the Solidarity Fund as established in 2002. The current Solidarity Fund Regulation itself is based on the subsidiarity principle. Accordingly, the Fund intervenes only in cases where the capacity of a disaster-stricken country to deal with the situation alone reaches its limits. The objective is not to deal with disasters at EU level but to grant affected countries financial aid to help them bear the financial burden inflicted on them as a consequence of a natural disaster. The proposal does not touch on these constituent principle nor does it change the eligibility criteria for disasters to be accepted.

**Proportionality principle**

The proposal respects the proportionality principle. It does not go beyond what is necessary to achieve the objectives already lead down in the current instrument.

5. BUDGETARY IMPLICATIONS

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.
Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL


THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union, and in particular the third subparagraph of Article 175 and Article 212(2) thereof;

Having regard to the proposal from the European Commission;

After transmission of the draft legislative act to the national parliaments;

Having regard to the opinion of the European Economic and Social Committee(11);

Having regard to the opinion of the Committee of the Regions(12);

Acting in accordance with the ordinary legislative procedure,

Whereas:


(2) The Union should continue to show solidarity with the countries currently negotiating their accession. The inclusion of those countries in the scope of this Regulation entails recourse to Article 212 of the Treaty as a legal basis.

(3) The Commission should be in a position to decide rapidly on committing specific financial resources and mobilising them as quickly as possible. Administrative procedures should be adjusted accordingly and confined to the minimum necessary. To this end, the European Parliament, the Council and the Commission have concluded on [dd/mm/yyyy] an Inter-Institutional Agreement on the financing of the Fund, on budgetary discipline and improvement of the budgetary procedure.


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11 OJC [...]  
12 OJC [...]  
13 OJL 311, 14.11.2002, p. 3.

(5) The definition of a natural disaster, which determines the scope of Regulation (EC) No 2012/2002, should be unambiguous.

(6) Damage caused by other types of disaster that through a cascading effect are the direct consequence of a natural disaster should, for the purposes of Regulation (EC) No 2012/2002, be considered to be part of the direct damage caused by that natural disaster.

(7) In order to codify the established practice and to ensure equal treatment of applications it should be specified that contributions from the Fund are to be awarded in respect of direct damage only.

(8) A 'major natural disaster' within the meaning of Regulation (EC) No 2012/2002 should be defined as having caused direct damage above a threshold expressed in financial terms and should be expressed in prices of a reference year, or as a percentage of the gross national income (GNI) of the State concerned.

(9) In order to better take into account the specific nature of those disasters which, although important, do not reach the minimum scale required to benefit from a contribution from the Fund, the criteria for regional disasters should be determined based on the damage calculable by reference to regional gross domestic product (GDP). Those criteria should be determined in a clear and simple manner in order to reduce the possibility of applications being submitted which do not meet the requirements set out in Regulation (EC) No 2012/2002.

(10) For the purposes of determining direct damage, data with a harmonised format, provided by EUROSTAT, should be used in order to allow an equitable treatment of applications.

(11) The Fund should contribute to the restoration of infrastructure to working order, to the cleaning up of disaster-stricken zones and to the costs of the rescue services and for temporary accommodation for the population concerned during the whole implementation period. The time-span during which the accommodation of people made homeless by the disaster may be considered temporary should also be defined.

(12) The provisions of Regulation (EC) No 2012/2002 should be aligned with the general Union funding policy in relation to value added tax.

(13) It should also be specified that eligible operations should not include expenditure for technical assistance.

(14) In order to exclude that beneficiary States make a net profit from the intervention of the Fund, the conditions under which operations financed by the Fund may generate revenue should be specified.

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(15) Certain types of natural disaster, such as droughts, are developing over a longer period of time before their disastrous effects are felt. Provision should be made to allow the use of the Fund also in such cases.

(16) It is important to ensure that the eligible States make the requisite efforts to prevent disasters from occurring and to mitigate their effects, including by full implementation of relevant Union legislation on disaster risk prevention and management and the use of available Union funding for relevant investments. Provision should therefore be made that a failure of the Member State to comply with relevant Union legislation on disaster risk prevention and management, after having received a contribution from the Fund for an earlier natural disaster, may result in the rejection of the application or a reduction of the amount of contribution in the event of a further application for a disaster of the same nature.

(17) Member States may require financial support in response to a disaster more rapidly than is possible through the normal procedure. For this purpose, it is appropriate to provide for the possibility of making an advance payment upon request by the Member State concerned shortly after the application for a contribution from the Fund has been submitted to the Commission. The advance should not exceed a certain amount and it should be accounted for when the final amount of the contribution is paid out. Moreover, amounts from the Fund and from the European Regional Development Fund and the Cohesion Fund recovered from the Member States should, up to a certain maximum amount, be considered as internal assigned revenue in order to make commitments for advance payments available in the Union budget. The payment of an advance should not prejudge the final decision on the mobilisation of the Fund.

(18) Administrative procedures leading up to the payment of a contribution should be as simple and time-efficient as possible. For Member States, detailed provisions on the implementation of the contribution from the Fund should therefore be contained in the implementing decisions awarding that contribution. However, for beneficiary States which are not yet Member States of the Union, separate implementation agreements should be maintained for legal reasons.

(19) Regulation (EU, Euratom) No 966/2012 has introduced changes in shared and indirect management, including specific reporting requirements which should be taken into account. Reporting obligations should reflect the short implementation period of the Fund operations. The procedures for the designation of the bodies responsible for the management and control of the Union funds should reflect the nature of the instrument and not delay the payment of the contribution from the Fund. It is therefore necessary to derogate from Regulation (EU, Euratom) No 966/2012.

(20) Provision should be made to avoid double financing of operations financed by the Fund with other financial instruments of the Union or international legal instruments relating to the compensation of specific damage.

(21) Declaring expenditure that countries have made from a contribution from the Fund should be as simple as possible. A single exchange rate should therefore be used throughout the implementation of the contribution for countries that are not members of the euro area.
In order to ensure uniform conditions for the implementation of Regulation (EC) No 2012/2002 with respect to awarding the contribution from the Fund, implementing powers should be conferred on the Commission.

The provisions governing the protection of financial interests of the Union should be made more specific so as to clearly identify measures for the prevention, detection and investigation of irregularities, the recovery of funds lost, wrongly paid or incorrectly used.

Since the objectives of this Regulation, namely to ensure Union-wide solidarity action to support a disaster stricken State, cannot be sufficiently achieved by the Member States on an ad-hoc basis and can therefore, by reason of applying a systematic, regular and equitable method of granting financial support involving all Member States according to their capacity, be better achieved at Union level, the Union may adopt measures, in accordance with the principle of subsidiarity as set out in Article 5 of the Treaty on European Union. In accordance with the principle of proportionality, as set out in that Article, this Regulation does not go beyond what is necessary in order to achieve those objectives.

Regulation (EC) No 2012/2002 should therefore be amended accordingly.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) No 2012/2002 is amended as follows:

(1) Article 2 is replaced by the following:

'Article 2

1. At the request of a Member State or country involved in accession negotiations with the Union, assistance from the Fund may be mobilised when serious repercussions on living conditions, the natural environment or the economy occur in one or more regions of that State or country as a consequence of a major or regional natural disaster having taken place on the territory of the same State or country, a neighbouring Member State or a neighbouring country involved in accession negotiations with the Union (hereinafter referred to as ‘eligible State’). Direct damage caused by a man-made disaster that is the direct consequence of a natural disaster shall be regarded as part of the direct damage caused by that natural disaster.

2. For the purposes of this Regulation, a ‘major natural disaster’ shall mean any natural disaster resulting, in a Member State or a country involved in accession negotiations with the Union, in direct damage estimated either at over EUR 3 000 000 000 in 2011 prices, or more than 0,6 % of its gross national income (GNI).

3. For the purposes of this Regulation, a ‘regional natural disaster’ shall mean any natural disaster resulting, in a region of a Member State or a country involved in
accession negotiations with the Union at NUTS 2 level, in direct damage in excess of 1.5% of the region's gross domestic product (GDP). Where the disaster concerns several regions at NUTS 2 level, the threshold shall be applied to the weighted average GDP of those regions.

4. Assistance from the Fund may also be mobilised for any natural disaster in an eligible State which is a major natural disaster in a neighbouring Member State or a country involved in accession negotiations with the Union.

5. For the purpose of this Article harmonised statistical data provided by EUROSTAT shall be used.'

(2) Article 3 is amended as follows:

(a) Paragraphs 1, 2 and 3 are replaced by the following:

'1. The assistance shall take the form of a contribution from the Fund. For each natural disaster a single contribution shall be awarded to an eligible State.

2. The aim of the Fund is to complement the efforts of the States concerned and to cover part of their public expenditure in order to help the eligible State to carry out the following essential emergency and recovery operations, depending on the type of disaster:

(a) restoring the working order of infrastructure and plant in the fields of energy, water and waste water, telecommunications, transport, health and education;

(b) providing temporary accommodation and funding rescue services to meet the needs of the population concerned;

(c) securing of preventive infrastructures and measures of protection of the cultural heritage;

(d) cleaning up of disaster-stricken areas, including natural zones.

For the purposes of point (b), 'temporary accommodation' shall mean accommodation lasting until the population concerned is able to return to their original homes following their repair or reconstruction.

3. Payments from the Fund are limited to financing measures alleviating non-insurable damage and shall be recovered if the cost of repairing the damage is subsequently met by a third party in accordance with Article 8(3).'

(b) The following paragraphs 4 to 7 are added:

'4. Value added tax (VAT) shall not constitute eligible expenditure of an operation, except in the case of VAT which is non-recoverable under national VAT legislation.
5. Technical assistance, including management, monitoring, information and communication, complaint resolution, and control and audit, is not eligible for a contribution from the Fund.

6. The total contribution from the Fund shall not lead to the generation of revenue exceeding the total cost of emergency and recovery operations borne by a State. The beneficiary State shall include a statement to that effect in the report on the implementation of the contribution from the Fund pursuant to Article 8(3).

7. On 1 October each year, at least one-quarter of the annual amount should remain available in order to cover needs arising until the end of the year.

(3) Article 4 is amended as follows:

(a) Paragraph 1 is replaced by the following:

'1. As soon as possible and no later than ten weeks after the first occurrence of damage as a consequence of a natural disaster, a State may submit an application for a contribution from the Fund to the Commission providing all available information on, at least:

(a) the total direct damage caused by the disaster and its impact on the population, the economy and the environment concerned;

(b) the estimated cost of the operations referred to in Article 3(2);

(c) any other sources of Union funding;

(d) any other sources of national or international funding, including public and private insurance coverage which might contribute to the costs of repairing the damage;

(e) the implementation of Union legislation on disaster risk prevention and management related to the nature of the disaster;

(f) any other relevant information on prevention and mitigation measures taken related to the nature of the disaster.'.

(b) Paragraph 1a is inserted:

'1a. In the event of a progressively unfolding natural disaster, the ten-week application deadline referred to in paragraph 1 shall run from the date at which the public authorities of the eligible State take official action for the first time against the effects of the disaster.'.

(c) Paragraph 2 is replaced by the following:

'2. On the basis of the information referred to in paragraph 1, and any clarifications to be provided by the eligible State, the Commission shall assess whether the conditions for mobilising the Fund are met and shall determine the
amount of any possible contribution from the Fund as quickly as possible within the limits of the financial resources available.

If the Commission has awarded a contribution from the Fund based on an application received after [dd/mm/yyyy] for a disaster of a given nature, it may reject a further application for a contribution relating to a disaster of the same nature or reduce the amount to be awarded where the eligible Member State is the subject of infringement proceedings and has been issued with a reasoned opinion for having failed to implement Union legislation on disaster risk prevention and management the subject matter of which corresponds to the nature of the disaster suffered.

The Commission shall treat all applications for a contribution from the Fund in an equitable manner.

(d) Paragraph 4 is replaced by the following:

'4. Once the appropriations are made available by the budgetary authority, the Commission shall adopt an implementing decision awarding the contribution from the Fund and shall pay that contribution immediately and in a single instalment to the beneficiary State. If an advance has been paid pursuant to Article 4a only the balance shall be paid.'

(e) Paragraph 5 is replaced by the following:

'5. The eligibility of expenditure shall begin on the date of the first damage referred to in paragraph 1. In the event of a progressively unfolding natural disaster the eligibility of expenditure shall begin on the date referred to in paragraph 1a.'

(4) The following Article 4a is inserted:

'Article 4a

1. When submitting an application for a contribution from the Fund to the Commission, a Member State may request the payment of an advance.

The Commission shall make a preliminary assessment of whether the application fulfils the conditions laid down in Article 4(1) and verify the availability of budgetary resources. Where those conditions are fulfilled and sufficient resources are available, the Commission may adopt a decision awarding the advance and pay it out without delay before the decision referred to in Article 4(4) has been taken. The payment of an advance shall be made without prejudice to the final decision on the mobilisation of the Fund.

2. The amount of the advance shall not exceed 10% of the amount of the contribution anticipated and shall in no case exceed EUR 30 000 000. Once the definitive amount of the contribution has been determined, the Commission shall take into account the sum of the advance prior to the balance of the contribution being paid. The Commission shall recover unduly paid advances.'
3. In order to ensure the timely availability of budgetary resources, the amounts from the Fund, from the European Regional Development Fund and the Cohesion Fund recovered from the Member States shall, up to a maximum of EUR 50 000 000, be made available to the Fund as internal assigned revenue. Amounts spent for advance payments or having been decommitted in the budget shall be replaced as soon as new amounts are recovered from the Member States.

(5) Article 5 is replaced by the following:

'Article 5

1. The decision referred to in Article 4(4) shall contain in its annex detailed provisions for the implementation of the contribution from the Fund. Those provisions shall describe, in particular, the type and location of operations to be financed by the Fund following a proposal by the eligible State.

2. Before paying out a contribution from the Fund to an eligible State that is not a Member State, the Commission shall conclude a delegation agreement with that State laying down detailed provisions for the implementation of the contribution from the Fund referred to in paragraph 1 in accordance with Regulation (EU, Euratom) No 966/2012 of the European Parliament and of the Council* and Commission Delegated Regulation (EU) No 1268/2012**, as well as the obligations relating to disaster risk prevention and management.

3. Responsibility for selecting individual operations and implementing the contribution from the Fund shall lie with the beneficiary State, in accordance with this Regulation, in particular Article 3(2) and (3), the decision referred to in Article 4(4) awarding the contribution from the Fund and, where applicable, the delegation agreement referred to in paragraph 2.

4. The contribution from the Fund to a Member State shall be implemented within the framework of shared management in accordance with Regulation (EU, Euratom) No 966/2012. The contribution from the Fund to a country involved in accession negotiations with the Union shall be implemented within the framework of indirect management in accordance with that Regulation.

5. Without prejudice to the Commission's responsibility for implementing the general budget of the Union, beneficiary States shall take responsibility for the management of operations supported by the Fund and the financial control of the operations. The measures they take shall include:

(a) verifying that management and control arrangements have been set up and are being implemented in such a way as to ensure that Union funds are being used efficiently and correctly, in accordance with the principles of sound financial management;

(b) verifying that the financed actions have been properly carried out;

(c) ensuring that expenditure funded is based on verifiable supporting documents, and is correct and regular;
(d) preventing, detecting and correcting irregularities and recovering amounts unduly paid together with interest on late payments where appropriate. They shall notify any such irregularities to the Commission, and keep the Commission informed of the progress of administrative and legal proceedings.

6. Beneficiary States shall designate bodies responsible for the management and control of the operations supported by the Fund in accordance with Articles 59 and 60 of Regulation (EU, Euratom) No 966/2012. In doing so they shall take into account criteria on internal environment, control activities, information and communication, and monitoring. Member States may designate the bodies already designated under the [Common Provisions Regulation].

These designated bodies shall provide the Commission with the information set out in Article 59(5) or Article 60(5) of Regulation (EU, Euratom) No 966/2012 covering the whole of the implementation period when submitting the report and the statement referred to in Article 8(3) of this Regulation.

7. The beneficiary State shall make the financial corrections required where an irregularity is ascertained. The corrections made by the beneficiary State shall consist in cancelling all or part of the contribution from the Fund. The beneficiary State shall recover any amount lost as a result of an irregularity detected.

8. Without prejudice to the powers of the Court of Auditors or the checks carried out by the beneficiary State in accordance with national laws, regulations and administrative provisions, Commission officials or other servants may carry out on-the-spot checks on the operations financed by the Fund. The Commission shall give notice to the beneficiary State with a view to obtaining all the assistance necessary. Officials or other servants of the Member State concerned may take part in such checks.

9. The beneficiary State shall ensure that all supporting documents regarding expenditure incurred are kept available for the Commission and the Court of Auditors for a period of three years following the winding-up of the assistance from the Fund.


(6) In Article 6, paragraphs 2 and 3 are replaced by the following:

'2. The beneficiary State shall ensure that expenditure reimbursed in accordance with this Regulation shall not be reimbursed through other Union financing instruments in particular through instruments of cohesion, agricultural or fisheries policy.
3. Damage repaired under Union or international instruments relating to the compensation of specific damage shall not, for the same purpose, be eligible for assistance from the Fund.';

(7) Article 7 is replaced by the following:

'Article 7

Operations financed by the Fund shall be compatible with the provisions of the Treaty and instruments adopted under it, with Union policies and measures, in particular in the fields of financial management and public procurement, and with pre-accession assistance instruments. Those operations shall contribute, where possible, to the objectives of Union policies on environmental protection, disaster risk prevention and management and climate change adaptation.';

(8) Articles 8 and 9 are replaced by the following:

'Article 8

1. The contribution from the Fund shall be used within one year from the date on which the Commission has disbursed the full amount of the assistance. Any part of the contribution remaining unused by that deadline or found to be used for ineligible operations shall be recovered by the Commission from the beneficiary State.

2. Beneficiary States shall seek all possible compensation from third parties.

3. No later than six months after the expiry of the one-year period referred to in paragraph 1, the beneficiary State shall present a report on the implementation of the contribution from the Fund with a statement justifying the expenditure, indicating any other source of funding received for the operations concerned, including insurance settlements and compensation from third parties.

The implementation report shall detail the preventive measures introduced or proposed by the beneficiary State to limit future damage and to avoid, to the extent possible, a recurrence of similar disasters, including the use of Union structural and investment funds for this purpose, and the state of implementation of relevant Union legislation on disaster risk prevention and management. It shall also report on experience gained from the disaster and the measures taken or proposed to ensure resilience in relation to climate change and disasters.

The implementation report shall be accompanied by an opinion of an independent audit body, drawn up in accordance with internationally accepted audit standards, establishing that the statement justifying the expenditure gives a true and fair view and that the contribution from the Fund is legal and regular, in line with Article 59(5) and Article 60(5) of Regulation (EU, Euratom) No 966/2012.

At the end of the procedure referred to in the first subparagraph, the Commission shall wind up the assistance from the Fund.
4. Where the cost of repairing the damage is subsequently met by a third party, the Commission shall require the beneficiary State to reimburse a corresponding amount of the contribution from the Fund.

Article 9

Applications for a contribution from the Fund and the decisions referred to in Article 4(4), as well as the delegation agreement, reports and any other related documents shall express all amounts in euros.

Amounts of expenditure incurred in national currencies shall be converted into euros at the average of the daily exchange rates published in the C series of the Official Journal of the European Union determined over the period of implementation of the operations covered by the contribution from the Fund. Where no daily euro exchange rate is published in the Official Journal of the European Union for the currency in question, conversion shall be made at the average of the monthly accounting rates established by the Commission, determined over that period. This single exchange rate shall be used throughout the implementation of the contribution from the Fund and as the basis for the final implementation report and the statement on the implementation and the elements required under Article 59(5) or Article 60(5) of Regulation (EU, Euratom) No 966/2012 of the contribution.

(9) In Article 10, paragraph 2 is replaced by the following:

'2. In case of significantly lower valuation of the damage incurred, as shown by new elements, the beneficiary State shall reimburse to the Commission the corresponding amount of the contribution from the Fund.';

(10) Article 11 is replaced by the following:

'Article 11

1. The Commission shall take appropriate measures ensuring that, when actions financed under this Regulation are implemented, the financial interests of the Union are protected by the application of preventive measures against fraud, corruption and any other illegal activities, by effective checks and, if irregularities are detected, by the recovery of the amounts wrongly paid and, where appropriate, by effective, proportionate and dissuasive administrative and financial penalties.

2. The Commission or its representatives and the Court of Auditors shall have the power of audit, on the basis of documents and on the spot, over all funding beneficiaries, contractors, subcontractors who have received Union funds under this Regulation.

3. The European Anti-Fraud Office (OLAF) may carry out investigations, including on-the-spot checks and inspections, in accordance with the provisions and procedures laid down in Regulation (EC) No 1073/1999 of the European Parliament
and of the Council\textsuperscript{16} and Council Regulation (Euratom, EC) No 2185/96\textsuperscript{17} with a view to establishing whether there has been fraud, corruption or any other illegal activity affecting the financial interests of the Union in connection with a contract concerning Union funding.

4. Without prejudice to paragraphs 1, 2 and 3, delegation agreements with third countries, contracts and decisions awarding a contribution from the Fund resulting from the implementation of this Regulation shall contain provisions expressly empowering the Commission, the Court of Auditors and OLAF to conduct such audits and investigations, according to their respective competences.\textsuperscript{1}

(11) Articles 13 and 14 are deleted.

\textit{Article 2}

\textit{Entry into force}

This Regulation shall enter into force on the twentieth day following that of its publication in the \textit{Official Journal of the European Union}.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

\textit{For the European Parliament}
\textit{The President}

\textit{For the Council}
\textit{The President}

\textsuperscript{17} OJ L 292, 15.11.1996, p. 2.