



EUROPEAN COMMISSION

Brussels, 30.9.2010
COM(2010) 516 final

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Mid-term review of the LIFE+ Regulation

SEC(2010) 1120

**COMMUNICATION FROM THE COMMISSION TO THE EUROPEAN
PARLIAMENT AND THE COUNCIL**

Mid-term review of the LIFE+ Regulation

1. INTRODUCTION

Launched in 1992, the LIFE Programme is one of the spearheads of EU environmental funding and has financed 3115 projects contributing in €2.2 billion to the protection of the environment. The latest Financial Instrument for the Environment (LIFE+) was adopted through Regulation (EC) No 614/2007 (the Regulation).¹

The purpose of the Regulation is to contribute to the implementation, updating and development of EU environmental policy and legislation thereby contributing to sustainable development (Art. 1(2)). Another objective is to contribute to communicating and disseminating environmental issues throughout the EU.

The Regulation applies for the period 2007-2013 and has a financial envelope of €2.14 billion. The European Parliament provided an additional allocation to increase the budget to €2.17 billion. Three types of interventions are possible under LIFE+:

- **Action grants**, traditional LIFE Programme, representing 78% of the budget;
- **Operating grants for NGOs**, former NGO programme, representing 3% of the budget;
- **Public procurement contracts** for service provision, representing 19% of the budget.

According to Art.15(2) of the Regulation, the Commission must submit a mid-term review to the European Parliament and the LIFE+ Committee no later than 30 September 2010. The Commission must also report on the steps taken to ensure complementarity with other EU financial instruments (Art. 9 of the Regulation).

In preparing this review, the Commission contracted an external evaluation published in June 2010 (henceforth "the evaluation").²

Since the Regulation entered into force in June 2007 the first call for proposals could only be launched in October 2007 with projects starting in January 2009. Limited information on results is thus available. The conclusions of the evaluation should be considered indicative and to be confirmed in the coming years.

2. RESULTS & LESSONS LEARNED

In the reporting period LIFE+ has served as an effective tool to implement the priorities set in the 6th Environmental Action Programme (6EAP).³ The following sections analyse the performance of each intervention.

2.1. Simplification exercise

LIFE+ consolidated almost all environmental expenditure⁴ by DG Environment into a single financial instrument. The Regulation also brought together two types of interventions, i.e.

¹ OJ L 149, 09.06.2007.

² <http://ec.europa.eu/environment/life/publications/lifepublications/evaluation/index.htm#mte2010>

³ See Commission Staff Working Paper for more detailed information.

public procurement and grants to increase the flexibility in choosing one or the other depending on the policy needs as set out in Annex II of the Regulation.

The main benefit of the consolidation is the potential for **improved strategic planning**. The evaluation recognises the efforts to enhance synergies between action grants and policy development/ update while identifying room for improvement. This is so because project results are obtained after 3-5 years, making action grants better suited to support policy implementation than policy development.

However, some drawbacks have been identified especially for **Forest Focus**. Although funding has been maintained under LIFE+, Forest Focus used to be based on a central indirect management mode, with national agencies being allocated a share of the financial support on a non-competitive basis. This is no longer the case. The evaluation recommends consultation with the Member States on this apparent weakness in LIFE+.

The evaluation also examined the impact of **Art.1(2) of the Regulation** which states that all activities financed must be for the benefit of the Member States. A strict interpretation of this provision prevents financing activities outside the EU creating several trade-offs. For action grants, it decreases the potential to finance projects dealing with transboundary environmental problems beyond the EU. For NGO support, it has a negative impact on the international dimension of their work, e.g. capacity building of members. For public procurement, it reduces the capacity to carry out communication activities, such as international events, outside the EU.

2.2. Action Grants

Action grants are the successor of LIFE III but the Regulation introduced changes: it added Biodiversity to the Nature strand and broadened the scope of the Environment strand to align with the 6EAP priorities. The Third Country strand was removed and its activities integrated into other instruments. A new component, Information & Communication, was created to better communicate environmental themes.

LIFE+ Strands

Nature & Biodiversity: projects contributing to implementing the Birds and Habitats Directives and the Communication on "Halting the loss of biodiversity by 2010".

Environment & Governance: innovative or demonstration projects relating to EU environmental objectives.

Information & Communication: communication & awareness raising campaigns on EU environmental policy and forest fires.

The co-financing rate is 50% of eligible costs but the maximum co-financing rate in Nature projects may be up to 75% if targeting priority habitats or species.

547 projects were funded in the reporting period. Projects under the Nature & Biodiversity strand represented around 51% of the action grants budget, meeting the obligation to allocate

⁴ LIFE, Sustainable Urban Development and NGOs Programmes, Forest Focus and DG Environment budget lines without a legal basis

at least 50% of the action grants budgetary resources to nature and biodiversity.

While the traditional LIFE strands (i.e. LIFE Nature and LIFE Environment) continue to play a central role, the two new strands had a slow start. This is normal, since potential beneficiaries need to become familiar with the new selection procedures, rules and requirements. The financial crisis also had an impact on the calls for proposals. Private beneficiaries and NGOs found it more difficult to obtain co-financing and in several cases private entities withdrew their support. This problem was also observed in public applicants due to budgetary restrictions derived from the measures adopted to overcome the crisis.

As to projects financed per Member State, the Regulation introduced indicative **national allocations** to promote a proportionate distribution of projects throughout the EU. National allocations have improved the geographical distribution of projects, but not substantially. Italy, Spain and Germany remain the Member States receiving more LIFE+ funding. New Member States have in general a lower rate of success. An external study identified several underlying causes such as active support to applicants by national authorities or access to matching funds.

The evaluation hints that national allocations may lead to selecting projects of lower quality, which would have an impact on the effectiveness of the programme to provide EU added value.

EU added value

The evaluation concludes that LIFE+ continues to be relevant as is the only EU financial instrument specifically focused on the environment: "The Programme becomes even more needed given the failure to meet EU biodiversity targets and the need to enhance and invest in natural capital and green economy".

The Programme achieves added value by improving the implementation of EU environmental policy at national, regional or local levels and by providing EU-wide exchange of information. The inclusion of new themes and strands has furthered its relevance and capacity to create EU added value. Beneficiaries as well as Member States consider that the Programme should be continued as crucial for the implementation of EU environmental policy. LIFE+ is widely accepted by all stakeholders.

The evaluation concludes that current selection, management, and monitoring systems are effective, efficient and well designed to achieve EU added value.

The Regulation defines added value for **Nature & Biodiversity** as the implementation of EU legislation in itself. The evaluation shows that LIFE+ is an effective instrument to achieve EU objectives for nature and biodiversity. Many applicants consider it as a key funding mechanism for promoting and implementing nature conservation throughout the EU since its primary objective is protecting nature, whereas in other programmes this objective is ancillary. The catalyst effect of LIFE+ projects improves the implementation of nature policies in the Member States.

LIFE+ helps adopting management plans, restoring valuable habitats, recovering emblematic species and developing the Natura2000 network. It also helps creating collaborative platforms that enhance partnerships thereby facilitating the transfer of best practice between stakeholders and decision-makers. The Biodiversity strand provides the opportunity to be a

major instrument to specifically finance the implementation of the Biodiversity Action Plan with a focus on the conservation of biodiversity at large. Combating invasive alien species, promoting green infrastructure, or the role of agriculture in preserving biodiversity have been so far the main contributions of biodiversity projects. However, the strand still needs to deploy all its potential: despite receiving many applications only 24 projects have been selected for funding but the success rate of biodiversity projects has gone from 13% in 2007 call to 38% in 2009 call. The requirements under this component are stricter which partially explains the low rate of success. The biodiversity market is also wider than nature and less consolidated requiring more efforts to publicise the strand.

The evaluation recommends increased flexibility and enhancing efforts to attract the wider biodiversity community. For the next programming period the evaluation recommends aligning biodiversity with the nature requirements and increasing the co-financing rate to increase the number and quality of applications.

For **Environment & Governance**, LIFE+ offers opportunities for funding in areas that are not covered by other funds (noise, air, chemicals, strategic approaches). Added value is linked to a project's replication potential that will improve the implementation of EU policies. This wider impact was assessed as medium or high when evaluating EU added value in the selection process.

Waste & natural resources, climate change and water represent 71% of all funded projects under this strand. However, in the 2008 and 2009 calls a positive trend in the number of applications and projects selected for new themes is observed.

Environment & Governance provides a positive stimulus for supporting the transition to more sustainable production bridging the gap between research and the development of large-scale commercial application. It is an effective tool to support key sectors to obtain a competitive advantage by adopting more resource efficient and greener production processes. Many BATs and BREFs have been developed with LIFE co-financing.

It also represents a significant support for eco-innovation for both the private and public sectors: an increasing percentage of projects (around two thirds) deal with innovative management or business methods.

It is also an effective instrument to exchange best practices and promote learning between new and old Member States, since it offers an excellent platform for transnational projects where companies join and share experiences.

However, the Regulation has not resolved a main problem identified in the ex-post evaluation of the Programme: lack of strong strategic focus on environmental policy priorities under the strand. Annex II of the Regulation does not allow setting very specific priorities thus potentially limiting the ability to generate impacts beyond the individual project and to assess results at thematic level.

The evaluation recommends more prioritisation and focus under each theme. For the next programming period, it suggests establishing annual focus areas or focusing on EU policy interests that are more likely to be met by the Programme and secure the greatest value.

For **LIFE+ Information**, the evaluation shows that financing information and awareness raising campaigns is very difficult at national and local level. Thus, the strand offers a unique

opportunity to overcome this barrier and widely promote environmental themes. However, only 38 projects have been selected for funding so far. A significant number of projects were rejected in the 2007 call for not being sufficiently ambitious or lacking clear environmental goals. The Guide for applicants was modified to provide more examples of types of projects suitable under this strand. As a result overall quality of projects improved, but results remain low as compared to the other strands. Also, projects financed cover a wide range of themes and target very diverse audiences focusing on local or regional problems limiting their EU added value. However, some projects have more significant impact at EU level.

The evaluation recommends better defining this strand to better guide applicants and to improve the quality of applications. For the next programming period it suggests increasing the co-financing rate to allow for broader campaigns and higher number of applications.

Complementarity

LIFE+ should not finance activities that could be financed by other EU funds (Art.9 of the Regulation). This strict obligation would require a clear separation line between LIFE+ and other funds. The evaluation recognises the efforts to ensure complementarity. The application forms require information on actions included in the proposal that could be financed by other support programmes. Applicants must explain why they consider that those actions do not fall within the main scope of alternative EU instruments and must declare that actions listed in the proposal do not and will not receive aid from any other EU instruments.

The Commission coordinates to identify projects that may be financed by other EU funds. A protocol to manage submissions under the Competitiveness & Innovation Framework Programme (CIP) and LIFE+ Environment & Governance was developed to identify the most suitable instrument for a given activity. Other measures include an agreement that Member States will provide additional guidance to potential applicants.

The Commission focuses on avoiding double-funding but has tried a more positive attitude towards complementarity by granting additional points to projects demonstrating synergies with other funds or showing an integrated approach in the use of different funds. However, building and enhancing synergies with other programmes is a more challenging task when those are decentralised or in shared management with national, regional or local authorities. Also, applicants tend to select the fund they are more familiar with.

More efforts are needed to improve synergies between 7th Research Framework Programme, LIFE+ Environment, CIP, EAFRD, Structural and Cohesion Funds to accompany innovative ideas from creation, testing & demonstration to commercialisation and wide diffusion.

The evaluation recommends combining the Eco-innovation component of CIP and LIFE+ Environment & Governance for the next programming period to create a single eco-innovation funding mechanism. The rationale is the role of DG Environment in over-seeing market replication activity, advice on calls through the Executive Agency for Competitiveness and Innovation, and close links between LIFE+ and CIP objectives.

The evaluation highlights the challenges of the integrated approach to allocate sufficient financial resources to environmental needs. Recent studies on financing Natura 2000 suggest that there is still room for improving the uptake of funds under various EU instruments to satisfy the financial needs of the network. LIFE+ could be used to enhance uptake by

adopting a positive attitude towards complementarity by effectively promoting the integrated use of different EU funds.

The evaluation carried out a preliminary assessment of the impact of stopping LIFE Third Countries. Further analysis is needed but the evaluation concludes that LIFE TCY was simple and flexible and that alternative instruments will not always fund applicants or types of projects that may have secured funding under previous LIFE programmes. These instruments provide funding as part of a much larger development agenda diluting the focus of environmental priorities creating a possible thematic and geographical gap on funding. On the other hand, the 2009 external review of the ENRTP (the thematic programme for the environment and sustainable management of natural resources) concluded that ENRTP allows to implement EU environmental policy on global level".

2.3. NGOs operating grants

The aim of this intervention is to enable environmental NGOs with a European vocation to contribute to a balanced stakeholder involvement in the EU policy process. The evaluation confirmed the continued relevance of the intervention.

30 NGOs were selected in 2007, 33 in 2008 and 32 in 2009. These organisations represent a wide spectrum of environmental NGOs in terms of size, focus and geographical coverage. The majority of NGOs funded are located in or close to Brussels, since they are actively involved in the policy process and need access to EU institutions. However, member organisations from all EU countries and beyond are represented through their networks.

The evaluation showed that all 6EAP priorities are covered with a good balance between policy development, policy implementation and capacity building. It also concluded that the NGOs selected make a necessary contribution to EU policy. Some procedural and administrative aspects may be improved, e.g. the timing of the annual selection decision allows contracts to be signed only several months after the start of the funding year.

The evaluation recommends a shift in the timeframe of the selection procedure or a change to multiannual framework partnership agreements to address liquidity problems and improve cost efficiency. Recital 12 of the Regulation gives the minimum requirement of activities in *at least three European countries* for an NGO to be eligible. For the next programming period, the evaluation suggests increasing this number to feed into the policy process the necessary networking and field experience.

2.4. Support for policy development and implementation

The Commission uses public procurement to complete studies and evaluations, to hold meetings, workshops and seminars or to develop and maintain computer systems (e.g. LIFE website or the Natura2000 information system). This intervention is also used to assist the Commission with information, publication and dissemination activities central to its objectives.

The evaluation shows that public procurement is based on well-established satisfactory procedures. These procedures ensure that funding is appropriately linked to the priorities outlined in the Commission work programme with activities feeding directly into implementation of EU environmental policies. The evaluation also concludes that the procurement of such services is crucial to the Commission.

The evaluation recommends enhancing feedback mechanisms on the quality of the service provided by external contractors and to encourage the use of multiannual contracts.

3. THE WAY FORWARD

3.1. Actions for the remaining financing period

The Commission has taken note of the recommendations made in the consultants' report and is taking the necessary steps to overcome most pressing issues identified. Several major recommendations e.g. national allocations or co-financing rate cannot be implemented without amending the Regulation but they will be taken into account when designing any future instrument. The actions proposed here can be implemented within the current framework.

The Commission has:

- Organised workshops for potential applicants after each call for proposal to increase the number and quality of applications.
- Substantially revised the Guide for applicants for the 2010 call for action grants including more examples and flexible approaches, also for obtaining higher co-financing rates within the limits of the Regulation. Indicative lists of favoured focus areas were set for each theme under LIFE+ Environment & Governance reflecting the policy priorities in the 2010 work programme. These modifications also aim at improving uptake in LIFE+ strands with lower rates of success.
- Shortened the selection procedure without reducing the quality of the project selection.
- Improved the mechanisms for carrying out more systematic ex-post visits to assess sustainability.
- Improved its efforts to support National Contact Points and Member States with lower uptake. The Commission organised in 2010 a two-day training session to enhance their role in project selection, management and follow-up. The Commission has also developed guidelines on communication activities for National Contact Points.

The Commission will continue:

- Its efforts to better integrate action grants into policy development and implementation.
- Reinforcing and improving dissemination activities and increasing efforts to attract non-traditional LIFE applicants especially for Biodiversity and new themes under Environment & Governance. This includes publishing more tailored thematic brochures to show how LIFE+ projects address environmental issues; organising thematic conferences to exchange experience and disseminate project results; improving the quantity and quality of the information available on the LIFE website.
- Encouraging more networking, *inter alia* by organising regional and EU-wide meetings of projects to share experience and technical knowledge. Networking has become an obligation for projects. A discussion forum for LIFE+ projects has been set up.

- Exploring the possibility to develop result indicators similar to those adopted under the CIP.
- Exploring new ways to improve synergies and complementarity with other funds. Protocols with other programmes could be adopted. Ways to improve communication among the various Commission services and with competent authorities as well as development of guidelines will be explored.
- For the NGO funding programme, exploring stronger focus on yearly priorities, and possibilities for introducing external assessment and multi-annual framework partnerships. The Commission will also review indicators for monitoring NGOs operational activities and will in particular assess the effectiveness of the current system to contribute to better environmental governance by broadening stakeholder involvement in policy consultation and implementation.

3.2. The future of LIFE+

According to Art.15(3) of the Regulation, the Commission shall submit, if appropriate, a proposal for the further development of a financial instrument exclusively in the environmental field to apply from 2014 onwards. The Commission is already undertaking a series of studies to analyse effective ways to address current and emerging environmental problems.

At this stage, the first and main conclusion of the mid-term evaluation is that a specific instrument for the environment, i.e. LIFE is relevant and needed as is creating EU added value for EU environmental policy development and implementation. However, more work is required to identify environmental financial needs and the main obstacles to finance those in order to define alternatives for environmental spending for the next programming period.

The evaluation highlighted the importance of providing an adequate framework for financing Natura2000 and biodiversity. The European Council is committed to the long term biodiversity 2050 vision and the 2020 target set out in the Council's conclusions of 15 March 2010. Now that the network has been established, the focus should move to active conservation and restoration leading to a significant increase in the cost incurred by public and private managers of the network. At the same time to deliver the new EU biodiversity vision, the need for further investments will have to be taken into account.

Any future instrument should also consider whether more focus such as annual focus areas or EU policy priorities is needed in the current LIFE+ Environment & Governance to increase its added value. Delivery mechanisms other than action grants should be explored to define the most effective EU intervention to address business and public sector needs. These other mechanisms could be, as suggested by the evaluation, direct investment, investment funding to lever private sector funds, loans guarantees, equity as well as the blending of grants and other financial instruments. Similarly, the Commission will assess the effectiveness of retaining two separate instruments (e.g., CIP and LIFE+ Environment & Governance) to finance innovative ideas for the environment, and whether other specific funds (e.g. a climate specific instrument) may be required

Funding for EU environmental NGOs should be reviewed to more effectively support their role in implementing EU environmental legislation and in building the knowledge base for environmental policy, and to promote new entrants and new networks.

The external dimension of environmental policy will also be considered based on the evaluation conclusions. Further analysis will be carried out with a view of enhancing the effectiveness and impact of the instruments which may be used to cover the external dimension of environmental policy and propose the most appropriate options in this context.

The Commission will start in September 2010 an impact assessment of possible options for the review of the Regulation. It will build on the studies regarding the intensified integration of environmental concerns in EU support instruments and evaluations of LIFE, and will take into account the evaluations of other EU funds.

The impact assessment will deal with the fundamental question of the best processes for financing environmental needs. The aim is to identify those environmental areas with financing needs for which a specific EU instrument for the environment would be the most effective way of tackling environmental problems and those where environmental funding through instruments other than LIFE may be more appropriate. At the end of this process the Commission expects to have enough information to determine the most effective design for environmental funding (instrument, focus, scope, budgetary allocation) to maximise EU added value.

The results of the impact assessment will be available by the third quarter of 2011 and will form the basis, if relevant, of a Commission proposal for a new financial instrument for the environment.