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IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation

on the establishment of a Programme for the Environment and Climate Action (LIFE)

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Disclaimer: This impact assessment commits only the Commission's services involved in its preparation and does not prejudge the final form of any decision to be taken by the Commission.

TABLE OF CONTENT

1.	Procedural Issues and Consultation of Interested Parties	3
1.1.	Procedural issues.....	3
1.2.	External expertise and consultation of interested parties	3
1.3.	Opinion of the Impact Assessment Board (IAB):.....	4
2.	Current Structure and Performance of LIFE and Problem Definition	5
2.1.	Current structure and design of the LIFE Programme	5
2.2.	Problem definition	6
2.2.1.	Environmental and climate problems, their main drivers and underlying causes.....	6
2.2.2.	Performance of the LIFE Programme and problems linked to its design and structure	9
2.3.	How will the problem evolve?	18
2.4.	Who is affected and how?.....	20
2.5.	The EU's right to act and justification.....	20
2.5.1.	The EU's right to act on environment and climate policies	20
2.5.2.	Necessity of EU action.....	20
2.5.3.	EU added value of EU action of a specific financial instrument for Environment and Climate Action.....	21
2.5.4.	Proportionality of the EU action	22
3.	Objectives	22
3.1.	Objectives related to the content of the LIFE Programme.....	22
3.2.	Objectives related to the design of the Programme	22
3.3.	Consistency with existing EU policies and strategies such as Europe 2020.....	23
4.	Policy Options.....	26
4.1.	Description of the baseline as defined by the MFF Communication.....	26
4.2.	Development of the policy options	28
4.3.	Which options have been discarded and why?	28
4.4.	Description of the options retained for further assessment.....	31
5.	Analysis of Impacts.....	40
5.1.	Introductory remarks about impacts of the current LIFE+ Regulation and the Baseline derived from the MFF Communication	40
5.2.	Analysis of the options.....	43
6.	Comparing the Options	59
6.1.	Summary of the assessments	59
6.2.	Comparisons	66
6.3.	Preferred option	66
7.	Monitoring and Evaluation	67
8.	Annexes	69

Introduction

This impact assessment assesses the potential **economic, social and environmental** impacts of different options for managing a **financial instrument for the Environment and Climate Action (LIFE)** for the period 2014-2020 (successor to the LIFE+ Programme).

The EU budget reform focuses on the creation of European added-value and the achievement of the key priorities outlined in the Europe 2020 Strategy, which sets the framework for smart, sustainable and inclusive growth. Investments in **environmental protection, climate change mitigation and adaptation**, and **resource efficiency** are investments in the modernisation of our economies and societies that contribute directly to two EU2020 flagships, namely "the Innovation Union" and "Resource Efficiency", and the headline target for climate and energy.

In the Communication of 29 June 2011, the Commission adopted its position for the Union's finances for the next Multiannual Financial Framework (hereinafter the MFF Communication) for 2014-2020.¹ This Communication outlines the main elements of the future LIFE Programme², which will include two sub-programmes, one for the environment (€2.4 billion) and one for climate (€800 million). It also mentions that the future Programme should remain centrally managed, but that management tasks could to a large extent be delegated to an existing agency.

1. PROCEDURAL ISSUES AND CONSULTATION OF INTERESTED PARTIES

1.1. Procedural issues

This impact assessment has been prepared by Directorate General for the Environment (DG Environment) and Directorate General for Climate Action (DG Climate Action). Inter-service cooperation was ensured through the establishment of an Inter-Service Steering Group (ISG) set up in September 2010 and which met several times with all interested DGs, the Secretariat General and the European Agency for Competitiveness and Innovation (EACI). Members of the ISG also followed the supporting study carried out by consultants GHK et al. and participated in the workshops organised both during the mid-term evaluation of LIFE+ and during the combined impact assessment/ex-ante evaluation.

1.2. External expertise and consultation of interested parties

External expertise: Two independent studies were commissioned from external consultants: "Combined impact assessment and ex-ante evaluation of the review of the LIFE+ Regulation" carried out by a consortium led by GHK and "Climate Change in the future multiannual financial framework" carried out by the Institute for European Environmental Policy. The results of the ex-post evaluation carried out by COWI in 2009³ and the Mid-term evaluation of LIFE+ carried out by GHK et al.⁴ in 2010 were also taken into account.⁵

¹ COM(2011)500 final-A Budget for Europe 2020:
http://europa.eu/press_room/pdf/a_budget_for_europe_2020_en.pdf.

² See details in Annex 2.

³ <http://ec.europa.eu/environment/life/publications/lifepublications/evaluation/index.htm#expost>.

⁴ <http://ec.europa.eu/environment/life/publications/lifepublications/evaluation/index.htm#mte2010>.

⁵ These are summarised in Annex 4.

Consultation process: In the context of **the budget review**, the Commission has carried out studies, discussions and analysis, including a wide public consultation. This exercise identified climate change as a major challenge with two thirds of the contributors considering it Europe's big test for the future. The political conference closing the public consultation confirmed this and there were calls for increasing priority spending for environment and climate action in EU expenditure plans.

An open online consultation was carried out on 'Your Voice in Europe'.⁶ Around 1,000 responses were received from a variety of stakeholders, of which 58% had never received LIFE funding. Some 35% of respondents were organisations, 13% were competent authorities and 53% were private individuals.

More targeted consultations have been carried out to complement the stakeholder survey: one organised with the LIFE Committee members and Member States' environmental attachés on 27 January 2011, an **ad-hoc stakeholder meeting⁷** with around 100 representatives on 28 January 2011 (e.g. NGOs, farmers association, business, and public authorities), and a specific survey on territorial impacts coordinated by the Committee of the Regions.

The outcome of the consultation process can be summarised as follows: The Programme is seen as **generally performing well in both environmental and value-added terms**. Reflecting this, there is overwhelming support for the continuation of LIFE+ from all stakeholders with a preference for 'evolution rather than revolution'. There was general support for the different interventions and proposals made by the Commission. Integrated Projects were seen as having potential, and once explained, gathered support including from Member States. General support was provided as well for a more targeted focus, with biodiversity and climate adaptation as top priorities, an increase in the budget and in the co-financing rate, and partial extension of the territorial scope.⁸

1.3. Opinion of the Impact Assessment Board (IAB):

A first version of the Impact Assessment was submitted to the IAB on 29 July 2011. The IAB Opinion was issued on 13 September and suggested a series of modifications to improve the quality and presentation of the assessment.

Based on the IAB Opinion, section 2.2 has been modified to provide further information on the best performing sectors and features of the LIFE Programme. In particular, information has been added regarding the type of funding that has been most successful in terms of environmental benefits, the absorption capacity of the Programme, and additional data on the problems with its design and functioning. Clearer reference was made to the link between the problems in the implementation of the current Programme with the respective options.

The synergies and potential risks of overlapping with other Union Funds were also developed more in detail (section 2.2.2(b)) and complemented with a summary of the the assessment of the zero option (which was originally only included as an Annex) in section 4.2. This also allowed clarifying the policy areas better suited for Union intervention through the LIFE Programme.

⁶ Hereinafter referred to as "YVIE".

⁷ Hereinafter referred to as "EC workshop".

⁸ The outcome from these consultations is summarised in Annex 3 and relevant elements are inserted throughout this report.

More clarity has been provided in the section 4.4. regarding the Options. Firstly by developing in detail the Baseline as presented in the MFF Communication, and secondly by further developing the options related to the thematic concentration of Integrated Projects (Options B) and the allocation of resources between the different priority areas (Options C). Finally, more information is provided regarding overhead costs and proposed changes, including all the improvements already undertaken or planned.

For all options, the baseline sub-option (established on the basis of the MFF Communication) has been clearly identified and the assessment of impacts has been modified accordingly (Section 6.2). Information included in annexes, opinions of the stakeholders regarding different options and limitations of the applied methodology are also presented in a more systematic and transparent manner throughout the assessment.

2. CURRENT STRUCTURE AND PERFORMANCE OF LIFE AND PROBLEM DEFINITION

2.1. Current structure and design of the LIFE Programme

Launched in 1992, the LIFE Programme is one of the spearheads of EU environmental funding and has financed 3,115 projects with a contribution of €2.7 billion. The latest Financial Instrument for the Environment (LIFE+) was adopted through Regulation (EC) No 614/2007 (the Regulation).⁹ The Programme is centrally managed by the Commission. The list of projects is approved by comitology with parliamentary scrutiny.

The purpose of the LIFE+ Regulation is to contribute to the implementation, updating and development of EU environmental policy and legislation thereby contributing to sustainable development. Another objective is to contribute to communicating and disseminating environmental issues throughout the EU.

Three types of interventions are possible under LIFE+:

- **Action grants**, traditional LIFE Programme, representing 78% of the budget with three strands (see box 1);
- **Operating grants for NGOs**, former NGO Programme, representing 3% of the budget;
- **Public procurement contracts** for services and studies related to the development, update and implementation of EU environmental and climate policy and legislation, representing 13% of the budget; and **Technical assistance** to the selection, monitoring and evaluation of LIFE projects and the Programme representing 6% of the budget.

Box 1: LIFE+ Strands

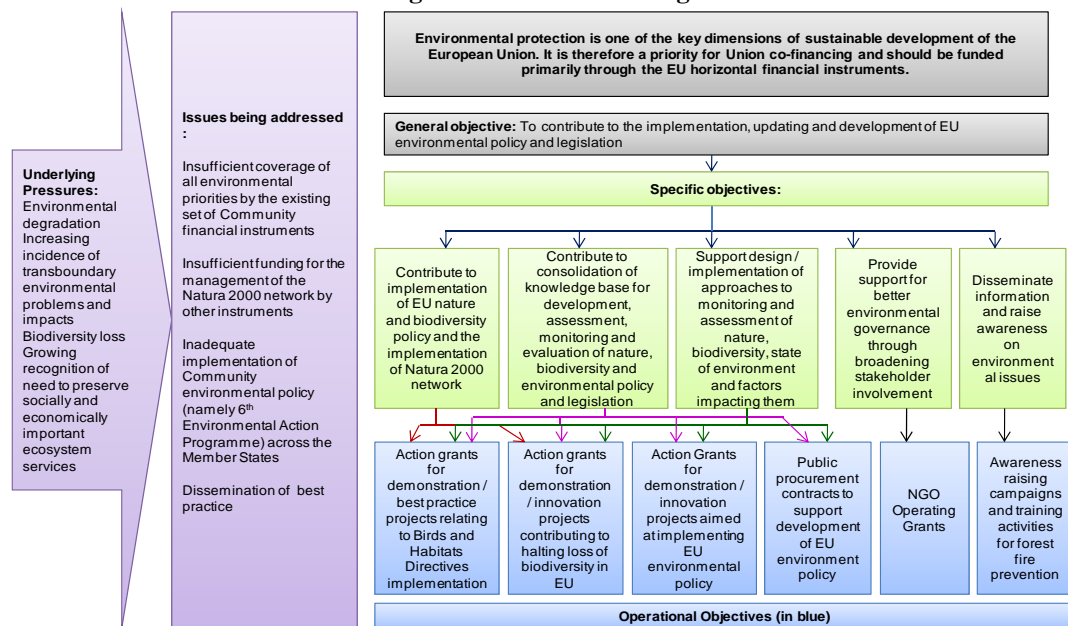
Nature & Biodiversity: projects contributing to implementing the Birds and Habitats Directives, including set-up and management of the Natura2000 network, and the Communication on "Halting the loss of biodiversity by 2010".

Environment Policy & Governance (EPG): innovative or demonstration projects relating to EU environmental objectives. It includes 12 priority areas for action, one of which is climate action.

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

⁹ OJ L 149, 09.06.2007

Figure 1: Intervention Logic for LIFE+



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

The LIFE+ Regulation requires at least 50 % of the budgetary resources for LIFE+ projects to be allocated to measures to support the conservation of nature and biodiversity.

LIFE+ projects are selected on the basis of a call for proposals launched every year by the Commission. Operational funding for NGOs is also subject to an annual call for proposals run by DG Environment with a 70% co-financing rate. Policy support expenditure is contracted on a continuous basis, upon demand from DG Environment and DG Climate Action.

2.2. Problem definition

2.2.1. Environmental and climate problems, their main drivers and underlying causes

When analysing the design and focus of a specific programme for the environment and climate action, it is necessary to identify the drivers and underlying causes of environmental and climate problems to be addressed.

Halting the loss of biodiversity and improving resource efficiency along with climate change, and environment and health related concerns remain key challenges for the EU.¹⁰¹¹ Although difficult to quantify, an assessment of externalities indicates that the total environmental cost in the EU each year is more than €650 billion representing around 5.7% of EU GDP (details for the calculation are provided in Annex 5). For example, the projected climate damage costs¹² are estimated at about €20 billion per year by 2020 to €100-150 billion per year by 2050, if no adaptation measures are implemented.

These problems are a consequence of wide range of economic and social activity and behaviour, which constitute institutional drivers, market and regulatory failures. The role of LIFE is to act as catalyst for change in areas where such a small instrument would be effective

¹⁰ EEA, The European Environment State and outlook 2010 available at <http://www.eea.europa.eu/soer>.

¹¹ SEC(2010) 975 final.

¹² Results from ClimateCost project using PAGE model.

and achieve the highest EU added value. This is attained by funding start-up actions and innovative, demonstrative, and best practices projects that could be replicated, as well as by acting as a platform for knowledge-sharing. Given this, the instrument typically deals with institutional drivers (and in some cases market failures), which are described in this section and are further developed in Annex 5.

(1) Uneven and inadequate level of environmental protection due to the insufficient implementation or scope of environmental and climate policy

Despite the well documented health and socio-economic benefits of implementing environmental and climate legislation, a high rate of implementation failures remains.¹³ Its underlying causes vary between Member States. One driver to highlight is insufficient administrative capacity, which includes individual competence, organisational capacities, the enabling environment and partnerships/network organisations. This leaves much room for the Commission to be proactive and promote implementation and compliance through the exchange and transfer of best practices, and knowledge and experience at EU level. The different evaluations show that LIFE can offer this platform.

(2) Uneven integration of environment and climate concerns into other policies

The principle of environmental integration recognises that environmental policy alone cannot achieve the environmental improvements needed.¹⁴ However, evidence (e.g. see the latest Cohesion report) suggests there is unevenness in the way this happens on the ground. In particular, there are substantial divergences in the way environmental and climate objectives are incorporated into national/regional programmes and dealt with by the various authorities and the private sector. Underlying causes identified include different competing priorities, lack of absorption capacity and knowledge sharing, lack of coordination between authorities and insufficient strategic planning. Showing to regional and national authorities the benefits of investing in the environmental sector and incentivising them to develop strategic frameworks require in some cases demonstrative projects. LIFE could provide those examples, thereby becoming a catalyst and “leader” for other EU instruments and help to addressing coordination failures.

(3) Inadequate levels of awareness and sharing of information

The problem of implementation and integration described above arise in part because of an inadequate sharing of information. The problem is twofold: insufficient understanding of environmental problems and challenges, and insufficient knowledge sharing (e.g., potential solutions to the problems). Most EU Funds do not include compulsory dissemination and awareness raising obligations focusing on environmental and climate challenges, while LIFE does. As part of the strategy to promote full implementation of the *acquis*, LIFE could provide the framework to substantially increase environmental and climate related awareness.

(4) Limited support to eco-innovation

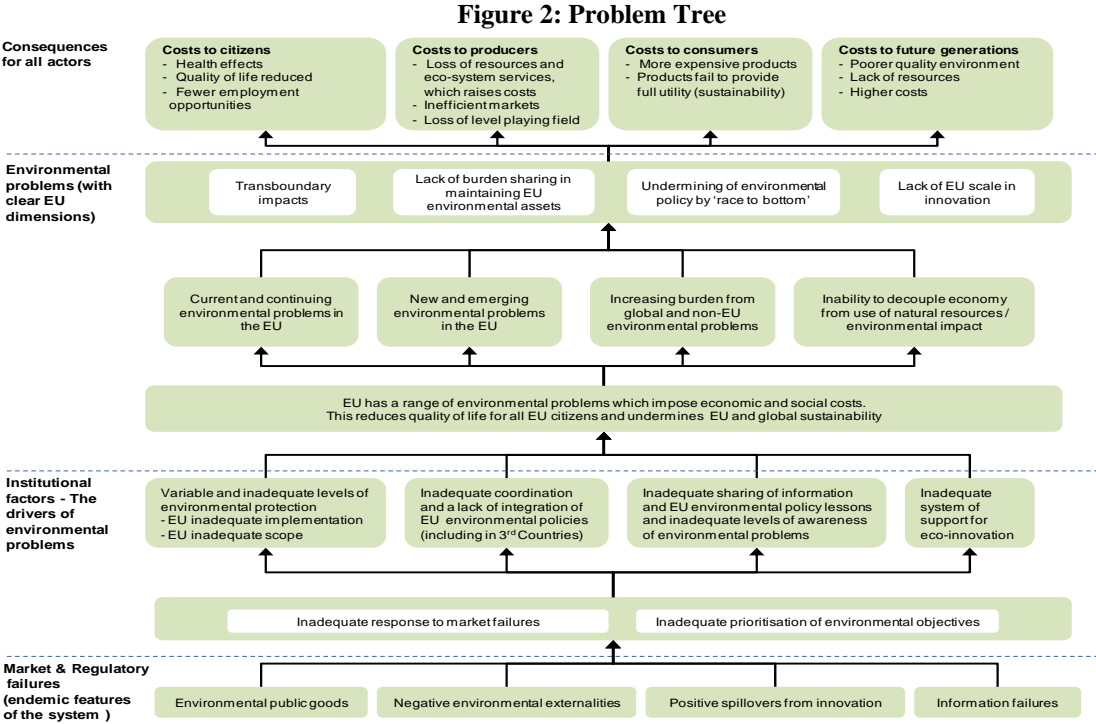
The pursuit of eco-innovation is not just developing new consumer products and technologies that are intrinsically cleaner and greener than their predecessors. It is also about engendering better practices and approaches across the economy. While market failures are sufficiently

¹³ One third of all open cases for non-compliance are environment related cases, which indicates that the implementation of environmental legislation remains far from satisfactory.

¹⁴ COM(2004)394 "Integrating environmental considerations into other policy areas – a stocktaking of the Cardiff process".

addressed by other EU Funds, institutional weaknesses are more insufficiently dealt with. This is particularly relevant for activities related to developing policy driven and public sector oriented solutions to environmental problems with limited or no market replication potential and that simply promote new and more cost-effective ways to implement environmental policy. Similarly, low carbon technology development is hampered by uncertainty and knowledge spill-over in general. After technologies have been developed, they need to be tested at a small scale. While market-replication and large scale solutions are increasingly covered by new initiatives like Horizon 2020, there is still much room to promote the development of local and public sector-oriented solutions as well as small-scale technologies focused on SMEs to help them improve their environmental and climate performance. LIFE has traditionally dealt with these local challenges by providing highly replicable smaller scale solutions.

The problem tree in figure 2 below shows that in addition to the institutional drivers developed in this section, there are also market and regulatory failures that relate to the fact that the environment is a public good. As a consequence, negative environmental externalities are not integrated in price, resulting in imperfect competition and in positive spillovers from innovation being not recognised by the market. In addition, information failures cause consumers to make ill choices, and regulatory capture makes that particular interested parties have a disproportionate influence over policy and legislation. Most environmental challenges have been regulated at EU level thereby tackling regulatory and in many cases market failures (e.g., by imposing a price to use a resource, by homogenising standards for a particular environmental sector). Market-based instruments also address many of the externalities and market failures identified.



However, not all underlying causes and drivers can be solved through legislation. For example, the first institutional driver mentioned in this section is precisely the insufficient implementation of environmental and climate legislation, which consolidates many of the environmental and climate challenges identified. Therefore, incentives and measures other than legislation and market-based instruments are required to address those barriers.

The budget is an essential policy instrument to achieve EU objectives, and to recognise solidarity and effort sharing.

In fact, EU2020 has set out specific targets and objectives that will require **a combination of different policy instruments** if they are to be achieved. Among these policy instruments, mobilisation of possible funds is essential to support implementation costs as well as to drive change. The different EU funding programmes thus address different drivers at different levels ensuring the coherent and complementary approach of the EU's intervention.

Whereas many EU funding instruments mostly focus on supporting implementation costs (particular in relation to investments in infrastructure) and research needs on a larger EU scale, LIFE, as shown in this section, focuses more on institutional barriers (linked to lack of adequate capacity to implement and integrate environmental and climate concerns or deficiencies in knowledge/best practice sharing), and addresses information failures through a wide dissemination of project results and networking obligations. LIFE addresses main gaps (institutional, procedural, territorial) identified in Cohesion policy funds, Common Agricultural Policy (CAP) Funds, and the Research and Innovation Framework Programme. LIFE in particular helps addressing the challenge of establishing adequate mechanisms for coordination for environment and climate (contributing to the success of mainstreaming and addressing uptake problems). In addition, LIFE provides solutions that can be scaled-up and mainstreamed into these bigger Funds. More detailed discussion on the relation between LIFE and each fund is provided in section 3.2 (consistency with existing EU policies) and section 4.1 (zero option).

2.2.2. Performance of the LIFE Programme and problems linked to its design and structure

The evaluations mentioned in section 1.2 confirm that LIFE is a successful EU instrument crucial to implementing EU environmental policy. It has a significant EU added value and has performed well.

a. The best performing sectors and features of the LIFE Programme

- (1) LIFE contribution to implementation and to creating environmental benefits has been particularly successful in certain sectors

Since projects supported by way of **action grants** focus on concrete environmental improvements (such as restoring habitats) or finding solutions to environmental problems, action grants are the type of funding that led to direct environmental and climate benefits (e.g., reduction of CO₂ emissions, less hazardous substances in water, etc.). This implies that environmental and climate benefits are easier to quantify for action grants.

LIFE has worked best when focused on a particular sector and thus is able to create critical mass. These sectors tend to be as well those in which LIFE has also brought more direct environmental benefits.

One of the main success of the Programme is the **LIFE Nature component**. LIFE has played a major role in implementing the Habitats and Birds Directives, firstly, by financing the inventories required for the designation of the Natura2000 sites; secondly, by restoring and improving the conservation status of habitats and species; thirdly, by building the capacity required to manage the network in the long term; and fourthly, by eliminating the initial resistance in many sectors, including the public administration, to implement the Nature

Directives (for more details see Table 1.2 of Annex 7).¹⁵ This success derives to a great extent from concentrating 50% of resources on two Directives and from the close links between the Programme and EU policy priorities. Projects' size in the Nature component has been steadily increasing over time to cover larger portions of the territory of a region or a Member State, which also contributes to increasing the capacity of these projects to provide direct environmental benefits (see Box 3 in section 2.2.2(b)1 for an example of a large scale project).

In the **Environment component, Eco-innovation projects** (around 42% of projects financed under the LIFE Environment strand) bring more direct environmental benefits since they focus on demonstrating environmental improvements as a result of innovative/demonstrative solutions to environmental problems. Action grants in the area of **climate change, water, waste** and to a certain extent **air** can be considered as the most successful in achieving direct environmental benefits (see Table 1.4 of Annex 7). In addition, the ex-post evaluation noted a positive pump-priming effect (with projects being replicated and thus increasing direct environmental benefits) in the **waste and water sectors**.

For other projects funded under LIFE Environment that aim at testing and developing new policy or management approaches and proposals, quantification of direct environmental benefits is not possible. This would be the case particularly for strategic approaches, chemicals, urban, noise, or soil where few direct environmental benefits are reported although successful management systems have been established.

In any case, the lack of focus of the Environment strand meant that projects even within a common and successful theme such as waste or climate change addressed in fact a wide range of issues. As a consequence, the overall body of projects lack coherence, reducing the capacity for direct environmental benefits, mutual learning exchange, transferability and the delivery of multipliers.

Information and communication projects have not been particularly successful. This is partially due to the current design of the LIFE Information & Communication component, which is not adapted to communication and awareness needs. However, it should be noted that when an Information project is adequately designed and has a sufficiently large geographic scope it has a great potential for changing behaviours (see examples in Box 2 below). It is not always possible to quantify direct environmental benefits resulting from Information projects.

Box 2: Illustrations of a LIFE Information & Communication strand

European day 'In town, without my car?' (subsequently becoming the **European Mobility Week**): In 2002, the campaign succeeded in establishing a truly European initiative with 320 cities from 21 countries taking part in European Mobility Week. A second event held in September 2003 consisted of a week-long series of awareness-raising events focusing on various aspects of sustainable mobility. Mobility Week successfully continues taking place in Europe and is now spreading to the rest of the world via grassroots networks.

The European Week of Waste Reduction. The LIFE project *EWWR* aims to reduce the amount of waste generated in the EU by mobilising all relevant actors in a EU-wide awareness-raising campaign and changing behaviours of different stakeholders in their waste generation. 4 Member States have joined to develop a common strategy as well as tools to carry out awareness-raising activities on recycling around the EU over one week every year. In 2009, 2,672 initiatives were carried out, in 2010 there were 4,346 in 24 countries reflecting the success of the event. In 2011 expectations are even higher.

¹⁵ Between 1992 and 2006 and with only €70million a year LIFE covered 9% of the Natura2000 terrestrial network. The actual coverage in relation to areas in needs of intervention is higher, but lack of data makes it impossible to determine how much higher. For the period 2007-2013 LIFE+ will cover around 6% of the terrestrial Natura2000 with a big increase in the coverage of the marine network. Around 37% of birds species and 50% of animals species have been targeted by LIFE projects with half of them achieving "favourable conservation status" for one or more of the targeted species in the long term.

Finally, it should be highlighted that some of the most successful projects in terms of environmental benefits have also been those where LIFE funding was complemented, scaled-up or continued via other funds. Particularly successful in terms of environmental benefits were those projects where LIFE funding was used in combination with other EU and national funds because it also help covering larger portions of the territory and addressing different and complementary needs (see Box 4 in section 2.2.2(b)(3)).

NGOs activities funded by operational grants have also being successful in achieving environmental and climate objectives. There are numerous examples of environmental investigation and studies carried out by NGOs in relation to environmental policy, many of which have contributed directly to the policy process to identify environmental and climate problems or even define policy options. NGOs contribute to the knowledge-base for environmental policy by feeding in specific expertise, research and studies. For instance, an investigation by the Pesticides Action Network (PAN) Europe in 2008 of bottles of wine purchased inside the EU found evidence that some wines contain residues of "a large number of pesticides".¹⁶ In addition, through their networks and specific expertise, NGOs are effective in promoting implementation of EU policy on the ground. They can for example draw attention to cases of non-compliance and publishing black lists, scoreboards and reports contribute to improving implementation. They also act as centres of expertise helping local authorities and economic actors to comply with legal or policy requests, or setting up implementation initiatives themselves. Direct environmental impacts cannot be quantified.

(2) LIFE has played a significant role in increasing awareness, good governance and public participation

LIFE projects have made a significant contribution to increase information and awareness on environmental and climate related matters as, on average, between 5-10% of resources are dedicated to these aspects (Table 1 shows a total investment of around €36.5 million) which is compulsory for all projects. These projects have performed well.

Table 1 - Budgeted amounts for dissemination and awareness activities under LIFE projects (2007-2009)

Activity	€(budgeted)
Educational activities	2.010.334
Media activities	10.704.716
Publications	7.477.340
Trainings	6.858.612
Workshops	9.507.216
TOTAL	36.558.218

In addition, the EU contribution under the Information & Communication strand to awareness raising campaigns has been of €34.1 million.

LIFE has also improved governance and public participation. **Operating grants** for NGOs facilitated their involvement in developing and implementing EU environmental policy and legislation as required by the Aarhus Convention. NGOs played an important role in ensuring good governance policy by articulating the interests of civil society. Funded NGOs play an important role in coordinating the positions of their members, providing the Commission with a single interlocutor and giving a voice to a large number of local organisations which would otherwise have difficulties reaching EU decision-makers. NGOs reply regularly to public consultations, providing useful input and perspective to the policy process. Operation grants

¹⁶ PAN Europe (2008) European wine systematically contaminated with pesticides residues. Available from: <http://www.pan-europe.info/Media/PR/080326.html>.

are considered a tool to protect the level playing field in the public debate and the policy development between environmental NGOs and sector-federations or other organisations funded by industry. However only 31% of the NGOs in the Mid-term evaluation thought a level playing field is effectively being reached with the actual operational funding. NGOs receive on average around € million per year in operating grants.

Finally, the participative nature of LIFE projects which brings together public and private organisations has improved effectiveness.

(3) The flexibility of the Programme and management mode

Stakeholders appreciate the fact that LIFE is close to local and regional realities and needs allowing for flexibility to develop ideas and approaches adapted to the particular context. The management of the Programme was considered by different evaluations and stakeholders as one of the elements of success of the Programme.

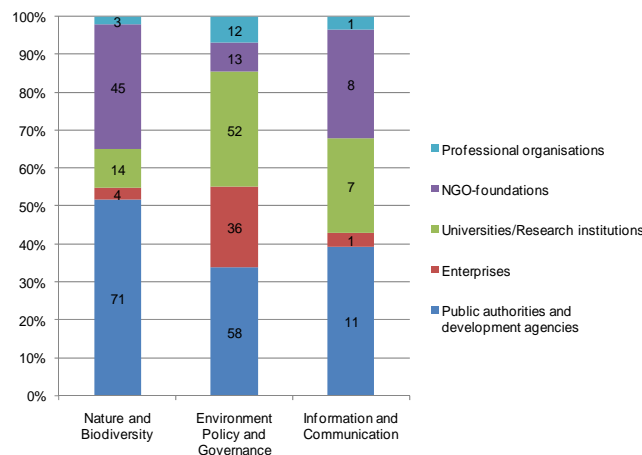
(4) LIFE is the most adapted EU funding instrument in the environmental sector as reflected by a continuously increasing demand and thus is particularly successful in mobilising national and private sector funds for the environment

Demand for LIFE action grants is continuously growing, and with it, its capacity to mobilise both private sector and national funds. The overall level of applications and co-financing requested is oversubscribed for all strands. For example, for 2010 call for proposals, 748 proposals were submitted requesting €884 million co-financing while only €244 million were available. Total investment would have implied around €1.8 billion (therefore around 53% of the total investment would have come from national and private funds). As a consequence of the limited funds available under LIFE, out of the 250 projects that were eligible for funding, only 148 (i.e., a selection rate of approx. 1 project out of 3) could be funded representing a total investment of €30 million. The 2011 call for proposals confirm this trend (around 1078 proposals have been received). This data provides evidence of the capacity of LIFE+ to mobilise funds even during this time of crisis and even when the co-financing rate remains at 50%.¹⁷ No risk of crowding out is foreseen, especially since the increase in LIFE funding is inferior to current and expected demand.

Since LIFE action grant funding covers up to 50% of the eligible project costs (up to 75% for Nature projects targeting priority species and/or habitats), matching funds are brought by project beneficiaries and, where relevant, co-financers from the public or private sectors. In some Member States, national funds provide matching funds to LIFE funding as co-financers. The best example is Poland, which has led to a significant increase in the number of applications to LIFE funding.

¹⁷ It should be noticed that the increase in proposals is for the three strands. In the nature strand were there is the possibility for a co-financing rate of up to 75% for projects targeting priority species, the increase is observed for all types of projects.

Figure 3: Major beneficiaries in LIFE+ projects per strand (2007-2008)



Action grants in the **LIFE NAT** predominately mobilise public sector funds (public authorities and development agencies represent 71% of lead beneficiaries under LIFE Nature & Biodiversity component). Only 4% of lead beneficiaries were enterprises. However, an increasing tendency for the private sector to be more involved in nature, and especially biodiversity, projects has been observed in the last calls. Usually, the private sector participates as associated beneficiaries through their organisations (e.g., farmers, hunters and fishermen associations) or directly. Information and dissemination activities funded through action grants predominantly mobilise public sector and NGO funding.

Action grants in the **LIFE Environment** component have been particularly successful in mobilising private funding. 48% of beneficiaries of LIFE Environment projects are enterprises (mostly SMEs) and professional organisations (e.g., business associations or institutions dependant on business). Since the co-financing rate for environmental projects is of 50%, this means that a substantial mobilisation of private funds has been possible through LIFE Environment.

NGOs operating grants do not aim at mobilising private sector funds but rather to strengthening the participation of NGOs in the dialogue process in environmental policy-making and its implementation.

b. Problems with the design and functioning of the Programme

(1) Lack of strategic approach and critical mass

The main criticism of the current instrument is the **absence of a strategic approach**, which means that EU policy priorities are not fully reflected. For example, climate change was a priority for 2007-2009 calls, but given the open competition, it only obtained 14% of LIFE budget for action grants. Similarly, compliance promotion, good practice for enforcement, as well as other governance-related aspects have not received sufficient attention under the current system, and individual projects in these areas have not been co-ordinated in a way that delivered high multiplier effects. The same applies to the Information & Communication component, which often finances very locally-oriented dissemination campaigns each focusing on a different environmental or climate problem, thus limiting the impact of behavioural change.

This is the consequence of the bottom-up approach combined with the broad scope of areas for action, which provides little opportunity for the Commission to stimulate demand in priority areas. Indeed, even within an individual thematic area, the projects financed are very

diverse limiting the ability to generate impacts beyond an individual project. Therefore, the ability to make greater use of project results in support of policy needs (the so-called catalytic or multiplier effect of the Programme) is underdeveloped.

Many good projects are financed, but because these are not concentrated on a single issue at the same time, their impact is dissipated. The exception is Nature, which does have a critical mass, as it focuses on two Directives concentrating 50% of resources on their implementation and dissemination of good practices.

This experience would call *inter alia* for **earmarked resources** for other policy priorities, in particular Climate Action, and higher visibility for some elements (e.g. governance) of the LIFE Environment strand. In addition, the Mid-term and ex-ante evaluations propose establishing a strategic programming framework (such as 2-3 years rolling plan) to set priorities.

Finally, the different evaluations call for **increasing the size of the projects** to ensure a higher impact and more extensive outreach (i.e. more/larger areas of Natura2000 involved and significant capacity building). There are examples under the current programming period where these large size projects (i.e., €10-30 million) have been financed showing their benefits and increased impacts.¹⁸

Box 3: LIFE and the Iberian lynx (Spain and Portugal)

The Iberian lynx (*lynx pardinus*) is the world's most endangered feline species and the most endangered carnivorous mammal in Europe. The lynx is an umbrella species that helps in the conservation of a whole ecosystem but only two populations located in Andalucía remain in the world.

To build on and move beyond the findings of regional projects, the Andalusian government applied for a €25 million LIFE project (EU contribution €9.8 million) to develop a partnership project to consolidate and guarantee the future of the lynx populations, principally by restoring rabbit populations. The LIFE project allowed including other partners crucial to the protection of the lynx. These partners included organisations representing hunters and landowners, as well as environmental NGOs and international experts on carnivores conservation.

The project far exceeded expectations. Not only was it able to prevent further loss of the species in the two areas, but it even managed to increase the populations. When LIFE funding started, only 102 specimens remained in the entire world. Population has increased now up to 270 specimens, it is being reintroduced in new areas and further reintroduction in Portugal and other Spanish regions is expected. Hopes are high to upgrade the conservation status from critically endangered to endangered in the next years. A new LIFE project with €34 million (EU contribution €20 million) will aim at achieving this ambitious target.

Following recommendations from the Mid-term evaluation, the Commission has included in the Guide for applicants for the 2010-2011 calls for action grants indicative lists of favoured focus areas. However, the LIFE+ Regulation does not allow for annual work plans or for limiting the number of priority areas. Therefore, this solution is not sufficient to address the problem identified.

The need for a strategic planning (top-down versus bottom-up) is addressed under **Options A**. Options for the allocation of resources between different priority areas, including earmarking are developed under **Options C**.

The possibility to increase the size of projects to improve impact and environmental benefits and more extensive outreach was addressed by the **MFF Communication** where a new type of projects - "Integrated Projects" - is proposed (see the baseline description in section 4).

¹⁸ See Annex 7 for further details.

(2) Role and objectives to be better defined for certain strands and territorial scope

The **LIFE Nature** strand is clearly focused on implementation and capacity building, whereas LIFE Environment has evolved from promoting technological eco-innovation to a more policy oriented instrument demonstrating better ways of implementing EU legislation.

The ex-post evaluation and some stakeholders felt the **LIFE Environment** strand lacked a clear profile. The mid-term evaluation and the ex-ante evaluation suggest the strand should focus more on implementation and creating multipliers rather than promoting the development of new technologies. The strand has to prioritise on addressing those weaknesses that most undermine the performance of EU environmental policy, and where it can have an effective impact.

As to **Biodiversity**, the mid-term evaluation indicated that the focus on innovation was inefficient as biodiversity projects tend to work best when applying 'tried and tested' methods and not 'innovative' approaches. Both the mid-term and the ex-ante evaluation call for the actions to be aligned with LIFE Nature and finance best practices and demonstration projects. Also, LIFE does not sufficiently focus on new emerging priorities from the Biodiversity Strategy, such as green infrastructure, or exploring the use of innovative financing mechanisms (i.e., biodiversity banking).

As to the **LIFE Information & Communication** strand, the mid-term evaluation criticises its current local focus. The ex-ante evaluation argues for eliminating this strand and for strengthening communication obligations in the projects themselves as well as Commission dissemination activities instead.

The evaluations also found that **constraints regarding funding activities outside the EU** have reduced the effectiveness of the Programme. In some cases, for action to be effective within the EU, investment outside the EU may be required, e.g. migratory species, international river basins, climate change or marine environment.

Following recommendations from the Mid-term evaluation, the Commission has substantially revised the Guide for applicants for the 2010-2011 calls for action grants including more examples and flexible approaches. However, additional clarification effort is needed.

The issue of the need for a better definition of LIFE strands and more flexible approach to funding activities outside the EU has been addressed by the **MFF Communication** where a clear shift towards implementation, best practices and demonstration has taken place for Environment and Biodiversity, as recommended by the different evaluations.

The issue of LIFE Information & Communication has also been addressed by **the MFF Communication** which has broadened the scope of the component to include also Governance aspects and a more targeted approach to information and dissemination activities. More specific aspects related to Governance and Information are developed under **Options E**.

(3) Need to improve complementarity and synergies with other EU funds

The evaluations show that sustainability of project results and replicability also depends *inter alia* on securing recurrent funding after project completion. The most successful projects are those that prepare the ground for continued management through other Funds, such as the EAFRD, or that are combined with other Funds, such as the Cohesion Fund, or can be scaled-up with Structural Funds. However, challenges remain to ensure more synergistic and complementary use of Funds.

The evaluations suggest that LIFE+ could be used to enhance uptake by adopting a more proactive attitude towards complementarity with other programmes and by effectively promoting the integrated use of different EU funds at EU, national, regional and local level.

Box 4: An example of combined funding - Protection and usage of aapa mires with a rich avifauna

The aim of this project was to prepare conservation and management plans for five areas within the central Lapland aapa mire zone, so that ecotourism and recreational use can be organised on a sustainable basis. The project combined resources from different EU sources (LIFE for planning and ERDF for construction of the tourism infrastructure) and national funds (for construction of barns on the hay meadows). The funds were managed efficiently.

The project manager of this LIFE project noted the following:

- It was not difficult to align the project to the different objectives of different funding sources as the various project objectives were clear.
- The use of various funding sources provided the opportunity to make environmental objectives more ambitious. The beneficiary also stated that Integrated Projects can create positive publicity and enhance the status of Natura 2000.
- The combination of funds has not resulted in significant additional administrative costs. If the project objectives are mutually supportive, the overall benefit is greater than any additional costs.

By combining funds, the projects can implement measures that LIFE would have been unable to support, such as service structures. Implementation of the service structure in Lapland has increased interest in Natura 2000 areas and brought positive publicity to the project and to the LIFE Programme more generally.

Another area for complementarity is enhancing LIFE's role as provider of new approaches that can be mainstreamed into national solutions and other EU funded programmes.

On the other hand, there are some overlaps with other EU funds, which may cause confusion – in particular, for eco-innovation. The mid-term evaluation identified overlaps with the Eco-innovation section of the Competitiveness and Innovation Programme (CIP) and potential overlaps with the FP7. Between 15-25% of projects funded under LIFE+ as eco-innovation projects could have been financed by other EU instruments, mostly market-replication projects.

As to projects that could have been funded by **Interreg**, these were environmental projects involving several Member States and that have significant socio-economic benefits linked to tourism. For example, a project to improve the conservation status of the floodplain bird species that are protected in the Natura 2000 sites SPA Dunajské luhy (Slovakia) and SPA Szigetkoz (Hungary). Projects that could have been financed by FP7 were certain demonstration projects applying new technologies where more than 3 Member States were involved, especially in relation to modelling. When such cases are detected, these projects are rejected during the evaluation process. In other cases, certain measures and activities are removed from a LIFE project during the revision process when they are considered better fitted for other EU funding programmes.

It is more difficult to single out a type of project that could have been financed anyway by **national or private funding**. In the case of projects managed by **public authorities**, these tend to be projects which are part of a broader strategy and some political commitment to undertake the activities included in the LIFE project already exist (for example, a project to adapt electric pylons to avoid birds electrocution). However, the evaluations show that in this case the project would have been developed at a later stage (when all necessary funds would have been available based on the responsible authority's annual budget) or on smaller scale (instead of covering the entire region, it would have covered the most important spots), therefore reducing its direct environmental impacts. In the case of projects managed by **private entities**, it would be projects that were part of the company strategy to improve performance. These are the least innovative and demonstrative projects in many cases as the

purposes tend to be to help the company to apply best available techniques. As in the case of projects managed by the responsible authorities, in absence of LIFE funding, the company would have adopted these technologies or approaches later in time.

The issue of the need to improve synergies and complementarity with other EU Funds and avoiding overlaps is addressed by **the MFF Communication**, firstly through the creation of a new type of project, namely Integrated Projects, secondly by foreseeing a structured cooperation between LIFE and the main EU funds within the Common Strategic Framework, and thirdly by excluding market replication eco-innovation from the Environment sub-programme.

(4) Project results should be better utilised and transfer of know-how improved

Sharing of best practices for the implementation of EU *acquis* should be reinforced, especially at EU level. The ex-post evaluation showed that between 10-20% of LIFE projects were replicated. At project level, compulsory networking is contributing to creating networks around the EU to learn from each others' experiences and to prepare joint applications. However, stakeholders and the evaluations highlighted that improving the replication and transfer of results requires a more pro-active dissemination and knowledge sharing support by the Commission.

Following the recommendations of the Court of Auditors and the different evaluations, the Commission has reinforced and improved dissemination activities in this programming period. Improvements include publishing more tailored thematic brochures, the organisation of thematic conferences to exchange experience and disseminate project results, production of thematic reports for policy uptake, clustering of projects, compulsory obligation for project networking, improving the website and creating a discussion forum for LIFE+ projects. These experiences have proved successful. However, a more systematic approach to knowledge sharing and results promotion is still required. The ex-ante evaluation recommends strengthening project obligations, but also supporting specific projects targeting dissemination of results, and enhancing NGOs support.

The issue of the need for a better utilisation of projects' results and improvement of the transfer of know-how is addressed under **Options A** (strategic planning: top-down versus bottom-up) and especially **Options E** (Governance and Awareness raising).

(5) Simplify application and selection procedures

One of the criticisms of the Programme was the long selection procedures which require comitology with Parliamentary scrutiny and burdensome paper submission, including submission to National Contact Points. A new set of IT applications is currently being developed (eProposal) to ensure a simpler access and a paperless selection and follow-up of financed projects. This allows for a reduction in the administrative burden and also for improving the quality of the proposals (clearer presentation, automatic verification of the correctness of figures etc.). In addition, the introduction of Integrated Projects also calls for a reflection upon ways to further simplify selection procedures. Following recommendations from the Court of Auditors and the Mid-term evaluation, the Commission has already shortened the selection procedure but this is not sufficient to address the problems identified.

The issue of the need for measures to simplify further, in particular with regard to the application and selection procedures, are developed under **Options F** (simplification). In

addition, the **MFF Communication** already proposes moving towards larger-size projects, which will also lead to simplification benefits.

(6) Distibutional impacts of national allocations

National allocations are a remnant of the original Commission's proposal for LIFE+ in 2004 which envisaged a decentralised management system. Despite the final decision in the Regulation to maintain central management by the Commission, national allocations remained. However, they have not led to a more balanced distribution of projects across the EU (e.g., projects from Italy, Spain and Germany receive most of the funding).¹⁹ In fact, national allocations may lead to selecting projects of lower quality, which would have an impact on the effectiveness of the Programme to provide EU added value and had a perverse impact on smaller Member States (smaller allocations do not encourage submission of proposals). On the other hand, they can be used as a representation of solidarity sharing especially in the area of nature conservation where natural assets are unevenly distributed around the EU. The mid-term evaluation and the ex-ante evaluation suggest either not to include national allocations or develop a different system based on different criteria but only when such geographical balance serves the purpose of solidarity and effort sharing.

The Commission is actively working to disseminate good practice to increase success rate in Member States with lower programme uptake rate of success through improved communication efforts. These increased efforts include promoting better quality proposals.

The issue of the geographical distributional impacts is being addressed under **Options D**.

Box 5: Other recommendations from the Ex-post and MTE

Improved focus on results and performance, and their measuring: monitoring and evaluation were largely considered as effective and efficient. However, the mid-term evaluation suggested the Programme had been too much focused on outputs with specific indicators developed for this, while result indicators underpinning proposed activities have not been developed. Guidance to project co-ordinators to advice on indicators would be required. Following recommendations from the Court of Auditors and the Mid-term evaluation, the Commission has improved the mechanisms for carrying out more systematic ex-post visits to assess sustainability of project results.

Co-financing rates: the mid-term evaluation indicated that the success of the Biodiversity, and Information & Communication strand could be improved by increasing the intervention rate. These are new sectors for which no or very few alternative funding opportunities exist. 65% of YVIE respondents thought current co-financing rate was too low. Also, during the first moments of the financial crisis, concerns were raised about the difficulties for the private sector to mobilise additional funding.

However, the continuous increase in the submission rate for 2009, 2010 and 2011 calls for proposals, with beneficiaries requesting in many cases less than the maximum co-financing rate available shows no problems in mobilising funds. For example, Spain and Italy, despite economic problems, continue submitting more proposals than any other Member State and mobilising private and public sector funds. In addition, in order to ensure that beneficiaries maintain ownership of their projects and to reach a high leverage of the LIFE instrument, the co-financing rate is considered balanced.

2.3. How will the problem evolve?

The ex-post evaluation, the mid-term evaluation and the ex-ante evaluation all insist on the importance to improve the **strategic focus** of LIFE to increase the coherence of the

¹⁹ These 3 Member States totalled €98 million in 2008, accounting for almost half of the total LIFE+ budgetary resources. Beneficiaries in new Member States have in general a lower rate of success. A study carried out by Arcadis consultants identified several underlying causes for differentiated rates of success: active support to applicants by national authorities or access to matching funds. In old Member States, low success rates are mainly related to the number of applications submitted. The higher the number of applications, the higher the probability that more quality proposals are submitted, and thus the higher the probability of being funded. However, EU added value partially derives from the quality of the projects funded. Compliance with national allocations should not lead to finance projects of lower quality.

Programme and its EU added value. This would allow to create critical mass and assess Programme results and impacts in a given environmental or climate area. If the lack of strategic focus and critical mass is not addressed:

- LIFE would not be able to overcome the shortcomings of the bottom-up approach and drive demand towards those areas where funding might be most needed or that are in need of more examples for knowledge-base development and sharing. As a consequence, funds will continue being scattered along the *acquis*;
- LIFE would be less suited to deal with emerging challenges in relation to EU2020 objectives and targets, in particular in relation to the implementation challenge in sectors where a more programmatic and larger-scale approach for funding is required and that are approaching the most important implementation phase, such as the Habitats Directive, the Water Framework Directive, or are more linked to meeting resources efficiency targets (such as the, water, waste, air and soil legislation).

The introduction of Integrated Projects will allow for increased geographical outreach and impact of LIFE projects. However, if no **thematic concentration** takes place, there is a risk that the impact of the Programme will remain diffuse along the *acquis*.

If activities to increase the **dissemination of project results** are not undertaken, projects will continue establishing networks and disseminating results but replication and transfer of lessons learned will continue being underdeveloped and the Programme will underperform remaining in some cases anecdotic. This would undermine the EU added value of the Programme as a platform for development and exchange of best practice and knowledge sharing;

If **simplification** measures are not adopted:

- the workload on both Commission and beneficiaries' side will continue to increase,
- there will be risks that the number of submitted Integrated Project will not be sufficient to achieve targets because the complexity of current selection (e.g., extremely detailed analytical budget and technical forms) is not fit for larger projects.

If **national allocations** are maintained as under the LIFE+ Programme, it risks concentrating funds again in few Member States while small Member States might be underrepresented. This might be a problem for the success of Integrated Projects since the Programme will not have enough examples from different administrative types, Member States sizes or different environmental/climate challenges.

The situation for 2014-2020 is expected to improve compared to the current programming period in that **earmarked resources** and a stronger focus on climate action should increase the expected success rate in line with the earmarking applicable under LIFE+ for the current Nature strand. However, nothing has been foreseen for other areas, where such earmarking traditionally exists, i.e., Nature and Biodiversity. If no earmark resources are ensured, the risk of more limited uptake as compared to current situation will increase and it may undermine the success of the strand.

2.4. Who is affected and how?

All Member States' authorities and public bodies (at national, regional and local level), the private sector (including SMEs), NGOs and other non-profit organisations, and civil society groups are affected by the problems and underlying causes identified.

Most of the capacity needs are located in the EU convergence regions and in particular in the Member States that most recently joined the EU. However, it should be noted that some regions have additional pressures due to the presence of specific environmental assets (high value biodiversity areas) or cross-border and transboundary problems. These will also be particularly affected. Similarly private stakeholders in sectors that enter a crucial implementation phase or where compliance costs are higher would also be particularly affected.

Vulnerability to climate change varies widely across regions and sectors in Europe. Economic sectors that are sensitive to climatic changes in terms of, for example, temperature, precipitation, storms, vector borne diseases, etc. are at risk of significant climate change impacts and will require substantial investments in adaptation measures.

Extreme weather events such as heat waves and floods pose a direct risk to the health and safety of people. Climate change is happening so fast that many plant and animal species will struggle to cope. Warming of 1.5° C-2.5° C beyond today's levels would put as many as 20-30% of plant and animal species at increased risk of extinction.

2.5. The EU's right to act and justification

2.5.1. The EU's right to act on environment and climate policies

The European Union's environmental objectives are enshrined in Title XX of the Treaty on the Functioning of the European Union (TFEU). The most common legal basis for environmental and climate legislation is Article 192 of the TFEU which empowers the European Parliament and the Council to decide what action should be taken by the Union in order to achieve the environmental objectives which are set out in Article 191 of TFEU. The Lisbon Treaty in particular strengthened the emphasis on climate action by making combating climate change an explicit part of the environmental objectives.

Article 11 of the TFEU²⁰ sets out the integration principle which seeks to apply environmental considerations across all policy areas. The aim is to avoid otherwise contradictory policy objectives that result from a failure to take into account environmental protection or resource conservation goals.

2.5.2. Necessity of EU action

Most environmental problems have a transboundary or transnational nature and cannot be adequately solved by Member States alone without international cooperation. EU intervention is required to establish adequate mechanisms for dealing with these environmental problems and avoid coordination failures.

Furthermore, environmental assets often have a public good nature (environment, climate) and are unevenly distributed across the EU. The obligation to preserve them calls for a consistent application of the principle of responsibility sharing and solidarity. In this context,

²⁰ Formerly Article 6 of the Treaty establishing the European Community

Article 8 of the Habitats Directive explicitly links the delivery of conservation measures to the provision of EU co-financing.

2.5.3. *EU added value of EU action of a specific financial instrument for Environment and Climate Action*

See Annex 6 for examples regarding the different manifestation of the EU added value of a specific instrument for the Environment and Climate Action.

"The EU budget should add European added value by maximising the effectiveness and efficiencies with which all public expenditures in the EU support the achievement of common EU goals and not simply to add a (thin) layer of expenditures on top of those already financed directly by Member States."²¹

The EU added value of a specific instrument for the environment and climate derives from the specificity of its approach and focus on these sectors, which makes it especially adapted to interventions on environment and climate as the only instrument with funds earmarked for environmental protection and climate action.

- By being **the EU platform for exchange of practice and knowledge-sharing** for implementing EU legislation and policy, LIFE allows actors across the EU to learn from each other's experience in addressing specific environmental and climate problems **more effectively and efficiently**. LIFE attracts partnerships that would otherwise be difficult to set-up ensuring a more effective intervention than Member States' individual action by an **increased pooling of resources and expertise**;
- By assisting Member States that host the most valuable EU natural capital or are confronted with transboundary or transnational environmental and climate problems, LIFE allows for a **better distribution of responsibility and solidarity** in preserving the EU environmental common good;
- LIFE acts as a **catalyst** to start-up action, providing one-off investment needed in a specific area, **eliminating initial barriers** to the implementation of EU environmental and climate policy and testing new approaches for future scaling-up;
- LIFE addresses gaps and externalities, raises awareness and demonstrates the benefits of environmental and climate protection ensuring the sustainability and expansion of project results;
- LIFE helps Member States and stakeholders to accelerate and improve the implementation of EU legislation by **creating synergies across EU funds** and national funds while leveraging additional public and private sector sources;
- **Increased coherence of the EU intervention:** A dedicated Environmental and Climate Action instrument allows the Commission to better shape priorities and ensure that resources are effectively used for environmental and climate protection, selecting the best projects across the EU. More homogenous implementation of EU legislation is achieved thanks to the dissemination of best practices (e.g., methodologies that have been developed and now are widely applied, management plans etc);

²¹ SEC(2011)867 final- Commission Staff Working Paper "The EU added value of the EU budget", p.54.

- **Gap filler and more effective central intervention:** A specific instrument is more flexible and finances projects that could not be otherwise financed by other funds (e.g., projects managed by beneficiaries that are non eligible under other funds);
- A specific instrument would provide **high visibility to EU environmental and climate action** bringing the EU closer to its citizens, showing the EU's commitment to environmental and climate objectives and thus making those **objectives more relevant**;
- **Bringing solutions to upcoming environmental and climate challenges of EU interest:** Stakeholders are often confronted with environmental problems for which no solutions have been found yet, and which, if not addressed at an early stage, will lead to higher costs.

2.5.4. *Proportionality of the EU action*

Achieving critical mass: the calculation of the different options has been based on an assessment of resources required to achieve critical mass for proposed objectives (especially regarding Integrated Projects, the development of multipliers, and dissemination of information/knowledge base). This analysis will be developed more in detail in section 5.

Risk of overlapping with national action: the ex-ante evaluation concluded that national funding is generally inadequate and there is lack of resources to compensate for the heavy reliance on EU funding instruments. For example, only 5% of projects funded under LIFE could have been carried out only with the national support but later in time and on a smaller scale. Similarly, there is no or little alternative national funding for information campaigns or European wide NGO activity.

3. OBJECTIVES

3.1. Objectives related to the content of the LIFE Programme

LIFE's overall objective is **to catalyse and leverage changes** in environmental and climate policy development and implementation by providing solutions to achieve the specific objectives. In doing so, it should contribute to the implementation, updating and development of EU environmental and climate policy and legislation including the integration of these concerns into other policies. The specific and operational objectives as well as expected results are included in Annex 10.

The potential beneficiaries of the LIFE Programme will be all Member States' authorities and public bodies at national, regional and local levels, the private sector, including SMEs, NGO's and other non-for-profit organisations and civil society groups.

3.2. Objectives related to the design of the Programme

The analysis of LIFE Programme included under section 2 has led to the definition of specific objectives for the design of the new instrument.

Specific Objective	Specific problem
1. Ensure a better alignment with EU policy priorities, including climate action	Lack of strategic focus and planning Need for a better definition of role and objectives for the strand. Lack of critical mass

Specific Objective	Specific problem
	Need to improve dissemination of knowledge
2. Promote the funding of integrated projects and their share in LIFE projects funded	Lack of strategic focus Lack of critical mass Challenges in ensuring complementarity and building synergies with other EU Funds
3. Develop synergies and complementarity with other EU Funds, notably by establishing a structured relationship.	Challenges in ensuring complementarity and building synergies with other EU Funds. Need to better define role and objectives of the strands to avoid possible overlaps with other EU Funds
4. Align selection criteria with EU added value and solidarity/effort sharing	Avoid distributional allocation problems created by current national allocation system including lack of flexibility Simplify selection Predominantly Brussels-based well known NGOs funded.
5. Simplify and streamline the LIFE Programme	Administrative burden created by long selection process.

3.3. Consistency with existing EU policies and strategies such as Europe 2020

As shown above, the ex-post evaluation, the mid-term evaluation and the ex-ante evaluation concluded that only a very small proportion of projects could have been financed by other Funds (mainly by **the CIP and the FP7**) in the absence of LIFE. For LIFE Information & Communication, alternative sources for funding are almost non-existent.

LIFE is also very much linked to other EU funds, such as Cohesion policy Funds (**ESF, ERDF, CF**), the Rural Development Fund (**EAFRD**) and the European Maritime and Fisheries Funds (**EMFF**). LIFE complements these Funds, since it finances specific types of activities and measures that cannot be financed under them but are required to implement environmental legislation. Thus, LIFE works as a **gap filler**. The complementarity and coherence of LIFE with other EU funding programmes have been reinforced in the MFF Communication. In this sense, LIFE may become one of the main EU instruments to finance nature conservation (in areas where CAP cannot play a substantial role) and environmental sectors in "more developed" given that these regions would have limited choice of priorities under the new Cohesion policy instruments.

- **Cohesion policy Funds** (ERDF, ESF and Cohesion Fund) traditionally focuses on major investments whereas LIFE is more focused on management approaches, environmental restoration (especially for nature and ecosystems) and demonstration of new solutions to environmental problems with no or little market replication. Whereas under Cohesion policy a socio-economic benefit is required for obtaining funding, in LIFE the focus is on the environmental benefit, making it the only funding available for many purely restoration projects. Furthermore, the MFF Communication has limited the choice of more developed regions and transition regions to few sectors (primarily energy efficiency and renewable energy). This implies that LIFE may become in many cases the only possibility for these regions to carry out environmental projects with EU support.
- **CAP post 2012**, linking its objectives to EU2020 becomes greener by supporting nature and biodiversity through direct payments, 30% of which are proposed to be conditional on three 'greening' measures aimed at benefitting the climate and environment. The award of all direct payments and certain rural development payments will continue to be linked to the respect of a number of baseline

requirements relating to environment, animal welfare and plant and animal health standards (cross-compliance). EAFRD will reinforce its large scope of possibilities to finance the environment and sustainable management of natural resources and climate actions through a modified set of rural development measures. Given the shared management characteristics of CAP funds, eligibility criteria (e.g., beneficiaries, types of measures to be funded) will still vary from Member State to Member State. LIFE offers funding opportunities for measures that cannot receive or that complement CAP funding. The typical example is the testing of agro-environmental measures that may at a later stage be incorporated into national or regional rural development programmes.

- The situation is similar for **the European Maritime and Fisheries Policy**, where coordinating mechanisms have been established to ensure that measures (e.g., more sustainable fishing practices) tested will be scaled-up by EMFP and to address environmental problems in the context of Integrated Projects.

In relation to all these funds, LIFE not only covers identified gaps (territorial, procedural and so on) but also complements the new approach that aims at establishing a structured cooperation for all funds available. LIFE will address capacity, including absorption **capacity needs**. It will provide examples on how to ensure the coordination of different EU funds to achieve environmental and climate objectives using demonstrative Integrated Projects that could be replicated in other regions. LIFE will strengthen its **catalytic** and **leveraging** role by becoming a driver for mobilising other EU Funds e.g., through Integrated Projects, becoming in the environmental field, a catalyst and “leader” (or “lead fund”) for the other EU instruments. LIFE also provides examples that can be scaled-up by Cohesion funding and CAP funds. A more coherent approach with other funds will be required. The MFF Communication established a structured relation by making a reference to "Integrated Projects" in the Common Strategic Framework (CSF).

LIFE complements the research cycle of the FP7. **Horizon 2020** has become the major instrument for research and innovation covering all aspects of the life cycle from conception to the market. Major parts of the CIP have been incorporated into the instrument. The new structure of the Fund mostly affects activities currently funded under LIFE Environment Policy and Governance component. The type of projects financed under this component can be summarised as follows:

Table 2: Type of projects funded under LIFE+ Environment Policy and Governance

Main purpose of activity	Type of activity
A. Problem definition – measuring environmental impacts	Environmental investigation / collecting data on the extent of a problem / barriers to implementation / better ways of addressing environmental challenges
	Developing a new approach / technique /process for monitoring of environmental impacts within a municipality or sector
B. Improvements in implementing environmental policy	Develop / demonstrate and introduce methods and action plans for reducing environmental impacts (approach / management system/ process / plans) to reduce environmental impact, informing policy. Mainly at the level of municipality. Sometimes with other national / international partners
	Stimulate behaviour change through new market based instruments
	Assistance in purchasing infrastructure / capital costs that reduces environmental impacts

	Set up public private partnerships (PPPs) to show more effective ways of reducing environmental impacts
C. Improvements in the environmental management of economic activities, integrating environmental objectives	Demonstrate good practice / produce instructions / tools / kits/ guidelines to industry on how to reduce environmental impacts
	Pro-actively engaging with stakeholders (industry involved) to change behaviour
D. Developing particular solutions to environmental problems and improving compliance (eco-innovation)	Testing and demonstrating / developing a technology / technique / process / product that reduces environmental impacts within a municipality or sector

- As shown in Annex 8, most of these activities cannot be funded by other EU funds. However **Market-driven private sector innovation** seems to some extent equally well served by Horizon 2020. For this reason, LIFE Environment will no longer cover private sector-oriented eco-innovation with a market replication purpose and both the LIFE Environment sub-programme and the LIFE Climate Action sub-programme will focus more on policy implementation by public administrations. This implies more investment in type B and C projects, *inter alia* through Integrated Projects. A structured cooperation will be established with the future Horizon 2020 and the future Competitiveness and SME instrument to ensure adequate project pipelines. For example, ideas developed under Horizon 2020 could be tested and demonstrated in the context of implementing specific EU legislation through a LIFE project.
- The focus and scale of LIFE is different from the activities to be covered by **Horizon 2020**. LIFE develops specific solutions, approaches or tools that are adapted to the local context or to a specific sector. These projects do not require large-scale investments, or involvement of various Member States, but rather they propose small solutions. This does not mean that these activities do not have EU added value. On the contrary, EU added value derives from the demonstrative significance of the project and its capacity to be replicated elsewhere within the EU (e.g., by other municipality will similar characteristics or problems) or transferred to other sectors. For being successful, the EU2020 Strategy also needs knowledge-base development and sharing of simple/small solutions that can be widely replicated.

Connecting Europe will finance projects that have already been identified in the MFF Communication (transport, energy and ICT). These projects are of a very large scale and they could not be funded through LIFE. Furthermore, the objectives are very different from LIFE as they aim to combine market based instruments and EU direct support to facilitate access to capital for huge investment needs.

As to **External Action Instruments**, LIFE focuses on activities within the EU. Activities outside the EU are supposed to be anecdotic and only provided that action outside the EU is required to achieve EU environmental and climate objectives or to ensure the effectiveness of activities carried out within the EU. The beneficiary of the project has to be based in the EU and the bulk of project activities must be carried out within the EU. Therefore, no risk of overlap has been identified, and therefore no need for additional coordinating mechanisms with external action instruments beyond usual coordinating mechanisms for project selection seems required.

The MFF Communication indicates that the Commission intends to increase the proportion of climate related expenditure across the EU budget to at least 20%, with contribution from

different policies, subject to impact assessment. A sub-programme for Climate Action has been proposed in LIFE+ with 25% resources earmarked and specific objectives related to climate, and accompanied by result indicators.

4. POLICY OPTIONS

4.1. Description of the baseline as defined by the MFF Communication

The MFF Communication has outlined the main features of the future LIFE Programme. Two sub-programmes are proposed with a total financial envelope of €3.2 billion (an around 45% increase compared to 2007-2013 programming period).

The main three changes in the Programme address some of the problems identified in Section 2.2.b. These changes are:

- The creation of a **Climate Action sub-programme (€800 million, including procurement)** with 25% of the Programme's resources and focusing on the following priorities:
 - **Mitigation:** Support for the reduction of greenhouse gas emissions. Actions for setting up pilot projects, which can be used to test innovative approaches including through support to SMEs, to improve the knowledge base and to facilitate the implementation of the climate acquis.
 - **Adaptation:** Support to efforts leading to increased resilience to climate change. Actions to support the development or implementation of national/regional/local adaptation strategies. Actions enabling decision makers to effectively use knowledge and data about climate change impacts in particular for adaptation related planning.
 - **Governance and Awareness:** support for efforts leading to increased awareness, communication, cooperation and dissemination on climate mitigation and adaptation actions. Actions for awareness-raising amongst EU citizens and stakeholders including on behaviour changes.

This change addresses some of the problems identified regarding better focus and critical mass (problem 1).

- The **definition of strands for the Environment sub-programme (€2.4 billion, including procurement)**:
 - For the **LIFE Biodiversity** strand, while still focusing on Natura 2000, biodiversity will move away from innovation and will focus on the development and sharing of best practices;
 - **LIFE Environment** will focus on supporting the implementation of EU environmental policy by the public and private sectors. The Commission proposed in the MFF Communication the initiative Horizon 2020 which brings together future EU research and innovation funding programmes. LIFE Environment will therefore exclude those eco-innovation activities that overlap with this initiative (see in section 3.2 "Consistency with other EU Funds").
 - Finally, **LIFE Governance** becomes a single strand supporting the creation of platforms for the exchange of best practices, policy development and knowledge-

based decision-making, support to environmental NGOs, and promoting awareness-raising, advocacy and dissemination of environmental information.

This change addresses problem 2 (better definition of strands) and recommendations from the Ex-post and Mid-term evaluation regarding moving towards implementation. **It also addresses problem 3 (improve complementarity and synergies)** by excluding identified overlaps with other EU Funds. In addition, the new structure of the LIFE Governance component **addresses problem 4 and recommendations** from Mid-term evaluation and the Court of Auditors to better utilise project results and transfer of know-how.

- The introduction of **Integrated Projects** and their progressive increased share compared to traditional projects over the programming period. Integrated Projects are designed to demonstrate the sustainable implementation of environmental and climate action plans relating to major EU legislation in these fields. The Commission considers that Integrated Projects can play an essential role as a catalyst for achieving goals such as the protection and restoration of biodiversity and ecosystems, effective management of the Natura 2000 network, the promotion of environmental governance, waste and water management, and mitigation and adaptation strategies. Integrated Projects will allow to effectively mobilise other funds for environmental and climate ends, as availability of other funds for co-financing of the developed action plans would be a pre-condition for obtaining LIFE Funds. This will allow the development of synergies between LIFE and other EU funds such as the Cohesion and Structural Funds, funding from the Common Agricultural Policy, or Horizon 2020, and also the coordination of environmental and climate expenditure from these programmes. Integrated Projects are larger in size: for budget calculations purposes, it has been considered that Integrated Projects will require in average €10 million EU co-financing and will last about 5-6 years.

This change addresses the recommendations of the Ex-post evaluation, the Mid-term evaluation and the ex-ante evaluation to move towards bigger projects, thereby addressing **problem 1 (critical mass) and problem 5 (simplification)**. In addition, Integrated Projects and more structured cooperation through the Common Strategic Framework addresses **problem 3 (need to improve complementarity and synergies with other Funds)**.

There is a great potential for synergies between environmental and climate objectives as projects can benefit multiple purposes e.g., climate activities related to forests may bring co-benefits for biodiversity and e.g. water projects may facilitate the transition towards a more climate resilient society and be linked to adaptation. Similarly, Integrated Projects, by covering large territories in sectors such as Natura2000 and water, will deliver positive cross-benefits in terms of adaptation to climate change. For example, Integrated Projects on the nature sector will help building ecosystem resilience and Integrated Projects focusing on the implementation of the Water Framework Directive and the Flood Directive or the Communication on water scarcity and droughts will have clear benefits for adaptation to climate change.

This Impact assessment and the options below aim to address those aspects not already decided by the MFF Communication and focus on options for the implementation of a new LIFE Programme. These options, which are presented in section 4.4 and are assessed in section 5, are:

- A. Options for strategic planning: top down versus bottom up
- B. Options for thematic concentration of Integrated Projects

- C. Options for allocation of resources between different priority areas
- D. Options for geographical distributional impacts (national allocations)
- E. Options for funding activities under Governance and Awareness raising
- F. Options for simplification
- G. Options for externalisation

Box 6: Options for other operational aspects that have not been discussed

Making support to a project conditional on the level of expected environmental benefits: As shown in Section 2, direct environmental benefit is very difficult to quantify for certain activities under LIFE. However, environmental benefits are evaluated as part of EU added value and contribution to EU objectives. However, most focus is on demonstration value.

Selection of financing instruments: Member States and beneficiaries expressed support for continuing with the current financial instruments and wanted evolution to include also Integrated Projects. During the evaluation and impact assessment, the possibility of using innovative financial instruments was analysed and discussed. Member States and beneficiaries were reluctant to move towards innovative financial instruments. Instead, LIFE could focus on testing and developing new financial instrument (e.g., taxes or biodiversity banking) that if effective could be widely adopted in the EU. For this reason, the MFF Communication mostly refers to action grants, operating grants for NGOs and public procurement. Nonetheless, as shown in Option A2, if innovative financial instruments under debt and equity work properly for environmental and climate purposes, the work programmes would allow diverting part of the funds allocated to grants towards equity and debt instruments.

4.2. Development of the policy options

All the different evaluations have highlighted that a major problem of the LIFE Programme was the lack of strategic focus. This is especially relevant for the Environment Policy and Governance, and the Informational & Communication strands. In addition, environmental and climate related needs are evolving and the Programme should be able to provide timely answers to those needs: a clearer focus on areas where LIFE could make a difference was needed.

However, stakeholders did not support a limitation in the thematic areas covered, although they did support an increased focus on implementation and integration of environment and climate objectives into other policies.

4.3. Which options have been discarded and why?

(a) *"Zero Option": Discontinuation of the LIFE Programme*²²

This option implies the discontinuation of LIFE with spending on the environment and climate entirely reliant upon Member States' activities and other EU funding instruments (e.g., Cohesion policy, Common Agricultural policy). Only support for policy implementation through public procurement would be retained. The full assessment of the zero option, including different types of intervention is provided in Annex 8.

The MFF Communication proposes major reforms in the main EU funding instruments. However, these changes do not address all drivers for environmental and climate challenges outlined in Section 2.1. For this reason, the MFF Communication foresees the continuation of the LIFE Programme:

²² Detailed assessment of the Zero option is provided in Annex 8.

1. Institutional weaknesses, in relation to capacity (administrative capacity and absorption capacity) and integration

The MFF Communication has laid down the basis for the coordination of all major EU Funds to ensure a more effective functioning and achievement of EU objectives. Given the current low uptake of funds for environmental and climate objectives (see last Cohesion report), the system could be reinforced with examples of strategic frameworks for environmental and climate intervention. These will demonstrate to regional and national authorities the benefits of investing in the environmental sector and how to mobilise resources by coordinating with different responsible authorities and stakeholders, ensuring the most cost-effective implementation of major environmental legislation. It would also demonstrate that complementarity of EU and domestic funds and integration of environment and climate into other policies is possible in practice and delivers sustainable results.

Without LIFE and this new feature, the problem of absorption capacity in the area of environment may continue despite the Common Strategic Framework, and integration of environmental concerns in practice may fail again.

2. Activities and measures not covered by other funds linked to implementation, innovation and information sharing:

Each EU fund focus on a series of activities and measures. As shown in the assessment of Zero option in Annex 8, LIFE covers certain activities that are not sufficiently covered by other funds.

- Specific activities for nature conservation and biodiversity: some two thirds of the estimated costs of running the Natura2000 network relate to management activities, which are largely ineligible for funding under other funds. It is in these management activities where most needs are concentrated and where best practices and demonstration of new approaches is most required. In addition, Natura2000 enters its crucial implementation phase. The challenge of meeting the Biodiversity strategy targets will require the Natura2000 network to move from the site-based approach to the network approach requiring a more strategic and programmatic approach to funding which is largely dependant of public funds. The absence of these funds most probably may lead to failing to achieve N2000 objectives.

- Specific activities linked to environmental demonstration activities and innovation: Other EU funds will also cover major environmental funding needs but they do not cover all the demonstration activities that are required to fight against the drivers to environmental problems identified in section 2.1, in particular to focus on the environmental benefit. The Environmental activity least capable of being funded by alternative instruments is the preparation of new or revised management plans and capacity building for the improvement of environmental policies, as well as the development of new environmental policies and solutions.

LIFE also carries out demonstration solutions and best practice activities with a local/regional focus on implementation. Some solutions are often developed with the sole purpose of addressing a particular problem faced by a local authority, although it may have no commercial value. LIFE would have a more important role to play in financing such solutions, which will play a significant role in shifting towards a resource-efficient economy. These more local activities are also needed, especially to deal with environmental assets that are only located in a specific region or country.

- Specific activities linked to knowledge sharing and awareness: This aspect is not covered by other instruments where dissemination and awareness raising is not compulsory. There is no other alternative EU instrument to fund projects aiming to raise awareness amongst a broad set of stakeholders specifically about environmental issues at a local and regional level, or to bridge the ‘communication gap’ between policymakers at the European level and citizens. The Mid-term evaluation also found that communications activities were often ranked low as a priority by most Member States, suggesting that alternatives for funding these type of activities remain low.

- Specific activities to enhance governance and NGO support funding: none of the EU funding instruments includes objectives specifically aiming and enhancing environmental governance at EU level since they mostly have a national or regional focus. Yet, the EU needs a balanced decision making process where all interested parties are able to participate. In absence of a specific EU funding programme aiming at empowering civil society for participating in the decision making process at EU level, LIFE offers the only possibility to fight against regulatory capture in the environmental field. Without funding from the programme through Operating Grants, NGOs would need to substantially reduce their activities either because they lack the direct means for continuing them or because they lose their internal supporting capacity.

Some NGOs, to avoid any risk or allegation of non-independence, refuse all subsidies from governmental sources and all private sponsoring. Only very large and international renowned NGOs can afford to limit their resources to membership contributions and own merchandising.

The removal of operating grants would severely hamper NGOs' ability to contribute to policy development and implementation, awareness raising and to identify problems and potential solutions with regards to environmental policy. The absence of NGO activity leads to major costs. Examples of such costs are the risk of unbalanced influence by interested parties, reduced effectiveness of policy through lack of NGO participation in the process, and increased costs of consultation as further described in Annex 8.

3. Procedural, territorial and thematic gaps not covered by other funds

Due to shared management characteristics of most Funds, priorities are specified at regional and national levels and are adapted to their specific needs and characteristics. This implies that in some cases, e.g., certain stakeholders are not eligible for funding. As shown above in section 3.3, the proposal for Cohesion policy may limit the choice of more developed regions and transition regions to few sectors (primarily energy efficiency and renewable energy). This implies that LIFE may become almost the only possibility for these regions to carry out environmental investments. This is an important element of solidarity and effort sharing.

Finally, there are some environmental themes that tend to be more neglected by other EU Funds. For example, soil, chemicals, noise, IPPC, environment and health among others, are sectors that do not receive much focus under other EU instruments, except when there are clear economic benefits or the focus is on research (e.g., modelling). Although Horizon2020 will put more emphasis on green chemicals, resource use or climate change, as seen above, specific demonstration activities to improve environmental performance of these sectors or the effective integration of environment into the activities of economic operators in these particular sectors is not covered by other EU schemes.

The quantified environmental and socio-economic benefits of the current LIFE+ Programme have been included in Section 5.1 and are developed in detailed in Annex 8. One could assume that the costs of non continuation of LIFE would be at least equivalent to the benefits obtained under the current Regulation (i.e., €600 million a year which extrapolated to the baseline could represent €750-1,000 million a year).

It is very difficult to obtain accurate information on the social costs of no action. In particular because data on social, especially employment benefits, from the LIFE Programme has been very difficult to gather, since projects do not traditionally collect data about employment benefits. For this reason, social costs of no action have only been estimated based on the social benefits of the current LIFE Programme summarised in section 5.1. Only anecdotic evidence has been gathered showing the positive employment impacts of LIFE. For example, in the Extremadura Region a LIFE project was the catalyst for the creation of the Region environmental department going from 10 people to 200 in ten years and through different LIFE projects.

As to health aspects, these again are estimated based on access to clean water and air. As mentioned in section 5.1 indicators of environmental quality have been excluded because of the difficulties to monetise environmental benefits. However, as shown in Annex 7 and in Section 5.1 substantial health impacts affecting 12 million people are expected under the current Programme. Therefore in absence of the LIFE Programme one could assume that these benefits would be lost. However, there are too many assumptions, such as the expected impacts derived from Integrated Projects or the potential benefits derived from an increase in investments in urban and energy efficiency under Cohesion policy (and how this could compensate for the loss of LIFE as proposed in the MFF Communication, especially in relation to Integrated Projects) as to be able to provide a more detailed assessment.

(b) A separate Instrument for Climate Action

Reflecting the climate challenge (adaptation and mitigation) in the EU budget is crucial. The LIFE+ Regulation has so far served as the legal base for environment expenditure, including for climate action, which represented some 14% of the LIFE Programme. The Commission therefore considered whether a **separate legal base for Climate Action** would be appropriate. There were also discussions about creating large scale separate funds and instruments to deliver EU support in **Biodiversity or Resource Efficiency** areas.

These options were discarded since they would rather increase the EU administrative costs and increase the administrative burden for recipients. The College has decided upon a single legal basis for both Climate and Environment since this approach will exploit synergies and co-benefits between the two programmes to the full.

(c) A Programme with a restricted thematic scope ("Biodiversity and Climate Action Option")

The impacts of such an instrument would be much lower than those of the current LIFE+, thus significantly limiting the Programme's impact on EU environmental policy. This option was discussed with stakeholders and met with strong opposition. In general, stakeholders were opposed to any limitation in the thematic scope of the Programme.

4.4. Description of the options retained for further assessment

The options described in this section cover all sub-programmes unless it is specifically stated differently. **The first option always refers to the baseline**, i.e. aspects as already decided by

the Commission in its MFF Communication. Stakeholders' opinions regarding different options are provided in Section 5.

A. Options for strategic planning: top down versus bottom up

As shown in Problem 1 described in section 2.2.2(a), unlike other EU centrally managed funds, LIFE does not have an annual work programme or any mechanism that allows establishing priorities and allocating resources among different types of interventions to be able to meet specific targets. This makes it impossible for the Programme to drive demand by reducing the number of priority themes and activities on which the Programme should focus.

The MFF Communication emphasises that the Commission intends to increase the financial share of Integrated Projects over the life-time of the Programme. This requires the Commission to stir up the process. However, all stakeholders (Member States authorities, private and public sector beneficiaries, and NGOs) were opposed to focus the Programme ex-ante on only few environmental themes and to setting out annual priorities. For this reason, the different options to set priorities discussed below take these concerns into account.

- Option A1: Baseline- Bottom up approach

The MFF Communication does not specify the method for priority setting and allocation of resources. Therefore, it is assumed that the "bottom up" application practice for projects under the LIFE+ Programme will continue. Thematic priorities are set for the entire programming period, and could be included in the Regulation, as per Annex II of current LIFE+ Regulation; therefore the list of eligible policy themes could be decided in cooperation with the Member States. Under this option, an annual call for proposals would continue including lists of indicative favoured actions within the twelve priority themes included in the Regulation, but without being able to restrict the themes. No limitations regarding the thematic areas in which Integrated Projects are to be financed would be done.

- Option A2: A top down-approach for all types of projects (with a more flexible top-down applied to traditional projects and a rigid top-down approach to Integrated Projects)

Under this option, the Commission develops multiannual (2-3 years) work plans where it specifies thematic priorities on which projects are needed linked to the achievement of targets defined in relation to the Programme (see expected results and outputs in Annex 10). This will allow the Commission to drive demand in all type of projects giving emphasis to projects matching the thematic priorities. The top-down approach will also apply to Integrated Projects, which will only focus on a limited number of sectors as defined in the work plans.

However, priorities **would be non-exhaustive** (proposals can be submitted in themes not included in the work plan) so as not to neglect particular environmental sectors (such as chemicals or noise) not covered by any other EU funding instrument. This represents a compromise between the flexibility of the bottom-up approach and the need for more strategic focus. It would require as well the alignment of selection criteria, and in particular EU added value, with the priorities set in the work programme. Applicants should know that all things equal, priority would be given to projects falling under the priorities set in the work plan. This non-exclusivity will also allow the programme to react to new challenges that might arise in sectors not included in the work plan.

The priorities would be reflected in the annual calls for proposals and further specified or

tailored by the Commission, if required. Given that it would be a rolling plan, the annual calls will be able to make corrections regarding the priorities as per the targets. This would also allow, for example, for determining whether in one year more resources should be dedicated to specific activities within a priority sector. The option of using innovative financial instruments should also be kept in order to make use of the potential opportunities from the new instruments (equity and debt) envisaged to be set up across the EU.

The mid-term evaluation proposed these plans to be annual. However, discussions with the stakeholders made clear that potential applicants needed some stability in the priority areas for action to be able to plan, prepare and submit proposals. For this reason, **these priorities will remain constant for 2-3 years.**

- Option A3: An approach combining the top-down approach for Integrated Projects and bottom-up approach for all other types of interventions

Under this option, the Commission will only apply the top-down approach to Integrated Projects by limiting ex-ante their thematic focus to on a number of sectors in the Environment sub-programme until targets are achieved. The bottom-up approach, i.e., demand open for submitting proposals in any environmental sector, will continue applied to traditional projects. No 2-3 years work plans would be elaborated and no priority themes will be identified, beside the focus of Integrated Projects.

B. Options for thematic concentration of Integrated Projects

Under the current LIFE+ Programme, few projects could be considered as 'Integrated Projects'. They are essentially funded under the Nature & Biodiversity strand and concern the sustainable management of Natura 2000 areas.

- Option B1: Baseline- No thematic concentration of Integrated Projects

In the MFF Communication, it is considered that Integrated Projects can play an essential role as a catalyst for achieving goals in areas such as the protection and restoration of biodiversity and ecosystems, effective management of the Natura 2000 network, the promotion of environmental governance, waste and water management. There is no sectoral restriction for Integrated Projects.

Under this option, Integrated Projects will be allowed **in all areas** where such an approach is possible. Since Integrated Projects aim at implementing environmental and climate action plans, only those sectors where EU legislation requires some planning or programming (i.e., programmed-base Directives) could be considered for Integrated Projects funding. This is the case for Prioritised Action Frameworks under the Habitats Directive, a River Basin Management Plan under the Water Framework Directive, Waste management plans under the Waste Framework Directive, Air pollution abatement plan to meet the air quality requirements of the CAFÉ legislation and the Programme of measures under the Marine Strategy Framework Directive. These sectors are also those that require a planned and large territorial scale action and have been identified as suitable for Integrate Projects funding.

Urban has been embedded into the Air sector and Integrated Coastal Zone Management into the Water Framework Directive (which covers transitional waters) and the Marine Strategy Directive (which covers Coastal waters). Integrated Projects in the Climate Action sub-programme will be allowed both in the areas of mitigation and adaptation and could be used for the implementation of national, regional, cross-regional or local adaptation or mitigation

strategies, national or cross-border action plans on specific themes such as on peat land restoration or forest protection (e.g. Restoration of ore mountains).

- Option B2: Thematic concentration of Integrated Projects

Given the limited resources of LIFE and the criticism regarding lack of strategic focus, Integrated Projects could concentrate on specific sectors. The criteria used for selecting sectors from those mentioned above (i.e., those where an integrated approach is possible) are sectors (1) where implementation and integration problems are more significant, (2) more linked to achieving Europe 2020 resources efficiency targets and direct environmental benefits (see section 2.2.2(a)); and (3) have more possibility to link to, and therefore mobilise, other EU funds.

Additional criteria could be the maturity of the sector (i.e., the development of these plans and programmes is required by the legislation and are largely already in place), or the success of the environmental sector in LIFE (as reflected in demand and success rate as per data provided in section 2.2.2(a)). The stakeholders' opinion could also be used to discriminate between one or another sector.

Transboundary and cross-border elements do not play an essential role in defining the priority sectors although cross-border cooperation should be promoted where relevant (e.g., water and nature). However, it should not be forgotten that Natura2000 needs are more regional and what is more important is to obtain examples at the regional level moving from the current site-specific approach to the network approach starting at regional level and moving towards a pan-regional and pan-EU approach. The same applies for waste, where needs are more localised at regional level.

Applying these criteria, two sub-options could be envisaged:

- Sub-option B2a: Thematic concentration on 3 sectors: Natura2000, water, waste;
- Sub-option B2b: Thematic concentration on 4 sectors: Natura2000, water, waste and air.

These sub-options only apply to the Environment Sub-programme. The Climate Action sub-programme is considered sufficiently concentrated in two sectors.

C. Options for allocation of resources between different priority areas

As seen in the description of Problem 1 in section 2.2.2(b), earmarking of resources has played a significant role in providing a relative strategic focus to the LIFE Programme on Nature. The MFF Communication recognises this and has upgraded the strand “climate change” of the LIFE Environment Policy and Governance component into a specific sub-programme with earmarked resources. Nothing is said about allocation of resources within the specific components of the Environment sub-programme. However, in the current LIFE+ Programme, and traditionally in all previous LIFE Programmes, 50% of resources allocated to projects were earmarked for Nature (and in LIFE+ to Biodiversity as well). Two options could thus be envisaged:

- Option C1- Baseline – the MFF Communication allocation

Allocation of resources would follow the MFF Communication with 75% of the budget for the Environment sub-programme and 25% to the Climate Action sub-programme. Under this

option, no additional pre-allocation of resources will be carried out among the various components within each sub-programme.

- Option C2: The MFF Communication allocation and 50% allocation of the Environment Sub-Programme funds to Biodiversity

This option involves the pre-allocation of resources for specific EU priorities, in particular 50% for Biodiversity in the Environment sub-programme as has been the case in the previous LIFE programmes.

D. Options for geographical distributional impacts (national allocations)

Under the current LIFE+ Regulation, indicative annual national allocations are established in order to ensure a proportionate distribution of projects for the period 2007-2010 and 2011-2013 based on two pre-defined criteria related to population, and nature and biodiversity. As seen in Problem 6 described in section 2.2.2(a) they have not led to a more balanced geographic distribution of projects.

Introducing a minimum number of countries that would need to participate (as opposed to simple geographical balance) was not considered as an option retained. Participation of a minimum number of countries is generally linked to the concept of EU added value (e.g., see the FP7). It was discussed during the ex-post evaluation and rejected because it would imply changing the focus of LIFE, which is local/regional solutions. In addition, EU added value under LIFE is more linked to the demonstration value of a project, which does not necessarily derive from the participation of several Member States. Furthermore, it would be contrary to the principle of responsibility sharing and solidarity, especially for nature and biodiversity: many nature conservation projects focus on habitats or species of EU interest that are endemic to a region, island or Member State. Imposing a minimum number of countries as one of the eligibility criteria would undermine the effort sharing and solidarity dimension. Nevertheless, EU added value for NGOs operating grants does currently incorporate the obligation to be active in at least 3 Member States.

- Option D1: Baseline- All projects selected on merit

The MFF Communication indicates that projects will continue to be selected for their EU added value and potential for transfer of know-how. This implies that all types of projects (traditional and Integrated) would be selected according to specific selection criteria similar to today, which concentrate on technical and financial coherence, and EU added value (i.e., demonstration and replication potential, innovative character, contribution to EU policy priorities etc). No geographical key would apply.

- Option D2: All projects selected on merit but ensuring geographical balance for Integrated Projects

Different selection criteria would apply to traditional and Integrated Projects.

Traditional projects, which are mostly aimed at developing multipliers, would be selected on merit only, as described above in option 1.

As for Integrated Projects, a system to ensure geographical balance would be established, and would be adapted to the relevant sectors where such projects are possible. Integrated Projects aim to develop capacity in Member States and to contribute to solidarity and effort sharing. A

prioritisation list could be established ensuring that Member States which have benefited from Integrated Projects one year are considered less favourably for the next call for proposals. An additional distributional element for Natura2000 Integrated Projects could be that all biogeographical regions are covered.

- Option D3: Traditional projects selected on merit only and national allocations (specific amounts per MS) for IP for the whole programming period

Under this option, traditional projects would be selected on merit only, as per option D1. For the reasons indicated under option D2, a system of indicative national allocations for Integrated Projects would be established for each Member State and each sector.

For Natura2000, criteria similar to those used under the current LIFE+ Regulation (population and % of the territory declared Natura2000) could be used. For water and waste, population could still be used as criteria and other specific criteria could be established. For example, for water the criteria could be linked to km² of river basin district in the territory of a Member State.

These indicative allocations would be calculated and applied for the entire programming period instead of annually as today to allow more flexibility in the selection procedure.

E. Options for funding activities under Governance and Awareness raising

As shown in Problem 4 described in section 2.2.2(b), although some improvements are currently made for increased dissemination of information and project results, these are not sufficient. The MFF Communication takes an additional step by proposing a combination of activities:

- funding NGOs;
- enhanced project communication/training activity, supported by programme level synthesis of project results and dissemination.

The MFF Communication remains ambiguous as to whether these activities include specific information and communication projects. As shown in section 2.2.2(a), the success rate of information projects has been low compared to other components.

- Option E1: NGO funding, Commission communication activities and communication/dissemination obligations for projects

Funding to support the operation of European environmental NGOs: NGOs make a necessary contribution to good governance by participating in policy development, including by knowledge-based input, contributing to better implementation, raising awareness and acting as channels between citizens and decision makers. Continued support to NGOs is included in the MFF Communication. A future Programme will seek to address the functional weaknesses identified in the review process.

Enhancing project communication activity: Adopting a stronger strategic approach, including the generation of multiplier effects, will also be translated into greater responsibility on project co-ordinators for identifying and communicating findings with target users and, when necessary, providing training to relevant stakeholders. At the same time, networks of similar projects around priority themes will be promoted.

- Option E2: NGO funding, Commission communication activities and communication/dissemination obligations for projects, and specific Communication campaigns financed through grants

Under this option, in addition to the activities mentioned above, *specific projects* funded through *action grants* (similar as under the current Information and Communication strand) will be possible to support selective activities defined by the policy units where awareness raising, information sharing or governance-related aspects are key issues for a particular policy. These information projects could also be initiated to take on the synthesis and dissemination activity of results from the ‘traditional’ projects under selected themes and promote the dissemination of knowledge base. Projects will also aim at developing and deploying adequate tools for information-handling and active dissemination and for preparation of training and provision of toolkits for stakeholders. Finally, these projects would also focus on best practices on enforcement and compliance implementation plans.

F. Options for simplification

As seen in Problem 5, the Commission has already undertaken different measures to simplify the selection procedure for projects. However additional simplification measures are required to reduce the administrative burden for applicants and beneficiaries, as well as management costs for the Commission (these are dealt with below under Section G). While simplification of procedures is generally recognised as necessary, this can be reached through different measures. These are presented as different options but they do not exclude each other. Rather, they can be combined to increase effectiveness gains.

- Option F1: Baseline- On-line tools and larger projects

On-line tools: The MFF Communication does not refer to any specific “tools” for the simplification of the LIFE Programme. However, as mentioned in section 2.2.2(b), in the current programming period, a new IT tool called eProposal has been developed and could be used from 2012 onwards. Applicants will be able to submit their application online and thus costs of paper submission and the previous step of submission to the Member States will be avoided. The system will allow identification of errors during the submission process, thereby reducing the number of applications excluded in the first phase of selection. It will also allow calculating and aggregating relevant data submitted with the proposal, thereby improving monitoring of project results.

Moving to larger projects: The MFF Communication includes as a simplification measure the progressive phasing in of large projects, in particular Integrated Projects. It is expected that, by the end of the Programming period, two-thirds of resources within the Environment sub-programme will be allocated to Integrated Projects largely decreasing the number of projects managed (from 230 projects selected annually to 115 in average going below 100 projects by the end of the programming period). This will reduce management costs for the Commission (see below options G). In addition, applicants that would submit several smaller projects as different implementation phases will now be able to submit only one proposal which is expected to decrease submission costs over time.

- Option F2. Baseline + New selection procedures: 2 stage procedure and simplified reporting for Integrated Projects, multi-annual selection for NGOs

2-step selection procedure and reduction of reports for Integrated Projects: Under this system, there will be only one call for proposals for all strands and types of projects (e.g.,

organised in lots). Given the characteristics of Integrated Projects, one option for simplification is to introduce a 2-step approach for the selection. The proposal for Integrated Projects would consist of a short concept paper (such as maximum 20 pages compared to the 100-200 pages for traditional projects) submitted together with the environmental action plan that it is supposed to be implemented through the project. In the concept paper, the applicant outlines the measures of the environmental action plan to be financed by LIFE Integrated Project, with milestones for the implementation phases, and a global estimated budget per cost category for the whole project duration. At the same time, the applicant would submit the underlying financial plan, establishing the general framework for intervention by different funding instruments. Only if the concept paper is deemed sound, would the applicant be invited to submit a more detailed proposal and more analytical budget covering the first 2 years of implementation within the overall budget frame. Notice that the average life of traditional projects is 4 years; the proposal for Integrated Projects will only cover in detail 2 years and therefore it is expected to be relatively simpler than a proposal for a traditional project.

Reporting and re-programming will be based on a two years cycle. Six months before the end of the first phase, a report will be sent to the Commission together with a new detailed plan and budget for the next phase for agreement with the Commission. This cycle will be repeated until the end of the project. The payment schedule will also be adapted to follow the periodic planning to ensure a constant cash flow to the project. The coordinating beneficiary will have a large margin of freedom in adapting its project. Only critical changes should be subject to the prior Commission approval.

Multiannual selections for NGO operating grants: There seems to be general support for a change to multi-annual framework partnerships instead of annual grants.

- Option F3: Baseline + Outputs and results payments vs. lump-sums, ineligibility of certain costs

Under this option, more use of *lump sums* would be done. The clearest example is application of standard EU per-diems for travel costs, and standard staff costs (per staff category) provided there is an agreement at Commission level of what the standard staff cost should be.

An option of payment based on *outputs* could be examined. In fact, LIFE already has developed output indicators and the activities to be funded are constructed around Programme outputs. Under this option, payments would be linked to the specific outputs.

Result-based payment schemes were considered in early stages of the process and not adopted because of the risks associated to the nature conservation projects (nature is indeed unpredictable) and information campaigns. The experience of e.g., DG EMPL with the European Social Fund could be closely followed to identify areas in the future where such payment scheme could be adopted. If successful, these could be incorporated in the mid-term review of the Regulation.

Ineligibility of certain costs: In order to reduce the administrative burden linked to the 'real costs' management of grants, both on the side of the Commission and of the beneficiaries, eligibility of costs for which accurate reporting and monitoring are difficult, such as personnel costs or VAT, could be restricted.

G. Options for externalisation

This section analyses the different management options for the LIFE Programme taking into account the conditions laid down in the MFF Communication (baseline). In this

Communication, the Commission announced that the LIFE Programme should remain centrally managed, but that management tasks could be largely delegated to an Executive Agency. The extent, conditions and terms of the delegations will have to take into account the need of the Commission to maintain strong policy links as regard Integrated Projects. These, as the simplification measures mentioned under Option F, also aim at reducing management costs of the Programme (currently at 6%).

Whilst some aspects of this delegation were fixed in the MFF Communication – in particular, that it should be an existing Executive Agency - other details on the extent, conditions and terms of the delegation were left open and are dealt with in this Impact Assessment, especially how to ensure strong policy links as regard Integrated Projects. Options are described below.

- Option G1: Baseline- Externalisation

Under this option, most of the management tasks carried out by the Commission in relation to selection and monitoring of LIFE projects and NGOs operating funding, as well as communication/dissemination activities (including gathering and disseminating lessons learned to stakeholders) will be transferred to an existing agency, for both traditional and Integrated Projects. The governance, supervision and evaluation of the Programme would remain within the Commission.

The Commission is currently assisted by teams of external sub-contractors that provide support in selection, technical monitoring, and communication and information workshops at national level. Two sub-options are therefore possible:

- Sub-option G.1.a. Externalisation without replacing technical assistance

Only the management tasks directly carried out by the Commission would be externalised (i.e., evaluation of mid-term and final reports, financial monitoring and payments, correspondence with beneficiary, visits to projects once in their life time). External sub-contractors will still be needed to carry out support activities (e.g., technical monitoring, visits to all projects every year, evaluation of progress reports). Agency staff would be able to concentrate in extracting information from projects and transferring this to the Commission through structured communication channels.

- Sub-option G.1.b. Externalisation replacing technical assistance

In addition to the tasks described above, the Agency staff would replace the tasks currently undertaken by external contractors under technical assistance. This would require a broad range of geographical and thematic expertise, as well as full coverage of the EU languages.

- Option G.2: Hybrid solution: externalisation of traditional projects and keeping Integrated Projects within the Commission

Under this option, the management of traditional projects and operating grants for NGOs, would be externalised to an existing agency. Activities to remain within the parent DGs would include the governance, supervision and evaluation of the Programme, as above.

The management of Integrated Projects for environment is retained within the Commission. The main reasons are to secure integration of project results into EU policy, to ensure Integrated Projects are designed in the most adequate way and developed under close monitoring, and liaison with Commission thematic units.

5. ANALYSIS OF IMPACTS

5.1. Introductory remarks about impacts of the current LIFE+ Regulation and the Baseline derived from the MFF Communication

Methodology and its limits

The environmental benefits of the current LIFE+ Regulation, including climate have been examined using a series of indicators reflecting the nature of the projects, and as far as possible, consistent with the indicators used in the ex-post assessment of the LIFE III Programme. The relevant estimates of the value of the environmental impacts have been sourced from the literature. Project beneficiaries were asked about the impacts of the current projects at the end of the project, and then five years after the project end. The results were grossed-up based on the share of total project investment reported.

The reported **environmental impacts for Nature & Biodiversity** have been converted into an estimated economic value using published externality values for eco-system services associated with different types of habitat. These are applied to estimates of the environmental impacts by habitat type as reported by projects. Given the lack of detailed knowledge of the individual projects (e.g. the level of quality of the ecosystems within these projects) and the related eco-system benefits, the estimates provided in Table 1.3 of Annex 7 should be taken as providing only an approximate estimate of the economic value of the environmental benefits. The externality values are based on case studies of the economic value of eco-system services. These cases include the impacts of substantial changes in eco-system services.

Three habitat types are responsible for most of the benefits calculated as they are often the main focus of valuation studies: freshwater habitats (accounting for half of the benefits), and coastal habitats and forests each accounting for around 20% of benefits. The estimated value of benefits takes a conservative approach, assuming the benefits are between 5% and 15% of the published externality values to provide an indicative estimate only. This indicates an annual benefit of between €400m and €1,200m. It is extremely unlikely that the benefits are less than this, but likely that benefits in fact exceed this range. On an annual basis, taking the low estimate, the benefits represent twice the total investment cost of the projects. Using the higher estimate, benefits are six times the investment cost. This excludes any economic or social impacts (described below). The benefits are also expected to last for many years (although management costs will be required).

The analysis of **Environment Policy & Governance (EPG) projects, including climate** has focused on those projects anticipating physical environmental outcomes. It is difficult without knowing the specific details and context of the project to be confident that the application of externality values is justified. However, in the case of estimates of reductions in emissions or wastes (rather than changes in environmental quality), externalities can be applied with more confidence to provide a conservative assessment. This means that indicators of changes in air and water quality are not included. Significant impacts are reported in terms of expected reductions in CO₂ emissions, the area and people likely to benefit from improved air quality, the area of soil erosion prevented, and the reductions in non-hazardous solid waste generation.

The economic value of these environmental benefits is based on published externality estimates. The externality values relevant to each indicator are taken from the literature (see Annex 12). It should however be emphasised that the transfer of externality estimates does lead to some uncertainty, which has been minimised by excluding indicators of environmental quality (as mentioned above), and has not therefore been reflected in the calculation of a range – whilst the benefit estimates should only be taken as being indicative, because of the exclusions they can be taken as the minimum or a ‘low’ estimate. On this basis, the economic

value of the environmental benefits provided by Environment projects could be in the order of €200 million per year (Table 1.5 of Annex 7). This represents the minimum level of benefit. Substantial economic benefits are also potentially associated with health benefits (improved air quality and reduced particulates and improved forest protection).

For Information & Communication activities, environmental benefits cannot be quantified. The main aim of the component has been to actively promote EU environmental policies through information, communication, awareness-raising and dialogue, helping to ‘empower’ individuals and groups in the European civil society, as well as other stakeholders such as industry and local authorities to participate in an informed and active manner in the protection of the environment and the sustainable use of resources. The aim is that, by enhancing their ownership of environmental policy, more effective implementation can be achieved. Furthermore, most projects have not been finalised, which means that it is impossible to evaluate the impact in the targeted population at this stage.

For Operating grants, as for Information Projects, environmental benefits cannot be quantified. An analysis of the operational funding of NGOs for 2007 and 2008 undertaken in the mid-term evaluation showed that a substantial proportion of the budget is used for policy development (27%), policy implementation (28%), with external capacity building and awareness raising being smaller fields of activity. A large number of NGOs have undertaken a broad range of activities to contribute towards improved EU policy implementation and development. For example, they have: served as hubs for a growing number of national and international environmental organisations; defend or increase the ambitions of EU legislation, and campaign for real implementation of legislation or policy priorities; assist in increasing transparency and public participation; contribute to integration of environmental concerns into other policies through the provision of specific expertise; help members better understand EU environmental policies, and to better mobilise the public and decision makers to support a progressive role for the EU on environment and sustainable development. However, as a result of the indirect influence the NGO activity has on realising environmental benefits, it is not possible to quantify specific environmental benefits.

Environmental and socio-economic impacts of the LIFE+ Regulation

The **environmental impacts** under the current LIFE+ Regulation are substantial (see Annex 7 for full assessment). In addition to the quantified benefits of some €600 million a year (therefore twice its annual budget),²³ which are based on conservative estimates, the instrument leads to the improved conservation and restoration of some 4.7 million hectares of land, representing some 6% of the total area of the designated Natura 2000 terrestrial sites. It also supports a wide range of environmental improvements including improvements in water quality over an area of approximately 3 million hectares; improvements in air quality affecting some 12 million people; and reductions in waste of some 300,000 tonnes and the recycling of a further 1 million tonnes; and reduction of 1.13 million tonnes of CO₂ per year²⁴.

²³ Benefits in the nature strand double investment cost (€199 million) and for the environment strand equals investment cost (€223) but excluding significant environmental benefits that cannot be monetised (because limited literature exists on externalities) such as changes in environmental quality for water and air sectors, as well as social and economic benefits, which are substantial.

²⁴ These benefits are also expected to last for many years (although management cost will be required in some cases. Taking the low estimates of benefits and assuming the benefits will last for 10 years, the discounted (at 4%) present value for nature and biodiversity would be €3.2 billion (almost six times the total investment costs) and €1.6 billion for environment (two and a half times the total investment costs). In total, €4.8 billion of benefits are estimated for the current LIFE+ Programme.

Economic and Social Impacts of Nature and EPG Projects: The economic and social impacts of the Action Grants, as reported by Nature and EPG projects include:

- a total investment of some €600million is being made in technology outcomes by EPG projects. In addition, Nature projects are investing €380m in new approaches and techniques for nature conservation;
- the additional sales generated by the development of new products from EPG projects of €2.7 billion, generating around €1.1 billion of GVA²⁵;
- substantial health impacts both from the investment in improved natural environments and from improvements in environmental quality, especially from reductions in air pollution, affecting over 12 million people;
- modest but positive employment impacts of some 2,000 jobs²⁶ associated with the continuation of project activity post LIFE funding and indirect economic benefits of a further 18,000 jobs based on additional sales of new products.²⁷ These impacts are particularly important given that Nature projects tend to create and retain employment in areas that are being depopulated and/or have lower relative incomes.

It is difficult to **quantify the impacts of the changes introduced by the MFF Communication**. One could as a minimum expect in absolute terms an increase in the environmental and socio-economic impacts proportionate to the increase in budget. Given that the biggest increase is in Climate action activities, probably a most significant increase in environmental impacts can be expected on climate mitigation and adaptation.

As a consequence, one could as a minimum expect environmental benefits between €750 and €900/1,000 million benefits.²⁸ The exclusion of market-replication eco-innovation from the Environmental sub-programme could reduce the overall increase in socio-economic benefits, since as shown in section 2.2.2(a) eco-innovation projects bring most environmental benefits. However, market replication eco-innovation (which has been excluded from LIFE) represent only between 15-25% of the current Programme (and are better carried out under other instruments).

²⁵ GVA accounts for 40% of environmental technology sales, based on DG Environment, 2007, Table 4.4. Total sales of eco-industries was estimated to be €319 billion in 2008 (2008 prices), (Ecorys, 2009).

²⁶ A recent analysis concluded that the Natura 2000 network could support 122,000 full-time equivalent (FTE) jobs in the regions where the sites are located, if adequately resourced and managed. If indirect and induced effects are taken into account, this could amount to 207,000 FTE jobs. However, these job estimates must be treated with some caution as it is not possible to control for negative or positive impacts in other sectors (Rayment et al (2009) within Kettunen et al (2011).

²⁷ €147k of environmental technology sales supports one job (including multiplier effects), based on DG Environment, 2007, Table 4.4.

²⁸ Climate change related benefits, as calculated in terms of CO₂ emissions, for the current programming period are around €135 million (50% benefit compared to investment costs). Given that the climate budget doubles compared to the current Programme, it is expected that the environmental benefits will also double, i.e., €270 million. The increase in the environmental side has been more modest (overall increase of 8% with a higher increase for the governance and environmental strands). Nature benefits in the current programming period are around €400 million (twice the investment costs) and for Environment (discounting climate change) of around €58-65 million. Applying the different increase ratio to the specific benefits per strand, and considering a modest increase of the nature part by 5%, the minimum increase in benefits would be €750 million. If the calculation is based on the ratio benefits/investment costs applied to the different increases, then the overall benefit would be around €870-1,045 million. In the current programming period, the environmental benefits are around €600 million (twice the annual budget). The new budget represents an overall increase of around 50%. Applying the ratio benefits/budget to the programme, the environmental benefits will be €900 million.

This calculation does not take into account the larger impact expected from Integrated Projects²⁹ given the difficulties in monetising those benefits. However, based on the results of the ex-post evaluation (that called for larger size projects) and contacts with stakeholders, these benefits would be:

- environmental priorities become embedded into all the project activities as a requirement;
- cost savings because of the larger size and effectiveness of the projects³⁰;
- as a result of their scale, Integrated Projects provide a greater ability to create employment opportunities linked to continuing environmental management;
- because of their scale, Integrated Projects can establish a structured relationship with and develop project pipelines for the main EU funds, thereby promoting the mobilisation of their much larger resources to support environmental objectives;
- Integrated Projects provide a major role for regional and local authorities as potential lead beneficiaries, which are also often the environmental and climate responsible authorities (e.g., for Natura 2000 Prioritised Action Framework) as well as being responsible for leading projects funded by Rural Development, the Operational Programmes for Structural Funds.³¹

5.2. Analysis of the options

A. Options for strategic planning: top down versus bottom up

Box 7: What do stakeholders think?

Strategic programming (flexible top-down approach) was the **most popular option** among workshop participants (which included Member States authorities, private and public sector beneficiaries and NGOs). There was **no support for limiting the thematic focus** of the Programme. However, it was recognised that having priorities could increase the EU added value provided these priorities were non-exclusive and enough certainty for potential applicants would be provided (e.g., there was opposition to annual priorities but more support to 2-3 years priorities). 60% of YVIE respondents support a better prioritisation.

- Option A1: Baseline: Bottom up approach

Under this option, the problems identified under the current programming period regarding lack of focus and undermined capacity to create critical mass in specific sectors will remain. With the exception of the Natura2000 section of the Programme that concentrates on two Directives, a myriad of projects will be financed, even in sectors, such as climate change, with earmarked resources. As shown in section 2.2.2(a) and (b), even when a sector concentrates large parts of the budget, the bottom-up approach and projects and the environmental sectors financed are so diverse that no lessons can be drawn for mutual learning.

- Option A2: A top down-approach for all types of projects (with a more flexible top-down applied to traditional projects and a rigid top-down approach to Integrated Projects)

This option is intended to increase the EU added value, through stronger priority setting and related targeting, and through increase in the leverage and multiplier effects.

²⁹ See Annex 11 for more detailed analysis of Integrated Projects.

³⁰ The larger size of Integrated Projects responds to the call for larger projects made in the ex-post assessment of the LIFE III programme.

³¹ Noted as a benefit of Integrated Projects by the Committee of the Regions (2011) DRAFT OPINION of the Commission for the Environment, Climate Change and Energy on THE EU LIFE PROGRAMME.THE WAY FORWARD.

The scale of this improvement is difficult to quantify; it depends on how much of the best practice currently achieved for most performing sectors could be expanded and used to replace less effective activity. On the assumption that there could be a 50% improvement in the least effective part of the Programme (say the bottom-up quartile of activity), and a 25% improvement in the second least effective quartile, this would represent an overall improvement of 19% (say 20%).

Taking the minimum value of the environmental benefits expected to be achieved, i.e., €750 million a year, and excluding the substantial social and economic benefits, this would represent an increase of €150 million of environmental benefits per year attributed to this option. Taken the maximum level and increase of €210 million of environmental benefits per year could be obtained through this option.

Other considerations:

A more strategic focus will also increase the capacity to create critical mass for specific sectors, and multipliers. Under the current LIFE+ Regulation, there are significant examples of projects that have demonstrated environmental benefits, which have subsequently been disseminated and have catalysed subsequent take-up, thereby increasing environmental benefits.

Box 8: The following projects serve to illustrate examples of projects which have had 'multiplier' effects.

Given the need for elapsed time, these exemplars are taken from the LIFE III Programme

The catalytic role of LIFE – NATURE: IBA MARINAS - Important Bird Areas for Seabirds (Marine Ibas) in Spain (LIFE04 NAT/ES/000049)

The project aimed to prepare a detailed inventory, using objective methodological criteria, to determine marine IBAs for seabird species listed in Annex I of the Birds Directive that live in Spanish marine waters. The project worked closely in co-ordination with a similar LIFE project covering Portuguese territorial waters. The project developed a model methodology for defining future marine IBAs. This approach has now been adopted by members of BirdLife International as part of a global standard (in Greece, Malta, the Baltic Countries, Argentina, Peru, USA, South Africa and New Zealand).

The catalytic role of LIFE – EPG: Reducing Emissions of Greenhouse Gases in Rome (LIFE04 ENV/IT/000453)

The project funded a local action plan in Rome to reduce GHG emissions by 6.5% by 2012 (compared to 1990), in line with the Kyoto target for Italy. The project included eight small pilot projects to test actions that might be included in the plan. These pilot actions proved successful and were **consequently models for demonstration and replication**. The pilot on local traffic planning gave important inputs that have now been adopted in the new Strategic Mobility Plan for Rome. An Action Plan for the Reduction of GHGs in Rome was drawn up and approved by the municipal council in March 2009, building on the results of the pilot projects.

The added value of LIFE is increased by concentrating the resources of the Environment strand on environmental policy improvements, which relates largely to the development of action plans, management plans and strategies at the level of a competent authority or municipality; and on funding environmental solutions that can help integration directly and through being mainstreamed in the major funding instruments.

More significant impacts in terms of awareness raising and dissemination of lessons learned are expected. The system would allow for targeting specific sectors which may lead to quantifiable changes in attitude towards an environmental challenge. The examples included in Box 2 (at section 2.2.2(a)1) illustrate how the new system could help designing call for proposals to complement EU campaigns and targeting resources in specific policy areas, thereby increasing impact.

The 2-3 years rolling plans would also be adaptable so that adjustments can be done based on the evolution in achieving targets. For example, if sufficient Integrated Projects have been financed in the nature sector as to provide enough examples for the different Member States and bio-geographic regions, the rolling plan will allow targeting other sectors. However, the

system could be too rigid and discourage potential applicants, especially as Integrated Projects may take up almost all annual resources in the second half of the programming period.

As to subsidiarity considerations, Member States will participate in the preparation of the 2-3 years work plans and the elaboration of the selection criteria, thereby ensuring that Member States needs are also reflected in the programming. On the other hand, this participation could lead to lengthy negotiations hampering the endorsement of the rolling plans. Participation in an advisory capacity could diminish this risk.

- Option A3: An approach combining the top-down approach for Integrated Projects and bottom-up approach for all other types of interventions

Increased environmental impacts compared to option A1 will be those linked to the capacity to focus Integrated Projects on specific sectors that require specific EU intervention.

For traditional projects, however, there would be no possibility for creating priority sectors or specify needs linked to concrete Directives within one sector. This could lead again to a myriad of projects with little links to policy development and implementation. No possibility for adjustments during the programming period, not even after a mid-term evaluation, because there would be no formal planning system to reallocate resources, if needed. This could be done only for Integrated Projects in an informal basis and depending on the geographical distribution system adopted.

However, the system could be considered more flexible, especially by the end of the programming period where only a limited number of traditional projects is expected to be financed.

B. Options for thematic concentration of Integrated Projects

Box 9: What do stakeholders think?

Respondents to the Committee of Regions survey suggested that Integrated Projects could most realistically and effectively be used to address a wide variety of environmental problems/challenges met within their region/municipality, notably: 'freshwater management' (21.5% of responses); 'nature and biodiversity' (18% of responses); 'resource use and waste' (14% of responses); as well as 'urban environment', 'air pollution' and 'land use' (each counting for 9% of responses). In addition, a total of 14% of the related responses concerned climate change issues (either adaptation or mitigation). Almost 55% of respondents to YVIE survey supported Integrated Projects with 42% supporting the approach for Natura2000 (only 16% of respondents were opposed), 50% for other sectors such as water, marine and waste.

A more detailed assessment of benefits of Integrated Projects is provided in Annex 11.

- Option B1: Baseline: No thematic concentration of Integrated Projects

Given the resources allocated to the Environment sub-programme of the future LIFE, an analysis of 'what will it take' to produce a step change in the impact of the Programme has been made. The number of Integrated Projects required relates to the relevant territorial 'units' for each environmental theme identified as having a potential for integrated approaches. A statistical relevance of 15-20% of the relevant territorial unit has been used to determine the number of projects required in a specific sector to have enough examples applicable to different administrative and regional characteristics (including levels of capacity development) so that different experiences can be widely disseminated among Member States and regions. Applying the statistical relevance it is possible to identify how many Integrated Projects would be required to have critical mass in the sector concerned.

Integrated Projects in Nature – The relevant unit is the NUTS 2 region, given that regions tend to be responsible for the management of Natura2000. This also has the merit of linking

directly to possible regional funding. There are 271 NUTS 2 regions in the EU. Assuming the minimum level of action required, one Integrated Project for nature conservation, in say between 15-25% of the regions over a 7-year Programme period would be needed. This means between 6 and 10 Nature Integrated Projects in average per year.³²

Integrated Projects in Environment – In this case the relevant unit depends on the environmental theme.

- Waste management – the appropriate unit is also probably the NUTS 2 region, given the nature of regional waste management plans. 15% Integrated Project activity over the Programme would provide a minimum level of catalytic effect – say an average minimum of 6-10 projects a year;
- Water management – the appropriate unit is the river basin district of which there are 110 river basin districts and 176 national branches. Given the important issues associated with transposition and implementation of the Water Framework Directive (WFD), and the interest in ensuring cross-compliance with the WFD as a condition of regional funding, then a greater share of ‘units’ should be covered – 15-25%. This would require an average minimum of 3-4 projects a year;
- Air quality management – activity in large cities to combat urban air pollution (e.g. particulates, low level ozone and nitrogen dioxide) would also benefit from the use of Integrated Projects. Building on the 2013 European ‘Year of Air’, 3 IP projects a year would allow action in 20 of the most polluted EU cities. This could be combined with other urban elements;
- Marine environment – probably 1-2 Integrated Projects per sea basin (3-5 projects per year in average).

The Environment strand would therefore require a minimum of 13-19 Integrated Projects a year, if the use of these projects was to really tackle the institutional weaknesses that underpin the lack of adequate policy implementation and effective policy integration in the entire *acquis*.

Given that these projects are larger in size (EU contribution €10 million per project), the current allocation would probably be not sufficient to achieve all abovementioned targets, thereby undermining the Programme’s capacity to achieve critical mass of projects in specific sectors. This would imply not addressing the main criticism related to lack of prioritisation and focus. The possibility to reach concrete results and provide enough examples for different administrative organisations and sectors may not be possible. On the other hand, a large thematic scope will allow testing the approach in a bigger number of sectors.

A large thematic scope for Integrated Projects would also imply that if the Programme wants to have any chance of reaching targets in some sectors, traditional projects could not be financed. These traditional projects cannot be completely phased out (as recognised by the MFF Communication). Firstly, these projects address the needs of stakeholders that are not necessarily public authorities, such as SME. In addition, not all environmental activities require a planned and large territorial scale action. Finally, not all public authorities would be ready at the beginning of the programming period to submit an Integrated Project in some cases due to lack of capacity.

³² 25% of 271, divided by 7.

Based on the experience under LIFE+, between 8-10 traditional project per environmental sector would be required to achieve critical mass and create multipliers. If environmental sectors are grouped in 6 sectors (biodiversity, water, natural resources and waste, environment health, which would include noise and chemicals, emissions, which would include air and IPPC, and green economy) around 56 to 60 traditional projects per year are required in addition to information projects.

Integrated Projects would gradually be introduced in the Climate Action sub-programme in the area of mitigation and adaptation, in order to allow time build up capacity needed for such projects.

- Option B2: Thematic concentration of Integrated Projects

Given above considerations, it would seem that some thematic concentration for the Environment sub-programme may be required. Integrated Projects could concentrate on:

(1) Sectors where implementation or integration problems are more significant

As to implementation problems, a good indicator is infringement cases. Nature conservation, waste and water legislation accounts for 59% of the infringement case load for the environment sector, with the sectors "impact assessment" and air contributing the bulk of the remainder (27%). Other sectors, such as Marine, are still in a development phase.³³ The last few years have seen a marked increase in cases in the air sector.

Implementation problems often reflect integration problems. For example, the high percentage of cases concerning nature protection legislation can be explained by the fact that many infrastructure developments proposed in Member States that lead to complaints are those affecting in some way Natura 2000 sites or EU protected species. As shown above when analysing consistency with other EU funds and the Zero option, Nature conservation also has problem of absorption capacity in other EU programmes, partially because authorities do not always perceive the socio-economic benefit of nature conservation.

The overall percentage share of waste and water cases reflects the fact that they have entered crucial implementation phases. The waste sector also has problems of absorption capacity in other EU programmes. As in the case of Nature, the capacity to develop and prepare investments, and to channel large amounts of EU funding, is still lacking in some Member States. There is a risk that some funds from the 2007-2013 programming period will not be spent in time.

Nature, water and waste are entering crucial implementation phases. In the near future, the Habitats Directive will move from designation to active management and restoration; similarly, under the Water Framework Directive (WFD), the river basin management plans will need implementation to achieve the objective of good environmental status. Air legislation will be revised in 2013, which implies that in the period 2014-2020 will also enter its crucial implementation phase. The Marine legislation will enter as well the crucial implementation phase, since by 2020 Member States should have achieved or maintain a good environmental status.

Management and implementation costs for Natura2000, water and waste are very high i.e., €5.8 billion per year for Natura2000, €30 billion per year for water, €7-12 billion per year for municipal waste compared to Air which requires about €1 billion per year (see Annex 5).

(2) Sectors that are more linked to achieving Europe 2020 resource efficiency targets and

³³ <http://ec.europa.eu/environment/legal/law/statistics.htm>.

direct environmental benefits

The Resource efficiency roadmap identifies biodiversity, water, waste, air and soil as the main environmental sectors that are essential to shift towards a more resource efficient economy. Of these, biodiversity, water, waste and air are suitable for Integrated Projects.

As to direct environmental benefits, as shown in section 2.2.2(a) and Annex 7, Nature, water and waste are the sectors with more direct environmental benefits. In addition, air provides many socio-economic benefits linked to health. Not enough information about marine projects exists as to determine the environmental benefits generated.

(3) Sectors that have more possibility to link to, and therefore mobilise, other EU funds.

Mainstreaming of nature, water and waste is much consolidated and has been improved under the MFF Communication proposals thereby providing more opportunities for generating examples for integrated funding to solve the significant absorption capacity problems identified. Air has also improved mainstreaming due to its health impacts, and many links with climate change (especially in urban areas). The new European Maritime and Fisheries policy has also improved the integration of Nature Directives and the Marine Strategy Framework Directive.

Additional criteria:

(4) The maturity of the sector (i.e., the development of plans and programmes is required by the legislation and they are already in place), including the success of environmental sectors in LIFE.

Nature, water and waste are probably the most mature environmental sectors in terms of planning and programming. Management plans for Natura2000, River Basin Management Plans and Waste management plans have already been developed. The Habitats Directive will require a programme approach applied to the network (and not only to a site) through Prioritised Action Frameworks. The Water Framework Directive's River Basin Management Plans already foresees an integrated approach, and there is an increasing call for overreaching waste strategies.

As to the consolidation of the sectors in LIFE, Nature, water and waste are the traditionally successful sectors: 50% of resources are allocated to Nature, and water and waste applications amount to almost 70% of all LIFE Environment applications, with an average of 50-60 applications for water and 80-100 for waste compare with 12 applications for air. Marine applications tend to be done in the context of the Habitats Directive.

(5) The stakeholders' opinion could also be used to discriminate between one or another sector. As seen in Box 9 above, nature, water and waste are the sectors signalled by stakeholders. Air is also mentioned but to a lesser extent.

- Sub-option B2a: Thematic concentration on 3 sectors: Natura2000, water, waste

Natura2000, water and waste rate first in almost all the criteria mentioned above. Although it is difficult to quantify the environment and socio-economic benefits of LIFE projects (see some examples in Annex 11), the more targeted approach for Integrated Projects will allow covering at least 15% of the Natura2000 network (doubling the coverage under the 2007-2013 period), 10-15% of the river basin districts and up to 15% of regions for waste management. Only for the Natura 2000 network, this could represent a 30-40% increase of environmental benefits compared to the baseline. In addition it will be possible to create synergies between Natura2000 and Water Framework Directive.

Since nature, water and waste are very consolidated sectors under LIFE funding, risks of failure of the approach (e.g., lack of demand) would be reduced. This is especially important for water and waste (so far covered by the LIFE Environment component) which had mostly focused on innovation and demonstration of technologies and now will shift focus towards implementation.

The Marine Strategy Directive could be partially covered by either Natura2000 (marine and coastal habitats and species) or the Water Framework Directive (coastal and transitional waters). Air legislation could be partially covered by Climate adaptation and mitigation Integrated Projects. However, it would mean excluding the sector that provides more health benefits and which has been identified by the Commission as a priority for the coming years, also in relation to the Resource Efficiency Roadmap.

- Sub-option B2b: Thematic concentration on 4 sectors: Natura2000, water, waste and air

This option will increase the potential of the Programme to provide direct benefits, especially in relation to health. As shown in section 5.1, the current LIFE+ Regulation, with only an average of 2-6 air projects per year, will be able to improve the quality of air of 12 million citizens. Air projects covering the 40 most polluted cities through 20 twinning projects could imply reaching about 10% of the EU's population. Air is, however, a sector with a low application rate for LIFE funding. Therefore, there might be demand problems. On the other hand, one of the Integrated Projects precursors was an air project.

Given the limited resources under the Environment sub-programme, the number of traditional projects per year may go below the threshold. It might also require lowering targets for the water and waste sector thereby reducing the focus and overall demonstrative relevance of the Programme. One possibility to overcome this risk is by lowering the expected EU co-financing rate for Air Integrated Projects. As shown above, management costs for Air are significantly lower than for other environmental sectors. This suggests that Integrated Projects may also be smaller (e.g., let's say about €7,5 million co-financing). However, the size of Integrated Projects is only assumed based on examples of projects financed under LIFE+.

For both sub-options, Integrated Projects would gradually be introduced in the Climate Action sub-programme in the area of mitigation and adaptation, in order to allow time to build up the capacity needed for such projects.

C. Options for allocation of resources between different priority areas

- Option C1: Baseline- MFF Communication allocation

Under this option, better targeting for climate change will be achieved (thus solving one of the problematic aspects highlighted under Problem 1 in section 2.2.2(b)). This will increase direct benefit at least associated to climate impacts (Concentration on climate may increase environmental benefits by 50% from €135 million a year to €270 million- see section 5.1).

However, the Environment sub-programme, and more precisely, the Nature & Biodiversity component would lose the feature that has been partially responsible for the success and strategic focus of the component. Therefore, instead of solving Problem 1, the option would increase risks of further dilution of thematic focus for the Environment sub-programme.

This will also impact the capacity of the Programme to provide direct benefits. As shown above (sections 2.2.2(a) and section 5.1), Nature is responsible for the highest and most cost-effective environmental benefits for the Programme. Similarly, implementation problems (driver 1) and integration deficiencies on the ground (driver 2) are especially significant for nature. In many cases, LIFE is the only Fund available for specific Natura2000 management

measures. If resources are not earmarked, and given the more complex characteristics of developing a nature project, the higher demand in projects in the environmental sector could significantly reduce the chances for nature and biodiversity projects to be funded. In fact, this higher demand derives from the large spectrum of sectors covered.

- Option C2: MFF Communication allocation and allocation of 50% of resources to biodiversity

This option will continue the positive impacts already identified under the current Regulation and will increase them. This is because there is an increase in funds dedicated to nature and a more targeted and integrated approach increasing projects size and thus territorial impact (A minimum of additional €450-500 million environmental benefits could be expected - see section 5.1). Such option is in line with stakeholders' expectation in particular concerning the financial support expected for Natura 2000 under the Biodiversity strand. It is also consistent with the findings of LIFE mid term evaluation. These confirm that implementation gaps and integration problems are more significant for Nature and Biodiversity.

The con of this option is that it may impact the ability to finance standard action grants and/or Integrated Projects if too many sectors are included in the Environment component.

D. Options for geographical distributional impacts (national allocations)

Box 10: What do stakeholders think?

As to **national allocations**, these were only discussed with the Member States in the Committee meeting. The positions were divided between those Member States opposing all kind of pre-allocation of funds and others supporting the current system. The EESC is clearly opposed to national allocations.

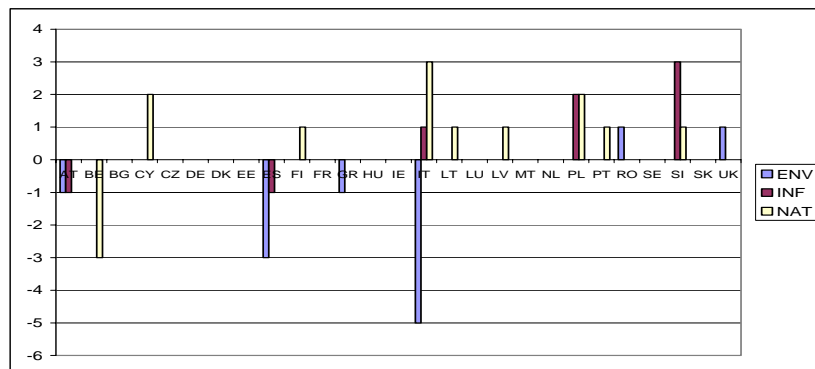
- Option D1: Baseline - All projects selected on merit

Under this option, the risk is that Italy and Spain will continue to be main beneficiaries, as under the LIFE+ Programme. Figure 3 shows the impact of national allocations on current selection. If the selection had been based on merit only (highest points on the main four evaluation criteria, i.e., their technical and financial quality, and demonstrative value for the EU), some Member States would have received additional projects and others fewer. For example, Austria would have received two additional projects (one under the environment strand and another under the information and communication strand) whereas others would have received fewer projects. Because of the national allocation, proposals from a Member State that pass the minimum quality criteria but with fewer points than those submitted by other Member States get funded.

However, as shown below, it is impossible to identify a clear trend, such as a general advantage to those with less experience in the Programme or those with fewer resources. In one case (Italy), the effect of the current system is simply a re-allocation of funds, within the same Member State, between different strands of the Programme.

If the projects were selected on merit only, this would mostly favour Spain and to a certain extent Italy, which are the Member States already receiving most funding, whereas other Member States, like Latvia, Romania or the UK (which already do not use their national allocation) may obtain fewer projects. To summarise, merit only will - with some exceptions - favour again the current winners.

Figure 4: Impact of National allocations under the current system



On the other hand, the system will lose part of the solidarity rationale and justification for burden sharing, especially regarding nature conservation, since natural assets are unevenly distributed among Member States.

- Option D2: All projects selected on merit but ensuring geographical balance for Integrated Projects

Traditional projects have historically been financed mainly in Italy, Spain and Germany. It is expected that some Member States would increase the number of traditional projects (as shown above probably Austria, Belgium and Greece) should the evaluation be based exclusively on the quality and demonstrative value for the EU.

Integrated Projects are linked to the development of regional strategies, implementation and capacity building. Therefore a geographical balance is desirable to ensure that all Member States obtain at least one Integrated Project (subject to other concerns). For example, the Commission would ensure at least one Integrated Project per Member State in waste and nature sectors and at least one Integrated Project per transboundary river basin district (Danube, Rhine, etc), and at least two projects per bio-geographical region. Member States with more capacity deficiencies, Member States with high nature assets (e.g., Bulgaria, Spain or Slovenia) and Member States hosting transboundary river basin districts (France, Hungary, Germany or Austria) would probably be favoured.

Priority to transboundary projects, especially under the water sector and to create synergies between water and Natura2000 (e.g., in the Danube). This option is also flexible and allows Member States that are ready to submit proposals during the first half of the programming period to do so, and it gives time to other Member States to learn from the first experiences and submit proposals later. This option would work better with Strategic programming (option A2) because it would allow adjustments if one Member State has not received any Integrated Project.

- Option D3: Standard/traditional projects selected on merit only and national allocations (specific amounts per Member State) for Integrated Projects for the whole programming period

Same as D2 but indicative allocations will be created ex-ante based on environmental needs agreed with the Member States. These indicative allocations would be calculated and applied for the entire programming period instead of annually as today to allow more flexibility in the selection procedure (e.g., one Member State could fulfil its national allocation the first years whereas another could need more time and would only submit proposals in the second half). This option would also work better with the strategic programming (option A2) because it would allow adjustments.

For the nature sector, if the current system (population and % of territory designated as Natura2000) applies, the biggest financial envelopes would be for Germany, France, Spain, Italy and the UK, which is also largely in line with the management costs as reported by Member States (costs tend to be greatest in areas which require the highest levels of intervention and management such as agricultural areas in North-Western Europe and which face greater pressure from development and disturbance such as islands and in Southern Europe). If the criteria were only based on the percentage of territory designated as Natura2000, Slovenia, Bulgaria, Slovakia, Cyprus, Spain, and Greece will probably have larger allocations as well as UK, Germany and France (for marine). This does not imply that smaller Member States would be overrepresented, since currently the smaller annual allocation is about €2.5 million which implies that, for a 7 year programming period, the minimum allocation could be around €18 million, i.e., two Integrated Projects.

For the water sector, given the significance of transboundary river basin districts and the pressures on them, priority could be given to those. Probably France, Germany, Austria, Hungary or Romania would have larger allocations. If the criteria used were the km² (ha) of river basin districts compared to the national territory, again, the abovementioned countries and probably Spain and Italy would have larger allocations, whereas others, such as Malta, would hardly have.

For the waste sector, capacity needs would probably concentrate on new Member States.

This option might be more acceptable for Member States, especially if strategic programming (option A2) is adopted but could increase rigidity and problems in agreement of criteria (as per the experience with current LIFE+ Regulation) and complicate the selection procedure (different steps are required to ensure the allocations are fulfilled). There is also the risk that the envelopes are reserved and not used by the Member State (as per current experience) and targets not achieved, in which case a mechanism for allocation of unused funds will be needed.

Box 11: Main assumptions in assessing geographical balance

- Environmental needs, especially in relation to institutional and capacity weakness, and management costs needs remain largely the same during 2014-2020 (the analysis of evolution and scale of environmental problems in Annex 5 so seem to confirm). For Nature, data used is information available regarding management costs for Member States reported by themselves as well as the number and share of Natura2000 network in relation to the territory, since this is a good indication of burden and effort sharing (Member States with a larger proportion of their territory designated should have a greater responsibility in conserving, preserving and restoring those habitats and species which are considered of EU interest). The assessment assumes that there would not be dramatic changes in designation in the next years, especially since the terrestrial N2000 network is considered largely complete. A similar logic and assumption was followed for water.

- Level of demand in all Member State remain similar to current levels. The crisis has not prevented vulnerable Member States (such as Italy, Spain or even Greece) from increasing the number of proposals submitted in 2011. It would seem fair to assume that the situation will remain the same in the coming years.

- A minimum number of Member States are ready to submit Integrated Projects at the beginning of the programming period. In this sense, the assumption is that Member States with more experience in managing larger projects or precursors of Integrated Projects (e.g., Belgium, Spain, Italy, Slovenia, the Netherlands, or Finland) will be ready to submit Integrated Projects at the beginning of the Programming period, whereas new Member States, such as Romania or Bulgaria, will have more difficulties. Risks mitigation measures in relation to demand have been developed. Already LIFE+ is financing necessary strategic frameworks required under the specific Directives and actively promoting Integrated Projects, so some examples may already exist at the moment of entry into force of the new Regulation.

E. Options for funding activities under Governance and Awareness raising

- Option E1: Baseline - NGO funding, Commission communication activities and reinforced communication/dissemination obligations for projects

Impacts are difficult to quantify but they could be assessed qualitatively based on the mid-term evaluation and efficiency/effectiveness gains. As noted above, NGO contribute to civil society participation in policy development, promoting implementation, strengthening the knowledge base and raising awareness.

Given the relatively small size of the Information & Communication component (for the 2007-2009 calls, the INF component accounted for only 4% of the EC's contribution in LIFE+), more strategic value can be gained from strengthening the mandatory information and communication activity in projects. As shown in section 2.2, the close links between the projects and the local populations place them in a unique position to influence behaviour and empower citizens. One could expect these impacts to increase by adopting a stronger focus on the generation of multiplier effects, which is translated into greater responsibility on project co-ordinators for identifying and communicating findings with target users and providing training. In particular, networks of similar projects around priority themes could be promoted.

- Option E2: NGO funding, Commission communication activities and communication/dissemination obligations for projects, and specific Communication campaigns financed through grants.

The positive impacts of option C1 are expected to increase by complementing all the abovementioned activities with specific information and communication projects financed through grants that will target a particular sector or stakeholder group as defined by the Commission. These projects could also be initiated to take on the synthesis and dissemination activity of results from the traditional projects under selected themes. This would allow these campaigns to be better focused: the strand has been hampered to date by its attempt to cover a broad range of themes and by the fact that only a small number of projects have been successfully funded so far (38 selected for funding from 329 proposals for the first 3 calls). This has affected its strategic impact ('spread too thinly') and its ability to concentrate on the issues of greatest priority. In addition, these more specific projects could complement DG ENV and DG CLIMA own communication and governance efforts increasing the multiplier effect of the campaign and the sense of ownership regarding results. Indeed, since these projects will be carried out by national stakeholders, it would be easier to adapt the specific characteristics of a particular Member State. This option works better with a strategic programming approach to determine the priority communication and dissemination campaigns to be financed for 2-3 years.

F. Options for simplification

- Option F1: Baseline: On-line tools and larger projects

On-line tools: It is difficult to assess administrative gain regarding the use of on-line tools. Current bidding costs are about €3.4 million. On-line tools will mostly simplify the procedure for submission of proposals which accounts for around 20% of the bidding costs (including technical and administrative staff costs). Applying an increase in efficiency of 50% for administrative staff costs and 10% for technical staff would lead to 7% savings. If applying 50% gains in efficiency for both, 12% increase in savings would be expected.

Larger projects and Integrated projects: Regarding the selection, it is difficult to quantify, but moving to larger projects imply bidding savings for the beneficiary for the entire programming period, since instead of submitting 3 or 4 projects in a 10-year period, only one project will be submitted. In addition, risks associated to multiple bidding, and therefore that one of the projects may not be selected because of competition, will be reduced. The example below illustrates these gains.

Box 12: Potential LIFE Integrated Project-PM10 control in urban areas

Four Austrian LIFE projects are interconnected and all have PM10 control in urban areas as a main objective. Each project has been used as a further step in developing a more holistic approach and contributing to a long term plan. The four projects could theoretically have been combined into a single integrated project, which drew on several funding sources. Even if the resources to prepare a proposal for an Integrated Project would increase as compared to smaller projects, they would still be fewer than the resources needed to prepare 4 different applications and go through 4 different negotiation procedures.

As to management costs savings, see Options G.

- Option F2: Selection procedures: 2 stage procedure and simplified reporting for Integrated Projects - moving to larger projects

Integrated Projects: The simplification in the reporting cycle will imply for the projects beneficiaries a reduction by 25% in reporting costs (a 2-year reporting cycle - instead of 18 months - would imply, for a 6-year project, 3 reports instead of 4). Given that administrative costs are around €1.7 million a year and that reporting costs represent between 60-75% of administrative costs for projects and that Integrated Projects will represent between 20 and 40% of projects financed every year, it could mean reporting savings between €178,500 and €357,000 a year. In addition, in terms of management costs for the Commission, for a 6-year project, 2 amendments and 4 payments will be done. Considering that an Integrated Project could correspond to at least 5 traditional projects for which 15-20 reports, 15 payments and 3-5 amendments would be necessary, this represents a reduction of 70% in the number of transactions.

Multiannual selection for NGOs: This will ease the administrative burden of yearly selection procedures (reducing by at least by 50% cost). One disadvantage identified is the loss of flexibility as compared to the yearly selections, but this would be outweighed by improved stability and coherence of strategy and planning for NGOs, as well as reduced administrative burden. The periodicity preferred by stakeholders is 2 or 3 years.

- Option F3: Outputs and results payments vs lump-sums, ineligibility of certain costs

An option of payment based on **outputs** could be examined. However, it would take time to develop a methodology to calculate cost/ha and type of habitats for restoration and management activities.

The use of **lump sums** will be a better option since it simplifies reporting costs for the beneficiary. For example, by introducing standards staff costs, obligations regarding time sheets could be eliminated to a large extent without restraining beneficiaries to only recruit new people.

Ineligibility of certain costs: Considering VAT cost non-eligible will simplify reporting since beneficiaries, especially some categories, have to go through complicated systems to obtain a certification that shows they are not eligible to obtain a refund. As to personnel costs, limiting eligible costs to only additional staff recruited specifically for the project will have significant impacts on simplification in terms of financial reporting and monitoring for the project beneficiary. Specific timesheets tend to duplicate the system in place by the beneficiary. Most

cases of recoveries are currently associated to personnel costs. Such a limitation would also make it easier for the Commission to monitor job creation for the project.

Considering ineligible above costs would imply a reduction in the total real costs of about 5-10% for VAT and 20-40% for personnel, which could discourage potential applicants. If the EU intervention (i.e., 50% of eligible costs) is to remain at the same level as today for the project as a whole, the current co-financing rate will need to increase up to 70% for projects which currently have a co-financing rate of 50% and up to 80% for projects which currently have a co-financing rate of 75%.

G. Options for externalisation

Options for externalisation should be considered within the context of the overall Commission intention to reduce management costs for the funding programmes.

As mentioned in section 1, the management costs of the LIFE Programme are around 6%. LIFE compares well to other EU funding programmes. The ex-post evaluation compared LIFE with EACEA as per its interim evaluation. The average ratio of administrative costs as % of total commitments was 9% in 2007. However, this covers large differences between the various programmes that EACEA manages. The ratio changes between 8.3% and 13.6% (five components), 2% (for one large component) and 20.6% (one small component). The administrative costs as share of the total budget for EACEA represented 8.7% in 2007, 7.6% in 2008 and 11.8% in 2009.

The ex-post evaluation concluded that the LIFE Programme seems within the same range and in some cases below the range of other similar programmes. However the basis for comparison is limited. Given that EACEA is an executive agency where the potential efficiency gains from externalising the tasks should have been achieved, the similarity in range points in the direction of a high degree of efficiency of the LIFE Programme most probably explained by the fact that main tasks linked to selection and monitoring have been already outsourced. In fact from LIFEIII to LIFE+, costs passed from 8% to 6% thanks to further outsourcing at the consolidation of different programmes (Forest focus, Urban, NGOs operating grants) into one programme, saving 4 full-time posts.³⁴

The decision of the MFF Communication to move towards larger projects is a further attempt to reduce management costs. Moving to larger projects also implies a reduction in the number of projects and thus on the staff required to manage them. As seen above, further simplification measures related to reporting and eligibility of costs could further reduce these costs. Externalisation to an existing Executive Agency is also part of the efforts to continue this trend.

It is difficult to compare the costs of direct centralised management by the Commission with the costs of management by an Executive Agency (hereafter, called 'Agency'). Doing so requires assumptions to be made, in particular, on the performance by any Agency and on 'efficiency gains'. Many of these assumptions will be tested when negotiating a contract with an Executive Agency, but even the benefits of any improved performance will not be seen until later.

It should be noted that at the time of any delegation the Commission will publish a fuller cost benefit analysis going into further detail, and informed by negotiations with the Executive Agency. Therefore, the estimation of resources for both the Agency and the Commission, the

³⁴ As to EACI the Interim evaluation indicates that EACI has a ratio of administrative staff (defined differently to "administrative support") significantly below the average (10.2% for EACI in 2010, while the average of all EAs was 14.4%) but no more details are provided regarding the costs of the overheads costs compared to the budget managed.

cumulative impacts across the entire programming period as well as the impacts of the transitional arrangements³⁵ will need to be carefully developed, reviewed and validated at the time of preparing the detailed cost/benefit analysis.

The Court of Auditors³⁶ has already highlighted some of the problems with past analyses of an Agency option:

- emphasis is placed mainly on savings from the use of cheaper contract staff rather than permanent staff but aspects of improved performance and efficiency gains are rarely considered;
- costs of additional staff needed in the Commission to supervise agencies and at the agencies for horizontal functions, are not accurately included or not included at all;
- comparison is often made using the single average unit cost for the various categories of contract staff but in practice they vary in grade and therefore cost. Analysis shows the composition of the Commission consists largely of lower grades compared to specialised personnel so this would lead to an overestimation of Commission costs in cost comparisons.

In this analysis, the costs of additional staff to supervise agencies has been estimated, but potential performance and efficiency gains from implementing a larger programme in one Agency have only been partially considered, which may leave the Agency option in a less favourable light.

Current cost of Programme Management as a percentage of Programme value: The number of full-time equivalent posts to manage all aspects of the Programme, including external contractors and EU officials is approximately **125 full-time equivalent** posts. The total administrative cost is just over €15 million (€15,084,000). This currently **represents 6.2%** of the total annual Programme budget.³⁷

- Option G1: Baseline- Externalisation

In the MFF Communication, the Commission considers that the future Programme should remain centrally managed, but that management tasks could to a large extent be delegated to an existing executive agency.

- Sub-option G1.a: Externalisation without replacing technical assistance

In terms of costs, based on the experience gained with the externalisation of the eco-innovation part of the CIP Programme, the same number of staff currently managing the LIFE+ Programme within the Commission (44 posts) could be needed in the Agency (of whom 9 would be officials seconded from the parent DGs to the Agency).³⁸ In addition, some

³⁵ There are projects currently financed that will last until 2018. Around 200- 230 projects are selected in average in the last call for proposals. Assuming that only projects that were financed in the second half of the Programme will likely still be active when the new Programme starts that gives around 600-700 projects from LIFE+ still alive when the new LIFE Regulation enters into force.

³⁶ European Court of Auditors Special Report No. 13, 'Delegating implementing tasks to Executive Agencies: a successful option?' (2009).

³⁷ Estimated to be €244 million (annual EC contribution to action grants and expenditure on technical assistance).

³⁸ Based on experience and conversations with EACI, a minimum of 6 staff need to be seconded to the Agency when transfer occurs. According to figures for existing agencies like EACI, the percentage used for seconded staff is 24% of the staff used in the parent DG. A 20% level is used here since it is expected that the number of projects financed will decrease as well as overall Commission staff (5% target).

staff would need to remain in the parent DGs to take up coordination and control tasks (for governance, supervision and monitoring of the Programme, including establishing links between the parent DGs, other DGs and the Agency).

In addition, there will be an additional staff requirement related to supplying additional administrative services (human resources etc) to the new Agency staff.³⁹ There are also additional overhead costs (e.g., office costs) associated with the posts and contractual agents to be transferred to the Agency. The total cost of this option, **represents 6.3% of the Programme budget.**⁴⁰

As for aspects related to policy links, the overall programming and design will remain within the parent DGs ensuring a link between traditional projects and policy priorities. Adequate feedback mechanisms between the Agency and the parent DG will be established to ensure project results feed into policy making.

Since most day-to-day tasks (e.g., visiting projects every year, answering project queries) will be implemented through technical assistance, the Agency staff could concentrate on ensuring information flow towards the parent DGs, and on financial management and control, including gathering of project data. Staff in the parent DG will concentrate on ensuring that results of the projects are duly integrated in the policy definition and implementation and on transferring information to other DGs. Promotion of Integrated Projects and networking could be done either by the Agency or by the parent DGs.

However, there might be some risks that an additional layer of communication between projects and the parent DGs reduces the information flow and thus the capacity to use project results into decision making.

- Sub-option G1.b: Externalisation replacing technical assistance

Most probably, the Agency staff can provide the services undertaken by the technical assistance external contractors at the same level of effectiveness and efficiency. At an annual staff cost of €4,000, the additional 80 fulltime equivalent contract posts would cost €5.1 million. There is also a requirement for additional administrative posts, adding a further 16 posts. The total staff cost would be €6.1 million. In addition, there would be overhead costs and since the staff would be based in Brussels, there would be the additional mission costs currently avoided by using contractor staff based in the Member States. The total cost of this option, with the replacement of external assistance, would be €14.6 million, **representing 6.0% of the Programme budget**; a saving of €0.5 million (3.0%) on the centrally managed option.

On the other hand, there would also be cost savings if the work is brought in-house rather than the parent DG (or Agency) having to manage and supervise the contracting and undertaking of this technical assistance externally. In addition, the Agency staff would have a constant direct contact with the projects through the close technical and financial monitoring, and annual visits which will help early detection of problems and if needed rapid contact with the parent DGs. However, arguably, the workload of the Agency staff would increase.

³⁹ Additional staff for horizontal (administrative) tasks is based on current demand from EACI that estimates a need of 20%.

⁴⁰ Applied to current programme budget assuming that for some years the transitional costs will be standing still.

Box 13 – Summary of advantages and disadvantages of the full externalisation option

Advantages

- The majority of the staff in the Agency (up to 75%) can be contract posts that are significantly cheaper.
- The recruitment of such contract staff will be of a high quality and tailored technical expertise.⁴¹ The Agency employees could therefore undertake the bulk of work that is currently undertaken by the LIFE Unit staff and external contractors (under the option that includes technical assistance):
 - Management tasks – specific tasks relating to Programme management such as financial and technical management e.g. payment processing (and finding ways to improve the processing)⁴²;
 - Programme implementation e.g., ensuring reports processed within deadlines and selection of projects takes place on time;
 - Communication and dissemination activities.
- The recruitment of staff with a specific technical profile could also increase the effectiveness of technical monitoring and improve the communication of lessons learned to the parent DGs (provided the organisational arrangements are based on thematic expertise rather than geographical or a mixture of both).
- The use of contract posts in the Agency also ‘frees up’ the Commission’s human resources in terms of ‘saving’ permanent posts and allowing for the re-allocation of them to core policy tasks, which in itself reduces the need for contract posts. In fact, the Agency option could free up 19 posts;⁴³ of which two thirds would be AST posts and one third AD posts. However, this would materialise only after a number of years and only if all ongoing projects would be transferred.

Disadvantages

- Integrated Projects are to act as a catalyst for effective mainstreaming into the other EU financial instruments. This will require careful design and cooperation with the policy units in the parent DGs and other DGs to ensure their success.
- Integrated Projects are also to provide examples of how integration is possible in practice. Therefore it is important to know whether this approach works and to identify at an early stage problems and to react rapidly. Close monitoring by the Commission and contact with the beneficiaries is needed to ensure this early detection and quick solution finding.
- The preferred option for the Programme is one which concentrates on strategic sectors, requiring enhanced cooperation and management to effectively contribute to policy design and implementation and high quality technical support to ensure replication of results is achieved. As a result, there is a risk that the Agency option would decrease the ability of this option to deliver the expected added value. For example, Integrated Projects for Nature will test the development and implementation of the Prioritised Action framework (PAFs) required by the Habitats Directive. It is essential that the Commission closely follows how these new frameworks are developed in different Member States and is able to quickly react to demands for advice. This is more effectively done if the monitoring and management of the project remain within the Commission.
- There is also a clear link between Integrated Projects and implementation and compliance of some of the most demanding legislation (Water Framework Directive or the Waste Framework Directive). In the case of the Water Framework Directive, the projects will be implementing plans that are directly assessed by the Commission to determine whether a Member State is meeting its obligations under the Directive. In addition, based on the experience with Nature projects, this type of project provides technical information that can be used for infringement cases or pilot cases. Therefore, strong policy link with thematic units during design and implementation of these projects is necessary, and could not be done efficiently by an Agency.
- If the level of the Programme remains similar to current levels, or if the budget increase is associated with a similar or fewer numbers of projects but with a larger average size, and especially if technical assistance is used because of the importance of maintaining the current networks, the Agency option becomes less attractive on cost saving grounds.

⁴¹ See Technopolis (2006), ‘Cost Benefit Analysis of the externalisation of the certain tasks regarding the implementation of the Competitiveness and Innovation Framework Programme (2007-2013) through an executive Agency’.

⁴² According to the European Court of Auditors Special Report No. 13, ‘Delegating implementing tasks to Executive Agencies: a successful option?’ (2009), the contracting time for the ‘Public health’ programme dropped from 345 days to 219 when managed by an Agency; payment period shortened from 503 to 91 days and approval time for technical/financial reports dropped from 90 to 42 days.

⁴³ 36 post minus 9 seconded and less 8 staff used in parent DGs for governance.

- G2: Hybrid solution: externalisation of traditional projects - keeping Integrated Projects for the Environment sub-programme within the Commission

Given the need to ensure that Integrated Projects feed back into policy design, provide more effective information for policy implementation and maximise their demonstration value, one option which would address these objectives in an efficient way would be to keep Integrated Projects for the Environment sub-programme under direct central management.

In terms of costs, the option remain more or less at the same level as option G1 (around 6-6.3% of the Programme budget). As a form of sensitivity analysis, the calculations used for externalisation costs can be tested to see if they change with the change in number of projects that is likely to occur with the introduction of Integrated Projects and thus an approximation to calculating costs for the Hybrid solution. This is done comparing central management with the Agency option of Agency where technical assistance is not replaced.

The average number of projects managed under the current Programme is 600 projects per year. The total number of projects will decrease in absolute and relative terms as a consequence of the phasing-in of Integrated Projects (which are larger in size). Applying a complexity factor of "2" to Integrated Projects, it would mean that on average the equivalent of 155 traditional projects would start each year, and over time the equivalent of around 400 projects would be running at any one time.

If Integrated Projects are kept within the parent DG, the cost will be similar to externalisation but the policy links will be ensured. The parent DGs have direct access to Integrated Projects making it easier to transfer information about the project results and identification of the funds mobilised under other EU instruments as well as to provide inputs to Common Strategic Framework and Investment partnership contracts. This would be mainly done through regular contacts with beneficiaries, including on-site visits and close technical monitoring of the achievement of outputs and targets. However, in the second half of the programming period, it could be that the parent DGs managed almost all projects (due to the progressive phase-in of Integrated Projects), making the externalisation option ineffective for traditional projects under the environmental sub-programme. The mid term evaluation of the new Programme will need to revisit the analysis to assess whether Integrated Projects should be managed directly or by an Agency.

6. COMPARING THE OPTIONS

6.1. Summary of the assessments

The different options assessments as scored in the previous section are summarised in the assessment grid (Table next page)

Options (down) / Specific Objectives (across)	<u>Effectiveness</u> 1. Better alignment with EU policy priorities including climate action	<u>Coherence</u> 2. Promote the funding of IP and their share in LIFE project funded	<u>Efficiency</u> 3. Develop synergies and complementarity with other EU funds	<u>Efficiency</u> 4. Align selection criteria with EU added value and solidarity/effort sharing	Simplify and streamline the LIFE Programme
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A. Options for strategic planning: top down versus bottom up					
A.1 - Baseline	A1. – Limited - Better focused on Biodiversity and Climate due to pre-allocation of resources: 25% of LIFE for Climate Action sub-programme. However within sectors, great diversity of projects financed. - Very flexible: largely bottom-up approach for projects, including IP. - Impacts: €750-1,000 million/year.	A1. – Neutral: Progressive phase-in of larger IP in all sectors.	A1. - Excellent: Structured cooperation with other EU funds and positive complementarity enhanced through integrated projects.	A1. – Neutral: No specific selection criteria attached to priorities.	A1. – Neutral: No change compared with business as usual.
A.2 Top-down approach for all types of projects (flexible for traditional projects and rigid for IP)	A2. – Excellent - Specific constant priorities, Biodiversity and Climate Action. - Possibility to establish more precise priorities for action within rolling plan translated into the annual calls. - IP focused on three sectors: nature, water and waste in line with biodiversity and resources efficiency targets. - Impacts: 20% increased compared to A1 (between €900 and 1,210 million/year).	A2. - Excellent: Progressive phase-in of larger IP in priority sectors. Possibilities for adjustment.	A2. - Excellent: Structured cooperation with other EU funds and positive complementarity enhanced through integrated projects.	A2. - Excellent: Selection criteria will be adapted to priorities.	A2. - Excellent: Mechanism for increased focus will simplify the way the Programme works.
A.3. Top-down approach for IP and bottom-up for other interventions	A3. - Good - Better focus on Biodiversity and Climate due to pre-allocation of resources: 50% of Environment sub-programme to Biodiversity. 25% of LIFE for Climate Action sub-programme. However within sectors, great diversity of projects financed. - IP focused on three sectors: nature, water and waste in line with biodiversity and resources efficiency targets. - Flexible: largely bottom-up approach for projects.	A3. – Excellent As above. Progressive phase-in of larger Integrated Projects in priority sectors (water, waste and nature). But more limited possibility for adjustment.	A3. - Excellent: Structured cooperation with other EU funds and positive complementarity enhanced through integrated projects.	A2. - Good: Selection criteria will be adapted to priorities, but only for IP.	A2. - Good: Mechanism for increased focus will simplify the way the Programme works.

	<u>Effectiveness</u>		<u>Coherence</u>		<u>Efficiency</u>	
Options (down) / Specific Objectives (across)	1. Better alignment with EU policy priorities including climate action	2. Promote the funding of IP and their share in LIFE project funded	3. Develop synergies and complementarity with other EU funds	4. Align selection criteria with EU added value and solidarity/effort sharing	Simplify and streamline the LIFE Programme	

B. Options for thematic concentration of Integrated Projects					
B1. Baseline	B1. – Neutral: The broad scope for the projects will not allow financing a critical mass of IP to have a better alignment with EU policies.	B1. – Good A wide scope of sectors to be covered will encourage submission of IP.	B1. – Good Synergy and complementary with other funds will be developed.	B1. – Neutral Thematic concentration has no specific impact.	B1. – Neutral Funding of larger projects is part of simplification, but thematic concentration has no specific impact.
Thematic concentration of IP B2a. Concentration on 3 sectors	B2a – Good Concentration on limited sectors will allow a better alignment with EU priorities	B2a – Excellent Submission of IP will be encouraged in few concentrated sectors	B2a - Good Synergy and complementary with other funds will be developed.	B2a – Neutral No specific impact	B2a – Excellent Concentration is part of simplification. Focusing on three sectors will only require specific criteria for three sectors.
Thematic concentration of IP B2b. Concentration on 4 sectors	B2b – Excellent Concentration on limited sectors will allow a good alignment with EU priorities	B2b – Good Submission of IP will be encouraged but increased risks for achieving targets in a less successful sector.	B2b – Good + Synergy and complementary with other funds will be developed for 4 sectors.	B2b – Neutral No specific impact.	B2b – Good Concentration is part of simplification. Focusing on four sectors will only require specific criteria for four sectors.
C. Options for allocation of resources between different priority areas					
C1. Baseline	C1. – Limited The alignment with EU priorities will only be limited (for Climate Action).	C1. Neutral No specific impact.	C1. – Neutral No specific impact.	C1. - Neutral No specific impact.	C1. - Neutral No specific impact.
C2. Allocation of 25% of the Programme funds to climate action and 50% to biodiversity	C2. – Good Projects would better address EU priorities.	C2.- Good IP will be promoted in Biodiversity.	C2.- Neutral No specific impact.	C2. – Good - Better EU added value and solidarity. - New Member States with high nature assets (e.g., ES, SL, BG) would probably be favoured.	C2. - Neutral or slightly negative No specific impact. Ensuring 50% nature may add an additional complication to the selection.
D. Options for geographical distributional impacts (national allocations)					
D1. Baseline	D1. – Neutral Distribution of all projects based only on the quality of the application and their demonstration value (capacity to develop multipliers). No geographical key.	D1. - Limited Small and less developed MS may be not prepared to submit IP and be discouraged by a purely merit based approach.	D1. – Limited Based on quality only. Therefore, no possibility to take into account the fact that some MS will have limited choice in obtaining funding from other EU funds.	D1. - Neutral - Distribution all projects based on the quality of the application and their capacity to develop multipliers. - Prioritisation of transboundary project, however, no consideration of solidarity and effort sharing. Probably IT, ES, DE will continue being most successful.	D1. - Excellent Criteria based on EU added value will reduce the steps in selection procedure.
D2. Traditional projects merit only,	D2. – Good Distribution of integrated projects to	D2.- Good - Discretion by the Commission	D2.- Good Discretion by the Commission to	D2. – Good - Traditional projects to be selected based	D2. - Neutral or slightly negative Geographical balance may add an

Options (down) / Specific Objectives (across)	<u>Effectiveness</u> 1. Better alignment with EU policy priorities including climate action	<u>Coherence</u> 2. Promote the funding of IP and their share in LIFE project funded	<u>Efficiency</u> 3. Develop synergies and complementarity with other EU funds	<u>Efficiency</u> 4. Align selection criteria with EU added value and solidarity/effort sharing	Simplify and streamline the LIFE Programme
ensuring geographical balance for IP	ensure geographical balance to allow for some reflection of solidarity and effort sharing. Priority to transboundary projects.	to ensure geographical balance may encourage small and less developed MS to apply with quality proposals. - Flexible and allows for adjustments.	ensure geographical balance may take into account that certain MS/regions cannot obtain funding from other EU funds.	on their demonstration and replication potential. Priority to transboundary projects. - Distribution of IP to ensure geographical balance: at least one IP per MS in waste and nature sectors and at least one IP per transboundary RBD (Danube, Rhine, etc). At least two projects per bio-geographical region. - New Member States with big capacity deficiencies, MS with high nature assets (e.g., ES, SL, BG) and MS hosting big transboundary RBD (FR, HU, DE, AT, RO) would probably be favoured. - Flexible and allows for adjustments.	additional sub-step in the selection process.
D3. Traditional projects merit only and national allocations for IP	D3. – Good - Distributional allocation pre-established and agreed with MS based on environmental needs per each sector for Integrated Projects. - Fixed allocations for the programming period may imply selecting projects that are of less quality than projects submitted by other MS.	D3. – Good - Existence of allocations may encourage all MS to apply but allocations may remain unused. - Not flexible.	D3.- Good Fixed national allocations may reflect the fact that certain MS cannot obtain funding from other EU funds. However, it will be difficult for MS where only some regions are excluded.	D3. - Good - Traditional projects selected as above. Distributional allocation pre-established and agreed with MS based on environmental needs per each sector for Integrated Projects. Will encourage smaller or less developed MS to apply for an IP. - Fixed allocations for the programming period may imply selecting projects that are of less quality than projects submitted by other MS. -Will reduce flexibility. -Allocation may remain unused.	D3. - Negative Fixed allocation largely increase the number of sub-steps in the selection process complicating and lengthening the selection process.
E. Options for funding activities under Governance and Awareness					
E1. Baseline Enhanced NGOs, Commission and communication obligations in projects	E1. – Neutral Possibility to carry out tailored campaigns and enhanced obligations for NGOs and communication activities on projects not much dependent on planning.	E1. – Good Possibility to carry out some dissemination activities to promote IP through enhanced Commission communication activities and communication obligations in projects.	E1.- Good Possibility to carry out disseminate project results for mainstreaming under other EU Funds through enhanced Commission communication activities and communication obligations in	E1.-Good: Selection criteria for NGOs to favour newly created and most active NGOs.	E1 - Neutral

Options (down) / Specific Objectives (across)	<u>Effectiveness</u> 1. Better alignment with EU policy priorities including climate action	<u>Coherence</u> 2. Promote the funding of IP and their share in LIFE project funded	<u>Efficiency</u> 3. Develop synergies and complementarity with other EU funds	<u>Efficiency</u> 4. Align selection criteria with EU added value and solidarity/effort sharing	Simplify and streamline the LIFE Programme
E2. Enhanced NGOs, Commission communication and communication obligations in projects, and specific grants projects for information and communication	E2.- Excellent Activities specifically designed to disseminate lessons learned, including specific projects.	E2.- Excellent Activities specifically designed to disseminate lessons learned, including IP examples.	E2.- Excellent Activities (e.g., projects) specifically designed to disseminate lessons learned for mainstreaming.	E2.-Good: Selection criteria for NGOs to favour newly created and most active NGOs.	E1.- Neutral
F. Options for simplification					
F1. Baseline	F1.-Good Package of measures aligns with EU priority of simplifying EU funding instruments.	F1.-Good Larger projects and IP part of the simplification measures to be included.	F1.-Neutral No particular impact	F1.-Neutral No particular impact.	F1.-Good - Simplification of the application procedure through ensuring paperless and more effective submission and avoiding mistakes. - Funding of larger projects is part of simplification.
F2 Baseline + Selection procedures	F2.-Excellent Through 2-step approach the Commission will ensure that only most relevant IP are admitted to the second stage.	F2.-Excellent - 2-step approach designed to facilitate and promote the submission of IP. 5-page concept paper instead of 100-200 pages proposal. Proposal in the second stage only focused on first 2 years and measures included in the already prepared environmental action plan (significantly less than current proposals for 4-5 years). - Simplification in reporting also designed to promote submission of IP (2 year cycle reporting -25% less than for traditional projects), at least 4 payments instead of 3.	F2.-Good Those IP submitting a concept paper where high synergies with other EU funds are ensured will be admitted to the next stage.	F2.-Good Through 2-step approach the Commission will ensure that only most relevant IP are admitted to the second stage.	F2.-Good+ - Multiprogramming for NGOs to limit the number of call for proposals and thus bidding costs. IT tools to reduce bidding costs between 7-12% . Reporting obligations for IP to reduce reporting obligations by 25% with a proportional reduction of reporting costs. - 2-step approach to reduce bidding costs for unsuccessful applicants. For successful applicants, savings may be outweighed by increase costs for negotiation with large number of associated beneficiaries.

Options (down) / Specific Objectives (across)	<u>Effectiveness</u>	<u>Coherence</u>	<u>Efficiency</u>	Simplify and streamline the LIFE Programme	
	1. Better alignment with EU policy priorities including climate action	2. Promote the funding of IP and their share in LIFE project funded	3. Develop synergies and complementarity with other EU funds		4. Align selection criteria with EU added value and solidarity/effort sharing
		- Ineligibility of certain costs together with increased co-financing rate designed to easy reporting and reduce error rate especially in large projects (as is the case with IP).			
F3- Baseline+ Payments	F1.-Good No particular impact compared to the baseline.	F3.-Excellent Simplification of reporting costs because of reduction of eligible costs and increased use of lump sums may encourage submission of IP. Possible negative impact of ineligibility of certain personnel costs would be compensated with increased co-financing rate.	F1.-Neutral No particular impact.	F1.-Neutral No particular impact.	F3.-Excellent Simplification of reporting costs because of reduction of eligible costs and increased use of lump sums and reduction of error rate.
G. Options for externalisation					
G1 Baseline G1a – Agency without TA G.1b- Agency with TA	G1a & G1b-Neutral - Programming within the parent DG ensuring a link between the projects and policy priorities. - Solid feedback mechanisms to ensure project results feed into policy making. Technical expertise of recruited staff make improve effective management and transfer of results and lessons learned. However, if also carrying out tasks normally performed by technical assistance will increase workload. - Risks that an additional layer of communication between projects and the parent DGs reduces the transfer of information and therefore the policy link This would be particularly significant for IP that are closely link to MS implementation obligations under the specific Directives and require to close	G1a & G1b - Neutral - IP promoted through communication activities. In EI those communication activities will be managed by the Agency as per Commission guidelines. - However, the LIFE units have expertise based relationship with the MS, which may be lost if IP were to be managed as well by the Agency.	G1 - Limited or Neutral - The parent DG and the Agency to retain relation with the other funds. However no direct information from the projects. - If there are defaults in the transfer of knowledge between the Agency and the parent DG, the chances of building synergies with the other funds may be reduced. - In addition, increased risks if not timely spotting projects that may be compensatory measures to infrastructure projects that should be financed by the MS or the private operator.	G1.- Neutral	The three options in economic terms are rather neutral with: - Option 1a representing around 6.2% of the Programme. - Option 1b represents around 6.0%. - Hybrid will remain in between.

Options (down) / Specific Objectives (across)	<u>Effectiveness</u> 1. Better alignment with EU policy priorities including climate action	2. Promote the funding of IP and their share in LIFE project funded	<u>Coherence</u> 3. Develop synergies and complementarity with other EU funds	<u>Efficiency</u> 4. Align selection criteria with EU added value and solidarity/effort sharing	Simplify and streamline the LIFE Programme
	monitoring by the thematic units in relation to the achievement of policy targets, policy development and drawing lessons.				
G2. Hybrid	G2 - Good As above, but risks of loss of policy link between the IP and policy priorities will be reduced.	G2 - Neutral or a bit better In both cases, the Commission will promote IP through communication activities. In G1 those communication activities will be managed by the Agency as per Commission guidelines. However, the LIFE units have expertise based relationship with the MS, which may be lost if IP were to be managed as well by the Agency.	G2 - Good The parent DGs have direct access to IP and the other DGs so it would be easier to transfer information about the project results and identification of the funds mobilised under other EU instruments as well as to provide inputs to CSF and Investment partnership contracts to ensure IP are included therein, and solve any deadlock situation that may arise. IP are supposed to bring greatest added value in terms of link with policy.	G1.- Neutral	The three options in economic terms are rather neutral with: - Option 1a representing around 6.2% of the Programme. - Option 1b represents around 6.0%. - Hybrid will remain in between.

6.2. Comparisons

	Effectiveness		Coherence	Efficiency	
	SO1	SO2	SO3	SO4	SO5
Option A1: Baseline	0	0	0	0	0
Option A2: Top-down approach for all types of projects (flexible for traditional projects and rigid for IP)	+++	++	0	++	++
Option A3: Top-down approach for IP and bottom-up for other interventions	++	++	0	+	+
Option B1: Baseline	0	0	0	0	0
Option B2a: Concentration on 3 sectors	+	+	0	0	++
Option B2b: Concentration on 4 sectors	++	0	0/+	0	+
Option C1: Baseline	0	0	0	0	0
Option C2: Allocation to climate action and biodiversity	++	+	0	+	0/-
Option D1: Baseline	0	0	0	0	0
Option D2: Geographical balance for IP	+	++	++	+	0/-
Option D3: National allocations (specific amounts per MS) for IP	+	++	++	+	--
Option E1: Baseline: Enhanced NGOs, Commission activities and obligations for projects	0	0	0	0	0
Option E2: Enhanced NGOs, Commission communication, obligation for projects AND specific information and dissemination projects	++	+	+	0	0
Option F1: Baseline	0	0	0	0	0
Option F2: Baseline + Selection procedures: comitology, 2 stage procedure for IP and simplified reporting for IP	+	+	+	+	+
Option F3: Baseline + Payments	0	+	0	0	+
Option G1a: externalisation without replacing technical assistance	0	0	0	0	0
Option G1b: externalisation replacing technical assistance	0	0	0	0	0
Option G2: Hybrid solution: externalisation of standard projects - keeping Integrated Projects within the Commission	+	0/+	+	0	0

6.3. Preferred option

Based on the above comparison of the different sub-options, the preferred option would be a LIFE Programme:

- With overall thematic priorities for the entire programming period inserted in the Regulation, a 2-3 year work plan with non exhaustive priorities defined by the Commission with the advice of the Member States (**Option A2**).
- With Integrated Projects focussing primarily on 3 or 4 sectors (**Option B2a or B2b**).
- With allocation of Programme funds to climate action and other EU priorities (biodiversity) (**Option C2**).
- With a system to select traditional projects based on merit and a system to select Integrated Projects that ensures geographical balance (**Option D2**).

- That enhances NGOs role in dissemination and different approaches for governance: enhanced Commission communication through public procurement and specific dissemination and information projects financed through grants, as well as enhanced obligations on projects regarding dissemination and communication (**Option E2**).
- That uses IT-tool mechanisms for submitting proposals as well as a 2-step approach for Integrated Projects with 2-year cycle reporting obligations; and increases the use of lump sums, and simplifies eligibility of costs by restricting the eligibility of some costs (**a combination of Options F**).
- With externalisation of the management of traditional projects to an existing agency while keeping the governance of the Programme within the parent DG (including comitology and programming) as well as the management of Integrated Projects. Based on an evaluation to be carried out at the end of the first programming period, the management of these projects could be progressively externalised (**Option G2**).

The preferred option will address efficiently the main recommendations for improvement from the mid-term evaluation, in terms of better thematic prioritisation of the Programme, simplification and good management. Synergies with other EU Funds would be significantly developed, both from the Commission's and national authorities' points of view, ensuring a better use of available funds for environment and climate policies.

Finally, this option will generate around €900-1,210 million/year of environmental benefits, and savings of between 7-12% of bidding costs and 25% for reporting obligations.

7. MONITORING AND EVALUATION

The mid-term evaluation considered current monitoring and evaluation largely effective and efficient. However, more focus on results was desirable. The monitoring framework thus builds on the framework proposed for the current instrument⁴⁴ but is revised according to both the new intervention logic and the changes made to the baseline scenario in the preferred option. Since there is no change in the activities undertaken under the public procurement budget, the framework does not include these activities. The framework is organised around two levels:

1. Monitoring of outputs, results and impacts, at project and Programme level

At project level, as is the case now, projects will have to accompany their proposals with expected outputs tables. They will be submitted with the proposal and will serve as basis for monitoring of progress. Some of the output indicators currently used, especially for the environmental part, will be adapted to reflect the new features of the Programme. The updated output tables will be submitted with the mid-term and final reports. The after-LIFE plans will include a list of expected impacts that will serve as a basis to assess the sustainability of the project results. Current practice of ex-post monitoring visits for selected projects will continue.

At programme level, thematic reports summarising the main achievements for a particular sector will be developed periodically (e.g., every two years after the end of the rolling plan). They will also serve as a basis for disseminating results and feed them into policy development and implementation. The practice of organising yearly conference focusing on a sector will continue. A mid-term evaluation and an ex-post evaluation of the Programme will also be carried out. However, it is important that the mid-term evaluation is carried out when

⁴⁴ Proposed monitoring and evaluation framework for the LIFE+ Regulation, DG Environment, 2007

there are already some project results. Annex 10 develops the relationship between output indicators (and other indicators) and the objectives.

2. Tracking of expenditure at programme level

In order to provide evidence of the co-benefits that both sub-programmes can bring to specific priorities such as climate action and biodiversity, and better illustrate the level of spending available throughout the Programme for these priorities, the monitoring framework will also include the methodology for tracking of climate and biodiversity-related expenditure as defined in the June 2011 MFF Communication and derived from the OECD "Rio markers".

In relation to climate action, the MFF Communication stated that mainstreaming of climate action must be visible, robust and accompanied by a clear cross-cutting obligation to identify where the Budget promotes climate action or energy efficiency so that the EU is able to set out clearly how much of its spending relates to climate action, by using a common tracking procedure for climate related expenditure.

Tracking of climate-related expenditure will be performed according to three categories, based on an established OECD methodology ("Rio markers"): expenditure where climate is the principal (primary) objective (counted as 100% - climate related only); expenditure where climate is significant, but not predominant objective (counted as 40% - significantly climate-related); and expenditure not targeted to climate objectives (counted as 0% - not climate related).

As regards biodiversity, the 'Rio markers' established by the OECD and already used by the Commission for external instruments will be integrated in the existing methodology for measuring performance used for EU programmes. They will also help to demonstrate the co-benefits of climate and biodiversity expenditures, and to highlight the biodiversity co-benefits of climate spending on REDD+ (Reducing Emissions from Deforestation and Forest Degradation) actions.

Better tracking of climate and biodiversity expenditure could be possible by applying **“Rio markers” for instance also** at project level. This could be done by continuing the current practice of including in the call for proposals an option for applicants to indicate whether their proposal could be considered climate or biodiversity-related according to the OECD methodology. This would allow identifying each year the expenditure dedicated to the two priorities by the entire Programme beside the 50% earmarked resources to biodiversity under the Environment sub-programme and 25% earmarked resources for Climate Action sub-programme under LIFE.

8. ANNEXES

- (1) List of Abbreviations
- (2) The LIFE Programme as per the Communication from the Commission on a Budget for Europe 2020, 29th June 2011
- (3) Summary of Stakeholders' consultations
- (4) Summary of conclusions and recommendations from the Ex-post evaluation of the LIFE Programme (1996-2006) and from the Mid-term evaluation of the implementation of the LIFE+ Regulation (2007-2009)
- (5) Scale of the environmental problem, underlying causes and benefits of action (externalities)
- (6) Examples illustrating the EU added value of the LIFE Programme
- (7) Assessment of the LIFE+ Regulation: data used to calculate the impacts of the baseline scenario
- (8) Full assessment of the zero option and of the expanded option
- (9) Calculation of external costs
- (10) Objectives and Monitoring framework
- (11) Integrated Projects
- (12) References