



2017

Annual Activity Report

DG Environment

Foreword



In his 2016 State of the Union address, President Juncker promised to focus the Commission's work in 2017 on delivering a Europe that protects, empowers and defends its citizens. DG Environment contributed to these objectives in various ways, thereby helping to build the sustainable future to which we all aspire.

As the EU economy entered its fifth year of recovery, we took important further steps to stimulate 'green' growth, notably through the continued transition toward a circular economy. In December, political agreement was secured on ambitious new recycling and landfill reduction targets as part of updated EU waste legislation. Earlier in the year, the scope of legislation on restrictions on the use of certain hazardous substances in electrical and electronic equipment was amended to facilitate secondary market operations such as repair, refurbishment and reuse. Following an extensive evaluation of the EU's nature conservation laws, an action plan was adopted to boost their implementation while strengthening the connection between nature protection and socioeconomic activities.

We also took measures to better protect citizens' health and improve their well-being. Large combustion plants throughout the EU will need to comply with strict emission limits for pollutants that can harm human health and the environment. By ratifying the Minamata Convention on mercury, the EU triggered the entry into force of the global treaty, which will protect against exposure to this toxic heavy metal. In November, Commissioner Vella hosted the first Clean Air Forum in Paris, to call urgent political attention to this number one environmental cause of premature death in the EU at a cost of over EUR 20 billion a year.

Enabling Europe's citizens to benefit from the full potential of the EU's environment policy and laws and empowering them to build a sustainable future for themselves and their families requires that they have adequate access to information and, if necessary, to justice. In 2017, we set out guidelines to help citizens gain better and fairer access to their national courts on environmental cases. A new tool was launched together with the European Environment Agency, which enables citizens to monitor air quality in real time.

In 2017, we stepped up our work to support Member States in improving compliance with EU environmental law through bilateral country dialogues to identify and address implementation challenges, including specific dialogues on air quality. We also proposed a set of actions to reduce administrative burden linked to environmental reporting for the responsible authorities.

While we can and must continue to provide our citizens with a high level of protection and improvement of the quality of the environment in the EU, we must at the same time protect them from cross-border pollution and environmental degradation beyond our borders. In 2017, we continued to work closely with third countries and international organisations to tackle global environmental challenges, promoting the EU's vision of a resource efficient, low-carbon circular economy and the attainment of the United Nations Sustainable Development Goals.

During this year our DG, with the support of EASME, continued to efficiently manage the LIFE programme, which is the only European instrument exclusively dedicated to nature and the environment. This programme celebrated its 25th anniversary, marking its success in delivering concrete benefits in these areas throughout Europe.

As you will see from this report, 2017 was another busy year on all fronts. There is a lot of work ahead of us to build a better, healthier environment. Following the introduction of organisational changes aimed at improving synergies and enhancing coherence, and through good progress made in improving the gender balance in our organisation, DG Environment remains fully committed and ready as ever to take on the challenges that lie ahead.

I look forward to working with you all to shape this agenda – with and for Europe's citizens.

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THE DG IN BRIEF

DG Environment has 504 staff members organised in six directorates which are divided into units. DG Environment shared a resources directorate of around 90 people with DG Climate Action until October 2017, when the resources directorate was dismantled, and staff distributed between both DGs. Two new units dealing respectively with Finance and with Information management (including IT systems) were created in Directorate A. The mandate of Directorate A is to match policy priorities with resources. Following the Commission's HR Modernisation pilot, the administrative management of Human Resources was centralised and staff transferred to the Account Management Centre units of DG Human Resources and Security, with the exception of a small HR Business Correspondent team which remained attached to the Director General's office.

DG Environment's activities are framed by the Treaties on the European Union and Functioning of the European Union¹. The Treaties establish that EU environmental policy shall aim at a high level of protection and contribute to preserving, protecting and improving the quality of the environment; protecting human health; prudent and rational utilisation of natural resources; and promoting measures at international level to address regional or global environmental problems. They also establish that environmental protection requirements must be integrated into the definition and implementation of the Union's policies and activities, in particular with a view to promoting sustainable development.

The work of the DG is guided by the 7th Environment Action Programme², President's Juncker's priorities and the Sustainable Development Goals. In the short term, strategies such as the Circular Economy Action Plan and the Action Plan for Nature, People, and the Economy frame annual planning.

DG Environment deals mainly with policy development and implementation. Where appropriate, the DG initiates proposals for adoption by the Commission and consideration by the European Parliament and Council, following input from citizens and stakeholders and rigorous impact assessments, in line with the Better Regulation principles. Once adopted, the DG works with Member States to ensure that legislation is transposed and applied across the EU effectively; promoting compliance and preventing infringements is a priority. The DG also regularly evaluates the legislation and policies in place to ensure they are fit for purpose and, where feasible, non-legislative means are used. Environment policies are based on sound scientific knowledge and DG Environment relies on many sources of environmental data, in particular from, the European Environment Agency, Eurostat, the Commission's Joint Research Centre, stakeholders and broad-based public consultations.

The DG also works directly with other Commission services to ensure that environmental considerations are duly mainstreamed into EU policies and funding programmes such as EMFF, ERDF, EAFRD³ and Horizon 2020, and into external financing instruments providing support for partner countries' and partner organisations' efforts for sustainable development.

The Treaties enable the EU to participate in international environmental agreements together with Member States and assigns the Commission a strong coordination and representation role. DG Environment represents the EU at a wide-range of environmental

¹ Articles 3 and 17 of the Treaty on the European Union and Articles 11, 49, 191-193, 208 and 209 of the Treaty on the Functioning of the European Union

² Decision no 1386/2013/EU of the European Parliament and of the Council on a general Union Environment Action Programme to 2020 'Living well, within the limits of our planet'

³ European Maritime and Fisheries Fund (EMFF), European Regional Development Fund (ERDF), European Agricultural Fund for Rural Development (EAFRD)

meetings in international fora such as the United Nations, in multilateral environmental agreements and in other international fora when environment-related matters are discussed.

DG Environment, in collaboration with DG Climate Action, is also responsible for the LIFE programme (with a budget of approx. EUR 300 million per year). The LIFE sub-programme for Environment finances projects dedicated to promoting environmental protection, resource efficiency, nature and biodiversity conservation, as well as environmental governance and information. LIFE funding focuses on projects set up to catalyse broader actions, contribute to policy development and support its implementation.

The responsibility for implementing the LIFE programme is delegated to the Executive Agency for Small and Medium-sized Enterprises (EASME), with the exception of projects flowing from the previous LIFE programmes which are managed by DG Environment. In 2017, new Integrated, Technical Assistance and Preparatory Projects were also managed by the DG; these will be progressively outsourced to EASME in 2018.

EXECUTIVE SUMMARY

The Annual Activity Report is a management report of the Director-General of DG Environment to the College of Commissioners. Annual Activity Reports are the main instrument of management accountability within the Commission and constitutes the basis on which the College takes political responsibility for the decisions it takes as well as for the coordinating, executive and management functions it exercises, as laid down in the Treaties⁴.

a) Key results and progress towards the achievement of general and specific objectives of the DG

The Commission remains fully committed to implementing the **Circular Economy** across all the relevant policy areas. By the end of 2017, more than 80% of the initiatives announced in the Circular Economy Action Plan⁵ were either adopted or on track, and circular economy principles were integrated in many areas, such as public procurement, cohesion policy and the new EU Industrial policy strategy.



Initiatives developed in 2017 include the first-ever EU-wide **Strategy on Plastics**, which will change the way we produce, use and recycle plastics, contributing to create innovative business models while helping to reduce marine litter and prevent pollution from micro-plastics. The **interface between chemicals, products and waste legislation** was analysed to address the problem of substances that hamper reuse and recycling, while a

circular economy **monitoring framework** was put in place to allow measuring progress on the ground.

The preliminary agreement reached by the European Parliament and the Council to update EU **waste legislation** will establish more ambitious targets and rules aimed at increasing waste recycling and significantly reduce landfilling, thus reinforcing the circular economy and the implementation of the United Nations 2030 Agenda and Sustainable Development Goals (SDGs).

To further contribute to the Commission's growth and jobs agenda, **GreenWeek 2017** focused on "Green jobs for a greener future" and showcased the positive impact of environment policy on sustainable and socially responsible growth, while also tackling the necessity of having new types of green skills among stakeholders.

Generating green growth, protecting citizens' health and implementing the SDGs also require enhancing natural capital and ecosystem services, which are the resource-base of our economy and well-being. An **Action Plan on Nature, people and the economy** was adopted to strengthen the connection between nature protection and socioeconomic activities, and to boost the implementation of nature legislation. Preparatory work was also launched to address the decline of pollinators in the EU.

A **healthy environment** and the quality of resources are also fundamental for EU citizens, who overwhelmingly support the EU's role in environment policy - 94% of EU citizens believe that protecting the environment is important, 81% deem that

⁴ Article 17(1) of the Treaty on European Union

⁵ COM(2015)614 final

environmental issues have a direct effect on their health and daily lives, and 80% agree that EU rules are necessary⁶.

In 2017, **drinking water** legislation was revised to complete the Commission's positive response to the first-ever successful citizens' initiative on the Right2Water, and in line with the findings of a thorough evaluation. Although tap water is generally safe in the EU, once adopted the proposal will further improve water quality, protect consumers from potential future health risks and improve access to water



for all EU citizens. Also in the water policy area, the 2017 reports on urban waste water treatment and on the quality of bathing water showed positive results. However, achieving good status of all EU freshwater bodies is still an important challenge.

Air quality remained the main environmental concern for citizens' health. Linked to the implementation of the revised National Emissions Ceilings Directive, a new measure was adopted to further reduce pollutants from Large Combustion Plans, and work with Member States and stakeholders was stepped up at all levels, including through the first Clean Air Forum. Cities and towns are both a source of and solution to today's environmental challenges, and the **European Green Capital** and **Green Leaf Awards** continued to promote more sustainable approaches, including in the context of SDG 11 to make cities inclusive, safe, resilient and sustainable.

In keeping with this Commission's **Better Regulation** agenda, and to improve implementation of EU environment legislation, three new initiatives were adopted, to help citizens gain fairer **access to justice** through their national courts; to support authorities to promote and ensure **compliance** with legislation, and to streamline environmental **reporting**, so that high quality information remains available to citizens and authorities, while reducing the administrative burden through better use of digital technologies. In addition, under the ongoing **Environmental Implementation Review**, 28 country-specific reports helped to identify the main implementation gaps in EU environment legislation, and prepared the ground for high-level bilateral dialogues between the Commission and the Member States. These initiatives should help reaching environmental targets across sectors and enable European citizens to benefit from the full potential of EU's environment policy.

Achieving environmental objectives, and implementing a transition towards a more sustainable world also present challenges in terms of financing and the **mainstreaming** of environmental considerations into EU funding programmes continued throughout the year. In this context, the role of **green finance** and the next Multiannual financial framework was analysed as key to ensure future effective funding for the environment. Projects were also launched to mobilise private capital and the first loan agreement was signed under the Natural Capital Finance.



International action was enhanced to address transboundary environmental issues within the **frame provided by the SDGs**. The global transition to the circular economy was further supported through high level circular economy missions and regional workshops, and efforts were also stepped up to support biodiversity and to combat wildlife crime.

The EU played a key role at the third United Nations Environment Assembly, securing successful outcomes to address the pollution of air, land and soil, freshwater and oceans. As chair of the Helsinki Convention on the Baltic Sea, the EU's role was also fundamental in preparing a new strategic direction for adoption in 2018. The entry into force of the

⁶ Cf. the 2017 Eurobarometer [Attitudes of European citizens towards the environment](#);

Minamata Convention on Mercury was another remarkable success of EU green diplomacy in 2017.

The **LIFE programme** celebrated its 25th anniversary at the frontline of EU efforts to preserve its natural heritage, and the mid-term review, based on early implementation, confirmed that it is progressing in the right direction and still fit for the issues it intends to address. Over EUR 220 million were provided in 2017 for projects in the field of environment and to help Member States make the transition to a more circular economy. While these projects will be managed by EASME, DG Environment continued implementing legacy projects from previous LIFE programmes and achieved a residual error rate well within prescribed limits. Three projects were approved to support the deployment of the **European Solidarity Corps** and the first young volunteers will arrive on the selected Natura 2000 sites from 2018.

b) Key Performance Indicators (KPIs)

The following key performance indicators help measure progress towards the achievement of DG Environment's objectives, while recognising that external factors often outside the DG's control also play a role⁷.

Since 2017, DG Environment's key performance indicators are also part of the *EU set of Sustainable Development Goals indicators* developed by Eurostat for the purpose of monitoring progress towards the SDGs in an EU context. Cross-references are provided below⁸:

- **Municipal waste** generation and treatment in line with the waste hierarchy, as a proxy for the circularity of the economy → **SDG indicator 11.52** under Goal 11 "Make cities and human settlements inclusive, safe, resilient and sustainable", also relevant for Goal 12 "Ensure sustainable consumption and production patterns";
- Common **birds population**, as a proxy for wide-ranging pressures on ecosystems and the services they provide → **SDG indicator 15.3** under goal 15 "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, halt and reverse land degradation and halt biodiversity loss";
- Exposure of urban population to **air pollution** (illustrated by particulate matter) → **SDG indicator 11.3** under Goal 3 "Ensure healthy lives and promote well-being for all at all ages" and Goal 11 "Make cities and human settlements inclusive, safe, resilient and sustainable";
- The quality of EU **waters**, as reflected by the percentage of water bodies in good ecological status, or with good potential → partially covered by **SDG indicators 6.21, 6.24 and 6.26** under Goal 6 "Ensure availability and sustainable management of water and sanitation for all);
- Residual **error rate** to reflect the degree of sound financial management, defined as the share of payments at risk of mismanagement compared to the overall payments⁹ (internal management indicator).

⁷ Detailed information on these indicators can be found in annex 12, "Policy performance tables" – see indicators number 1.2, 2.1, 3.1 and 3.2, respectively under Specific Objectives 1, 2 and 3.

⁸ SDG set version of May 2017, available at <http://ec.europa.eu/eurostat/documents/276524/7736915/EU-SDG-indicator-set-with-cover-note-170531.pdf>

⁹ For details on this indicator, see Indicator 1 under 'Financial Management' in annex 2, "Organisation management performance tables"

Impact/Result indicator	Target	Latest known results
<p>KPI1: Municipal waste generation and treatment through the waste hierarchy (%) - proxy for the circularity of the economy</p>	<p>- Recycling & composting: 50% (2020) - 65% (2035¹⁰) - Incineration (n/a) - Reduction of landfilling to 10% (2035⁸)</p>	
<p>KPI2: Common birds population, proxy for the state of biodiversity and the integrity of ecosystems</p>	<p>Reverse or halt the decline</p>	<p style="text-align: center;">Index: 1990 = 100</p>
<p>KPI 3: Exposure to air pollution: Percentage of urban population exposed to air pollution above EU standards (here illustrated by Particulate Matter – PM₁₀).</p>	<p>0% by 2020</p>	

¹⁰ As per the preliminary agreement reached between the legislators in December 2017 on the revision of EU waste legislation

<p>KPI 4: Percentage of surface water bodies in good ecological status or with good ecological potential</p>	<p>100% by 2015 unless exemption applies</p>	<p>43% in 2009 40% in 2015*</p> <p>*Estimate based on 25 Member States' River Basin Management Plan available by end 2017; although the percentage remains low there is much more certainty in the accuracy of the information and a number of individual quality elements has improved compared to the 2009 assessment</p>
<p>KPI 5: Estimated Residual Error Rate</p>	<p>Below 2%</p>	<p>2014: 0.60% 2015: 0.90% 2016: 0.11% 2017: 0.18%</p>

c) Key conclusions on Financial management and Internal control (executive summary of section 2.1)

In accordance with the governance arrangements of the European Commission, DG Environment conducts its operations in compliance with the applicable laws and regulations, working in an open and transparent manner and meeting the expected high level of professional and ethical standards.

The Commission has adopted a set of internal control standards, based on international good practice, aiming to ensure the achievement of policy and operational objectives. The Financial Regulation requires that the organisational structure and the internal control systems used for the implementation of the budget are set up in accordance with these standards. DG Environment has assessed the internal control systems during the reporting year and has concluded that the internal control standards are implemented and function as intended. Please refer to section 2.1.3 for further details.

In addition, DG Environment has systematically examined the available control results and indicators, including those relating to entities to which it has entrusted budget implementation tasks, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on management's assurance as regards the achievement of control objectives. Please refer to section 2.1 for further details.

In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

d) Provision of information to the Commissioner(s)

In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Vella, responsible for Environment, Maritime Affairs and Fisheries.

1. KEY RESULTS AND PROGRESS TOWARDS THE ACHIEVEMENT OF GENERAL AND SPECIFIC OBJECTIVES OF THE DG

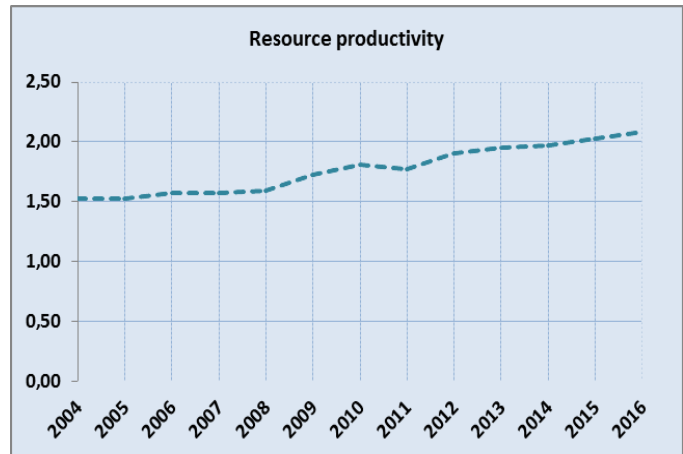


Commission General Objective: A new boost for Jobs, Growth and Investment

In 2017 DG Environment worked towards achieving the six Specific Objectives set out in its Strategic Plan 2016-2020¹¹, which reflect the objectives of **7th Environment Action Programme**¹². These objectives contribute primarily to the achievement of the **Commission's first priority**, a new boost for Jobs, Growth and Investment. They are also in line with the United Nations **Sustainable Development Goals**, which form the basis of the 2030 Agenda for Sustainable Development adopted by more than 150 world leaders in September 2015 to eradicate poverty and achieve sustainable development by 2030 world-wide.

DG Environment's activities are helping to deliver results on the ground and a number of indicators are showing improvement, including on **resource productivity**. The trend shows that Europe's economy is growing faster than its use of raw materials, indicating better resource efficiency, which is also a measure of the economy's circularity and sustainability.

The work of the DG is framed by the Commissioner's strategic priorities for his mandate, which are fostering green growth, re-connecting the EU with its citizens, especially through policies that enhance the quality of life, and "making it happen", ensuring that the legislation and policies in place reach their intended effect, including at international level. The LIFE programme contributes to these three strategic areas.



Evolution of Resource productivity measured as Gross Domestic Product over Domestic Material Consumption (EUR/Kg on the vertical axis) Source: Eurostat

¹¹ http://ec.europa.eu/atwork/synthesis/amp/doc/env_sp_2016-2020_en.pdf. These objectives are based on the priorities established in the 7th Environment Action Programme

¹² Decision No 1386/2013/EU of the European Parliament and of the Council on a General Union Environment Action Programme to 2020 'Living well, within the limits of our planet'

1.1 Generating Green Growth

DG Specific Objective: The EU economy is resource-efficient, green and competitive

Driving the transition to a **circular economy** is a key priority of this Commission. The 2017 Commission Work Programme (CWP) identified the **Circular Economy Action Plan** as a main contributor to President Juncker's first priority on Jobs, Growth and investments.

*The **Circular Economy** was a key component of the **Commission Work Programme** for 2017.*

Several Commission services contributed to the development of the new initiative and the participation of external Stakeholders' was also crucial.

DG Environment led several of the initiatives announced in the CWP, in close collaboration with other Commission services, especially DG Internal Market, Industry, Entrepreneurship and SMEs, the Secretariat General and Eurostat, but also DG Research and Innovation and the Joint Research Centre for the provision of knowledge and scientific evidence. The engagement of stakeholders and the public at large was an equally remarkable feature of these policy developments.

By the end of the year, work was completed on the first ever EU-wide **Strategy on Plastics**¹³, which seeks to transform the way plastics and plastic products are designed, produced, used and recycled. The strategy will help to create a European market for recycled plastics, and drive investment and innovation towards circular solutions, providing new business opportunities and increasing the competitiveness of European companies.



The plastics strategy also includes integrated actions to curb pollution from all sources of micro-plastics, and follow-up action for single-use plastics items, which represent more than half of all **marine litter**, protecting citizens and the environment while fostering innovation. To help stop littering at sea, rules on **port reception facilities** were also updated so that waste generated on ships or gathered at sea is returned to land and appropriately managed there¹⁴.

*The presence of certain **chemicals in products and waste** can hamper recycling and reuse under the circular economy. Options to address this interaction were analysed.*

Work on new threshold values for marine litter is progressing under the Marine Strategy Framework Directive.

Recovery, recycling and reuse, key to extracting the maximum value from all raw materials, products and waste in the circular economy, can be hampered by the presence of certain chemicals. Options to address the **interface between chemicals, products and waste** legislation were analysed with experts in different legislative areas¹⁵. Earlier in 2017, the

DG prepared a proposal to update legislation on the presence of **hazardous substances**

¹³ COM(2018) 28 final, adopted on 16 January 2018

¹⁴ COM(2018)33 final, adopted on 16 January 2018; led by DG MOVE, this initiative is an example of the role played by different EU policies in the transition to the circular economy

¹⁵ COM(2018) 32 final; adopted on 16 January 2018

in electrical and electronic equipment¹⁶ with further measures facilitating second-hand market operations as well as reuse and repair, thus avoiding additional waste and leading to savings of energy and raw materials¹⁷.

Progress was also made on a new initiative on **water re-use**; the positive opinion issued in early 2018 on the second submission should allow for the adoption of a proposal in spring 2018, to address water scarcity with a circular economy approach.

The circular economy is affecting all economic sectors. A **monitoring framework** was devised to capture the different dimensions of this systemic change through a set of key

Circular economy monitoring framework



Measuring progress in the transition to a Circular Economy

indicators, in collaboration with Eurostat, the National Statistical Offices of Member States and the European Environment Agency¹⁸. This new framework will enable the Commission to measure progress on this fundamental transition.

Implementing existing waste legislation continued to be a shared priority with the Member States. The EU average **recycling and composting** rate for municipal waste progressed to almost 46% in 2016 and is on the right track towards reaching 50% recycling of municipal waste by

end 2020. Implementation of EU legislation on other waste streams is also progressing, and **total waste generated**¹⁹ per capita is decreasing slowly but steadily. Waste prevention remains however an important challenge in all Member States²⁰.

Improving waste management was also flagged as an EU **legislative priority** for 2017²¹, and in December a preliminary agreement was reached by the European Parliament and the Council on the pending Commission waste proposals²², enabling their adoption in 2018. DG Environment supported the work of the co-legislators throughout the year. The revised waste legislation will provide a new basis to reduce waste generation, increase the reinjection of valuable resources and materials into the EU economy and further develop the recycling industry.

*The **revision of the EU waste legislation** agreed in 2017 will provide a new basis to prevent waste generation, increase the reinjection of resources into the EU economy and develop the recycling industry.*

¹⁶ COM(2017) 38 final

¹⁷ The proposal was adopted by the Commission in January and by the co-legislators in November, and is already in force: Directive (EU) 2017/2102 of the European Parliament and of the Council of 15 November 2017 amending Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment, OJ L 305, 21.11.2017, p. 8–11

¹⁸ Underpinning this initiative, Eurostat is launching a new website section dedicated to circular economy reporting on all the indicators of the monitoring framework, updated with latest data, as well as supporting visualisation tools

¹⁹ Cf. indicators 1.1 (total waste generated per capita) and 1.2 (municipal waste generation and treatment) in annex 12

²⁰ Cf. COM (2017) 63 final, p.3

²¹ Joint Declaration on the EU's legislative priorities for 2017, signed by the three institutions

²² The political agreement concerns the four legislative proposals that were part of the Circular Economy package adopted by the Commission in 2015, on waste (COM(2015)595), on packaging waste (COM(2015)596), landfill (COM(2015)594) and electrical and electronic waste (COM(2015)593)

Progress was also made on other streams of the Circular Economy Action Plan. The fitness check of the **EU Eco-Management and Audit Scheme** and **EU Ecolabel Regulations**²³ was completed and provided the signal to boost the role of these voluntary schemes in the transition to a circular economy. The 25th anniversary of the EU Ecolabel, awarded in Europe to more than 54000 products that comply with rigorous ecological criteria, was an excellent occasion to promote its visibility and uptake. New criteria for **Green Public Procurement** were issued and a new tool for designing **sustainable buildings** and assessing their environmental performance was delivered²⁴. The new **Industrial Policy Strategy**²⁵, which aims at positioning European industry as a world leader in innovation, digitalisation and decarbonisation, will make an important contribution and is an emblematic example of the spread of circular economy thinking across EU policies. **Best Available Techniques** for pollution control, led by DG Environment, will further improve industry's environmental performance and promote the use of innovative techniques. Together, these initiatives will help the circular economy approach take hold across a range of sectors.

To further engage economic actors on the ground, a **Circular Economy Stakeholder Platform**²⁶ was launched as a joint initiative of the Commission and the European Economic and Social Committee, with the aim of becoming a "virtual meeting place" for stakeholders across Europe and a reference for the exchange of best practices. The first Circular Economy Stakeholder conference took place in Brussels on 9-10 March, to take stock of the Action Plan's implementation and look at next steps.



Green Week 2017 was dedicated to "Green jobs for a greener future" and focused on how EU environment policies are creating green jobs and contributing to economic, sustainable and socially responsible growth in the EU. It also highlighted the demand for new types of green skills in many professional sectors.

DG Specific Objective: The Union's natural capital is protected, conserved and enhanced

Natural capital and ecosystem services are key elements of the EU economy's resource-base, and need to be preserved and enhanced as a precondition for lasting growth, social cohesion and well-being.

*The **Action Plan on Nature, People and the Economy** will connect nature protection and socio-economic activities more broadly, and boost the implementation of UE nature legislation.*

The conclusion of the fitness check of the Birds and Habitats Directives in December 2016 confirmed that they are fit for purpose, and helped refocus priorities on improving their implementation. An **Action Plan on Nature, People and the Economy**²⁷ was established and its 15 actions, to be carried out by 2019, should enhance the implementation of the two Nature Directives. Follow-up work started with the update of guidance on site permitting and species protection, and was also launched on new guidance on green infrastructure, and on the integration of ecosystems services

in planning and decision making.

²³ COM(2017)355 final

²⁴ Level(s), available at <http://ec.europa.eu/environment/eussd/buildings.htm>

²⁵ COM (2017) 479 final

²⁶ <http://circulareconomy.europa.eu/platform/en>

²⁷ COM(2017)198 final

The Action Plan is also about completing and improving the management of the **Natura2000** areas, which currently cover 18% of EU land and 6% of EU sea waters.



Connecting nature protection and socio-economic activities more broadly, and engaging with national authorities, stakeholders and young people are part of this plan. The declaration of the **21st May as the official European Natura 2000 Day** fulfilled its first pledge, marking the 25th anniversary of this network and of the Habitats Directive.

The Action Plan also aims at strengthening investment in nature, making better use of available EU funds and rendering nature more attractive for private investment. An EU community of practice for finance and biodiversity was launched²⁸, and a decision was made to increase the percentage of LIFE funding allocated to nature and biodiversity, in a first-time use of this flexibility provision of the LIFE programme²⁹.

To further protect native biodiversity, the list of **Invasive Alien Species** was updated³⁰ and a methodology developed to assess the risks posed by alien species. Consultation activities were launched on a new initiative to mitigate the decline of **pollinators**.

The **birds population** situation in the EU (proxy of the state of biodiversity and a Key Performance Indicator for DG Environment) shows, however, that much more needs to be done to halt the loss of biodiversity and deliver on the EU Biodiversity Strategy's objectives³¹ and the United Nations Sustainable Development Goals. Some common birds appear to be stabilizing but other species linked to agricultural ecosystems continue to decline. While reversing the negative trend will require strong intervention from all actors on the ground, DG Environment will keep promoting the integration of biodiversity concerns across EU policies and funds, in particular related to agriculture, as well as EU action at international level.

Soil protection was discussed within the Global Soil Partnership of the Food and Agriculture Organization, also in the context of the SDGs land degradation neutrality target (SDG 15, "Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss"³²). Following the dramatic 2017 forest fires season, harmonizing the EU approach to forest fires risk assessment and fire prevention measures were discussed with EU experts, including possible land use measures³³.

1.2 Connecting with European Citizens

DG Specific Objective: The Union's citizens are safeguarded from environment-related pressures and risks to health

Although **Drinking Water** in the EU is safe, a proposal to update Drinking Water legislation³⁴ was completed in 2017 to further improve water quality and protect consumers from potential future health risks due to emerging substances, in line with the findings of the existing Directive³⁵'s evaluation, and with the World Health Organisation's recommendations. Another aim is giving to the public user-friendly access to information

²⁸ http://ec.europa.eu/environment/biodiversity/business/news-and-events/news/news-26_en.htm

²⁹ C(2017)7538

³⁰ C(2017)4755

³¹ COM(2011) 244

³² <https://unstats.un.org/sdgs/report/2016/goal-15/>

³³ Commission Expert Group on Forest Fires (EGFF)

³⁴ COM (2017) 753 final

³⁵ SWD (2016) 428 presenting the results of the REFIT evaluation of the Drinking Water Directive 98/83/EC

about the quality and supply of drinking water in their living area, which will improve confidence in tap water and contribute to preventing unnecessary plastic waste. The proposal also includes a provision to grant access to water for vulnerable population groups, thus completing the response to the 2012 citizens' initiative on the **Right2Water**³⁶.



Drinking Water legislation was revised to further improve water quality and access to water for all. The proposal is the successful culmination of a European Citizens' Initiative on the [Right2Water](#).

The 2017 **Bathing Water** report³⁷ confirmed a positive 40-year trend of increasingly cleaner water at beaches and swimming spots across Europe. Thanks to investments by the EU and the Member States, more than 96% of the 21 000 coastal and inland bathing areas across the EU fulfilled the minimum quality criteria set out in the Directive, slightly improving the high results from previous years. Progress in the

implementation of urban waste water treatment legislation³⁸ and the reduction of nitrates in surface and groundwater have significantly contributed to improving the quality of Europe's waters.

Under the Water Framework Directive, the assessment of the second set of River Basin Management Plans (RBMP) will determine the percentage of EU freshwaters with **good ecological status**. While this is still expected to be around 40% for surface waters, a number of individual quality elements has improved compared to the figures reported in 2009, and the accuracy of the figures is much more certain than before. By the end of 2017 four Member States had not yet adopted or completed their second generation RBMPs and DG Environment will continue the assessment work in 2018.

Investment needs in the water sector remain significant and a specific initiative was undertaken with the OECD to better identify the needs, analyse the intrinsic financial possibilities in each Member State and launch bilateral dialogues with Member States at risk of under investments leading to non-compliance with the EU legislation.

Work on monitoring marine waters continued to ensure an appropriate and timely coverage³⁹ of areas under the **Marine Framework** Strategy Directive⁴⁰, and criteria to determine good environmental status were updated, to facilitate achieving the directive's objectives by 2020. The implementation of the Plastics Strategy adopted under the Circular Economy will also contribute. The fourth high-level **Our Oceans conference**, hosted by the EU in Malta, concluded with an impressive list of voluntary commitments, including from the EU⁴¹, demonstrating the momentum gathered on marine environmental issues in the frame of SDG 14 "Life below water".

Despite considerable progress, exposure to pollution and environmental risks to health remained an important challenge in several areas. **Air pollution** continues to be the first environmental cause of premature deaths in Europe, leading to more than 400 000 premature deaths each year. Following the entry into force of the revamped National Emission Ceilings Directive (NEC), which aims at halving this number by 2030, a new measure was adopted requiring the revision of pollutant emission limits in permits for

³⁶ ECI(2012)000003 (<http://ec.europa.eu/citizens-initiative/public/initiatives/successful/details/2012/000003>)

³⁷ Report from the European Commission and the European Environment Agency (EEA), EEA publication No 5/2017

³⁸ Council Directive 91/271/EEC concerning urban waste water treatment

³⁹ COM(2017)3 final

⁴⁰ Directive 2008/56/EC establishing a framework for community action in the field of marine environmental policy

⁴¹ <https://ocean2017.org/our-ocean-commitments>

Large Combustion Plans, in line with the Best Available Techniques⁴². This will apply to around 3500 large industrial installations such as power stations and district heating plants, which are major sources of air pollution.

*Air Pollution remains the first environmental cause of premature death in the EU. Further measures were put in place to reduce pollutant emissions, and a **Clean Air Forum** brought stakeholders together to look for innovative solutions. An **Air Quality Index** was delivered to allow citizens to monitor air quality in real-time.*

Clean Air Dialogues took place with Ireland, Luxembourg and Hungary in 2017, and the first **Clean Air Forum** was organized in Paris to discuss the key air quality challenges facing EU citizens, and focused on innovative solutions to address them. The forum was also the occasion to launch the *Air Quality Index*⁴³, a new tool jointly developed by DG Environment and the European Environment Agency to inform citizens and public authorities about air quality status across Europe.

The exposure of the urban population to exceedances of **air quality standards** decreased between 2000 and 2015⁴⁴, allowing to judge this trend as improving⁴⁵. However, compared to 2014, air quality indicators showed a raise of exceedances in urban settings in 2015. To address this challenge, collaboration with national, regional and local authorities will be further enhanced in 2018.

Noise pollution is another major health concern. A Commission report prepared by the DG showed that excessive noise from road, rail and air transport affects the health of more than 100 million people in Europe. A high level conference was organised, together with the World Health Organisation (WHO) and the European Environment Agency, to examine possible instruments to tackle noise pollution with Member States and other stakeholders, and to step up the implementation of noise legislation⁴⁶.

Citizens are also concerned about **chemicals** in the light of their potential impacts on health and the environment. Two very important evaluations were ongoing -the individual assessment of the operation of the Registration, Evaluation, Authorisation and Restriction of Chemicals Regulation (REACH), and the fitness check of other chemicals legislation -, and implementation work also continued. An important number of pending decisions were taken on authorisation and evaluation of substances under REACH, and several of its annexes were adapted to technical progress.

In 2017 the EU deposited its instrument of ratification of the **Minamata Convention on mercury**, triggering the entry into force of this global treaty on mercury, thereby protecting human health and the environment from the adverse effects of this toxic metal. The EU successfully contributed to the first Meeting of the Parties, where major documents were adopted, including guidance largely inspired by EU law on the use of Best Available Techniques to prevent and reduce industrial emissions of mercury to air. At the triple Conferences of the Parties to the **Basel, Rotterdam and Stockholm Conventions**⁴⁷, the EU played a leading role in ensuring the listing of additional chemicals, to be further restricted as provided by the Conventions.

*The EU ratified the **Minamata Convention on Mercury**, triggering the entry into force of this global treaty designed to protect human health and the environment from the adverse effects of this toxic metal.*

⁴² C(2017)5225

⁴³ <http://www.eea.europa.eu/themes/air/air-quality-index>

⁴⁴ Cf. indicator 3.1 in annex 12; the trend is positive for dust particles and nitrogen dioxides, and less clear for Ozone, where more inter-annual variations can be observed, triggered by changes in climatic conditions.

⁴⁵ Cf. also the assessment of the European Environment Agency, Air Quality in Europe – 2017 report, p. 8

⁴⁶ COM(2017)151 final

⁴⁷ Basel Convention on the Control of Transboundary Movements of Hazardous Wastes and Their Disposal; Rotterdam Convention on the Prior Informed Consent Procedure for Certain Hazardous Chemicals and Pesticides in International Trade; Stockholm Convention on Persistent Organic Pollutants

DG Specific Objective: The Union's cities are more sustainable

As highlighted in the 7th EAP, improving the quality of the environment requires more sustainable cities, and therefore sound urban policies and the collaboration of citizens and local authorities. Achieving resilient and sustainable cities and communities is necessary to meet the SDGs. In this context the DG continued to promote and expand initiatives that support innovation and sharing of best practice among EU cities. **Essen** held the **European Green Capital Award** for 2017, in recognition of its success in dealing with the environmental legacy of an economy once dominated by coal and steel, and its transition to a green city 'fit for life'. **Nijmegen** will be the Green Capital for 2018.



The European Green Capital Award recognises and rewards bigger cities for their efforts to improve the environment, the economy and the quality of life in the urban environment.

Since 2015, towns and cities with a population between 20 000 and 100 000 can apply for the **European Green Leaf Award**. This title recognises towns and cities that demonstrate a strong environmental record, with a particular emphasis on efforts that encourage environmental awareness among citizens', generate green growth and new jobs. The European Green Leaf for 2018 was jointly awarded to the Belgian city of **Leuven** and the Swedish City of **VäxjöIn**.

1.3 Making it Happen

DG Specific Objective: There is an enabling framework for environmental policy, based on smart implementation, a strong knowledge and evidence base, investment, and improved environmental integration and policy coherence

As outlined in the 7th EAP's priority objectives 4-7, ensuring that policies and legislation have the intended effects requires action on several fronts, notably improving implementation, developing the knowledge base, and streamlining environmental priorities into other policies including through funding programmes and promoting green investments. Applying Better Regulation principles so that legislation is based on sound scientific knowledge and evidence is also crucial.

Better Regulation and Implementation

The **Environmental Implementation Review** (EIR) is helping Member States to identify the main implementation gaps and address their root causes. Twenty eight country-specific reports focusing on essential environmental topics were published in early 2017, preparing the ground for high-level bilateral country dialogues between the Commission and the Member States, and key findings were submitted to the European Parliament and the Council for their consideration⁴⁸. Six full EIR dialogues were co-organized with Member States in 2017⁴⁹, while nine opted for a lighter follow-up in the form of smaller events. A new *Peer2Peer* tool, TAIEX-EIR⁵⁰, was also

*The **Environmental Implementation review** helped Member States identifying and addressing the main implementation gaps. A [Peer2Peer](#) tool was delivered to support the exchange of expertise.*

⁴⁸ COM(2017)63 final, and 28 accompanying Staff Working Documents

⁴⁹ EE, SK, BE, CZ, LU, LV organised full dialogues; AT, DE, ES, FR, HR, HU, IT, NL, PL opted for a lighter format

⁵⁰ TAIEX being the Technical Assistance and Information Exchanges programme which supports public

put in place to support the exchange of expertise among authorities in the EIR context. Further dialogues are expected to be organized in 2018.

Guidance on **Access to justice on environmental matters**⁵¹ was published to clarify how individuals and associations can challenge decisions, acts and omissions by public authorities in this area. These guidelines will help citizens gain fairer access to their national courts on environmental cases, which should also allow the Commission to focus on more structural legal issues at EU level.

An **Action plan on environmental Compliance Assurance and Governance** with 9 priority actions will help authorities promote, monitor and ensure compliance of environmental law, and a high level group of experts on environmental compliance and governance will help deploying this plan on the ground⁵².



The fight against environmental **crime**, identified as a priority area in the EU combat against organised crime for the period 2018-2021⁵³, should also contribute to better implementation of environmental law at EU and national levels.

Also linked to better implementation is the action plan on **environmental reporting**, which followed from a fitness check⁵⁴ of the existing reporting provisions and will ensure that essential data remains available to citizens and authorities, while maximizing the use of digital technologies and reducing administrative burden.

Evaluations concluded...

The **Reporting Fitness Check**⁵³ assessed regulatory reporting and monitoring obligations in environmental legislation. Overall, reporting was found to be fit for purpose and efficient, and the associated cost (estimated at EUR 22 million annually) moderate and proportionate. The benefits, such as more targeted implementation and better public information, greatly outweigh the costs. A set of actions was identified for increased transparency, more focused reporting and more effective regulatory monitoring.

administrations in enlargement and neighbouring countries

⁵¹ C(2017)2616

⁵² Work was completed in 2017 for adoption on 19/01/2018 of the Compliance Assurance Action Plan - COM(2018) 10 - and a Commission Decision putting in place the new experts group - C(2018)10

⁵³ <https://www.consilium.europa.eu/fr/policies/eu-fight-against-organised-crim-2018-2021/>

⁵⁴ COM(2017)312 final and SWD(2017) 230 final

Better Regulation and Knowledge

Knowledge and evidence are an essential part of the Commission's **Better Regulation** agenda, in which environmental legislation figures prominently. In addition to the two fitness checks mentioned on Reporting⁵⁴ provisions and on the EMAS and Ecolabel Regulations⁵⁵, two evaluations were completed in 2017 of legislation dealing with Volatile Organic Compounds (VOC)⁵⁶ and of the European Pollutants Release and Transfer Register (EPRT)⁵⁷, and another two were close to conclusion, on the Zoos Directive and the REACH Regulation. Progress was made in the fitness check of chemicals legislation other than REACH⁵⁸ and in the ongoing assessment of the batteries and the waste shipment legislation, which will extend for another year. The evaluation of the European Environment Agency and the 7th Environment Action Programme, expected to conclude in 2018, also advanced and further evaluations and fitness checks were launched on water, urban waste water, ambient air quality and strategic environmental assessments.

The **Environment Knowledge Community** has continued work on collaborative projects, leveraging synergies and optimising knowledge re-use among its partners⁵⁹. Interest on the **Citizen Science** project is growing rapidly. This project can be a strategic tool for environmental policies, and has already led to the integration of citizen science actions in several initiatives⁶⁰.

The availability of data and information is also fundamental for implementing the SDGs. In 2017, DG Environment followed closely the development of **SDG indicators** at UN and EU level, contributing to the establishment of an EU-specific reduced set of indicators, as well as to the first progress report on SDGs, published by Eurostat⁶¹.

Evaluations concluded...

EMAS and Ecolabel Fitness Check⁵⁴

The Fitness Check confirmed the useful – even if limited- role of these voluntary instruments to facilitate the transition to a circular economy for business and provide information on environmental performance to consumers. The Fitness check also showed that the uptake could be better and more efficient. Given their voluntary nature, the low levels of uptake for a number of product groups and of awareness for the two schemes are important limitations. There is a need for a more focused approach to maximize impacts on the ground.

Volatile Organic Compounds (VOC)⁵⁵

The evaluation of the two VOC Directives concluded that they have led to the desired reduction in emissions from petrol storage and distribution. Slow implementation in some Member States, an unnecessary reporting provision and a few minor coherence issues were identified, but not compromising the overall objective. Overall, both Directives scored well on all five evaluation criteria: they were found to be effective, efficient, coherent, relevant and adding EU value.

European Pollutants Release and Transfer Register⁵⁶

The E-PRTR is an important component in the knowledge base on emissions from industrial activities in Europe and the primary reference point for users of environmental data on large industrial activities. The evaluation concluded that the Regulation is well implemented but identified several lines for further improvement. Burden should be reduced on Member States, *inter alia* through streamlining reporting obligations and making more effective use of data. Also, implementation guidance needs to be updated.

⁵⁵ COM(2017)355 final

⁵⁶ COM (2017)118 final

⁵⁷ COM(2017) 810 final

⁵⁸ Fitness check led by DG Internal Market, Industry, Entrepreneurship and SMEs, carried out in close collaboration with DG Environment

⁵⁹ DGs Environment, Climate Action, Research and Innovation, Statistics, the Joint Research Centre and the European Environment Agency are members of this network.

⁶⁰ Notably the *Action Plan on nature, people and the economy* (COM(2017) 198 final), the *Actions to Streamline Environmental Reporting* (COM(2017) 312 final) and the *Action Plan on environmental compliance assurance* (COM(2018) 10 final)

⁶¹ <http://ec.europa.eu/eurostat/en/web/products-statistical-books/-/KS-04-17-780>

Investment and Integration – Green finance

Achieving environmental objectives and implementing a transition towards a more sustainable world requires determined efforts in many policy areas and presents important challenges in terms of financing.

The integration of environmental considerations into EU policies and programmes continued throughout 2017, notably on environmental spending from the agricultural and cohesion policy funds. For the current programming period (2014-2020), the **European Structural and Investment** funds (ESI) contribution to environmental financing is estimated at EUR 82.6 billion⁶². Member States have to ensure that operations co-financed by the ESI Funds comply with EU environmental directives. DG Environment participates in the assessment of major projects' applications submitted by the Member States.

*The **integration of environmental considerations in EU policies and funding** is crucial for achieving environmental objectives. The contribution of European Structural and Investment Funds to environmental financing is estimated at EUR 82.6 billion in 2014-20.*

Mainstreaming is also fundamental at the initial strategic level of infrastructure investments, which can have long term environmental effects. In 2017, a Commission report confirmed that **Strategic Environmental Assessments**⁶³ are a key tool for integrating environmental considerations in planning and decision-making.

The Commission is decidedly moving forward on **green finance**, as part of its Capital Markets Union strategy. In July 2017, the High Level Group on **Sustainable Finance** delivered its first report, with concrete steps to create a financial system that supports sustainable investments. DG Environment contributed by raising awareness and understanding of environmental specificities, and channeling data and information to the group. The DG is also involved in the development of the Sustainable Finance Action plan being prepared by DG Financial Stability, Financial Services and Capital Markets Union, to ensure it has an environmental focus broader than climate and energy. Contributing to the reflections on the post-2020 **Multiannual Financial Framework** was very important to ensure future effective funding for environmental objectives.

The **European Fund for Strategic Investments** (EFSI 2.0) was extended until end-2020, and an agreement was reached to increase the proportion of sustainable projects.

*A **Circular Economy Finance Expert Group** was created to help attracting private capital.*

*A first loan agreement backed by the **Natural Capital Financing** facility will support nature-focused businesses.*

A greater overall focus on sustainable investments across sectors will help *inter alia* the transition to a resource efficient, circular and low-carbon economy. DG Environment contributed to create a **Circular Economy Finance** Expert Group and a Finance Support Platform, to develop technical knowledge, give advice and help attract private financing for circular economy projects.

The value of nature has to be factored into the circular economy and the first loan agreement was signed under the Natural Capital Financing Facility, set up in 2016 with LIFE funds and the support of the European Investment Bank (EIB). The EUR 6 million loan agreement signed with Rewilding Europe Capital, the Europe's **first conservation financing facility**, is expected to provide support for over 30 nature-focused businesses across Europe.

⁶² Integration of environmental concerns in Cohesion Policy Funds (ERDF, ESF, CF) - study available at <https://publications.europa.eu/en/publication-detail/-/publication/bbecf44b-f5ba-11e7-b8f5-01aa75ed71a1/language-en>

⁶³ COM(2017)234 final



DG Specific Objective: The Union is more effective in addressing international environmental challenges

Promoting the EU environmental agenda globally is increasingly important for the achievement of transboundary environmental objectives and the Sustainable Development Goals. In 2017, DG Environment played a fundamental role in the implementation of multilateral environmental agreements, preparing EU positions and representing the EU in standing bodies and high-level Conferences and meetings of the parties. The DG also ensured that relevant environmental issues were covered in key bilateral and regional relations.

The **G7 and G20** meetings provided good opportunities for promoting the global transition to a circular economy. Following the launch of the Resource Efficiency Dialogue by G20 Leaders in Hamburg (7-8 July 2017 Summit), all G20 member agreed to deal with the issue regularly, including in the context of the Sustainable Development Goals. The last G7 event under Italy's Presidency in 2017 also discussed Resource Efficiency.

*The United Nations Environment Assembly and other international fora provided good opportunities to promote globally the **EU's environmental agenda and the Sustainable Development Goals.***

The European Union played an active role during the third meeting of the **United Nations Environment Assembly** in Kenya in December. Successful outcomes were delivered to address the pollution of air, land and soil, freshwater, and oceans. The EU's flagship proposal addressing the close links between environment and health in five thematic sections (chemicals and waste, climate change, biodiversity, antimicrobial resistance and sustainable consumption and production) was unanimously adopted by the parties.

With minor amendments, EU positions were also retained in the resolutions adopted in Manila (the Philippines) by the 12th Conference of the Parties (CoP) of the Convention on the **Conservation of Migratory Species**, the largest wildlife summit held in 2017. Migratory wildlife was discussed in the context of the SDGs, and the links between the two stressed in the final Manila resolution⁶⁴. The 2017 CoP of the UN Convention for

Combating Desertification agreed on a strategic framework to address the SDG target on land degradation, and adopted a decision on the links between migration and land degradation, both in line with EU objectives.

Collaboration bring results ...

In 2017, Europol reported 48 important **arrests linked to the traffic of endangered species, within the framework of the EU action plan** against wildlife trafficking.

Operation LAKE is the most important European enforcement initiative aimed at combating trafficking of endangered species in the EU and at dismantling the fiercest organised networks involved in associated illegal activities such as environmental crime, smuggling, money laundering, tax evasion and document counterfeiting.

The fight against **wildlife trafficking** continued with the implementation of the action plan adopted in early 2016, and thereby contributing to fulfill the commitments made by the EU at the 17th COP of the Convention on International Trade in Endangered Species (CITES). Guidance documents were published *inter alia* on EU measures to fight poaching and to end the **export of raw ivory**⁶⁵, to prevent that legal ivory trade fuels international ivory trafficking, which has risen significantly over the last decade.

⁶⁴Manila Declaration on Sustainable Development and Migratory Species at <http://www.cms.int/en/document/sustainable-development-and-migratory-species-uneppscop12doc27>

⁶⁵ Commission notice 2017/C 154/06, OJ C 154, pp. 4-14

Combatting **illegal logging** and related trade also continued under the FLEGT Action Plan⁶⁶ and the EU Timber Regulation (EUTR)⁶⁷. The number of checks undertaken and sanctions applied for violations of the EUTR increased significantly in 2017. The implementation of the first FLEGT licensing scheme for exports of verified legal timber products from Indonesia to the EU also progressed, with strong support from private sector and stakeholders in the EU. Options for future improvements were discussed at a conference on "Tackling Illegal logging and Deforestation"⁶⁸, and the UN General Assembly adopted the first **United Nations Strategic Plan for Forests 2017-2030**, to halt deforestation, promote sustainable forest management and contribute to enhance the role of forests in achieving the SDGs and the Paris Agreement on Climate Change.



One year of verified legal timber exports to the EU: the Indonesia-EU FLEGT licensing scheme is showing results
 Source: EU Delegation Indonesia

The EU's chairmanship of the Helsinki Convention on the protection of the Baltic Sea (**HELCOM**) provided a unique opportunity to shape decisions relating to the EU marine environment. In December, the parties agreed on a ministerial declaration setting out political commitments with regard to the objectives and actions of HELCOM towards 2030 and beyond, including an update of the Baltic Sea Action Plan. EU participation in other relevant regional seas Conventions continued in view of achieving the good environmental status in European seas by 2020.

Steps to advance the EU's environment agenda and the SDGs were also taken at regional and bilateral levels. High level **circular economy missions** were undertaken to South Africa and Colombia and regional circular economy workshops were organized in Casablanca and Kiev.

The Commission engaged in policy dialogues with key partners to promote good environmental governance and cooperation continued in the Neighbourhood area, on regional and bilateral level.

The **Eastern Partnership Summit** in Brussels (November 2017) delivered ambitious commitments on the environment, including to work together on issues such as the circular economy and waste management, air pollution, water resources and good environmental governance through a dedicated action plan. The joint Declaration⁶⁹ adopted by Heads of State and Government at the **EU African Union Summit** in Abidjan also contained an important number of environmental commitments in particular concerning strengthening resilience and promoting the sustainable management of natural resources.

The first dialogue on SDGs between the Association of South East Asian Nations (ASEAN) and the EU (in Bangkok, Thailand) offered the possibility to launch a more regular exchange with the ASEAN Member States on the implementation of the 2030 Agenda and to raise the profile of the SDGs in the EU's relations with the region. A dedicated working group on environment and climate was established with Indonesia and, as part of the EU-China 2020 Strategic Agenda for Cooperation, a Memorandum of Understanding established a **Water Policy Dialogue** between the EU and China.

⁶⁶ Forest Law Enforcement, Governance and Trade Action plan, COM (2003) 251 final

⁶⁷ Regulation No 995/2010

⁶⁸ <http://illegallogging-deforestation-conference.eu/>

⁶⁹ http://www.consilium.europa.eu/media/31991/33454-pr-final_declaration_au_eu_summit.pdf

1.4 LIFE, the programme for the Environment



The LIFE programme celebrated its 25th birthday at the frontline of EU efforts to preserve its natural heritage. In November, an independent mid-term evaluation⁷⁰ covering the years 2014-2015 of the current LIFE Regulation⁷¹ confirmed that the programme continues to be relevant in tackling the issues it seeks to address, and that it is on track to be effective and efficient. Thanks to the relevance and quality of its activities, which answer local needs and are visible on the ground, the programme is appreciated by stakeholders and public across the EU. They largely confirmed that the programme is adding value in relation to what Member States would have achieved acting alone.

The EU added value of the LIFE programme stems from its support to the development and implementation of EU environment policies, supporting activities that, given their nature, would not be financed at national level. It focusses on relatively small scale projects which in turn catalyse broader actions and mainstreaming of environmental policy into the major EU spending instruments. Priority is also given to the replicability of the projects and to their capacity to lead to marketable solutions to environmental problems.

In 2017, the **LIFE programme provided EUR 222 million** which will mobilize additional investments leading to a total of EUR 379 million for 139 new projects, 112 of these under the environment sub-programme. A significant amount of the projects will help Member States in their transition to a more circular economy.

Examples include: testing an Italian prototype that could cost-effectively convert petrol into hybrid, creating bio-based products from wastewater sludge in the Netherlands and applying a new biological treatment to remove pesticides and nitrates from water in southern Spain. Support to Natura 2000 sites and species protection is another focus, such as in the Slovenian cross-border project to help the survival of a highly endangered Alpine lynx species.

... Projects that add value

LIFE-Environment: Development of an innovative energy autonomous system for the treatment of brine from seawater desalination plants

LIFE09 ENV/GR/000299

The LIFE funded project SOL-BRINE reduced waste at a desalination plant in the Cyclades. The municipality of Tinos installed a closed-loop solar-powered brine treatment system that separates the process waste into two useful by-products: dry salt and water.

The water is re-used in the process while the salt can be sold for industrial uses. The project will be represented by the company SEALEAU which is further developing the work of the project to maximise the extraction of fresh water from brine, and then marketing the salt by-product to create jobs and income for isolated island communities.

LIFE Integrated Project - Water: Integrated approach to delivery of the North West England river basin management plan

LIFE14 IPE/UK/000027

One third of the poorest quality rivers in England and Wales is currently found in the North West (England) river basin district. This project will address barriers holding back the achievement of good ecological status for the region's water bodies, as required by the **Water Framework Directive**.

In addition to EUR 11 988 811 LIFE contribution, the project will facilitate the **coordinated use** of EUR 37 050 000 of complementary funding from the European Agricultural Fund for Rural Development (EAFRD) and European Regional Development Fund (ERDF), EUR 139 500 000 in national public funds and EUR 52 500 000 in private sector funds.

⁷⁰ COM(2017)642 final

⁷¹ Regulation (EU) No 1293/2013



**EUROPEAN
SOLIDARITY
CORPS**

The first three LIFE projects to support the European Solidarity Corps started recruiting volunteers. In the next two years, 910 young volunteers will help to protect birds, and habitats, and support the Natura 2000 network.

In 2016, in response to comments from the Court of Auditors (2014 DAS report), an action plan was put in place to ensure improvements on payments delays under the LIFE programme. The measures applied turned out to be successful in 2016 (3,9 % of delayed payments), and good results have been maintained in 2017, with payment delays at 5.8%. Further efforts will be made in 2018 in the context of the "LIFE+ phasing out" audit of the Internal Audit Service.

DG Environment is one of the parent DGs of EASME and a representative of DG Environment is a member of its permanent Steering Committee. The relationship between LIFE actors (ENV, CLIMA and EASME) and the responsibilities for various work packages was defined in a memorandum of understanding signed in 2014. This memorandum has been updated on several occasions, considering inter alia, recommendations of the Internal Audit Service (IAS) to better monitor the implementation of the programme. The DG supervises the activities of the Agency through the review of regular reports, by participating in Steering Committees and through specific Task Force meetings at service level, including budgetary planning, implementation and controls in relation to the administrative budget of the Agency.

In terms of policy coordination between EASME and its parent DGs, Environment and CLIMA, a policy integration strategy document was agreed in 2017. This includes two main strands: policy needs to be reflected in the programme (policy to programme), with references to the LIFE Multiannual Work Programme and the contribution to project selection, and, on the other hand, "programme to policy", where relevant project outcomes and outputs can be used by policy makers.

EASME has undertaken its responsibilities regarding the management of parts of the LIFE programme in a satisfactory manner.

2. ORGANISATIONAL MANAGEMENT AND INTERNAL CONTROL

2.1 Financial management and internal control

Assurance is an objective examination of evidence for the purpose of providing an assessment of the effectiveness of risk management, control and governance processes.

This examination is carried out by management, who monitors the functioning of the internal control systems on a continuous basis, and by internal and external auditors. Its results are explicitly documented and reported to the Director-General. The reports produced are:

- the annual reports and declarations by AOD and AOSDs in which all financial (trans)actions are verified
- the reports from Authorising Officers in other DGs managing budget appropriations in cross-delegation;
- the reports on control results from entrusted entities in indirect management such as the European Investment Bank (EIB) as well as the result of the Commission supervisory controls on the activities of these bodies, and participation as observer in the management board meetings of the Executive Agency for Small and Medium-sized Enterprises (EASME);
- the contribution of the Internal Control Coordinator, including the results of internal control monitoring at the DG level;
- the contribution of the Risk Manager;
- the reports of the ex-post audit function provided by SRD2/ENV.A.5;
- the observations, recommendations and the conclusions on the state of internal control reported by the Internal Audit Service (IAS);
- the observations and the recommendations reported by the European Court of Auditors (ECA);
- DG Environment's Advisory Committee on public procurement (ENVAC) and its' annual review report;
- DG Environment's Risk Advisory Committee;
- Periodic reports and dashboards to management on resource issues.

Systematic analysis of the evidence provided in these reports provides a sufficient guarantee of the completeness and reliability of the information reported and results in a complete coverage of the budget delegated to the Director-General of DG Environment.

This section reports the control results and other relevant elements that support management's assurance. It is structured into (a) Control results, (b) Audit observations and recommendations, (c) Effectiveness of the internal control system, and resulting in (d) Conclusions as regards assurance.

2.1.1 Control results

This section reports and assesses the elements identified by management that support the assurance on the achievement of the internal control objectives⁷². The DG's assurance building and materiality criteria are outlined in the AAR Annex 4. Annex 5 outlines the main risks together with the control processes aimed to mitigate them and the indicators used to measure the performance of the control systems.

OPERATIONAL STRUCTURE

End of 2017, DG Environment had 504 staff members. The DG is now structured around 6 Directorates. The HR services are now served from the newly created 'Account Management Center 3', responsible for 4 DGs on the Beaulieu premises.

The College decision on the suppression of the Shared Resources Directorate servicing DG Environment (ENV) and DG Climate Change (CLIMA) resulted in the reorganization of both DGs from 1st October. To seek further synergies and enhance the overall coherence of the organigram, Directorate A was restructured to integrate two new units:

ENV.A.4 – “Administration, IT, Support services” to deliver the necessary IT assistance and administrative support services to the staff.

ENV.A.5 – “Finance” to manage all financial and budgetary matters in the DG.

Additionally, to seek further synergies, from 1st of July the Economic and SDGs teams were merged into ENV.F1, 'Sustainable Development Goals, Green Finance & Economic Analysis', to ensure the coherence of the internal and external environmental aspects of the Sustainable Development Goals and to continue the work on long-term investment and sustainable financing. The mission of ENV.A.1 was revised to ensure the general coordination of the DG and Interinstitutional relations.

FINANCIAL OVERVIEW

The budget of DG Environment is mainly implemented through direct centralised management. The 2017 commitments and payment appropriations amount to EUR 443.23 million and EUR 348.47 million respectively. The table below gives an overview of the budget implementation at 31/12/2017:

Financial overview DG Environment

Expenditure M€	Commitment Appropriations 2017	Committed 31/12/2017	Payment Appropriations 2017	Payments authorised in 2017
Administrative expenditure (budget line 07010211)	2,995	2,990	3,675	3,019
LIFE+, LIFE completion /LIFE NGO + other (0702-01, -02, -03, -51)	153,788	149,686	183,733	182,956
LIFE support expenditure (07010401)	1,627	1,600	2,800	1,385
Contributions EEA (070206)	41,974	41,561	41,974	41,561
Contributions ECHA (07020501, 07020502)	1,262	1,186	1,262	1,186
Multilateral Environmental Agreements (070204)	3,671	3,671	3,671	3,671

⁷² Effectiveness, efficiency and economy of operations; reliability of reporting; safeguarding of assets and information; prevention, detection, correction and follow-up of fraud and irregularities; and adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments (FR Art 32).

Preparatory Actions & Pilot Projects (070277 02-34)	4,786	4,450	2,519	2,477
Co-delegations CIP/EIP + Maritime (020251, 110661)	4,512	4,270	5,621	5,141
Sub-Total	<u>214,616</u>	<u>209,413</u>	<u>245,254</u>	<u>241,396</u>
Cross-subdelegation CLIMA (340202, 340203, 340251)	5,236	5,236	5,236	0,514
Cross-subdelegation DEVCO (21010401,21020701,21025106)	0,000	11,680	0,000	15,504
Cross-subdelegation NEAR/IPA (22010401,220251)	2,539	2,539	2,539	0,999
Cross-subdelegation AGRI (SMEs) (05046002)	0,500	0,500	0,500	0,296
Sub-Total subdelegations received:	<u>8,275</u>	<u>19,955</u>	<u>8,275</u>	<u>17,313</u>
Delegated to Agency EASME (070201, 070202, 070203)	215,059	215,059	89,656	89,656
Delegated to GROW for Agency EASME (07 01 06 01)	5,286	5,286	5,286	5,286
Sub-Total delegations to EASME	<u>220,345</u>	<u>220,345</u>	<u>94,942</u>	<u>94,942</u>
GRAND TOTAL	<u>443,236</u>	<u>449,712</u>	<u>348,471</u>	<u>353,650</u>

The consumption of commitment and payment appropriations is very satisfactory with implementation rates of 99,86% and 99,27% respectively at year end.

As shown in the table below, the major part of the budget directly managed by the DG (LIFE + action grants) is implemented through a fully decentralised financial circuit. The remaining operational budget is implemented through partly decentralised circuits involving the finance Unit of DG ENV (formerly part of the shared resources Unit SRD.2) and the operational units.

Co-delegations and Cross sub-delegations: DG Environment has entrusted parts of its budget to other DGs through cross-delegations. In all these cases, the DG's supervision arrangements are based on a memorandum of understanding with delegated DGs and defined reporting obligations.

Fund Management Center	Committed	Paid
ESTAT	2.807.417,00	n/a
DIGIT	436.327,43	171.316,84
DGT	178.584,23	162.686,47
EAC	3.000.000,00	2.480.671,80
OP	200.000,00	134.327,25
PMO	2.701.550,85	2.733.466,26
NEAR	200.000,00	n/a
COMM	60.000,00	n/a
SANTE	n/a	89.836,91

EMPL	n/a	133.660,82
JRC	n/a	104.258,00
GROW	n/a	35.363,97
Total	9.647.523,51	6.078.568,37

MANAGEMENT PARTNERS: AGENCIES AND CROSS SUB-DELEGATIONS

European Environment Agency (EEA) in Copenhagen: The objective of the Agency and of the European Environment Information and Observation Network is to provide the EU with objective, reliable and comparable environmental information at European level.

EEA is a Decentralised Agency with its own Financial Regulation, as per Article 185 of the General Financial Regulation, is subject to a specific discharge procedure, and issues its own Annual Activity Report. The EEA Management Board consists of one representative of each of the 33 member countries, two representatives of the Commission (DG ENV and DG Research, with the Joint Research Centre and Eurostat as substitutes) and two scientific experts designated by the European Parliament. DG CLIMA attends as an observer.

Among its tasks, the management board adopts the multi-annual work programme, the annual work programmes and the annual reports, appoints the Executive Director and designates the members of the scientific committee, in accordance with the Regulation establishing the EEA [*Regulation (EC) No 401/2009 of the European Parliament and of the Council*].

There are regular meetings between DG ENV and the EEA at senior level to ensure coordination of activities, including in the context of the Environmental Knowledge Community (EKC). Information on planned calls for tender is exchanged on an annual basis to prevent duplication of actions.

In 2017, the EU channelled Contribution to the EEA core budget was EUR 41.46M, including contributions from non-EU Member States (12.64%).

European Chemicals Agency (ECHA) in Helsinki: Regulatory agency as per Article 185 of the Financial Regulation. It is the driving force among regulatory authorities in implementing the EU's chemicals legislation for the benefit of human health and the environment as well as for innovation and competitiveness. ECHA helps companies to comply with the legislation, advances the safe use of chemicals, provides information on chemicals, and addresses chemicals of concern. In 2017, DG ENV paid EUR 1.18 M in subsidies to the ECHA for Prior Informed Consent Procedure (PIC) for certain hazardous chemicals and pesticides in international trade.

European Agency for Small and Medium-sized Enterprises (EASME) in Brussels:

In 2017 EASME launched the call for proposals for action grants and for operating grants to NGOs in April, with an aim to help implement and shape EU policies on environment and climate change. The Environment sub-programme comprises the priority areas of Environment and Resource Efficiency (ENV-R), Nature and Biodiversity (NAT) and Environmental Governance and Information (GIE). 275 (54%) proposals were submitted under the ENV priority area and its six thematic priorities, 151 (30%) were submitted under NAT and its two thematic priorities and finally 81 (16%) have been submitted under GIE. The Call for Proposals closed on 12 September 2017 for the ENV-R area and on 14 September 2017 for the NAT and GIE areas.

Out of the 273 proposals that were evaluated under ENV-R, 21 were submitted under Air quality, 36 Environment and Health, 88 under Resource Efficiency, 63 Waste and 64 under Water. 51% of the proposals were submitted by a public body, 36% by private commercial companies and 13% by private non-commercial bodies. Under this strand, the LIFE programme seems to become more and more accessible to private businesses.

The results of the evaluation indicate that 55 proposals are clearly recommended for funding (Air: 5, Health: 8, Resource Efficiency: 20, Waste: 6 and Water: 16). The available budget for this priority area is EUR 85,445,100.

Out of the 151 proposals under NAT, 36 were submitted under Biodiversity and 115 under Nature. 61% of the proposals were submitted by a public body while 41% and 6% by private non-commercial bodies and private commercial bodies respectively. 42 proposals were recommended for funding and 11 were placed on the reserve list (in total, Nature: 45 and Biodiversity: 8). The available budget for this priority area is EUR 104,931,718. This year National Allocations had a considerable impact on the results of this strand as several highly ranked proposals will most probably not be funded because allocations for the countries involved are exhausted and the projects are not transnational (or they are but involve a country that has as well finished national allocations).

Concerning GIE, out of the 81 proposals that were evaluated in the AWARD phase, 67 were submitted under Information, and 14 under Governance. 46% of proposals were submitted by a public body, 42% by private non-commercial bodies and 12% private commercial bodies. On the basis of the available budget, EUR 17,500,000, the results of the evaluation indicate that 15 proposals are shortlisted (11 Information, and 4 Governance) and 3 are on the reserve list.

European Investment Bank (EIB) in Luxembourg: In December 2014, a new financing instrument for projects promoting the preservation of natural capital, including adaptation to climate change was launched - the Natural Capital Financing Facility, (NCFF). The EIB was entrusted with the management of NCFF. The NCFF provides loans and investments in funds to support projects which promote the preservation of natural capital, including adaptation to climate change, in the Member States. The EIB will contribute a total budget for the Investment Facility of EUR 100 – 125 million for 2014-2017. The European Commission will contribute EUR 50 million as a guarantee for the investments, and EUR 10 million for a support facility. Beneficiary companies and financial intermediaries provide significant additional financing. The main aim of the NCFF is to demonstrate that natural capital projects can generate revenues or save costs, whilst delivering on biodiversity and climate adaptation objectives.

The NCFF establishes a pipeline of replicable, bankable projects that serve as a "proof of concept" and that demonstrate to potential investors the attractiveness of such projects. The size of NCFF projects is typically between EUR 5 and EUR 15 million. In addition to the Investment Facility, the NCFF also includes a support facility for project preparation and implementation for investments eligible under the NCFF. A first payment to the EIB amounting to EUR 3,250 million was made in December 2014. In 2015, there were two payments (January and May) amounting to a total of EUR 8,500 M. Due to a slower than expected progress of NCFF there were no payments made in 2016. However, progress was achieved in 2017 and a first deal was signed in April, Rewilding Europe Capital. To ensure the funds allocated for NCFF will be spent accordingly, an amendment was signed in October in order to extend the implementation period until and including 2021 and extend the maximum duration of contracts between the EIB and final beneficiaries from 15 to 25 years, whilst keeping the possibility of a further 5 year extension if needed. In addition, a payment of EUR 895.000 was made in October 2017 as well.

The Commission has put in place control and monitoring processes in order to verify whether the internal control system set up by the EIB is efficient and effective. For instance, Commission staff (Directors and Head of Unit) participate in the NCFF Steering Committee, and financial statements and operational reports which are provided by the EIB as needed and agreed and scrutinized by both the financial and operational units in DG ENV. In addition, where appropriate, Commission may perform on-the-spot checks of the Financial Intermediaries or Final Recipients on representative and/or risk-based samples of transactions.

Cross Sub-delegations

DG ENV has also established a number of Cross Sub-delegations with other DGs for the support of actions, like for instance with Eurostat and the Joint Research Centre providing financial contribution to the LUCAS survey. The DG is supporting directly actions on the Solidarity Corps and also contributes to the Young Volunteers initiative through a Cross Sub-delegation to DG EAC. Furthermore, some minimal resources of DG ENV are used for the needed services on IT tools and applications (DIGIT), translations (DGT), publications (OPOCE), conferences (SCIC), communication (COMM), etc.

CONTROL STRATEGY SUPPORTING MANAGEMENT'S ASSESSMENT

The Standing Instructions⁷³ provide that assessment by management should cover the DG's significant budget areas. Considering that 93% of the payments authorised in 2017 relate to ABB activity 0702 Development and implementation of Union environmental policy and legislation and 0701 support and management expenditure (see table below), the assessment and the cost benefit analysis concentrate on those expenditures. The control strategies for grants and procurement under ABB activity 0702 are further explained in the Internal Control Templates in Annex 5.

Expenditure €M	Grants	Procurement	Total Payments authorised in 2017	%
Administrative expenditure (07010211)		3,02	3,02	1%
LIFE, LIFE completion + other (0702-01, -02, -03, -51)	145,10	37,86	182,96	52%
LIFE support expenditure (07010401)	0,03	1,35	1,39	0%
Contributions EEA (070206)	41,56	-	41,56	12%
Contributions ECHA (07020501, 07020502)	1,19	-	1,19	0%
Multilateral Environmental Agreements (070204)	-	3,67	3,67	1%
Preparatory Actions & Pilot Projects (07027702-41)	0,95	1,53	2,48	1%
Co-delegations CIP/EIP + Maritime (020251, 110661)	4,58	0,56	5,14	1%
Sub-Total	193,40	47,99	241,40	68%
Cross-subdelegation CLIMA (340202, 340251)	-	0,51	0,51	0%
Cross-subdelegation DEVCO (21025106)	14,97	0,53	15,50	4%
Cross-subdelegation NEAR/IPA (22010401,220251)	-	1,00	1,00	0%
Cross-subdelegation AGRI (05046002)	0,30	-	0,30	0%
Total sub-delegations received:	15,27	2,05	17,31	5%

⁷³ ARES(2012)1240233

Credits managed by EASME (070201, 070202, 070203)	89,66	-	-	25%
Credits managed by GROW for EASME (07 01 06 01)	5,29	-	-	1%
Sub-Total delegations to EASME	94,94	-	94,94	27%
GRAND TOTAL	303,61	50,04	353,65	100%

Overview of payments authorised in 2017 per budget line/ABB:

* Contributions defined by the Budgetary Authority

Payments under other ABB activities authorised in 2017 concern co-delegations and cross sub-delegations. Most of this expenditure is implemented through subsidies and grants. The control strategy is the same as for grants made under ABB activity 0702.

The assessment by management is based on the results of key controls performed in 2017, notably ex-ante controls, on-site monitoring of LIFE projects and ex-post audits. The table below shows the most relevant quantitative control indicators for 2017 compared to 2016 and 2015:

Key control indicators for 2017, (compared to 2016 and 2015):

1. Input indicators (resources devoted)	2017	2016	2015
Ex-ante financial initiation procurement (FTE)	4	4	4
Ex-ante financial verification procurement (FTE)	2	2	2
Ex-post control internal staff (FTE)	3	3.75	4
Ex-post control outsourced (amount of the contract, EUR)	202.546,30	230.262	198.089
Ex-ante financial initiation LIFE grants (FTE)	4.5	5.8	6.1
Ex-ante financial initiation other grants (FTE)	2	2	3
Ex-ante financial verification LIFE grants (FTE)	0.5	0.4	0.5
Ex-ante financial verification other grants (FTE)	1	1	1
IAS and ECA (before SIAC) (FTE)	1	0.5	0
2. Output indicators (controls during project implementation)	2017	2016	2015
LIFE grants ex-ante: rejected/corrected/suspended transactions compared to total numbers of transactions	5.76%	9.31%	9.38%
Other (incl. Procurement): rejected/corrected/suspended transactions compared to total numbers of transactions	4.8%	7.3%	6.9%
Procurement: number of procurement files reviewed by ENVAC	19	24	22
Procurement: number of negative opinions by ENVAC	2	0	0
Number of exceptions registered (ICP 12)	5	4	3
LIFE grants: number of ex-post audit reports issued (MUS + Risk-based)	43 (?)	38	44
3. Results of ex-post controls	2017	2016	2015
Ex-post "detected error rate" (on MUS audits)	0,25%	0.44%	1.24%
Recovery orders issued / Recommended recovery (1-year time lag ⁷⁴)	On 2016 audits: 43%	On 2015 audits: 6%	On 2014 audits: 47%

⁷⁴ This indicator shows the value of recovery orders actually issued compared to recommended recovery. Because the issuance of recovery orders may be lengthy, the indicator shows the situation after 12 months.

4. Payment delays	2017	2016	2015
Number of payments exceeding legal deadlines	63/1076 = 5.85%	45/1147=3.92%	158/1320=11.97%

Remarks:

– **Ex-ante controls (procurement):** The available control resources remained stable in 2017, despite the reallocation of staff between DGs Environment and Climate Action as a result of the split of the Shared Resources Directorate (SRD). The number of rejected/adjusted commitments following the ex-ante verification is stable compared to the period 2013-2016 and remains far below 10%, which is the established target.

– The assessments performed by the **Environment Advisory Committee (ENVAC)** are highly important. The initial planning for 2017 of the number of files (34 files) examined by ENVAC was more or less identical to previous years (24 files in 2016 and 22 in 2015). 9 of the initially selected files were moved forward to the 2018 ENVAC planning due to delays. However, ENVAC still assessed 19 files for DG Environment with a total value of 10.469 million EUR (excl. Framework Contracts), which amounts to 22,7 % of all procurement contracts⁷⁵ compared to 2016 where it amounted to around 37.5% (higher percentage due to high value contracts) whereas it is similar to 2015 and 2014 figures (25% in 2015 and 28% in 2014). To this should be added the assessment of two new Framework contracts of DG ENV that in their lifespan will account for contracts up to EUR 11 million. Two negative opinions were issued on two files. Corrective measures have been implemented prior to the commitment of these files and the contracts have been awarded. Two procedures were temporarily suspended as the evaluation steps had not been applied correctly which was subsequently corrected. A few files received comments that needed the evaluation of the files to be reworked, while a number of procurement files were also adjusted based on ENVAC's recommendations. Currently a specific targeted training is under preparation to raise awareness of the issues identified by ENVAC within the DG. Other evaluation and verification controls contributed to other material adjustments for a number of files concerning both procurement and administrative budget expenditure (conferences, etc.).

– **Ex-ante controls (LIFE grants):** In 2017 the proportion of transactions where there was an adjustment following ex-ante verification was 5.76% in the total number of verified transactions, decreasing from 9.9% in 2014 and 9.31% in 2016. The remaining high percentage of adjustments could be explained by the risk based monitoring mechanism that was set in place at the end of 2013, which has been evaluated and it has proved to be successful. The decrease in the number of needed adjustments can be explained first by better quality of the financial files and by the decreasing number of LIFE grants running in DG ENV. The remaining LIFE staff involved in the ex-ante controls are used to the risk based mechanism which is demonstrated by the decrease in percentage of adjustments needed.

– **Ex-post controls:** The ex-post "detected error rate" (on MUS audits) decreased drastically compared to five years ago and continued decreasing compared to 2016. It should also be noted that the value of recovery orders actually issued compared to the recommended recovery increased compared to the previous year. This can be explained by the introduction of new procedures involving the systematic forecast of revenue and more efficient cooperation between the ex post audit team and the operational units.

– **Exception reporting:** the number of reported cases remains low. In 2017, 5 exceptions were registered. The analysis of the reported cases does not point to any weaknesses in the internal control system, while mitigation measures proposed by the Authorising Officers in order to avoid such incidents in the future are working.

Payment delays: for payments of procurement contracts and of expenditure under the administrative budget lines, payment delays in DG ENV were in 2017 similar to the

For example, the recommended recovery following the 2013 ex-post audit amounts to EUR 829,021.95; as of 31/12/2014, these recommendations have resulted in recovery orders of EUR 636.263,89 (77%).

⁷⁵ ENVAC assessed procurement calls of a total value of EUR 10.469 million in 2017 with a total value of EUR 45.975 million procurement contracts and EUR 16.826,8 million in 2016 when in 2016 the total amount of procurement contracts awarded by DG Environment was EUR 44.917 million.

average observed for the Commission, accounting for 5.85% of payments executed outside the legal deadlines, which need a thorough examination of documents and the approval of technical reports, have also improved further. Throughout 2017, efforts have been maintained to fully implement the action plan that has been put in place in 2015 and 2016 to ensure improvements on payments delays under the LIFE programme, which need a thorough examination of documents and the approval of technical reports. Envisaged measures turned out to be successful in 2016 (3,9 % of delayed payments), while in 2017 a similar good result has been maintained (payment delays at 5.8%). In 2018 further efforts will be made to Phase out LIFE+ and pay the LIFE projects supported under it, following the dedicated action plan developed as a response to an IAS audit in 2017. DG ENV continued the rigorous monitoring of all its payments and made use of the "Financial Priorities Report". The good result for 2017 is an improvement compared to 11.97% in 2015, 11.1% in 2014 and 12.5% in 2013; however in 2018 more efforts will be made to maintain the even better result of 2016 where the recorded delayed payment accounted for just 3.92%.

ALL DELEGATED AODS HAVE GIVEN ASSURANCE IN THEIR REPORTS ON THE CORRECT USE OF FUNDS.

Management's factual conclusion on the above control results, their completeness and reliability is positive. Therefore, DG ENV reports reasonable assurance about the achievement of each of the relevant internal control objectives. No significant issues that require a reservation have been identified.

OVERALL CONCLUSIONS

Budget implementation tasks entrusted to other services and entities in DG ENV concern the executive agencies European Agency for Small and Medium-sized Enterprises (EASME), European Environment Agency (EEA), European Chemicals Agency (ECHA) and the European Investment Bank (EIB) for the financial instruments Natural Capital Financing Facility (NCFF).

For the 2017 reporting year, the cross sub-delegated Authorising Officers by Delegation have reported reasonable assurance on the delegated budget managed by them. They have not signalled any material control issues.

DG ENV is satisfied with the governance structure of EASME and the dialogue and cooperation established.

In terms of EIB, considering the slow uptake of the loans by the final beneficiaries, the risk of irregularities or loss of assets is currently close to zero. In addition, the EIB sent its anti-fraud strategy to DG ENV in 2015 which seems adequate and compliant to Commission standards.

Coverage of the Internal Control Objectives and their related main indicators

– Control effectiveness as regards legality and regularity

DG ENV has set up internal control processes aimed to ensure the adequate management of the risks relating to the legality and regularity of the underlying transactions, taking into account the multiannual character of programmes as well as the nature of the payments concerned. The control objective is to ensure that the final amount at risk related to payments authorised in 2017 does not exceed 2% of the amount in ABB activity 07 02.

Thorough ex-ante controls apply to procurement-related transactions in DG ENV. In addition to the mandatory initiator/verifier controls of all commitments and payments, procurement specialists in the financial unit systematically provide advice and support to the operating units in DG ENV, for the whole lifecycle of a contract, from the drafting of the terms of reference till the final payment/de-commitment.

Also, a specific procurement advisory committee ENVAC performs verifications of all contracts above EUR 500,000, plus of a sample of contracts of lower value. Value and type of procedures are the main factors of the risk-based approach of ENVAC.

Therefore, reasonable assurance can be provided given the following cornerstones: robust ex-ante controls performed at various stages in the financial circuit; quality advice by procurement experts to the desk officers and authorising officers in the operating units; independent and positive ENVAC verifications; guidance on how to deal with EDES⁷⁶ cases; no significant errors and weaknesses detected by the internal and external auditors.

SPECIFIC ON-SITE MONITORING OF LIFE PROJECTS

The current on-site monitoring system applied to LIFE projects is performed by an independent monitoring contractor on behalf of DG Environment and EASME. A rigorous monitoring of time-sheets was launched in 2010 to respond to the fact that incorrect time-sheets had been found to be the main source of errors for LIFE grants. Most on-site visits are performed by external contractors, but a staff member from DG Environment participates in at least one visit during the lifetime of the project. The monitoring visits serve many purposes, one of which is to verify a small sample of timesheets. In order to monitor the overall improvement of time-sheet recording over time, the results of each visit are systematically recorded in a monitoring database and analysed. Further analysis of time-sheets are performed by the auditors carrying out ex-post audits and when errors appear, ineligible expenses are being recovered.

There has been a gradual improvement of the time sheets submitted over the last years. The time-sheets that were found as not compliant with EC rules are related to newcomers to the programme, even though a guidance note on proper usage of time-sheets is published on the LIFE webpage and reference is made to them during kick-off meetings. Support from the monitoring team with the control of the financial statements submitted by the beneficiary as supporting documentation for payments has also helped improving the quality of time-sheets and detecting errors at an early stage and prior to any payments. It should be noted that time-sheet errors detected in monitoring visits would not always have resulted in recommended recoveries during ex-post audits. Nevertheless, considering the large number of projects checked (around 600 in 2017- due to the declining number of LIFE projects in DG ENV, 804 in 2016, 836 in 2015, 367 in 2014, 379 in 2013), it gives a reliable indication of the quality of time-recording. Therefore, the declining errors in time-sheets detected by the monitoring team and ex-post auditors, confirms the stable error rate calculated below and gives strong indications that the error rate will remain low in subsequent years.

METHOD FOR ESTIMATING THE AMOUNT AT RISK AND THE RESIDUAL ERROR RATE (RER)

DG Environment's estimation of the amount at risk is based on ex-post audits performed in 2017.

The ex-post audit team sampled 31 of the 224 LIFE grants for which final payment was made throughout 2016. The audited grants represent audit coverage of 14% of the

⁷⁶ EDES = Early Detection and Exclusion System

number of projects closed in 2016 and 22% of the total value of those grants. The sample is based on a random selection through the MUS methodology (Monetary-Unit Sampling). The detected error rate (DER) of 0.25% is therefore a reliable estimate.

A comparison with the previous years is possible as the audit selection process has been consistent for years. On top, in the last 5 years, a total of 151 so-called MUS audits have been performed. This large number of audits provides strongly reliable estimation for the error rates.

A multi-annual comparison of the yearly Detected Error Rates shows that the rates are low and again declining:

Audit year - AAR year 2017		2013	2014	2015	2016	2017	CUMULATIVE FIGURES
DER		2,32%	1,45%	1,24%	0,44%	0,25%	1.14%
Auditable population	Amounts M€	71.342.258	92.613.550	131.938.211	210.942.654	205.948.574	712.785.247
	nb of grants	105	133	165	273	224	900
Selected randomly and audited	Amounts M€	35.541.456	43.387.239	39.542.925	44.383.526	45.213.849	208.068.995
	nb of audits	32	29	29	30	31	151
Representativity	% population	50%	47%	30%	21%	22%	29%
Recommended Recovery	Amounts M€	826.198	630.359	491.476	196.723	112.601	2.257.357
	% of audited	2,32%	1,45%	1,24%	0,44%	0,25%	1,08%
DER applied to auditable population	B	1.658.425	1.345.552	1.639.849	934.970	514.871	6.093.667
Recoveries issued the audit year	C	37.389	908.976	478.912	699.225	140.195	2.264.696
Net result	B-C=D	1.621.036	436.577	1.160.937	235.745	374.676	3.828.971
RER	D / auditable population	2,27%	0,47%	0,88%	0,11%	0,18%	0,54%

	DER	RER
Average figure	1.14%	0.78%
Weighted by auditable population	0.85%	0.54%

The current low error rates, one of the lowest of the EC programmes, are the result of:

- Ex-ante controls, including good guidance from the start of the project, on-the-spot monitoring during the projects, and meticulous checks before final payments;
- Ex-post verifications, which cover a substantial proportion of grants and amounts, thus probably deterring fraudsters.

Good articulation of ex-ante and ex-post controls over time has also been decisive. The best example was when ex-post auditors analysed the causes of errors and detected that personnel costs were the most likely to be at risk: the ex-ante controllers adopted the conclusions and improved, as early as 2010, their guidance for timesheets. This decision, the result of internal cooperation, proved to be decisive in leading to a lower error rate.

In the near future, one can expect that the DER will not decrease further but will remain stable below 2%.

ESTIMATION OF THE DETECTED ERROR RATE (DER) AND RESIDUAL ERROR RATE (RER) ON LIFE GRANTS

In line with the AAR Standing Instructions, the detected error rate (DER) and the residual error rate (RER) have been calculated as follows:

Calculation step	Result	Explanation
A. Detected ex-post error rate LIFE grants	0.25%	Ex-post auditors recommended recovering € 0.11M out of the € 45.2M they audited.
B. Apply DER of 0.25% to total auditable population of EUR 206M	€ 0.51M	Estimate of amount unduly paid in the auditable population.
C. Deduct Recovery Orders (ROs)	€ 0.14M	Recovery orders issued in 2017 related to audits in previous years, which reduce the amount unduly paid in 2017.
D. Net result	€ 0.37M	Net amount unduly paid.
E. Residual error rate (RER)	0.18%	Net result of EUR 0.37M divided by the auditable population of EUR 206M.

Based on the results above, the residual error rate (**RER**) is **0.18%** which is under the materiality level of 2%. Therefore no reservation is necessary.

ESTIMATION OF THE AMOUNT AT RISK FOR ABB ACTIVITY 0702

1. Amount at risk LIFE grants	€0.55M	DER of 0.25% multiplied by the total LIFE grant payments authorised in 2017 of EUR 220,84M.
2. Add amount at risk related to other payments under ABB Activity 0702	€0.0024M	<p>(a) Procurement: LIFE "other expenditure" (EUR 37,86M), and preparatory actions and pilot projects (EUR 1.53M) The risk of payment-related errors is considered insignificant (see notes below).</p> <p>(b) Subsidies: Subsidies to EEA (41.56M), ECHA (1.19M) and contributions to Multilateral Environmental Agreements (EUR 3.67M). These are low risk transactions and the error rate is estimated to zero.</p> <p>(c) Preparatory actions and pilot projects paid through grants (EUR 0.95M). The amount at risk has been calculated using the same error rate as for LIFE grants (0.25%):</p> <p>EUR 0.95M * 0.25% = EUR 0.0024M.</p>
3. Deduct subsequent events	€1.42M	Events (ROs) that have taken place after the closure of the reporting year as at 31/12/2017, which are entered into the accounting system before signature of the AAR as at 31/03/2018.
4. Final amount at risk for ABB Activity 0702	€0.332M	The final amount at risk for ABB Activity 0702 is EUR 0.332M, being 0.14% of the total payments made of EUR 241.4M under ABB Activity 0702.

Notes to the calculation table:

1. The amount at risk for LIFE grants is EUR 0.363M (DER of 0.25% multiplied by the total LIFE grant payments authorised in 2017 of EUR 145.10M).
2. The risk of payment-related errors for LIFE procurement (EUR 37.86M) and preparatory actions and pilot projects related to procurement (EUR 1.53M) as well as the annual contributions to Multilateral Environmental Agreements and Conventions (EUR 3.64M) is considered immaterial for the following reasons:
 - a. the risk of errors related to the selection and award process is deemed to be low in the light of the existing and well- functioning control system in place, in particular the work of ENVAC.

- b. the risk of errors on the payments done is also considered very low as no payment is made if a technical report and other deliverables are not scrutinized by the operational officer. In 2017 some delays in producing the final deliverables have been observed (mainly for contracts related to evaluations and Impact Assessments) but rarely a redrafting of reports was required. Final payments were rigorously verified and when needed a reduction of the final contract price has been implemented when there was a partial delivery.

These arguments are supported by:

- c. Positive results and comments by the European Court of Auditors on their auditing of procurement transactions
 - d. A limited number of exceptions registered (5)
 - e. 3 procurement procedures have been cancelled and re-issued as the original procedures ended with no award (due mainly to no adequate quality of the offers received). There has been no need to issue a corrigendum for Open Calls.
 - f. All commitments have been set in place within the deadlines, error-free.
 - g. All payments have been verified rigorously and in some limited cases that have been partial deliveries, corrections (reductions) to the final payments have been implemented.
2. *The risk of contributions to EEA (EUR 41.56M) is limited to the payments made by the Commission as approved by the budgetary authority and the error rate is estimated to zero.*
 3. *The risk of contributions to ECHA (EUR 1.19M) is limited to the payments made by the Commission as approved by the budgetary authority and the error rate is estimated to zero.*
 4. *The risk of payment-related errors for preparatory actions and pilot projects paid through grants of EUR 0.0024M is calculated by applying the detected error rate for LIFE grants of 0.25% to the amount actually paid of EUR 0.95M.*
 5. *Subsequent events: ROs issued after the closure of the reporting year as at 31 December 2017 but entered into the accounting system before the signature of the AAR as at 31 March 2017 amounts to EUR 1.42M.*

*Based on the above, the final amount at risk in relation to payments authorised in 2017 under ABB activity 0702 is EUR 0.332M, which gives an average error rate for **ABB Activity 0702 of 0.14%**.*

In the context of the protection of the EU budget, at the Commission's corporate level, the DGs' estimated overall amounts at risk and their estimated future corrections are consolidated as shown in the table below.

Estimated overall amount at risk at closure

DG ENV	"payments made" (in FY; M€)	minus new prefinancing (in FY; M€)	plus cleared ^c prefinancing (in FY; M€)	= "relevant expenditure" ^d (for the FY; M€)	Weighted detected error rate (DER %)	estimated overall amount at risk at payment (FY; M€)	Average Recoveries and Corrections (adjusted ARC; %) ⁷⁷	estimated future corrections [and deductions] (for the FY; M€)	estimated overall amount at risk at closure ^e (M€)
(1)	(2)	(3)	(4)	(5) = (2) - (3) + (4)	(6)	(7) = (5) x (6)	(8)	(9) = (5) x (8)	(10) = (7) - (9)
ABB 0702	220.84	153.12	195.77	263.49	0,85%	2.24	0,32%	0.84	1.4
1. LIFE & LIFE completion, LIFE NGOs, other grants	142.12								
2. Procurement (LIFE, pilot projects, preparatory actions, annual contributions to MEAs)	29.88								
3. Contributions to agencies (EEA, ECHA)	42.75								
4. Preparatory actions & pilot projects (grants)	0.95								
5. Co delegations	5.14								
	MEUR	MEUR	MEUR	MEUR	x%	= X MEUR; and a% of (5)	y%	= Y MEUR; and b% of (5)	= Z MEUR; and c% of (5)

⁷⁷ The average percentage of corrections expressed by dividing the sum of recoveries issued (2013-2017) by sum of total auditable population amounts to 0,32%

- ^a New PF actually paid by out the DG itself during the FY (i.e. excluding any PF received as transfer from another DG)
- ^c PF actually having been cleared during the FY (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption')
- ^d For the purpose of equivalence with the ECA's scope of the EC funds with potential exposure to L&R errors (*see the ECA's AR methodological Annex 1.1 point 10*), also our concept of "relevant expenditure" includes the payments made, subtracts the new pre-financing paid out [*& adds the retentions made*], and adds the previous pre-financing actually cleared [*& subtracts the retentions released and those (partially) withheld; and any deductions of expenditure made by MS in the annual accounts*] during the FY. This is a separate and 'hybrid' concept, intentionally combining elements from the budgetary accounting and from the general ledger accounting.
- ^e For some programmes with no set closure point (e.g. EAGF) and for some multiannual programmes for which corrections are still possible afterwards (e.g. EAFRD and ESIF), all corrections that remain possible are considered for this estimate.

For DG Environment, the estimated overall amount at risk for the 2017 payments made is **EUR 2.24M**. This is the AOD's best, conservative estimation of the amount of (relevant) expenditure authorised during the year (payments made **EUR 220.84M**) not in conformity with the applicable contractual and regulatory provisions at the time the payment is made.

This expenditure will be subsequently subject to ex-post controls and a sizeable proportion of the underlying error will be detected and corrected in successive years. The conservatively estimated future corrections for those 2017 payments made are **EUR 0.84 M**. This is the amount of errors that the DG conservatively estimates to identify and correct from controls that it will implement in successive years.

The difference between those two amounts leads to the estimated overall amount at risk at closure of **EUR 1.4M**.

Control efficiency and cost-effectiveness

The principle of efficiency concerns the best relationship between resources employed and results achieved. The principle of economy requires that the resources used by the institution in the pursuit of its activities are made available in due time, in appropriate quantity and quality and at the best price. This section outlines the indicators used to monitor the efficiency of the control systems. The number of FTEs associated with exercising controls has been established. The overall cost of controls consists of direct cost and allocated overhead cost obtained from the annual screening exercise of DG HR (5,3%).

Based on an assessment of the most relevant key indicators and control results, DG Environment has assessed the cost-effectiveness and the efficiency of the control system and reached a positive conclusion.

Procurement – Cost of Controls

	Cost of controls	
	FTE Officials	
	Total	
	N	€
Procurement procedures/launch of calls	1	143.000
Financial operations (ex-ante)	4	572.000
Supervisory checks (ex-post)	1	143.000
Subtotal before allocations	6	858.000
Overhead cost allocation (5,3%)		45.050
Overall cost of controls	6	903.050

Grants - Direct Management (Costs of controls)

In order to estimate the cost of controls regarding grants under direct management by the mainly the LIFE, but also the Marine, units we have identified all technical staff allocated time, as well as the costs of initiation and verification associated with the exercise of controls. In addition, we have considered the relevant costs in associated with the exercise of controls in the central financial unit. To this breakdown (please refer to the table below), we add the cost of external monitoring and the external ex-post audits to LIFE grants carried out by ENV.A5.

Financial Instruments and Indirect Management (Cost of controls)

The cost of supervision of indirect management is shared between several staff members of primarily Unit ENV.D4, but also from ENV.A5. It represents a small or even a very small part of their time for each of them. The cost of such supervision does not exceed 1 FTE, the main part being represented by supervision of the European Investment Bank (EIB) work on the entrusted Financial Instruments and the verification of indirect management for grants to some international organisations and the 2 Executive Agencies that DG ENV supports (EEA and ECHA).

Grants and Financial Instruments and other Indirect Management – Cost of controls

	Cost of controls – Grants and FIs			
	FTE Officials		Other (external) inputs	Total
	n	€	€	€
Stages 1 and 2 - Evaluation, selection, contracting	1	143,000		143,000
Stage 3 - Monitoring and execution (fin circuits)	6.75	965,250	2,000,000	2,965,250
Total ex-ante =	7.75	1,108,250	2,000,000	3,108,250
Stage 4 - Ex-post controls and recoveries	3	429,000	202,546	631,546
Total ex-post	3	429,000	202,546	631,546
Financial Instruments and Indirect Management	1	143,000		143,000
Subtotal before allocations		1,294,250	2,202,546	3,882,796
Overhead cost allocation (5,3%)		68,590	-	69,590
Total costs	11.75	1,362,840	2,202,546	3,952,386

The total cost of controls, for both procurement and grants stands at: **EUR 4,855,436**

OVERALL CONCLUSION ON THE COSTS OF CONTROLS

The control cost effectiveness is assessed by comparing the control costs over budget managed (payments made in 2017).

Expenditure €	Grants	Procurement	Total Payments made on 2017
LIFE, LIFE completion + other (0702-01, -02, -03, -51)	145,10	37,86	182,96
Support to Agencies + MEAs	42,75	3,67	46,42
Total expenditures			229,38

Overall, the percentage of costs of controls (EUR 4.85 5M) when compared to the budget managed (EUR 229.38 M) of **2.12%**, indicates, that the controls carried out by DG Environment for the management of funds were cost effective during the reporting year.

The AOD has used, already in 2016, the possibility foreseen in FR art 66.2 to differentiate the frequency of DGs controls considering the cost of controls compared to the risks involved in small transactions. Following the good experience with the application of measure, from October 2017 with the split of the SRD, these provisions have become an integral part of the new financial circuits of DG Environment. A further fine-tuning now provides for the extension of the low value circuits to administrative payments and payments under the operational lines of less than EUR 15 000. These simplifications concern around 300 payments of low value where the roles of verifier and AOS have been merged.

Control efficiency

Time to inform

The time-to-inform indicator starts from the final date for submission of complete proposals up to the time of informing the applicants of the outcome of the evaluation of their applications.

For the LIFE programme, there were 3 calls for proposals launched in 2016, with signatures of the agreements in 2017. The average delay between the deadline for submission of proposals and the time to inform the applicants was 5,9 months for these 3 calls.

For LIFE Grants 2017, there were 2 calls launched with agreements signed in 2017. For these calls, the average time to inform was 2,95 months.

Under the heading "Other calls", the "MARE Call" was launched in 2016 with 4 of the agreements signed in 2017. The average time to inform for these agreements was 4 months.

Time to grant

The "time to grant" is the period between informing the applicants and the signature of the grant agreements. The maximum length is 9 months as defined in Article 128.2 of the Financial Regulation.

For the LIFE programme call for proposals launched in 2016, with signatures of the agreements in 2017, the average time to grant was 3,2 months.

For LIFE Grants 2017, the average time to grant was 0,55 months.

Under the heading "Other calls", the "MARE Call" was launched in 2016 with 4 of the agreements signed in 2017. The average "time to grant" for these agreements was 2 months.

Time to procure

There is no specific "time to procure"; however the Financial Regulation and the Procurement vademecum provide guidance on time-limits to be respected with regard to a variety of procurement procedures. These time-limits refer to the period open for receiving applications, as well to a period that can be used for pre-announcement of Negotiated procedures below the threshold established in the Public procurement directive (Low and Middle value Negotiated procedures following Articles 136a and 137 of the RAP). In 2017 the average DG Environment on average procured its contracts (so the period between the launch of an Open Call or any other negotiated procedure of Low or Middle Value to the time of signature of the contract and announcing the award of it) within the following periods:

- The average period for Open Calls was 6.5 months
- The average procurement period for Calls for Negotiated Low and Middle Value procedures was 4.5 months, including the period of 2 weeks of pre-publication

- The average procurement time for establishing specific contracts using a Framework contract was between 1.5 and 3 months (depending if the Framework contract was with a Single Operator, or with Re-opening of competition)

Time to pay

There are six different number of maximum payment days depending on the type of contract. In 2017, 94.15% (1014) of all payments (1077) were made within the maximum payment days.

Details on time to pay can be found in Annex 3, Table 6.

Fraud prevention and detection

DG Environment has developed and implemented its own anti-fraud strategy since 2013, elaborated on the basis of the methodology provided by OLAF. This anti-fraud strategy was audited by the Shared Internal Audit Service in 2014. The final report was published on 5 February 2015 with no critical recommendations and one very important recommendation. Those recommendations have been taken on board in a Revision of the Anti-fraud strategy approved by the DG in middle 2016. The IAS conducted a follow up audit and closed the SIAC audit on 5 December 2016 considering that all recommendations have been implemented, or were obsolete.

The Anti-Fraud Strategy is built around the following anti-fraud objectives: (1) Fraud risk assessment; (2) Dissemination of anti-fraud measures and raising fraud awareness within DG Environment; (3) Developing and communicating Fraud Indicators / "Red Flags"; (4) Developing Early Detection and Exclusion System (EDES) guidelines and internal guidance on EDES-flagging; and (5) Following up on Fraud Cases. Several actions continue to be implemented in 2016: the fraud risk assessment was documented in the strategy; the EDES guidelines were published and sent to the managers, while the General Director and the Commissioner were informed on the ongoing fraud cases on October 2017. All DG ENV officials were also informed and reminded in November 2017 of the rules applicable for whistle-blowing. Further awareness raising and information sessions are scheduled for 2018, anti-fraud issues are well embedded in financial training provided by ENV.A5, while a revamping of the intranet pages on Finance for DG ENV, following also the split of the SRD.

The revised Anti-Fraud Strategy is valid for the period 2016-2018. However, it is planned to update the DG ENV Anti-Fraud Strategy already by the end of 2018, following upon the review of the Commission's Anti-Fraud Strategy, methodologies and guidelines planned by OLAF.

2.1.2 Audit observations and recommendations

The Internal Audit Service's (IAS) conclusion on the state of internal control draws on all work undertaken by the IAS in the period 2015-2017, namely:

- Audit on DGs CLIMA and ENV's externalisation to EASME of the LIFE programme 2014-2020 (2015);
- Audit on staff allocation and process management in response to staff reduction in DG ENV (2016);
- Audit on the processes for managing and sharing data on agri-environmental-climate issues in DGs Agriculture and Rural Development (AGRI), CLIMA and ENV (2016);
- Audit on the new Better Regulation agenda in the Commission - what is the state of play approximately one year after its adoption (2016);

- Audit on monitoring and enforcement of EU environmental law in DG ENV (2017);
- Audit on LIFE+ phasing out in DG ENV (2017)

DG Environment management has assessed as implemented a number of action plans which have not yet been followed up by the IAS.

No critical and/or very important recommendations have been rejected by DG Environment management under this period.

The IAS' conclusion is based on the 6 audits listed in the 1st paragraph. 1 audit listed above has been closed in 2016, one audit has been closed in 2017. The following 4 audits are open, with the recommendations listed here being rated "very important":

1. IAS Audit on staff allocation and process management in response to staff reduction in DG ENV (2016)

- Recommendation 2: Workload assessment

The audit found that DG ENV does not have a structured monitoring framework, together with key workload indicators (including proxy indicators), providing regular and quantitative information on workload in the DG. In practice, it is difficult to identify and correct potential inefficiencies in staff allocation, which may have a negative impact on the achievement of the DG's objectives and priorities. The DG should develop key workload indicators, supported by a clear methodological base and ensure that these are periodically monitored and reported in order to optimise the efficient and effective allocation of its resources.

2. IAS audit on the processes for managing and sharing data on agri-environmental-climate issues in DG AGRI, DG CLIMA, and DG ENV (2016)

- Recommendation 1: Mapping of information needs and available data

The audit found that there is no comprehensive and coordinated inventory of information needs, together with a list of already available agri-environmental-climate data. Existing inventories are limited in scope and not always shared amongst DG AGRI, DG CLIMA and DG ENV. In addition, there is insufficient coordination on agri-environmental-climate indicators. This means that services are unlikely to be aware of all data which might already exist. DG AGRI, DG CLIMA and DG ENV should (taking into account the role played by the main EU data providers) reinforce the coordination and sharing of agri-environmental-climate data and related indicators. They should also establish a coordinated inventory of agri-environmental and climate information needs and available data.

- Recommendation 2: Coordination of Member States (MS) reporting requirements and reuse of data

Original due date: 01/03/2018

The audit found that there is insufficient coordination by the three DGs of the MS reporting requirements concerning agri-environmental-climate data, including insufficient reuse of collected data. In addition, in spite of the requirements of the Inspire Directive for sharing spatial data for environmental purpose, the spatial data collected by MS under the Common Agricultural Policy (CAP) is not available for environmental/climate policy in certain MS and in the Commission.

DG AGRI, DG ENV and DG CLIMA should actively coordinate between themselves and with the European Environment Agency and Eurostat to ensure better consistency and, where possible, simplification through more effective re-use of collected data in MS reporting requirements. In addition, the three DGs should clarify with the Legal Service what can be legally required from MS under EU legislation, regarding the sharing of CAP spatial data between public authorities at national level and with the European Commission and the EEA for environmental/climate purposes.

3. IAS audit on monitoring and enforcement of EU environmental law in DG ENV (2017)

- Recommendation 2: Complaints handling

The audit found that DG ENV continued to experience considerable difficulties in respecting the Commission deadline regarding complaints' handling. At the time of the audit, there was no formal, internal operational guidance tailored to DG ENV's specific needs explaining how complaints should be handled, in particular in order to facilitate the distinction between systemic and individual complaints. There was also no repository of individual complaints not followed up at the time of their submission, but which could, through repetition, lead to structural cases. Moreover, in terms of organisation, the handling of complaints was still only partially centralised and needed to be streamlined further. Finally, there were no quantitative indicators aimed at helping to measure DG ENV's performance on the achievement of key targets. DG ENV should develop a complaints handling internal procedure that includes criteria aimed at helping identify potentially systemic issues. It should also extend the use of more targeted complaint forms and reinforce the monitoring and reporting on complaints handling. Finally, DG ENV should ensure that key information on cases that are not pursued at the time, would be kept centrally so this can be easily retrieved in order to help identify structural cases.

- Recommendation 3: Enforcement of EU environmental law

The IAS identified weaknesses regarding the measurement and reporting of DG ENV internal performance, including case handlers' workload and the work and results of the Task Forces. Furthermore, the current mandate and working modalities of the Task Forces did not sufficiently reflect their key coordination and knowledge building roles. Finally, the IAS noted that due to the difficulties in finding staff with the necessary skills, DG ENV had to use Seconded National Experts (SNEs) on legal cases involving their own country of origin. The IAS recommended that DG ENV should strengthen its monitoring of and reporting on the enforcement of EU law. It should also periodically report the results of the coherence exercise to the Management Board and strengthen the monitoring of the case handler workload to help avoid potential bottlenecks. DG ENV should review the mandate and working modalities of the Task Forces to better reflect their coordinating and knowledge building roles. DG ENV should also avoid using SNEs to handle legal matters in situations where they are working alone when dealing with their country of origin.

4. IAS audit on LIFE+ phasing out in DG ENV (2017)

- Recommendation 1: Recovery orders and recovery context

The audit identified one very important weakness in the implementation of the recovery order process: inconsistencies were noted in the time given to beneficiaries to reply to pre-information letters, there were delays at key stages in the treatment of recovery orders and the monitoring and follow-up of this process was not effective. Moreover, the auditors found deficiencies in the encoding of specific information related to recovery orders in ABAC. To address these risks, DG ENV should provide beneficiaries consistently and equitably with sufficient time for replying to pre-information letters. Moreover, DG ENV should strengthen the monitoring of the

recovery process to ensure that recovery orders are treated promptly. Finally, DG ENV should implement DG BUDG's instructions on encoding the recovery data.

IAS concluded that the internal control systems audited are partially effective since a number of 'very important' recommendations remain to be addressed, in line with the agreed action plans. DG Environment is progressively implementing the agreed action plans and taking measures to assure the mitigation of any residual risks that could potentially affect one or several internal control principles and/or components.

European Court of Auditors (ECA)

ECA Annual Report 2016

The 2016 annual report from ECA was published in the OJ on 28/09/2017. DG ENV is principally concerned by chapter 7 of the Annual Report 2016. DG ENV is mentioned in annex 7.2 as an example of error for non-compliance with the LIFE programme's eligibility rules. The Court considered that certain personnel costs were ineligible. ENV replied that working time up to 2 days per month without signed timesheets as support is generally accepted, that randomly unsinged time sheets are considered clerical errors, and that it is not a requirement that the project is specifically mentioned in the contract of the employee, if it is mentioned in the timesheets or other means for time registration.

The overall error rate for 'Rural development, environment, climate action and fisheries' is 4.9% (5.3% in 2015 and 6.2% in 2014). It should be noted that the sample of transactions that forms the basis for this calculation covers the four policy areas. In comparison, the residual error rate in the ENV AAR 2016 was 0.11%.

In the context of the Declaration of Assurance (DAS) 2017, ECA has selected four transactions for audit. One has been finalised with no detected errors, the three others are still being audited.

ECA Special Reports (SR)

DG ENV was also concerned by several special reports published by ECA. Those reports relate to performance audits with a focus more on the policy side than the financial issues. In 2017, ECA published 3 special reports specifically linked to environmental policies, and completed the adversarial procedure for a fourth report scheduled for publication on 1 March 2018:

1. Special report 1/2017: More efforts needed to implement the Natura 2000 network to its full potential (published 21/02/2017)

DG ENV was in the lead of this audit, with DGs REGIO, AGRI, and MARE as associated. ECA's findings highlight important shortcomings in the implementation of the Nature Directives. This confirms the findings of the Commission's fitness check evaluation of the Directives published December 2016. To address the shortcomings, ECA recommended to the Commission and the Member States to:

- Achieve full implementation of the Nature Directives
- Financing and accounting for the costs of Natura 2000
- Measure the results achieved by Natura 2000

As a result of the Fitness Check evaluation, the Commission adopted in 2017 an action plan to improve the implementation of the Nature Directives. Efforts will continue to complete the Natura 2000 network, including its marine component, and to ensure that the implementation of the conservation measures is monitored. Key guidance documents are translated into all official languages as from the date of their release, while efforts are made to be disseminated to the target groups.

The Commission accepted the recommendations of the ECA without prejudice to the outcome of the upcoming discussions on the next programming period. The majority of the Member States allocated ERDF and CF support for the Natura 2000 sites and in general for biodiversity/nature protection measures. In the RDPs 2014-2020, almost EUR 44 billion of EAFRD (about 45%) was allocated to biodiversity and which both directly and indirectly benefits biodiversity even though it is not possible to indicate the exact budget dedicated to the management of Natura 2000. Moreover, more than 18% of agricultural land (in addition to forest land) is under management contracts supporting biodiversity, even if it is not possible to indicate the exact area under management contract for the purpose of the implementation of Natura 2000 management plans.

2. Special report 12/2017: Implementing the Drinking Water Directive: water quality and access to it improved in Bulgaria, Hungary and Romania, but investment needs remain substantial (published 12/09/2017)

DG ENV was in the lead of this audit, with REGIO associated. ECA concluded that there is an overall high quality of drinking water in the EU, and a correct transposition of the DWD in the 3 studied countries (BG, HU, RO). ECA pointed out technical issues that normally fall under national competence, and other shortcomings (water losses, reporting for small water supplies, proactive information to consumers) which fall outside the scope of the DWD.

In order to address the shortcomings, ECA recommended to the Commission and the Member States to:

- The Commission should follow-up gaps in Member States' monitoring based on existing reporting and enforce the requirements of the Drinking Water Directive in this respect.
- The Commission, in the context of the current revision of the DWD, should address information and reporting issues;
- Member States should require that plans to reach a certain level of reduction of water losses are included as selection criteria for all water facility projects that allow the meeting of national targets.
- The Commission should support Member States in promoting actions aiming at the reduction of water losses. This could be achieved, for example, by including water loss reduction in the scope of EU funding in the field of drinking water infrastructure, or by enhancing transparency on water losses.
- Member States should ensure that water tariffs provide for the sustainability of water infrastructure, including its maintenance and renewal. While ensuring the full cost-recovery in the water tariffs structure, consider, if necessary, granting financial or other forms of support to households for which the cost of water services is above the affordability rate.

In its response to ECA's findings and recommendations, the Commission committed to provide for improvements in this important policy area, (see Commission Staff Working Document on REFIT of the Drinking Water Directive 98/83/EC). Water losses will be addressed in the revision of the Drinking Water Directive, to promote action at Member States level in line with the subsidiarity principle. Reducing water losses by EU-funded activities might lead to funding maintenance, which is not always an investment priority, especially for Member States where there is not sufficient supply network to cover the population. The ECA's recommendations to the Commission will be addressed under the ongoing revision of the DWD.

3. Special report 21/2017: Greening: a more complex income support scheme, not yet environmentally effective (published 12/12/2017)

DG AGRI was in the lead and DGs ENV, CLIMA and the Joint Research Centre were associated. Overall the ECA concludes that greening, in its current form, is unlikely to significantly enhance the CAP's environmental and climate performance. A complete intervention logic for the green payment was not developed; the greening remains mainly an income support. Significant deadweight affects the policy. In particular, greening would have led to changes in farming practices on only around 5 % of all EU farmland. The policy's likely results do not justify the significant complexity which greening adds to the CAP.

In order to address the shortcomings, ECA recommended to the Commission and the Member States to:

- For the next CAP reform, the Commission should develop a complete intervention logic for the EU environmental and climate-related action regarding agriculture, including specific targets and based on up-to-date scientific understanding of the phenomena concerned.
- As preparation for developing its proposal for the next CAP reform, the Commission should review and take stock of the implementation of the current CAP.

The Commission, despite not being able to make specific commitments in relation to legislative proposals for the post 2020 period, has started work to further develop the intervention logic of environmental and climate-related instruments of the CAP including greening. The Commission is already reviewing and taking stock of the implementation of the current CAP in view of the Commission's legislative proposals for the post-2020 CAP. In this respect, the Commission has issued two reports on the implementation of greening in 2016 and 2017.

4. Special report 5/2018: Renewable energy for sustainable rural development: significant potential synergies, but mostly unrealised (publication scheduled for 01/03/2018)

DG AGRI was in the lead, DGs ENV, CLIMA and ENER were associated. ECA concluded that there are potential synergies between renewable energy policy and EAFRD with a view to facilitate sustainable rural development but, as yet, these synergies remain mostly unrealised.

ECA made the following recommendations on the:

- Designing their future renewable energy policy and what they should take on board.
- When design the future policy framework for bioenergy, better safeguards against the unsustainable sourcing of biomass for energy should be included.
- The purpose and role of EAFRD support for investments in renewable energy should be made more specific.
- The Commission should require the Member States to provide pertinent information on programme achievements of renewable energy projects in their enhanced annual implementation reports of 2019.

In its response to ECA's findings and recommendations, the Commission considers that it has addressed the design of future renewable energy policy through the Commission proposals on the Governance Regulation and on the recast of the Renewable Energy Directive. In this Communication (COM(2017) 713 final), the Commission commits to promoting a "rural proofing" mechanism, which systematically reviews relevant policies through a "rural lens", considering possible impacts on rural communities. Important efforts are made through the proposed Regulation on the Energy Union Governance, the proposed recast of the Renewable Energy Directive, and the Regulation to integrate greenhouse gas emissions and removals from land use, land use-change and forestry into the 2030 climate and energy framework (LULUCF Regulation), all at the time in co-decision and most of them now agreed.

The Commission will analyse possible ways of strengthening result-orientation of the future CAP, by achieving EU added value whilst reflecting better the needs and aspirations of the territories concerned. The website of the European Network for Rural Development includes a database containing good practices, including, inter alia, examples of renewable energy projects supported by the EAFRD and of community based approaches in this field.

DG ENV continues its follow-up and implementation of ECA audit and discharge recommendations.

2.1.3 Assessment of the effectiveness of the internal control systems

The Commission has adopted an Internal Control Framework based on international good practice, aimed at ensuring the achievement of policy and operational objectives. In addition, as regards financial management, compliance with the internal control framework is a compulsory requirement.

DG Environment has put in place the organisational structure and the internal control systems suited to the achievement of the policy and control objectives, in accordance with the standards and having due regard to the risks associated with the environment in which it operates.

DG Environment has assessed the internal control system during the reporting year and has concluded that the internal control standards are implemented and functioning as intended.

ANNUAL ASSESSMENT OF THE INTERNAL CONTROL STANDARDS

On 19 April 2017, the Commission adopted a revised Internal Control Framework (ICF), to move away from a compliance-based to a principle-based system, offering the services the necessary flexibility to adapt their internal control strategy to their specifics, while ensuring robust internal control and consistent assessment throughout the Commission.

The new ICF consists of five internal control components, ten principles and their main characteristics. Each principle should have a set of indicators, which should be reviewed regularly and changed as necessary, e.g. following an internal reorganisation.

The interim assessment of the state of internal control in DG Environment conducted following the adoption of the new ICF has not identified any major deficiencies. While there is scope for improvement in some areas, the DG is confident that its internal control system as a whole- covering both financial and non-financial activities – is effective. DG Environment has the necessary procedures, staff skills and experience to identify and manage the main operational, financial and legal/regulatory risks.

It should be noted that the new Internal Control Coordinator was nominated in DG Environment as of 01/10/2017.

This conclusion is based on a thorough review of all available information, in particular:

1. **Inventory of the 17 internal control principles:** The Internal Control Coordinator (ICC) carried out his own review of the internal control principles. A couple of areas where attention or awareness raising is needed have been identified, such as ethics and integrity trainings/workshops in general and anti-fraud in particular as well as information sharing in the DG.

Principle 5, accountability: This is a new requirement under the revised ICF and it includes staff appraisal and staff promotion. Although the latter procedures are

implemented correctly, some new indicators are proposed, reflecting the need to build up evidence of compliance with this new requirement.

Principle 9, the Commission identifies and assesses changes that could significantly impact the internal control system: This exercise has been carried out in the domain of financial contract management in view of the split of SRD. However, this deficiency needs to be addressed and proper controls put in place for the whole DG.

2. The **annual assessment of the Internal Control**: The questions in the annual survey were updated in 2017 to reflect the revised Internal Control Framework. The updated annual survey consists of 40 questions covering the 17 principles. The survey was sent to DG ENV Directors and Heads of Unit. The response rate was 80%. The 2016 AAR indicated that the main focus in 2017 was to be set on external and internal communication domains as well as on awareness-raising on the Internal Control Standards. The assessment of the replies did not identify any significant control weaknesses but pointed out some areas where satisfaction rates require improvements in 2018:
 - i. Staff allocation and mobility: 16,7% of the replying managers consider this area satisfying. While this is a disappointing result, it is still an improvement as compared to the 2016 survey (<10%). Efforts following last year's survey have had an effect, even though staff reductions have continued.
 - ii. Commission rules require all appointed Authorising Officers to have undertaken certain training courses, e.g. expenditure life cycle and ABAC for AOs. 79% of the managers who replied to the survey indicated to have followed such compulsory courses. Efforts in this area have been very successful, considering that only 22,5% replied positively to this question in last year's survey.
 - iii. 54% of the replying managers consider the internal communication as effective. This is the same score as in 2016. Some improvements are requested concerning regular update of the DG's intranet pages.
 - iv. A great improvement has been made in the appreciation of the effectiveness of the external communication: 66,7% of the replying managers consider the external communication as effective (as compared to 31,5% in the 2016 survey).
 - v. Finally 95,8% of the replying managers are fully aware that both management and staff are responsible for the implementation of internal control.
3. The annual declarations by the **Authorising Officers by Sub-delegation**: In this declaration, each AOS confirms that the commitments and payments authorised by them in 2017 are legal and regular and that the corresponding funds have been used for their intended purpose and in accordance with the principle of sound financial management. The AOS declarations do not indicate any significant weaknesses in the control system.
4. The reporting of exceptions and non-compliance events (ICP 12): DG Environment's tracking of exceptions and derogations from existing rules and procedures are aligned with the instructions received from DG Budget. The objectives are to reinforce the consistent application of the reporting requirements, to adequately assess serious cases and to keep the number of exceptions and derogations at the lowest possible level. The analysis of the four cases reported in 2017 does not show any systemic weaknesses in the internal control system.
5. Information obtained from the SRD.2 and ENV.A5 monitoring tools: A financial dashboard has been implemented since 2012 and has become an effective means of reinforcing senior management supervision (ICS 5 and 9). It is based on a set of control indicators covering, for example, HR, budget implementation, commitments and launches, payment delays, recovery orders, fines to Member

States, forecast of revenue, etc. These monitoring results, provided 8 times in the year, are presented discussed at senior management level on a regular basis. The tool raises awareness and indicates that there are no significant weaknesses in the internal control system. One area for concern had been the payment delays which in recent years and in 2015 were above the target of 10%. Particular efforts have been made to improve payment delays and in fact the figures show a clear improving trend over 2016, where payment delays dropped to just 3.92%. The twice monthly "Financial Priorities Report", which was developed in 2014, gives to each manager a listing of open invoices under his/her responsibility, with indication of those that are nearing the payment deadline. 2017 produces also a good result (payment delays were just above 5%) but it is expected that in 2018 the effort will continue to return back to levels below 5%.

6. DG Environment's **risk register** (ICP 7 & 10): The Risk Steering Committee (RSC) examined the risks reported by the Directorates as part of the Management Plan 2018 exercise. No critical risk was identified.
7. **Anti-fraud efforts and OLAF cases:** During the reporting year, the Finance Unit continues its efforts to raise awareness on fraud prevention. In 2017, the situation with cases transmitted to OLAF by the DG or initiated by OLAF is the following:
 - 4 new cases sent by the DG to OLAF,
 - 3 cases initiated by OLAF,
 - 1 case from 2014 closed by OLAF without recommendation of actionsOn 31 December 2017, 13 fraud cases were still open: 5 initiated by OLAF and 8 by DG ENV.
8. **The European Ombudswoman.** No individual financial cases were brought to the attention of the Ombudswoman in 2017. DG Environment has fully implemented the recommendations made by the Ombudsman in its own initiative enquiry on experts groups. The DG also provided replies to 10 enquiries by the Ombudswoman on the implementation of environmental policies, always on the set timelines.
9. **Review of sensitive functions:** The process in place to identify and manage sensitive functions is effective. An extensive risk assessment of the sensitive functions carried out in collaboration with the all Directorates/Units concerned was in January 2018 (later than foreseen due to the split of the SRD). This resulted that the Head of Unit post of ENV.D4-LIFE will be maintained as a sensitive function, while the Head of Unit post of ENV.A5-Finance will be flagged as sensitive too. The reason for this is the changes to the responsibilities that are assigned to these two posts.
10. **Staff Allocation and Mobility:** Given the ongoing reduction in resources, including the contribution to the offsetting tax for the externalization of LIFE programme, the DG has paid particular attention to the staff allocation and mobility in 2017. Specific actions were undertaken as follows:
 - The resources directorate of around 90 people shared by DG ENV and CLIMA was split as of 1st October 2017 and its staff distributed between the two DGs. Two new units dealing respectively with Finance and with Information management (including IT systems) were created in Directorate A, which received the new task of matching policy priorities with resources.
 - The management of Human Resources was centralized and staff transferred to DG Human Resources, following the Commission's HR Modernization plan, with the exception of a small team, the Business Correspondent, which is attached to the office of the Director General.

- Continuous assessment of vacant posts in order to meet the DG's responsibilities in terms of reductions whilst at the same time taking action to fill the remaining vacancies as quickly as possible. In this respect, the DG met substantially all its obligations for reductions in 2017 and the vacancy rate was once again consistently lower than the Commission vacancy rate.
- A number of actions were put in place to favor internal mobility of colleagues and redeployment following Commission priorities. For example, before official publication an internal notice was published. In 2017, preparatory work started for an AD internal rotation exercise that will be launched early 2018.

11. **Document management:** Measures taken in 2017 focused mainly on making information and knowledge as widely available as possible, and ensuring documents are preserved in accordance with their informational, administrative, legal or historical value.

The following measures have been taken:

Training:

- Several ad-hoc ARES basics and ARESLook coaching sessions for new Secretaries and Administrators have been organised to become proficient users of ARES.
- Information sessions on the ARESLook application for registering email were organised and open to all staff.
- Document management in the units – refresher courses, presentations in unit meetings and coaching were provided to ensure knowledge of latest developments and of best practices;
- Specific short training on how information security and the use of markings in ARES has been organised for staff
- General training on Filing and archiving to understand the value and importance of good records keeping has been organised for all staff

A total of 23 training sessions were organised in 2017 and 100 staff attended these sessions.

Implementation of e-signatories in the DG

- The analysis on the feasibility to use electronic workflows for financial documents in the DG is ongoing.

Review of visibility of HAN files

- During 2017 DG Environment reviewed access of existing HAN files to identify those that can be usefully shared with other DGs.
- As a result the access for some files needed to be more restricted but in many cases access could be opened to other DGs. In particular the access to LIFE programme files in HAN has been opened to Units in CLIMA and EASME that are directly involved in the financial management of LIFE programmes. This will enable information to be searchable, retrievable and as widely available as possible across relevant DGs and the Agency.

Re-Organisation:

- DG ENV's files (open and closed) have been re-assigned to the Units shortly after the re-organisation.

Reminders and reporting:

- ARES provides limited reporting facilities, but units received regular reminders in relation to registration and filing of documents.

Improved archiving procedures:

Additional attention was given to review of e-filing system in units. This included visits in units to provide training and guidance to staff. In some cases, units' filing systems were inspected and improvements made as a result.

In conclusion, the internal control standards are effectively implemented and functioning. The measures DG Environment has taken during 2017 to further improve the effectiveness of its internal control systems in the areas of document management, staff allocation, internal and external communication have proven successful. These remain a high priority for DG Environment given the environment of constant or reducing staff resources combined with heavy workloads.

2.1.4 Conclusions as regards assurance

Overall Conclusion

This section reviews the assessment of the elements reported above (in Sections 2.1, 2.2 and 2.3) and draws conclusions supporting the declaration of assurance and whether it should be qualified with reservations.

The information reported in Section 2 stems from the results of management and auditor monitoring contained in the reports listed. These reports result from a systematic analysis of the evidence available. This approach provides sufficient guarantees as to the completeness and reliability of the information reported and results in a comprehensive coverage of the budget delegated to the Director-General of DG Environment.

DG Environment has performed the necessary checks and verifications to ensure that all significant budget areas delegated to the AOD have been covered, and that the information provided is reliable. No significant information has been omitted.

While all checks and verifications contribute to the AOD's assurance, it is to a large extent based on the results of ex-post controls and on-site monitoring of LIFE projects. These results clearly indicate that the measures taken in recent years to decrease the error rate (notably the improved guidance to beneficiaries and the extensive on-site monitoring of LIFE projects) are effective. Thanks to these efforts – which will continue in 2018 and beyond – the likely "amount at risk" in relation to transactions authorised in 2017 is below the materiality threshold of 2%.

Additional assurance is obtained from the mandatory controls of all commitments and payments and from the annual declarations by the Authorising Officers by Sub-delegation, where they confirm that all transactions authorised by them in 2017 are legal and regular and in compliance with the principle of sound financial management. It should be noted that the number of "exceptions" and "non-compliance events" reported in 2017 remains low.

The audit work performed by the IAS in 2017 concluded that the internal control systems audited are partially effective since a number of 'very important' recommendations remain to be addressed, in line with the agreed action plans, which DG ENV is implementing.

Arrangements set up for cooperation with EASME are in operation and working well. However, the terms of the externalisation decision regarding staff were not generous and mean that the LIFE staff situation is very tight in the DG Environment, particularly from 2016 onwards, which may require further review of the working methods and arrangements within the DG.

Finally, DG Environment has received assurance from the cross-delegated AODs and the Executive Agency on the delegated budget managed by them on DG Environment's behalf. Within this context, it should be noted that the sub-delegated amounts are immaterial.

Considering the points above, no reservation is warranted for 2017. No subsequent events have occurred that would alter this opinion.

DG Environment has implemented all possible suitable ex-ante and ex-post controls and confirms that they remain cost-effective. Therefore, under the prevailing risk environment and from a managerial point of view, DG Environment's AOD can sign the Declaration.

Overall Conclusion

In conclusion, the management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director General, in his capacity as Authorising Officer by Delegation has signed the Declaration of Assurance.

DECLARATION OF ASSURANCE

I, the undersigned,

Director-General of DG Environment

Declare that the information contained in this report gives a true and fair view⁷⁸.

State that I have reasonable assurance that the resources assigned to the activities described in this report have been used for their intended purpose and in accordance with the principles of sound financial management, and that the control procedures put in place give the necessary guarantees concerning the legality and regularity of the underlying transactions.

This reasonable assurance is based on my own judgement and on the information at my disposal, such as the results of the self-assessment, the observations of the Internal Audit Service and the lessons learnt from the reports of the Court of Auditors for years prior to the year of this declaration.

Confirm that I am not aware of anything not reported here which could harm the interests of the Commission.

Brussels, 28 March 2018

[Signed]

Daniel Calleja

⁷⁸ True and fair in this context means a reliable, complete and correct view on the state of affairs in the DG.

2.2 Other organisational management dimensions

DG Environment continued looking for efficiency gains in all management dimensions, including financial. For example:

- In 2016 financial circuits for small payments for operational expenditures were simplified to reduce administrative burden. In 2017 these steps were extended to more Authorising Officers and resulted in further synergies and cost savings for the DG.
- The use of electronic workflows for financial documents and transactions, tested in 2016, moved from test to deployment stage and become obligatory in 2017.
- At the start of 2017, the DG's logistics sector was integrated in the Office for Infrastructures and Logistics in Brussels (OIB), in line with the logistics' Efficiencies and Synergies plan.

2.2.1 Human resource management

In 2017 DG Environment implemented the Pilot HR Modernisation project and is now supported by Account Management Centre 3, which also serves DG Climate Action, DG Communication Networks, Content and Technology and DG Regional and Urban Policy. Locally, the strategic HR function is now embodied in the Business Correspondent Team directly attached to the Director General.

The DG continued to face the challenges of staff reductions and the need to prioritise tasks and search for efficiency gains remained. As in previous years, an annual HR Strategy was developed by the Senior Management and the BC Team. Additionally, the development of a workload assessment framework was launched, to ensure transparency and facilitate decision making for resource allocation in the future.

In the field of equal opportunities, the DG is fully committed to reaching the targets set for the female representation in middle management for the period 2016-2020. Since November 2014, female representation increased from 21% to 38%. In 2017, 3 women were appointed as Head of Unit out of the 3 posts published. Specific trainings and coaching sessions have been organised to support the process.

In the field of learning and development, efforts continue to help staff developing skills and knowledge that match the needs of the DG. Skill-needs are being mapped to support a more coherent strategy for 2018.

As regards HR procedures, the DG ensured sound management of its dotation and the vacancy rate was well below Commission average. Appraisal and promotion exercises were completed on time and in compliance with all rules.

2.2.2 Better regulation

DG Environment attaches great importance to the quality of its impact assessments, which are prepared by technical units in close cooperation with the DG's economic analysis and better regulation team. Two impact assessments were submitted in 2017 to the Regulatory Scrutiny Board (RSB), on the recast of the Drinking Water Directive, which received a positive opinion in its first submission, and on a new Regulation on water reused, which required second submission.

DG Environment is also fully committed to evaluating the legislation in place, to ensure it is fit for purpose so that policy objectives are achieved, and benefits enjoyed by citizens, at the lowest cost and with a minimum of administrative burden.

In 2017, two major fitness checks were concluded on the EMAS and Ecolabel Regulations, and on environmental reporting, as well as two important evaluations on Volatile Organic Compounds legislation and on the functioning of the European Pollutant Release and Transfer Register (E-PRTR). The mid-term evaluation of the LIFE programme was also completed.

Ten other legislative evaluations and fitness checks are in progress, of which two (on the REACH Regulation and the Zoos Directive) were close to finalisation at the end of 2017⁷⁹. These efforts to effectively evaluate the environment *acquis* and to fully participate in the REFIT process are part of the DG's commitment to the Better Regulation agenda.

2.2.3 Information management aspects

The DG promotes the sound and efficient management of its information assets, to ensure that reliable information and knowledge is available to the units, easy to find, retrieved and shared. Rules for the correct preservation of records in accordance with their informational, administrative, legal or historical value are also applied.

High quality administrative support and advice and monitoring compliance with the Commission's rules on registration and filing of documents will contribute to further developing a knowledge culture, also supported by in-house and/or specific training to units.

A significant amount of work had already been carried out in the document management domain, notably in terms of simplification and training, and this remained a priority in 2017 with a view to achieving further simplification and efficiency gains.

During 2017, DG Environment reviewed access rights to HAN files. As a result, access was restricted to the lead units for some files, while many others were identified as containing information that could be usefully shared including outside the DG⁸⁰. In particular, access to LIFE files was opened to EASME units directly involved in the financial management of the LIFE programme.

The implementation of the Commission strategy on Data, Information and Knowledge Management⁸¹ also continued in 2017. DG Environment was represented by its Deputy Director-General in the Information Management Steering Board and participated actively at the Information Management Team meetings. This participation provided a good basis for the preparation of a DG-specific strategy on Knowledge Management, which will be completed in 2018.

Also in 2017, an internal Knowledge Management Correspondents group was created, to help identify information and knowledge gaps in the DG, and propose innovative solutions to better access existing information. At the same time, several corporate IT collaboration tools were tested and BASIS, the Briefing and Speeches Information System deployed as a pilot in 2016, was successfully extended to the whole DG.

2.2.4 External communication activities

The DG's Communication activities accompanied the development and implementation of EU environment policy throughout the year, also contributing to raise awareness on the Commission's key political priorities.

⁷⁹ Three of the evaluations mentioned were selected by the RSB and successfully passed scrutiny in 2017, including the fitness check of environmental reporting, the mid-term review of LIFE and the evaluation of the REACH Regulation.

⁸⁰ Changes clearly reflected by Information management indicators 2 and 3 in annex 2

⁸¹ C(2016) 6626 final

The first priority, 'A New Boost for Jobs, Growth and Investment', remained under focus and "Green jobs for a greener future" was the theme chosen for the Green Week, the DG's leading communication event. More than 125 000 people attended at least one of the 120 partner events organised in 21 countries, while an estimated 30 million were reached via social media, press and video channels globally. The vast majority of participants gained a better understanding of how EU policies support green jobs and growth, and had a more positive image of the EU as a whole⁸²

The Circular Economy Action Plan continued to be in the spotlight. In the first half of 2017, a dedicated PR campaign highlighted plastic waste and water reuse policies, achieving an aggregated reach of approximately 300 million press readers in the focus countries. In the second half of the year, the upcoming Plastics Strategy and the public consultation on Single-Use Plastics were announced on several occasions, notably the "Our Oceans" conference in October, and the European Week for Waste Reduction in November. The 25th anniversary of the EU Ecolabel Regulation provided an excellent occasion to raise awareness of this voluntary instrument and its circular economy potential.

Quality of Life was also an important focus area for the DG's communication activities. In 2017, the Clean Air Forum and the delivery of the Air Quality Index tool provided excellent hooks for raising awareness of air quality challenges. The launch of the Environment Implementation Review and national country dialogues were also used to showcase the benefits of environmental policies for citizens, with country-specific factsheets, video clips and social media posts in all languages.

The 25th anniversary of the Habitats Directive and of the LIFE programme were occasions to highlight the programme's effectiveness on the ground, including for nature conservation. 283 events were held by LIFE beneficiaries across the EU and more than 8,000 people voted to select the most outstanding LIFE project since 1992. Proclamation of EU Natura 2000 Day and the added value of EU nature and biodiversity policy were promoted successfully in social media. One single tweet from the main EC account on May 21st had nearly 1.8 million impressions.

Communication on international action was also active. Ending EU export of raw ivory under the Action Plan against wildlife trafficking, and the EU's participation in key international events, such as the 3rd United Nations Environment Assembly and the Conferences of the Parties to the Conventions on Migratory Species and on Desertification, were very successful on the DG social media channels.

DG Environment also supported corporate communication efforts such as the 60th anniversary of the Treaty of Rome #EU60 and the #InvestEU campaign.

The annual communication budget spent in 2017 on all external communication actions undertaken by the DG was 4.9 million EUR.

⁸² According to the survey