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## European environmental NGOs position on LIFE 2014-2020

22<sup>nd</sup> February 2012

The signing organizations (see for further supporters below) welcome the European Commission proposal of the Financial Instrument for the Environment called LIFE which has been released on 12<sup>th</sup> December 2011. Launched in 1992, the LIFE programme plays a key role in funding for the environment as it is the only EC funding line solely dedicated for the environment. LIFE has proven to be one of the most successful and most cost-effective European funding instruments, delivering through innovative, bottom-up projects significant measurable outcomes for ecosystems and economic development. At a time where the value for public money is under intense scrutiny, the LIFE programme is a shining example of EU action that works and delivers for Member States.

In light of the Conclusions of the European Council of 26<sup>th</sup> March 2010 to halt and reverse biodiversity loss by 2020, the LIFE programme has become even more instrumental for investments made in natural capital. When discussing the necessary actions under the EU Biodiversity Strategy in their Council Meeting of 19<sup>th</sup> December 2011 Environment Ministers expressed the clear need for strengthening LIFE. In particular in times of public budget crisis EU Member States need significant support for implementing EU environmental legislation, such as Natura 2000.

The proposed LIFE Regulation for 2014-2020 introduces a new sub-programme for climate action as well as “Integrated Projects” to support the implementation of Community environmental action. Having this in mind, and the widely agreed need to give LIFE a more significant role in financing the Natura 2000 network, the budget proposed currently for the programme is by far insufficient.

In order to meet the environmental challenges ahead and building on the strengths and experience gained in the past, **the proposed LIFE budget of 0.3% of the overall EU budget should be scaled up to 1%, with at least one billion Euro/year available for measures on biodiversity, allowing to fund 15-20% of Natura 2000** (proposed: approx. 160 million Euro/year or 2.5% of Natura 2000 respectively).

### We especially welcome the following proposed elements of LIFE:

- 1) **Strengthened strategic role for LIFE for implementing environmental policies**
  - With the introduction of Integrated Projects (IPs) the Commission assigns LIFE, at least in theory, a key role for the future financing of Natura 2000 – directly and by catalysing other funds. We also welcome, in principle, higher co-funding rates for IPs and related technical assistance projects, in order to encourage take-up of this new project type which is mainly targeting governments.
  - The introduction of the LIFE Climate Action fund has the potential to catalyse synergies between various environmental policies.
  - We welcome that LIFE remains a centrally managed programme.

## **2) Territorial expansion of LIFE beyond EU borders**

- Given that species and ecosystems do not know administrative borders, and in line with Target 6 of the EU Biodiversity Strategy and the EU's Commitments under the CBD (UN Convention on Biological Diversity) it is welcomed that targeted action also outside the EU's territory, as well as transnational projects are encouraged.

## **3) Intention to increase uptake of the LIFE programme**

- We welcome the intention of the Commission to support uptake through higher co-funding rates.
- While not really visible in the provisions of the proposed Regulation, it is welcomed that the European Commission proposes to support uptake of LIFE through a number of measures that would ease application, administration and reporting (e.g. by working more through lump sums).

## **We are concerned in particular by the following proposed elements:**

### **1) Commission proposal fails to build on LIFE's strengths and successes**

- The overall LIFE budget proposed is far too low given the challenges, the potential and the proven cost-efficiency of the fund. At least 1% of the EU budget should be allocated to LIFE, requiring a minimal shift from other budget lines.
- While introducing an untested model of big governmental projects, the Commission proposes to gradually reduce the budget for traditional "bottom-up" projects by almost 50% until 2020, neglecting and losing the valuable experience that has been accumulated with this successful and cost-efficient approach.
- Despite plenty of experience from LIFE Environment projects, the new LIFE Climate Action strand as proposed ignores the need to explicitly encourage a focus on synergies between climate change mitigation and adaptation on the one hand and other environmental objectives on the other.

### **2) Significant disadvantages to local stakeholders, companies and small NGOs**

- The exclusion of VAT and permanent staff costs from eligibility, as well as uncertainty about co-financing rates and selection priorities (which would be subject to multiannual programmes or delegated acts) more than neutralise possible improvements from higher EU co-financing. The Commission proposes a de-facto co-financing rate of 50%, which risks significantly reducing future uptake of LIFE given strained public budgets in many countries. Also, these changes especially affect civil society actors and thus would severely undermine LIFE where it has proven to be most effective.

In addition, compared to the current situation, the proposed changes would significantly worsen the conditions for many projects in biodiversity-rich and economically less developed Member States, as projects currently can receive up to 75% co-financing if they tackle priority species and habitats.

Exclusion of VAT would lead to unequal treatment of Member States, due to differences in VAT rate and reclaiming possibilities of NGOs.

### **3) EU's associated Overseas Countries and Territories (OCTs) excluded from LIFE**

- The EU's 21 OCTs host some of the Union's most precious environmental heritage, e.g. 7% of the world's coral reefs. Also, OCTs are home to millions of EU citizens, the majority of them represented in the European Parliament. These communities are highly vulnerable to climate change and particularly dependent on the health of local ecosystems for their livelihoods and cultures.

Due to their association with the EU, OCTs are excluded from any international aid programmes. Alongside Member States, the EU has a key role to play to fill this gap

and support OCTs in the face of biodiversity loss and climate change. The BEST scheme initiated by the European Commission's DG Environment is insufficient to address this situation, and its future sources of funding remain unclear. By opening LIFE funding to OCTs the EU has the potential to increase its positive influence in parts of the world that are crucial to solving the biodiversity crisis.

### **We suggest the following changes to the proposed LIFE regulation:**

**Art. 4, 9:** The LIFE budget must be increased significantly from currently 0.2% to 1% of the overall EU-Budget to ensure that EU Member States are sufficiently supported with the implementation of Community environmental legislation, notably the EU Birds & Habitats Directives and the 2020 Biodiversity Strategy, which form part of Europe's obligations under the global Convention on Biological Diversity. LIFE should contribute to the costs of Natura 2000 with at least 15%.

- ⇒ The total LIFE budget for 2014-2020 should be increased to at least 12 billion Euro [EC proposal: 3.6 in current prices], with one billion Euro annually ring-fenced for biodiversity related measures
- ⇒ Within the LIFE Environment sub-programme the share of "nature and biodiversity" should be increased to 75% [EC proposal 50%].

**Art.5:** LIFE should be made accessible for projects in the EU's associated Overseas Countries and Territories (OCTs). OCTs host a very high proportion of the EU's threatened biodiversity, including many endemic species that are threatened with extinction. Looking at terrestrial biodiversity, New Caledonia alone has a number of endemic species comparable to the entire European continent. OCTs host more bird species of global conservation concern than continental EU. Over 75% of the globally threatened species for which the UK is responsible are found on these small islands, including over 90% of the UK's globally threatened bird species. With 33 bird species under threat of extinction, only the UK's OTs have more bird species of global conservation concern than the entire European continent.

Due to the association with the EU OCTs cannot receive any other international assistance and depend on European support. However, despite the fact that preparatory actions have been successfully started to establish a voluntary scheme for biodiversity and ecosystem services in OCTs and Outermost Regions (BEST scheme), the current LIFE proposal fails to support the needed funding for the actual implementation of BEST once the preparatory work is completed in 2012.

Local conservation NGOs play a critical role but they are facing severe challenges due to the absence of dedicated funding for biodiversity. Opening LIFE to OCTs would be a very concrete and simple step that the EU could and should take

- ⇒ The LIFE Regulation should explicitly mention the openness of the LIFE programme to the EU's associated OCTs.

**Art. 8:** LIFE should strategically contribute to the financing of Natura 2000. In order to ensure that LIFE can fulfill its envisaged role as catalyst for financing Natura 2000, it is very important to establish national/regional plans for priority actions as required by the EU Habitats Directive – the LIFE Regulation should make explicit reference to this by amending Art.8 as follows:

- ⇒ "In accordance with their respective responsibilities, the Commission and the Member States shall ensure coordination between the LIFE Programme and the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development, and the European Maritime and Fisheries Fund, in order to create synergies, particularly in the context of Integrated Projects referred to in Article 18 point (d) and also through the establishment of Prioritised Action Frameworks referred to in Article 8 of Directive 92/43/EEC, and to support the use of solutions, methods and approaches developed under the LIFE Programme..."

**Art. 14, 15, 16: LIFE Climate Action should encourage synergies with wider ecosystem related objectives.** As a very small fund LIFE Climate Action has a very limited potential to significantly reduce greenhouse gases. Therefore, there is a strong need for LIFE to deliver on innovative approaches for multiple environmental benefits, such as protecting biodiverse peatlands for carbon storage or creation of Green Infrastructure for flood prevention.

- ⇒ The LIFE Regulation should make specific reference to the need to seek synergies between environmental objectives, in particular between climate action and biodiversity.

**Art. 19: The budget available for “bottom-up projects” must not be cut, but increased.** The successes of the LIFE programme so far are to a large degree based on its bottom-up nature, enabling local and regional stakeholders, companies, NGOs and authorities to develop and implement innovative projects on the ground, generating and exchanging expertise and best practice across the EU with other projects. That way, relatively small projects could provide extremely good value for money.

Over the last four years, more than 200 LIFE+ proposals with good overall evaluations, adding up to 300 million Euro, have been blocked due to lack of funds while other bigger EU funds struggle to spend their allocation – which could mean with the current growing trend that by 2013 half of all viable LIFE+ projects go unsupported. From this follows that there is a potential and need for at least doubling the amount for such projects (from currently approx. 120 million to at least 300 million EUR/year).

However, the Commission proposes the opposite: Because of the introduction of Integrated Projects which would benefit mostly public authorities the Commission suggests reducing the budget available for bottom-up projects significantly, in the field of nature & biodiversity by up to 50% until 2020.<sup>1</sup>

- ⇒ It should be made explicit in the LIFE Regulation’s Art.19, that the budget for “bottom-up projects” should be at least doubled (or increased to 300 million EUR/year).

**Art. 19: Ensure biodiversity-related criteria will guide LIFE funding.** In order to use LIFE funding in the most efficient way for achieving policy objectives, it should be ensured that, in the area of biodiversity, in particular such projects (both bottom-up and Integrated Projects) should be supported that address priority conservation challenges. Possible criteria for these could be linked to conservation status of targeted species and habitats, special EU-level or global responsibility of the project region/Member State for the species or habitats targeted by the project, conservation or restoration measures foreseen that correspond to agreed action plans such as Species Action Plans or Prioritized Action Frameworks (PAFs) for Natura 2000

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<sup>1</sup> See EC LIFE proposal - Legislative Financial Statement (3.2.2) and Impact Assessment (Annex 11)

In case a system of *indicative* national allocations was considered, biodiversity richness, expressed inter alia through Natura 2000 coverage, should be a key criterion for allocations.

- ⇒ It should be made explicit in Art.19 that the European Commission will ensure a strong role for biodiversity-related criteria in project selection as well as in terms of “geographical balance” of projects (as applicable in relation to both bottom-up and Integrated Projects). The list of criteria should be drawn up in a transparent process together with Member States and stakeholders.

**Art. 19 (3): Integrated Projects (IP) must involve stakeholders.** The Commission proposes this new, yet untested, project type, which over time is planned to become the dominant feature of the programme, to be exclusively managed by public authorities. To ensure transparency, acceptance and success of IPs all relevant stakeholders have to have a chance to be involved at all stages, from project development to implementation and reporting. The current proposed provision “involve, where appropriate, stakeholders” is too weak.

- ⇒ The LIFE Regulation’s should emphasize that the accessibility and involvement of relevant stakeholders in Integrated Projects has to be ensured and encouraged wherever and as much as possible.

**Art. 20 (1): The minimum co-financing rate of LIFE support should be increased to 80%, with higher rates possible for Integrated Projects and for economically disadvantaged regions.** It is welcomed that the Commission proposes to increase co-funding rates as this is urgently needed to increase accessibility and uptake by local stakeholders and governments especially in times of budget crisis. This effect is however more than neutralised by changes discussed below (VAT and permanent staff cost eligibility). Also it has to be taken into account that currently certain nature and biodiversity projects receive 75% co-financing. In addition, the proposed Regulation does not specify criteria for the exact co-financing rates, which severely hampers planning security for applicants and will not increase uptake.

- ⇒ The LIFE Regulation should set 80% as fixed co-funding rate for LIFE projects, and 85% for IPs and projects in economically disadvantaged regions.

**Art. 20 (2): VAT costs should stay eligible.** The Commission’s proposal to exclude VAT costs from eligibility risks to exclude a big part of potential beneficiaries from the LIFE programme and creates unequal treatment across Member States due to varying VAT rates and varying possibilities for reclaiming VAT. Higher co-financing rates can not compensate for this, as in many cases applicants would not be able to raise the funds necessary to cover VAT costs from sources outside of the project budget. Furthermore this change would be an incentive to do less activities that generate VAT, such as dissemination and visibility actions (seminars, printing of material etc.). In other EU funds VAT is accepted as eligible costs if the beneficiaries can proof that VAT cannot be recovered.

- ⇒ Delete the reference in the proposed LIFE Regulation, where VAT is stated as not eligible.

**Art. (20): Ensure permanent staff costs are eligible while ensuring that staff for which LIFE funding is obtained is seconded to the project.** The European Commission proposes in the “explanatory memo” to the Regulation to limit or exclude eligibility of costs for permanent staff not specifically recruited for the project, to reduce monitoring and reporting problems. This would have fundamental negative impacts on the quality and feasibility of projects especially of smaller governmental and non-governmental organisations, who depend on continuity of permanent staff and their expertise, and whose staff members often work part-time in several projects at a time. Also, there might be a risk of conflicts with national labour legislation.

- ⇒ The LIFE Regulation should explicitly state, in Article 20, that costs for permanent staff can be eligible, with the condition that it is proven and documented that the staff members in question are seconded to the activities of the project.

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