



# **2018**

# **Annual Activity Report**

**DG Environment**

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## THE DG IN BRIEF

DG Environment has 456 staff members organised in six directorates divided into policy units. Directorate A also manages information and financial resources at DG level, with a mandate to match policy priorities with resources. With regards to Human Resources, administrative management is centralised at Commission level, while a small HR Business Correspondent team dealing with strategic issues is 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 Union<sup>1</sup>. 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 7<sup>th</sup> Environment Action Programme<sup>2</sup>, President Juncker's priorities and the Sustainable Development Goals. In the short term, comprehensive approaches such as the Circular Economy Action Plan and the Strategy on Plastics, and the Action Plan for Nature, People, and the Economy frame annual planning.

DG Environment deals mainly with policy development and implementation. Where legislative intervention is appropriate, the DG initiates Commission proposals for adoption 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 by addressing the root causes of bad implementation is a priority, but enforcement actions remain important to ensure proper implementation of legal obligations. Where appropriate, non-legislative means to achieve environmental objectives are also used.

The DG regularly evaluates the legislation and policies in place to ensure they are fit for purpose. 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 (EEA), 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, EAFRD<sup>3</sup> 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 assign the Commission a strong coordination and representation role. DG Environment represents the EU at a wide-range of environmental 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

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<sup>1</sup> 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

<sup>2</sup> 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'

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

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.

## 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 Treaties<sup>4</sup>.

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

In its **2018 Work Programme**, the Commission engaged to deliver the remaining legislative actions under its priority policy areas by end May, to allow the European Parliament and Council the time to complete legislative negotiations before the European elections. The Commission remained also fully committed to implementing the **Circular Economy Action Plan**, to deliver more sustainable growth and jobs under its first priority. These commitments framed DG Environment's work in 2018. Pressing **environmental and citizens' concerns** such as plastic waste, air pollution and the decline of pollinators were further drivers for action, while improving the application of existing instruments remained an overall priority.

Plastics is one of the main strands under the Circular Economy Action Plan, and the year started with the adoption of the first EU-wide **Strategy on Plastics**. The strategy seeks



to transform the way plastics are designed, produced, used and recycled. A follow-up proposal on **Single Use Plastics** was developed and swiftly negotiated and agreed with the co-legislators. The new Directive includes measures to deal with the ten single use plastics items most often found on beaches and abandoned fishing gear, which represent 77% of all plastic marine litter. It also sets a ban on oxo-degradable plastics, which present a considerable **risk of microplastics**

accumulating in the environment.

Building on the recycle principle of the Circular Economy, a proposal was tabled on quality standards for **water reuse**, to ensure that treated urban waste water can be safely used for agricultural irrigation. The proposal addresses water scarcity, while protecting citizens and the environment. A further proposal to update **Drinking Water** legislation was delivered, to reduce health risks associated with drinking water, grant access to quality water for all and improve information for consumers. This would increase confidence in tap water and reduce the consumption of bottled water and plastics waste. By the end of the year, however, intense work with the co-legislators was still required at technical level; for the drinking water proposal, the issue of materials in contact with water was particularly challenging.

Improving **waste management** is essential in the shift to a circular economy. After approval by the co-legislators, the updated EU waste legislation, fit for the future, entered into force in July. The amended directives<sup>5</sup> set ambitious targets and require Member States to take specific measures to prioritise prevention and recycling, while phasing out the landfilling of waste.

<sup>4</sup> Article 17(1) of the Treaty on European Union

<sup>5</sup> [Directive \(EU\) 2018/851](#) on waste, [Directive \(EU\) 2018/852](#) on packaging and packaging waste, [Directive \(EU\) 2018/849](#) on batteries and on electric/electronic waste, and [Directive \(EU\) 2018/850](#) on the landfill of waste

The remaining strands of the Circular Economy Action Plan also progressed. In particular, an expert analysis of the **interface between chemicals, products and waste** was published, and a public consultation was subsequently launched, to gather further feedback and inform ongoing work on the **EU product policy framework**. **Natural capital and healthy ecosystem services** are key elements of the EU economy's resource-base, and a precondition for lasting growth, social cohesion and well-being. In 2018, efforts to improve the implementation of nature legislation continued under the **Action Plan on Nature, People and the Economy**<sup>6</sup>, and a new initiative was adopted to address the critical<sup>7</sup> situation of **pollinators**. The new measures will foster coordination across different sectors to address the social and economic implications of the decline in pollinators, and will also improve monitoring and raise citizen awareness.

Despite considerable efforts, the relevant indicators show that the EU is not on track to meet the objective of halting biodiversity loss by 2020<sup>8</sup>. The status of EU surface waters is also challenging, with only 40% of water bodies in good ecological status or potential. Several measures recently put in place are still to yield their expected benefits<sup>9</sup>.

**Environment-related pressures and risks to health** are at the heart of citizens' concerns, who overwhelmingly support the EU's role<sup>10</sup>. In line with the Commission Communication "A Europe that protects: Clean Air for all"<sup>11</sup>, DG Environment stepped up collaboration with Member States and stakeholders to improve the implementation of EU legislation. Clean Air dialogues took place in Slovakia, Spain and Czechia and the 2018 eco-innovation forum (organised in Sofia, Bulgaria), focused on air quality issues, providing examples of clean air business opportunities. However, **air pollution** remains a critical health concern, as also confirmed by the European Court of Auditors in 2018<sup>12</sup>. The Court's recommendations are to promote further effective implementation and to strengthen the Ambient Air Quality Directive. The ongoing fitness check of air quality legislation will inform reflections about the future of the relevant regulatory framework.



Europeans are also highly concerned about **chemicals** and their potential impacts on health and the environment. In 2018, DG Environment presented a proposal updating legislation on **Persistent Organic Pollutants** and contributed to the elaboration of the new EU framework on **Endocrine Disruptors**. The evaluation of the Regulation on the **Registration, Evaluation, Authorisation and Restriction of Chemicals** (REACH) was finalised, in collaboration with DG Internal Market, Industry, Entrepreneurship and SMEs. The conclusions showed that, while progress was made in restricting or banning harmful chemicals and in encouraging safer alternatives, more needs to be done to protect health and environment. Findings in relation to REACH registration dossiers required urgent intervention. Measures to clarify the rules for registrants, and to increase the compliance-check rates were launched, in collaboration with the European Chemicals Agency.

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<sup>6</sup> COM (2017)198 final

<sup>7</sup> One in ten of pollinating insects is on the verge of extinction and a third of bee and butterfly species is declining

<sup>8</sup> See in particular Key Performance Indicator 2 on Common birds population, p. 9 of the present report

<sup>9</sup> See Key Performance Indicator 4. Further detail on the situation of EU water bodies and of the relevant measures in place is available on pages 19-20 of the present report

<sup>10</sup> 94% of EU citizens believe that protecting the environment is important, 81% deem that environmental issues have a direct effect on their health and daily lives, and 80% agree that EU rules are necessary, according to the 2017 Eurobarometer [Attitudes of European citizens towards the environment](#);

<sup>11</sup> COM (2018)330

<sup>12</sup> Special report no 23/2018: Air pollution: Our health still insufficiently protected

In keeping with the Commission's Better Regulation agenda, and to improve the quality, access, and use of environmental information, a proposal was tabled to streamline **environmental reporting** obligations. In parallel, a project was launched with DG Climate Action and the European Environment Agency (EEA) to modernise the EEA's **eReporting infrastructure**. These initiatives are part of the DG's effort to make the most of digitalisation, and provide citizens with better data on the quality of the environment.

**Investment** is a key element in achieving environmental objectives, and implementing a transition towards a more sustainable world. In this context, mainstreaming environmental considerations into the new **Multiannual Financial Framework** (MFF) and the future EU funding programmes was very relevant. With a proposed budget of EUR 5.45 billion between 2021 and 2027, **LIFE** was among the programmes that received the largest proportional increase in the new financial framework. In collaboration with DG Climate Action, DG Environment prepared a new LIFE proposal in line with the upgraded budget.



Attracting private capital is also crucial and DG Environment participated actively in the implementation of the EU Sustainable Finance Action Plan. Particularly relevant was the development of a **Sustainable Finance Taxonomy** setting criteria for determining whether an economic activity is environmentally sustainable. If adopted, the new Regulation will provide clarity to potential investors on what is environmentally sustainable, so that they may take better informed decisions. It remains a challenge to ensure that in setting the taxonomy all elements of the natural capital are addressed, in addition to climate change aspects.

**Multilateral action** at international level is increasingly important to achieve transboundary environmental objectives and the Sustainable Development Goals (SDGs).

DG Environment participated actively in the United Nations SDGs High Level Political Forum, in New York, which included a flagship side-event on "Global Circular Economy" organised by the EU. Several high-level Circular Economy missions were carried out during the year, and G7 meetings provided additional opportunities to further promote this agenda. In January 2019, in Davos, the Commission was awarded the **Circular Economy prize by the World Economic Forum**, in recognition of its efforts to accelerate the transition towards a circular economy.



The loss of biodiversity continued to be an important concern also at global level, and in 2018 the 14<sup>th</sup> Conference of the Parties to the **Convention for Biological Diversity** sent a strong signal that biodiversity loss is a serious issue, on a par with climate change. Preparing for a post-2020 framework on biodiversity and combatting illegal logging and wildlife trafficking were among the DG priorities. Finally, to follow up on the United Nations initiative on environmental multilateral governance, the DG prepared a recommendation, which the Commission sent to the Council in March 2018, to negotiate, on behalf of the European Union, an international **Global Pact for the Environment**.

## 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 role<sup>13</sup>.

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 below<sup>14</sup>:

- **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 payments<sup>15</sup> (internal management indicator).

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<sup>13</sup> 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.

<sup>14</sup> 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>

<sup>15</sup> 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><b>KPI1: Municipal waste generation and treatment</b>            (Kg/person) through the waste hierarchy (%) - proxy for the circularity of the economy</p>	<ul style="list-style-type: none"> <li>- Recycling &amp; composting: 50% (2020) - 65% (2035<sup>16</sup>)</li> <li>- Incineration (n/a)</li> <li>- Reduction of landfilling to 10% (2035<sup>8</sup>)</li> </ul>	
<p><b>KPI2: Common birds population</b>, 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><b>KPI3: Exposure to air pollution:</b>            Percentage of urban population exposed to air pollution above EU standards (here illustrated by Particulate Matter – PM<sub>10</sub>).</p>	<p>0% by 2020</p>	

<sup>16</sup> As per the revision of EU waste legislation adopted in 2018

KPI4: Percentage of <b>surface water bodies</b> in good ecological status or with good ecological potential	100% by 2015 unless exemption applies	40% in 2015
KPI5: Estimated <b>Residual Error Rate</b>	Below 2%	2015: 0.90% 2016: 0.11% 2017: 0.18% 2018: 0.09%

### 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)

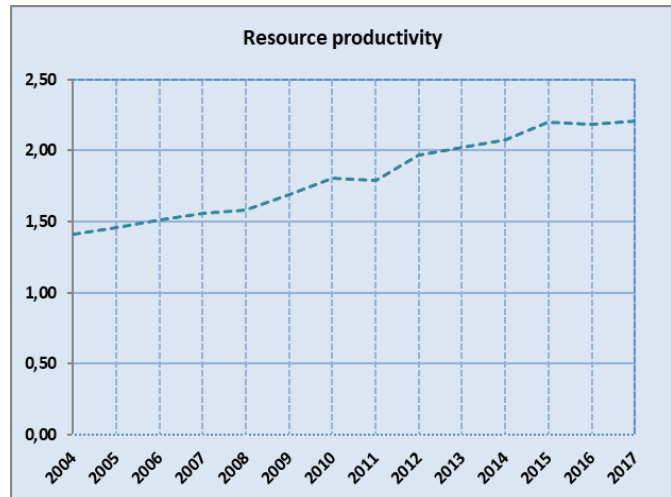
In the context of the regular meetings during the year between the DG and the Commissioner on management matters, also the main elements of this report and assurance declaration, have been brought to the attention of Commissioner Vella, responsible for Environment, Maritime Affairs and Fisheries.

# 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 2018 DG Environment worked towards achieving the six Specific Objectives set out in its Strategic Plan 2016-2020<sup>17</sup>, which reflect the objectives of the **7<sup>th</sup> Environment Action Programme**<sup>18</sup>. 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.



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

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 have their intended effect, including at international level. The LIFE programme contributes to these three strategic areas.

DG Environment's activities are helping to deliver results on the ground and a number of indicators are showing improvements, including on **resource productivity**, which is also a measure of the economy's circularity and sustainability. The trend shows that Europe's economy is growing faster than its use of raw materials, indicating better resource efficiency. However, the upward curve has started to slow down and further action is needed. Promoting the transition to the circular economy at EU and international level, and taking concrete measures to foster a dynamic market for recycled materials will help to boost a positive trend, avoiding waste and leading to savings in energy and raw materials. The protection and restoration of natural capital, which underpins our wellbeing and prosperity, will also help deliver more sustainable growth.

<sup>17</sup> [http://ec.europa.eu/atwork/synthesis/amp/doc/env\\_sp\\_2016-2020\\_en.pdf](http://ec.europa.eu/atwork/synthesis/amp/doc/env_sp_2016-2020_en.pdf). These objectives are based on the priorities established in the 7<sup>th</sup> Environment Action Programme

<sup>18</sup> 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 1: The EU economy is resource-efficient, green and competitive

Driving the transition to a **circular economy** is a key priority of this Commission, and a main contributor to President Juncker's first priority on Jobs, Growth and investments. It is also key to decarbonising the economy, as recently confirmed by the Commission's long-term vision for a climate neutral economy<sup>19</sup>.



2018 was a crucial year for the Circular Economy Action Plan<sup>20</sup>, with an important number of measures adopted.

**Dealing with plastics is one of the main strands** under this plan and 2018 started with the adoption of the first ever EU-wide **Strategy on Plastics**<sup>21</sup>, which seeks to transform the way plastics and plastic products are designed, produced, used and recycled. Follow-up work started immediately, to cut down on plastic litter and pollution from microplastics, help create a European market for recycled plastics and drive investment and innovation towards circular solutions.

A key deliverable was the proposal on **Single-use plastics**<sup>22</sup>, which was developed and then negotiated with the co-legislators within one year. The new Directive includes measures to deal with the ten single use plastics items most often found on beaches and abandoned fishing gear, which represent 77% of all plastic marine litter. The Directive also sets a ban on all oxo-degradable products, in response to a report on the impact of **oxo-degradable plastic**<sup>23</sup> which was adopted together with the Strategy on Plastics and showed that oxo-degradable plastics present a considerable risk of microplastics accumulation in the environment.

Other important measures of the new Directive include product marking and design requirements, incentives to reduce consumption, extended producer responsibility for five new product categories and binding EU targets for separate collection and recycled content in plastic bottles, to help boosting the market for quality secondary raw materials.

To further help create a European market for recycled plastics and drive investment and innovation towards circular solutions, DG Environment supported DG Internal Market, Industry, Entrepreneurship and SMEs in running an EU-wide pledging campaign which called on companies and industry associations to come forward with ambitious **voluntary pledges to boost the uptake of recycled plastics**. A preliminary assessment of more than 60



<sup>19</sup> COM(2018) 773 final

<sup>20</sup> COM(2015)614 final

<sup>21</sup> COM(2018) 28 final, adopted on 16 January 2018

<sup>22</sup> COM (2018) 340

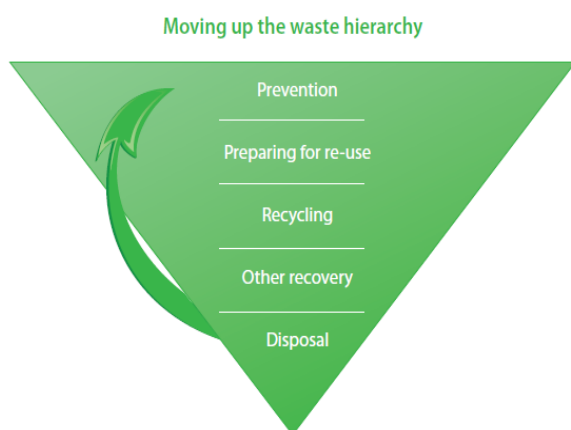
<sup>23</sup> COM(2018) 35 final

pledges received showed that EU industry is significantly committed to recycling plastics - at least 10 million tons of recycled plastics could be supplied by 2025 if the pledges are fully delivered. However, on the demand side, only 5 million tons are expected so far, demonstrating that more efforts will be needed to achieve a well-functioning EU market of recycled plastics. To further strengthen uptake in the market, the Commission launched a **Circular Plastics Alliance**, which will gather key industry stakeholders covering the full plastics value chain – from waste collectors to recyclers and primary producers to converters, brand owners and retailers.

**Moving towards a circular economy means creating an economic model that reduces the amount of waste produced and discarded.** In 2018, waste continued to be a priority work strand.

The **Waste package** amending six EU waste directives under the Circular Economy was adopted by the co-legislators in May, and entered into force in July. The new legislation<sup>24</sup> strengthens the waste hierarchy by requiring Member States to take specific measures to prioritise prevention and recycling, while phasing out landfilling of waste. It will improve separate collection and the use of economic instruments, such as Extended Producer Responsibility schemes, which are key for financing improved waste management and delivering more circular product designs.

The new legislation places a particular focus on waste prevention and introduces important objectives for food waste in the EU and halting marine litter, to help achieve the UN



Sustainable Development Goals in these areas.

The EU is also leading the way to improve the conditions under which ships are recycled. From 31 December 2018, ship owners have the obligation to dismantle EU-flagged vessels only in yards approved under the EU **Ship Recycling** Regulation<sup>25</sup>. DG Environment prepared and updated the list of EU approved facilities, which currently contains 26 facilities located in the EU and third countries.

Efforts to support Member States in the **implementation of existing waste legislation** also continued and a report<sup>26</sup>, accompanied by country-specific analysis, was published in September, reviewing how EU waste rules are applied and presenting challenges and ways forward for several waste streams. Generally, the report concluded that, despite continuous progress in Member States, remaining gaps must be swiftly addressed to reap the environmental and economic benefits of the circular economy.

For **municipal waste**, which is a Key Performance Indicator for DG Environment, the report identified 14 Member States at risk of missing the 2020 target of 50% recycling (Bulgaria, Croatia, Cyprus, Estonia, Finland, Greece, Hungary, Latvia, Malta, Poland, Portugal, Romania, Slovakia and Spain) and suggests further action, taking into account what has worked elsewhere, but also local circumstances. The suggested actions would put these countries in a position to also reach the more ambitious targets set in the new legislation (55% by 2025, 60% by 2030 and 65% by 2035). At EU level, the 50% target will be reached by 2020 if current positive trends continue, placing the EU average on the right track towards reaching 65% recycling and composting of municipal waste by 2035.

<sup>24</sup> [Directive \(EU\) 2018/851](#) on waste, [Directive \(EU\) 2018/852](#) on packaging and packaging waste, [Directive \(EU\) 2018/849](#) on batteries and on electric/electronic waste, and [Directive \(EU\) 2018/850](#) on the landfill of waste

<sup>25</sup> Regulation (EU) No 1257/2013 on ship recycling

<sup>26</sup> COM(2018)656 and SWD(2018)143 to 426

As a follow-up, high-level circular economy visits were organised to Malta, Romania and Bulgaria, to discuss the opportunities and challenges linked to circular economy and better waste management. Best Available Techniques conclusions were published<sup>27</sup>, to ensure that waste treatment operations are clean and support enhanced recycling and recovery of waste.

Extending the reuse principle of the circular economy, a new proposal for the re-use of **waste water**, initially planned for 2017 and postponed to allow further assessment of impacts, was tabled in spring 2018<sup>28</sup>. The proposed Regulation aims to ensure that treated urban waste water intended for agricultural irrigation is safe, thereby addressing water scarcity. However, by the end of the year, the co-legislators had not advanced enough to be able to launch the inter-institutional negotiations.



**Progress was also made on other strands of the Circular Economy Action Plan.** An expert analysis of the **interface between chemicals, products and waste legislation** was concluded in January, and a public consultation was launched to collect broader feedback, which will be used also for the ongoing work on the EU product policy framework. In this same context, a high-level conference on **Environmental Footprint** was organised to discuss the potential applications of environmental footprint methods. Consumers, businesses and investors have a growing interest in the environmental performance of the products they buy, produce and finance, and the discussions focused on how footprint methods could contribute to generate reliable and comparable information across sectors.

From the start, stakeholders engagement has been remarkable in all aspects of the circular economy. The high turnout and quality of the applications at the **European Business Awards for the Environment**, organised by the DG every two years, confirmed this engagement. The 2018-2019 competition received 161 applications from 19 European countries. These awards recognise business for their strategic vision to continuously improve environmental performance, and for developing innovative solutions or placing on the market new products and services that make an outstanding contribution to sustainable development, halting biodiversity loss and supporting natural ecosystems.

Finally, in 2018, DG Environment also participated in the review of the 2012 **EU Bioeconomy Strategy** led by DG Research and Innovation, which resulted in the adoption of a new set of measures to develop a more sustainable and circular bioeconomy<sup>29</sup>. The bioeconomy covers all activities and systems that rely on biological resources, one of the EU's largest sectors encompassing agriculture, forestry, fisheries, food, bioenergy and bio-based products. The new action plan aims to scale up the sustainable use of renewable resources, thus contributing to more sustainable growth, and to address challenges such as climate change and the protection of natural capital.

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<sup>27</sup> C(2018)5070

<sup>28</sup> COM (2018) 337

<sup>29</sup> COM(2018)673 final

## DG Specific Objective 2: 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.

In 2018, work continued on the **Action Plan on Nature, People and the Economy**<sup>30</sup>, to strengthen the implementation of the Birds and Habitats Directives and boost their contribution towards reaching the EU's biodiversity targets for 2020. By the end of the year, 76 of the 114 measures to be carried out by 2019 under this plan were completed, and nearly all others were on track.

Two new guidance documents were published on energy transmission infrastructure and hydropower, explaining the steps that need to be taken under EU nature legislation to prepare energy projects<sup>31</sup>. Another two, on green infrastructure, and on the integration of ecosystems services in planning and decision making, were in progress, for adoption in 2019. To help integrate biodiversity concerns in corporate and financial decisions, work continued also under the EU Business and Biodiversity platform, including setting up of a community of practice on **finance and biodiversity**. And nature dialogues took place with authorities and stakeholders in ten Member States, to identify solutions to structural implementation problems.

The Nature Action Plan is also about improving management and raising awareness about **Natura2000**, which is an EU wide network of 27 500 protected sites currently covering 18 % of EU land territory and 7.5% of its marine areas. DG Environment updated the Commission's guidance for Member States authorities, stakeholders and EU citizens on how to conserve and manage Natura 2000 protected areas, and organised the annual **Natura 2000 Awards**, to connect nature protection, citizens and socio-economic activities. In 2018, a total of 75 applications from across Europe were received, out of which 25 projects were shortlisted. Six winners were finally chosen from Bulgaria, Estonia, Greece, Hungary, Portugal and Spain.



In 2018, DG Environment proposed an **EU initiative on pollinators** to address the critical situation of pollinators species (one in ten of pollinating insects is on the verge of extinction, and a third of bee and butterfly species is declining). The new measures will foster coordination across different sectors to address the social and economic implications of the decline in pollinators, improve monitoring and raise citizen awareness. To tackle the causes of the decline, measures include action plans for the habitats of threatened pollinating insects, and devising conservation and management approaches with Member States.

Forests and their biodiversity also need to be protected and enhanced. In 2018, DG Environment contributed to assess the progress made under the EU Forest Strategy, concluding that the strategy was successful in setting clear aims and coordinating efforts to achieve them<sup>32</sup>. In face of the increasing frequency and impacts of forest fires in the EU, and in collaboration with the Joint Research Center and the Expert Group on

Forest Fires, the DG also stepped up its efforts to produce guidelines for wildfire prevention, and common criteria to assess wildfire risk at the pan-European level.

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<sup>30</sup> COM (2017)198 final

<sup>31</sup><http://ec.europa.eu/environment/nature/natura2000/management/docs/Energy%20guidance%20and%20EU%20Nature%20legislation.pdf> and <http://ec.europa.eu/environment/nature/natura2000/management/docs/Hydro%20final%20May%202018.final.pdf>

<sup>32</sup> COM(2018)811

The **Invasive Alien Species**<sup>33</sup> Regulation also plays an important role in addressing the biodiversity challenge. During 2018, progress continued through the adoption of a risk assessment methodology based on evidence of the capability of invasive alien species to establish and spread<sup>34</sup>.

Despite the efforts made, the **birds population** situation in the EU (proxy of the state of biodiversity and a Key Performance Indicator for DG Environment) shows that much more needs to be done to halt the loss of biodiversity and deliver on the EU Biodiversity Strategy's targets<sup>35</sup> and the United Nations Sustainable Development Goals.

The **Zoos Directive**<sup>36</sup> was evaluated to assess how this small piece of legislation is contributing to preserve biodiversity through *ex situ* conservation measures. The

### Evaluations show that...

While the primary focus of EU biodiversity policies is the protection in the wild (*in situ* conservation), the **Zoos Directive** complements this by promoting conservation of species outside their natural habitats (*ex situ* conservation). With continued biodiversity loss and increasing species decline, the *ex situ* role of Zoos is increasingly relevant.

The evaluation confirmed that the Zoos Directive is fit for purpose, has a small but clear role and provides added value within the wider legislative biodiversity framework.

evaluation confirmed that the directive is fit for purpose and coherent with the other EU legislation, and that its implementation costs are proportionate to the smaller role it plays within the larger policy framework. Realisation of the Directive's full potential will depend upon improved implementation in zoos across the EU.

**The protection of marine ecosystems**, also supported by Natura2000, was another priority in 2018. With 625 000 square kilometres – 10.8% – of EU marine and coastal waters protected, the EU has already met the international biodiversity commitment of setting aside 10% of all its waters as marine protected areas by 2020. Nevertheless, further efforts are required to meet the requirements of the **Marine Strategy Framework Directive**.

A **report**<sup>37</sup> published in August confirmed that, while Member States have taken important steps to address pressures on the marine environment, the

adopted measures are not yet sufficient to achieve healthy and productive seas by 2020. The report included horizontal guidance to improve measures and was accompanied by further country-specific recommendations. In some cases, such as marine litter, Member States lacked coordinated measures. This shortcoming will be partly addressed at EU level, through the EU's Strategy on plastics and its subsequent actions, including on Single Use Plastics.

## 1.2 Connecting with European Citizens

### DG Specific Objective 3: The Union's citizens are safeguarded from environment-related pressures and risks to health

Environment-related pressures and risks to health are at the heart of citizens' concerns, and an area where effective development and implementation of environmental legislation and policies could lead to clear benefits.

<sup>33</sup> Regulation (EU) No 1143/2014 on Invasive Alien Species

<sup>34</sup> C(2018)2526

<sup>35</sup> COM(2011) 244

<sup>36</sup> Directive 1999/22/EC relating to the keeping of wild animals in zoos

<sup>37</sup> COM(2018)562



**Despite substantial reduction in emissions, air pollution** continues to be the first environmental cause of health problems in Europe, leading to more than 400 000 premature deaths each year. The situation is especially severe in urban areas, where a majority of Europeans live.

In May 2018, in response to increasing citizen's concerns, the Commission adopted a **Communication on Clean Air**<sup>38</sup>, outlining the wide-ranging EU measures available to support Member States to meet their targets under the Ambient Air Quality Directives, and the enforcement action being taken to help ensure that the common objective of clean air for all Europeans is achieved and maintained across the EU.

In June, the **Clean Air Outlook**<sup>39</sup>, drawn up by DG Environment under the EU Clean Air Programme, showed that Europe's health problems due to air pollution could be halved by 2030, if Member States applied EU policies on air pollutant emissions, climate and energy. A report from the European Court of Auditors<sup>40</sup> confirmed that, while EU action has delivered some successes, air legislation is still insufficiently applied on the ground. The report also includes recommendations to strengthen the legislation.

DG Environment continued supporting the implementation of the revised **National Emission Ceilings** Directive<sup>41</sup> with the adoption of new rules on reporting, and the review of the inventories for persistent organic pollutants and heavy metals and of the emission adjustment applications sent by the Member States. Collaboration with Member States continued as well, in particular through Clean Air Dialogues, with high level dialogues taking place, in Slovakia, Spain and Czechia.

The **2018 eco-innovation forum** organised in Sofia, Bulgaria, focused on air quality issues, providing examples of clean air business opportunities and demonstrating that cleaner air also makes perfect economic sense. The **fitness check** of the Air Quality Directives also moved forward, and a number of consultation tools<sup>42</sup> were used to gather a maximum of views, including an open public consultation in the first half of the year.

The **transport sector** has a vital role to play in reducing pollutants harmful to health. In the aftermath of the Volkswagen scandal, DG Environment stepped up its contribution to the Commission's work on new emissions tests, which will become mandatory for all new cars from September 2019 and will ensure that results are closer to real driving conditions and protect Europeans from exhaust gas pollution. In collaboration with DG Internal Market, Industry, Entrepreneurship and SMEs, DG Environment also supported the new legislative proposals on CO2 emissions standards for light-duty and heavy-duty vehicles, which are expected to have long-term benefits for air quality as they provide incentives for low- and zero-emission light-duty and heavy-duty vehicles.

Exhaust gases from ships are also a significant source of air pollution and have a direct impact on air quality in many European cities and coastal areas. The contribution of the Marine fuel **Sulphur Directive**<sup>43</sup>, which regulates the sulphur content of marine fuels, to



400 000 premature deaths in the EU every year are linked to air pollution



Air pollution costs over €4 billion in healthcare and €16 billion in lost workdays



About 130 cities across Europe do not meet EU air quality standards



72 % of Europeans want public action to improve air quality

<sup>38</sup> A Europe that protects: Clean air for all, COM (2018)330

<sup>39</sup> COM (2018) 446

<sup>40</sup> European Court of Auditors - Special report no 23/2018: Air pollution: Our health still insufficiently protected

<sup>41</sup> Directive (EU) 2016/2284 on the reduction of national emissions of certain atmospheric pollutants

<sup>42</sup> ([http://ec.europa.eu/environment/air/quality/aqd\\_fitness\\_check\\_en.htm](http://ec.europa.eu/environment/air/quality/aqd_fitness_check_en.htm))

<sup>43</sup> Directive (EU) 2016/802 regulating the sulphur content of certain liquid fuels

improving air quality was examined under DG Environment lead. An implementation report<sup>44</sup> adopted in April 2018 showed high compliance rates by ships, and identified a number of reasons behind the successful and cost-effective implementation of the Directive. These included, *inter alia*, a strong enforcement regime in terms of volume of inspections and their coordination at EU level, a thorough early preparation and good collaboration with and among Member States and industry.

**Citizens are also concerned about chemicals**, in light of their potential impacts on health and the environment.

**REACH**, the Regulation on Registration, Evaluation, Authorisation and Restriction of Chemicals, is the main EU instrument to make chemicals safer for consumers, workers and the environment. Under REACH, chemicals have to be registered and companies must identify and manage risks, demonstrating how substances can be safely used. The European Chemicals Agency (ECHA) plays a key role in this process.

2018 was a critical year for REACH. The period for companies to register chemicals manufactured, imported or placed on the EU market above one tonne per year came to its end, and an overall evaluation of the operation of the Regulation was concluded by DG Environment and DG Internal Market, Industry, Entrepreneurship and SMEs.

The **REACH evaluation** report<sup>45</sup>, showed that the EU has made progress in restricting or banning the use of certain chemicals that may harm human health or the environment,

#### Evaluations show that...

Under the **REACH Regulation**, the EU has made progress in restricting or banning the use of certain chemicals that may be harmful, and in driving their replacement by safer alternatives. However, more needs to be done to protect health and environment.

The REACH system is based on the **no data–no market** principle. Enhancing the quality of REACH registration dossiers will be one of the main tasks ahead. **ECHA**, the European Chemicals Agency, has a fundamental role in making this happen. Member States also need to take measures to enhance enforcement of chemical legislation, including import controls by custom authorities.

and in driving their replacement by safer alternatives. However, several areas for improvement were identified. Possible steps to take were discussed with the European Parliament, Member States and stakeholders at an Expert Group meeting in June 2018 and, by the end of 2018, concrete measures were launched with Member States and ECHA to improve the quality of registration dossiers submitted by companies, to simplify the authorisation process and to enhance the enforcement of chemical legislation by national authorities, including import controls by customs authorities.

In addition, REACH was updated for the registration of **nanomaterials**<sup>46</sup>. The Regulation has always applied to nanomaterials, but did not contain specific provisions for them, and companies often did not know how to register substances in nanoform. The update will help to close the knowledge gap on nanomaterials, and for registrants will clarify how to provide information on their basic characteristics and use, how to handle them safely, what risks they potentially pose to health and the environment and

how these risks can be adequately controlled.

The DG also contributed to the new EU Strategy on **Endocrine Disruptors**, building on the knowledge, experience and results achieved in the twenty years since the adoption of the first Community Strategy<sup>47</sup>. Endocrine disruptors are chemical substances that alter the functioning of the hormonal system and negatively affect the health of humans and animals. The EU's comprehensive approach, based on the precautionary principle, aims

<sup>44</sup> COM(2018) 188

<sup>45</sup> COM (2018) 116 and SWD(2018) 58

<sup>46</sup> Commission Regulation (EU) 2018/1881 amending REACH as regards Annexes I, III,VI, VII, VIII, IX, X, XI, and XII to address nanoforms of substances

<sup>47</sup> COM(1999)706

at minimising overall exposure to these chemicals, paying particular attention to important life periods, such as pregnancy and puberty.

Finally in the area of chemicals, an update of the legislation on **Persistent Organic Pollutants** was proposed in May and, by the end of the year, negotiations with the co-legislators were progressing towards its adoption before the European Elections in May 2019. The fitness check of **other chemicals legislation** also moved forward, and in December received a positive opinion from the Regulatory Scrutiny Board, which will enable the adoption of conclusions in the first half of 2019. The finalisation of this ambitious assessment, on which DG Environment supports the work of DG Internal Market, Industry, Entrepreneurship and SMEs, has required more time and resources than initially foreseen, thus diverting resources from other planned activities during 2018.

**Water policy was also high on the agenda in 2018.** In February, an update of **Drinking Water** legislation<sup>48</sup> was proposed for adoption by the European Parliament and the Council, and Interinstitutional discussions were launched at technical level. The new measures are expected to reduce potential health risks associated with drinking water



from 4% to below 1%<sup>49</sup>. Another aim is to improve the information provided to consumers, thereby increasing confidence in tap water and contribute to the prevention of unnecessary plastic waste. Lower consumption of bottled water can in addition help households in Europe save more than EUR 600 million per year. The proposal also includes a provision to grant access to water for vulnerable population groups, thus responding to the 2012 citizens' initiative on the Right2Water<sup>50</sup>. By the end of the year,

however, certain issues remained challenging, in particular with respect to materials in contact with water.

The annual report on **Bathing Water** quality<sup>51</sup>, published in May, confirmed that bathing waters in Europe are of high quality, with 95 % of the sites meeting minimum water quality standards set out in EU legislation. However, while bathing water policy is one of the success stories in EU water, the ecological status of EU freshwater bodies (groundwater, lakes, rivers, coastal and transitional waters) is less encouraging.

**Ecological status** is the best overall indicator of how healthy a body of water is, and a Key Performance Indicator for DG Environment. Achieving good status involves meeting certain standards for the ecology, chemistry and quantity of waters. According to an assessment published by the EEA in July<sup>52</sup>, while 74% of groundwaters are in good chemical status and 89% in good quantitative status, only 40% of EU surface waters are in good ecological status or potential. Across the EU, the main obstacles to achieve good status are nutrients for agriculture and aquaculture, altered habitats due to morphological changes, and the presence of chemicals, including pesticides, microplastics and pharmaceutical residues. Traces of mercury are almost everywhere in Europe's waters.

The picture is mixed but the Agency's report also shows that the joint efforts from the Commission, Member States and stakeholders are beginning to pay off, and that the

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<sup>48</sup> COM (2017) 753 final

<sup>49</sup> Cf. impact assessment accompanying the proposal, SWD (2017) 449

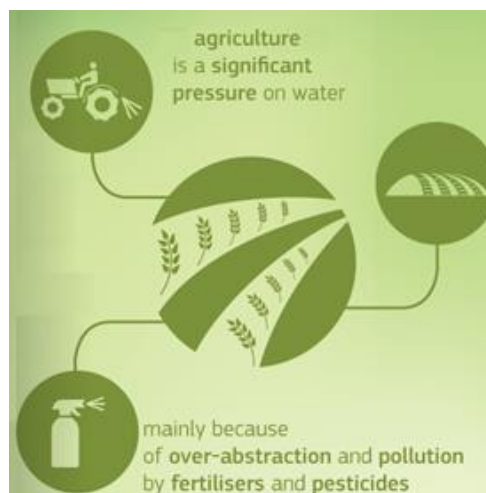
<sup>50</sup> ECI(2012)000003 - <http://ec.europa.eu/citizens-initiative/public/initiatives/successful/details/2012/000003>

<sup>51</sup> European Environment Agency, [European Bathing Water Quality in 2017](#), 2018

<sup>52</sup> European Environment Agency, [European waters. Assessment of status and pressures](#), 2018

declining trend in water quality is being reversed. Knowledge on water quality and quantity has increased and this has resulted in flagging as bad the ecological status of many water bodies for which the previous situation was unknown.

The latest report on the implementation of the **Nitrates Directive**<sup>53</sup> showed that pollution caused by nitrates has slightly decreased in the last few years, and that sustainable agricultural practices in relation to nutrients management are becoming more widespread. However, worrying hot spots still remain and nutrients overload from agriculture continues to be one of the biggest pressures on the aquatic environment, in particular with regards to agricultural practices that are heavily dependent on fertilisers. The new legislation on **water reuse**, proposed under the Circular Economy Action Plan, is expected to help by providing quality standards for the water reused in agriculture.



In the context of the ongoing evaluation of the **Urban Waste Water Treatment Directive**, an extensive modelling exercise was carried out with the Joint Research Centre and will provide useful information on the impact of the Directive in terms of emission reductions and on rivers and coastlines.

Implementing the new rules on Single Use Plastics and further progress under the Plastics Strategy should help tackling **microplastics**, and a new Strategic approach to **pharmaceuticals** in the environment, elaborated in 2018 for adoption in early 2019, will address the issue of pharmaceutical residues in water. With regards to **mercury**, the new Regulation<sup>54</sup> prepared by DG Environment in 2016 became applicable on 1 January 2018, limiting mercury use and emissions by *inter alia* regulating trade in mercury and mercury compounds, and improving the management of mercury waste. Emissions of mercury from non-EU sources is also expected to decrease thanks to the Minamata Convention on Mercury<sup>55</sup>, already ratified by over 100 countries.

The implementation of the existing water legislative framework continued and DG Environment supported Member States efforts, providing guidance and facilitating exchanges between authorities and other stakeholders. The DG also completed its assessment of the Member States' **Second River Basin and first Flood Risk Management Plans**, which are the basis of an important forthcoming Commission report on the implementation of the Water Framework<sup>56</sup> and Floods<sup>57</sup> Directives.

Across sectors, significant efforts have been made to increase transparency and empower citizens to act on the environment. In particular, an important decision was taken to grant public access to the Industrial Emissions Registry, which contains comprehensive information on the activities, permits and emissions of the EU's 50 000 largest industrial plants. This will be a visible feature of EU's digitalisation efforts to serve citizens.

<sup>53</sup> COM (2018) 257 (Commission report based on Member States reporting over the period 2012-2015)

<sup>54</sup> Regulation (EU)2017/852 on Mercury

<sup>55</sup> <http://www.mercuryconvention.org/>

<sup>56</sup> Directive 2000/60/EC establishing a framework for the Community action in the field of water policy

<sup>57</sup> Directive 2007/60/EC on the assessment and management of flood risks.

## 1.3 Making it Happen

**DG Specific Objective 4: 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 7<sup>th</sup> EAP, ensuring that policies and legislation have the intended effects requires action on several fronts, notably improving implementation, developing the knowledge base, integrating environmental priorities into other policies and promoting green investments. Applying Better Regulation principles so that legislation is based on sound scientific knowledge and evidence is also crucial to achieve results.

### *Improving Implementation*

The first **Environmental Implementation Review** report<sup>58</sup>, adopted in 2017, identified the main implementation gaps in environmental legislation and suggested country-specific solutions to address their root causes. As follow-up, high-level bilateral country dialogues were launched between the Commission and the Member States, and a new *Peer2Peer* tool, **Taiex-EIR**<sup>59</sup>, was put in place to support the exchange of expertise among authorities.

#### *Adding EU-value*

**Closing landfills in Romania: Benefitting from Ireland's experience thanks to the Taiex-EIR peer2peer tool**

Recycling rates in Romania are among the lowest in the EU and most municipal waste is still landfilled. Setting up an effective governance structure was identified as a priority for Romania in the **Environmental Implementation Review (EIR)**.

The Republic of Ireland faced similar implementation challenges 15 years ago. The Irish government established a strategic plan to upgrade its waste management, and created efficient structures to coordinate action.

Thanks to **Taiex-EIR**, the **peer2peer** tool put in place within the EIR process, Irish experts shared their waste management experience with their Romanian counterparts, transferring knowledge on how to overcome legal and financial hurdles for closing down landfills and ensuring proper after-care.

This work continued in 2018 with the organisation of several EIR dialogues and events. By the end of the year, seventeen projects had been launched under Taiex-EIR on different strands of environmental policy, with all Member States involved at least in one project. In parallel, work started on the second EIR report, which is expected for adoption in early 2019.

To further help Member States to promote, monitor and enforce compliance with environmental rules, an action plan<sup>60</sup> with nine tangible measures was adopted in January 2018. As a follow-up, a high-level **Compliance and Governance Forum** was created to support the measures in the plan and improve governance. The Forum is composed of representatives of Member States, environment agencies and EU networks of judges, prosecutors, police officers and inspectors. By the end of the year, two high-level meetings had been organised, and work had started on Guidance to engage citizens and handle complaints, and on compliance in the rural environment. A methodology for assessing the environmental governance performance of public administrations was also in the pipeline.

Also linked to better implementation is the

<sup>58</sup> COM(2017)63 final, and 28 accompanying Staff Working Documents

<sup>59</sup> TAIEX being the Technical Assistance and Information Exchanges programme which supports public administrations in enlargement and neighbouring countries

<sup>60</sup> COM(2018) 10

proposal to align **environmental reporting obligations**, which followed from a fitness check<sup>61</sup> of the existing reporting provisions. The new Regulation, which was agreed by the European Parliament and the Council in December, will reduce the administrative burden for administration and simplify procedures for businesses involved in reporting and regulatory monitoring. In addition, policy makers will have access to higher quality information to underpin decisions, and citizens will have better access to information on important issues that affect them.

Enforcement actions supporting the delivery of policy priorities continued in line with the principles set out in the Commission's Communication *EU law: better results through better application*<sup>62</sup>.

## **Better Regulation and Knowledge**

Knowledge and evidence, an essential part of the Commission's **Better Regulation** agenda, are equally fundamental for environmental legislation. In 2018, in addition to the two evaluations already mentioned (on Zoos and REACH), the evaluation of the Batteries Directive and of the Environmental Technology Verification Pilot programme were close to finalisation, and several more were expected to conclude in the first half of 2019, including the evaluations of the legislation on Strategic Environmental Assessments and Waste shipments, and of the 7<sup>th</sup> Environment Action Programme. The evaluation of Urban Waste Water Treatment Directive and two broader fitness checks on water law (Water Framework and Floods Directives) and ambient air quality were also in progress, and should be completed in 2019. Several more evaluations were ongoing for conclusion in 2020<sup>63</sup>.

The **European Environment Agency** (EEA) was also evaluated in 2018. The evaluation concluded that, in the period covered, the EEA and its European Environment Information and Observation Network fulfilled their goal to provide reliable information to underpin policy development and monitor implementation at European level, despite constrained financial and human resources. A mismatch between the EEA scope of action and its resources was signalled.

In the knowledge area, the evaluation identified certain deficiencies in the process of integrating data into policy-relevant knowledge. An ongoing project to modernise the EEA's **eReporting infrastructure**, supported by DGs Environment and Climate Action, will improve the process by taking on board existing standards in the definition of datasets, facilitating data reuse and drastically improving user experience.

The **Environment Knowledge Community**, coordinated by DG Environment, continued its work on collaborative projects, leveraging synergies and optimising knowledge reuse among its partners<sup>64</sup>. A pilot on "New technologies in the urban environment" was

### **Evaluations show that...**

The aim of the **European Environment Agency (EEA)** is to provide objective, reliable and comparable information at European level to underpin policy development, assess the results of adopted measures and ensure that the public is properly informed about the state of the environment.

In 2018, its evaluation concluded that, in the period 2012-2016, the EEA **fulfilled its main objectives** in an effective, efficient and coherent way. EEA has proven to be reliable in providing the necessary information and has adapted well to new EU policy developments, despite the resources constraints.

The evaluation also **identified certain issues** on the matching between the EEA scope of action and its resources, on governance mechanisms and on the processes for integrating data into policy-relevant knowledge.

<sup>61</sup> COM(2017)312 final and SWD(2017) 230 final

<sup>62</sup> C(2016)8600, published on the OJ on 19/01/2017

<sup>63</sup> These include the evaluations of the EU biodiversity strategy, and of legislation on the Restriction of certain hazardous substances in electrical and electronic equipment, on Industrial emissions and on end-of-life vehicles.

<sup>64</sup> DGs Environment, Climate Action, Research and Innovation, Statistics, the Joint Research Centre and the

launched as part of the network efforts to create a foresight system on emerging issues. The DG also continued running the “Science for Environment Policy” service<sup>65</sup>, a news alert and information system designed to help policymakers and citizens keep up-to-date with the latest environmental research findings.

### *Integration and Investment – Sustainable finance*

The integration of environmental considerations into EU policies and funding programmes continued throughout 2018, 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 billion<sup>66</sup>. Assessing the major project applications submitted by Member States, to ensure they comply with EU environmental directives, and monitoring the ex-ante conditionalities to ensure sound investments in the waste and water sectors were major tasks for DG Environment.

Another priority was contributing to the preparation and Interinstitutional negotiation of the Commission’s post-2020 **MultiAnnual Financial Framework** (MFF), and the relevant sectoral proposals, to secure sufficient future EU funding for environmental requirements and to strengthen the sustainability proofing (comprising climate, environment and social proofing) of major infrastructure investment projects under the proposed **InvestEU** fund. Notably, the **Common Agricultural Policy** proposals set a higher ambition for environmental and climate action, with three out of nine specific objectives related to these areas (i.e., climate change, environmental care and the preservation of landscapes and biodiversity).

**LIFE** is among the EU funding programmes that received the largest proportional increase in the new MFF proposal, with a proposed budget of EUR 5.45 billion between 2021 and 2027. DGs Environment and Climate Action prepared a new LIFE proposal, building on the findings of the mid-term evaluation of the current programme, and adapting it to the expected budgetary changes.

To help mobilise private capital towards more sustainable green activities, DG Environment was actively involved in the implementation of the Commission’s Sustainable Finance Action Plan adopted in March 2018. This included in particular the development of a **Green Bond Standard** and an EU **Sustainable Finance Taxonomy** setting criteria for determining whether an economic activity is environmentally sustainable. In addition to climate mitigation and adaptation objectives, the proposed taxonomy regulation covers four environmental objectives: water and marine, pollution prevention and control, circular economy and waste, and the protection of healthy ecosystems (biodiversity). If adopted, the Regulation will provide clarity to potential investors on what is environmentally sustainable and what is not so that they may take more informed decisions.

Work to develop the EU Ecolabel framework to cover green financial products was also launched, with the technical support of the Joint Research Centre. The EU Ecolabel will apply to financial products and will draw upon the developments of the Taxonomy, which focuses on economic activities. Labelling financial products as green will enable retail investors to finance projects that contribute to a more sustainable world.

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European Environment Agency are members of this network.

<sup>65</sup> [http://ec.europa.eu/environment/integration/research/newsalert/index\\_en.htm](http://ec.europa.eu/environment/integration/research/newsalert/index_en.htm)

<sup>66</sup> 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>

## DG Specific Objective 5: The Union's cities are more sustainable

As highlighted in the 7<sup>th</sup> EAP, improving the quality of the environment requires that cities are more sustainable. Sustainable urban planning and design, sound urban policies and the collaboration of citizens, local authorities and other stakeholders are also necessary to meet the SDGs. In this context, the DG continued to support cities to improve the environment *inter alia* through the annual green city awards. The **EU Green Capital Award** rewards cities with a population above 100 000, while towns and cities with a lower population number can apply for the **European Green Leaf Award**.



**Nijmegen** held the Green Capital Award for 2018, in recognition of its policies on climate change adaptation and mitigation, sustainable urban mobility, energy efficiency, waste and water management, and deep citizen involvement. Oslo will be the Green Capital for 2019. **Leuven** (Belgium) and **Växjö** (Sweden) jointly held the Green Leaf title for 2018, recognising in particular their efforts to become carbon neutral and fossil free by 2030 respectively. The European Green Leaf for 2019 was jointly awarded to **Cornellà de Llobregat** in Spain and **Horst aan de Maas** in the Netherlands.

To further increase local outreach and promote urban environmental improvement, **Green Week 2018** was dedicated to “Greener cities for a greener future”. It engaged millions of citizens from all over Europe in events and on social media, and brought many insights for further work. Green Week 2018 was also the occasion to launch a new **Green City Tool**<sup>67</sup>, which allows cities to assess their environmental performance, compare their approach to that of others, obtain advice on how to improve and access a repository of best practices coming from Green Capital and Green Leaf winners and runners up.

## DG Specific Objective 6: The Union is more effective in addressing international environmental challenges

Multilateral action at international level is increasingly important to achieve transboundary environmental objectives and the Sustainable Development Goals. DG Environment plays a fundamental role in the implementation of environmental agreements, preparing EU positions and representing the EU in standing bodies, high-level conferences and meetings of the parties. The DG also seeks to put environmental issues on the agendas of key bilateral and regional relations.

**G7 meetings** provided good opportunities for promoting the environmental agenda. Ahead of the 2018 Summit, DG Environment, jointly with the Ministry for Environment of Japan, organised a successful **G7 Plastics Workshop** in Brussels. In June, at the G7 Summit, Presidents Juncker and Tusk – together with the Leaders of Canada, France, Germany, Italy and the United Kingdom – endorsed the **Ocean Plastics Charter**<sup>68</sup>, which builds on the EU Strategy on Plastics and its circular approach to plastics management. The Summit also discussed reducing food waste and retaining the value of resources in the circular economy. Following the summit, G7



<sup>67</sup> <https://webgate.ec.europa.eu/greencitytool/home/>

<sup>68</sup> <https://g7.gc.ca/wp-content/uploads/2018/06/OceanPlasticsCharter.pdf>



Environment Ministers endorsed the “Innovation Challenge to Address Plastic Marine Litter” aiming at a more sustainable management of plastics throughout their lifecycle.

The environmental aspects of the United Nations **Sustainable Development Goals** were under focus in 2018, and the High Level Political Forum in New York reviewed progress towards targets on water (SDG 6), energy (SDG 7), cities (SDG 11), sustainable consumption and production (SDG 12) and biodiversity (Life on land, SDG 15). The EU organised a flagship side-event on “Global circular economy for inclusive and sustainable future”, which included a very successful presentation of the EU approach on circular economy and its application at global level. The EU’s engagement was essential to conclude the Ministerial Declaration in the High Level Political Forum that will drive the implementation of the 2030 Agenda.

On 21 January 2019, in Davos, the Commission was awarded the **2019 Circular Economy prize** by the **World Economic Forum and the Forum of Young Global Leaders**. ‘The Circulars’ recognised the Commission’s efforts to accelerate the transition towards a circular economy that protects the environment and reduces greenhouse gas emissions, while delivering opportunities for jobs, growth, and investment.

With 60% of the world population, Asia has a key role to play in the global transition to a resource-efficient, circular and low-emission future and several **circular economy missions** and workshops were organised with Asian partners in 2018. A combined mission to **Japan** and **Indonesia** was particularly relevant. Vice-President Jyrki Katainen headed the EU delegation that visited Japan, which included 69 representatives of 43 companies from 14 EU countries, employing together 420 000 people, from sectors such as construction, waste, energy, textile, plastics, recycling and food. The mission continued to Indonesia with more than 40 representatives from EU businesses led by Commissioner Vella. A third circular economy mission to **India** took place at the end of the year, and a Memorandum of Understanding was signed with China at the 20<sup>th</sup> **EU-China** summit. This Memorandum, which provides a framework for cooperation on the circular economy, complements existing environmental cooperation on Water.

The second **Eastern Partnership** ministerial meeting on Environment and Climate Change took place on 9 October 2018 in Luxembourg, and the six Eastern Partner Countries reaffirmed the need to keep environment and climate action high on their political and economic agendas.

**Biodiversity** was a major global concern in 2018. The 14<sup>th</sup> Conference of the Parties to the **Convention for Biological Diversity** (COP14), in Sharm El Sheik, launched a participatory process for developing a post-2020 global biodiversity framework, and called for biodiversity and ecosystem services to be placed at the top of policy agendas. In line with EU positions, the COP14 updated the International Pollinators Initiative, and adopted guidance on ecosystem-based approaches to climate change adaptation and on tackling the unintentional introduction of Invasive Alien Species associated with trade. An "Agenda for Nature and People" was also launched to encourage voluntary commitments.



On the fight against **wildlife trafficking**<sup>69</sup>, a report prepared by DG Environment confirmed that the Commission's action plan is helping tackling this issue, which has become a priority in Europe. However, despite some encouraging signs (particularly a decrease in poaching levels for elephants and rhinoceros in recent years), wildlife trafficking continues to pose a serious threat to biodiversity, the rule of law and sustainable development.

Combatting **illegal logging** and related trade continued under the Forest Law Enforcement, Governance and Trade (FLEGT) Action Plan<sup>70</sup> and the EU Timber Regulation (EUTR)<sup>71</sup>. Following a proposal prepared by DG Environment, the EU and Vietnam in October signed a Voluntary Partnership Agreement under FLEGT. The agreement will help improve forest governance, address illegal logging and promote trade in verified legal timber products from Vietnam to the EU and other markets.

The 67<sup>th</sup> meeting of the **International Whaling Commission** reached consensus on the resolutions on Governance and on Anthropogenic underwater noise presented by the EU. A proposal on aboriginal subsistence whaling was adopted, in line with the EU position. A proposal presented by Japan to resume commercial whaling was rejected, also in line with the EU's position.

The last meeting of the Helsinki **Convention on the Baltic Sea** Environment Protection under EU Chairmanship took place in Brussels on 6 March. The Ministers adopted an important Ministerial Declaration<sup>72</sup> reaffirming contracting parties' commitment to achieve a healthy Baltic Sea by 2021. Ministers also decided to update the Baltic Sea Action Plan to include issues such as marine litter, underwater noise and nutrient recycling, and taking also into account the 2030 Sustainable Development Goal on Oceans.

Finally, DG Environment followed up on the United Nations initiative to upgrade environmental multilateral governance and, in March 2018, the Commission sent a recommendation to the Council to negotiate an international **Global Pact for the Environment** on behalf of the European Union<sup>73</sup>. The Pact would consolidate in a single international text the fundamental principles of international environmental law. The aim of EU participation in the negotiations would be to maximise its alignment with EU environment legislation and relevant international law.

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<sup>69</sup> COM (2018) 711

<sup>70</sup> Forest Law Enforcement, Governance and Trade Action plan, COM (2003) 251 final

<sup>71</sup> Regulation No 995/2010

<sup>72</sup> [http://www.helcom.fi/Documents/HELCOM\\_at\\_work/HELCOM\\_Brussels\\_Ministerial\\_Declaration.pdf](http://www.helcom.fi/Documents/HELCOM_at_work/HELCOM_Brussels_Ministerial_Declaration.pdf)

<sup>73</sup> COM (2018) 138

## 1.4 LIFE, the programme for the Environment

A proposal to extend the **LIFE programme beyond 2020** was tabled in 2018, taking on board the 60% increase of LIFE funding planned by the Commission in its multiannual budget for 2021-2027.

The future LIFE will have an increased focus on nature and biodiversity, including mainstreaming into other financing programmes such as agriculture and rural development. It will continue supporting the transition to a circular economy and climate change mitigation, and will add a further focus on energy, to facilitate the clean energy transition. The proposed approach is also more flexible, and will allow to react to crisis and new priorities as they emerge. At the end of the year, Interinstitutional negotiations were still ongoing on the EU multiannual budget and all its sectoral proposals, including LIFE. An agreement will be essential to ensure that LIFE can be implemented without a solution of continuity.

In parallel, operational implementation continued and a new **Work Programme for 2019-2020**<sup>74</sup> was established under the present Regulation. An investment package of **EUR 243 million** was approved for 2019, of which over 196 million will go to projects in the field of environment and resource efficiency, nature and biodiversity, and environmental governance and information. EU funding will mobilise additional investments leading to a total of over EUR 430 million going towards 142 new projects.

The **added EU value** of the LIFE programme stems from its support to EU environment policies through activities that, given their nature, would not be financed at national level. It focusses on small-scale projects which catalyse broader actions, and on 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.

The **Natural Capital Financing Facility**, set up in 2016 with LIFE funds and the support of the European Investment Bank (EIB) to foster private investment in conservation projects, started to show results on the ground. *Rewilding Europe Capital*, the first operation supported by this facility, started investing and, totalling 800 000 euros, will finance forest management in Portugal and wetland restoration in Finland over the next three years.

Three new operations were also signed<sup>75</sup> with the *SLM Silva Fund*, which focuses on sustainable forestry in Ireland; the *Croatian Bank for Reconstruction and Development*, which will provide smaller loans to projects in the area of conservation, restoration and nature-based adaptation; and with the city of Athens, to support urban green infrastructure.

<sup>74</sup> C(2018)8645

<sup>75</sup> <http://www.eib.org/en/products/blending/ncff/project-examples/index.htm>

### Projects that add value ...

**LIFE Elia-RTE: alternative management in favour of biodiversity in forest corridors of High voltage and Very High Voltage lines in Belgium and in France**

Project LIFE10 NAT/BE/709

The aim of the project is to create green corridors under overhead electrical lines in wooded areas. Various innovative actions took place to enhance biodiversity and raise awareness concerning natural habitats and species linked to this context.

**LIFE BIODELEAR Addressing Med fly through an Integrated Pest Management Strategy**

Project LIFE13 ENV/GR/000414

The project was about fighting Med fly with an innovative and environment friendly attractant, through an "Integrated Pest Management Strategy"

It has developed an innovative, patented and very promising environmentally-friendly trap attractant for the med fly attacking citrus fruits.

## **Operational Programme and Project management**

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 were successful in 2016 (3,9 % of delayed payments), and good results were maintained in 2017, with payment delays at 5.8%. However, the implementation of organisational changes linked to the externalisation of LIFE, have deeply influenced the payment delays, which in 2018 were again higher – but in any case, limited to 10.3% for the LIFE programme, including the legacy.

DG Environment is one of the parent DGs of the Executive Agency for Small and Medium-sized Enterprises (EASME), and a representative of DG Environment is a member of its permanent Steering Committee. The relationship between LIFE actors (DGs Environment, Climate Action 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 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, a policy integration strategy document was agreed in 2017 and applied in 2018. 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.

In 2018, DG Environment transferred the management of the Environment Integrated Projects to EASME as well as the IT tools related to the LIFE programme. EASME has undertaken its responsibilities regarding the management 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 DG ENV ex-post audit plan 2018 provided by 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 objectives<sup>76</sup>. 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 2018, DG Environment had 456 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.

### FINANCIAL OVERVIEW

The budget of DG Environment is mainly implemented through direct management. The 2018 commitments and payment appropriations amount to EUR **469.02** million and EUR **333.79** million respectively. The table below gives an overview of the budget implementation at 31/12/2018:

#### Financial overview DG Environment

Expenditure M €	Commitment Appropriations 2018	Committed 31/12/2018	Payment Appropriations 2018	Payments authorised in 2018
Administrative expenditure (budget line 07010211)	2,961	2,958	0,786	0,103
LIFE - LIFE completion	45,891	45,839	107,282	103,533
LIFE support expenditure (07010401)	1,388	1,360	2,300	1,107
Contributions EEA (070206)	43,542	43,068	43,542	43,068
Contributions ECHA (07020501, 07020502)	1,111	1,096	1,111	1,096
Multilateral Env. Agreements (070204)	3,497	3,497	3,497	3,497
Preparatory Actions & Pilot Projects (070277 02-47, 34027704)	8,762	8,750	3,815	3,450
Co-delegations CIP/EIP + Maritime+CLIMA (020251, 110661, 34010401, 340203)	5,173	4,842	5,889	5,005
<b>Sub-Total</b>	<b>112,324</b>	<b>111,411</b>	<b>168,223</b>	<b>160,860</b>
Cross-subdelegation CLIMA (340202, 340203, 340251)	0,000	0,000	0,225	0,225
Cross-subdelegation DEVCO (21010401, 21020701, 21025106)	12,200	12,200	12,447	12,447
Cross-subdelegation NEAR/IPA (22010401,220251)	0,110	0,110	0,110	0,024
Cross-subdelegation AGRI (SMEs) (05046002)	0,000	0,000	0,000	0,000
<b>Sub-Total subdelegations received:</b>	<b>12,310</b>	<b>12,310</b>	<b>12,783</b>	<b>12,697</b>

<sup>76</sup> 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 ).

Administrative expenditure co-delegated to PMO, HR, SCIC (07010211)	0,121	0,121	2,746	2,710
LIFE support expenditure co-delegated to DIGIT (07010401)	0,239	0,239	0,658	0,523
LIFE co-delegated to ESTAT, JRC, OP, COMM, DGT, EAC, NEAR, SANTE (0702-01, -02, -03)	2,055	2,055	3,175	3,174
<b><u>Sub-Total co-delegations given:</u></b>	<b><u>2,414</u></b>	<b><u>2,414</u></b>	<b><u>6,580</u></b>	<b><u>6,407</u></b>
Delegated to Agency EASME (070201, 070202, 070203)	338,105	338,105	142,418	142,418
Delegated to GROW for Agency EASME (07 01 06 01)	3,869	3,869	3,869	3,869
<b><u>Sub-Total delegations to EASME</u></b>	<b><u>341,974</u></b>	<b><u>341,974</u></b>	<b><u>146,287</u></b>	<b><u>146,287</u></b>
<b><u>GRAND TOTAL</u></b>	<b><u>469,02</u></b>	<b><u>468,11</u></b>	<b><u>333,79</u></b>	<b><u>326,25</u></b>

The consumption of commitment and payment appropriations is very satisfactory with implementation rates of 99,8% and 97,7% respectively at year end.

## **MANAGEMENT PARTNERS: AGENCIES AND CROSS SUB-DELEGATIONS/CO-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 70 of the Financial Regulation applicable to the general budget of the Union, 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 2018, the EU channelled contribution to the EEA core budget was EUR 43.5M, including contributions from non-EU Member States.

**European Chemicals Agency (ECHA) in Helsinki:** Regulatory agency as per Article 70 of the Financial Regulation applicable to the general budget of the Union. 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 2018, DG ENV paid EUR 1.1 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 2018 EASME launched the call for proposals for action grants (traditional projects, integrated projects and technical assistance projects) and for operating grants to NGOs in April. For the traditional projects, a two-step call for proposals was tested, for an overall amount available of EUR 217,000,000. 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). 1071 concept notes were submitted: 573 (54%) concept notes under the ENV priority area and its six thematic priorities, 326 (30%) under NAT and its two thematic priorities and finally 172 (16%) under GIE.

Out of the 573 concept notes that were evaluated under ENV-R, 44% of the proposals were submitted by private commercial companies, 14% by private non-commercial bodies and 42% by a public body. Under this strand, the LIFE programme seems to become more and more accessible to private businesses.

The results of the evaluation indicate the candidates having submitted 139 concept notes were invited to submit a proposal: 24% under Air quality, 13% under Environment and Health, 26% under Resource Efficiency, 22% under Waste and 33% under Water. The signature of individual grant agreements is expected for July-September 2019.

Out of the 326 concept notes under NAT, 57% of the proposals were submitted by a public body while 33% and 10% by private non-commercial bodies and private commercial bodies respectively. 121 concept notes were recommended for the submission of a proposal, out of which 86% for nature and 14% for biodiversity. The signature of individual grant agreements is expected for July-September 2019.

Concerning GIE, out of the 172 concept notes that were evaluated, 52% were submitted by a public body, 31% by private non-commercial bodies and 17% private commercial bodies. On the basis of the available budget, the results of the evaluation indicate that for 21 concept notes the submission of fully-fledged proposals is required.

***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, (NCF). The EIB was entrusted with the management of NCF. The NCF 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 for project preparation and monitoring. Beneficiaries and financial intermediaries provide significant additional financing. The main aim of the NCF is to demonstrate that natural capital projects can generate revenues or save costs, whilst delivering on biodiversity and climate adaptation objectives.

The NCF 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 NCF projects is typically up to EUR 15 million.

A first operation was signed in 2017, Rewilding Europe Capital, and three further operations were signed in 2018 (Irish Sustainable Forestry Fund, City of Athens, Croatian Bank for Reconstruction and Development). The total payments made to the EIB up to and including 2018 amount to EUR 12,645,000<sup>77</sup>. An amendment was signed in October 2017 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. Subsequent payments are expected in 2019 following signature of new operations.

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<sup>77</sup> EUR 3.25 million in 2014, EUR 8,5 million in 2015 and EUR 895,000 in 2017.



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 NCCF 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.

**Co-delegations and cross delegations:**

DG Environment has entrusted the implementation of small parts of its budget to other DGs through cross-delegations (to JRC and DG GROW) and co-delegations (all the other cases). Supervision arrangements are in place, based on a memorandum of understanding with delegated DGs and/or defined reporting obligations.

JRC and DG GROW have not reported to DG ENV any observations or reserves in respect of the use of the cross-delegated funds<sup>78</sup>.

This arrangement is put in place when another DG is better placed than DG ENV to implement a particular action. Furthermore, some resources of DG ENV are used for the financing of necessary services such as IT tools and applications (DIGIT), translations (DGT), publications (OP), conferences (SCIC), communication (COMM), etc.

<b>Fund Management Center</b>	<b>Committed</b>	<b>Paid</b>
ESTAT	n/a	2.052.699,89
DIGIT	238.774,44	522.629,81
DGT	162.700,00	192.183,27
EAC	n/a	517.113,75
OP	480.729,00	317.403,15
PMO	2.755.880,38	2.603.489,47
NEAR	450.000,00	37.998,18
COMM	60.000,00	56.250,00
SANTE	230.000,00	n/a
HR	120.738,00	106.836,12
JRC	1.152.000,00	104.224,00
GROW	n/a	14.286,32
<b>Total</b>	<b>9.647.523,51</b>	<b>6.078.568,37</b>

**CONTROL STRATEGY SUPPORTING MANAGEMENT'S ASSESSMENT**

<sup>78</sup> For co-delegations, the DGs which received the funds report on their use in their own AAR.

The Standing Instructions<sup>79</sup> provide that assessment by management should cover the DG's significant budget areas. Considering that 94% of the payments authorised in 2018 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.

### **Overview of payments authorised in 2018 per budget line/ABB:**

<b>Expenditure M €</b>	<b>Grants</b>	<b>Procurement</b>	<b>Total Payments made on 2018</b>	<b>%</b>
Administrative expenditure (07010211)	0,000	0,103	0,103	0%
LIFE - LIFE completion (0702-01, -02, -03, -51)	62,514	41,019	103,533	32%
LIFE support expenditure (07010401)	0,000	1,107	1,107	0%
Contributions EEA (070206)	43,068	0,000	43,068	13%
Contributions ECHA (07020501, 07020502)	1,096	0,000	1,096	0%
Multilateral Environmental Agreements (070204)	0,000	3,497	3,497	1%
Preparatory Actions & Pilot Projects (07027702-47, 34027704)	1,296	2,154	3,450	1%
Co-delegations CIP/EIP + Maritime+CLIMA (020251, 110661, 34010401, 340203)	3,647	1,358	5,005	2%
<b>Sub-Total</b>	<b>111,622</b>	<b>49,238</b>	<b>160,860</b>	<b>50%</b>
Cross-subdelegation CLIMA (340202, 340203, 340251)	0,000	0,225	0,225	0%
Cross-subdelegation DEVCO (21010401, 21020701,21025106)	12,295	0,152	12,447	4%
Cross-subdelegation NEAR/IPA (22010401,220251)	0,000	0,024	0,024	0%
Cross-subdelegation AGRI (SMEs) (05046002)	0,000	0,000	0,000	0%
<b>Sub-Total subdelegations received:</b>	<b>12,295</b>	<b>0,402</b>	<b>12,697</b>	<b>4%</b>
Administrative expenditure co-delegated to PMO, HR,SCIC (07010211)	0,000	2,710	2,710	1%
LIFE support expenditure co-delegated to DIGIT (07010401)	0,000	0,523	0,523	0%
LIFE co-delegated to ESTAT, JRC, OP, COMM, DGT, EAC, NEAR, SANTE (0702-01, -02, -03)	0,517	2,657	3,174	1%
<b>Sub-Total co-delegations given:</b>	<b>0,517</b>	<b>5,889</b>	<b>6,407</b>	<b>2%</b>
Credits managed by EASME (070201, 070202, 070203)	142,418	0,000	142,418	45%
Credits managed by GROW for EASME (07 01 06 01)	3,869	0,000	3,869	1%

<sup>79</sup> ARES(2012)1240233

<b>Sub-Total delegations to EASME:</b>	<b>146,287</b>	<b>0,000</b>	<b>146,287</b>	<b>46%</b>
<b>GRAND TOTAL</b>	<b>270,204</b>	<b>49,640</b>	<b>319,844</b>	<b>100%</b>

\* Contributions defined by the Budgetary Authority

Payments under other ABB activities result from co-delegations and cross sub-delegations received from other DGs. Most of this expenditure is implemented through 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 2018, notably ex-ante controls, on-site monitoring of LIFE projects by the external monitoring team and ex-post audits, by the ENV ex-post auditors. The table below shows the most relevant quantitative control indicators for 2018 compared to 2017 and 2016:

***Key control indicators for 2018, (compared to 2017 and 2016):***

1. Input indicators (resources devoted)	2018	2017	2016
Ex-ante financial initiation procurement (FTE)	3	4	4
Ex-ante financial verification procurement (FTE)	2	2	2
Ex-post control internal staff (FTE)	2	3	3.75
Ex-post control outsourced (amount of the contract, EUR)	247.948,75	202.546,30	230.262
Ex-ante financial initiation LIFE grants (FTE)	1.5	4.5	5.8
Ex-ante financial initiation other grants (FTE)	1	2	2
Ex-ante financial verification LIFE grants (FTE)	0.5	0.5	0.4
Ex-ante financial verification other grants and FIs (FTE)	0.5	1	1
IAS and ECA (before SIAC) (FTE)	1	1	0.5
2. Output indicators (controls during project implementation)	2018	2017	2016
LIFE grants ex-ante: rejected/corrected/suspended transactions compared to total numbers of transactions	4.53%	5.76%	9.31%
Other (incl. Procurement): rejected/corrected/suspended transactions compared to total numbers of transactions	3.9%	4.8%	7.3%
Procurement: number of procurement files reviewed by ENVAC	20	19	24
Procurement: number of negative opinions by ENVAC	0	2	0
Number of exceptions registered (ICP 12)	5	5	4
LIFE grants: number of ex-post audit reports issued (MUS + Risk-based)	43	43	38
3. Results of ex-post controls	2018	2017	2016
Ex-post "detected error rate" (on MUS audits)	0.19%	0,25%	0.44%
Recovery orders issued / Recommended recovery (1-year time lag <sup>80</sup> )	On 2017 audits: 90%	On 2016 audits: 43%	On 2015 audits: 6%
4. Payment delays	2018	2017	2016
Number of payments exceeding legal deadlines	80/976 = 8.20%	63/1076 = 5.85%	45/1147=3.92%

– **Ex-ante controls (procurement):** The available control resources remained stable in 2018. The number of rejected/adjusted commitments following the ex-ante verification was stable compared to 2016 and 2017 and remains below 10%, which is the established target.

– The assessments performed by the **Environment Advisory Committee (ENVAC)** are highly important. The initial planning for 2018 of the number of files (29 files) examined by ENVAC was similar to previous years (34 files in 2017 and 24 in 2016). 8 of the initially selected files were moved forward to the 2019 ENVAC planning due to delays. However, ENVAC assessed throughout the year 20 files with a total value of 7.945 million EUR (excl. Framework Contracts), which amounts to 20,6% of all procurement contracts<sup>81</sup>, comparable to 2017 where it amounted to 22,7%. To this should be added the assessment of one new Framework contract of DG ENV with two lots that in its lifespan will account for specific contracts of up to EUR 28 million. Ten assessed files have been corrected based on ENVAC's recommendations. Specific

<sup>80</sup> 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. 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%).

<sup>81</sup> ENVAC assessed procurement calls of a total value of EUR 7.945 million in 2018 with a total value of EUR 38.524 million procurement contracts

targeted trainings took place during 2018 within the DG in order to improve the quality of procurement files taking into account issues identified during the work of the ENVAC in 2017. Additional verification controls contributed to other material adjustments for a number of files concerning both procurement and administrative budget expenditure (conferences, IT expenses, etc.).

– **Ex-ante controls (LIFE grants):** In 2018, 4.53% of the total number of verified transactions have been adjusted following the ex-ante verification, 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 still running in DG ENV. The remaining LIFE staff involved in the financial work of LIFE and controls are used to this mechanism, while support has been given by the financial officers in ENV.A.5 to deal with the LIFE legacy files.

– **Ex-post controls:** The ex-post "detected error rate" (on MUS audits) decreased in an important way until 2017 and dropped some more in 2018. It should also be noted that the value of recovery orders actually issued compared to the recommended recovery increased drastically compared to the previous year. This can be explained by the introduction of new procedures involving the systematic forecast of revenue, the simplification of the contradictory procedure and the more efficient cooperation between the ex post audit team and the operational units.

– **Exception reporting:** the number of reported cases remains low. In 2018, 4 exceptions and 1 non-compliance event 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:** In 2018, late payments accounted for 8.2% of the total payments executed by the DG. This result is a deterioration of the good last 2-years performance (5.85% in 2017). The problem materialised early in 2018, as the year started with a lot of payments running with delays in the LIFE legacy projects (above 20% at the end of April 2018), mainly due to the depletion of LIFE staff. A lot of effort has already been undertaken in the remaining months of 2018 to reverse this trend and measures that have been put in place will continue throughout 2019 (support to the LIFE implementation by ENV.A.5).

#### **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 by DG ENV concern the executive agency European Agency for Small and Medium-sized Enterprises (EASME), the decentralised Agencies European Environment Agency (EEA) and European Chemicals Agency (ECHA) and the European Investment Bank (EIB) for the financial instrument Natural Capital Financing Facility (NCFF).

For the 2018 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 overall satisfied with the governance structure of EASME, the dialogue and cooperation established between EASME and the DG, as well as the management of the

LIFE projects entrusted to EASME.

In terms of the financial instrument Natural Capital Financing Facility (NCFF) implemented by EIB, still the slow uptake of the loans by the final beneficiaries, the risk of irregularities or loss of assets is currently close to zero. The EIB anti-fraud strategy sent to DG ENV in 2015 is adequate and compliant with Commission standards.

## ***Coverage of the Internal Control Objectives and their related main indicators***

### ***2.1.1.1 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 2018 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, the procurement advisory committee ENVAC performs verifications of all contracts above EUR 500,000 and all Framework contracts issued, all procurement contracts corresponding to EP's Pilot Projects and Preparatory Actions (PPs and PAs), plus of a sample of contracts of lower value. The 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 EDES<sup>82</sup> 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 both DG Environment and EASME for the projects that the entities are managing. A rigorous monitoring approach for time-sheets has 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 by ECA and DG ENV audits. Most on-site visits are performed by external contractors, but staff members from DG Environment, despite their reduced number in 2018, participate in selected on-site missions. During these monitoring missions there is a verification of the accounts system for the project and 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/controls of time-sheets are performed by the auditors carrying out ex-post audits and when errors appear, ineligible expenses are being recovered.

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<sup>82</sup> EDES = Early Detection and Exclusion System

Overall the gradual improvement of the time sheets submitted over the last years has been maintained. 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. Support from the external monitoring team with the control of the financial statements submitted by the beneficiary as supporting documentation for payments also helped improving the quality of time-sheets and detecting errors at an early stage and prior to any final 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 500 in 2018- due to the declining number of LIFE projects in DG ENV), 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 for the legacy projects that DG Environment is responsible.

## 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 2018.

The ex-post audit team sampled 29 of the 212 LIFE grants for which a final payment was made throughout 2017. The audited grants represent an audit coverage of 14% of the number of projects closed in 2017 and 30% 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 0.19% 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 148 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 relatively stable, after having declined drastically in the years before 2018:

Audit year - AAR year 2018		2014	2015	2016	2017	2018	CUMULATIVE FIGURES
<b>DER</b>		<b>1,45%</b>	<b>1,24%</b>	<b>0,44%</b>	<b>0,25%</b>	<b>0,19%</b>	N/A
Auditable population	amounts	92.613.550	131.938.211	210.942.654	205.948.574	195.390.688	641.442.989
	nb of grants	133	165	273	224	213	795
Selected randomly and audited	amounts	43.387.239	39.542.925	44.383.526	45.213.849	58.204.687	172.527.540
	<b>nb of audits</b>	<b>29</b>	<b>29</b>	<b>30</b>	<b>31</b>	<b>29</b>	<b>119</b>
Representativity	% population	47%	30%	21%	22%	30%	27%
Recommended Recovery	amounts	630.359	491.476	196.723	112.601	110.913	1.431.159
	% of audited	1,45%	1,24%	0,44%	0,25%	0,19%	0,83%
DER applied to auditable population	B	1.345.552	1.639.849	934.970	512.896	372.330	4.433.268
Recoveries issued the audit year	C	908.976	478.912	699.225	140.195	204.805	2.227.307
Net result	B-C=D	436.577	1.160.937	235.745	372.701	167.525	2.205.961
<b>RER</b>	<b>D / auditable population</b>	<b>0,47%</b>	<b>0,88%</b>	<b>0,11%</b>	<b>0,18%</b>	<b>0,09%</b>	<b>0,34%</b>

	<b>DER</b>	<b>RER</b>
Average figure	0,71%	0,35%
Weighted by auditable population	0,57%	0,28%

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	0,19%	Ex-post auditors recommended recovering € 0.11M out of the € 58.2M they audited.
B. Apply DER of 0.19% to total auditable population of EUR 195M	€ 0.37M	Estimate of amount unduly paid in the auditable population.
C. Deduct Recovery Orders (ROs)	€ 0.20M	Recovery orders issued in 2018 related to audits in previous years, which reduce the amount unduly paid in 2018.
D. Net result	€ 0.17M	Net amount unduly paid.
E. Residual error rate (RER)	<b>0,09%</b>	Net result of EUR 0.17M divided by the auditable population of EUR 195M.

Based on the results above, the residual error rate (**RER**) is **0,09%** which is under the materiality level of 2%. Therefore no reservation is necessary.

## Estimated overall amount at risk at closure

DG ENV	"payments made" (in FY; M€)	<i>minus</i> new prefinancing (in FY; M€)	<i>plus</i> cleared <sup>c</sup> prefinancing (in FY; M€)	= "relevant expenditure" <sup>d</sup> (for the FY; M€)	Average Error Rate (detected error rate)	estimated overall amount at risk <i>at payment</i> (FY; M€)	Average Recoveries and Corrections ( <i>adjusted ARC</i> ; %) <sup>83</sup>	estimated future corrections [and deductions] (for the FY; M€)	estimated overall amount at risk <i>at closure</i> <sup>e</sup> (M€)
(1)	(2)	(3)	(4)	(5) = (2) - (3) + (4)	(6)	(7) = (5) x (6)	(8)	(9) = (5) x (8)	(10) = (7) - (9)
<b>ABB 0702</b>	<b>160.86</b>	<b>79.84</b>	<b>223.13</b>	<b>304.15</b>	<b>0,5%</b>	<b>1.52</b>	<b>0,35%</b>	<b>1.06</b>	<b>0.46</b>
1. LIFE & LIFE completion, LIFE NGOs, other grants	62.51								
2. Procurement (LIFE, pilot projects, preparatory actions, annual contributions to MEAs)	49.238								
3. Contributions to agencies (EEA, ECHA)	44.16								
4. Preparatory actions & pilot projects (grants)	1.30								
5. Co delegations received	5.00								
	MEUR	MEUR	MEUR	MEUR	x%	= X MEUR; and a% of (5)	y%	= Y MEUR; and b% of (5)	= Z MEUR; and c% of (5)

<sup>83</sup> The average percentage of corrections expressed by dividing the sum of recoveries issued (2014-2018) by sum of payments issued (2014-2018).

## **Notes to the table**

(1) [*if possible*] differentiated for the relevant portfolio segments at a level which is lower than the DG total

(2) Payments made or equivalent, such as after the expenditure is registered in the Commission's accounting system, after the expenditure is accepted or after the pre-financing is cleared. In any case, this means after the preventive (ex-ante) control measures have already been implemented earlier in the cycle. In all cases of Co-Delegations (Internal Rules Article 3), the "payments made" are covered by the Delegated DGs. In the case of Cross-SubDelegations (Internal Rules Article 12), they remain with the Delegating DGs.

(3) New pre-financing actually paid by out the department itself during the financial year (i.e. excluding any pre-financing received as transfer from another department). The "Pre-financing" is covered as in the context of note 2.5.1 to the Commission (provisional) annual accounts (i.e. excluding the "Other advances to Member States" (note 2.5.2) which is covered on a pure payment-made basis).

"Pre-financings paid/cleared" are always covered by the Delegated DGs, even in the case of Cross-SubDelegations.

\* In Cohesion, the (10%) retention made.

(4) Pre-financing actually having been cleared during the financial year (i.e. their 'delta' in FY 'actuals', not their 'cut-off' based estimated 'consumption').

\* In Cohesion, the retention which is now released or (partially) withheld by the Commission.

(5) 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 2017 AR methodological Annex 1.1 point 15*), 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.

(6) In order to calculate the weighted Average Error Rate (AER) for the total relevant expenditure in the reporting year, the detected error rates have been used – or equivalent.

[*Such equivalents are e.g. the "adjusted error rates" [AGRI, for Rural Development], the "reportable error rates" [REGIO, for the 2007-2013 programmes], or the "residual total error rates" [MARE, for the current programme. In other cases [e.g. DEVCO and NEAR], they are derived by a backwards calculation based on results from advanced residual error studies; i.e. by adding the estimated future corrections (if not assumed being zero) to the amount at risk at closure.*]

For types of low-risk expenditure with indications that the equivalent error rate might be close to 'zero' (e.g. *administrative expenditure, operating subsidies to agencies*), it is recommended to use 0.5% nevertheless as a conservative estimate.

(8) Even though to some extent based on the 7 years historic Average of Recoveries and financial Corrections (ARC), which is the best available indication of the corrective capacity of the ex-post control systems implemented by the DG over the past years, the AOD [*has adjusted*] this historic average [*from ... to ...*]. Any ex-ante elements, one-off events, (partially) cancelled or waived Recovery Orders, and other factors from the past years that would no longer be relevant for current programmes (e.g. higher ex-post corrections of previously higher errors in earlier generations of grant programmes, current programmes with entirely ex-ante control systems) [*have been adjusted*] in order to come to the best but conservative estimate of the ex-post future corrections to be applied to the reporting

year's relevant expenditure for the current programmes.

[+ summarize here the approach taken by the DG].

[*This may include considering fewer more recent years than the full 7-years-period (e.g. AGRI, DEVCO, NEAR), using an alternative estimation basis (e.g. RTD, CNECT, REGIO, EMPL, REA), or even assuming that the ex-post future corrections would be 0.0% (e.g. REGIO, EMPL, MARE and DGs with entirely ex-ante control systems).*]

(10) 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 2018 payments made is **EUR 1.52M**. This is the AOD's best, conservative estimation of the amount of (relevant) expenditure authorised during the year (payments made **EUR 160.86M**) 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 2018 payments made are **EUR 1.06 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 0.46M**.

### 2.1.1.2 Control efficiency

#### Time to pay

There are five different number of maximum payment days depending on the type of contract and type of expenditure. In 2018, 91,8% (897) of all payments (977) were made within the maximum payment days.

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

#### 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 can be maximum six months as defined in Article 194.2a of the Financial Regulation.

Concerning LIFE Grants 2018, there was one call launched with agreements signed in 2018. For this call, the average time to inform was 3 months.

The co-delegated call for proposals "Implementation of Marine Strategy Framework Directive - Second Cycle: Implementation of the new GES Decision and Programmes of Measures" Reference: DG ENV/MSFD 2018 call, was launched in 2018. The average "time to inform" was six months.

The Pilot Project "Mapping and Assessing the State of Ecosystems and their Services in the Outermost Regions and Overseas Countries and Territories: Establishing Links and Pooling Resources" (Ref. MAES-OR-OCT), was launched at end of 2017 and the "time to inform" for this call was three 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 three months as defined in Article 194.2b of the Financial Regulation.

Concerning LIFE Grants 2018, the average time to grant was one month.

Under the heading "Other calls", the "MARE Fund Call" was launched in 2018 and seven agreements signed in 2018. The average "time to grant" for these agreements was one month. The time to grant for the pilot project "Mapping and Assessing the State of Ecosystems and their Services in the Outermost Regions and Overseas Countries and Territories: Establishing Links and Pooling Resources" was 1,5 month.

### **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 2016 RAP or Point 14 of Annex 1 of the 2018 FR). In 2018 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 5,5 months.
- The average procurement period for Calls for Negotiated Low and Middle Value procedures was 4 months, this includes the period of 2 weeks of pre-publication in the DG Environment webpages in Europa
- The procurement time from the point of requesting an offer to establishing specific contracts using a Framework contract ranged between 1.5 and 2.5 months (depending if the Framework contract used is with a Single Operator, or with Re-opening of competition)

### **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. 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. Anti-fraud related information is well embedded in financial training provided by ENV.A5, while a revamping of the intranet pages on Finance for DG ENV.

The revised Anti-Fraud Strategy was valid for the period 2016-2018. The update the DG ENV Anti-Fraud Strategy is planned in course of 2019, following upon the review of the Commission's Anti-Fraud Strategy

### **2.1.1.3 Economy – Cost of controls**

#### **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 in terms of staff allocated to the activity, plus contracting services used for controls (ex-post external audit contract, monitoring on-the-spot contract).

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**

		<b>Cost of controls</b>		
		FTE Officials		Total
		N	€	€
Procurement procedures/launch of calls		1 AST	108.500	108.500
Financial operations (ex-ante)		3 AST	325.500	325.500
Supervisory checks (ex-post)		1 AD	167.900	167.900
<b>Overall cost of controls</b>		<b>5</b>		<b>601.900</b>

**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**

<b>Cost of controls – Grants and FIs</b>			
FTE Officials		Other (external) inputs	Total
n	€	€	€

Stages 1 and 2 - Evaluation, selection, contracting	0.5 AST	54.250		54.250
Stage 3 - Monitoring and execution (fin circuits)	2 AST	217.000	1.500.000	1.717.000
<b>Subtotal ex-ante</b>	<b>2.5</b>	<b>271.250</b>	<b>1.500.000</b>	<b>1.771.250</b>
Stage 4 - Ex-post controls and recoveries	0.5 AST	54.250	247.949	302.199
<b>Subtotal ex-post</b>	<b>0.5</b>	<b>54.250</b>	<b>247.949</b>	<b>302.199</b>
Financial Instruments and Indirect Management	0.5 AST	54.250		54.250
<b>Subtotal FIs and IM</b>	<b>0.5</b>	<b>54.250</b>		<b>54.250</b>
<b>Total costs</b>	<b>3.5</b>	<b>379.750</b>	<b>1.747.949</b>	<b>2.127.699</b>

The total cost of controls, for both procurement and grants stands at: **EUR 2.729.599**.

**OVERALL CONCLUSION ON THE COSTS OF CONTROLS**

The control cost effectiveness is assessed by comparing the control costs over budget managed (payments made in 2018).

Expenditure in €	Grants	Procurement	Total Payments made on 2018
LIFE, LIFE completion + other (0702-01, -02, -03, -51)	67.457	45.741	<b>113.198</b>
Support to Agencies + MEAs	44.164	3.497	<b>47.661</b>
Total expenditures			<b>160.86 M EUR</b>

Overall, the percentage of costs of controls (EUR 2.729M) when compared to the budget managed (EUR 160.86M<sup>84</sup>) of **1,70%**, indicates, that the controls carried out by DG Environment for the management of funds were cost effective during the reporting year.

<sup>84</sup> The figure of EUR 160.86M includes payments on the DG Environment lines materialised by other services (e.g. OPOCE, JRC, DIGIT) for which assurance has been given by these DGs.

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. These provisions have become in October 2017 an integral part of the new financial circuits of DG Environment. A further fine-tuning in 2018 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 concerned in 2018 around 146 payments of low value where the roles of verifier and AOS have been merged.

## **Benefits of Controls**

The costs of the controls made, both for procurement and grants, are matched against benefits that are derived from:

- savings during the ex-ante phase (where, the full amount dedicated to a call not having been consumed, the balance becomes available for re-use), and
- the supervisory/ex-post checks performed during the running life of a procurement contract or a grant agreement on payments (resulting in a reduction of the amount finally paid)

Apart from these quantifiable benefits, the control of procurement procedures means that in 2018 DG Environment has avoided reputational costs and damages, and has not faced any legal action and complaints to the Court and the European Ombudsman.

Prevented errors relate to funds that have been saved after the conclusion of procurement and grant procedures and have been re-allocated for use still in 2018.

Detected errors in procurement relate to errors in the pre-award phase (2 calls of DG ENV have been cancelled this year and republished to avoid procedural mistakes). DG Environment has in 2018 externalised the management of the Integrated LIFE projects to EASME, however the DG is still responsible for the award and management of Preparatory Projects under LIFE. In this context, due to the rigorous revision during the evaluation phase of these proposals, the controls done detected errors in the proposals and produced corrections to the amounts asked in the project proposals that otherwise would have been allocated to actions that are not eligible.

Corrected errors in procurement relate to non-eligible expenditure corrected ex-ante prior to final procurement payments (due to wrong invoicing and calculations mainly) through credit notes or recovery orders and also unused/unclaimed amounts which lead to de-commitment of these unused resources. In 2018 there have been several cases of wrong invoicing, which have been corrected by asking contractors to provide credit notes and corrected invoices, but also during controls of final payments of procurement that lead to reduced invoices of the amount due (due to non-delivery or delays in delivery). Benefits result for the ex-post discovery of non-eligible expenditures due to irregularities for which recovery orders recommended from ex-post auditors are being implemented.

In addition, there are a number of non-quantifiable benefits resulting from the controls operated during the programming phase control stage, aimed to ensure that the financed projects contributed to the achievement of the policy objectives, and from the deterrent effect of ex-post controls. Furthermore, DG Environment considers that the necessity of these controls is undeniable, as the totality of the appropriations would be at risk in case they were not in place.

## 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 2016-2018, namely:

- 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 DG AGRI, DG CLIMA and DG 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);
- Audit on the LIFE financial instruments: effectiveness and efficiency of the current framework (ENV+CLIMA) (2018).

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 1<sup>st</sup> paragraph. 1 audit listed above has been closed in 2017, 2 audits have been closed in 2018. The following 3 audits are open, with the recommendations listed here being rated "very important":

### **1. 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 related to agri-environmental-climate issues ( `very important` )*

Original due date: 30/06/2018 – Updated target date: 31/12/2019 - 7 months overdue at the cut-off date of this report (31/01/2019) – 18 months of expected delay.

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. This may in turn lead them to incur additional and unnecessary costs and it could also mean that the policy making process suffers in so far as key existing data is not used. Furthermore, there is a risk that additional data is collected unnecessarily in order to drive similar, but not absolutely identical indicators. There is also a reputational risk for the Commission in publishing similar indicators with different values and without a clear explanation as to the differences. Therefore, 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-climate information needs and available data.

The three DGs have developed a joint action plan that the IAS has assessed as satisfactory for addressing the issues identified.

- *Recommendation 2: Coordination of Member States (MS) reporting requirements and reuse of data (‘very important’)*

Original due date: 01/03/2018 – Updated target date: 31/03/2019 - 11 months overdue at the cut-off date of this report (31/01/2019) – 13 months of expected delay.

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. Thus, the quality of data may be at risk due to the inability to crosscheck between different sources. There is also a risk of increased administrative and cost burden on both MS and the Commission arising from the need to collect additional data, which may already exist. Moreover, key data may not be available to support the policy design, monitoring and assessment processes. Therefore, 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 particular, this can be included in the European Commission's Regulatory Fitness and Performance Programme (REFIT) aimed at making EU law simpler and reducing the regulatory costs. 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.

The three DGs have developed a joint action plan that the IAS has assessed as satisfactory for addressing the issues identified. The IAS has launched a follow-up audit.

## **2. Audit on LIFE financial instruments: effectiveness and efficiency of the current framework (ENV+CLIMA) (2018)**

- *Recommendation 3: Visibility and promotion of the EU Contribution (“very important”)*

Original due date: 30/06/2019

The audit found that a number of the Commission’s obligations regarding the visibility and promotion of the EU Contribution had not been fully met and/or effectively monitored in practice. In addition, although there had been ad-hoc discussions and exchanges between the EIB and the Commission Designated Services (DSs) on promotion and visibility activities required under the Delegated Agreements (DAs), there was at the time of the audit no communication plan in place for LIFE FIs, which would provide for a more structured basis for coordination between the key players and facilitate more effective monitoring of these activities.

The IAS recommended that the DGs should verify on a regular basis that the requirements of the DAs on promotion and visibility are respected in practice and formally raise any issues with EIB as appropriate. They should agree, together with EIB, on a communication plan for the promotion and visibility of the LIFE FIs which builds on existing communication channels and which provides for a stronger role of the LIFE programme national contact points. This should be regularly monitored in the SC meetings and adjusted as necessary.

DG CLIMA and DG ENV have submitted action plans that the IAS has assessed as satisfactory to mitigate the risks identified for the audited process.

### **Conclusion:**

As mentioned above, 2 audits were closed by the IAS in 2018 and as such considered as fully implemented. The audit on **"LIFE+ Phasing Out"** had 1 very important and 1 important recommendation. Both recommendations were closed in August 2018 after a 1<sup>st</sup> follow-up audit.

The audit on **"Monitoring and enforcement of EU environmental law"** had 2 very important recommendations and 1 important recommendation. All recommendations were closed by the IAS in November 2018.

By the end of 2018, there are 3 IAS audits open with very important recommendations. They are all under multi-DG audits, which make them more cumbersome and they take longer to address. However, all these recommendations are planned to be closed at latest by the end of 2019. Taking into account these open very important recommendations, it is considered that the internal control systems audited are partially effective.

## **European Court of Auditors (ECA)**

### **ECA Annual Report 2017**

The 2017 annual report from ECA was published in the OJ on 04/10/2018. DG ENV is principally concerned by chapter 7 of the Annual Report 2017. There is no specific mention of DG ENV in the report.

In line with the new approach of ECA there is no assessment of the level of error for the area of 'rural development, market measures, the environment, climate action and fisheries'. To be noted, however, that the residual error rate in the ENV AAR 2017 was 0,18%.

### **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 2018, ECA published 6 special reports specifically linked to environmental policies:

#### **1. Special report 5/2018: Renewable energy for sustainable rural development: significant potential synergies, but mostly unrealised (published 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, these synergies remain mostly unrealised.

ECA made the following recommendations:

- When designing their future renewable energy policy, the Commission and the Member States should take into account the circumstances and needs of rural areas, in particular when setting up the integrated national energy and climate plans.
- The Commission, together with the co-legislators, should design the future policy framework for bioenergy in a way that provides for better safeguards against the unsustainable sourcing of biomass for energy.

- The Commission should specify the purpose and role of EAFRD support for investments in renewable energy.
- With regard to EAFRD support for renewable energy, 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. 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).

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.

## **2. Special report 16/2018: Ex-post review of EU legislation: a well-established system, but incomplete (published 12/06/2018)**

The SG was in the lead of this audit, with DGs ENV, GROW, and SANTE as associated. ECA concluded that the Commission's current ex-post review system compares well to the situation in the majority of Member States. Regarding more specifically the evaluations, the Commission has designed a system which is, as a whole, well-managed and quality-controlled, thereby contributing effectively to the Better Regulation cycle. However, when it comes to reviews other than evaluations, ECA identified weaknesses. The main shortcomings identified relate to the lack of common definitions regarding review clauses, the unclear treatment of ex-post reviews other than evaluations or fitness checks, and the questionable pertinence of the REFIT programme. To address the shortcomings, ECA recommended the Commission to:

- Enhance the inter-institutional agreement on better law-making
- Better ensure the quality of ex-post reviews by defining minimum quality standards for all ex-post reviews
- Ensure respect for the "Evaluate first" principle
- Conduct a gap analysis of data collection and management capabilities
- Mainstream REFIT into the Better Regulation cycle

The Commission responded that it is ready to discuss with the co-legislators how to develop a taxonomy of possible outcomes/ex-post reviews, guidance on indicative timing for each type of ex-post review and on drafting monitoring clauses. However, there is no plan to revise the current Inter-Institutional Agreement on Better Law-Making. Commission services have been active in taking stock of the various databases developed by and/or available to the Commission. The Commission is fully committed to applying the "evaluate first" principle as far as practicable. Better Regulation is a tool to provide the basis for timely and sound policy decisions, but it cannot replace political decisions. The Commission considers that the REFIT concept has now been clarified. It accepts the need to improve communication on REFIT as part of the Better Regulation cycle.

## **3. Special report 23/2018: Air pollution: Our health still insufficiently protected (published 12/09/2018)**

DG ENV was in the lead of this audit, with CLIMA, REGIO, RTD and the EEA associated. ECA concluded that EU action to protect human health from air pollution has not delivered its expected impact. Every year air pollution causes about 400,000 premature deaths in the EU and hundreds of billions of euros in health related external costs. However, these significant human and economic costs have not yet been reflected in adequate action across the Union. Particulate matter, nitrogen dioxide and ground level

ozone are the air pollutants responsible for most of the early deaths and that people in urban areas are particularly exposed.

To improve EU air quality, ECA recommended that:

- The Commission should take more effective action.
- The Ambient Air Quality Directive should be updated.
- Air quality policy should be prioritised and mainstreamed into other EU policies.
- Public awareness and information should be improved.

In its response to ECA's findings and recommendations, the Commission iterated that it will pay particular attention to these issues in the Fitness Check of the Ambient Air Quality Directive in 2019 and beyond. Over the past few years the quantity and quality of air quality information provided by the European Commission, the European Environment Agency, as well as by national, regional and local authorities has already improved markedly.

#### **4. Special report 25/2018: Floods Directive: progress in assessing risks, while planning and implementation need to improve (published 20/11/2018)**

DG ENV was in the lead and DGs ECHO, CLIMA and REGIO and the Joint Research Centre were associated. Overall, the ECA concludes that the Floods Directive led to progress in assessing the risks of floods, but the planning and implementation of flood protection should now be improved. However, major challenges remain in the much fuller integration of climate change, flood insurance and spatial planning into flood risk management. ECA is critical of weaknesses in allocating funding.

ECA made a number of recommendations to the Commission:

- check that Member States improve accountability through quantifiable and time-bound objectives for flood-related action in their flood risk plans;
- assess whether Member States identify financial resources to cover the needs arising from the flood risk plans, and set relevant timelines, including for cross-border action in international river basins;
- only co-finance measures prioritised on the basis of objective and relevant criteria, such as cost-benefit analysis and, where relevant, an assessment of cross-border impacts;
- enforce compliance with the Water Framework Directive for new floods infrastructure identified within Member States' flood risk plans,
- whenever Member States request EU funds for new proposed flood infrastructure, check whether they have examined the feasibility of implementing significant green measures;
- check that Member States' flood risk plans include measures to improve knowledge and the tools necessary to understand the impact of climate change, including flash floods and rising sea-levels, and that they better integrate the effects of climate change into flood risk management;
- check whether Member States have planned action to raise public awareness of the benefits of flood insurance and increase its coverage;
- check that Member States have used their flood risk plans to assess the extent to which land use planning rules are adequately designed and enforced in areas at risk of flooding.

The Commission is already checking whether the Member States have set quantifiable and time-bound objectives and the findings will be shared with Member States for good practice to be disseminated. The identification in FRMPs of financial resources, including for cross-border action is an issue of national competence, planning and choices. As funding preconditions for the ERDF/Cohesion Fund support, the Commission has proposed for the period 2021-2027 that the investments in risk prevention and management have to be in line with a national or regional disaster risk management

plan. The Commission insists on the correct application of Article 4(7) of the WFD in relation to new modifications (including flood infrastructure) to water bodies. The Commission will also investigate cases discovered or brought to its attention that jeopardise the attainment of the objective of the WFD, in line with the Commission Communication of 2017 'EU law: Better results through better application'.

The Commission considers that this is a continuous action in its role of guardian of EU law. The Commission supports the idea of raising public awareness on the option of insurance against floods as a risk transferring mechanism. Increasing insurance coverage can be a good approach to transferring risks. The benefits of insurance depend on the regulatory context within each Member State and the specific characteristics of flood risk in those Member States.

#### **5. Special report 33/2018: Combating desertification in the EU: a growing threat in need of more action (published 18/12/2018)**

DG ENV was in the lead, DGs AGRI, CLIMA, RTD, the EEA and the JRC were associated. ECA concluded that the Commission does not have a clear picture of the challenges presented by the growing threats of desertification and land degradation in the EU. Steps taken so far to combat desertification have limited coherence. The Commission has not assessed progress towards its goal of achieving land degradation neutrality by 2030. ECA made the following recommendations:

- establish a methodology to assess the extent of desertification and land degradation in the EU, and, based on this, analyse the relevant data and present it regularly;
- assess the appropriateness of the current legal framework for the sustainable use of soil across the EU, including addressing desertification and land degradation;
- further detail how the EU's commitment to land degradation neutrality will be achieved by 2030, and report regularly on progress;
- provide guidance to Member States on preserving soil and achieving land degradation neutrality in the EU, including dissemination of good practices;
- at their request, provide technical support to Member States to establish national action plans to achieve land degradation neutrality by 2030.

In its response to ECA's findings and recommendations, the Commission acknowledges that the risk of desertification and land degradation could be better addressed. It was part of the objective of the SFD proposal that the Commission decided to withdraw in absence of qualified majority in the Council for eight years. In the absence of EU legislation on soil protection and measures to prevent and restore degraded soil, Member States have the responsibility to implement appropriate measures at national level.

The objective of the EU Soil Thematic Strategy is to address soil protection including desertification and other forms of degradation. However, in absence of an EU soil legislation soil protection (of which desertification) and land degradation are only partially addressed at EU level through various instruments (CAP, the EU strategy on adaptation to climate, regional and other environmental policies, research). Only 13 EU Member States declared themselves as affected by desertification under the UNCCD and are therefore bound to prepare national action plans on desertification. Furthermore, also the Land Degradation Neutrality (LDN) target setting programme of UNCCD is voluntary and so far only one Member State (Italy) is engaged in this process.

#### **6. Special report 35/2018: Transparency of EU funds implemented by NGOs: more effort needed (published 18/12/2018)**

DEVCO was main auditee with, DGs NEAR, REACH and ENV associated. ECA concluded that the way in which EU funding is channelled through NGOs (Non-Governmental Organisations) for humanitarian and development aid, environmental protection, culture and other purposes needs to be more transparent. The current system of classifying



organisations as NGOs is not reliable, and the European Commission does not have sufficiently detailed information on how the money is spent. There is a similar lack of clarity when EU money is paid to NGOs indirectly through United Nations bodies.

ECA recommend that the European Commission should:

- improve the reliability of the information on NGOs in its accounting system;
- check the application of rules and procedures regarding EU grants to NGOs by third parties;
- improve the information collected on funds spent by NGOs;
- adopt a uniform approach to publishing details of funds provided to NGOs;
- verify UN bodies' publication of complete and accurate data on EU funding awarded to NGOs.

The Commission considers that its funding is sufficiently transparent and that NGOs should not be singled out as a particular category of beneficiaries.

In the treatment of applications, provided the applicants comply with the eligibility criteria, the focus of the Commission is on the project description and whether it matches the programme objectives and how it could contribute to their achievements. As recording the NGO status is not a legal requirement and as NGOs do not have a legal definition, the accounting system does not record funds specifically channelled to the NGO sector. No financial transparency requirement specifically mentions that reporting on NGO funding is required. Therefore, the Commission considers that the classification done in its accounting system cannot be considered as unreliable.

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 principles are partially implemented, leaving room for improvements.

#### **ANNUAL ASSESSMENT OF THE INTERNAL CONTROL PRINCIPLES**

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 5 internal control components, 17 principles and their main

characteristics. Each principle has a set of indicators, which are reviewed regularly and changed as necessary, e.g. following an internal reorganisation.

For 2018, DG Environment set out new indicators based on the new ICF. For the 2019 Management Plan these indicators were revised taking into account the experience from the first year of the revised control framework. However, this assessment is based on the first set of indicators, as prepared for 2018.

The interim assessment of the state of internal control in DG Environment did not identify any major deficiencies. There is scope for improvement in some areas and the DG therefore considers its internal control system as partially effective. However, DG Environment is confident of having the necessary procedures, staff skills and experience to identify and manage the main operational, financial and legal/regulatory risks and to be able to successfully address any shortcomings during 2019.

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. Staff cuts emerge as a cause of deficiency under several principles.
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. For this year's assessment they were once again updated, based on last year's experience. This survey is annually being sent to DG ENV Management. The response rate to the 2018 survey was 67%, lower compared to 80% for the 2017 AAR survey. The assessment of the replies did not identify any significant control weaknesses, but pointed out some areas where satisfaction rates with procedures in place require improvements in 2019:
  - i. Awareness raising on ethics and integrity has been carried out in 2018, but regular updates are requested by the managers in particular taking on board the number of newcomers and evolving themes and needs (Personal Data Protection for example). Training and/or dedicated workshops on fraud awareness raising are planned for 2019, which will be organised together with OLAF as soon as the Commission Anti-Fraud Strategy and following it the Anti-Fraud Strategy for DG ENV has been adopted, and are important for communicating and implementing the updated Anti-Fraud strategy of the DG (update will be ready the first half of 2019. (Principles Nos. 1 and 8.)
  - ii. Staff allocation and mobility: it is pointed out that staff cuts are to blame. It is suggested that there is a more flexible reallocation of staff to areas of high priority/workload (Principle No. 4.)
  - iii. The internal communication is considered relatively effective. However, it is considered that more staff should be allocated to this important area. It is crucial to have intranet up-to-date; "who is who", "arrivals and departures", etc. This area was considered slightly deficient also in last year's assessment (Principle No.14.)
  - iv. The effectiveness of the external communication is recognised. The use of social media is well considered. (Principle No.15.)
  - v. The implementation of and information of internal control should be enhanced. More awareness could be provided for managers (Principle No. 16.)
  - vi. It should be mentioned that staff cuts are referred as a cause for several deficiencies or shortcomings; preventing information sharing, efficient back-ups and job shadowing, etc. Sick leaves, long-term absences and burn outs are recurring comments in the 2018 internal annual management survey.

During 2019, emphasis will be put on work on awareness-raising on anti-fraud and ethics, internal communication and implementation of and information on 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 2018 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 cases reported in 2018 does not show any systemic weakness in the internal control system.
5. Reporting Information obtained from the ENV.A.5 **financial monitoring and reporting tools**: A financial **dashboard** has been implemented since 2012 and has become an effective means of reinforcing senior management supervision. It is based on a set of control indicators covering, for example, budget implementation, commitments and launches, payment delays, recovery orders, fines to Member States, forecast of revenue, RAL, and ENVAC. These monitoring results, provided 8 times in the year, are presented and 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. 2018 produces a deteriorating result (payment delays were increased to 8.2%) but it is expected that in 2019 the effort will continue to return back to levels below 5%. Furthermore, other tools and reports from DG BUDG are used for monitoring the execution of the management of the LIFE budget and communicate this information to the management.
6. DG Environment's **risk register** (ICP 7 & 10): as part of the Management Plan exercise, Directorates were asked to examine their activities with a view to identify and mitigate potential risks for the upcoming year. No critical risk was identified.
7. **Anti-fraud efforts and OLAF cases**: During the reporting year, the Finance Unit continued its efforts to raise awareness on fraud prevention. In 2018, the situation with cases transmitted to OLAF by the DG or initiated by OLAF is the following:
  - 1 new case sent by the DG to OLAF,
  - 2 cases initiated by OLAF,
  - 3 cases from 2013, 2016 and 2018 respectively have been dismissed by OLAF without recommendation of actionsOn 31 December 2018, two fraud cases were still open, out of which one was initiated by DG ENV.
8. **The European Ombudsperson**. No individual financial cases were brought to the attention of the Ombudsperson in 2018. DG Environment has fully implemented the recommendations made by the Ombudsperson in its own initiative enquiry on experts groups. The DG also provided replies to 18 enquiries by the Ombudsperson on the implementation of environmental policies, always on the set

timelines.

9. **Review of sensitive functions: Review of sensitive functions:** The process in place to identify and manage sensitive functions is effective. An extensive risk assessment of the sensitive functions was carried out in collaboration with all Directorates/Units concerned end of January 2019. This resulted in 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, which was flagged as sensitive in 2017, will be kept as such. 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 program, the DG has paid particular attention to the staff allocation and mobility in 2018. Specific actions were undertaken as follows:
- 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 2018 and the vacancy rate was once again consistently lower than the Commission vacancy rate.
  - The planned internal mobility of ENV colleagues was a huge success in 2018 - 20 AD colleagues transferred internally on a total of 64 vacancies over the year.
  - Colleagues of the LIFE unit continued to receive assistance in the search for a position that would fit their profile and open career perspectives. Some of them found an interesting position in DG ENV and others found the position in other DGs.
11. **Document management:** Measures taken in 2018 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
- Specific Archive Day for all DG ENV staff has been organised. The overarching objective of the Archiving day was to raise awareness on the importance of document management and to ensure that the evidence of EU environmental policies and DG ENV's activities are properly documented and preserved in accordance with its informational, administrative, legal or historical value.

A total of 23 training sessions on document management/information security and personal data protection were organised in 2018 and 217 staff attended these sessions. Additionally, during the Archive Day 180 staff participated in the various training sessions and side events.

*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 2018 the DG decided that the default visibility for files to be created in ARES will be changed from ENV to Commission visibility, as of 01/11/2018. This will allow that, data and information in ARES are available, searchable and retrievable as widely as possible across the Commission. The new default setting applies only to newly created files unless there are legal or security requirements or clear justifications for the file access to be restricted.

*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, based on the various assessments, it is considered that the internal control principles are partially effective.** The measures DG Environment has taken during 2018 to further improve the effectiveness of its internal control systems in the areas of document management, staff allocation 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 2019 and beyond - the likely "amount at risk" in relation to transactions authorised in 2018 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 that all transactions authorised by them in 2018 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 2018 remains low.

The audit work performed by the IAS in 2018 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.

The open recommendations deriving from ECA's special reports are closely monitored, as well as through the RAD. Progress towards meeting and fulfilling them are reported regularly to the management of DG Environment and the Commissioner. These open ECA's recommendations do not affect the assessment of the internal control system.

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 2018. 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 view<sup>85</sup>.*

*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 2019*

*[Signed]*

*Daniel Calleja*

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<sup>85</sup> 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 maintains a continued effort to improve the economy and efficiency of its financial and non-financial activities. In 2018, further progress was made in the implementation of the administrative simplification activities launched in 2017, and positive results were obtained from structural change in different domains.

- The pilot on “paperless launching of Calls to tender” concluded successfully and became compulsory in 2018. All pre-award correspondence and documents are filed in Ares, which greatly reduces the size of physical files and the need for archive space. In 2019, all open calls will be launched through e-Submission, allowing further reduction of paper archives and space, and also reducing data encoding on reception.
- The externalisation of LIFE to EASME progressed as planned, allowing further reduction of the staff managing LIFE projects in the DG.
- In the context of the 2016 recommendations from the Internal Audit Service, in 2018 DG Environment joined the pilot “full use” of the ATLAS system (Activities and Tasks Logging for Allocation of Staff). As a workforce planning tool, ATLAS is expected to help with the assessment of workload and the dynamic allocation of resources to priorities.

### 2.2.1 Human resource management

In 2018, DG Environment developed a comprehensive strategy to ensure that HR processes support the achievement of the political priorities and operational objectives of the DG. The strategy aims *inter alia* to maximise the effectiveness and efficiency of the management and allocation of staff resources, in face of the continued staff reductions, in particular with the on-going externalisation of the LIFE unit to EASME, against an increased workload resulting from the political priorities of the college.

Decisions on the allocation of resources were taken at the level of the DG HR Committee, composed of the Director-General, the Deputy Director-General, the Resources Director and the Business Correspondent. Vacant posts were continuously assessed as they arised and action was taken to fill them as quickly as possible. The DG vacancy rate for 2018 was lower than the Commission average, and reflects normal mobility patterns.

DG Environment encourages inter-DG mobility in the context of the DG’s efforts to mainstream environmental considerations into other key policy areas of the Commission. Intra-DG mobility was also encouraged through internal advertising of published vacancies, and the promotion of career discussions with staff.

In the field of equal opportunities, the DG has already exceeded the targets set for the female representation in middle management for the period 2016-2020. Since November 2014, female representation increased from 21% to 48%. 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 were mapped to support a more coherent strategy for 2018.

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.

In 2018, three impact assessments were submitted to the Regulatory Scrutiny Board



(RSB). The RSB issued a positive opinion for the LIFE Programme proposal on its first submission. The other two assessments, on the Single Use Plastics proposal and on the update of the REACH Regulation for nanomaterials, required a second submission.

DG Environment is also fully committed to evaluating the legislation in place and ensuring 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 2018, three evaluations were concluded, on the European Environment Agency, the Regulation on the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH), and the Zoos Directive. Twelve further evaluations were ongoing, including two important fitness checks on air quality and water legislation, and another three were ready to be launched.

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

DG Environment 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. A document management team provides regular training on information security, personal data protection, registration, filing and archiving of documents, and supports staff in the daily application of the rules.

In 2018, a special effort was made to promote the correct preservation of records according to their informational, administrative, legal and historical values. This included the organisation of a DG Archives Day, to remind staff of the rules in place and to raise awareness about the importance of recording the activities of the DG, for current accountability as well as for the future history of EU environment policy. Approximately 150 staff members participated in the different presentations and activities organised.

In recent years, a significant amount of work was invested in the simplification of document management procedures, and this continued to be a priority in 2018, with a view to achieving further efficiency gains. The number of documents processed by electronic means, including validation workflows, increased across units.

Under the corporate strategy on Data, Information and Knowledge Management<sup>86</sup>, the DG adopted its first internal Knowledge Management Strategy. Building on corporate guidance, the strategy was developed along four areas of action (improving information retrieval and delivery; working together and sharing information and knowledge; maximising use of data for better policy-making and creating a culture of knowledge sharing and learning). It also included DG-specific needs gathered through a staff survey and a participatory workshop in which all units were represented.

Finally, in 2018 DG Environment was represented by its Deputy Director-General in the corporate Information Management Steering Board, and participated actively at the Information Management Team meetings.

**Internal Communication** was also enhanced in 2018, including an increased focus on aspects that could help to promote knowledge sharing. In November, all staff was invited to a Brainstorming Day on the future of EU environment policy, in an example of participatory leadership which also served to launch a knowledge sharing project on that subject.

Internal communication on EU environment policy was also strengthened, including engaging staff in local implementation at DG level. In the second half of 2018, an internal campaign was launched in support of the EU action on Single Use Plastics (SUP). Staff was invited to pose for photographers in the company of giant SUP items, and to pledge

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<sup>86</sup> C (2016) 6626

to adopt specific non-polluting behaviours. Pictures and pledges were shared on the Intranet. The campaigning was very popular and will be run by other DGs in 2019.

DG Environment participated in the first EMAS (Environmental Management and Audit Scheme) competition organised by DG HR in 2018, and won the first prize for "the most innovative best practices on waste reduction". The award recognised in particular the "EMAS cupboards", which contain glasses and glass carafes and are available in all meeting rooms. The use of plastic bottles is now forbidden for all meetings.

## Personal Data Protection

Following the adoption of Regulation 2018/1725, the Commission set a new objective for all services to implement updated rules on personal data protection.

A stock taking exercise of all personal data processing in the DG took place during 2018 to facilitate checking compliance with the new Regulation. An inventory of data processing operations was established, to assess compliance with general data protection principles under article 4 of the Regulation, in particular as regards lawfulness, data minimisation and storage limitation.

Several measures were put in place to ensure and upgrade compliance with the rules, including:

- Data protection was introduced as a standing agenda point on senior Management Meetings;
- Data controllers were invited to follow mandatory training organised by the Commission's Data Protection Office (DPO);
- Several in-house training sessions were provided for staff on information security and principles of personal data protection;
- An internal procedure to report on data breaches has been established;
- Updated model templates of "privacy statements" were provided to the DG controllers, to ensure that the information provided to the data subjects concerned by DG processing is appropriate, concise and intelligible, as required by the updated Regulation.

During the stock taking exercise, the DG verified if processing operations under its remit require restrictions of data subject rights (Article 25 of the Regulation (EU) 2018/1725). No such requirements were identified

## 2.2.4 External communication activities

President Juncker's 10 priorities, the 7<sup>th</sup> EAP and Commissioner Vella's focus areas ('Green Growth', 'Connecting with citizens' and 'Making it happen') constitute the framework for the DG's communication strategy.

DG Environment actions also contribute to convey the corporate message about an EU that protects and empowers. In 2018, significant contributions to the corporate "EU protects" campaigns included, e.g., "Saving the sturgeon: How the EU is conserving nature and supporting locals in the Danube"; "A safety net for sea turtles: How the EU is helping protect our marine ecosystems"- and "EU and me"<sup>87</sup> with one of the five themes being sustainability. EU policies have a direct **impact on the health of citizens and their environment**, and communicating the added value of environment initiatives remained a priority, in line with the corporate campaigns.

In 2018, the focus remained on supporting the first Commission priority, 'A New Boost for Jobs, Growth and Investment'. A dedicated campaign showcased progress in implementing the **Circular Economy Action Plan**, in particular its Plastics strand. Plastic waste and marine litter were among the main environmental citizens' concerns in

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<sup>87</sup> [https://europa.eu/euprotects/content/homepage\\_en](https://europa.eu/euprotects/content/homepage_en) ; <https://europa.eu/euandme/>

2018. In parallel to the policy and legislative work, the DG communication team developed a "Ready to change" campaign addressing young European adults, to raise awareness about EU action on Single Use Plastics, and to encourage citizens to consider the importance of their daily choices in tackling plastic waste.

From January to October, around 1000 articles were published with positive views on the Plastics Strategy, and social media entries with the **#PlasticsStrategy** hashtag potentially reached over 150 million users. The Single use Plastics online campaign resulted in the potential reach of approx. 20 million social media users, 10.3 million views of the animations (exceeding the target 8 times) and over 600.000 visits to the website. Potential reach of the **#ReadyToChange** hashtag is 20 million users in seven weeks of the campaign implementation (source: Digimind). Analysis reports high cost efficiency (even three times higher than industry benchmarks for some tools), and almost exclusively positive comments on social media.

EU **Green Week 2018** was dedicated to **making cities sustainable** and promoted participatory approaches to urban development, engaging local authorities and citizens in moving their cities towards a more sustainable future. A survey carried out among the participants to the EU Green Week "partner events" ( more than 270 events events organised in 30 countries<sup>88</sup>, in partnership with EU Green Week) confirmed the added value of the initiative. 93% of the participants said that the EU Green Week 2018 had improved their understanding of what the EU is doing in the field of environmental policy; 77% stated that participating in the events had made them feel more positive about the EU.

For the second edition of the **Natura Day** (launched first on 21 May 2017), over 140 events took place in Member States including art exhibitions, guided walks, dedicated workshops, games for kids and much more. A media analysis carried out about the **Natura Award** (phase 2 in 2018) showed that it had a clear impact on the overall social media conversation relating to Natura 2000. The hashtag #Natura2000 generated a total of 71 318 987 impressions over 80 days tracked during 2018.

In 2018, the DG's **Twitter account** had a 49% followers growth and was ranked second for interactions on Twitter among all Commission's Twitter accounts<sup>89</sup>. On 30 November, DG Environment and DG Climate Action launched a joint Instagram account. Communication via social media played an important role in informing and raising awareness about environmental policies and instruments, e.g. on water, LIFE, the Environmental Implementation Review Process and key international developments.

**Publications** also played an enhanced communication role in 2018. User-friendly "infosheets" to inform about EU environmental policies were very well received by the public (by October 2018, an infosheet on Water infosheet had 17 864 prints; an infosheet on Green products and Services 18 078 prints and an infosheet on Clean Air 15 304 prints). Finally, in 2018 DG Environment received a prize in the external communications category of the Commission's 9<sup>th</sup> Clear Writing Awards, for the publication "Citizen's guide to access to justice in environmental matters"<sup>90</sup>.

The annual communication budget spent in 2018 on all external communication actions undertaken by the DG was EUR 3.5 million.

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<sup>88</sup> 28 EU Member States + Serbia and Georgia.

<sup>89</sup> <https://twitter.com/BCWBrussels/status/1093477195744464896>

<sup>90</sup> <https://publications.europa.eu/en/publication-detail/-/publication/2b362f0a-bfe4-11e8-99ee-01aa75ed71a1/language-en/format-PDF>