



**COUNCIL OF
THE EUROPEAN UNION**

Brussels, 14 December 2011

**Interinstitutional File:
2011/0428 (COD)**

**18627/11
ADD 1**

**ENV 976
ENER 410
CADREFIN 207
CODEC 2445**

COVER NOTE

from: Secretary-General of the European Commission,
signed by Mr Jordi AYET PUIGARNAU, Director

date of receipt: 12 December 2011

to: Mr Uwe CORSEPIUS, Secretary-General of the Council of the European
Union

No Cion doc.: SEC(2011) 1541 final

Subject: Commission staff working paper
Executive summary of the Impact Assessment *accompanying the document*
Proposal for a Regulation of the European Parliament and of the Council on the
establishment of a Programme for the Environment and Climate Action (LIFE)

Delegations will find attached Commission document SEC(2011) 1541 final.

Encl.: SEC(2011) 1541 final



EUROPEAN COMMISSION

Brussels, 12.12.2011
SEC(2011) 1541 final

COMMISSION STAFF WORKING PAPER
EXECUTIVE SUMMARY OF THE IMPACT ASSESSMENT

Accompanying the document

Proposal for a Regulation

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

{COM(2011) 874 final}
{SEC(2011) 1542 final}
{SEC(2011) 1543 final}

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

This Impact Assessment (IA) assesses the options for managing a programme for the environment and climate action (LIFE) for the period 2014-2020 (successor to the LIFE+ Programme).

In its Communication of 29 June 2011 (the MFF Communication), the Commission adopted its position, including for the LIFE Programme, for the next Multiannual Financial Framework (MFF) for 2014-2020. The main changes are:

- i) the creation of a Climate Action sub-programme (€800 million over the period) with three priorities: mitigation, adaptation, governance and awareness;
- ii) a better definition of the Environment sub-programme structure (€2.4 billion over the period): Biodiversity; Environment; and Governance;
- iii) the introduction of Integrated Projects (IP) as demonstration projects to achieve environmental objectives, in particular, through the mobilisation of other available national and/or EU funds.

1. Procedural issues, consultation of interested parties and opinion of the Impact Assessment Board (IAB)

This IA has been prepared by DG Environment and DG Climate Action, with support of other DGs, and the European Agency for Competitiveness and Innovation. It is based on a extensive analysis and consultation, in particular:

- the LIFE programme Ex-post (1996-2006) & Mid-term (2007-2009) evaluations;
- external consultants' studies: "Combined impact assessment and ex-ante evaluation of the review of the LIFE+ Regulation" and "Climate Change in the future multiannual financial framework";
- an open online consultation on 'Your Voice in Europe';
- a consultation conducted by the Committee of the Regions, a consultation of the LIFE Committee members and Member States' environmental attachés, an ad-hoc stakeholder meeting, and two conferences.

The overall view was that the LIFE Programme is generally performing well in environmental and value-added terms. There was vast support from all stakeholders to continue LIFE and general support for Commission's proposals.

The IA was submitted to the IAB on 29 July 2011. Following IAB's opinion of 13 September 2011, the IA was modified accordingly.

2. Current structure and performance of LIFE

LIFE is one of the spearheads of EU environmental funding and has financed 3,115 projects with a contribution of €2.7 billion.

Under the current Regulation, three types of interventions are possible: 1) action grants (78% of the budget) with three strands: LIFE Nature & Biodiversity (NAT) covering at least 50% of the action grants budget, LIFE Environment Policy & Governance (ENV) and LIFE Information & Communication (INF); 2) operating grants for NGOs (3% of the budget); 3) public procurement contracts for services and studies (13% of the budget) and technical assistance to the selection, monitoring and evaluation of LIFE projects and the Programme (6% of the budget).

The evaluations confirmed that LIFE is a successful instrument with significant EU added value. In addition to quantified benefits estimated at some €600 million a year, LIFE led to the improved conservation and restoration of some 4.7 million hectares of land (or 6% of the total area of the designated Natura 2000 terrestrial sites). LIFE also supported environmental improvements including for water quality over an area of approximately 3 million hectares, air quality affecting some 12 million people, waste reductions of some 300,000 tonnes and recycling of a further 1 million tonnes; and reduction of 1.13 million tonnes of CO₂ per year. LIFE has a significant role in increasing awareness, good governance and public participation. Stakeholders consider that the Programme's flexibility and management mode are the keys of its success.

3. Problem definition and added value of EU action

EU action is necessary as most environmental and climate problems have a crossborder nature and cannot be adequately solved by Member States alone. Furthermore, environmental assets often have a public good nature and are unevenly distributed across the EU.

The EU added value derives from LIFE's ability to act as a platform for exchange of practice and knowledge-sharing so that actors can learn from each other's experience and address environmental problems more effectively. LIFE also allows for a better distribution of responsibility and solidarity in preserving the EU environmental common good. It acts as a catalyst, providing one-off investments, eliminating initial barriers to EU environmental and climate policy implementation and testing new approaches for scaling-up.

Evaluations and consultations have also identified how to improve the design and functioning of the Programme, by tackling the following issues:

- a lack of strategic approach and critical mass. EU policy priorities are not fully reflected in the Programme, especially for the ENV and INF strands. If no programming changes are made, LIFE risks continuing funding very good projects, but scattered across the *acquis* with little possibility to draw lessons and disseminate them for replication in a particular sector and through other EU instruments;
- the objectives for certain strands (ENV and INF) and the territorial scope need to be better defined. LIFE ENV should focus more on implementation and creation of multipliers. Funding constraints for activities outside the EU have reduced the effectiveness of the Programme;
- a need to improve complementarity and synergies with other EU Funds;
- project results should be better utilised and know-how transfer improved, especially at EU level.
- a need to simplify the application and selection procedures;
- national allocations have not led to a more balanced distribution of projects across the EU.

4. Objectives of the future Programme

LIFE provides solutions for achieving environmental and climate policy specific objectives by contributing to policy implementation and development and promoting integration of these concerns into other policies.

The general objectives of the new Programme are the following: i) to ensure a better link with EU policy priorities, including climate action, ii) to promote the use of IP, iii) to develop synergies and complementarity with other EU Funds, iv) to promote the EU added value and solidarity/effort sharing and v) to simplify the Programme.

LIFE is closely linked to other EU funds such as Cohesion policy Funds (ESF, ERDF, CF), the Rural Development Fund (EAFRD) or the European Maritime and Fisheries Fund (EMFF). The complementarity and coherence of LIFE with such Programmes have been reinforced in the MFF Communication. LIFE would not only cover identified gaps, but would also aim at establishing synergies and a structured cooperation with these funds.

5. Policy options and analysis of impacts

The budget increase decided in the MFF Communication should lead to a proportional increase in absolute terms of the environmental and socio-economic impacts of LIFE to between €750 and €1,000 million. The most significant increase regarding impacts can be expected on climate mitigation and adaptation, given the increased allocation of resources for climate action. The exclusion of market-replication eco-innovation from the Environment sub-programme could reduce the overall increase in socio-economic benefits, but these activities will be better undertaken through other EU Funds.

The options below address only those aspects not decided by the MFF Communication.

A. Options for strategic planning and allocation of resources:

A1: Baseline- Bottom up approach for all types of projects.

Thematic priorities would be set for the entire programming period. Annual calls for proposals would continue indicating the priorities within those themes, but without being exhaustive. No limitation of the thematic areas for IP would be set. The problems identified under the current programming period as regards lack of focus and difficulty to create critical mass in specific sectors would remain.

A2: Top-down approach for all types of projects (with more flexible top-down applied to traditional projects and a rigid top-down applied to IP).

The Commission would establish 2-3 year work plans defining specific priorities, which would be non-exhaustive for traditional projects, not to neglect any particular environmental sector, while IP would focus on priority areas.

Assuming a 50% improvement in the least effective part of LIFE, and a 25% improvement in the second least effective quartile, this would represent an overall improvement of 19%, and therefore a yearly increase of €150 million of environmental benefits.

A3: Top-down approach for IP and bottom-up approach for all other types of interventions:

The Commission would only apply the top-down approach to IP in order to focus on specific priorities defined ex-ante for the whole programming period. Traditional projects could be submitted in all priority areas. The absence of a more focused approach to priority setting could lead to supporting projects with weak links to policy development and implementation. No adjustments during the programming period would be possible.

B. Options for thematic concentration of IP

B1: Baseline-no thematic concentration

IP could be submitted in all priority areas where possible, namely nature, water, waste, air and marine, climate mitigation and adaptation. This option would replicate the current dilution problems. Traditional projects might not be financed, if LIFE is to achieve targets in all priority areas where IP are possible.

B2: Thematic concentration on specific sectors

Given the limited resources of LIFE and the criticism regarding lack of strategic focus, IP could concentrate on priority areas where they could work better. Two sub-options for the *Environment sub-programme* are possible:

- *Thematic concentration on 3 sectors (nature, water and waste)*: it would focus the Programme and improve environmental benefits (by 30-40% compared to the baseline), while allowing funding of traditional projects. Failure risks remain low since these sectors are the most successful under LIFE. Air and Marine could be partially covered by other sectors.

- *Thematic concentration on 4 sectors (nature, water, waste and air)*: it would increase the link between political priorities and LIFE, and increase its overall socio-economic benefits (up to 10% of EU's population could benefit from improved air quality). Given limited resources, covering air may imply that the number of traditional projects go below the threshold or lowering targets for water and waste. For the Climate Action sub-programme, priorities would be sufficiently focused on mitigation and adaptation.

C. Options for allocation of resources between different priority areas

C1: Baseline – the MFF Communication allocation

Dedicated resources are one of the essential elements for increased focus and achieving critical mass in a particular area. Concentration on climate action may increase environmental benefits by 50% (from €135 million a year to €270 million). However, for the Environment sub-programme, if no pre-allocation of resources is made, the NAT strand would lose the feature that has been partially responsible of its success under LIFEII, III and LIFE+, diluting the direct environmental benefits provided by the strand.

C2: The MFF Communication allocation and 50% of the resources for Environment sub-programme to Biodiversity

Positive environmental impacts derived from the pre-allocation of resources to the Climate sub-programme will increase due to the pre-allocation of resources to Biodiversity. A minimum of additional €450-500 million environmental benefits could be expected. Additional benefits related to IP are difficult to quantify. This option is in line with stakeholders' views.

D. Options for geographical distributional impacts (national allocations)

D1: All projects selected on merit:

All types of projects would be selected according to merit. No geographical distribution key would be foreseen. The risk is that some countries would continue being over-represented. The fact that natural assets are unevenly distributed among Member States would not be addressed.

D2: All projects selected on merit but ensuring geographical balance for IP:

Traditional projects would continue being selected on merit. For IP, a system to ensure geographical balance would be established, as these projects are more linked to development of regional or local strategies, implementation and capacity building. Member States which have an IP one year would be considered less favourably later on. The Commission would ensure the funding of at least one IP per Member State in waste and nature sectors, one per transboundary river basin district (Danube, Rhine, etc) and two projects per bio-geographical region. Member States with lower administrative capacity,

important nature assets or hosting transboundary river basin districts would be favoured. The strategic programming (option A2) would allow adjustments if one Member States has not received any IP.

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

Traditional projects would be selected on merit only as in D1. For IP, a system of indicative national allocations would be established for each Member State and per area. This option is the same as D2, but with indicative prior allocations based on environmental and climate needs agreed with Member States.

E. Options on governance and awareness raising

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

NGO operational funding will continue as NGOs contribute to civil society participation in policy development, promote implementation, and strengthen the knowledge base and awareness-raising. Project communication activities will be enhanced via a stronger strategic approach and promotion of networks of similar projects around priority themes.

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

In addition to the activities in E1, specific projects funded through action grants would support selective information priorities. Positive impacts of option E1 are expected to increase when complemented by specific information and communication projects.

F. Options for simplification

F1: Baseline- On-line tools and larger projects

A new IT tool called "eProposal" will be used from 2012 onwards for online applications. Simplifying the submission procedure could save around 20% of the bidding costs. Assuming an increased effectiveness of 50% for administrative staff and 10% for technical staff, e-Proposal could lead to 7 % savings. If applying 50% gains for both, a 12% increase in savings could be expected. Moving to larger projects will imply a reduction in the total number of projects managed (from 230 projects selected per year to 100 by the end of the programming period), thereby reducing overheads and management costs for LIFE.

F2: Baseline + Simplified selection procedures and reporting: 2 stage procedure and simplified reporting for IP, multi-annual selection for NGOs

A 2-step approach for the selection of IP could be introduced. Reporting and re-programming would be based on a two years' cycle and the payment schedule adapted to ensure a more gradual cash flow to the project. This simplification would reduce by 25% reporting costs, representing savings of between €178.500 and €357.000 a year. As IP are around 5 times bigger than traditional projects, the number of transactions could be reduced by 70%. A multi-annual selection for NGOs would reduce the administrative burden of selection procedures by at least 50%.

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

More use of *lump sums* (e.g. application of standard EU per-diems for travel costs, and standard staff costs) would simplify reporting costs. Limiting the eligibility of certain costs with difficult reporting and monitoring (e.g. by only funding additional staff specifically

recruited for the project under personnel costs; by considering VAT as non-eligible) would simplify these procedures. This would imply a reduction in eligible costs of about 5-10% for VAT and 20-40% for personnel, which could discourage potential applicants. An increase in the co-financing rate could outweigh these negative impacts.

G. Options for externalisation

In the MFF Communication, the Commission considered that LIFE should remain centrally managed, but management tasks could be delegated to a large extent to an existing executive agency. Currently, the staff needed to manage LIFE, including external contractors and EU officials, is approximately 125 full-time equivalent posts. The total administrative cost is just over €15 million. This represents 6.2% of the total annual Programme budget.

G1. Full externalisation:

The management tasks for project selection and monitoring, NGO operating grants, and communication activities would be transferred to an existing agency, for both traditional projects and IP. The governance, supervision and evaluation of LIFE would remain within the Commission. For technical assistance, the two following sub-options are possible:

- *Externalisation without replacing technical assistance:* the total cost would be 6.3% of the Programme budget.
- *Externalisation replacing technical assistance:* the total cost would be 6.0% of the Programme budget.

G2. Hybrid solution: externalisation of traditional projects, while keeping IP within the Commission:

The management of traditional projects and operating grants for NGOs would be externalised to an existing agency while maintaining IP for the Environment sub-programme and the Programme governance within the Commission. The main reasons are to secure integration of project results into EU policy, to ensure IP are designed adequately and to maintain close monitoring and liaison with thematic units. The total cost is similar to option G1 (with or without replacing technical assistance).

To summarise, the advantages of the agency option are: lower staff costs, same quality for programme implementation, communication and dissemination activities as under the current situation, and up to 19 posts freed in the Commission.

However, there is a risk that the agency option would reduce the ability to deliver the desired EU added value. In particular, IP would require careful design in cooperation with the policy units of the parent DGs and close monitoring to ensure their success and the link with implementation, which would be weaker if the Programme is managed by an agency.

6. Comparing the options

The options above were evaluated and compared on the basis of effectiveness, coherence and efficiency criteria. The preferred option would therefore be a Programme:

- with thematic priorities for the entire programming period, a 2-3 year work plan with non exhaustive priorities, and a top-down approach for all projects (Option A2);
- with IP focussing primarily on a limited number of areas (Options B2a or B2b);
- with allocation of LIFE funds as distributed in the MFF Communication and 50% of the resources for the Environment sub-programme to biodiversity (Option C2);

- with a system to select "traditional" projects based on merit and a system to select IP that ensures geographical balance (Option D2);
- that enhances NGOs role in dissemination, and with enhanced approaches to governance and communication; (Option E1);
- that introduces IT-tool mechanisms for submitting proposals and a 2-step approach for IP with 2-year cycle reporting obligations; 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 as well as the management of IP of the Environment sub-programme within the parent DGs. Based on a mid-term evaluation, the management of these projects could be progressively externalised (Option G2).

This would address the main recommendations of the LIFE Programme evaluations, i.e., better thematic prioritisation, simplification and good management. Synergies with other EU Funds would be significant, ensuring a better multiplier effect. This option could 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 proposed monitoring framework is organised around two levels: the monitoring of outputs, results and impacts at project and Programme level; and expenditure tracking at Programme level.

Monitoring of outputs, results and impacts:

Projects proposals will include expected outputs tables as a basis for monitoring progress. Thematic reports per area will serve as a basis for dissemination and feeding into policy. A mid-term and an ex-post evaluation of the LIFE Programme would be carried out.

Tracking of expenditure at programme level:

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 throughout LIFE for these priorities, the monitoring framework will also include the methodology for tracking climate and biodiversity-related expenditure as per the MFF Communication and derived from the OECD "Rio markers".