



COMMISSION OF THE EUROPEAN COMMUNITIES

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Proposal for a

COUNCIL REGULATION (EC)

amending Council Regulation (EEC) No 1973/92 establishing a financial instrument
for the environment (*Life*)

(presented by the Commission)

PROGRESS REPORT ON IMPLEMENTATION OF THE
LIFE REGULATION AND EVALUATION OF THE
ACTION BY THE COMMUNITY RELATING TO THE ENVIRONMENT
ACE, MEDSPA, NORSPA AND ACNAT

(presented by the Commission)

EXPLANATORY MEMORANDUM

INTRODUCTION

1. The first stage of the *Life* instrument, which was created by Council Regulation (EEC) No 1973/92¹ and entered into force on 23 July 1992, comes to a close on 31 December 1995.

Under that regulation the Commission undertook to submit to the European Parliament and to the Council:

- a progress report on the implementation of *Life*, and in particular on the use of appropriations (Article 12(4)),
- a report on the implementation of Regulation (EEC) No 1973/92 (Article 4)

and

- a proposal for any adjustments to be made with a view to continuing the action beyond the first phase (Article 14).

In producing the document entitled: "Progress report on implementation of the *Life* Regulation and evaluation of the action by the Community relating to the environment - ACE, MEDSPA, NORSPA and ACNAT"² the Commission has met its obligations as regards information on the implementation of *Life*. This proposal now meets the requirement regarding adjustments to be made to the initial regulation, with a view to continuing the action beyond 31 December 1995.

2. The amendments proposed are based on experience gained in the first three years of implementation of the instrument and are designed to improve the efficiency of the instrument by taking account of its specific nature and the principle of subsidiarity and by providing for better visibility of the areas of activity, greater transparency of procedures, simplified operating expenses and better utilization of the results obtained.

¹ OJ L 206, 22.7.1992, p. 1.

² COM ... final.

DEVELOPMENT OF COMMUNITY ACTION

3. Financial aid from the Community in the area of the environment has developed in parallel with the Community's policy in this area.
It began to take shape initially through the adoption of a number of initiatives with modest means involving specific sectors or geographically limited areas. Despite their limited means initiatives such as ACE, MEDSPA, NORSPA and ACNAT have nonetheless played an important role in promoting the awareness of Community action on the environment.
4. Adoption of the 5th Community action programme on the environment, which was meant not so much to juxtapose sectoral projects as to be an overall strategy designed to make for an environmental approach covering all sectors (water, waste, air) and to integrate the environment dimension in all policies and activities to do with economic development, also led to a new approach to measures needing financial aid from the Community.
5. In line with the 5th programme, *Life* brought together the non-structural programmes specific to the environment designed to provide assistance for concrete measures and field projects.
The aim was for both rationalization and greater coherence with the development of environmental policy.
6. At the same time as *Life* was being implemented financial aid for the environment, at both Community and national level, increased appreciably. At Community level the environment has now become one of the main areas of activity of the structural funds and certain other financial instruments (research, cooperation with non-Community countries, loan facilities). The Community has even set up a structural fund geared partly to aid specifically for the environment (cohesion fund).
7. The report on the implementation of *Life* referred to above draws up an inventory of existing Community instruments that can be used for the environment and describes the content of each of these instruments, their objectives, their deployment potential, the criteria for access and their overall budgets.

EXPERIENCE OF THE FIRST PHASE

8. Experience with the running of the *Life* instrument over the first three years, together with the experience gained in the undertaking of initiatives prior to that, has highlighted the potential of this instrument while also showing up a number of problems which need rectifying.
9. The establishment of a single instrument has not always resulted in greater efficiency or simpler procedures.

The wide variety of areas of activity has reduced the impact of the measures taken and required an administrative effort out of all proportion to the benefits obtained.

The modest financial means available compared with demand call for a limit on priority areas and a clear definition of selection criteria to help comprehend the specific nature of the instrument and to direct potential *Life* candidates to other Community financial instruments with greater financial resources.

10. Splitting the decision-making process between the *Life* Committee and the *Habitats* Committee proved to be inoperable, leading to confusion, a lack of transparency and tension throughout the entire decision-making process surrounding the selection of projects and the use of appropriations. Of the two alternatives put forward to solve this problem, i.e. centralization of all decisions within a single committee or separation of the decision-making process between nature protection and other activities, the Commission has gone for the second option. In so doing it took account of the views expressed by the European Parliament when the budget for 1995 was adopted. The Commission accompanied this decision with internal provisions designed to avoid any duplication of effort and to increase the administrative and financial efficiency of management of the instrument.
11. The prime objective of an initiative which sets out to support demonstration projects, projects setting examples or the transfer of knowhow cannot be achieved in full without promotion and dissemination of the most conclusive results.

Experience has shown that the lack of success of an operation or the problems encountered with it could sometimes have been avoided if information had been received at the right time or if immediate action had been taken by the Commission.

To do this *Life* needs adequate means for a regular and constant check on the implementation of the projects financed and to promote accompanying measures.

12. Given the increased financial aid to the environment from other Community funds and financial instruments, it is essential that the specific nature of *Life* be more clearly defined. Consistent application of the principle of subsidiarity entails finding a precise definition of the areas of activity which give real added value to Community action. The means must also be found to reduce administrative costs and to increase the efficiency, benefits and visibility of *Life*.

SPECIFIC NATURE OF *Life*

13. *Life* is the only instrument to provide aid to the environment throughout the Community and in bordering regions (Mediterranean and Baltic). This extended field of application is a key factor in the development of environmental projects (common solutions to transfrontier problems).

Implementation of *Life*, particularly in the second phase, must take advantage of its specific nature and thus be geared to projects which warrant cooperation/coordination between several countries and even all the Member States of the European Union and/or all the countries bordering on the Mediterranean and the Baltic. To this end, the proposal to extend the field of application of *Life* to the Central and Eastern European countries (CEECs), in accordance with the conditions of the additional protocols to the association agreements concerning participation in Community programmes to be concluded with those countries, will help to find common solutions to transfrontier or global problems. This extension is provided for specifically by the additional protocols.

PRINCIPLE OF SUBSIDIARITY

14. Across-the-board action concerning all of the European Union and neighbouring regions can be of far greater value than a simple juxtaposition of national measures in that:
- many environmental problems have a transnational component concerning several and even all the Member States;
 - concerted action at Community level maximizes complementarity, avoids duplication of effort, sets priorities more clearly and, accordingly, makes for more efficient use of available resources;
 - co-financing involving several Member States helps to pool and extrapolate experience gained and thus ensure added value from the investments made. This aspect is particularly important in a sector such as the environment where practical experience is still often limited and innovative processes often have to be checked, particularly for their economic viability.

AREAS OF ACTIVITY

15. In view of the above the Commission plans to focus the *Life* programme over the next four years on four main areas:

- (a) priority implementation of the Natura 2000 European network. The Commission takes the view that the real needs and investments required to implement Directives 79/409/EEC³ and 92/43/EEC⁴ will exceed the financial resources available for the protection of nature under *Life*. Once the habitats proposed by the Member States as being of Community interest, as defined in the Habitats Directive, are known it will be easier to determine which measures can be financed by Community funds and other financial instruments and which need initial priority financing from *Life*;
- (b) in areas other than the protection of nature, implementation of the Community environmental policy through the financing of preparatory, demonstration, technical assistance, support and promotion projects. These projects must help:
 - to strengthen the link between regulations on the environment and structural financial aid, in particular from Community funds and financial instruments which concern the environment. The *Life* programme sets out to help provide the investment needed to implement environmental legislation. In this context it can build on initiatives taken to extend the approach adopted for trans-European networks to the environment. To make for greater visibility and consistency the Commission plans to concentrate the *Life* programme in this area on three priority sectors: coastal areas, hazardous waste and water management. These priorities stem from the problems in implementing Community legislation in these areas, on the one hand, and from experience in years gone by which has identified the sectors where demand was the greatest and problems the most acute, on the other. These three sectors were also chosen because they are of common interest to the entire geographical area covered by *Life* and for their significant trans-frontier component;
 - to help local authorities to incorporate environmental factors in regional planning;

³ Council Directive 79/409/EEC of 2.4.1979 on the conservation of wild birds (OJ L 103, 25.4.1979, p. 1).

⁴ Council Directive 92/43/EEC of 21.5.1992 on the conservation of natural habitats and of wild fauna and flora (OJ L 206, 22.7.1992, p. 7).

- to promote sustainable development and integrate the environment in industrial activities. This will entail financial backing for innovative projects, among other things, to check the economic feasibility of clean technologies and promote environmental audits and eco-labels, etc.; this approach will be able in particular to benefit from technologies developed under the Community specific RTD programmes;
- (c) help for Mediterranean and Baltic third countries other than associated CEECs to set up environmental administrative structures, to establish policies and action programmes on the environment and to take measures geared to sustainable development;
- (d) promotion of know-how and experience gained.

In addition, as mentioned in point 13, *Life* will be open to CEECs for the implementation of international conventions and the resolution of common or global environmental problems once the additional protocols to the Europe agreements between the European Union and the States concerned have been concluded, in accordance with Article 3 of those protocols.

16. The *Life* Regulation provides that financial support should take the form of co-financing or interest rebates. Although the possibility of applying interest rebates was not taken up in the first phase the Commission feels that it is worth keeping this type of financial backing. This type of financing might apply to pilot projects designed to stimulate greater use of private capital and loan facilities in environmental investment.
17. In the light of the experience gained in the first three years of the *Life* programme the Commission also thought that it was worth proposing a number of adjustments designed to simplify procedures and make for greater visibility and clarity.

This will mean subdividing available appropriations over the four areas of activity by fixed rates and not, as in the previous Regulation, by guidelines rates, rates of financial support indicated more clearly than in the original regulation and selection and evaluation criteria of applications which were not specified before and result from discussions in the Management Committee.
18. Part of the budget available (3%) has been set aside to finance indispensable accompanying measures to guarantee monitoring of the implementation of projects financed by *Life*, to undertake evaluations before and after as well as measures to transfer know-how and experience gained not only under *Life* but also under the other financial instruments for the environment.
19. All the amendments proposed should make application of the Regulation more readily comprehensible to potential applicants and avoid the drafting and submission of applications not complying with the spirit of *Life*.

BUDGETING OF THE SECOND PHASE

20. Financing of the second phase of *Life* must take account of enlargement of the Union, on the one hand, and of maintenance of the aid capacity of the instrument in real terms, on the other.

The budgetary authority will determine the appropriations available for each financial year.

An amount of ECU 450m is set aside for the four years covered by this amendment.

Moreover, additional protocols to the Europe agreements in the process of being concluded between the European Union and the associated CEECs provide for the opening-up of certain Community programmes, including *Life*, to the CEECs.

Budget heading B7-603 has been set up for this purpose. Given that a running-in period for CEEC participation in Community programmes is involved, the appropriations required cannot be estimated exactly. Consequently, a token entry (p.m.) has been requested. The appropriations available will be allocated among the programmes at the appropriate time on the basis of the needs expressed by the countries concerned and the intrinsic quality of the initiatives submitted in the context of the various programmes; the allocation will be determined in accordance with Article 3 of the additional protocols to the Europe agreements.

Proposal for a
Council Regulation (EC) No ...
of ...

amending Council Regulation (EEC) No 1973/92 establishing a financial instrument for the environment (*Life*)

THE COUNCIL OF THE EUROPEAN COMMUNITIES,

Having regard to the Treaty establishing the European Community, and in particular Article 130s(1) thereof,

Having regard to the proposal from the Commission,

In cooperation with the European Parliament,

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

Whereas the financial instrument for the environment, *Life*, is being implemented in phases and the first phase ends on 31 December 1995;

Whereas the first paragraph of Article 14 of Council Regulation (EEC) No 1973/92 of 21 May 1992 establishing a financial instrument for the environment (*Life*)¹ provides that the Commission should make proposals for any adjustments to be made with a view to continuing the action beyond the first phase;

Whereas, given the positive contribution of *Life* to the attainment of the objectives of the Community policy on the environment, a second phase for a period of four years ending on 31 December 1999 should be set in motion;

¹ OJ L 206, 22.7.1992, p. 1.

Whereas the experience gained with *Life* during the first phase has highlighted the need to concentrate efforts by reducing the areas of activity likely to benefit from Community financial aid, to simplify management procedures and to define more clearly the selection and evaluation criteria for these activities;

Whereas the efficiency and transparency of the application procedures for *Life* should be improved in line with the principle of subsidiarity,

Whereas the additional protocols to the Europe agreements between the Community and certain Central and Eastern European countries provide for the participation of those countries in Community programmes, in particular concerning the environment;

HAS ADOPTED THIS REGULATION:

Article 1

Regulation (EEC) No 1973/92 is hereby amended as follows:

- (1) Article 1 is replaced by the following:

Article 1

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

The general objective of Life shall be to contribute to the development and implementation of Community environment policy and legislation.

- (2) Article 2 is replaced by the following:

Article 2

The areas of activity eligible for financial support from *Life* are:

1. In the Community:

1.1 nature protection measures:

measures needed to implement Council Directive 79/409/EEC of 2 April 1979 on the conservation of wild birds and Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora and, in particular, the Natura 2000 European Network;

1.2 *other measures designed to implement Community environment policy:*

(a) *preparatory and support measures designed to help implement Community legislation by increasing the efficiency of structural aid for the environment in the priority sectors in which it is used, namely:*

- *protection of coastal areas and their rational management;*
- *reduction of industrial waste, in particular toxic and hazardous waste, including reclamation of contaminated sites;*
- *water protection, including waste water treatment;*

(b) *demonstration, promotion and technical assistance projects for local authorities with a view to incorporating environmental factors into regional planning and development;*

(c) *innovative and demonstration projects designed to promote sustainable development in industrial activities, such as projects to check the economic feasibility of clean technologies, to provide appropriate environmental training for the use of such technologies and to promote environmental audits and ecolabels, etc.;*

2. *In third countries bordering on the Mediterranean and the Baltic other than the countries of Central and Eastern Europe which have signed association agreements with the European Union:*

(a) *technical assistance in the establishment of the administrative structures needed in the environmental sector and in the development of environmental policy and action programmes;*

(b) *demonstration projects to promote sustainable development;*

3. *Accompanying measures implemented at the initiative of the Commission needed to analyse, evaluate or promote the projects undertaken under paragraphs 1 and 2 above and dissemination of information on this subject.*

(3) Article 3 is deleted.

(4) Article 7 is replaced by the following:

Article 7

1. *Life shall be implemented in phases. The second phase shall end on 31 December 1999.*

2. *The budgetary authority shall determine the appropriations available for each year.*

(5) Article 8 is replaced by the following:

Article 8

1. *The rate of Community financial support to be provided to each of the areas of activity referred to in Article 2 shall be as follows:*

(a) *46% for measures undertaken under Article 2(1)(1);*

(b) *46% for measures undertaken under Article 2(1)(2);*

(c) *5% for measures undertaken under Article 2(2);*

(d) *3% for measures undertaken under Article 2(3).*

2. *The rate of Community financial support for the measures referred to in Article 2(1) shall normally be 50% of the eligible cost:*

None the less, this rate shall be:

- *30% of the cost for projects generating significant income;*
 - *by way of exception, a maximum of 75% of the cost of projects concerning, in the European Union, natural habitats or priority species as defined in Directive 92/43/EEC or populations of birds in danger of extinction.*
3. *The rate of Community financial support for the technical assistance projects referred to in Article 2(2) and for the accompanying measures referred to in Article 2(3) shall be a maximum of 100% of the cost of these projects.*

(6) In Article 9:

- Paragraph 1 is replaced by the following:

"Proposals for measures to be financed shall be submitted to the Commission by the Member States. Where measures involve more than one Member State proposals shall be submitted by the coordinating authority or body."

- Paragraph 4 is replaced by the following:

"The Commission shall inform the Member States of the content of proposals received in the framework of expressions of interest and of applications submitted by third countries."

- Paragraph 5 is replaced by the following:

"Measures provided for in Article 2(1)(1) shall be subject to the procedure set out in Article 21 of Directive 92/43/EEC; other Life measures shall be approved in accordance with the procedure provided for in Article 13.

The measures approved shall give rise:

- *for projects to be undertaken in the European Community, to an outline decision from the Commission addressed to the Member States concerning proposals which have been accepted and to individual decisions addressed to the beneficiaries concerning specific projects;*
- *for projects to be undertaken in third countries, to a contract or an agreement setting out the rights and obligations of the partners, as drawn up with the beneficiaries responsible for implementation of the said projects."*

- Paragraph 6 is deleted.

- 7) A new Article 9a is added as follows:

Article 9a

1. *Requests for financial support shall be for projects meeting the following criteria:*

- (a) *be of Community interest, in particular as a result of:*
 - *the habitats or species concerned; or*
 - *the answers found to a problem frequently encountered in the Community;*
- (b) *make a significant contribution to the implementation of Community environment policy by promoting, in particular, a multinational or biogeographical region approach;*

- (c) *as regards nature conservation projects be aimed at the sites proposed by a Member State under Article 4 of Directive 93/42/EEC or sites classified pursuant to Article 4 of Directive 79/409/EEC or species mentioned in Annexes II and I respectively to those Directives;*
- (d) *as regards, in particular, demonstration, promotion and technical assistance projects:*
- *be innovative and example-setting and represent progress compared with the current situation or current available technology;*
 - *be capable of promoting widespread application of practices and technologies conducive to environmental protection;*
 - *aim at developing and transferring know-how which can be used in identical or similar situations;*
 - *have a satisfactory cost-benefit ratio and, where appropriate, guarantees of economic viability;*
 - *comply with the polluter pays principle.*

2. *Requests shall also meet the following conditions:*

- (a) *take account of studies and the means needed to transfer the knowledge acquired only where these activities contribute directly to the objective of the project financed;*
- (b) *in the case of projects other than those referred to in Article 2(1)(1), exclude*
- *any costs concerning investments in heavy infrastructure or investments of a non-innovative structural nature;*

- *research and technological development activities covered by the framework programme;*
- *activities already confirmed on an industrial scale;*

(c) *as regards projects to promote clean technologies and/or which generate income, provide for a financial contribution from the operator at least equal to the Community aid.*

3. *Applications not meeting the criteria set out in paragraph 1 shall be inadmissible and thus excluded from the evaluation procedure provided for by this Regulation. Costs which are not in accordance with the conditions set out in paragraph 2 shall be regarded as ineligible.*

- (8) In Article 12, the last sentence of paragraph 4 beginning: "*Every two years, ...*" is deleted.
- (9) In the second paragraph of Article 13 the words "*without prejudice to Article 8 of Directive 92/43/EEC*" are deleted.
- (10) A new Article 13a, worded as follows, is added:

Article 13a

The *Life* instrument shall be open to the associated Central and Eastern European countries (CEECs) in accordance with the conditions referred to in the additional protocols to the association agreements concerning participation in Community programmes (to be concluded) (concluded) with those countries.

- (11) Article 14 is replaced by the following:

Article 14

No later than 31 December 1998, the Commission shall submit a report to the European Parliament and to the Council on the implementation of this Regulation and on the use of appropriations and shall make proposals for any adjustment to be made with a view to continuing the action beyond the second phase.

The Council, acting by a qualified majority on a proposal from the Commission, shall decide on the implementation of the second phase as from 1 January 2000.

- (12) A new Article 14a is added:

Article 14a

Applications for financial support for measures which could not be granted such support because of the inadequacy of the financial resources available in 1995 may be taken into consideration in accordance with the conditions of this Regulation in the context of the 1996 budget year.

- (13) The Annex "Fields of action referred to in Article 2(1) and indicative allocation of resources referred to in Article 7(4)" is deleted.

Article 2

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

FINANCIAL STATEMENT

(XI.B.2)

1. TITLE OF OPERATION

Life - Financial instrument for the environment.

2. BUDGET HEADINGS INVOLVED

Items B4-3200, B4-3201, B7-8100, B7-603 (in part).

3. LEGAL BASIS

The proposal for modification of regulation EEC N° 1973/92 of the Council, of 21 May 1992, creating a financial instrument for the environment (*Life*) (OJ N° L206 of the 22/7/92, p. 1) has a double objective. On the one hand, it also aims to implement, on the basis of Article 14 of the Regulation, a second stage of financial assistance for a four-year duration, until 31 December 1999. On the other hand, it aims to improve the functioning of the regulation itself. Article 130S, Para. 1, of the Treaty EC makes it possible to achieve the latter objective.

With regard to the opening-up of *Life* the Central and Eastern European countries (CEECs), the Council Decisions of on the conclusion of additional protocols to the Europe agreements between the European Community and the European Atomic Energy Community and Bulgaria, Hungary, Poland, Romania, the Czech Republic, the Slovak Republic, Estonia, Latvia and Lithuania.

4. DESCRIPTION OF OPERATION

4.1 General objective

The financial instrument should help to develop and implement Community environmental policy and legislation. It should make for greater consistency in the attitude of Member States to environmental problems and provide a better balance between environmental policy and other Community policies. *Life* activity for the next four years will focus on four know areas:

- (a) where nature protection is concerned, *Life* will ensure priority implementation of the Natura 2000 network. The Commission takes the view that the real needs required to implement the directives in this area will exceed the financial resources available for nature protection under *Life*. Consequently, additional financial resources will have to be sought under other Community instruments;
- (b) in order to facilitate the implementation of Community environment policy in areas other than nature protection, *Life* will finance preparatory, demonstration, technical assistance, support and incentive schemes aimed at:
 - strengthening the link and complementarity between environmental regulations and structural financial assistance, in particular from Community funds and financial instruments for the environment;
 - helping local authorities to incorporate environmental considerations into regional planning;

- promoting sustainable development and the integration of the environment into industrial activities;
- (c) helping certain Mediterranean and Baltic third countries other than the associated CEECs to set up environmental administrative structures, establish environment policies and action programmes, and, take measures geared to sustainable development;
- (d) promoting the knowhow and experience gained.

In addition, *Life* will be open to CEECs for the implementation of international conventions and the resolution of common or global environmental problems once the additional protocols to the Europe agreements between the European Union and the States concerned have been concluded, in accordance with Article 3 of those protocols.

4.2 Period covered and arrangements for renewal

The first phase for application of the financial instrument covers the period from 1991 to the end of 1995.

A second phase from 1 January 1996 to 31 December 1999 is planned.

The Council will then decide on the implementation of a third phase as from 1 January 2000.

5. CLASSIFICATION OF EXPENDITURE OR REVENUE

- 5.1 Non-compulsory expenditure
- 5.2 Differentiated appropriations
- 5.3 Type of revenue involved: none

6. TYPE OF EXPENDITURE OR REVENUE

- Subsidy for joint financing with other sources in the public or private sector/100% subsidy.

The proposal to amend the *Life* Regulation lays down the areas and criteria for the financing of projects. Measures benefiting from Community aid may be multiannual or sectoral programmes and projects. After the project evaluation phase (described in point 9.2) the measures to be financed are adopted each year by the Commission after consultation of a management committee.

In the proposed amendment to the Regulation the rate of Community financial support is normally 50% of the eligible cost.

Nonetheless, this rate will be 30% of the cost for projects generating significant revenue and, by a way of exception, a maximum of 75% of the cost of projects concerning, in the European Community, natural habitats or priority species as defined in Directive 92/43/EEC. The rate of Community financial support for projects to provide technical assistance to third countries and for accompanying measures on the initiative of the Commission is a maximum of 100% of the cost of these actions.

- Interest subsidy: provided for in the draft amendment to the Regulation

- Accompanying measures needed to prepare, analyse, evaluate or promote action developed under Article 2(1) and (2) and the dissemination of information on this subject: provided for by the draft amendment to the Regulation
- Other: not provided for by the Regulation
- Should the operation prove an economic success, is there provision for all or part of the Community contribution to be reimbursed? No
- Will the proposed operation cause any change in the level of revenue? If so, what sort of change and what type of revenue is involved? No

7. FINANCIAL IMPACT

7.1 Method of calculating total cost of operation

Given the enlargement of the European Union and maintenance of the instrument's aid capacity in real terms, ECU 450 m is set aside for the implementation of the second phase.

In addition, the additional protocols to the Europe agreements in the process of being concluded between the European Union and the associated CEECs provide for the opening-up of certain Community programmes, including *Life*, to the CEECs.

Budget heading B7-603 have been set up for this purpose. Given that a running-in period for CEEC participation in Community programmes is involved, the appropriations required cannot be estimated exactly. Consequently, a token entry (p.m.) has been requested. The appropriations available will be allocated among the programmes at the appropriate time on the basis of the needs expressed by the countries concerned and the intrinsic quality of the initiatives submitted in the context of the various programmes; the allocation will be determined in accordance with Article 3 of the additional protocols to the Europe agreements.

7.2 Itemized breakdown of cost (CA, in MECU)

<u>Breakdown by area referred to in Article 2</u>	<u>Budget 1996</u>	<u>Budget 1997</u>	<u>Budget 1998</u>	<u>Budget 1999</u>	<u>Total 1996-99</u>
"Nature" schemes in EU ^{1,2} (B4-3200)	42.700	46.000	58.800	65.903	213.403
Other schemes in EU ^{1,3} (B4-3201)	42.700	46.000	58.800	55.905	213.405
Schemes in non-CEEC third countries (B7-810)	4.600	5.000	6.400	7.192	23.192
Total LIFE schemes in associated CEECs (B7-603) - in part⁴	90.00 p.m.	97.00 p.m.	124.00 p.m.	139.00 p.m.	450,00

¹ Including 3% of the appropriations for accompanying measures.

² Schemes designed in particular to implement Directives 79/409/EEC (conservation of wild birds) and 92/43/EEC (habitats).

³ With regard to points (b) and (c) of Article 2, paragraph 1.2, on the basis of past experience it is estimated that 60% will be public-sector initiatives and 40% private-sector initiatives.

⁴ Given that a running-in period for the participating of CEECs in the Community programmes is involved, a token entry (p.m.) is requested, as the appropriations required cannot be estimated exactly.

7.3 Indicative schedule of appropriations (amounts expressed in MECU)

	<u>1996</u> <u>Budget</u>	<u>1997</u> <u>Budget</u>	<u>1998</u> <u>Budget</u>	<u>1999</u> <u>Budget</u>	<u>Total</u>
CA	90.0	97.0	124.0	139.0	450.0
PA					
1996 Budget	23.4	0.0	0.0	0.0	36.0
1997 Budget	30.6	38.8	0.0	0.0	56.8
1998 Budget	18.0	19.4	49.6	0.0	87.0
1999 Budget	18.0	19.4	24.8	55.6	117.8
Budget > = 2000	0.0	19.4	49.6	83.4	152.4
Total:	90.0	97.0	124.0	139.0	450.0

8. FRAUD PREVENTION MEASURES

Articles 10, 11 and 12 of the Council Regulation lay down provisions to check proper implementation of the measures financed. Under these provisions the Commission organizes on-the-spot checks to visit the main projects and projects encountering certain problems. These measures show the technical progress of the project and also that the appropriations granted are being properly used.

Where fraud is suspected Financial Control is asked to make a spot check, if possible, and to take any further steps with the departments concerned in conjunction with this department. Furthermore, *Life* decisions provide for the submission prior to any financing of a bank guarantee covering 40% of the Community contribution for beneficiaries from the private sector and the obligation on the part of all beneficiaries to undergo an audit by an approved auditor before closure of the financial dossier.

9. ELEMENTS OF COST-EFFECTIVENESS ANALYSIS

9.1 Specific and quantifiable objectives; target population

- Specific objectives: links with general objective

Where nature is concerned, the specific objective will be to promote, as a matter of priority, the measures needed for the maintenance or re-establishment of priority types of natural habitats and priority species.

Where the measures in the European Union other than those relating to nature protection are concerned, the objectives are to:

- help define the infrastructure investments needed to implement Community environmental legislation and to undertake preparatory and support measures to increase the efficiency of aid for the environment;
- promote sustainable development in industry via demonstration, incentive and technical assistance projects;
- promote better land use by taking environmental considerations into account in the spatial distribution of socio-economic activities.

Where third countries are concerned, the aim is to provide technical assistance in order to resolve the most urgent and pressing problems. Lastly, where the accompanying measures are concerned, the aim is to ensure a better cost-benefit ratio for assistance from the instrument and to prevent any fraud.

- An analysis of the beneficiaries of *Life* for 1993 (projects to protect nature in the strict sense and the protection of habitats: category A2, excluding the first and second paragraphs of the Annex to the Regulation) shows the following breakdown for a hundred or so projects financed:
 - private sector (companies, business partnerships): 44%
 - public sector (civil service, local authorities): 41%
 - partnership between private and public sector: 4%
 - non-governmental organizations and associations: 8%
 - universities and research centres: 3%.

The private projects (businesses) financed by *Life* in 1993 are mainly in new technologies and waste recycling (demonstration projects).

The new technologies comprise activities concerning the surface treatment, textiles, tanning, paper and agri-foodstuffs sectors.

Some 18 of the 23 projects financed in the field of new technologies come from industry. Industry also accounts for a good deal of the waste recycling projects, with 15 out of 23.

In the public sector local authorities (29% of the projects financed by *Life 93*) are more prevalent than Central Government (12%).

Central Government projects are concentrated on four priorities relating to public environmental services. In order of number of projects, integrated river basin management is followed by the development of monitoring networks, training for environmental impact assessment of major infrastructures and integration of the environment in regional planning and development. Regional authorities are mainly involved in areas outside environmental impact assessment. However, integration of the environment in other activities has been one of their main areas.

Associations and NGOs are engaged essentially in projects to integrate the environment in regional planning and development, tourism and transport. New clean technologies and waste recycling are also covered, with two projects each.

- An analysis of the target population for the second phase of *Life* cannot be undertaken until the Commission has approved the list of the most deserving projects.

9.2 Grounds for the operation

- Need for Community financial aid

In the explanatory memorandum the Commission justifies in detail the need for the financial instrument, quoting in particular subsidiarity, the polluter pays principle and the choice of priority measures.

It is impossible to define a coherent and effective strategy in the field of the environment without combining three lines of action:

- legal approach
- economic and fiscal means
- financial instruments.

Combining these means also helps to achieve the consensus needed to develop and implement Community policy.

The prime role of this financial instrument is to help implement Community environmental policy and legislation, principally through the financing of preparatory, demonstration, promotion and technical assistance projects along with measures to maintain and restore natural habitats.

Life occupies a special position amongst the Community's other financial instruments. The first category of measures, for example, includes demonstration projects for new and clean technologies. In chronological terms these come at the end of the research stage and upstream of investments on a large scale. Between these two stages it is useful to check the use of a new technique or procedure or to carry out particularly example-setting trials. This phase is extremely important in that it enables the results of research to be tested and possibly analysed for cost-effectiveness and investments to be directed, in full knowledge of the facts, towards new technologies which are better for the environment.

As regards the protection of habitats and nature, *Life* measures are geared to the conservation of and emergency aid for protected areas or areas sheltering endangered species.

Selection criteria

The *Life* information package contains both criteria for admissibility and eligibility (in terms of form, content and financial aspects) and criteria for the selection of projects. The evaluation system used for 1995 is more or less as follows:

Phase 1.0

The authorities of the Member States check the admissibility of the projects received in accordance with the criteria laid down in the *Life* information package.

Three copies of all the admissible projects are sent to Brussels.

Phase 1.1

The projects considered admissible after Phase 1.0 are examined by the national authorities for their technical and financial eligibility in accordance with the criteria laid down in the *Life* information package.

Phase 1.2

Projects considered eligible after Phase 1.1 are evaluated by the national authorities (together with their experts). This results in a restricted list ("R" list) made up of projects likely, according to the national authorities, to receive Community support. Each project on the "R" list is accompanied by the evaluation and the grounds for the choice.

Phase 2.0

Unit XI.B.2 checks the admissibility of all the projects that have successfully come through Phase 1.0 in accordance with the criteria laid down in the *Life* information package. These projects must be sent to XI.B.2 by 31 March 1995 at the latest. Any divergence from the result obtained by the Member State will be clarified on a bilateral basis. The Commission then sends a compilation of all the summaries of projects considered admissible to the national authorities.

Phase 2.1

Projects which successfully come through Phase 2.0 are checked for their technical and financial eligibility in accordance with the criteria laid down in the *Life* information package, which are also contained in the proposed amendment to the Regulation. Any divergence from the result obtained by the Member State will be clarified on a bilateral basis so that the final list of eligible projects can be drawn up.

Phase 2.2

The projects considered eligible after Phase 2.1 are evaluated by XI.B.2 with the help of other DGs or experts (four firms of consultants are currently working for XI.B.2) and in accordance with the criteria laid down in the *Life* information package. This results in a restricted list ("R+" list) containing all the projects on the "R" list (possibly accompanied by negative comments) plus projects warranting Community support for their quality.

Phase 3.0

From the lists of experts submitted by the various national authorities the Commission convenes groups of experts per field in which Commission experts also participate. This leads to the establishment, for each of the priority areas of activity, of a list of projects classed from most deserving to least deserving.

Phase 3.1

Taking account of the result of Phase 3.0, of its own evaluation and of the funds available, the Commission draws up a final list of projects which is submitted to the *Life* Management Committee for approval.

As regards the amount of Community financing, the Regulation sets limits on the rate of support according to the nature of the projects. Furthermore, a specific control is run on the financial aspects, which leads, more often than not, to a reduction in the actual percentage of Community participation requested by the applicants in that certain costs are considered ineligible.

Choice of ways and means

Aid from this financial instrument takes different forms of financing (see point 6 above). 100% financing is only provided for in a limited number of cases, the general rule being joint financing. This further accentuates the multiplier effect of the projects selected.

That said, evaluation and accompanying measures within the Commission are covered in full.

Main factors of uncertainty which could affect the specific results of the operation

These are mainly technical difficulties (e.g. new technologies).

9.3 Monitoring and evaluation of the operation

(a) *Ex-ante* evaluation

Since *Life* is a financial instrument which supports very varied demonstration projects, *ex-ante* evaluation relates exclusively to each individual project for which assistance is requested. These individual evaluations have been described in detail in point 9.2. General evaluations relating to sectors or areas covered by the instrument are not yet warranted given that the instrument only finances a very limited number of projects per sector.

(b) Evaluation of projects in progress

On-the-spot checks are carried out on average twice a year by the Commission and/or experts called upon to assess the progress of the work. The Commission adopts a preventive approach in order to make the beneficiary responsible by means of continuous and systematic observation and to detect in good time any technical or management problems which could jeopardize the project. In addition, these checks are of general interest by making it possible to detect overlaps between various projects and prepare the successive stage of transfer of results.

(c) *Ex-post* evaluation

The *ex-post* evaluation will concern the results by project and by area of assistance, in particular as regards the various industrial sectors concerned by clean technologies. In this connection, the management committee has received from the Commission a proposal aimed at establishing a strategy for the evaluation and dissemination of the knowhow acquired through the financing of the projects. The first stage will concern the evaluation of environmental benefits on the basis of the experience acquired and the publication of essential data in *ad hoc* brochures. During the second stage, meetings will be organized by sector (e.g. paper, plastic, tanneries, surface treatment) and/or by Member State in order to promote the use of the best solutions tested and to network the projects in order to facilitate the transferability of results.

9.4 Coherence with financial programming

- Is the operation incorporated in the DG's financial programming for the relevant years? Yes.
- To which broader objective defined in the DG's financial programming does the objective of the proposed operation correspond?

Life is a DG XI programme designed to implement Community environmental policy and legislation.

10. ADMINISTRATIVE EXPENDITURE (PART A OF THE BUDGET)

This section must be sent to DGs XIX and IX; DG IX will then send it to DG XIX with its opinion.

- 10.1 Will the proposed operation involve an increase in the number of Commission staff? If so, how many? No (except for enlargement).
- 10.2 Indicate the amount of staff and administrative expenditure involved in the proposed operation. Explain the method of calculation. (not relevant)

IMPACT ASSESSMENT FORM

IMPACT OF THE PROPOSAL ON BUSINESS

Title of proposal: Proposal for a Council Regulation (EC) amending Council Regulation (EEC) No 1973/82 establishing a financial instrument for the environment (*Life*)

Proposal

The proposal sets out to implement the second phase of the *Life* programme on the basis of the experience gained during the first phase from 1991 to 1995.

This experience suggests concentrating Community financial support by reducing the areas of activity provided for by Regulation 1973/92, improving transparency and simplifying management procedures by providing a clear definition of the selection and evaluation criteria for initiatives for which financing is proposed.

Impact on business

Who is affected by the proposal?

The proposal offers the possibility of financial support for initiatives presented by both public bodies and private undertakings or organizations.

The breakdown of finances and the type of measures envisaged, mainly demonstration and technical assistance, suggest that businesses will benefit enormously from *Life*.

What will businesses have to do to comply with this proposal?

This proposal is based on businesses' capacity for initiative in that it offers potential financing to applicants. The proposal imposes no constraints except for competition based on the inherent value of the proposals.

In this respect setting transparent criteria can only make for easier and fairer access to the possibilities offered by *Life* by reducing the risk of ineligible projects being submitted and, consequently, by reducing the costs of preparing projects.

The accent placed by this proposal, in particular in its (new) Article 2(b), on innovative industrial projects should fully satisfy companies in the European Union, especially the more dynamic among them. It will make for competition between companies and help towards progress and sustainable development.

What economic effects is the proposal likely to have?

On employment

The proposal will obviously boost employment, not only by way of implementation of the projects, but also through the encouragement to use innovative and reproducible processes.

On investment and the creation of new businesses

Financial support from *Life* should have a significant multiplier effect in terms of the amounts invested.

As to the creation of new businesses, it is difficult to estimate the effect of the aid, but new businesses will indeed probably be created in sectors where demonstration projects of new and clean technologies are crowned with success.

Does the proposal contain measures to take account of the specific situation of SMEs (reduced or different requirements)?

The criteria for selecting proposals eligible for *Life* make no distinction between economic size or category of the applicant, *Life* being designed to offer financial support only to the best proposals submitted.

PROGRESS REPORT ON IMPLEMENTATION OF THE
LIFE REGULATION AND EVALUATION OF THE
ACTION BY THE COMMUNITY RELATING TO THE ENVIRONMENT
ACE, MEDSPA, NORSPA AND ACNAT

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RESUME

The object of this report is to present the progress achieved in the implementation of the regulation creating a financial instrument for the environment (*LIFE*) and, to concentrate on the use of appropriations, and to formulate proposals on the possible amendments to be made to this regulation to continue the action beyond its first stage.

After a historical review of the Community programmes for the environment which were later amalgamated into *LIFE*, the report describes the types of actions financed in the various priority fields and offers statistics on the budgetary implementation both by field and by Member State.

The brevity of the period of implementation of the instrument and the limited number of finished projects do not make it possible to draw yet conclusions well elaborated. However, the report concludes that, Community interventions gave positive results overall with today's perspective.

Difficulties encountered in day by day management made it possible to identify the points on which improvements should be made to the financial instrument. There should be better visibility of the fields of intervention, improvement to the effectiveness of the instrument by differentiating it from the research activities and the structural interventions, greater transparency of the procedures and better analysis of the results obtained.

An annex to the report describes other financial instruments which can give their support for actions concerning the environment.

I. INTRODUCTION

1. Council Regulation (EEC) No 1973/92 established a financial instrument for the environment (LIFE)¹ for the Community incorporating and restructuring the Community programmes and activities adopted by the Council since 1984. The objective of this instrument is to contribute with the development and implementation of Community environmental policy and legislation. The Regulation lays down the detailed rules for assistance from this instrument during the first phase, which will end on 31 December 1995. Article 14 requires the Commission to report to the European Parliament and the Council, no later than 31 December 1994, on implementation of the Regulation and to make proposals for any adjustments needed with a view to continuing the action beyond the first phase.

In addition, Article 12(4) of the Regulation provides for submission of a progress report to the European Parliament and the Council on the implementation of LIFE and, in particular, on the use of the appropriations.

This report has been written in response to Articles 12 and 14 of the Regulation.

This report does not attempt to analyse any cost/effectiveness ratio for the instrument. Indeed, the wide range of the fields covered, the limited number of demonstration projects financed in each one of those and the limited number of projects completed do not allow to undertake such an analysis. It shall be given at the end of the 2nd phase of the instrument.

2. The analysis of the action predating the LIFE instrument is useful in several ways:
 - it brings out the link between LIFE and these measures, on which the objectives and implementing procedures for LIFE were largely based;
 - it allows more meaningful evaluation of the results and conclusions, thanks to the longer time-scale covered (1986 to 1993);
 - finally, it meets the obligations imposed by the specific Regulations on each of the instruments in question.

¹ OJ No L 206, 22.7.1992, p. 1.

3. The report also covers certain aspects of management of the instrument, the project selection procedures, monitoring of the activities on the projects selected and the effectiveness of the instrument, measured against the objectives set.
This critical analysis is intended primarily to put forward proposals to make LIFE more effective, to bring it closer to the priorities set in the fifth action programme on the environment now in force and to provide a better response to the Member States' expectations in the second phase, if not in the remainder of the first phase.
4. In recent years as the environment has been taken into account in other Community policies, whether on research, socio-economic development or technology, spending on environmental schemes from the Community budget has grown.

This report gives a brief description of the main Community instruments active in this field in order to complete and update the details given by the Commission in 1990 when it submitted the proposal for the LIFE Regulation to the Council.

II. BACKGROUND TO THE INTRODUCTION OF THE FINANCIAL INSTRUMENTS FOR THE ENVIRONMENT AND IMPLEMENTING REGULATIONS

1. Background

During the 1982 budget negotiations the European Parliament entered the first funds for descriptive analyses and pilot projects on the environment.

In 1982 ECU 6.5 million was shared between four separate fields:

- aid for the development of "clean" technologies which cause little or no pollution and save natural resources (ECU 1.5 million);
- protection of the natural environment in certain sensitive areas of importance to the Community (ECU 2.5 million);
- implementation of the Community legislation on certain forms of pollution (ECU 1 million);
- environmental measures likely to help generate new jobs (ECU 1.5 million).

This total was cut back to ECU 2 850 000 in 1983, when only "clean" technologies retained their 1982 budget of ECU 1.5 million. In practice, this operation must be considered as paving the way for the first Community initiative on the environment officially decided by the Council and governed by an ad hoc Regulation.

In particular, in January 1983, in response to repeated requests from Parliament, the Commission submitted to the Council a proposal for an appropriate legal basis for action in the form, in particular, of financial support targeted on two priority fields: clean technologies and protection of certain sensitive areas of importance to the Community.

2. ACE Regulations (Regulations (EEC) No 1872/84 and 2242/87)

- 2.1 The first Regulation on action by the Community relating to the environment (ACE) was adopted by the Council on 28 June 1984. It covered the three-year period starting on 4 July 1984 and ending on 3 July 1987 and was granted a budget of ECU 13 million, 50% of which was earmarked for biotopes. To be more precise, total commitment appropriations of ECU 13 450 000 were granted, of which ECU 6 825 000 was for biotopes.

Financial support was offered for:

- (a) demonstration projects aimed at developing new "clean" technologies;
- (b) demonstration projects aimed at developing new techniques and methods for measuring and monitoring the quality of the natural environment;
- (c) projects providing an incentive and aimed at contributing towards the maintenance or re-establishment of seriously threatened biotopes which are the habitat of endangered species and are of particular importance to the Community, under Council Directive 79/409/EEC.

The Community support could not exceed 30% of the cost of the projects in fields (a) and (b) or a maximum of 50% for the projects on biotopes.

The Regulation stipulated that the projects on clean technologies must be innovatory, provide a demonstration and first and foremost concern pollution considered serious, either because of the large amounts emitted or because of the risks posed to the environment.

An advisory committee was set up to help the Commission to decide on all aspects of management of this action. A procedure was established for referring to the Council any differences of opinion with a Member State.

Annex I to the Regulation contained a list of the branches of industry eligible for support for clean technologies.

2.2 Council Regulation (EEC) No 2242/87² extended ACE for a further four years, ending on 29 July 1991. The principal changes compared with the original Regulation were:

- (a) extension to three new fields of activity:
 - demonstration projects aiming at developing techniques for recycling and reusing waste, including waste water;
 - demonstration projects aimed at developing techniques for locating and restoring sites contaminated by hazardous wastes and/or hazardous substances;
 - projects providing an incentive and aimed at contributing towards the protection or re-establishment of land threatened or damaged by fire, erosion and desertification;
- (b) the amount deemed necessary was raised to ECU 24 million for the four years. Note that this amount was no longer divided between "nature" and "non-nature" projects;

² OJ No L 207, 29.7.1987, p. 8.

(c) the maximum Community contribution to projects on new measuring techniques and methods or to protect land threatened by fire, erosion and desertification was raised from 30% to 50%.

The maximum contribution to biotope projects in turn was raised from 50% to 75% (albeit by way of exception);

(d) the Annex defining the priority fields was omitted.

3. MEDSPA Regulation (Regulation (EEC) No 563/91)

In 1984 the Commission switched from the sector-by-sector approach to a geographical approach, for selected particularly endangered regions when it published its first communication on the protection of the environment in the Mediterranean basin³.

The approach proposed devising a strategy and action plan to create conditions conducive to harmonious development of socio-economic activity in this region. The Commission allowed itself three years to formulate a consistent package of measures.

The preparatory phase (1986 to 1988) was spent primarily on:

- closer identification of the priority fields for assistance;
- verification of the prospects for cooperation between the coastal states;
- testing the effectiveness of campaigns to raise public awareness of environmental issues.

ECU 900 000 was available from the budget in 1986, ECU 1 000 000 in 1987 and ECU 1 500 000 in 1988.

At the end of this preparatory period, in November 1988 the Commission sent the Council a communication on the protection of the environment in the Mediterranean region,⁴ setting out the broad lines of a ten-year strategy and action plan. One year later this communication was followed by a proposal for a Regulation defining the financial resources required and the detailed rules for use thereof.

On 4 March 1991 the Council endorsed this initiative by adopting Regulation (EEC) No 563/91 on action by the Community for the protection of the environment in the Mediterranean region (MEDSPA).⁵

³ COM(84) 206 final.

⁴ COM(88) 392 final.

⁵ OJ No L 63, 9.3.1991, p. 1.

For the first time, action with the principal objective of protecting the environment went beyond the frontiers of the Community and encompassed the entire Mediterranean region, including the non-Community countries, plus the part of the Iberian Peninsula south of the river Tagus. MEDSPA was planned to last ten years, subdivided into two five-year phases. A total of ECU 25 million was allocated for the first two years.

As in the case of the ACE Regulation, the Community contribution could vary between 30% and 50% depending on the type of project (private investments other than in infrastructure projects or pilot and demonstration schemes). However, 100% funding could be granted for information and public awareness campaigns and for measures implemented on the initiative of the Commission.

A Management Committee was set up to assist the Commission with implementing the action and to vote on the decisions to be taken. In the event of disagreement, the Council acts by qualified majority.

The Annex to the Regulation specifies the priority measures eligible, as follows:

Action in the Community on:

- waste water and solid waste from small coastal towns;
- sewage sludge and toxic and dangerous waste;
- water from ships' tanks;
- integrated management of biotopes;
- protection against fire, desertification and coastal erosion.

Action in non-Community Mediterranean countries on:

- establishment of administrative structures;
- establishment of policies and action programmes.

It must be stressed that the close similarities between these priorities and the priorities set for the ENVIREG programme demonstrate that one of the objectives of MEDSPA was to complement the programme of regional action concerning the environment on the initiative of the Commission.

4. NORSPA Regulation (Regulation (EEC) No 3908/91)

To cover all the maritime and coastal regions of the Community, especially particularly sensitive or endangered regions, a Regulation to protect the coastal waters of the Irish Sea, North Sea, English Channel, Baltic Sea and North-East Atlantic Ocean, as well as the Azores, Madeira and the Canary Islands (NORSPA) was drafted to complement the action taken under MEDSPA in the Mediterranean region.

This Regulation was adopted by the Council in December 1991⁶ and entered into force on 31 December 1991. It applied until 23 July 1992 when the LIFE Regulation repealed it.

Despite this short duration, it nevertheless received ECU 16 420 000, of which:

- ECU 2 million was allocated to the preparatory phase in 1989;
- ECU 5.5 million was allocated in 1991, plus ECU 3.2 million approved by the European Parliament for the new Länder from the former German Democratic Republic and a further ECU 5.72 million under the budget heading for LIFE in 1991.

The NORSPA Regulation was based largely on the MEDSPA Regulation. However, a number of new priorities were added to the list of measures to be taken in the region concerned, namely:

- reduction of inputs of nutrients and of persistent, toxic and bioaccumulative substances;
- dumping of sewage sludge and of contaminated dredged materials;
- speeding up of the application of emission standards for pollution from specific sources.

NORSPA had the following measures in common with the MEDSPA Regulation:

- treatment of water from ships' tanks;
- integrated management of biotopes;
- protection of marine life;
- protection of soil threatened by forest fires and coastal erosion;
- action in non-Community countries.

5. ACNAT Regulation (Regulation (EEC) No 3907/91)

As the ACE Regulation expired in 1991 and the Community was about to extend its powers in the field of nature conservation (in the form of a proposal for a Directive on the conservation of natural habitats and of wild fauna and flora), in December 1991 the Council adopted a separate Regulation on action by the Community relating to nature conservation (ACNAT) (OJ No L 370, 31.12.1991).

⁶ OJ No L 370, 31.12.1991, p. 28.

As a result of this instrument projects to protect birds and sites under the Directive on wild birds and conservation schemes for other endangered species and habitats were eligible for support from the Community, in anticipation of the Directive on habitats. However, ACNAT was repealed almost immediately when a new Regulation covering all aspects of the environment - the LIFE Regulation - was adopted at almost the same time as the habitats Directive in May 1992.

6. LIFE Regulation (Regulation (EEC) No 1973/92)

The need to coordinate the action taken by the Community relating to the environment and to recentralize the funds in a single financial instrument in order to make the support more efficient and reduce the administrative management costs resurfaced in 1990, when the European Parliament decided to add a heading entitled European Environment Fund, without any allocation, to the 1990 budget.

The case for such a Fund was discussed by the European Council in Dublin and had been long debated within the various Community institutions.

None of the solutions proposed for financing this Fund could satisfy all the political decision-makers. The idea was therefore abandoned.

Instead, a distinction was drawn between structural environmental measures, which were to be covered by the Structural Funds and, later, by the Cohesion Fund, and preparatory and demonstration measures under a single instrument bringing together the various existing instruments to support the Community's environment policy. LIFE therefore replaced both the form and content of the ACE Regulation (which had expired) and of the MEDSPA, NORSPA and ACNAT Regulations.

The Regulation establishing a financial instrument for the environment (LIFE)⁷ was adopted on 21 May 1992 and was allocated an estimated budget of ECU 400 million for the period from 1991 to 1995.

Taking account of the funds allocated in 1991 to the pre-LIFE programmes, this total broke down as follows:

⁷

OJ No L 206, 22.7.1992, p. 1.

LIFE BUDGET IMPLEMENTATION (1991 to 1995)

Year	operating appropriations			administrative expenditure	Total		Grand total	
	B4-320/B4-350		B7-810		PDB	Budget	PDB	Budget
	PDB	Budget						
	1	2	3	4	4 = 1+3+4	5 = 2+3+4	6	7
1991		33.689	0.996	1.869		36.554		
1992		88.414	3.063	3.965		95.442		131.996
1993		65.303	3.500	1.167		69.970		201.966
1994		95.499	4.775	1.200		101.474		303.440
1995	89 500	95.000	5.750	1.300	96.550	102.050	399.990	405.490
TOTAL		377.905	18.084	9.501		405.490		

III. USE OF THE INSTRUMENTS

Between 1987 and 1991 the ACE programme financed 53 projects to protect biotopes and 55 projects on clean technologies. In 1992 ACNAT provided support for 12 nature conservation projects.

The Community contributed a total of ECU 41 million towards a total investment of almost ECU 92 million, giving an average Community contribution of 44.5%.

Between 1986 and 1992 the MEDSPA programme provided funding totalling almost ECU 36 million for 197 projects representing a total investment of ECU 103.6 million, equivalent to an average Community contribution of 35%.

The ECU 16 million available from NORSPA funded 14 projects with total spending of ECU 40.65 million.

Over the first two years of the programme (1992 and 1993) *Life* contributed to funding 225 projects, of which 45 were on nature conservation.

A total of ECU 406 million was invested in these projects, ECU 135 407 000 of which was financed by *Life*.

Tables 1 to 4 in Annex 1 show the breakdown of the Community funding, by year and by priority specified in the Annex to the *Life* Regulation.

Tables 5 and 6 in Annex 1 give an overview of all the instruments analysed, by country receiving financial support from the Community.

IV. RESULTS OF THE EVALUATION

1. The lessons of the past

By 1993 the ACE, MEDSPA, NORSPA, ACNAT and LIFE programmes had funded 597 projects.

The analysis in this report covers only the 258 projects completed or abandoned by 31 March 1994. It is based on an evaluation by Commission staff and the consultants assisting them with the management tasks and on documents produced in the course of the individual projects such as final reports, brochures, proceedings of conferences and symposiums, press reviews, etc.

In addition, to sound out the project leaders' views on certain issues, the Commission sent a questionnaire to all recipients of financial support concerning progress on the project, the principal results and, above all, any multiplier effects and measures taken to disseminate the results of the demonstration projects.

The massive response rate to this questionnaire (90%) provided the Commission with a rich source of information which gave a fuller picture of the conditions in which the projects were implemented, of any difficulties encountered, of the environmental impact, of the regulatory decisions taken on the subject and of what became of the project after the contract with the Commission expired.

1.1 ACE-Clean technologies (1989-1990)

This analysis showed that half of the ACE 88 projects and 71.5% in the case of ACE 89 had produced extremely satisfactory-technological and economic results.

Another 23% and 9.5% respectively had produced less clear-cut results, while 27% and 9.5% had yielded poor results.

The other 9.5% of the ACE 89 projects had not yet been completed.

Considering the difficulties inherent in new technologies, this result can be considered promising

The extremely marked year-on-year decline in the proportion of projects producing poor results (down from 27% to 9.5%) shows that certain shortcomings have been corrected in the light of experience in the field. The failures were due in particular to:

- abandonment by the proposer because of difficulties in raising additional funding, in obtaining the requisite authorizations from the local authorities or other technical difficulties, such as the departure of specialists in the technologies tested;

- bankruptcy of the undertaking;
- in one single case, termination ordered by the Commission because of irregularities in the accounts and the contractor's refusal to allow inspection.

One third of the respondents responsible for the 24 ACE projects on clean technologies said they had encountered difficulties when applying for support. The principal reasons given were :

1. difficulties in raising further finance;
2. lack of information about the programme;
3. deadline for submission of proposal too short,

followed, to a lesser extent, by:

4. administrative delays in the organization;
5. administrative delays at the Commission.

A relatively high proportion (40%) said they had obtained economic, social or commercial benefits, such as job creation, improvement of working conditions and savings in raw materials.

The other 60% replied that it was too early to say.

Some 37% of the projects have already been reproduced, either in the same branch of industry or in other sectors.

Measures have been taken or are planned to disseminate the results of all the projects, with a marked preference for publication in the specialist press, followed by seminars, workshops or fairs and publication of brochures.

1.2. ACE-Biotopes (1985-1991) and ACNAT (1992)

Only one project encountered difficulties in the preparatory phase caused by administrative delays in the proposer's own organization and difficulties in raising finance.

As regards progress with the projects, 64 were completed on time, 5 have been partially completed and 5 were abandoned.

The main reasons for abandonment were problems with land ownership, land acquisition or with obtaining long leases.

In all 53 of the 69 projects had fully attained the objectives set, 15 had partially attained them and one had failed.

As regards protection of the sites concerned, leaving aside 7 database projects for which this question is inapplicable and 2 unprotected sites, 24 of the remaining 60 sites were protected by an international convention.

After the projects 6 more were added to the list, 3 of them at the proposal stage. Some 24 of the sites were classified as areas of Community interest. A further 25 were added after completion of the project, with one more awaiting classification. Some 25 of the sites were protected under the national legislation, with a further 13 added later and 2 more awaiting classification. Finally, 13 sites were protected under the regional legislation. By the end of the project 9 further sites were added to this list, with two more awaiting classification.

This long list shows to what extent the interest aroused by Community support can unblock or speed up the political decision-making process for classifying and granting official legal protection to habitats.

As regards the impact of the projects, apart from the benefits for the environment and natural habitats, 23 have strengthened the role of NGOs as partners in managing the projects and 13 have generated alternative or additional income for the local community (e.g. creation of jobs in catering and commerce, for nature guides, guards, etc.).

One noteworthy point on this subject is that 55 of the 69 projects analysed generated jobs, including 195 regular full time jobs, 66 regular part time jobs, 52 temporary jobs (including 4 for disabled persons) and 67 seasonal jobs.

In all the 68 ACE projects and one ACNAT project have generated 380 jobs, not counting the 703 jobs created while 66 of the projects were in progress.

1.3. MEDSPA (1986-1991)

To date, 130 of the 197 projects in this programme have been completed. A further 14 projects (7%) were abandoned without any result; 3 more were partially completed, but with unsatisfactory results.

The reasons why 14 projects were abandoned before completion

- fraudulent bankruptcy of the undertaking (1 case);
- technical difficulties and change of programme due to natural disasters (1 case);
- change of government after local elections won by a new administration uninterested in the project (3 cases);
- inability to raise funding from other sources (3 cases);
- technical difficulties with the process (4 cases);
- withdrawal of one of the two partners in an intra-Community project (2 cases).

In one case an attempt by the consultant to change the original approach in mid-project was given as the reason for failure to attain the full results and in another security reasons, connected with the political situation in the country receiving the support. Technical problems stopped work on a third project.

Some 20% of the recipients encountered difficulties during the preparatory phase on the following grounds, in decreasing order of importance:

- administrative delays within their organization (30%);
- administrative delays at the Commission (30%);
- deadline for submission of proposal too short (20%);
- difficulties in raising finance (20%).

The diversity of the fields covered by MEDSPA makes it difficult to give details of the positive results attained by the various projects. They range from technological success (29 cases) to social benefits (22 cases), to business success (7 cases) and reproduction of the results of the project (22 cases).

Some 50 projects contributed to the development of environmental policy, 31 to promotion of sustainable development, 39 to closer cooperation between Member States and 34 to closer cooperation with non-Community countries.

On the subject of the category of projects providing technical assistance for non-Community Mediterranean countries, the satisfaction expressed by the competent authorities in the countries concerned must be stressed, together with the comments highly praising the cooperation with the Commission.

1.4. NORSPA (1989-1991/92)

NORSPA funded 38 projects, 17 of which have been completed. None was abandoned.

Four projects reported difficulties when applying for funding. The reasons given were lack of information about the programme, administrative delays in their own administration, administrative delays at the Commission and difficulties in raising funding.

Just one of the 14 projects achieved only some of the objectives set in the proposal.

Ten projects contributed to the development of environmental policy, six developed tools for implementing environmental policies and seven successfully produced innovative technologies.

Three projects produced tangible social or economic benefits, while seven others developed technology which has been reproduced elsewhere. Dissemination activities were organized for nine of the projects.

Ten projects produced closer cooperation between the Member States and nine with non-Community countries.

1.5. LIFE (1992)

Only 4 of the 182 projects funded by LIFE have been completed. Two were abandoned after selection because it proved impossible to carry them out in the form originally planned.

Not enough projects have been completed to give an assessment based on representative data. Generally, however, the experience acquired with the various programmes before LIFE was confirmed during the initial phase of the work on LIFE.

2. **Activities in progress: LIFE 1993-1994**

Analysis of the projects submitted under LIFE in 1993 and 1994 provides interesting insights into the distribution of the projects between the priority sectors and the proportion of projects selected in relation to the total number of applications received.

The figures in Table 7 in Annex 1 show that the development of waste disposal techniques and the development of models to integrate environmental action into land use planning and management and socio-economic activities have been the most popular sectors.

Slightly behind these come proposals on the protection of habitats and the development of new clean technologies.

None of the other priorities, apart from action outside Community territory, pass the 10% mark. This clearly illustrates where the needs are and where there is the greatest demand in the Member States.

In 1994 the proportion of proposals funded varied between 10% and 20% of the applications received. This was a marked improvement on 1993 when only four categories fell within this range. This result is due primarily to better preparation and presentation of the proposals, no doubt as a result of the fuller information supplied by the Commission on the objectives and procedures for LIFE.

3. The results

Analysis of the projects funded shows that a large number have produced generally positive results clearly recognized as useful. Some have even been a success in technological or business terms, have created jobs or have influenced decisions leading to a tangible improvement in the quality or level of protection of the environment.

In contrast to the ad hoc approach followed by the funding from the pre-LIFE instruments, the support from LIFE has taken a more sectoral approach, particularly in the case of new technologies. In this connection, the experience gained with ACE and MEDSPA has been built on and extended, particularly in the tanning, paper, textile, surface treatment and food industries.

By way of example, in the tanning industry LIFE has been working with the trade associations concerned to identify the most urgent pollution problems to resolve. LIFE has provided support for 10 or so demonstration projects to develop clean technologies for the most critical phases of the production process in this industry. According to the initial information available, the new technologies in preparation offer highly efficient solutions for recovering chromium and chlorides, for reducing sulphates and solvents and for treating effluent. Consequently, the preventive technologies developed with the support of LIFE are expected to ease the effluent treatment problem.

LIFE is also different from the earlier programmes in that from the first year on it fitted in with the priorities of the fifth action programme on the environment. This is reflected in the large number of projects to integrate environmental action in socio-economic activities - rural development, tourism, transport, urban development and management of watercourses.

Finally, the comments made by the project leaders at the end of the questionnaire bear witness to the interest aroused by projects like those analysed in this report.

They confirm that the fundamental role played by the support from the Community is to persuade the local and national authorities, to promote and provide incentives and to award a seal of approval to the projects selected.

V. MANAGEMENT OF THE INSTRUMENTS

This section analyses the means available to the Commission for managing LIFE, how this management has changed in the successive pre-LIFE instruments, the difficulties encountered in the day-to-day management and the improvements made in the course of time together with the room for improvement in the future.

In particular, attention is drawn to certain problems arising from the nature of the projects on the protection of habitats, the submission and project selection procedures, management of the projects and the accompanying measures needed.

1. "Habitats" projects

As stated above, the LIFE Regulation was designed principally to give financial support to demonstration, promotion and technical assistance projects. Its limited budget can only be geared to example-setting activities which can then be reproduced on a bigger scale with the help of other financial instruments.

The regulation also permits the financing of measures to maintain or restore natural habitats and priority species to be protected. This is mostly reflected in emergency aid going as far as land purchase, in programmes to conserve and re-establish priority species, in the compilation of inventories and in the collection of data.

In this field there is no subdivision between structural operations and preparatory and demonstration measures. The Member States concerned have not made sufficient use of the possibilities on offer through the renewal of operations under the Structural Funds or from the creation of the Cohesion Fund.

The small budget available makes for only very partial cover of the enormous needs in the European Union for this type of aid.

The credibility of LIFE and its effectiveness can only be safeguarded if it is limited, likewise in the nature conservation sector, to pilot and demonstration projects.

For "habitats" projects the LIFE Regulation provides for the involvement not only of the committee set up to assist the Commission in managing the instrument but also the committee established by the Habitats Directive (92/43/EEC).

The existence of these two committees managing the same budget or tranche of budget has been the source of problems connected with the use of appropriations and the decision-making process in the selection of projects for financing.

At the present time the procedure provides for two successive votes for "nature" projects, first by the "Habitats" Committee and then by the LIFE Committee.

The absence in the LIFE Regulation of a clear division of tasks and responsibilities for each of these two committees has not helped with the work flow.

Management of the instrument must therefore be rationalized by simplifying the decision-making process and increasing transparency as far as utilization of available

appropriations is concerned.

2. Procedures

2.1. Calls for proposals for projects

To implement the Regulations on the ACE programme on clean technologies, MEDSPA and NORSPA, every year the Commission publishes a call for proposals in the Official Journal of the European Communities.

The LIFE Regulation in turn provides for publication in the Official Journal of a call for expressions of interest, but only in respect of measures of particular interest to the Community.

Hitherto this option has been used for activities to design and develop new clean technologies.

In all other cases, the task of gathering and submitting proposals is left to the Member States or, in the case of schemes in third countries, to the relevant national authorities in the countries concerned.

Over the years there has been an enormous increase in the number of applications, without, however, any proportionate rise in the funds available.

By way of example, the Commission received four times as many proposals on clean technologies in the second phase of ACE as in the first phase. In 1988 the Commission received 101 applications requiring a total investment of ECU 328 million, but only ECU 5 million was available in the budget. One year later, 116 applications with a total cost of ECU 391 million were received and slightly over ECU 5 million was available.

MEDSPA is another equally striking example: after the start-up phase when no more than a few dozen projects were submitted for consideration, the first call for expressions of interest unleashed a surge of 214 projects for the Commission to evaluate when just ECU 5 million was available. In 1990 the figures rose to 250 projects for ECU 8 million and in 1991 to 338 projects for ECU 23 million.

During the first year of NORSPA activities in 1989, some 29 projects were considered and ECU 2 million was shared between the best proposals. This figure rose to 120 projects in the next financial year (1991-1992) when in the order of ECU 14.4 million was available.

Although, because of its limited budget and of the type of activities concerned, the Commission deliberately chose not to publicize the ACE biotopes programme, the requests for funding from the Member States far surpassed the appropriations available. Between 1984 and 1991 the Commission received 275 applications for Community support totalling ECU 106 million. However, no more than ECU 30 million was allocated.

LIFE too is a victim of its own success. As the only Community instrument exclusively for environmental protection and improvement and open to any individual or company, without restriction, it is attracting large numbers of applications, with 1 713 in 1993 and 1 587 in 1994.

All this inevitably entails examination and evaluation of an enormous mass of documents out of all proportion with the financial resources available from this instrument.

There are several possible solutions to lighten the heavy workload which this task places on the Commission departments concerned and on the Member States' administrations:

- (a) limit the priorities and, with the agreement of the Member States and, where appropriate, of the circles concerned, target them more closely on problems which clearly need to be solved at Community level;
- (b) preplan the support provided by LIFE with the aid of prior discussions with the Member States or any other country eligible with a view to establishing a multiannual programme of operations of interest to the Community;
- (c) take measures to reduce the number of ineligible proposals submitted to LIFE and to improve the general quality of the proposals.

Every year, despite its information campaigns, the Commission receives a high proportion of proposals on subjects not covered or ineligible for support from LIFE. This is due, in particular, to misinterpretation of the term "demonstration project" or to inadequate awareness of the existence of other Community funds more suitable for infrastructure investment.

Publication of a regularly updated and improved information leaflet has certainly helped to alleviate this problem.

A campaign to disseminate this information must be planned with the valuable, indispensable assistance of the Member States.

2.2. Selection procedure

Considerable progress has been made on this point. After the inevitable running-in period, collaboration between Commission staff and the Management Committee set up to give its opinion on the proposals made by the Commission in connection with the LIFE programme has steadily improved.

In many ways 1994 was a pilot year. On the one hand, a new selection method based exclusively on the merits of the proposals was tested, while on the other a panel of independent experts proposed by the Member States and chosen by the Commission on the basis of their technical and scientific knowledge in the various priority fields for LIFE 94 helped the Commission with the selection process.

Although there is still room for improvement, particularly in the flow of information on the individual proposals, this approach seems to have lived up to expectations and should be continued. However, to guarantee the independence of the experts provision needs to be made for financial resources to cover these services and participation costs.

3. Management of the projects selected

Section 4 analysed the reasons why some projects failed to complete the full programme planned or were even abandoned after the Commission had approved them for funding.

It is useful to check whether these failures could have been avoided and which solutions could be found to prevent the sometimes damaging consequences.

Cause: difficulties in raising finance:

To avoid withdrawals after the Commission has committed its contribution, the Commission recently introduced a rule requiring proof of a firm commitment by the recipient to raise the sum to top up the Community contribution. At least this makes it possible to reallocate any amounts released to other projects before the appropriations are cancelled at the end of the budget year.

Cause: bankruptcy of the undertaking:

Cases such as this clearly jeopardize completion of the project. However, in order to make sure that the Commission can recover any sums paid, a bank guarantee is required.

It must be stressed that production of this document can pose problems for small firms or small non-governmental organizations.

No satisfactory solution has yet been found to certain other causes noted in the past, particularly to changes of direction or programme following political changes at the head of local or regional administrations who decide not to support the commitments given by the outgoing authorities.

A second typical case are projects stopped by technical difficulties. This is an unpredictable, but calculated risk with any innovatory pilot project.

Whatever the reason for the difficulties encountered with implementation of a project, close monitoring of the progress of the work is one means of preventing undesirable situations.

The examples mentioned in the previous section highlight the need for constant monitoring of progress with the projects. This provides a means of preventing certain shortcomings, helping to overcome certain obstacles and avoiding moves in breach of the terms of the contract or of Commission procedures.

In view of the limited number of Commission staff available for management of the growing number of LIFE contracts, outside assistance is indispensable.

The results have improved markedly whenever consultants have provided such assistance.

Consequently, it would be desirable to extend this practice to all ongoing projects.

4. Accompanying measures

No funding programme for demonstration activities can fully attain its objective without publicizing the most striking results as widely as possible.

This activity could create a snowball effect fully justifying action by the Community.

In the case of reproducible processes in particular, the results must be disseminated widely by:

- organizing discussions between members of the trade allowing, inter alia, evaluation and analysis of the market;
- producing information, promotional and advertising material in the form of newsletters, fact sheets on successful projects, articles in the specialist press, brochures, databases, etc.;
- participating in targeted events; for example, in the European Year of the Environment participation in exhibitions proved a cost-effective means of spreading the message.

However, the LIFE programme must not be confined to specialists alone. It will gain strength if it is made known to everyone interested in the results of the activities receiving support from this instrument. Information material for the general public must therefore be produced, such as brochures for distribution at events attended by members of the trade, representatives of the public authorities and a broader cross-section of the members of the public concerned.

The database mentioned in the introduction covering all the projects which have received financial support from the instruments covered by this analysis since 1985 is an indispensable source of information for such material and will have to be updated regularly.

VI. COMPARATIVE ANALYSIS OF LIFE IN RELATION TO THE OTHER COMMUNITY INSTRUMENTS FOR THE ENVIRONMENT

1. Aid for the environment from existing financial instruments

Several financial instruments provide support for environmental measures. A distinction must be drawn between instruments with a specifically environmental objective and instruments which can have an impact on the environment but primarily serve an objective other than environmental protection, particularly socio-economic development, research or technological development.

Annex II summarizes the content of each of these instruments, their objectives, their possibilities of providing support for the environment, access criteria and the extent of their budgets.

The foregoing analysis also shows that each of these instruments or packages of instruments has its own specific objective:

- The Structural Funds are earmarked primarily for productive investments and measures to accompany and prepare for such investments. One of the criteria taken into account when deciding which investments to choose is whether the measures are designed to avoid an adverse impact on the environment. Some of these infrastructure investments are designed specifically to protect the environment. However, even in such cases the principal objectives are still socio-economic development, job creation, bridging the technology gaps, etc.
- The research programmes focus on keeping Community research competitive against international competition, particularly from the USA and Japan. To this end, they promote cooperation between laboratories and research centres in the Community. Recently the research activities were extended to the industrial precompetitive phase too.
- The technological development programmes are targeted on specific sectors, such as energy, transport, tourism, etc. The environment certainly benefits from the new technological guidelines applied in these sectors, but only indirectly and secondarily.
- Finally, the panoply of instruments to protect the environment in non-Community countries provide, above all, economic assistance with studies, training for specialists and technical staff, pilot projects or infrastructure schemes.

A further aspect to arise from this analysis is the awareness of the importance of integrating the environment in development policies, which has been quite marked in recent years.

This is reflected by an appreciable rise in the resources set aside for initiatives conducive to the environment or which make for an indirect improvement in environmental conditions.

Tables 8 and 9 in Annex I provide figures which confirm this trend for the main Community financial instruments used for the environment, by way of aid in the form of subsidies or bank loans.

2. Specific features of LIFE

Despite substantial aid from the Structural Funds and the Cohesion Funds, LIFE is the only Community instrument where the exclusive priority is to safeguard and protect the environment.

LIFE is the only instrument able to provide support for environmental measures throughout the European Union and in the neighbouring regions.

LIFE is the only instrument specifically geared to implementation of the fifth Community action programme on the environment.

LIFE plays an important role in research by using the most conclusive results produced by the various Community programmes and by encouraging their application in the field by way of demonstration and promotion projects.

The specific nature of LIFE as regards instruments geared principally to infrastructure investment lies in its ability to test and validate high-performance techniques, methods and know-how and to initiate the protection of priority natural sites, this being reflected by greater environmental protection. It is for the other financial instruments to reproduce the results obtained on a bigger scale.

VII. CONCLUSIONS AND RECOMMENDATIONS

Generally speaking, consolidation of LIFE must take account of the fact that the structural funds and most of the other Community financial instruments - with far greater funds than LIFE - now provide substantial aid to the environment. The specific nature of LIFE must therefore be defined. The instrument's area of activity must also be designed in such a way as to guarantee added value to initiatives at Community level.

LIFE is the only financial instrument for the Community environmental policy which can provide aid both throughout the Community and in neighbouring regions (Mediterranean and Baltic). This extended field of application is a major factor in that many problems in the environmental sector have a trans-frontier or global component.

As regards added value, well-organized concerted action at Community level can have several advantages:

- it can aid dialogue and cooperation between the various administrative levels responsible for the environment (Community, national, regional and local) and between administrations from different countries. This dialogue and cooperation is one of the prerequisites for better implementation of environmental policy;
- it can make the most of complementarity, avoid duplication of effort, provide a better definition of priorities and, accordingly, make for better use of resources, both administrative and budgetary;
- it can pool and extrapolate experience gained, thereby ensuring added value on investment. This is a particularly important aspect, given that practical experience is still limited in the environment and that innovative approaches often have to be employed.

An analysis of how LIFE works and the financial instruments which preceded it (ACE, MEDSPA, NORSPA and ACNAT) also showed up a number of problems in areas where solutions could considerably improve the workings of the instrument.

First of all, the efficiency of the aid must be increased along with its visibility by concentrating the funds available on a smaller number of priorities. In this respect, experience suggests that priority should be given to the following areas:

measures in the area of nature and habitats. This action must meet two reciprocal needs: firstly, coordination, preparation and back-up, like in other environmental areas, although the need in this case is less acute because of the work already initiated by the Member States, and, secondly, structural action to guarantee the conservation of endangered species. As far as this second need is concerned, once the extent and location of the habitats or special protection areas that the Member States have to communicate before 1 June 1995 are known, the Commission will be in a position to identify real needs and set aside the finance to meet them, in particular through more systematic deployment of existing Community financial instruments and funds. In the interim LIFE will be called upon to provide emergency aid, in as far as available appropriations will stretch, for the implementation of Directive 92/43/EEC and in particular the Natura 2000 European network;

preparatory and support measures to help implement Community legislation. The aim is to provide an operational link between the Community environmental policy and the investments needed to achieve the goals of that policy. As a consequence, the measures may help to increase the effectiveness of aid from existing Community and national financial instruments and funds. Action of this kind will also facilitate dialogue and cooperation between the various parties responsible for the environment within one and the same country and different countries. Given the results of the European Council in Essen, this type of action should also help to test the potential of the "network" approach, as currently applied to transport, energy and telecommunications, by adjusting it to the specific nature of the environment. Coordination should be improved in the planning and funding of infrastructure investments in areas such as industrial waste, waste water treatment, reclamation of contaminated sites and coastal area management, etc., which have a strong trans-frontier component. A number of pilot projects might also be undertaken to see whether greater use can be made of loans and private capital for investments in the environment of Community interest through the granting of interest subsidies. The current regulation already provides for this possibility;

measures to promote the integration of the environment in industrial activities. The first phase of the programme showed the interest that industry has in this type of aid from LIFE. Action should thus be continued and, if possible, extended in this area in order to encourage the use and economic viability of the new technologies. It must make the most of the results of the initiatives undertaken by the RDT framework programme, and especially those in the specific "environment" programme. Financial support from LIFE should give priority to small businesses and, where appropriate, help to set up voluntary agreements and contracts with professional organizations representing a given production sector;

- measures to help local authorities to integrate environmental requirements in activities which have a significant impact on the region;
- measures concerning third countries from the Mediterranean Basin, the Baltic and the countries of Central and Eastern Europe which can help to find solutions to trans-frontier or global problems of common interest.

The amendments proposed should also solve a number of administrative problems which cropped up during the start-up period of LIFE. These are largely problems which are down to:

- the existence of two committees involved in the division of appropriations;
- the need to set selection criteria which restrict the field of application and discourage the submission of projects of little Community interest;
- the absence in the present regulation of provisions permitting the use of part of the available budgetary resources to provide effective follow-up to the measures financed and to make for dissemination of the results.

There are two alternative solutions to eliminating problems due to the involvement in the decision-making process for nature projects of the *Habitats* Committee and the *Life* Committee: either a single decision-making process in the *Life* Committee or total separation between decision-making for nature projects covered exclusively by the *Habitats* Committee and decision-making for the other areas of activity of *Life*. In deciding to divide *Life* funds into two separate headings in the 1995 budget the European Parliament has implicitly opted for this second solution.

The initial *Life* Regulation set very broad criteria for the choice of projects and assigned the Management Committee the task of setting additional criteria. These criteria were adopted in 1992, thus enabling projects to be selected as from 1994 on an order of merit basis. Nonetheless, tensions arose in the delegations of the Management Committee on account of the strictness of the criteria used. These criteria should be laid down in the new regulation to establish more transparency in the way projects are selected.

Past experience has shown that the national authorities preferred to develop joint technical assistance projects. Provision should be made, therefore, in the new regulation for this type of measure which so far had been restricted to action outside the Community.

One final handicap with the current regulation is that it makes no provision for funding accompanying measures to monitor the activities financed, for horizontal measures such as comparative studies to assess the impact of the Community aid, for evaluations before and after each activity or for transfers of the knowhow and experience acquired from successful operations. Several Community instruments spend part of their operating appropriations on activities of this type. LIFE should also have this possibility and some 3% of operational appropriations reserved for such activities. This would improve technical and financial management of the activities adopted and reduce wastage due to badly conceived activities or fraud. It would also accentuate the link between LIFE and the other financial instruments, whether Community or national.

As for budgetary allocations for the second phase of LIFE, account must be taken of maintaining the aid capacity of the instrument in real terms and of enlargement of the Union by three new countries. Accordingly, an amount of ECU 450 m should be entered in the financial perspective for the next four years. This modest allocation is far from being enough to cover all potential needs in the environment sector, but it is consistent with the desire to concentrate LIFE on more specific areas and to avoid duplication of effort by making better use of the other existing funds and financial instruments on which the environment can draw.

ANNEX I

Preface to Annex I to the progress report on implementation of the *Life* Regulation and evaluation of the action by the Community relating to the environment
ACE, MEDSPA, NORSPA and ACNAT

In the statistical tables 1 to 6 of this Annex I, the amounts indicated relate to the actual Community contribution to the various projects. These amounts have been obtained as follows:

In the case of completed projects, account has been taken of the amounts actually paid to the beneficiaries; in some cases the amounts paid were much less than the amounts committed, as a result of the various checks carried out.

In the case of projects still in progress when the report was written, account has been taken of the amounts committed in respect of the Community contributions.

No administrative expenditure has been included in any of the tables.

However, the total annual breakdown of commitment appropriations, including administrative expenses, is indicated on page 10 of the report.

Table 1: ACE-2nd Regulation and ACNAT - Breakdown of appropriations by priority area (in ECU)

Priority areas	1987	1988	1989	1990	1991	1992 (ACNAT)	TOTAL
A.1.1	-	-	-	1.458.500	-	-	1.458.500
A.1.2	-	-	2.731.716	-	-	-	2.731.716
A.1.3	-	-	550.525	-	-	-	550.525
A.1.4	-	-	-	1.856.547	-	-	1.856.547
A.1.6	-	-	223.755	66.261	-	-	290.016
A.2.1	1.080.000	2.051.000	4.553.000	3.552.000	11.750.000	4.896.000	27.882.000
A.2.2	-	-	-	-	-	6.089.000	6.089.000
A.2.5	-	-	-	400.000	-	-	400.000
TOTAL	1.080.000	2.051.000	8.058.996	7.333.308	11.750.000	10.985.000	41.258.304

Table 2: MEDSPA - Breakdown of appropriations by priority area (in ECU)

Priority areas	1986	1987	1988	1989	1990	1991	TOTAL
A.1.1	-	-	258.931	-	290.000	745.000	1.293.931
A.1.2	-	65.000	-	62.100	-	-	127.100
A.1.3	239.191	74.000	254.980	1.264.421	2.473.550	7.078.400	11.384.542
A.1.4	-	-	-	-	-	294.650	294.650
A.1.5	-	57.812	84.000	135.000	666.268	4.763.750	5.706.830
A.1.6	-	100.000	194.022	657.991	683.000	3.818.500	5.453.513
A.2.1	-	-	-	371.503	-	-	371.503
A.2.2	262.351	335.400	177.369	1.164.436	545.025	1.382.000	3.866.581
A.2.3	-	-	-	103.548	536.691	1.057.000	1.697.239
A.2.4	-	-	210.800	-	-	654.000	864.800
A.2.5	-	-	-	135.721	-	-	135.721
A.4.1	-	-	-	-	276.100	-	276.100
A.4.2	-	-	9.460	255.754	338.669	-	603.883
B.1	-	-	-	-	-	512.000	512.000
B.2	-	19.452	35.885	132.500	610.004	2.220.000	3.017.841
B.3	-	-	100.000	-	79.000	208.000	387.000
TOTAL	501.542	651.664	1.325.447	4.282.974	6.498.307	22.733.300	35.993.234

Table 3: NORSPA - Breakdown of appropriations by priority area (in ECU)

Priority areas	1989	1991-92	TOTAL
A.1.1	3.050	1.291.795	1.294.845
A.1.2	-	636.768	636.768
A.1.3	1.225.034	4.291.016	5.516.050
A.1.4	171.883	600.000	771.883
A.1.6	-	145.350	145.350
A.2.2	37.935	-	37.935
A.2.3	-	900.000	900.000
A.2.4	302.646	2.974.642	3.277.288
A.2.5	-	165.128	165.128
A.3.2	220.300	-	220.300
B.2	-	3.094.751	3.094.751
TOTAL	1.960.848	14.099.450	16.060.298

Table 4: LIFE - Breakdown of appropriations by priority area

Priority areas	1992	1993	TOTAL
A.1.1	4.744.000	-	4.744.000
A.1.2	1.677.334	8.401.238,25	10.078.572,25
A.1.3	9.797.400	9.511.272,06	19.308.672,06
A.1.4	380.000	4.746.609,09	5.126.609,09
A.1.5	3.070.195	5.808.059,39	8.878.254,39
A.1.6	340.000	-	340.000,00
A.1.7	2.990.000	3.949.016,29	6.939.016,29
A.2.1	7.000.000	3.670.000,00	10.670.000,00
A.2.2	19.000.000	16.975.000,00	35.975.000,00
A.2.3	1.987.000	-	1.987.000,00
A.2.4	5.571.100	-	5.571.100,00
A.2.5	1.832.550	6.780.710,98	8.613.260,98
A.3.1	680.000	-	680.000,00
A.3.2	2.365.784	5.184.000,96	7.549.784,96
A.4.1	420.000	137.273,94	557.273,94
A.4.2	574.000	-	574.000,00
NP*	-	134.978,69	134.978,69
B.1	734.000	666.436,79	1.400.436,79
B.2	3.440.000	2.323.562,41	5.763.562,41
B.3	-	510.000,00	510.000,00
TOTAL	66.603.363	68.798.158,65	135.401.521,85

* No priority

Table 5: Breakdown of appropriations by priority area. All instruments (in ECU)

priority areas	Community contribution	%	Subtotal priority areas		%
A.1.1	8,791,276.00	3.84			
A.1.2	13,574,156.25	5.94			
A.1.3	36,759,789.06	16.07			
A.1.4	8,049,689.09	3.52			
A.1.5	14,585,084.39	6.38			
A.1.6	6,228,879.00	2.72			
A.1.7	6,939,016.29	3.03	A.1	94,927,890.08	41.51
A.2.1	38,923,503.00	17.02			
A.2.2	45,968,516.00	20.10			
A.2.3	4,584,239.00	2.00			
A.2.4	9,713,188.00	4.25			
A.2.5	9,314,109.98	4.07	A.2	108,503,555.98	47.44
A.3.1	680,000.00	0.30			
A.3.2	7,770,084.96	3.40	A.3	8,450,084.96	3.69
A.4.1	833,373.94	0.36			
A.4.2	1,177,883.00	0.52	A.4	2,011,256.94	0.88
NP*	134,978.69	0.06	NP*	134,978.69	0.06
B.1	1,912,436.79	0.84			
B.2	11,876,154.41	5.19			
B.3	897,000.00	0.39	B	14,685,591.20	6.42
TOTAL	228,713,357.85	100.00		228,713,357.85	100.00

Table 6: Breakdown by country. All instruments (in ECU)

Country	Community contribution	%
BELGIUM	6,939,483.89	3.03
DENMARK	8,134,921.72	3.56
GERMANY	22,259,274.65	9.73
SPAIN	32,387,473.55	14.16
FRANCE	27,194,861.55	11.89
GREECE	20,728,809.12	9.06
IRELAND	11,565,386.98	5.06
ITALY	25,551,467.24	11.17
LUXEMBOURG	838,640.44	0.37
NETHERLANDS	6,886,895.42	3.01
PORTUGAL	15,538,174.00	6.79
UNITED KINGDOM	18,267,858.33	7.99
INTERNATIONAL	17,734,519.76	7.75
THIRD COUNTRIES	14,685,591.20	6.42
TOTAL	228,713,357.85	100.00

Table 7: Proposals received and projects selected - LIFE 1993/1994

Priority areas	1993					1994				
	Total number of prop. rec. A	%	Total number of proj. sel. B	%	% B/A	Total number of prop. rec.	%	Total number of proj. sel.	%	% B/A
A.1.1	-	-	-	-	-	-	-	-	-	-
A.1.2	222	13	23	18	10	159	10	35	17	22
A.1.3	366	21	23	18	6	276	17	31	15	11
A.1.4	87	5	9	7	10	-	-	-	-	-
A.1.5	235	14	14	11	6	300	19	35	17	11,5
A.1.6	-	-	-	-	-	-	-	-	-	-
A.1.7	119	7	8	6	7	124	8	14	6,5	11
A.2.1	34	2	4	3	12	126	8	15	7	12
A.2.2	89	5	14	11	16	170	11	21	10	12
A.2.3	-	-	-	-	-	-	-	-	-	-
A.2.4	-	-	-	-	-	-	-	-	-	-
A.2.5	50	3	10	8	20	63	4	13	6	20,5
A.3.1	-	-	-	-	-	22	1	4	2	18
A.3.2	91	5	9	7	10	105	7	14	6,5	13
A.4.1	38	2	2	1,5	5	-	-	-	-	-
A.4.2	-	-	-	-	-	-	-	-	-	-
A.4.3	-	-	-	-	-	-	-	-	-	-
A.4.4	-	-	-	-	-	159	10	14	6,5	9
B	51	3	12	9	23,5	67	4	14	6,5	21
N.P.*	190	11	1	0,5	0,5	16	1	0	0	0
Not specified	151	9	0	0	0	-	-	-	-	-
TOTAL	1.713	100	129	100		1.587	100	210	100	

* No priority

Table 8: Community aid for the environment - Subsidies (in MECU)

STRUCTURAL FUNDS	1989-1993			1994-1999		
	Total CSF	Env + Water (1)	% Total	Total CSF	Env + Water (1)	% Total
Objective 1	48.665	4.294	8,8	96.346	8.332	8,6
Objective 2	*7.619	1.143	14	6.977	N.A. (2)	
Objective 5 b	*3.461	415	12	6.134	N.A. (2)	
Community initiatives	*5.494	908 (3)	16,5	13.450 (4)	N.A.	

CCA = Community support framework

* = Estimate : 1994 prices

(1) "Water" projects very often involve different sectors, such as water supply, energy production, irrigation, etc.

(2) N.A. = not currently available, being negotiated

(3) Envireg, Interreg, Rechar

(4) No plans for Community initiative specific to the environment

COHESION FUND	1993			1994-1999		
	Total	Approx.	% Total	Total	Approx.	% Total
	1.564	613	39,2	14.455	7.227	50 (5)

(5) 50% : proportionate share "balanced" with the Transport sector

	1991-1993			1994		
	Total	Approx.	% Total	Total	Approx.	% Total
PHARE	3.294	267	8	990	N.D.	
TACIS	1.360	256 (6)	18	510	N.D.	

(6) Mainly for nuclear safety

Table 9: Community aid for the environment - EIB loans (in MECU) (ACP excl.)

EIB LOANS	1989-1993			1993		
	Total	Approx.	%	Total	Approx.	%
within EU	70.484,1	7.829,7	11	16.779,4	2.214,3	13,1
a) individual	55.517,7	6.025,7		14.126,0	1.674,8	
b) global	14.966,4	1.804,0		2.653,4	539,5	
Edinburgh facility	1993			1994		
	2.363,3	404,6	17	6.593	1.353	20

SECTORS	1989-1993	1993
- Water supply	570,7	171,6
- Waste water treatment	2.323,4	479,2
- Waste water collection	3.141,8	797,3
- Waste (solid and liquid)	990,4	400,9
- Mixed	803,3	365,3
TOTAL	7.829,7	2.214,3

ANNEX II

COMMUNITY INSTRUMENTS FOR THE ENVIRONMENT

Several financial instruments provide support for environmental measures. A distinction must be drawn between instruments with a specifically environmental objective and instruments which can have an impact on the environment but primarily serve an objective other than environmental protection, particularly socio-economic development, research or technological development.

1. The Community Structural Funds (1994-99)

The objective of the Structural Funds is to promote better balanced socio-economic development and thereby increase cohesion within Europe.

The structural measures are targeted on the weakest regions (Objectives 1, 2 and 5b) and priority measures (Objectives 3, 4 and 5a). Objectives 1, 2, 3 and 5 are of particular relevance to the Community's environment policy.

The Member States' regional development plans propose measures aiming at economic and social development and environmental protection at the same time. The Community support frameworks based on these plans make a significant financial contribution to these activities.

However, the programme approach makes it impossible to identify the environmental content of each project. Nevertheless, an estimated ECU 4 500 million was allocated to environmental schemes between 1989 and 1993.

Between 1994 and 1999 the plan is to allocate ECU 93 810 million to Objective 1, ECU 6 977 million to Objective 2 and ECU 6 134 million to Objective 5b.

The Structural Funds will contribute an estimated ECU 8 000 million to environmental projects in the Objective 1 regions between 1994 and 1999. This is equivalent to 8% of the Community support.

The principal fields covered are:

- protection and exploitation of natural resources, including water resources;
- management of sites important to the environment (biotopes) and prevention of erosion and fires;
- farming practices which help to protect the environment;
- infrastructure to support development, particularly industrial estates and tourist facilities (public transport, networks, etc.);
- management of household, industrial and toxic wastes;
- water treatment;
- aid for clean technologies, including demonstration projects;
- efficiency of renewable energy sources;
- urban environment;
- technical assistance and exchanges of experience;
- strengthening of environmental management institutions;
- training to complement the abovementioned activities.

1.1. The operational programmes

The **European Regional Development Fund (ERDF)** is the Structural Fund for implementing the regional policy, with the specific objective of narrowing the development gap between regions in the Community. ERDF support helps to create a more favourable environment, particularly in the Objective 1 regions. The ERDF contributes towards productive investment and infrastructure investment to protect the environment. The ERDF may also allocate up to 1% of its annual budget to Community funding for pilot schemes to provide incentives for infrastructure building, investment in enterprises and other specific measures having a marked Community interest, in particular in the border regions within and outside the Community. Such schemes encourage the pooling of experience and development cooperation between different regions in the Community and promote innovative measures. In Article 10 of the ERDF Regulation the Commission proposes four main areas for the period from 1994 to 1999 for the financing or co-financing of studies, pilot projects and cooperation networks: interregional cooperation, land management, innovative measures in regional economic development and the development of urban area management policies. The budget set aside for this period under Article 10 is of the order of ECU 400m, which breaks down as follows:

- interregional cooperation ECU 160-180m
- land management ECU 40-50m
- innovative measures ECU 80-90m
- urban policy ECU 90-100m.

The **European Social Fund (ESF)** of which the task is to help integrate the young and long-term unemployed into the labour market (objective 3), adjust workers to industrial changes (objective 4), provide support for the development of backward (objective 1) and rural (objective 5b) areas and redevelop industrial areas in decline (objective 2), also helps to finance activities concerning the environment. These are mainly training/education activities undertaken either as part of operational programmes geared specifically to the environment (e.g. the "environment" operational programme in Greece) or in the context of other operational programmes of a more general nature.

The Regulation on agricultural production methods compatible with the requirements of protection of the environment with a budget of ECU 3 700 million for the period 1993-97 from the **EAGGF Guarantee Section** is a measure to accompany the reform of the Common Agricultural Policy with a view to protecting and harnessing the environment, thereby contributing to implementation of the Commission's environment policy. The specific measures to be taken include:

Under Regulation 2078/92/EEC

- reduction of use of fertilizers and pesticides;
- introduction of organic fertilizers;
- extensification of crop farming;
- reduction of livestock herds;
- use of other environmentally compatible farming practices;
- upkeep of abandoned farmland.

Under Regulation 2080/92/EEC

- improved forestry resources
- management of natural space compatible with the environment
- absorption of carbon dioxide.

The European Agricultural Guidance and Guarantee Fund (EAGGF) Guidance Section, which has been allocated close to 15% of the Structural Funds for the period 1994-99 (ECU 61 million for 1994), co-funds the national aid schemes for agriculture and contributes to the development and diversification of rural areas in the Community. The principal objectives of this Fund are:

- to promote sustainable rural development, including maintaining, enhancing and restoring the landscape and structural adjustment of regions whose development is lagging behind (Objective 1);
- to improve the efficiency of the structures of holdings and to promote the diversification of their activities, improve health and hygiene conditions and improve the natural environment (Objective 5a);
- to promote rural development in the areas covered by Objective 5b.

The assistance from this Fund for these measures mainly takes the form of operational programmes and global grants.

This Fund may devote up to 1% of its annual budget to financing technical assistance measures, pilot projects for adjusting agricultural and forestry structures, promoting rural development and carrying out demonstration projects in accordance with the objectives of the Common Agricultural Policy.

The Financial Instrument of Fisheries Guidance (FIFG) has been allocated ECU 2 700 million to accompany the restructuring of the fisheries sector between 1994 and 1999. It is a financial instrument to support the common fisheries policy and ensure rational, responsible exploitation of marine resources on a sustainable basis. On a larger scale, this instrument aims at restructuring the fishing industry and includes such activities as:

- restructuring, renewal and modernization of the fishing fleet;
- development of aquaculture and structural works in coastal waters;
- search for new markets;
- facilities at fishing ports;
- improvement of the conditions under which fishery and aquaculture products are processed and marketed.

The funding for studies, pilot projects and information campaigns is limited to schemes to improve the knowledge available on the environmental impact of fishing activities with a view to providing information for future regulations.

The FIG provides assistance for investment in aquaculture, in structural works in coastal waters, in facilities at fishing ports and in processing and marketing. Priority will be given to activities to improve the environmental impact, particularly in the fields of:

- aquaculture: investment in pilot projects, in construction, in facilities and in extension and modernization of aquaculture installations;
- structural works in coastal waters.

Up to 2% of the appropriations available for the FIG each year may be used for financing structural measures, studies, pilot projects and demonstration projects and for providing technical assistance in this sector.

1.2. Community initiatives

The reform of the Structural Funds empowered the Commission to proceed, on its own initiative, with measures which are of particular interest to the Community but are not, or are not sufficiently, covered by the Member States' development plans. The three distinctive features of the Community initiatives are:

- the support which they provide for the development of cross-border, transnational and inter-regional cooperation;
- their bottom-up method;
- the visibility which they give the action taken by the Community in the field.

Based on the consultations on the Green Paper on the subject, the Commission has decided to add to the five original themes (cross-border, transnational and inter-regional cooperation and networks; rural development; outermost regions; employment and the development of human resources; management of industrial change) two further themes, one on the development of urban areas in crisis, the other on restructuring in the fisheries sector.

On 16 February 1994 the Commission published its general approach to the Community initiatives for 1994 to 1999. This provided for 13 initiatives, some entirely new, others extending, expanding or incorporating activities already started. The Community initiatives generally take the form of operational programmes, but can also be global grants. The Structural Fund Regulations, as amended in July 1993, stipulate that 9% of the commitment appropriations for the Structural Funds can be allocated to funding the Community initiatives between 1994 and 1999. In accordance with these Regulations and with the funding decisions taken by the Commission on 21 October and 21 December 1993, a total budget of ECU 13.45 billion has been set for all the Community initiatives. The plan is to commit ECU 11.85 billion to the 13 initiatives decided to date.

Several of the initiatives can provide financial support for environmental improvement schemes:

INTERREG II (1994-1999) consists of two separate strands, one with the objective of developing cross-border cooperation, the other designed to complete the energy networks and to link them up to wider European networks. Interreg may fund measures on pollution prevention and control, rational use of energy, waste disposal, improvements to communications infrastructure, measures to increase agricultural productivity, rural development programmes, the provision of local water, gas and electricity supplies and local telecommunications and the development of renewable energy resources, tourism and farm-based tourism.

Proposed budget:

- cross-border cooperation: ECU 2 400 million, of which ECU 1 800 million will be allocated to Objective 1 regions;
- completion of networks: ECU 500 million.

LEADER II (1994 - 1999) should enable local action groups in rural areas to develop their own potential. It will put the emphasis on innovation, demonstration projects, exchanges of experience and transnational cooperation in the field concerned, i.e.:

- acquisition of skills;
- innovative investment programmes providing transferable models (technical support for rural development, support for rural tourism, marketing of agricultural produce and improvement of the environment and living conditions);
- transnational cooperation;
- networking.

Proposed budget: ECU 1 400 million, of which ECU 900 million will be for the Objective 1 regions.

REGIS II (1994-1999) continues the work to achieve the objective of REGIS, i.e. to provide support for greater integration of the most remote regions in the Community, but also includes activities eligible for aid from the Structural Funds under the former POSEIDOM, POSEIMA and POSEICAN programmes and the other Community initiatives conducted in the outermost regions of the Community.

REGIS II may finance schemes with a view to:

- economic diversification: measures to preserve coastal areas, treatment of waste water and urban or industrial waste, energy saving and local energy production, development of adventure holidays outside the main tourist centres and taking fuller account of the local context, diversification of agricultural production, etc.;
- consolidation of links with the rest of the Community: transport and telecommunications infrastructure, exchanges of experience and transfers of knowhow from other Community regions;
- cooperation between the most remote regions: partnerships, small-scale transport infrastructure, etc.;
- prevention of natural hazards: assistance to cover the additional costs;
- promotion of vocational training: training in new technologies, tourism and environmental management.

Proposed budget: ECU 600 million.

RECHAR II (1994-1997) is designed to support economic conversion in the areas hardest hit by the decline in the coalmining industry and in employment in this sector, giving priority to the environment, alternative economic activities and human resources, particularly:

- environmental improvement, conversion of disused coal-mining buildings, renovation of economic and social infrastructure in mining villages, etc.;
- promotion of alternative economic activities;
- promotion of tourism;
- assistance for economic conversion bodies and regional development teams, etc.

Proposed budget: ECU 400 million.

RESIDER II (1994-1999) is designed to support socio-economic conversion of steel-producing areas in the Community, giving priority to the environment, alternative economic activities and human resources, particularly:

- environmental improvement and conversion of disused steel industry buildings in areas seriously damaged, renovation of social and economic infrastructure in steel areas, etc.;
- promotion of alternative economic activities;
- promotion of tourism;
- assistance for economic conversion bodies and regional development teams, etc.

Proposed budget: ECU 500 million.

KONVER (1993-1997) provides support for economic diversification in the regions most heavily dependent on the defence sector, particularly:

- environmental improvements and regeneration of sites seriously damaged by military activity;
- promotion of tourism;
- renovation of social and economic infrastructure.

Proposed budget: ECU 500 million, of which at least ECU 250 million will be for regions covered by Objectives 1, 2 or 5b.

RETEX (1992-1997) aims at economic diversification in zones heavily dependent on the textile and clothing sector, particularly:

- rehabilitation of industrial wasteland, including restoring redundant industrial buildings, aid to facilitate the treatment of liquid effluent and industrial waste and technical assistance for the development of less polluting processes.

Proposed budget: ECU 500 million.

SMEs (1994-1999) aims at helping small and medium-sized enterprises in industry and the services sector, particularly in Objective 1 regions, to adapt to the single market and become internationally competitive (following the steps already taken in the STRIDE, PRISMA and TELEMATIQUE initiatives), particularly:

- improving the production systems and organization of SMEs (technological innovation, total quality strategy, etc.);
- taking into account the environment and the rational use of energy;
- closer cooperation between research centres, technology transfer centres, etc.

Proposed budget: ECU 1000 million, of which

ECU 800 million has been allocated to the Objective 1 regions

ECU 200 million has been allocated to the Objective 2 and 5b regions.

URBAN (1994 - 1999) aims at helping to find solutions to the serious social problem posed by the crisis in many inner-city areas, by supporting economic and social regeneration schemes, renovation of infrastructure and facilities and environmental improvements, particularly:

- infrastructure and environment: renovation of housing, regeneration of public spaces, including green sites, measures to improve energy efficiency and to restore disused or contaminated sites, etc.

Proposed budget: ECU 600 million, of which
ECU 400 million will be allocated to Objective 1 regions and
ECU 200 million will be allocated to other regions (with preference being given to Objective 2).

2. Cohesion Fund

As provided for by the Treaty on European Union, the Member States have set up a "Cohesion Fund" which has been granted a budget of ECU 14 455 million for the period from 1994 to 1999 (ECU 1 853 million for 1994) to pay for a large proportion of public expenditure in the least prosperous Member States in two sectors between which an appropriate balance must be ensured: transport infrastructure and environmental protection.

The Cohesion Fund may contribute towards the funding of projects or phases of projects which are technically and financially independent or to groups of projects forming a consistent, clear strategy, particularly:

- environmental projects contributing to the achievement of the objectives of Article 130r of the EEC Treaty;
- transport infrastructure projects of common interest financed by Member States which promote the interconnection of national networks and access to such networks;
- preparatory studies, in particular prior appraisals and cost/benefit analyses and technical support measures related to eligible projects;
- preparatory measures related to eligible projects;
- technical support.

The projects, including groups of related projects, must be on a sufficient scale to have a significant impact in terms of environmental protection or of improvement of trans-European transport infrastructure networks.

The following criteria are applied to ensure that the projects are of high quality: their economic and social benefits, the priorities set by the beneficiary Member States, the contribution which the projects can make to implementation of Community policies on the environment and trans-European networks, the compatibility of the projects with Community policies and with other structural measures and the achievement of an appropriate balance between the environment and transport infrastructure.

3. The research, technological development and demonstration programmes

With the entry into force of the Treaty on European Union, the framework programme of research, technological development and demonstration activities includes henceforth all the Community research activities, including those intended to support the other Community policies, such as the environment. The research projects of the 4th framework programme (1994-1998) connected with environmental objectives are covered by several specific programmes, in particular both programmes under the "Environment" topic but also those pertaining to fields such as industrial technologies, energy and transport. The following paragraphs propose an outline of these actions as well as some examples.

Specific research, technological development and demonstration programme in the field of the Environment and Climate (1994-1998) - Council Decision, of 15 December 1994 - 94/911/CE

This programme has been allocated ECU 532 MILLION and covers the following sectors:

- a) the natural environment, environmental quality and global change
- b) environmental technologies
- c) space techniques applied to environmental monitoring and research
- d) the human dimension of environmental change.

The programme aims, moreover, at strengthening the scientific base necessary for the implementation of the policy of the Community in the field of the environment, while developing, if necessary, by theoretical research, the strategic capacities of this implementation.

Specific research, technological development and demonstration programme in the field of marine Sciences and on Technologies - MAST III- Council Decision, of 26 April 1994 - 1110/94/CE.

This programme has been allocated ECU 228 MILLION and covers the following fields:

- a) marine science
- b) marine science of strategic nature
- c) marine technology
- d) activities of support.

The 4th Framework programme covers a considerably wide field of research activities in the field of sciences and techniques of life: **BIOTECHNOLOGY** (ECU 552 million), **BIOMEDECINE** and **HEALTH**(ECU 336 million) and Agriculture and Fishing (ECU 684 million). A significant part of the budget envisaged and of the research activities of these specific programmes is devoted in search of direct or indirect solutions of environmental problems.

The JOULE II (non nuclear energy and rational use of energy) with a budget of ECU 215.43 million for the period 1991-1994 aims at increasing the security of supplies and improving the compatibility of energy with the environment. The programme concerns the following research sectors:

- a) to contribute to the definition and to the implementation of the R&D strategies, analysis of the national and Community policies as regards energy and environment
- b) to optimizing the production and the use of fossil energy while preserving the environment
- c) to promote the use of renewable energy sources
- d) to devise new systems for using and saving energy.

Under the RTD framework programme, the research and demonstration activities previously carried out in the JOULE II and THERMIE programmes are unified within a Non Nuclear Energy programme with a budget of ECU 1002 Million for the period 1994-1998.

The BRITE-EURAM programme II (research on industrial technologies and of the Materials) with a budget of ECU 762.3 million for the period 1991-1994 aims at contributing to the regeneration of European industries, any sector together, by research and technological development of a precompetitive nature.

The undertaken actions aim at promoting collaborative research between companies, universities and research centres as well as helping the small and medium-sized enterprises to involve themselves more fully in transnational research.

To stimulate the integration of new technologies within the production systems and promote the use of new and improved materials in industry is the double role of BRITE-EURAM. Actions aim at:

- a) improving the sector of the raw materials and the development and use of new and traditional materials
- b) optimizing the industry's capacity to design and manufacture efficient, reliable, competitive and environmentally friendly products
- c) promoting European cooperation in the aeronautical research sector with a view to improving the safety and the efficiency of aircraft while preserving the environment.

The actions will consist mainly of shared cost research contracts; 3% of the budget are dedicated to the supporting measures (seminars, publications, studies etc.).

Under the 4th framework programme, the research programme on industrial Technologies and of the Materials (BRITE-EURAM III) has been allocated ECU 1617 MILLION for the period 1994-1998.

The specific research, technological development and demonstration programme to be carried out by the JRC (1995-1998)- decision of the Council at its meeting on 15 December 1994/918/CE.

This programme has been allocated ECU 600 MILLION of which 294 MILLION ECU are dedicated to the activities in the field of the environment.

The institutional research activities cover the following sectors:

- a) climatic change and atmospheric process
- b) environmental quality
- c) advanced techniques of the earth observation, in particular, remote sensing for the land and marine biosphere
- d) centre for earth observation (CEO)
- e) industrial reliability.

The institutional activities of scientific and technical support for the environmental policy of the Union are as follows:

- a) central laboratory for air pollution (AIRLAB)
- b) European centre for the validation of the alternative methods (ECVAM)
- c) European office of chemical substances (ECB)
- d) support to the European Environment Agency
- e) quality control of products for human consumption
- f) European network on the pharmaceutical products
- g) prevention of industrial risks.

4. Other programmes in the European Union

The SPRINT Programme (Strategic Programme for Innovation and Technology Transfer), with a budget of ECU 90 million for 1989 to 1993, aims at strengthening the innovative capacity of European producers of goods and services with a view to completion of the single market in 1992 and maximum dissemination of technological innovations by:

- setting up a Community network for innovation;
- providing support for transfers of technology;
- evaluating the knowledge acquired on innovation and technology transfer.

The SAVE Programme with a budget of ECU 40 million for 1991 to 1995, aims at vigorous energy efficiency in the European Union through organizational means, these being in three main areas:

- technical measures (standards, technical specifications);
- financial measures (in particular the promotion of financing by third parties);
- measures concerning the behaviour of consumers (training and information).

The SAVE Programme completes technological promotion and financial measures undertaken in other Community or national programmes.

The THERMIE Programme (on the promotion of energy technology in Europe), with a budget of ECU 700 million for 1990 to 1994 (ECU 182 million for 1994), is intended for undertakings and small firms which use renewable energy sources, invest in new, cleaner, less polluting facilities and preserve the landscape of their industrial sites by taking action in the following areas:

- promotion of more rational use of energy (in buildings, industry, energy industry and transport);
- renewable sources of energy (solar, biomass, waste, geothermal, hydroelectric and wind);
- solid fuels (combustion, conversion, waste and gasification integrated in a combined cycle);
- oil and gas (prospecting, production, transport and storage).

About 85% of the budget for the THERMIE Programme is earmarked for three types of project: innovative projects, dissemination projects and target projects.

Some 15% of the THERMIE budget is also allocated to accompanying measures designed to promote the application and market penetration of energy technologies. These activities are mainly undertaken by a network of Organizations for the Promotion of Energy Techniques (OPET) and consist of market studies, evaluation of the projects financed and dissemination of information by way of publications, seminars, workshops and training programmes.

As from 1995 most of the THERMIE activities will be undertaken under the fourth RTD framework programme as part of the specific programme on "non-nuclear energy", like JOULE II. The budget for the period 1995-98 is ECU 530m.

The **ALTENER Programme**, with a budget of ECU 40 million for 1993 to 1997, aims at promoting renewable sources of energy (solar, wind, geothermal, hydroelectric and energy from biomass).

The programme also provides for a number of measures to guarantee greater use of renewable sources of energy, namely:

- financial and economic measures;
- help to create infrastructure and define technical specifications and standards;
- dissemination of information.

The **EURET Programme** (European Research for Transport), with a budget of ECU 25 million for 1990 to 1993, has three main objectives:

- optimum network exploitation;
- studies for optimization of logistics and human resources in air, sea and road transport;
- reduction of harmful external effects (accidents, noise or pollution) and studies of safety parameters for means of transport.

Activities to develop tourism. The importance of reconciling tourism and environmental protection and of looking at how tourism can be used to conserve, present and develop the natural and built environment has always been a priority.

In 1992 ECU 2.7 million was channelled into the co-financing of innovative and reproducible demonstration and pilot projects in the tourism and environment sector. As part of Community action plans for tourism, out of the ECU 18 million available during the 1993-95 three-year programme ECU 0.5 million was set aside for the creation of a "tourism and environment" prize. This initiative was set in motion in cooperation with the Member States, in recognition of the excellent results achieved in this field by the regions of the European Economic Area. More substantial resources will be mobilized in 1995 to co-finance pilot projects in traffic and tourist management.

5. Programmes outside the European Union

The **TACIS Programme** (Technical assistance for the Commonwealth of Independent States) is a Community programme started in 1991 to assist the states of the former Soviet Union with the exception of the Baltic countries covered by the PHARE Programme. Thirteen countries are covered by the programme: Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Moldova, the Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan and, since 1994, Mongolia.

TACIS aims at harmonious, prosperous economic and political development between the EU and its partners with the aid of a financial contribution to support the transition to a market economy and democratic society. Knowhow is provided in the form of advice on policy, teams of consultants, studies and development and reform of the legal and regulatory frameworks, institutions and organizations with the aid of a system of partnerships, networks and pilot projects.

The TACIS Programme has opted for a horizontal rather than a sectoral approach to the environment. This implies that environmental considerations form an integral part of the work in each sector under TACIS. Environmental support was introduced in 1993 in the form of the regional programme for financing projects linking environmental protection and economic reform. In 1993 ECU 510 million was allocated to the Fund. This was followed by a further ECU 510 million for 1994.

The PHARE Programme (on economic aid to Poland and Hungary), with a budget of ECU 1 004.25 million for 1993 and ECU 990 million for 1994, is an action plan to provide coordinated aid for Central and Eastern Europe. Despite its title, in mid-1990 the original beneficiaries were joined by Bulgaria, Czechoslovakia, Yugoslavia (suspended in 1991) and Romania, followed by Albania, Estonia and Lithuania in 1991 and Slovenia in 1992.

Each beneficiary agrees with the Commission an "indicative programme" of restructuring measures to be taken in the course of the year.

At the end of 1993 approximately ECU 296 million were approved for environmental programmes (apart from activities on nuclear safety). These funds were spent mainly on technical assistance, training and acquisition of monitoring equipment. Like the Structural Funds, PHARE supplies funds from which the various beneficiary governments finance the different reconstruction programmes.

Environmental Programmes:

- improvement of institutions (development of ministries of the environment, training, etc.);
- establishment of a legal base for environmental protection;
- establishment of a monitoring system and acquisition of equipment;
- development of pollution control programmes.

Regional Programmes:

A number of regional programmes with converging concerns which can be combined to form joint programmes have been introduced.

New Mediterranean Policy. The total allocation for 1992 to 1996 can be subdivided into grants totalling ECU 4 405 million (of which ECU 2 063 million is covered by the protocols and ECU 2 030 million is outside the protocols) plus EIB loans worth a total of ECU 6 105 million.

The new Mediterranean policy aims at closer cooperation with the non-Community Mediterranean countries. This policy covers eight fields: support for economic reform, support for cooperation between Mediterranean partners, EIB funding outside the protocols, business development, the environment, development of human resources, scientific cooperation and cooperation in the energy sector. Protection of the Mediterranean environment is one of the priorities for the survival of the Mediterranean, the future of fishing in the Sea and for tourism. The cooperation on the environment will take the form of measures with a catalyst effect, such as pilot or demonstration projects (particularly projects to protect water quality in the Mediterranean) together with training schemes.

The new Mediterranean policy will include the establishment of a number of networks. These trans-European networks (Med-Urbs, Med-Invest, Med-Campus and Med-Media) were allocated ECU 4 405 000 in 1994 to fund a number of schemes to complement the existing forms of bilateral cooperation by supporting multilateral, regional or subregional cooperation recognized by the Community and its partners as of interest, particularly in such fields as cooperation on industrial policy, trade, agriculture, energy, mining, science, tourism, transport and the environment (water, transport, environmental, waste and energy management plus more complex urban planning, financial management and local taxation problems). This item also covers the cost of technical assistance measures and expenditure on studies, meetings of experts, conferences, congresses, information and publications.

It also funds decentralized cooperation schemes between institutions and economic, social and cultural circles.

The four Mediterranean programmes (Med-Urbs, Med-Campus, Med-Invest and Med-Media) apply the same principle of establishing decentralized cooperation networks to encourage transfers of technology and exchanges of skills in fields such as urban planning and management, higher education, the development of small businesses and the media.

These networks must include at least one participant from a non-Community Mediterranean country plus two participants from two different European Union countries.

The Avicenne initiative (on science and technology cooperation with the Maghreb and the countries of the Mediterranean Basin), with a budget of ECU 5 million in 1992, ECU 5.3 million in 1993 and ECU 5.3 million in 1994, is designed to explore the prospects for scientific and technological cooperation between the Community and non-Community Mediterranean countries on environmental protection and health.

This initiative covers six separate types of action on:

- organic and inorganic pollutants, their effects on the environment and evaluation of the risks to human health;
- clean technologies and treatment or utilization of waste; substitution of dangerous substances; reduction of emissions;
- desertification in the Mediterranean area; extent and dynamics; regional impact and control;
- improvement and conservation of water resources; desalination; water resources prospection;
- prevention and control of prevalent diseases;
- development and circulation of scientific and technical information and promotion of cooperation between universities and enterprises in the Member States and the non-Community Mediterranean countries concerned.

Priority will be given to projects with a tangible impact at regional level.

This initiative will probably be incorporated in the Fourth Framework Programme in due course. The latest call for proposals was published in July 1994.

The PECO initiative with a budget of ECU 77 million for 1994 supplements the assistance for economic conversion in Central and Eastern Europe and the Independent States of the former Soviet Union. In particular, this initiative puts into action the Community's commitment to speed up the changes in the research structures in these countries, particularly in the fields of environmental protection, nuclear safety, materials and production processes. These activities are separate from, but coordinated with, the PHARE and TACIS programmes. They include joint research projects, the development of pan-European science networks, conferences and seminars, studies and surveys in fields of direct relevance to scientific and technological cooperation with the countries concerned, etc.

This initiative will be incorporated in the Fourth European Community Framework Programme for research, technological development and demonstration activities (1994-1998) in due course.

The Copernicus initiative with a budget of ECU 29.5 million for 1994 covers the costs incurred by bodies and undertakings from Central and Eastern Europe and the Independent States of the former Soviet Union for participation, on the same terms as bodies and undertakings from the Member States, in the projects conducted under the specific programmes on the environment, biomedicine and health, non-nuclear energy, nuclear fission safety, etc.

This initiative will be incorporated in the Fourth European Community Framework Programme for research, technological development and demonstration activities (1994-1998) in due course.

Operations on conservation of tropical forests, with a budget of ECU 50 million for 1994, will attempt to provide financial and technical assistance for conservation and sustainable management of tropical forests. Priority is given to specific operations complying with the EU's priority policies, i.e.:

- introduction, expansion, protection and sustainable management of the measures taken for selected areas of forest;
- development, dissemination and monitoring of the impact of technologies and systems to improve the standard of living of forest populations by making sustainable use of the resources.

Operations concerning health and the environment in the developing countries. The funds for these operations are allocated annually by the budgetary authority. In 1994 ECU 20 million was entered under this heading. The objective of this instrument is to protect the developing countries by monitoring desertification and taking measures to combat pollution, preserve biodiversity, protect marine ecosystems and develop the urban and rural environment. Priority is given to projects producing direct effects in the fields of:

- sustainable development of local communities;
- improvement of the urban environment;
- conservation and management of natural resources.

The projects must be compatible with the Community's cooperation policy in conjunction with the agreements and conventions signed with the ALA and ACP countries.

6. The European Investment Bank (EIB)

The European Investment Bank has the specific task of granting medium-term and long-term loans to support investments in line with the Community's major objectives and policies. The EIB is active primarily in the Community Member States. It is also involved in helping to implement the Community's external cooperation policy in over 100 non-member countries.

EIB loans can be granted to borrowers in the public or private sector for projects in the infrastructure, energy, industry, services and agriculture fields.

The EIB finances large-scale investments by agreeing individual loans directly with the promoter or with a financial intermediary. Small or medium-scale investments are funded indirectly from global loans.

The EIB helps to fund projects and investment programmes also eligible for support from the Structural Funds and the Community's other financial instruments.

Regional development is the Bank's priority objective. For many years environmental protection and improvement has been growing in importance alongside the other major objectives. According to the EIB, 15% of its loans have been granted to environmental projects, with priority being given to activities on the urban environment, to reduce CO₂ emissions and to improve air and water quality (Total financing over the period 1989-93: ECU 70 484.1m, of which ECU 7 829.7m for the environment).

The EIB helps to protect the environment in three other ways:

- by taking account of the environmental impact of all the investments submitted to it for funding;
- by financing projects with specific environmental objectives (water supply and treatment, clean-up of industrial pollution, protection of soil and forests and the urban environment);
- by providing technical assistance to promoters to optimize the environmental performance of their projects.

7. **DG XI's instruments**

In addition to LIFE, DG XI administers a number of other budget items covering activities connected with LIFE. These include:

Education, basic and advanced training, with a budget of ECU 1 million for 1994; these activities are intended to develop education and training as an instrument to help attain environmental protection objectives.

Civil protection and ecological emergencies with a budget of ECU 2.5 million for 1994; these activities aim at Community cooperation on civil protection and at preparing for and dealing with marine pollution caused by accidents.

Environmental information and awareness with a budget of ECU 7 million for 1994 to cover measures to determine and encourage the active participation of the players involved in order to identify environmental problems and promote cooperation and dialogue between all concerned. These activities should promote exchanges of information and experience.

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