COMMISSION OF THE EUROPEAN COMMUNITIES

Brussels, 5.11.2003
COM(2003) 667 final

2003/0260 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EC) N° 1655/2000 concerning the Financial Instrument for the Environment (LIFE)

(presented by the Commission)

EXPLANATORY MEMORANDUM

1. INTRODUCTION

In May 1992 Council Regulation (EEC) No 1973/92 establishing a financial instrument for the environment (LIFE)[1] was adopted to contribute to the implementation and development of Community environment policy and of environmental legislation.

Subsequently Council Regulation (EEC) No 1973/92 was substantially amended by Regulation (EC) No 1404/96[2] (*Life II*) and replaced by Regulation (EC) No 1655/2000[3] (*Life III*).

The successive modifications of the *Life* instrument reflect the constant adaptation to the new policy objectives set in the Environment Action Programmes applicable at the time of each phase. The scope of *Life III,* in particular, reflected the priorities set in the 5th Action Programme. Its general objective was to contribute to the implementation, development and enhancement of Community environmental policy and legislation. It should also contribute to the integration of the environment into other EU policies and lead to new solutions for EU environmental problems under examination. The 6th Environment Action Programme adopted in 2002 confirms the validity of those objectives and the role *Life* is to play in support of the Programme.

Life III expires on 31 December 2004. In order to verify the efficiency and effectiveness of *Life III* in achieving its objectives, the Regulation foresees in its Article 12 that, by 30 September 2003, an evaluation is carried out on its implementation and if appropriate a proposal is made for its continuation.

In compliance with Article 12 the Commission is submitting to the European Parliament and the Council:

- A Report on the progress made under Regulation (EC) No 1655/2000.

- A Proposal extending the existing Regulation with a view to continuing the third phase until 31 December 2006.

1.1. The development of Community financing for environment

The Community's financial contribution in the field of the environment started in the early *1990s. Life III* builds on the experience gained during the two previous phases of *Life* as well as its predecessors.

The 6th Environment Action Programme adopted in 2002 fixes priority themes and foresees tangible goals in various environmental sectors. It also underlines the value of *Life* as an instrument to support the implementation of the Programme.

1 OJ L 206, 22.7.1992, p. 1.
2 OJ L 181, 20.7.1996, p. 1.
3 OJ L 192, 28.7.2000, p. 1.

1.2. The specific features of *Life*

Life is the only instrument entirely devoted to supporting and developing Community environmental policy. *Life* finances projects, which test the feasibility of new processes and methods and thus contributes to the "Lisbon Strategy" to make the EU the most dynamic knowledge-based economy of the world. LIFE is complementary to other Community programmes which are also supporting Community environmental policy, such as Research, Structural fund and Rural Development programmes. In addition, LIFE will contribute to the EU Environment Technology Action Plan. The number and diversity of the projects submitted in recent years show that this instrument responds to a need expressed by nature conservation managers, socio-economic operators as well as local authorities. *Life* is a flexible instrument and presents fewer constraints in terms of eligible geographical areas, identity of the recipient or multinational partnership than other Community instruments.

2. LIFE III

2.1. Facts and figures

Since 1992, almost 10,000 proposals for projects have been received under *Life,* of which more than one third were eligible. A total of 2.192 proposals (of which 623 under *Life III*) were co-financed for the total amount of some 1.226 million Euro (of which 579 M€ under *Life III*). Approximately 850 projects are currently in progress.

The *Life III* Programme is based on a three pillar approach: *Life-Nature*, *Life-Environment* and *Life-Third Countries*.

- The *Life-Nature* component - although relatively small - has been the only EU financial instrument that has been directed specifically to nature conservation. *Life-Nature* projects target either birds on Natura 2000 sites (18%), or habitats within Natura 2000 sites (74%) or species outside Natura 2000 sites (8%)[4]**.** By the end of 2001, ten per cent of the almost 18,000 proposed Natura 2000 sites had been the subject of a *Life-Nature* project. Coverage by *Life* projects has been relatively large and sufficiently significant to contribute to stemming the decline in bio-diversity throughout the European Union.

- The main characteristic of *Life-Environment* projects is its potential for demonstration of new methods, techniques and schemes paving the way for the implementation of existing EU policies in the different environmental fields or for the future development of policy. The breakdown by topic of the projects financed under *Life-Environment* between 2002 and 2003 reveals a uniform allocation of resources amongst the broad project topics "urban & planning", "water", "clean technologies", "waste" and "products". The two topics with the highest share of funding are waste and products. They account for 23% and 22% of the expenditure respectively.

- *Life-Third Country* covers projects in countries bordering the Mediterranean and Baltic seas. These projects target capacity building in various environmental sectors. They fall largely into three groups: pollution (23%), bio-diversity (20%) and waste (11%). The most frequent type of projects are those covering general environmental management structure (23%). This

[4] The figures refer to projects co-financed between 1998 and 2001 inclusive

includes general support to structures responsible for environmental management. A closely related category of projects focuses on specific environmental tools, such as Eco-management and EMAS.

Life III strongly emphasises the importance of communication as a means to improve Community legislation in the environmental area or of transfer of the results of *Life* projects to other policy areas, such as energy, agriculture and transport. In order to meet the statutory requirements, a new *Life* Communication Strategy was launched in March 2002. Since then a very wide range of communication actions has been covered with a substantial improvement in the dissemination of the *Life* Programme and its projects.

2.2. Management

In 2001 the administrative and financial management of *Life* was restructured and centralised. This has made its management more transparent as well as efficient and effective. The re-organisation of the financial management has led to significant improvements in terms of budgetary execution and financial risk management. All key indicators show that the financial management of *Life* is sound.

2.3. Mid-term evaluation

As foreseen in Article 12 a mid-term evaluation has been carried out. It is based on an external evaluation launched by an independent evaluator and on the data and experience gained by the Commission over the past seven years. The objective of the external evaluation was to assess the contribution of the *Life-Programme* to the implementation, updating and development of environmental policy and legislation.

The evaluation concludes that there is evidence that the Programme contributes to the implementation of policy and that it is managed effectively. The evaluation also indicates that:

- *Life-Nature* should continue to have a significant role in driving the implementation of Natura 2000.

- There is only limited evidence that *Life-Environment* is supporting preparatory actions, but there is good evidence that it has demonstrated a variety of clean technologies in key areas.

- Finally, *Life-Third Country* projects are contributing significantly to developing environmental capacity in third countries.

On the basis of the external evaluation and internal findings, it is possible to conclude that:

- *Life* is a useful instrument that should be continued.

- The improvements in the organisation and management of the Programme should be maintained and continued.

- *Life* should be fully exploited within the scope of the 6th Environmental Action Programme.

- The dissemination of results should be improved.

3. THE NEW HORIZON

Since the entry into force of *Life III* Community environment policy as well as the general political context have progressed significantly. The Gothenburg Conclusions on sustainable development of 2001 set a long-term strategy dovetailing policies for economically, socially and ecologically sustainable development. This strategy has to be seen together with the "Lisbon Strategy" aimed at making the European Union the most competitive and dynamic knowledge-based economy in the world. The successful conclusion of the World Summit on Sustainable Development of 2002 in Johannesburg demonstrated the leading role that the EU plays in the pursuit of the external dimension of sustainable development. The 6th Environment Action Programme fits into these frameworks and highlights the role that *Life* can play to support its implementation in developing a knowledge based approach.

The Commission is currently preparing the post-2006 financial perspectives. The continuation of the *Life-Programme* will therefore need to be viewed in this context.

In addition there are major new developments in certain relevant policy areas that should be taken into account:

- Nature conservation has experienced a significant acceleration, namely in the set-up of the NATURA 2000 network. A working group was set up to analyse the financial needs for managing this network with particular reference to Article 8 of the Habitats Directive. In its final report the group stressed the need for EU financing for the implementation of NATURA 2000 and supported the strengthening of *Life* to cover some of these needs. Following designation of sites, there is now a need to support the active management of the network by national and regional authorities.

- The precise manner in which existing financial instruments will be able to contribute to this exercise will depend on the new financial perspectives. This argues in favour of a continuation of *Life* support to the set-up and management of the network in order to facilitate investment programmes under the new financial perspectives.

- The evaluation of *Life III* has shown that there is a need for *Life* projects to be more closely tied into policy implementation. At present, with the exception of the NATURA projects, insufficient attention is paid to using *Life* as a means to implement policies.

- Clean and more resource efficient technologies can contribute to sustainable development and a high standard of environmental protection. It can act as a driving force for innovation, development of new business, job creation and growth. This would greatly contribute to both the sustainable development strategy and the Lisbon Strategy. *Life-Environment* projects have the potential to contribute to this goal. However, there is a need to better focus the fields of intervention and avoid dispersing the limited resources. This can be done through an adaptation of the guidelines.

- With reference to the *Third-Country* component, recent experience in international negotiations and discussions (World Summit on Sustainable Development, climate change, bio-diversity etc) has shown that there is a need to support third countries in developing their environment policy and management capacities.

- Although the *Life III* management has been restructured, procedures should still be simplified in order to further streamline administrative and financial management.

- Since 2003 a new financial Regulation has been in place with which all financial instruments must comply.

- The Court of Justice in a Judgment of January 2003 annulled Article 11(2) of the existing Regulation and requested the Council to adopt new provisions concerning the committee procedure to which the measures for the implementation of that Regulation are subject.

4. BRIDGING THE GAP

In view of the mid-term evaluation results and recommendations and in line with the new policy context there is a need to extend the existing instrument. This will ensure continuity until a new approach is developed in view of the new post-2006 financial perspectives. An extension of the existing Regulation should avoid a legal gap between the end of the *LIFE III* phase on 31 December 2004 and the introduction of the new financial perspectives. The extension should therefore cover 2 years until 31 December 2006. In addition the extension should include the following modifications to the existing Regulation:

- the Regulation should be fully aligned to the provisions of the new Financial Regulation;

- considering that the 6th Environment Action Program has been adopted in 2002, the guidelines that define the priority areas for Life-Environment demonstration projects will be revised to clearly link them with the priorities set in the Program and the actions to be proposed in the EU Environmental Technology Action Plan. ETAP which is currently under preparation;

- the complementarity of Life with Research, Structural Fund and Rural Development Programmes needs to be properly reflected in the regulation;

- the committee procedure to which the implementation measures of the *Life* Regulation are subject is modified to take account of the judgement issued by the Court of Justice in January 2003;

- the proposed amount for a two year extension of *Life* amounts to 317.2 million Euro; this is coherent with the present financial perspectives and takes into consideration the effect of enlargement;

- a limited increase is proposed for accompanying measures from 5 to 6% of the budget to allow for a further improvement in the dissemination and monitoring activities;

- an ex-post evaluation of the LIFE programme is proposed in 2006;

- a special scheme is introduced to allow for the continuation of monitoring activities of projects still active after 2006.

The geographical scope of LIFE, as defined in Regulation (EC) 1655/2000, is not modified in the proposal for a two years extension of LIFE III. However, in view of Communication C/2003/0104 “Wider Europe – Neighbourhood: A New Framework for Relations with our Eastern and Southern Neighbours”, which was adopted by the Commission on 11 March 2003, a participation of Ukraine, Moldova and Belarus should be considered afterwards.

2003/0260 (COD)

Proposal for a

REGULATION OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL

amending Regulation (EC) N° 1655/2000 concerning the Financial Instrument for the Environment (LIFE)

THE EUROPEAN PARLIAMENT AND THE COUNCIL OF THE EUROPEAN UNION,

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

Having regard to the Proposal from the Commission[5],

Having regard to the Opinion of the European Economic and Social Committee[6],

Having regard to the Opinion of the Committee of the Regions[7],

Acting in accordance with the procedure laid down in Article 251 of the Treaty[8]

Whereas

(1) The financial instrument for the environment, LIFE, as established by Regulation (EC) No 1655/2000 of the European Parliament and of the Council[9], is being implemented in phases of which the third phase will end on 31 December 2004.

(2) Given the positive contribution of LIFE to the attainment of the objectives of Community policy of the environment and with a view to further contributing to the implementation, updating and development of Community environment policy and of environment legislation, in particular as regards the integration of the environment into other policies, and to sustainable development**,** the duration of the third phase should be extended until 31 December 2006.

(3) A Sixth Environmental Action Programme was adopted in 2002 by Decision No 1600/2002/EC of the European Parliament and of the Council[10]. It is necessary to adapt Regulation (EC) No 1655/2000 to the objectives and priorities laid down in that Programme.

---

5 OJ C

6 OJ C

7 Opinion delivered on.

8

9 OJ L 192, 28.7.2000, p.1.

10 OJ L 242, 10.9.2002, p.1.

(4) There is a need to bridge the gap between the expiry of the third phase of LIFE and the new, post-2006 financial perspectives, for a period of two years ending on 31 December 2006;

(5) LIFE should be reinforced as a specific financial instrument, complementary to the Community Research Programmes and to the Structural Fund and Rural Development Programmes.

(6) Communication C/2003/0131 "Developing an action plan for environmental technology" was adopted by the Commission on 25 March 2003. This Communication will be followed by an Environmental Technology Action Plan, which should serve as a reference for the guidelines for LIFE Environment.

(7) From 2004 ten new Member States will join the European Union and this should be reflected accordingly in the budget allocation to LIFE.

(8) The exploitation and dissemination of results should be improved and the budget allocation for that purpose should be increased.

(9) Projects still active at the end of 2006 should continue to be monitored and audited.

(10) In its judgment of 21 January 2003[11] the Court of Justice of the European Communities annulled Article 11(2) of Regulation (EC) No 1655/2000. The Court declared that "the effects of Article 11(2) of Regulation (EC) No 1655/2000 are to be fully maintained until the Parliament and the Council adopt new provisions concerning the committee procedure to which the measures for the implementation of that Regulation are subject".

(11) In accordance with Article 233 of the Treaty, the institutions whose act has been declared void are required to take the necessary measures to comply with the judgement of the Court of Justice.

(12) The measures that the Commission is empowered to adopt under the implementing powers conferred on it by the present Regulation are management measures relating to the implementation of a programme with substantial budgetary implications within the meaning of Article 2(a) of Council Decision 1999/468/EC of 28 June 1999 laying down the procedures for the exercise of implementing powers conferred on the Commission[12]. Those measures should therefore be adopted in accordance with the management procedure provided for in Article 4 of that Decision.

(13) This act establishes a financial framework for the entire duration of the programme which is to be the principal point of reference for the budgetary authority, within the meaning of point 33 of the Inter-institutional Agreement of 6 May 1999 between the European Parliament, the Council and the Commission on budgetary discipline and improvement of the budgetary procedure.

---

11 Commission v the European Parliament and Council, Case C-378/00, (2003) ECR p. I-937.

12 OJ L 184, 17.7.1999, p. 23.

HAVE ADOPTED THIS REGULATION:

Article 1

Regulation (EC) N° 1655/2000 is amended as follows:

(1) Article 3 is amended as follows:

(a) In paragraph 3 point (a) is replaced by the following:

"(a) 50 % for nature conservation projects, 100% of eligible costs excluding overheads and durable goods for accompanying measures pursuant to paragraph 2(b)(i) and (ii) and 100 % of costs for accompanying measures pursuant to paragraph 2(b)(iii);"

(b) In paragraph 7 the second subparagraph is replaced by the following:

"In accordance with Article 116 of the Regulation 1605/2002 of the Council, a decision shall be adopted by the Commission on the projects which have been accepted and grant agreements shall be concluded with the beneficiaries laying down the amount of financial assistance, the financial procedures and controls, and the specific technical conditions of the project approved."

(c) Paragraph 8 is replaced by the following:

"8. At the Commission's initiative:

(a) accompanying measures to be financed pursuant to paragraph 2(b)(i) and (ii) shall, after consultation of the committee mentioned in Article 21 of Directive 92/43/EEC, be the subject of calls for proposal. Member States may submit proposals on accompanying measures to the Commission.

(b) accompanying measures to be financed pursuant to paragraph 2(b)(iii) shall be the subject of calls for tender. All calls for tender shall be published in *the Official Journal of the European Union* where the specific criteria to be met will be set out."

(2) Article 4 is amended as follows:

(a) In paragraph 3 the last subparagraph is replaced by the following:

"The rate of Community financial support shall be 100% of eligible costs excluding overheads and durable goods for accompanying measures pursuant to paragraph 2(c)(i) and 100 % of costs for accompanying measures pursuant to paragraph 2(c)(ii)."

(b) Paragraph 4 is replaced by the following:

"4. As far as demonstration projects referred to in paragraph 2(a) are concerned, guidelines shall be established by the Commission, in accordance with the procedure referred to in Article 11(2), and published in *the Official Journal of the European Union*.

These guidelines shall indicate the priority areas and objectives for demonstration projects with an explicit reference to the priorities set out in Decision No 1600/2002/EC.

The guidelines shall ensure that LIFE-Environment is complementary to the Community Research Programmes and to the Structural Funds and Rural Development Programmes."

(c) Paragraph 8 is replaced by the following:

"8. At the Commission's initiative:

(a) Projects to be financed pursuant to paragraph 2(b) and accompanying measures to be financed pursuant to paragraph 2(c)(i) shall, after consultation of the committee mentioned in Article 11(1), be the subject of calls for proposal. Member States may submit proposals for projects to be financed pursuant to paragraph 2(b) to the Commission;

(b) accompanying measures to be financed pursuant to paragraph 2(c)(ii) shall be the subject of calls for tender. All calls for tender shall be published in *the Official Journal of the European Union* where the specific criteria to be met will be set out."

(d) Paragraph 11 is replaced by the following:

"11. In accordance with Article 116 of the Regulation 1605/2002 of the Council, a decision shall be adopted by the Commission on the projects which have been accepted and grant agreements shall be concluded with the beneficiaries laying down the amount of financial assistance, the financial procedures and controls, and the specific technical conditions of the project approved."

(3) In Article 5 paragraph 9 is replaced by the following:

"At the Commission's initiative, accompanying measures to be financed under paragraph 2(b) shall be the subject of calls for tender published in the Official Journal of the European Union and setting out the specific criteria to be met."

(4) Article 8 is amended as follows:

(a) In paragraph 1 the following subparagraph is added:

"The third phase is extended by two years until 31 December 2006. The financial framework for the implementation of the extended phase in the period 2005/2006 is hereby set at EUR 317.2 million. In the case LIFE were to be discontinued after this phase and in order to ensure the monitoring and auditing of projects still active at the end of 2006, appropriations for projects and for accompanying measures shall continue until 31 December 2010."

(b) In paragraph 3 the second subparagraph is replaced by the following:

"For the period 1 January 2005 to 31 December 2006, the accompanying measures shall be limited to 6 % of the available appropriations."

(5) Article 11(2) is replaced by the following:

"2. Where reference is made to this paragraph, Articles 4 and 7 of Decision 1999/468/EC shall apply, having regard to the provisions of Article 8 thereof.
The period referred to in Article 4(3) of Decision 1999/468/EC shall be set at three months."

(6) Article 12 is replaced by the following:

“Not later than 30 September 2006, the Commission shall submit to the European Parliament and the Council a report on the implementation of this Regulation, its contribution to the development of Community environmental policy, and the use made of the appropriations.”

Article 2

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

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

Done at

For the European Parliament	*For the Council*
The President	*The President*

LEGISLATIVE FINANCIAL STATEMENT

Policy area(s): Environment **Activit(y/ies): Programme and Projects**

TITLE OF ACTION: LIFE FINANCIAL INSTRUMENT FOR THE ENVIRONMENT

1. BUDGET LINE(S) + HEADING(S)

ABB	Old Budget Line	Budget line heading
07010402	B4-3200A	LIFE (Financial Instrument for the Environment — 2005 to 2010) — Projects on Community territory — Part I (nature protection) — Expenditure on administrative management
07010403	B4-3201A	LIFE (Financial Instrument for the Environment — 2005 to 2010) — Projects on Community territory — Part II (Environmental protection) — Expenditure on administrative management
07010405	B7-810A	LIFE (European Financial Instrument for the Environment — 2005 to 2010) — Operations outside Community territory — Expenditure on administrative management
070202	B7-810	LIFE (European Financial Instrument for the Environment — 2005 to 2006) — Operations outside Community territory
070303	B4-3200	LIFE (Financial Instrument for the Environment — 2005 to 2006) — Projects on Community territory — Part I (nature protection)
070304	B4-3201	LIFE III (Financial Instrument for the Environment — 2005 to 2006) — Projects on Community territory — Part II (environmental protection)

2. OVERALL FIGURES

2.1. Total allocation for action (Part B):

284,882 € million for commitment

2.2. Period of application: 2005-2006

2005-2006

2.3. Overall multiannual estimate of expenditure:

(a) Schedule of commitment appropriations/payment appropriations (financial intervention) *(see point 6.1.1)*

€ million (*to three decimal places)*

	Year 2005	2006	2007	2008	2009	2010	Total
Commitments	142,504	142,378	0	0	0	0	**284,882**
Payments	57,002	56,951	42,751	42,713	42,751	42,713	**284,882**

(b) Technical and administrative assistance and support expenditure *(see point 6.1.2)*

Commitments	7,496	7,622	6,029	4,648	3,218	3,270	**32,283**
Payments	7,496	7,622	6,029	4,648	3,218	3,270	**32,283**

Subtotal a+b							
Commitments	150,000	150,000	6,029	4,648	3,218	3,270	**317,165**
Payments	64,498	64,573	48,780	47,361	45,969	45,983	**317,165**

(c) Overall financial impact of human resources and other administrative expenditure *(see points 7.2 and 7.3)*

Commitments/Payments	3,373	3,428	3,057	2,362	1,280	1,301	**14,801**

Subtotal a+b+c							
Commitments	153,373	153,428	9,086	7,010	4,498	4,571	**331,966**
Payments	67,871	68,001	51,837	49,723	47,249	47,284	**331,966**

2.4 Compatibility with financial programming and financial perspective

[X] Proposal is compatible with existing financial programming.

Proposal will entail reprogramming of the relevant heading in the financial perspective.

Proposal may require application of the provisions of the Interinstitutional Agreement.

2.5. Financial impact on revenue:

[ ] Proposal has no financial implications (involves technical aspects regarding implementation of a measure)

OR

[ ] Proposal has financial impact – the effect on revenue is as follows:

(€ million to one decimal place)

		Prior to action [Year n-1]	Situation following action					
Budget line	Revenue		2005	2006	[n+2]	[n+3]	[n+4]	[n+5]
	a) Revenue in absolute terms							
	b) Change in revenue Δ							

Any revenue from contributions of candidate countries for participation in the Community programmes, entered in Item 6 0 9 1 of the statement of revenue, may give rise to the provision of additional appropriations.

3. BUDGET CHARACTERISTICS

Type of expenditure		**New**	**EFTA contribution**	**Contributions form applicant countries**	**Heading in financial perspective**
DNO	CD	NO	NO	YES	3 Internal Politics

4. LEGAL BASIS

Article 175 of the Treaty

5. DESCRIPTION AND GROUNDS

5.1. Need for Community intervention

5.1.1. Objectives pursued

The financial instrument *Life* should contribute to the development of Community policy in the field of the environment, in particular in integrating the environment in the other policies and the implementation and updating of environmental legislation. It should enhance cohesion in the behaviour of the Member States with regard to environmental problems and ensure a better balance between environmental policy and other Community policies.

5.1.2. Measures taken in connection with ex ante evaluation

Considering that the proposal refers to an extension of an existing financial programme no ex-ante evaluation is foreseen.

5.1.3. Measures taken following ex post evaluation

As foreseen in Article 12 a mid-term evaluation has been carried out. It is based on an external evaluation launched by an independent evaluator and on the data and experience gained by the Commission over the past seven years. The objective of the external evaluation was to assess the contribution of the *Life-Programme* to the implementation, updating and development of environmental policy and legislation.

The evaluation concludes that there is evidence that the Programme contributes to the implementation of policy and that it is managed effectively. The evaluation also indicates that:

- *Life-Nature* should continue to have a significant role in driving the implementation of Natura 2000.

- There is only limited evidence that *Life-Environment* is supporting preparatory actions, but there is good evidence that it has demonstrated a variety of clean technologies in key areas.

- Finally, *Life-Third Country* projects are contributing significantly to developing environmental capacity in third countries.

On the basis of the external evaluation and internal findings, it is possible to conclude that:

- *Life* is a useful instrument that should be continued.

- The improvements in the organisation and management of the Programme should be maintained and continued.

- *Life* should be fully exploited within the scope of the 6th Environmental Action Programme.

- The dissemination of results should be improved.

- The following modifications are thus proposed to the existing regulation:

- the Regulation should be fully aligned to the provisions of the new Financial Regulation;

- considering that the 6th Environment Action Program has been adopted in 2002, the guidelines that define the priority areas for Life-Environment demonstration projects will be revised to clearly link them with the priorities set in the Program and the actions proposed in the EU Environmental action programme ETAP which is currently under preparation;

- the complementarity of *Life* with Research, Structural Fund and Rural Development Programmes needs to be properly reflected in the regulation;

- the committee procedure to which the implementation measures of the *Life* Regulation are subject is modified to take account of the judgement issued by the Court of Justice in January 2003;

- the proposed amount for a two year extension of *Life* amounts to 317.2 million Euro; this is coherent with the present financial perspectives and takes into consideration the effect of enlargement;

- a limited increase is proposed for accompanying measures from 5 to 6% of the budget to allow for a further improvement in the dissemination and monitoring activities;

- a special scheme is introduced to allow for the continuation of monitoring activities of projects still active after 2006.

5.2. Action envisaged and budget intervention arrangements

5.2.1. LIFE Nature

Foreseen activities are nature conservation projects which contribute to the implementation of Council Directive 79/409/EEC of 2/4/79 on the conservation of wild birds and Council Directive 92/43/EEC of 21/5/92 on the conservation of natural habitats and of wild flora and fauna and in particular the establishment of the European network Natura 2000, aiming at on-site management of the most valuable fauna and flora species and habitats of the Union. Projects will contribute to maintaining or restoring natural habitats and/or populations to a favourable conservation status.

Subsidies to projects are granted at the rate of 50% of the total cost of the project. Projects concerning priority natural habitats and priority species as per Directive 92/43/EEC, or specific species of birds considered as priority for LIFE funding according to the committee (set up pursuant to article 16 of the Directive 79/409/EEC) may be funded at a higher rate up to a maximum of 75% of the total project cost.

Calls for proposals are launched and proponents submit projects via the relevant national Competent Authority to the Commission. After successful evaluation and selection, and on approval of the Habitats Committee (set up pursuant article 20 of the Directive 92/43/EEC), grant agreements are established following a Commission decision.

The activities undertaken under the title of LIFE Nature target essentially public bodies, local groups, NGO's or associations grouping several categories of partners, managing and/or restoring natural areas.

5.2.2. LIFE Environment

The activities foreseen under the LIFE Regulation are to co-finance projects of a demonstration nature which:

- Integrate environmental considerations and sustainable development in land-use development and planning, including the urban and coastal areas.

- Promote the sustainable management of groundwater and surface water.

- Minimise the environmental impact of economic activity, notable through the development of clean technologies and by placing the emphasis on prevention, including the reduction of emission of gases having a greenhouse effect.

- Prevent, reuse, recover and recycle wastes of all kinds and ensure the sound management of waste streams.

- To reduce the environmental impact of products through an integrated approach to production, distribution, consumption and end-of-lifetime handling, including the development of environmentally-friendly products.

Demonstration projects must set out to test an innovative solution to an environmental problem and lead to concrete, practical results. They must be implemented at a scale, which allows evaluation of the technical and economical viability of large-scale introduction of this solution. However, investments in major infrastructure are non funded. These actions are aimed at bridging the gap between research, and development results, and their widespread implementation. To this end, demonstration projects based on the results of successful projects supported in the framework of past or ongoing RTD programmes in the field of environment are particularly encouraged.

Preparatory projects must contribute to the development of new Community environmental actions and instruments, and/or to the up dating of environmental legislation and policies.

Calls for proposals are launched and proponents submit projects via the relevant national Competent Authority to the Commission. After successful evaluation and selection, and on approval of the LIFE Committee, grant agreements are established following a Commission decision.

The maximum rate of Community financial support is 50% to the eligible project costs. Where projects are « expected to generate significant income » the maximum rate of funding is 30% of the eligible project costs.

Preparatory projects relate to projects where the Commission defines the actions to be taken, based on the type of assistance required, e.g. a particular technical analysis or specific information or testing to further the objectives in the environment sector and development of policies. Such actions will be the object as and when necessary of a call for manifestation of interest.

The target population are industry, commercial companies and local authorities. The participation of small and medium sized enterprises is particularly encouraged.

5.2.3. LIFE Third Countries

LIFE Third Countries supports the establishment of capacities and administrative structures needed in the environmental sector. In so doing, contributes to the development and strengthening of national environmental policies and action programmes aimed at increasing environmental protection in third countries bordering on the Mediterranean and the Baltic Sea, other than the 10 Acceding States and the Candidate Countries who have signed association agreements with the European Union.

The European Union and bordering countries acting together to address environmental problems will be far more effective than individual national actions; many such issues being of a trans-national nature by virtue. Support to actions promoting co-operation and co-ordination between several countries (EU and bordering countries) are particularly targeted by the new programme. In the future this will be taken into account by including the countries of Central and Eastern Europe not signatory to accession agreements with the EU.

Calls for proposals are launched and proponents submit projects via the relevant national Competent Authority to the Commission. After successful evaluation and selection, and on approval of the LIFE Committee, grant agreements are established following a Commission decision.

The maximum rate of Community financial support is 70% to the eligible project costs.

5.3. Methods of implementation

The program will be managed directly by the Commission. Technical Assistance Offices will support the Commission providing technical and financial expertise covering the whole life-cycle of projects. The use of TAO increases the efficiency of the overall scheme thanks to the territorial proximity to projects and the availability of technical/scientific expertise. Overall administrative cost is estimated to be lower using TAO as compared to full internalisation of the corresponding activities.

6. FINANCIAL IMPACT

6.1. Total financial impact on Part B - (over the entire programming period)

6.1.1. Financial intervention

Commitments (in € million to three decimal places)

Breakdown	2005	2006	2007	2008	2009	2010	Total
Nature (070303)	67,923	67,866	0,000	0,000	0,000	0,000	**135,789**
Environment (070304)	67,614	67,552	0,000	0,000	0,000	0,000	**135,166**
Third Countries (070202)	6,967	6,960	0,000	0,000	0,000	0,000	**13,927**
TOTAL	**142,504**	**142,378**	**0,000**	**0,000**	**0,000**	**0,000**	**284,882**

6.1.2. Technical and administrative assistance, support expenditure and IT expenditure (commitment appropriations)

	2005	2006	2007	2008	2009	2010	Total
1) Technical and administrative assistance							
a) Technical assistance offices (BAT)							
b) Other technical and administrative assistance							
intra muros							
extra muros:							
Nature MT (07010402)	2,852	2,902	2,657	2,028	1,376	1,399	13,214
Environment MT (07010403)	3,036	3,089	2,829	2,159	1,464	1,490	14,067
Th.Countries MT (07010405)	0,368	0,374	0,343	0,262	0,177	0,181	1,705
Nature Audits (07010402)	0,075	0,075	0,075	0,075	0,075	0,075	0,450
Environment Audits (07010403)	0,100	0,100	0,100	0,100	0,100	0,100	0,600
Th.Countries Audits (07010405)	0,025	0,025	0,025	0,025	0,025	0,025	0,150
Sub-total	**6,456**	**6,565**	**6,029**	**4,649**	**3,217**	**3,270**	**30,186**
2) Support Expenditure							
a) Studies							
b) Indepent Experts for selection:							
Nature (07010402)	0,400	0,407	0,000	0,000	0,000	0,000	0,807
Environment (07010403)	0,500	0,509	0,000	0,000	0,000	0,000	1,009
Third Countries	0,035	0,036	0,000	0,000	0,000	0,000	0,071
c) Information and publications:							
Nature (07010402)	0,050	0,050	0,000	0,000	0,000	0,000	0,100
Environment (07010403)	0,050	0,050	0,000	0,000	0,000	0,000	0,100
Third Countries	0,005	0,005	0,000	0,000	0,000	0,000	0,010
Sub-total	**1,040**	**1,057**	**0,000**	**0,000**	**0,000**	**0,000**	**2,097**
TOTAL	**7,496**	**7,622**	**6,029**	**4,649**	**3,217**	**3,270**	**32,283**

6.2. Calculation of costs by measure envisaged in Part B (over the entire programming period)

Commitments (in € million to three decimal places)

Breakdown	Type of outputs (projects, files)	Number of outputs (total for years 2005-2006)	Average unit cost	Total cost (total for years 2005-2007)
	1	2	3	4=(2X3)
LIFE NATURE				
Nature Conservation	Projects	*135*	*1,000*	*134,889*
Nature Starters + Coop	Projects	*20*	*0,045*	*0,900*
LIFE ENVIRONMENT	Projects	*216*	*0,626*	*135,166*
LIFE THIRD COUNTRIES	Projects	*44*	*0,317*	*13,927*
TOTAL COST				284,882

7. IMPACT ON STAFF AND ADMINISTRATIVE EXPENDITURE

7.1. Impact on human resources

Types of post		Staff to be assigned to management of the action using existing and/or additional resources: Number of permanent posts	Number of temporary posts	Total	Description of tasks deriving from the action
Officials or temporary staff (according to the Management Plan 2004)	A	20,75 (19 D1 + 1,75 B2)		20,75	
	B	11,17 (11 D1 + 0,17 B2)		11,17	
	C	11,17 (11 D1 +0,17 B2)		11,17	
Other human resources					
Total		43,09		43,09	

7.2. Overall financial impact of human resources

Type of human resources	Amount (€)	Method of calculation *
Officials Temporary staff	3,153	Please see attached budget breakdown for further details
Other human resources		
Total	3,153	

The amounts are total expenditure for twelve months.

7.3. Other administrative expenditure deriving from the action

Budget line (number and heading)	Amount €	Method of calculation
Overall allocation (Title A7)		
A0701 – Missions	0,120	
A07030 – Meetings	0,050	2 meetings with the 25 MS
A07031 – Compulsory committees [1]	0,050	2 compulsory committees per year (Habitat Committee and LIFE Committee). Both are management Committees.
A07032 – Non-compulsory committees [1]		
A07040 – Conferences		
A0705 – Studies and consultations		
Other expenditure (specify)		
Information systems (A-5001/A-4300)		
Other expenditure - Part A (specify)		
Total	0,220	

The amounts are total expenditure for twelve months.

I.	Annual total (7.2 + 7.3)	3,373 €
II.	Duration of action	6 years
III.	Total cost of action (I x II) (see attached budget breakdown)	14,801 €

The needs for human resources and other administrative expenditure will be covered internally with the annual resources allocated to the DG Environment in the framework of the annual allocation procedure.

9. FOLLOW-UP AND EVALUATION

9.1. Follow-up arrangements

Each co-financed project is followed by the Commission service aided by external monitoring teams from set-up to completion stage. The relevant monitoring team visit on-going projects at least once per year, the Commission service aims to visit projects at least once during the project period. The monitoring teams provide reports on the progress of the project (both technical and financial aspects) every 6 months, and a final report. Beneficiaries are required to report to the Commission on the implementation of the project (technical and financial). The content and periodicity of the reports are detailed in the grant agreement concluded with the beneficiary. Each report is evaluated by the competent Commission service assisted by the monitoring teams.

Final reports of the beneficiary are to be provided within the 3-month period following completion of the project.

9.2. Arrangements and schedule for the planned evaluation

An ex-post evaluation about the implementation of the regulation, its contribution to the development of the Community environmental policy, and the use made of the appropriations will take place in 2006. No later than 30 September 2006, the Commission will submit the evaluation report to the European Parliament and the Council.

10. ANTI-FRAUD MEASURES

Potential beneficiaries are required to provide provisional statements of income and expenditure related to the project for which funding is requested. Payments are made on the basis of the terms and conditions relating to the grant agreement and on the basis of expenditure and income statements duly certified by the beneficiary and checked by the relevant service of the Commission. On the spot controls are also foreseen. (Beneficiaries are required to keep all details and justifying documents for a period of 5 years following completion of the project).

Details of Anti-fraud measures are set out and included in the LIFE standard administrative provisions (controls made, production of reports and statements, justifying documentation etc.) Provisions for the recuperation of unduly received sums are also included, together with the terms for charging penalty interest on such sums where applicable. Bank guarantees are required, except for public authorities, and must cover 40% (equal to the initial advance payment) of the maximum subsidy amount. The bank guarantee must be valid for the duration of the project plus 6 months.

The Commission requires that an auditor, nominated by the beneficiary, will verify the financial statement provided to the Commission with the final reports. The auditor will verify according to national legislation and accounting rules and also verify that costs incurred respect the LIFE standard administrative provisions.