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**REPORT PURSUANT TO ARTICLE 7(3) OF
REGULATION (EC) No 1404/96**

LIFE

(Presented by the Commission)



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SUMMARY

This report has been prepared pursuant to Article 7(3) of the Regulation governing LIFE, the financial instrument for the environment - Council Regulation¹(EEC) No 1973/92 of 21 May 1992 modified by Council Regulation²(EC) No 1404/96 of 15 July 1996. It also fits in with SEM 2000 (the Sound and Efficient Management initiative). Articles 7(3) and 14 of the LIFE Regulation require two reports: one to evaluate the reference amount for LIFE II and one to make proposals for any adjustments to be made with a view to continuing the action beyond the second phase. The Commission has decided to make a stage-by-stage evaluation. This first report pursuant to Article 7(3) covers the period which has elapsed since LIFE was first implemented. It outlines the next stages in the process for evaluating implementation of the Regulation, and considers the relevance of its objectives and whether they have been achieved, and whether the ideas behind the scheme remain valid. The second report will make proposals for any adjustments to be made with a view to continuing the scheme. It will also help to identify future actions.

This report looks at implementation of the three aspects of LIFE: nature conservation (LIFE-Nature), demonstration projects involving industries and local authorities (LIFE-Environment), and cooperation with third countries bordering the Mediterranean and the Baltic Sea, other than the countries of Central and Eastern Europe which have signed association agreements with the European Union (LIFE-Third countries).

Since 1996 the Commission has been receiving some 900 projects each year. One third of these projects are eligible but only half of them can be co-financed with the financial resources currently available, which means that LIFE would actually be able to put to good use greater resources up to and even beyond the current reference amount of ECU 450 million for the period from 1996 to 1999. However, at a time of rigorous budget policy, the Commission considers it necessary to propose to the budgetary authority a preliminary draft budget requiring no increase in appropriations. As a result, the amount requested for LIFE will make it impossible to attain the reference amount originally planned for the period as a whole.

¹ OFFICIAL JOURNAL NO. L 206 , 22/07/1992 P. 0001
FINNISH SPECIAL EDITION T 15 VOLUME 11 P. 108
SWEDISH SPECIAL EDITION T 15 VOLUME 11 P. 108

² Official journal NO. L 181 , 20/07/1996 P. 0001

1. INTRODUCTION

1.1 Context of the report

The financial instrument for the environment, LIFE, is governed by Council regulation Regulation¹(EEC) No 1973/92 of 21 May 1992 modified by Council Regulation² (EC) No 1404/96 of 15 July 1996 amending Council Regulation (EEC) No 1973/92 establishing a financial instrument for the environment (LIFE).

Articles 7(3) and 14 of the Regulation stipulate that:

“On the basis of a report to be forwarded by the Commission before 30 September 1997 the Council will, before 31 December 1997, examine the reference amount with a view possibly to revising it, in accordance with the procedures laid down in the Treaty, within the framework of the financial perspective and taking in account applications received” (Article 7(3)).

“No later than 31 December 1998, the Commission shall submit a report to the European Parliament and to the Council on the implementation of this Regulation and on the use of appropriations and shall make proposals for any adjustment to be made with a view to continuing the action beyond the second phase...” (Article 14).

These two reports are prepared in the context of the Sound and Efficient Management (SEM 2000) initiative, which calls for systematic evaluation of all Community programmes financing various activities so that the implications in terms of resources are known before decisions are taken. For the review of LIFE, since the deadlines for the two reports are relatively close together the Commission has decided on a stage-by-stage evaluation.

This document reports on the implementation of LIFE to date, outlines the following evaluation stages and gives views on a possible review of the reference amount.

During discussions of the Commission's proposal to continue the LIFE scheme with a second phase from 1996 to 1999, the Council and Parliament discussed setting a reference amount.

Parliament argued in favour of a reference amount of ECU 800 million for the period from 1996 to 1999, while the Council considered that the current budgetary outlook made it impossible to exceed ECU 450 million.

However, in view of the environmental requirements addressed by the scheme, the Council felt that it should consider a possible review of the reference amount at the end of 1997.

This report therefore goes beyond simply analysing applications received, and evaluates the extra financial requirements which could arise in 1998 and 1999

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as a result of the interest shown by Member States in LIFE and the legitimate expectations of the public or private bodies proposing projects.

The report required under Article 14 of the Regulation will draw on the results of the detailed appraisal ordered by the Commission from outside experts, who will complete their work in June 1998.

The objective of this detailed appraisal is to evaluate performance with implementation of the scheme and how efficiently it has been attaining its objectives, while assessing the relevance of its objectives and whether the ideas behind the scheme remain valid. It will point the way to any adjustments to be made with a view to continuing the scheme in the next stage and should help to identify future actions more clearly.

In particular, it will have to answer the following questions:

- Has the scheme helped to develop or implement Community environment policies and legislation and, if so, how?
- Has the scheme had a knock-on effect on other Community policies or instruments?
- Has the project selection procedure succeeded in choosing projects fitting in well with the criteria in the Regulation?
- Have the financial resources available been put to appropriate use or should the conditions for granting them be changed?
- What is the potential of the scheme in the medium to long term?

1.2 Description of LIFE

1.2.1 The general purpose of LIFE is to help develop and implement Community environment policy and legislation (Article 1 of the LIFE Regulation) by co-financing specific actions in the eligible areas of activity.

1.2.2 The eligible areas of activity are:

- nature conservation actions (LIFE-Nature)
- demonstration actions involving industries and local authorities (LIFE-Environment)
- cooperation with third countries bordering the Mediterranean and the Baltic Sea, other than the countries of Central and Eastern Europe which have signed association agreements with the European Union (LIFE-Third countries).

The LIFE Regulation specifies that 92% of the resources shall be allocated to actions on Community territory, half of them for

nature conservation, 5% for third country actions and 3% for accompanying measures.

- 1.2.3 Since 1992, LIFE has attracted close to 6 500 proposals for projects, of which almost a third were eligible. Approximately half of the eligible proposals were granted co-financing totalling ECU 542 million. Some 750 projects are in progress.
- 1.2.4 Beginning in 1996, three information packages were prepared for LIFE-Nature, LIFE-Environment and LIFE-Third countries. From past experience it was possible to define the scope of the instrument more precisely. At the same time, the package and the information meetings for potential proposers have helped to improve both the technical and financial quality of the projects.
- 1.2.5 Applications are evaluated according to the specific nature of the area of activities.

In the case of LIFE-Nature, with the help of outside scientific consultants, the Commission makes an initial selection of applications officially acceptable and eligible according to the criteria in the Regulation. Then, in the Habitat Committee, it puts forward a list of the best projects at Community level for the opinion of the Member States.

In the case of LIFE-Environment, a parallel evaluation procedure is conducted in the Member States and by the Commission. Bilateral discussions are held to agree on a shortlist of projects which are then examined by panels of independent experts. On the basis of this three-fold evaluation procedure, the Commission submits a list of projects to be funded to the LIFE Management Committee, consisting of representatives from the Member States, for its opinion.

In the case of LIFE-Third countries, the evaluation procedure is similar to that for LIFE-Environment except that the independent experts evaluate all the proposals considered officially eligible by the Commission.

2. LIFE - NATURE

2.1 Projects received and co-financed

Between 1992 and 1997, the Commission received 1 308 applications for co-financing under LIFE-Nature for a total of ECU 1 328 million. The financial resources available made it possible to co-finance 299 projects totalling ECU 239.5 million. The table below gives a year-by-year breakdown.

Table N° 1

	<i>LIFE I</i>				<i>LIFE II</i>	
	92 (EUR 12)	93 (EUR 12)	94 (EUR 12)	95 (EUR 15)	96 (EUR 15)	97 (EUR 15)
1. Number of projects received	86	198	296	313	241	174
2. Contribution requested (in ECU million)	227	294	270	235	174	128
3. Number of projects eligible	-	80	116	139	123	97
4. Eligible contribution (in ECU million)	-	186 ³	153	139	93	76
5. Number of projects financed	35	22	47	72	63	60
6. Financial contribution granted (in ECU million)	36.9	20.6	47.7	48.5	43.4	42.4

(The amounts have been rounded off to millions of ECU and account only for the proportion co-financed by the Community, generally between 50 and 75% of the total cost.)

Some information on the context in which decisions are taken is required in order to interpret these figures:

- Some projects are the second phase of a project already in progress. Others involve several beneficiaries operating in various regions or Member States.
- In 1995, the new information package was tailored to types of action specific to nature projects, with applicants being asked to target and plan their proposed actions more precisely. In the short term (1995-1996), this need for greater precision meant that more projects were then ruled unacceptable or ineligible. However, 1997 saw a marked improvement in the average quality of applications.
- In 1996, LIFE II introduced much closer linkage with the implementation of the Natura 2000 network of sites. Prior entry on the national Natura 2000⁴ list became compulsory in 1996 for projects connected with these

³ Including ECU 61 million for one single project.

⁴ Council Directive 92/43/EEC of 21 May 1992 on the conservation of natural habitats and of wild fauna and flora

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The aim of this Directive shall be to contribute towards ensuring bio-diversity through the conservation of natural habitats and of wild fauna and flora in the European territory of the Member States to which the Treaty applies (Article 2.1). A coherent European ecological network of special areas of conservation shall be set up under the title Natura 2000. This network, composed of sites hosting the natural habitat types listed in Annex I and habitats of the species listed in Annex II of the regulation,

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sites. Because of this linkage between LIFE-Nature and the implementation of Community legislation, many applications were ruled ineligible in 1996 and 1997. It also meant that potential applicants refrained from submitting applications concerning sites not yet proposed to the Member States.

- In 1997, projects had to be sent to the Commission before the end of January, scarcely three months after the end of the 1996 selection procedure, which had been delayed because of the late adoption of the LIFE II Regulation. This telescoping of the two rounds had the effect of reducing the number of projects submitted.
- The average contribution per project in 1996 and 1997 was in the order of ECU 700 000, with contributions usually ranging from ECU 100 000 to ECU 2 000 000.

2.2 Financial management

During the period from 1992 to 1997, 100% of the appropriations allocated were committed. This high utilisation rate is due to the careful monitoring of projects by the Commission.

Only a third of the projects were co-financed for the amount originally requested by the applicant. Instead the Commission examines each proposal shortlisted to see which measures could be co-financed by other Community funds (EAGGF, ERDF, Cohesion Fund, etc.) or are not essential to the success of nature conservation work.

The principal problems encountered with implementation of the budget have been delays in implementation of the project by the recipients and, to a very small extent, submission of ineligible expenditure on completion of the project. Less than 1% of the commitments have been cancelled.


2.3 Geographical distribution of projects

LIFE-Nature is a Community instrument with no provision for fixed percentage shares for each Member State.

It therefore makes little sense to have an annual breakdown of funds by Member State. However, an analysis over a longer period is more revealing. Certain conclusions can be drawn for the period 1992-1997:

- **LIFE-Nature primarily benefited those regions and Member States with the greatest number of natural habitats and species of Community interest.** This is what was intended.

shall enable the natural habitat types and the species' habitats concerned to be maintained or, where appropriate, restored at a favourable conservation status in their natural range.

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- Although not its primary purpose, **LIFE-Nature helped towards Community cohesion**. Because of their natural riches, the four Member States eligible for Cohesion Fund resources benefited from a level of co-financing far above the Community average.

2.4 Types of projects co-financed and comments

As the scheme has progressed, the type of projects co-financed has changed. Since the adoption of LIFE II, there has been more emphasis on land-related actions. Generally, LIFE-Nature has made it possible to control and manage numerous areas needed to protect habitats and species.

- **LIFE-Nature co-financed many local and national inventories** (in Greece, Spain, Ireland and Portugal) by way of preparation for Natura 2000. This type of action no longer has priority under LIFE II.
- **There were very many bird protection projects**. LIFE-Nature co-financed specific action to conserve 18 of the 23 species of bird threatened worldwide which are found in Europe and contributed to the designation of dozens of new special protection areas under the Birds Directive.
- **Several projects helped to stabilise or increase the population of severely endangered species** (Hierro giant lizard, bearded vulture, monk seals, etc.).
- **Wetlands have been well represented**, and feature in more than a third of the projects. This priority reflects Member States' commitment to fulfilling their obligations under the Ramsar Convention and the recent communication on wetlands.
- **Many of the projects concern agricultural areas**, and in many cases follow on from agricultural and environmental measures taken under Regulation (EEC) No 2078/92. LIFE has made it possible to mobilise Community structural appropriations (e.g. for the protection of biotopes in Greece).
- **Similarly, many projects have contributed to preparation and implementation of the Natura 2000 network in Europe by helping to:**
 - prepare inventories of the natural heritage in several Member States and regions;
 - prepare plans for managing future sites in Germany, France and the United Kingdom using local help;
 - identify management methods and the associated costs for maintaining or restoring sites, e.g. moorland;
 - training staff in ecological site management.
- **Most of the beneficiaries of co-financing are national, regional or local public bodies**, depending on how the Member State is organised. This emphasis on public bodies reflects the interest shown by national

authorities in this Community instrument for implementing nature directives. NGOs are the second direct beneficiaries of LIFE-Nature and in many cases are also associated with projects submitted by public bodies, either directly or because they have been made responsible for some of the proposed actions.

LIFE-Nature is the only Community financial instrument specifically intended for nature conservation. Between 1992 and 1997 demand was therefore very high for urgent action which promised no economic benefits in the short term but could lead to more sustained activities in the context of other funding mechanisms.

By the end of 1997 several thousand new sites should be on the national lists proposed by Member States under the Habitats Directive. This should result in a marked increase in the number of LIFE-Nature proposals in 1998 and 1999.

LIFE-Nature alone cannot claim to be the appropriate instrument for financing the whole of Natura 2000. It is designed solely as a catalyst. The only way of making a significant contribution to this Community network is to make complementary use of other funding mechanisms.

LIFE-Nature has made it possible for local operators who often have very different interests to begin to work together on specific projects and to raise public awareness, an important factor, though often hard to quantify.

3. LIFE - ENVIRONMENT

3.1 Projects received and co-financed

Outside the nature conservation sector, between 1992 and 1997 the Commission received 4 815 proposals. Between 1993 and 1997, applications were received for financial support totalling ECU 5 600 million from LIFE.

During the same period, because of financial constraints, LIFE was able to co-finance 680 projects (14%) totalling some ECU 272 million (5%).

The table below gives a year-by-year breakdown:

Table N° 2

	<i>LIFE I</i>				<i>LIFE II</i>	
	92 (EUR 12)	93 (EUR 12)	94 (EUR 12)	95 (EUR 15)	96 (EUR 15)	97 (EUR 15)
1. Number of projects received	300	1 447	1 224	729	601	514
2. Contribution requested (in ECU million)	-	2 012	653	2 214	393	328
3. Number of projects eligible	about. 185	601	721	431	283	244
4. Number of projects short-listed	-	306	258	264	177	194
5. Contribution requested for short-listed projects (in ECU million)	-	79	84	84	90	81
6. Number of projects financed	70	99	160	135	104	112
7. Financial contribution granted (in ECU million)	39.6	44.7	53.1	48.1	43.3	43.6
Difference between projects short-listed and financed (in ECU million)	-	33.8	30.6	36.0	47.2	37.4

(The amounts have been rounded off to millions of ECU and account only for the proportion co-financed by the Community, generally between 30 and 50% of the total cost.)

- Between 1992 and 1995 many projects submitted did not come within the scope of the scheme (structural projects, high-cost projects, study projects, etc.). However, after 1996, results were much more consistent.
- By improving the legal framework (selection criteria) and information given to potential applicants, with the help of the Member States, it was possible to reduce the number of projects which were officially unacceptable or ineligible under the scheme. Because of the increasing quality of proposals, both from industry and from local communities, it was possible to short-list a large number of projects worth financing.
- The average contribution in 1996 and 1997 was in the order of ECU 400 000, with contributions usually in the ECU 100 000 to ECU 1 000 000 range.

3.2 Financial management

The percentage utilisation rate of appropriations for commitment for LIFE-Environment is high (99.93%) because each year the draft budget is negotiated with future beneficiaries so as to prevent any over-evaluation of projects.

Because of their innovatory nature, the projects financed by LIFE-Environment pose certain technical and financial risks. Scaling up industrial projects from the laboratory to pilot project scale sometimes leads to a

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technological dead-end; similarly, forming local partnerships between local authorities, associations and businesses can take longer or prove harder than expected.

These risks give rise to:

- delays in implementation of the projects, ranging from a few months in three quarters of the cases to over a year for a quarter of the projects; to avoid such delays, since 1996 the Commission has been asking applicants for more detailed forward planning, defining the timing and budget for each task;
- incomplete or deficient implementation of projects, forcing the Commission to reduce its contribution or recoup all or part of the advance paid; to date, funds have been recouped from 25 projects; since 1997 these amounts are re-used for new projects as far as possible;
- ten or so projects were cancelled by the beneficiaries themselves before work started, due to changes in economic circumstances between submission of the proposal and the Commission's decision;
- finally, fraud was suspected in three projects; the relevant files have been passed to the Fraud Prevention Unit (UCLAF).

Since 1993 the Commission has taken measures to prevent such risks: individual decisions, technical monitoring by outside teams and bank guarantees required from beneficiaries in the private sector. Moreover, before the final payment a technical appraisal is conducted of the results attained by each project and spending on the project is audited by independent approved auditors, whether the beneficiaries are from the private or public sector.

3.3 Geographical distribution of projects

LIFE-Environment makes no provision on the share-out of the amount available between Member States. The evaluation procedure is designed to select proposals on merit only, under each particular subject heading (waste, water, air, etc.). This merit-based evaluation system takes account of the state of the environment in each Member State to avoid putting at a disadvantage less innovatory projects which may nevertheless set an example and have considerable local impact.

- During the first phase, the main beneficiaries of LIFE were Germany, France, Italy and the United Kingdom (each receiving approximately 14%) followed by Spain, Greece and the Netherlands (each with some 7%).
- There is no point giving a geographical breakdown for the first two years of the second phase since it would give no indication of the breakdown at the end of the second phase. The gap of just six months between the 1996 and 1997 rounds created cyclical problems for some Member States. Also,

participation in the scheme by the new Member States must gradually settle down.

3.4 Types of projects co-financed

The four main types of project covered by LIFE during the period from 1992 to 1995 were:

- waste management and clean-up of contaminated sites (36% and 8% of funding respectively);
- promotion of clean technologies (14% of funding);
- methods of detecting pollution and monitoring networks (17% of funding);
- land-use planning and urban problems (21% of funding).

The remaining 4% of funds were allocated for administrative cooperation schemes and environmental awareness campaigns.

Overall, the level of funding by LIFE in 1996 for industry and local authorities remained similar (ECU 18.2 million and ECU 19.7 million respectively). On the other hand, the proportions varied considerably by Member State. The highest level of funding for industry (clean technologies and recycling) was in Belgium, Germany, France, Italy and Greece, while funding for local authorities was highest in Spain, Denmark, Sweden and Finland.

In the first group of countries, the majority of LIFE beneficiaries tend to be private bodies while in other countries beneficiaries are primarily public bodies responsible for land use management schemes involving local socio-economic operators.

Sector-by-sector analysis reveals certain trends:

- Industry: LIFE has already contributed to promoting clean technologies in some industries with a particularly high level of pollution, notably:
 - tanneries (reducing pollution of water by chromium and of air by solvents)
 - the paper industry (introducing a closed-circuit water system, recovering fibres, using ozone in the recycling of waste paper)
 - surface treatment (solvent- and acid-free cleaning using high-pressure jets of water or ice)
 - textiles industry (reduction of inked waste in textile printing).
- Apart from clean technologies, LIFE has encouraged recycling in the following sectors: plastics, household appliances (dismantling used

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refrigerators without emission of pollutants), ceramics and metallurgy (recycling of foundry moulding sand).

- Local authorities: the main problems are the management of water (improving monitoring systems, detecting micropollutants), waste and air quality, although there have been a large number of projects on the management of urban areas (traffic management systems, non-polluting means of transport) and suburban areas (taking account of agriculture when organising suburban land use).
- In 1996 most of the preparatory measures concerned rational management of coastal zones, as provided for in the demonstration programme decided by the Council. In 1997 few proposals for preparatory measures were submitted.
- Because of corresponding activities under other Community programmes or schemes, particularly Leader II, LIFE-Environment supported very few projects in rural areas, apart from in France and Spain.

4. LIFE - THIRD COUNTRIES

Since 1996 LIFE-Third countries covers non-Community countries bordering on the Mediterranean and the Baltic Sea, other than the countries of Central and Eastern Europe which have signed association agreements with the European Community, which can, however, now participate in LIFE-Nature and LIFE-Environment as a pre-accession measure based on specific agreements with the countries in question. The main objective of LIFE-Third countries is to support technical assistance projects, nature conservation projects and demonstration projects to promote sustainable development, in order to promote awareness of the need for environmental protection in these countries.

LIFE II is different from LIFE I in two ways:

- the instrument no longer applies to Poland, Slovenia and the three Baltic States which are now associated Central and Eastern European countries; on the other hand, since 1996 it includes the West Bank and the Gaza Strip and, since 1997, Bosnia and Herzegovina;
- it may cover demonstration projects on sustainable development and nature conservation in addition to simple technical assistance as was the case with LIFE I.

4.1 Projects received and co-financed

Between 1992 and 1997, the Commission received 371 applications for co-funding under LIFE-Third countries. Over the same period 80 projects were selected for funding totalling almost ECU 30 million. If all the projects considered eligible by evaluators had been taken into account more than twice this number of projects could have been financed.

The table below gives a year-by-year breakdown.

Table No 3

	<i>Life I</i>				<i>Life II</i>	
	92	93	94	95	96	97
1. Number of projects received	-	-	65	103	82	121
2. Number of projects eligible	-	-	40	29	23	28
3. Contribution requested (ECU million)	-	-	18.4	10.2	10.0	9.8
4. Number of projects financed	9	12	14	16	13	16
5. Financial contribution granted (ECU million)	5.3	3.5	4.8	5.7	6.0	4.2

(The amounts have been rounded off to millions of ECU and account only for the proportion co-financed by the Community, generally between 50 and 100% of the total cost.)

In 1995, which was the last year of LIFE I, the total number of acceptable projects increased considerably because of the information campaign on LIFE-Third countries. On the other hand, the number of projects considered eligible by the Commission decreased, because much greater emphasis was placed on technical quality. By the end of the year, only 16 out of 29 projects had been funded, with a Community contribution totalling ECU 5.7 million (less than 60% of the total amount for eligible projects, which is a very small percentage).

The smaller number of projects accepted in 1996 is due to the fact that the new LIFE Regulation was adopted late leaving a relatively short period for submitting projects. The number of projects eligible and financed is similar to that for 1995.

4.2 Financial management

The annual utilisation rate for the commitment appropriations allocated to LIFE-Third countries is 100%.

The principal problem with implementation of the budget has been the delays in implementation of the projects by the beneficiaries. The causes include political instability in some of the countries eligible, administrative and procedural difficulties specific to each country (licensing, banking procedures, etc.) and weaknesses in the local contributions.

Since 1995 the Commission has been forced to pull out of two commitments totalling ECU 638 000. One concerned a project in Croatia, where the Community has suspended its cooperation, the other a scheme in Albania, at the request of the Ministry concerned.

4.3 Geographical distribution of projects

LIFE-Third countries covers two geographical regions: the Mediterranean (15 countries and territories) and the Baltic Sea (since 1996 only the Baltic region of Russia, i.e. Kaliningrad and St Petersburg).

Up until 1995, approximately 65% of the funding for LIFE-Third countries went to Mediterranean countries and 35% to the Baltic region. As regards LIFE II, a total of 29 projects have been funded, five of them in Baltic Russia, sharing a total of ECU 1 934 000.

4.4 Types of projects co-financed and comments

Since 1996 the types of activities eligible have been defined more clearly: technical assistance, nature conservation and demonstration activities.

“Technical assistance” projects are the largest group of applications received, accounting for between 50 and 70%. This can be explained by the fact that LIFE-Third countries is targeted primarily on national administrations wishing to define their environment policies and action programmes.

Most of the “nature” projects are concerned with conservation and/or establishment of coastal or wetland habitats.

The pilot projects, first co-funded in 1997, cover a very wide range of fields: waste management and treatment, use of bicycles in towns and management of coastal areas.

Between 1992 and 1997 LIFE-Third countries has helped to establish ECATs, environmental centres for administration and technology (in St Petersburg, Kaliningrad, Tirana, etc.), which combine the know-how of third countries and the Community in developing environmental policies in Central and Eastern Europe. LIFE-Third countries has also contributed successfully to Mediterranean Action Plan activities by funding projects submitted by some of its regional centres (Rempec, Blue Plan). Many projects involving several countries from the South and the East Mediterranean have also been financed under the Mediterranean Environmental Technical Assistance Programme.

The statistics are encouraging but LIFE-Third countries is much more important than mere statistics. The instrument plays an essential role in promoting awareness of environmental protection in the third countries neighbouring the European Union. Indeed, their response and active participation is an obvious sign of interest. In 1996, the scheme was opened up to the West Bank and the Gaza Strip where four projects were accepted and one project financed in the very first year. In 1997 the programme was extended to Bosnia and Herzegovina where 10 projects were considered acceptable.

Since it also disseminates and applies results of Community interest (e.g. the polluter pays principle and the precautionary principle) and concentrates

primarily on technical assistance, LIFE-Third countries is an instrument for bringing the environmental principles and legislation of third countries closer into line with those of the European Union and for transferring Community technology and know-how to these regions.

5. GENERAL CONCLUSIONS

The Commission has launched the important process of evaluating LIFE, the financial instrument for the environment. The first part of the exercise has been carried out by the Commission and resulted in this report. Evaluation is of crucial importance given the increasingly difficult budget situation. A full evaluation will be available during the second half of 1998.

The Commission, in its preliminary draft budget for 1998, proposed an increase of 6.8 MECU, compared to 1997, to the annual budget for LIFE. This gives a total budget of 101.3 MECU. However, this is below the 121.8 MECU originally envisaged for 1998. Given the budgetary discipline applied, the amounts available to LIFE in appropriations for commitment during the period from 1996 to 1999 will not reach the ECU 450 million specified as a reference amount in the Regulation.

LIFE has now reached a certain level of maturity. Each year it attracts an average of around 900 project proposals (see Table 4 below), one third of which could be considered valid, in other words formally eligible and worthwhile (included on the short list). Of these 300 or so projects, allowing Community funding of 180 MECU, only about half are accepted for co-financing. In order to finance all the valid projects, the financial resources currently available would have to be more than doubled.

Table No 4

Annual averages for LIFE II (1996 to 1997)	
Projects received	867
Projects considered valid	321
Cost of valid projects (in ECU million)	180
Projects co-financed	184
Community contribution (in ECU million)	91

This means that LIFE, the financial instrument for the environment, would actually be able to use greater resources up to and even beyond the current reference amount of ECU 450 million for the period from 1996 to 1999. However, in the current public finance situation in Europe, the Commission considers it necessary to submit a preliminary draft budget permitting virtually no increase in total appropriations over the previous year. As such, the reference amount for LIFE will not be possible to attain.

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