Eligibility and co-financing under LIFE:

Case studies from Member States

2nd February 2012

BirdLife, EEB and WWF as well as many other environmental organisations across the EU are highly alarmed by the proposal to introduce changes to the eligibility rules of the LIFE programme (to make VAT and permanent staff costs non-eligible). The European Commission suggests that due to the proposed higher co-financing rate most previous LIFE projects would have received more EU-funding under the new rules. However, a closer look at a wide range of projects carried out by NGOs in the past across the EU reveals, that in practice almost none of them could have been realised under the proposed new system.

Two, out of several, important findings from the case studies presented below are:

- **VAT:** Even if the EU contribution to the project would increase, a significant amount of costs would have to be met by the beneficiaries through raising additional funds (in "cash") outside of the project budgets - which mostly would not be feasible, especially for civil society organisations. In addition, the possibilities for reclaiming VAT, as well as the VAT rates themselves vary highly across Member States, resulting in unequal conditions.

- **Permanent Staff:** For most organisations (enterprises, NGOs, public authorities) it would in many cases be very difficult or impossible to employ new staff only for specific projects (and only for their duration); at the same time the quality of the work that could be delivered by the organisations would decrease dramatically. Both factors would prevent most LIFE projects as they were carried out successfully so far from being realised.

If adopted, the proposed changes would not only result in unequal treatment of Member States, but also risk excluding large parts of civil society, many public authorities and small/medium sized enterprises from LIFE. This would mean that many projects that can successfully deliver environmental action on the ground and that have in the past contributed significantly to the success of the LIFE programme would no longer be feasible.

View from Bulgaria (provided by BSPB/BirdLife Bulgaria)

Examples for successful projects that would not have gone ahead if the new rules had applied:

- **"Conservation of Imperial eagle and Saker falcon" (LIFE07 NAT/BG/000068)**
- **"Conservation of the wintering population of the globally threatened Red-breasted goose" (LIFE09 NAT/BG/000230)**
- **"Urgent measures to secure survival of the Egyptian vulture in Bulgaria and Greece" (LIFE10/NAT/BG/152)**

Excluding VAT costs would have a severe impact on Bulgarian NGOs, as they would be required to register for VAT, and would then have to add an additional 20% to any commercial and non-commercial activities. This would also substantially increase the costs of financial staff for NGOs, as VAT reporting is extremely demanding.
Furthermore, as the Bulgarian government recovers all VAT within one month after any claim, this would generate significant cash flow problems for NGOs.
At present LIFE+ is one of the few financial instruments, which do not discourage nor pose limitation to staffing. Successful delivery of conservation actions depends largely on the ability of the NGO to secure and retain trained and qualified staff. If the costs for permanent staff are no longer eligible, the BSPB will have to sacrifice most of its permanent staff and compromise the organisational development and sustainability of its conservation work.

Removing staff costs and VAT would effectively prevent the participation of NGOs in Bulgaria, who unlike state institutions or companies have no 'guaranteed' staff budgets. Most state agencies and municipalities have access to interest-free loans to pre-finance their EU funded projects. Unfortunately this is not available to NGOs.

View from Germany (provided by Global Nature Fund):

Example of the project **"B+B Campaign - European Business and Biodiversity Campaign" (LIFE08 INF/D/000022)**

Here, VAT does not play a big role, as most project partners with "external costs" and "other costs" are companies who can recover VAT.

However, if permanent staff costs had not been eligible, the project could hardly been implemented.

- Applicant (GNF): five staff work in the project, only one staff member had been employed specifically for the project, all others are permanent staff.
- Partner Bodensee Stiftung: both staff involved in the project are permanent staff
- Partner IUCN: both staff involved in the project are permanent staff
- Company partners: also here the staff involved in the project are permanent staff (plus trainees)

The advantages of using permanent staff in LIFE projects are obvious: that way experience and knowledge can ensure quality and continuity in the projects. It is the LIFE programme

that specifically requires from applicants to prove the qualification of the organization, which in turn requires experiences staff!
Also, in many LIFE it is practice to work with part-time contributions from (permanent) staff, as often a 100% contribution is not necessary (e.g. from communication experts). In such cases the future rules would imply that the organisation cannot offer a full-time job, which makes it even harder to find highly skilled staff.

View from Latvia and Estonia (provided by Baltic Environment Forum):

The LIFE project **"MARMONI - Innovative approaches for marine biodiversity monitoring and assessment of conservation status of nature values in the Baltic Sea" (LIFE09 NAT/LV/000238)** would not have been possible under the proposed framework.

Project information:

- 4 countries, 9 partners: NGOs: 3 (BEF Estonia, Latvia (coordinating beneficiary) and LV Fund for Nature), public authorities: 3 (including Swedish Env. Protection agency and Finnish Env Institute, plus Latvian nature conservation agency), Research institutes: 4 (they are considered public bodies except 1 which is a private one)
- budget: 5.8 million EUR total funding, out of which 50% LIFE+: 2,944,401 EUR
- personnel costs: ca. 2.4 million EUR (42%)
- external assistance: ca. 2.4 million EUR (42%)
- rest of budget positions: 16%

Reasons why it would not have been possible under the proposed rules:

Permanent Staff:

1. The project beneficiary "BEF Latvia" has (except the project manager) only permanent staff.
2. Almost all other partners also have involved mostly permanent staff, only one of the action leaders and co-leaders in the whole consortium (most experienced Baltic marine experts) is temporary staff, all others are permanent staff of the organisations and in senior leading positions.
3. To arrange temporary project contracts with personnel would not be "in the spirit" of the new framework, and would only be possible for a maximum of three years, for projects of a longer duration and for similar project positions legislation obliges us to employ people.
4. Also, if permanent personnel would not be eligible, there would be nobody who could make the contracts and supervise the work.

VAT:

1. The approximate sum of VAT in the 2.4 million EUR sub-contracts is approx 540,000 EUR - about 10% of total project budget. If we would get 70% co-funding, but have 10% costs outside the grant, then the additional EU funding would help.
2. For our Swedish project partner the VAT sum makes 20% of its total budget, so there would not be any benefits from getting higher EU co-funding.
3. Two Latvian project partners also have big sub-contracts (bird surveys, mostly for airplanes, ships and remote sensing maps, some expert work) - the VAT makes more

than 10% of their budget, so being on the edge of what own financing they can cover, they would never agree on financing such large sums outside the project grant - and we would not be able to implement the project in Latvia.

4. If the VAT remains outside the project budget, we cannot get co-funding from, for example the Latvian Environmental Fund (contribution is derived from the submitted total LIFE budget). If VAT is not considered a part of the eligible LIFE budget, national co-financing is very likely not going to accept it as part of the eligible project budget, which means that our proportion of own funding is even getting higher, as we can generate less EU funding AND less national co-funding.

NGOs in CEE countries, which do not have operational budget through donations or core funding must make already big efforts to generate own-funding, therefore any percentage of increased EU co-financing would be very helpful and urgently needed. Why does the European Commission then neutralize this proposal by suggesting at the same time to no longer accepting VAT or permanent personnel costs as eligible?

View from Lithuania (provided by LOD /BirdLife in Lithuania):

The LIFE project **"Baltic Aquatic Warbler - Securing Sustainable Farming to Ensure Conservation of Globally Threated Bird Species in Agrarian Landscape" (LIFE09 NAT/LT/000233"** would not have been possible under the proposed rules, and the organization would not have developed the concept.

If permanent staff had been not eligible, temporary staff without adequate expertise and experience would have had to be hired, making the project unfeasible.

VAT costs could not have been covered from other sources, neither.

(Project information: Total budget: 2,191,685 EUR; EC co-funding (74,9%), permanent staff 440,558 EUR (20.1% of total buget; 66,66% of personnel budget), VAT: 279,659 EUR (12,76% of total budget).

View from Poland (provided by OTOP/BirdLife Poland):

Examples for successful projects that would not have gone ahead under the new rules:

- **"Aquatic Warbler project - Conserving Acrocephalus paludicola in Poland and Germany" (LIFE05 NAT/PL/101)**
- **"Biomass use for Aquatic Warbler" (LIFE09 NAT/PL/260)**

In addition one application currently in review and two applications currently in preparation would no longer be viable.

Increasing co-financing rates would not help for these projects to go ahead. In Poland LIFE funding is topped up by the National Fund for Environment (NFOS), which co-finances all LIFE proposals so as to leave the project partners with only 5% of the eligible costs. However, the VAT and staff costs are not eligible for any national level support, and so OTOP and other Polish LIFE beneficiaries would be required to increase their own contribution from 5% to 28%. In addition the costs of permanent staff involved in the project would not be covered, adding a further 5% to the project costs for the beneficiary.

Fundraising for ineligible core staff or VAT costs would be extremely challenging, as sponsors would not become official project co-financiers.
The new proposals would raise significant barriers for OTOP and other Polish NGOs wishing to access LIFE funding in future.

Declaring VAT as ineligible would also introduce great injustice, as beneficiaries in different countries would be treated differently, and different types of beneficiaries would be treated preferential. All beneficiaries that can re-claim VAT would be preferred over the others, and those in countries with lower VAT rates would be preferred over those with higher rates (they vary between 15% and 27%, with Poland having 23%). In some countries it is possible for NGOs to reclaim VAT from EU grants, in others (like Poland) this is not possible.

View from Portugal (provided by SPEA/BirdLife Portugal)

Successful projects that would not have gone ahead under the new eligibility rules include:

- **"PRIOLO - Azores bullfinch habitat recovery" (LIFE03 NAT/P/000013)** – selected as one of the five "Best of the Best LIFE-Nature projects 2009"
- **"IBAMarinha - Important bird areas for seabirds in Portugal" (LIFE04 NAT/P/000213)** – selected as one of the 18 "Best LIFE-Nature projects 2008-2009"
- **"Tetrax - Project Tetrax - the conservation of Little Bustard in Alentejo" (LIFE02 NAT/P/008476)**

The only recent SPEA LIFE project that would still have gone ahead, due to its specific financing arrangement, is the **"Safe Islands for Seabirds" (LIFE07 NAT/P/000649)** project, run in collaboration with the Azores government and the RSPB, the UK BirdLife Partner.
Exclusion of VAT from eligible costs would be a serious problem in Portugal, as VAT is set at 23% and cannot be reclaimed. In addition, no matching funds are available from national agencies.
Furthermore, increasing the co-financing from the EU is already a real need, as there is no chance to mobilise any matching funds from governmental agencies that are committed to comply with the budgetary crisis cuts imposed, inter alia by the European Union.

The new proposals would effectively prevent SPEA, and other Portuguese NGOs applying for LIFE funding.

View from the United Kingdom (provided by RSPB/BirdLife UK and WWF)

Even one of the largest environmental NGOs in Europe, the RSPB (BirdLife in the UK) estimates that five out of their last eight LIFE projects would not have been possible with VAT and permanent staff costs (see below) excluded, even with a higher co-financing rate. Projects that would not have gone ahead include two projects from the Information & Governance strand: **"Futurescapes – promoting the development of green infrastructure" (LIFE10/INF/UK/189)** and **"Promoting the EU Birds Directive in conservation management on farmland" (LIFE08/INF/UK/214)**.

WWF UK, another very large NGO, would not have been able to coordinate and carry out the LIFE Environment project "**LIVE well for life" project (LIFE10 ENV/UK/000173)**.

Contacts:

- Konstantin Kreiser, Coordinator of BirdLife's EU Birds and Habitats Directives Task Force
  konstantin.kreiser@NABU.de /+49-(0)-172-4179730
- Sarolta Tripolszky /EEB Biodiversity, Water and Soil Policy Officer
  sarolta.tripolszky@eeb.org /+32-(0)-2289 10 93
- Andreas Baumuller, WWF EPO, Head of Natural Resources and Land Use
  abaumueller@wwwf.panda.org/+32-(0)-2-740 09 21