



COMMISSION OF THE EUROPEAN COMMUNITIES

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Amended proposal for a

EUROPEAN PARLIAMENT AND COUNCIL REGULATION (EC)

concerning the financial instrument for the environment (*Life*)

(presented by the Commission pursuant to Article 250 (2) of the EC-Treaty)

EXPLANATORY MEMORANDUM

Pursuant to Article 250 (2) of the EC treaty, the Commission submits an amended proposal for a Regulation concerning the financial instrument for the environment (*Life*). The amended proposal takes account of a number of amendments from the European Parliament adopted at its April 1999 Plenary Session.

Amendments accepted by the Commission

The Commission can accept in full amendments 3, 4, 5, 6, 7, 8, 9, 10, 11, 13, 21, 23, 24, 26, 27, 29, 30 and 43 which clarify or further the principles of the Commission proposal.

The Commission can accept partially or in principle amendments 1, 2, 15, 16, 17, 18, 20, 22, 25, 28, 34, 35, 38 and 44. Commentary on these amendments follows:

The first part of Amendment 1 (from the beginning of the modified recital up to "updating of environmental legislation") introduces the concept of sustainable development in the general objective of *Life*, which further the Commission proposal and is acceptable.

The Commission cannot accept the second part of Amendment 1 (from "whereas that financial instrument" up to the end of the modified recital), which introduces in the first recital considerations on the adequacy of the budget of *Life*.

The Commission can accept in principle Amendment 2, which introduces a new recital seeking to avoid that the field of intervention of *Life* is limited to what is not covered by other EU financial instruments.

The Commission can accept in principle Amendments 15, 16 (first part, modifying article 2(a)) and 20, which introduce a reference to sustainable development in the general objective of *Life*, in the first general selection criterion and in the first specific objective of *Life-Environment*. The wording should present sustainable development as a policy objective, not as the subject of possible integration in policies.

The second part of Amendment 16 introduces a fourth general criterion on the contribution to the management of knowledge in view of the transfer of results. It is acceptable in principle but concerns mainly accompanying measures, whereas general criteria do not apply to accompanying measures. It should therefore take the form of a recital on accompanying measures.

Amendments 17, 22, 28 introduce a possible priority to trans-national co-operation in the definition of accompanying measures. Such a priority is not foreseeable for accompanying measures, but apply instead to the selected projects. These amendments are therefore acceptable in principle, by modifying the existing corresponding priority in Article 2, 3rd indent.

First part of Amendment 18 (adding "and (3)" in the introductory sentence of Article 3(5)), which introduces a reference to the third paragraph of Article 2, in the selection criteria for *Life-Nature*, is acceptable.

The Commission cannot accept the second part of Amendment 18, which deletes the restriction to the European territory of member States in the definition of *Life*-Nature projects in the Community. The objective of *Life*-Nature is to contribute to the implementation of Council Directives 79/409/EEC and 92/43/EEC, which apply only to the European territory of member States.

Amendment 25 is acceptable in principle. As stated in Amendment 8, *Life* projects can promote the sustainability of socio-economic activities and, hence, contribute to the creation of jobs. A reference to job creation should therefore be included in Article 4(6)(g) (instead of Article 4(6)(b)) with a different wording.

Amendment 34 introduces a reference to accompanying measures in the paragraph stating that the *Life* annual budget is decided by the budgetary authority. This is acceptable in principle, but the wording is confusing: it should not allow to change the percentage attributed to accompanying measures within *Life* annual budget.

The first part of Amendment 35 introduces the obligation for beneficiaries to issue annual report at fixed dates. This is not acceptable, because the proposed Regulation already makes obligation to beneficiaries to issue regular reports, the frequency of which can be fixed more efficiently in the framework of the Commission individual decisions, which define for each individual project the financial and administrative conditions of the *Life* financial support.

The second part of Amendment 35 introduces in the framework of the Commission individual decision, the definition of indicators of management performance and any problems, which is acceptable in principle, with a clearer wording.

Amendment 38 is acceptable in part. The addition of "its contribution to the development of Community environmental policy" into the subjects of the evaluation report, is acceptable and coherent with the objectives of this report. The new paragraph (b) and consequent changes to the structure of Article 12(1) are not acceptable because they tend to restrict the right of initiative of the Commission in the continuation of the action of *Life* beyond the third phase. The third part of the amendment, introducing the European Parliament in the decision process on a fourth phase of *Life*, is acceptable.

Amendment 44 is acceptable in part: the addition in the fourth indent of Article 4(1)(a), of "recycling, disposal and the development of environmentally friendly products" is acceptable with a slightly different wording, the addition of the "development of clean technologies" is not acceptable because it is already and more coherently covered by the second indent of the same article.

Amendments rejected by the Commission

The Commission cannot accept amendments 12, 14, 19, 31, 32, 36, 37, 39, 40, 41, 45 and 46. Commentary on these amendments follows:

Amendment 12, highlighting the need for supplementary budget resources for Central and Eastern European Countries participating in *Life*, is not acceptable, for this is a point concerning all instruments to which candidate countries have access, and it can only be addressed in the framework of association agreements.

Amendment 14 is a statement on the decline of bio-diversity in Europe, and has no direct consequence for *Life*; it is therefore not acceptable in the proposed Regulation.

Amendment 19 foresees that proposals not funded under *Life-Nature* are referred to other Community funds and requires the Commission to issue an annual report on such projects not funded within one year. The Commission cannot accept this amendment, which would contradict the normal application procedures to Community funds and would require much more human resources than are currently available for the instrument.

The Commission cannot accept Amendments 31 and 32, which would require more administrative work and therefore more human resources than are currently available.

The objective of Amendment 31 can be approached by the evaluation report foreseen in Article 12, without committing the Structural Funds and the Cohesion Fund to finance the identified large-scale actions, which is not possible within the *Life* Regulation.

As concerns Amendment 32, a data base of *Life* projects exists already on Internet. The Commission agrees on the need to co-ordinate existing data bases of innovative projects but cannot commit itself in the *Life* Regulation to an exhaustive data base that would exceed available resources.

The Commission cannot accept Amendment 36, which introduces a specific procedure for the adoption of application rules concerning payments recovery. In case such rules should be revised, in accordance with the Financial Regulation, the appropriate procedure will be followed by the Commission.

Amendment 37 seeks to transform the statute of the *Life* Committee. This is not acceptable, since the amendment is not in conformity with decision 87/373/EEC which is still applicable.

Amendments 39-41 seek to enlarge the field of application of *Life-Nature* and *Life-Environment*, so as to cover land rehabilitation and land-use development within *Life-Nature*, the management of water and the reduction of air pollution within *Life-Environment*. These amendments are not acceptable, because the concerned themes are already partly included in the proposed priorities, and because these additions would dilute the proposed focussing of the field of application of *Life*.

Amendment 45 seeks to change the wording of criterion (g) on the promotion of sustainability, specific to *Life-Environment* demonstration projects, but the wording of the amendment appears less clear than the wording of the proposal. The amendment is therefore rejected.

Amendment 46 introduces a reference amount in the text of the Regulation, which is not acceptable because it tends to restrict the power of proposal of the Commission as regards the budget as well as the power of the budgetary authority.

Within the text of the amended proposal, deleted parts of the text are stricken through, added parts are in bold and underlined.

Amended proposal for a

EUROPEAN PARLIAMENT AND COUNCIL REGULATION (EC)

concerning the financial instrument for the environment (*Life*)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

Having regard to the Treaty establishing the European Community and in particular Article 175(1) thereof,

Having regard to the proposal from the Commission,¹

Having regard to the opinion of the Economic and Social Committee,²

Having regard to the opinion of the Committee of the Regions,³

Acting in accordance with the procedure laid down in Article 251 of the Treaty, ~~in cooperation with the European Parliament,~~

- (1) Whereas a financial instrument for the environment should be established to contribute to the sustainable development and implementation of Community policy and legislation regarding the environment in the Community and to the development of Community policy in the field of the environment, with particular regard to the integration of the environment in the other policies, together with the implementation and updating of environmental legislation;
- (2) Whereas Council Regulation (EEC) No 1773/92 of 21 May 1992 establishing a financial instrument for the environment (*Life*)⁴ was substantially amended by Regulation (EC) No 1404/96,⁵ whereas, for reasons of clarity, that Regulation should be recast when further amendments are made;
- (3) Whereas the financial instrument for the environment, *Life*, is being implemented in phases; whereas the second phase ends on 31 December 1999;

¹ OJ C 15, 20.1.1999, p. 4.

² OJ C

³ OJ C

⁴ OJ L 206, 22.7.1992, p. 1.

⁵ OJ L 181, 20.7.1996, p. 1.

- (4) Whereas, given the positive contribution of *Life* to the attainment of the objectives of Community policy on the environment and in accordance with Article 14 of Regulation (EEC) No 1973/92, a third phase for a period of five years ending on 31 December 2004 should be set in motion;
- (5) Whereas *Life* should be reinforced as a specific financial instrument, complementary with other Community instruments, without however limiting *Life* interventions to areas not covered by other Community financial instruments;
- (6) Whereas the efficiency, ~~and~~ transparency and methodology of the implementation procedures for *Life*, ~~and~~ the procedures for providing and disseminating information to the public and the procedures for cooperation between the potential beneficiaries should be improved by identifying clearly the three component parts which constitute the instrument;
- (7) Whereas the objective of *Life-Environment* of integrating environmental considerations in land-use development and planning is principally geared towards an urban development seeking sustainable development, in synergy with pilot projects supported under the URBAN Initiative;
- (8) Whereas the experience gained with *Life* during the second phase has highlighted the need to concentrate efforts by specifying more clearly the areas of activity able to benefit from Community financial aid, simplifying the management burden and improving the measures to disseminate information concerning the experience gained, ~~and~~ the results achieved and their long-term impact, with a view to promoting the transfer of those results;
- (9) Whereas the development of Community environmental policy must take account of the results achieved and the experience gained from the individual actions implemented under *Life*;
- (10) Whereas preparatory projects should concern the development of ~~new~~ Community policy activities in the field of the environment and, consequently, of innovative actions in this field;
- (11) Whereas the projects selected to receive financial support, particularly under *Life-Environment*, can contribute to the sustainability of socio-economic activities and hence to the creation of jobs;
- (12) Whereas for third countries bordering on the Mediterranean and the Baltic Sea other than the accession candidate countries, technical assistance activities are needed to create capacities and administrative structures in the field of the environment;
- (13) Whereas the Europe agreements between the European Communities and their Member States, of the one part, and the accession candidate Central and

Eastern European countries, of the other part, provide for the participation of those countries in Community programmes, in particular in the field of the environment;

- (14) Whereas, while the abovementioned Central and Eastern European countries should normally themselves meet the costs arising from their participation, the Community may decide, if necessary, for specific cases and in conformity with the rules applicable to the general budget of the European Communities and the relevant association agreements, to supplement the national contribution of the country concerned;
- (15) Whereas the other accession candidate countries may, where they make a financial contribution to *Life*, participate on conditions equivalent to those laid down for the accession candidate Central and Eastern European countries;
- (16) **Whereas receipt from third countries constitute resources earmarked for the instrument in question and are entered as such in the corresponding expenditure item;**
- (17) Whereas **selection** mechanisms should be established so that Community assistance may be adapted to the particular features of the projects to be supported; **whereas priorities should be set in relation to the various aspects of the Community environmental policy;**
- (18) Whereas it is necessary to establish effective methods of monitoring, **and evaluation and utilisation of project results in the Community policies** as well as to ensure adequate information for potential beneficiaries and for the public;
- (19) Whereas a committee should be set up to assist the Commission in implementing this Regulation;
- (20) Whereas **the European Parliament and** the Council should examine the advisability **of continuing the *Life* action beyond the third phase, acting on the basis of a proposal from the Commission;**

HAVE ADOPTED THIS REGULATION:

Article 1

General objective

A financial instrument for the environment, hereinafter referred to as *Life*, is hereby established.

The general objective of *Life* shall be to contribute **to sustainable development in the Community and** to the development of Community environment policy, in

particular as regards the integration of the environment into other policies and the implementation and updating of environmental legislation.

Article 2

Thematic components and general criteria

Life shall consist of the three thematic components *Life-Nature*, *Life-Environment* and *Life-Third Countries*.

The projects financed by *Life* shall meet the following general criteria:

- a) be of Community interest by making a significant contribution to the ~~development and, where appropriate, implementation of Community environment policy and legislation~~ **general objective set out in Article 1**;
- b) be carried out by technically and financially sound participants;
- c) be feasible in terms of technical proposals, management (timetable, budget) and value for money.

Priority may be given to projects based on a multinational approach, **particularly to projects liable to foster cross-border, transnational or regional cooperation.**

Article 3

Life-Nature

1. The specific objective of *Life-Nature* shall be to contribute to the implementation of Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds;⁶ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora;⁷ and, in particular, the Natura 2000 European network.
2. The following shall be eligible for *Life-Nature*:
 - a) nature conservation projects which further the specific objective set out in paragraph 1 and contribute to maintaining or restoring natural habitats and species populations to a favourable conservation status within the meaning of Directive 92/43/EEC.
 - b) accompanying measures required to:
 - i) prepare projects involving partners in several Member States ("starter" measure);

⁶ OJ L 103, 25.4.1979, p. 1, as last amended by Directive 97/49/EC, OJ L 223, 13.8.1997, p. 9.
⁷ OJ L 206, 22.7.1992, p. 7, as last amended by Directive 97/62/EC, OJ L 305, 8.11.1997, p. 42.

- ii) exchange experiences between projects ("co-op" measure);
 - iii) monitor and evaluate projects and disseminate their results, including the results of projects decided upon during the preceding phases of *Life* ("assist" measure).
3. Financial assistance shall be provided by co-financing of projects. The maximum rate shall be:
- a) 50% for nature conservation projects; 100% for accompanying measures.
 - b) By way of exception, the rate provided for in subparagraph (a) shall be a maximum of 75% for projects concerning priority natural habitats or priority species within the meaning of Directive 92/43/EEC or the species of birds referred to in Directive 79/409/EEC which are in danger of extinction.
4. Proposals for projects to be financed pursuant to paragraph 2(a) shall be submitted to the Commission by the Member States. Where projects involve more than one Member State, proposals shall be submitted by the Member State in which the project co-ordinating body is located.

Proposals shall be submitted to the Commission before 31 October of each year. The Commission shall decide on these proposals, in accordance with paragraph 7, before the following 30 April.

5. Proposals meeting the general criteria set out in **the second and third paragraphs of Article 2(2)** and the following specific criteria shall be taken into consideration:
- a) projects in the European territory of the Member States relating to:
 - i) a site proposed by a Member State under Article 4 of Directive 92/43/EEC, or,
 - ii) a site classified pursuant to Article 4 of Directive 79/409/EEC, or
 - iii) a species in Annexes II or IV to Directive 92/43/EEC or in Annex I to Directive 79/409/EEC;
 - b) projects in accession candidate countries to which Article 6 applies relating to a site of international importance hosting:
 - i) a type of habitat in Annex I or a species in Annex II to Directive 92/43/EEC; or
 - ii) a bird species in Annex I to Directive 79/409/EEC or a migratory bird species present in the Union; or

- iii) a type of habitat or species not present in the Community but classified in Bern Convention resolutions as being in need of specific conservation measures.
6. A summary of the proposals received shall be submitted to the Member States by the Commission. Upon request, it shall place the original documents at the disposal of the Member States for consultation.
7. Projects considered for financial support under *Life-Nature* shall be subject to the procedure set out in Article 21 of Directive 92/43/EEC.

An outline decision by the Commission shall be sent to the Member States on the projects which have been accepted and individual decisions shall be sent to the beneficiaries laying down the amount of financial assistance, the financial procedures and controls, and the specific technical conditions of the project approved.

8. At the Commission's initiative, accompanying measures to be financed pursuant to paragraph 2(b) shall be the subject of calls for expression of interest published in the *Official Journal of the European Communities* which specify the specific criteria to be met.

Article 4

Life-Environment

1. The specific objective of *Life-Environment* shall be to contribute:
 - a) to the development of innovative techniques and methods which make it possible:
 - to integrate ~~environmental~~ **considerations on the environment and on sustainable development** in land-use development and planning, **as a priority particular** in urban areas;
 - to minimise, by means of a preventive approach, the environmental impacts of industrial production activities;
 - to **prevent, reuse and** recycle waste of all kinds and ensure the sound management of waste streams;
 - to reduce the environmental impact of products through an integrated approach to production, distribution, ~~and~~ consumption **and handling as waste, including the development of environment-friendly products.**
 - b) to the development of **Community environmental policy through new ~~environmental~~ actions in this field.**
2. The following shall be eligible for *Life-Environment*:

- a) demonstration projects which further the objective set out in paragraph 1(a);
 - b) preparatory projects which further the objective set out in paragraph 1(b);
 - c) accompanying measures required to evaluate, monitor, and promote the actions undertaken during this phase and during the first two phases, for the exchange of experience between projects and for the dissemination of information on the experience gained and the transfer of results obtained with such actions.
3. Financial assistance shall be provided by co-financing of projects. The rate of Community financial support shall be a maximum of 50% of the eligible cost.

This rate shall be a maximum of 30% of the eligible cost for projects expected to generate significant income. In this case, the beneficiaries' contribution to the financing shall be at least as much as the Community support.

The rate of Community financial support for the accompanying measures shall be a maximum of 100% of the cost of these actions.

4. As far as demonstration projects are concerned, guidelines will be established by the Commission, after opinion by the Committee provided for in Article 11, and published in the *Official Journal of the European Communities*. The guidelines shall promote synergy between demonstration actions and the guiding principles of Community environmental policy with a view to sustainable development.

5. Proposals for projects to be financed pursuant to paragraph 2(a) shall be submitted to the Commission by the Member States. Where projects involve more than one Member State, proposals shall be submitted by the Member State in which the project co-ordinating authority or body is located.

Proposals shall be submitted to the Commission before 31 January of each year. The Commission shall decide on these proposals, in accordance with paragraph 10, before 31 July.

6. Shall be taken into consideration proposals submitted under paragraph 2(a) that meet the general criteria set out in the second and third paragraphs of Article 2(2) and the following specific criteria:
- a) providing solutions to a problem which arises very often in the Community, or is of great concern to some Member States,
 - b) being innovative by virtue of the technology or the method applied;
 - c) setting an example and representing progress compared with the current situation;

- d) being capable of promoting ~~widespread~~ **the dissemination and widest possible** application of practices and technologies conducive to environmental protection;
 - e) aiming at developing and transferring know-how which can be used in identical or similar situations;
 - f) promoting co-operation in the environmental field;
 - g) promoting sustainability of socio-economic activities, *inter alia* **through the direct or indirect support to job creation**~~from the environmental point of view.~~
7. The following costs shall be considered ineligible:
- a) land purchase;
 - b) studies not specifically addressing the objective aimed at by the financed projects;
 - c) investments in major infrastructures or investments of a non-innovative structural nature, including activities already confirmed on an industrial scale;
 - d) research and technological development activities.
8. At the Commission's initiative, preparatory projects and accompanying measures to be financed pursuant to paragraph 2(b) and (c) shall be the subject of calls for expression of interest published in the *Official Journal of the European Communities* which specify the specific criteria to be met. **Prior to their publication, calls for expression of interest for preparatory projects shall be submitted for an opinion to the Committee provided for in Article 11.**
9. A summary of the main points and of the content of the proposals received under paragraph 2(a) and (b) shall be submitted to the Member States by the Commission. Upon request, it shall place the original documents at the disposal of the Member States for consultation.
10. Projects considered for financial support shall be subject to the procedure set out in Article 11.
11. An outline decision by the Commission shall be sent to the Member States on the projects which have been accepted and individual decisions shall be sent to the beneficiaries laying down the amount of financial assistance, the financial procedures and controls, and the specific technical conditions of the project approved.

Article 5

Life-Third Countries

1. The specific objective of *Life*-Third Countries shall be to contribute to the establishment of capacities and administrative structures needed in the environmental sector and in the development of environmental policy and action programmes in third countries bordering on the Mediterranean and the Baltic Sea other than the accession candidate countries to which Article 6 applies.
2. The following shall be eligible for *Life*-Third Countries:
 - a) technical assistance projects which further the objective set out in paragraph 1;
 - b) accompanying measures required to evaluate, monitor and promote the actions undertaken during this phase and during the first two phases, for the exchange of experience between projects and for the dissemination of information on the experience gained and the results obtained with such actions.
3. Financial assistance shall be provided by co-financing of actions. The rate of Community financial support shall be a maximum of 70% of the cost of the actions referred to in paragraph 2(a) and a maximum of 100% of the cost of the actions referred to in paragraph 2(b).
4. Proposals for projects to be financed under paragraph 2(a) from third countries shall be submitted to the Commission by the relevant national authorities. Where projects involve more than one country, proposals shall be submitted by the country in which the project co-ordinating authority is located or by the international organisation acting to protect the environment in the geographical area concerned.

Proposals shall be submitted to the Commission before 31 January of each year. The Commission shall decide on these applications in accordance with paragraph 7 before 31 July.

5. Proposals which meet the general criteria set out in **the second and third paragraphs of Article 2(2)** and the following specific criteria shall be taken into consideration:
 - a) be of interest to the Community, notably through its contribution to implementing regional and international guidelines and agreements;
 - b) contribute to an approach promoting sustainable development at international, national or regional level;
 - c) provide solutions to major environmental problems in the region and the relevant sector;

Priority will be given to projects which will promote co-operation at the trans-frontier, trans-national or regional level.

6. A summary of the main points and the content of the proposals received from the third countries shall be submitted to the Member States by the

Commission. Upon request, it shall place the original documents at the disposal of the Member States for consultation.

7. Projects considered for financial support shall be subject to the procedure set out in Article 11. The Commission shall adopt a decision concerning the list of projects selected.
8. The projects approved shall give rise to a contract between the Commission and the beneficiaries setting out the amount of financial assistance, the financial procedures and controls, as well as all the specific technical conditions of the approved project. This list of proposals accepted shall be sent to the Member States.
9. At the Commission's initiative, accompanying measures to be financed under paragraph 2(b) shall be the subject of calls for expression of interest published in the *Official Journal of the European Communities* and setting out the specific criteria to be met.

Article 6

Participation of accession candidate countries

1. *Life* shall be open to the accession candidate Central and Eastern Europe countries in accordance with the conditions referred to in the association agreements concluded with those countries and on the basis of provisions of the decision of the Association Council competent for each country concerned.
2. Proposals for projects to be financed under *Life-Nature* and *Life-Environment* shall be submitted to the Commission by the national authorities of the countries concerned within the time limits indicated in Article 3(4) and Article 4(5) respectively. Where projects involve more than one country, proposals shall be submitted by the country in which the project co-ordinating authority or body is located.
3. Proposals which meet the general criteria set out in Article 2(2) and the specific criteria set out in Article 3(5) (b) and Article 4 (6) and (7) shall be taken into consideration for Community financial support.
4. A summary of the main points and of the content of the proposals received by the national authorities of the countries concerned shall be submitted to the Member States by the Commission. Upon request, it shall place the original document at the disposal of the Member States for consultation.
5. Projects considered for *Life* financial support shall be subject either to the procedure set out in Article 21 of Directive 92/43/EEC or to that set out in Article 11 of this Regulation according to the type of project proposed.
6. The projects approved shall give rise to a contract or an agreement between the Commission and the beneficiaries setting out the amount of financial assistance, the financial procedures and controls, as well as all the specific

technical conditions of the approved action. The list of proposals accepted shall be sent to the Member States.

7. Where conditions and provisions equivalent to those referred to in paragraph 1 have been established for the other accession candidate countries, *Life* will be open for participation by those countries in accordance with paragraphs 2-6.
- 7a. **The annual breakdown of appropriations devoted to the cofinancing of this instrument by the countries referred to in paragraphs 1 and 7 is published in the general budget, Section III, Part B, Annex IV.**

Article 7

Consistency between financial instruments

1. Without prejudice to the conditions for accession candidate countries set out in Article 6, projects receiving aid provided for under the Structural Funds or other Community budget instruments shall not be eligible for financial assistance under this Regulation.
2. The Commission shall ensure that actions undertaken in the framework of this Regulation are consistent with those undertaken under the Structural Funds, research, technological development and demonstration programmes or other Community financial instruments.

Article 8

Duration of the third phase and budgetary resources

1. *Life* shall be implemented in phases. The third phase shall start on 1 January 2000 and shall end on 31 December 2004.
2. The budgetary resources allocated to the actions provided for in this Regulation, **including accompanying measures as defined in Article 3(2)(b), Article 4(2)(c) and Article 5(2)(b)**, shall be entered in the annual appropriations of the general budget of the European Communities. The available annual appropriations shall be authorised by the budgetary authority within the limits of the financial perspective.
3. The amount of resources to be allocated to each of the areas of activity shall be as follows:
 - a) 47% for actions undertaken under Article 3;
 - b) 47% for actions undertaken under Article 4;
 - c) 6% for actions undertaken under Article 5.

The accompanying measures shall be limited to 5% of the available appropriations.

Article 9

Monitoring of projects

1. For any project financed by *Life*, the beneficiary shall send the Commission technical and financial reports on the progress of work. A final report shall also be sent to the Commission within three months of completion of the project. The Commission shall determine the form and content of the reports. The report shall be based on the physical and financial indicators set out in the Commission Decision approving the projects or in the contract or agreement concluded with the beneficiaries. These indicators shall be such as to indicate the progress **and possible problems** of the work, and the objectives to be attained within a specified time limit.
2. Without prejudice to the audits carried out by the Court of Auditors in liaison with the competent national audit bodies or departments pursuant to Article 248 of the Treaty, or any inspection carried out pursuant to Article 279(c) of the Treaty, officials and other staff of the Commission may carry out on-the-spot checks, including sample checks, on projects financed under *Life*.

Before carrying out an on-the-spot check, the Commission shall inform the beneficiary unless there are good reasons to suspect fraud and/or improper use.

3. For a period of five years following the last payment in respect of any action, the beneficiary of financial assistance shall keep available for the Commission all the supporting documents regarding expenditure on the action.
4. On the basis of the results of the monitoring reports and sample checks referred to in paragraphs 1 and 2, the Commission shall, if necessary, adjust the scale or the conditions of allocation of the financial assistance originally approved and also the timetable for payments.
5. The Commission shall take every other step necessary to verify that the projects financed are carried out properly and in compliance with the provisions of this Regulation.

Article 10

Protection of Community financial interests

1. The Commission may reduce, suspend or recover the amount of financial assistance granted for a project if it finds irregularities, including non-compliance with the provisions of this Regulation or the individual decision or the contract granting the financial support in question, or if it transpires

that, without Commission approval having been sought, the project has been subjected to a major change which conflicts with the nature or implementing conditions of the project.

2. If the time limits have not been observed or if only part of the allocated financial assistance is justified by the progress made with implementing a project, the Commission shall request the beneficiary to submit its observations within a specified period. If the beneficiary does not give a satisfactory answer, the Commission may cancel the remaining financial assistance and demand repayment of sums already paid.
3. Any undue payment must be repaid to the Commission. Interest may be added to any sums not repaid in good time. The Commission shall lay down detailed rules for the implementation of this paragraph.

Article 11

Committee

1. For *Life-Environment* and *Life-Third Countries*, the Commission shall be assisted by a Committee consisting of the representatives of the Member States and chaired by the representative of the Commission.
2. The representative of the Commission shall submit to the Committee a draft of the measure to be taken. The Committee shall deliver its opinion on the draft within a time limit which the Chairman may lay down according to the urgency of the matter. The opinion shall be delivered by the majority laid down in Article 205(2) of the Treaty in the case of decisions which the Council is required to adopt on a proposal from the Commission. The votes of the representatives of the Member States within the Committee shall be weighted in the manner set out in the abovementioned Article. The Chairman shall not vote.

The Commission shall adopt the measures envisaged if they are in accordance with the opinion of the Committee.

If the measures envisaged are not in accordance with the opinion of the Committee, or if no opinion is delivered, the Commission shall, without delay, submit to the Council a proposal relating to the measures to be taken. The Council shall act by a qualified majority.

If, on the expiry of a period of one month from the date of referral to the Council, the Council has not acted, the proposed measures shall be adopted by the Commission.

Article 12

Evaluation of the third phase and continuation of *Life*

1. Not later than 31 December 2003, the Commission shall submit a report to the European Parliament and the Council on the implementation of this Regulation, its contribution to the development of Community environmental policy and the use made of the appropriations, and shall, where appropriate, make proposals for any adjustments to be made with a view to continuing the action beyond the third phase.
2. The European Parliament and the Council, acting in accordance with the Treaty, shall decide on the implementation of the fourth phase as from 1 January 2005.

Article 13

Repeal of Regulation (EEC) No 1973/92

1. Regulation (EEC) No 1973/92 is hereby repealed without prejudice to decisions taken and contracts concluded concerning the granting of financial assistance pursuant to that Regulation.
2. References to the repealed Regulation shall be understood as referring to this Regulation and are to be read in accordance with the table of equivalence in the Annex.

Article 14

Entry into force

This Regulation shall enter into force on the third day following its publication in the *Official Journal of the European Communities*.

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

Done at Brussels,

For the European Parliament
The President

For the Council
The President

ANNEX

TABLE OF EQUIVALENCE

Regulation (EEC) No 1973/92	This Regulation
Article 1	Article 1
Article 2.1) a)	Article 3.1. <u>and</u> 2.a)
Article 2.1) b) i),ii)	Article 4.1.a) <u>and</u> 2.a)
Article 2.1) b) iii), first subparagraph	Article 4.1.b) and 2.b)
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