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Proposal for a

DECISION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

on the mobilisation of the European Union Solidarity Fund to provide assistance to Croatia in relation to the series of earthquakes starting from 28 December 2020

EXPLANATORY MEMORANDUM

1. CONTEXT OF THE PROPOSAL

This decision covers the mobilisation of the European Union Solidarity Fund (hereinafter referred to as ‘the EUSF’) in accordance with Council Regulation (EC) No 2012/2002¹ (hereinafter referred to as ‘the Regulation’) for an amount of EUR 319 192 359 to provide assistance to Croatia further to the series of earthquakes that occurred between 28 December 2020 and 21 February 2021.

This mobilisation is accompanied by DEC No 28/2021 that proposes to transfer the amount of EUR 277 866 852 from the Solidarity and Emergency Aid Reserve (hereinafter referred to as ‘the SEAR’) reserve line to the EUSF operational budget line, both in commitments and payments. These appropriations will be used for the payment of the remaining amount to Croatia, after deducting the already paid advance of EUR 41 325 507.

2. INFORMATION AND CONDITIONS

2.1 Croatia – earthquakes starting from 28 December 2020

On 28 December 2020, a strong earthquake (5,0 M_L seismic magnitude² and VI-VII intensity of EMS³) hit the Petrinja area, with an epicentre in the vicinity of the town of Petrinja. It was just the foreshock of the earthquake that took place the day after. On 29 December 2020, a 6,2 M_L magnitude earthquake hit the wider Petrinja area and caused casualties and significant damage. The most affected areas were the towns of Sisak, Petrinja and Glina with the surrounding villages. In the centre of Sisak, 90% of buildings were damaged to various degrees. Damages were recorded also in the Karlovacka and Zagrebacka counties. On 30 December 2020, several strong aftershocks of 2,7 M_L – 5,2 M_L have been recorded. After the initial shocks, a series of aftershocks affected the epicentre area, with more than 4 000 aftershocks recorded in the first few months.

Subsequently, the Republic of Croatia applied for financial assistance from the European Union Solidarity Fund relating to the series of earthquakes that occurred between 28 December 2020 and 21 February 2021.

The Commission services have carried out a thorough examination of the application in accordance with the Regulation, in particular with Articles 2, 3 and 4 thereof. The most important elements of the assessment are set out below:

- (1) On 18 March 2021, the Republic of Croatia (hereinafter referred to as ‘Croatia’) submitted an application for a contribution from the European Union Solidarity Fund (hereinafter referred to as ‘EUSF’) relating to the series of earthquakes starting from 28 December 2020.

¹ Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund (OJ L 311, 14.11.2002, p. 3) as amended by Regulation (EU) No 661/2014 of the European Parliament and the Council of 15 May 2014 (OJ L 189, 27.6.2014, p. 143) and by Regulation (EU) No 461/2020 of the European Parliament and the Council of 30 March 2020 (OJ L 99, 31.3.2020, p. 9).

² M_L is "Richter" seismic magnitude scale or the Local magnitude scale.

³ European macroseismic scale.

- (2) The application was submitted within the twelve-week period after the first occurrence of damage caused by the disaster and contains all the information required under Article 4 of the Regulation.
- (3) The earthquake is of natural origin and therefore falls within the field of application of the EUSF.
- (4) The Croatian authorities estimate the total direct damage at EUR 5 508 740 811. This amount represents 10,21% of Croatia's Gross National Income (GNI), and it exceeds the 'major disaster' threshold for mobilising the EUSF of EUR 323,774 million (0,6% of Croatia's GNI in 2021); therefore, the disaster qualifies as a 'major natural disaster' and thus falls within the main field of application of the Regulation.
- (5) The total direct damage is the basis for the calculation of the amount of the financial contribution from the Solidarity Fund. The financial contribution may only be used for essential emergency operations as defined in Article 3 of the Regulation.
- (6) In their application, the Croatian authorities describe in detail the event and the entity of the damage. The earthquake of 29 December 2020 that hit the wider Petrinja area was of 6,2 M_L magnitude and caused seven fatalities, dozens of injured people and significant damage: it was felt in a very wide area, including Slovenia, Bosnia and Herzegovina and Hungary. This earthquake inflicted damage to buildings not only in the epicentre region but in a very wide area throughout the territory of Croatia. It also affected buildings previously damaged by the Zagreb earthquake of 22 March 2020 and resulted in a significant and complicated effort to assess if there was new damage to already vulnerable buildings. In combination with a series of 4 000 aftershocks recorded, it has evolved in the greatest earthquake disaster in modern years of Croatia. On 4 January 2021, the Croatian government declared a state of natural disaster (earthquake) for the area of the Sisak-Moslavina County, the Zagreb County and the Karlovac County.
- (7) It is estimated that 1,55 million people (more than one-third of the total population of Croatia) were most severely affected by the series of earthquakes in December 2020 and the aftershocks. The most common category of damaged dwellings were family homes as they constitute the biggest part of the overall housing stock. Housing sector constitutes 72% of all damaged buildings with the remaining 28% dispersed across other sectors. 85,25% of the damaged residential units are located in the Sisak-Moslavina County. Many people were left homeless as the damage incurred by the housing sector is greater than the damage in all other sectors combined.
- (8) The earthquakes caused significant damage to educational infrastructure (a total of 271 buildings were damaged), as well as to architectural heritage and cultural infrastructure in the affected administrative units. The most severe damage occurred at the general hospital in the Sisak-Moslavina County, the main medical provider in the region. Nearly all hospital buildings in Sisak and Petrinja were significantly damaged by the earthquake, making these buildings unsafe for patients. A total of 324 buildings used by the state administration bodies and other institutions were damaged. Among the damaged buildings, six are classified as cultural heritage.
- (9) The independent assessment carried out by the Commission services has confirmed the affected area as well as the overall number of the exposed population declared in the application. The activation of the EC Copernicus Emergency Management Service – Rapid Mapping allowed to perform analysis of very-high-resolution satellite images. The analysis confirmed the damages to the buildings in the towns of

Petrinja, Sisak and Glina, and confirmed the spatial distribution of the damages declared in the application. A dedicated analysis performed by the Joint Research Centre established that, in comparison with the earthquake of 22 March 2020 with the epicentre closer to Zagreb, the impact of the Petrinja earthquake is significantly higher (almost the double) in terms of exposed population and built-up area, but due to the lower reconstruction costs and the lower amount of historical value buildings this has resulted in significantly lower total direct damage amount. The Commission's assessment confirmed the plausibility of the total direct damage being in the order of magnitude of the one estimated by the Croatian authorities.

- (10) Croatia estimated the cost of emergency and recovery operations eligible under Article 3(2) of the Regulation at EUR 1,66 billion and presented it broken down by type of operation. The largest share concerns the costs for temporary accommodation (over EUR 368 million), immediate restoration of affected natural zones to avoid immediate effects from soil erosion (over EUR 304 million) and cleaning up of disaster stricken areas (over EUR 228 million).
- (11) The Croatian authorities confirmed that there is no insurance coverage of eligible costs.
- (12) In its application of 18 March 2021, Croatia requested the payment of an advance as laid down in Article 4a of the Regulation. On 23 June 2021, the Commission adopted Implementing Decision C(2021) 4648 awarding an advance from the EUSF amounting to EUR 41 325 507 and subsequently paid it out to Croatia.
- (13) As regards the implementation of Union legislation on disaster risk prevention and management, there is currently no infringement procedure on-going.
- (14) Article 47a of the Amendments to the Croatian Construction Act, which entered into force on 28 December 2019, prescribes the obligation to adopt a long-term strategy for the renovation of the national fund of buildings, including policies and measures that contribute to increasing protection against risks related to earthquakes which affect the life of buildings.

2.2 Conclusion

For the reasons set out above, the disaster referred to in the application submitted by Croatia meets the conditions set out in the Regulation.

3. FINANCING FROM THE EUSF/SEAR ALLOCATIONS 2021

Council Regulation (EU, EURATOM) No 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021-2027⁴ (hereafter "the MFF regulation"), and in particular Article 9 thereof allows for the mobilisation of the EUSF in the context of the SEAR. Point 10 of the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation on budgetary matters and on sound financial management⁵ (IIA) as well as on new own resources, including a roadmap towards the introduction of new own resources, lays down the modalities for the mobilisation of the EUSF in the context of the SEAR.

⁴ OJ L 433I, 22.12.2020, p. 11.

⁵ OJ C 433I, 22.12.2020, p. 28.

As solidarity was the main justification for the creation of the EUSF, the Commission takes the view that aid should be progressive. That means that, according to established practice, the portion of the damage exceeding the “major natural disaster” threshold for mobilising the EUSF (i.e. 0,6 % of GNI or EUR 3 billion in 2011 prices, whichever is the lower amount) should give rise to higher aid intensity than damage up to the threshold. The rate applied for defining the allocations for major disasters is 2,5 % of total direct damage under the threshold and 6 % for the part of the damage above.

The contribution may not exceed the estimated total cost of eligible operations. The methodology for calculating the aid was set out in the 2002-2003 Annual Report on the EUSF and accepted by the Council and the European Parliament.

On the basis of the application from Croatia and the estimates of the total direct damages, the calculation of the financial contribution from the EUSF is as follows:

<i>Qualification of disaster</i>	<i>Total direct damage (EUR)</i>	<i>Applied major disaster threshold (EUR)</i>	<i>2,5% of direct damage up to the major disaster threshold</i>	<i>6% of direct damage above the major disaster threshold</i>	<i>Total amount of aid proposed</i>	<i>Advance paid</i>
<i>Major</i>	<i>5 508 740 811</i>	<i>323 774 000</i>	<i>8 094 350</i>	<i>311 098 009</i>	<i>319 192 359</i>	<i>41 325 507</i>

In accordance with Article 9(2) of the MFF Regulation, the overall annual ceiling of the SEAR is EUR 1 200 000 000 in 2018 prices or EUR 1 273 450 000 in current prices. Article 9(4) of the MFF Regulation stipulates that as of 1 September of each year, the remaining part of the amount available under SEAR may be used for assistance by any of the SEAR components. Furthermore, in line with Article 9(4) of the MFF Regulation 25% of the overall 2021 SEAR allocation (EUR 318 362 500 in current prices) had to be retained until 1 October 2021 and became available for all the components of SEAR as of that date.

Following an earlier Mobilisation Decision in 2021⁶, the EUSF has been already mobilised for a total amount of EUR 484 199 841 to provide assistance to Greece and France in relation to natural disasters and to 20 Member States and accession countries in relation to a public health emergency.

Therefore, the maximum amount available for mobilisation under the EUSF at this point is EUR 359 968 632 which is enough to cover the needs under this Mobilisation decision.

Amount currently available under the EUSF:	
Annual SEAR allocation of 2021	<i>EUR 1 273 450 000</i>
Plus unspent amount of EUSF 2020 allocation carried-over to 2021	<i>EUR 47 981 598</i>
Minus EUSF amount already mobilised in 2021	<i>- EUR 484 199 841</i>
Minus amount already mobilised by other SEAR components	<i>- EUR 477 263 125</i>

⁶ Decision (EU) 2021/885 of the European Parliament and of the Council of 20 May 2021 on the mobilisation of the European Union Solidarity Fund to provide assistance to Greece and France in relation to natural disasters and to Albania, Austria, Belgium, Croatia, Czechia, Estonia, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxembourg, Montenegro, Portugal, Romania, Serbia, Spain in relation to a public health emergency.

SEAR amount available for mobilisation	<i>EUR 359 968 632</i>
Total amount proposed to be mobilised for Croatia	<i>EUR 319 192 359</i>
Remaining SEAR availabilities until the end of 2021	<i>EUR 40 776 273</i>

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THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Council Regulation (EC) No 2012/2002 of 11 November 2002 establishing the European Union Solidarity Fund¹, and in particular Article 4(3) thereof,

Having regard to the Interinstitutional Agreement of 16 December 2020 between the European Parliament, the Council and the Commission on budgetary discipline, on cooperation on budgetary matters and on sound financial management as well as on new own resources, including a roadmap towards the introduction of new own resources², and in particular point 10 thereof,

Having regard to the proposal from the European Commission,

Whereas:

- (1) The European Union Solidarity Fund ('the Fund') aims to enable the Union to respond in a rapid, efficient and flexible manner to emergency situations in order to show solidarity with the population of regions struck by major or regional natural disasters or major public health emergency.
- (2) The financial contribution from the Fund is not to exceed the ceilings as laid down in Article 9 of Council Regulation (EU, Euratom) No 2020/2093³. In accordance with Article 9(2) and 9(4) of the MFF Regulation, and taking into account the previous mobilisations of the Solidarity and Emergency Aid Reserve in 2021, the maximum amount that can be mobilised by the Fund is EUR 359 968 632, which is enough to cover the needs under this Mobilisation Decision.
- (3) On 18 March 2021, Croatia submitted an application to mobilise the Fund, following the series of earthquakes starting from 28 December 2020.
- (4) The application submitted by Croatia meets the conditions for providing a financial contribution from the Fund, as laid down in Articles 2 and 4 of Regulation (EC) No 2012/2002.
- (7) The Fund should therefore be mobilised in order to provide a financial contribution to Croatia.

¹ OJ L 311, 14.11.2002, p. 3.

² OJ L 433I, 22.12.2020, p. 28.

³ Council Regulation (EU, Euratom) 2020/2093 of 17 December 2020 laying down the multiannual financial framework for the years 2021 to 2027 (OJ L 433I, 22.12.2020, p. 11).

(8) In order to minimise the time taken to mobilise the Fund, this Decision should apply from the date of its adoption,

HAVE ADOPTED THIS DECISION:

Article 1

For the general budget of the Union for the financial year 2021, the European Union Solidarity Fund shall be mobilised to provide the amount of EUR 319 192 359 to Croatia in commitment and payment appropriations, including the amount of EUR 41 325 507 as advance payment.

Article 3

This Decision shall enter into force on the day of its publication in the *Official Journal of the European Union*.

It shall apply from ... [*the date of its adoption*]**.

Done at Brussels,

For the European Parliament

For the Council

** *Date to be inserted by the Parliament before the publication in OJ.*