



**2011**

# **Annual Activity Report**

**DG ENVIRONMENT**



# TABLE OF CONTENTS

|   |           |
|---|-----------|
| <b>TABLE OF CONTENTS .....</b>  | <b>2</b>  |
| <b>PART 1. POLICY ACHIEVEMENTS .....</b>  | <b>3</b>  |
| 1.1. ACHIEVEMENTS BY GENERAL OBJECTIVES .....   | 3         |
| 1.2. ACHIEVEMENTS BY ABB ACTIVITIES .....   | 6         |
| <b>1.2.1. 07 02 Global Environmental Affairs.....</b>   | <b>6</b>  |
| <b>1.2.2. 07 03 Development and Implementation of EU Environmental Policy and Legislation .....</b>                           | <b>8</b>  |
| <b>PART 2. MANAGEMENT AND INTERNAL CONTROL SYSTEMS.....</b>   | <b>20</b> |
| 2.1 INTRODUCTION TO DG ENV .....  | 20        |
| 2.2 THE FUNCTIONING OF THE ENTIRE INTERNAL CONTROL SYSTEM .....   | 22        |
| <b>2.2.1 Compliance with the requirements of the control standards .....</b>  | <b>22</b> |
| <b>2.2.2 Effectiveness of implementation of the prioritised control standards .....</b>                                       | <b>22</b> |
| <b>2.2.3 Mobility rules .....</b>   | <b>24</b> |
| <b>2.2.4 Conclusion.....</b>  | <b>24</b> |
| 2.3 INFORMATION TO THE COMMISSIONER.....  | 24        |
| <b>PART 3. BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE (AND POSSIBLE RESERVATIONS TO IT).....</b>                    | <b>25</b> |
| 3.1 BUILDING BLOCKS TOWARDS REASONABLE ASSURANCE.....   | 25        |
| <b>3.1.1 Building block 1: Assessment by management.....</b>  | <b>25</b> |
| <b>3.1.2 Building block 2: Results from audits during the reporting year .....</b>  | <b>33</b> |
| <b>3.1.3 Building block 3: Follow-up of previous years' reservations and action plans for audits from previous years.....</b> | <b>37</b> |
| <b>3.1.4 Building block 4: Assurance received from other Authorising Officers in cases of crossed sub-delegation .....</b>    | <b>37</b> |
| <b>3.1.5 Completeness and reliability of the information reported in the building blocks</b>                                  | <b>39</b> |
| 3.2 RESERVATIONS .....  | 40        |
| 3.3 OVERALL CONCLUSIONS ON THE COMBINED IMPACT OF THE RESERVATIONS ON THE DECLARATION AS A WHOLE.....                         | 40        |
| <b>PART 4. DECLARATION OF ASSURANCE .....</b>   | <b>41</b> |

# PART 1. POLICY ACHIEVEMENTS

## 1.1. Achievements by General Objectives

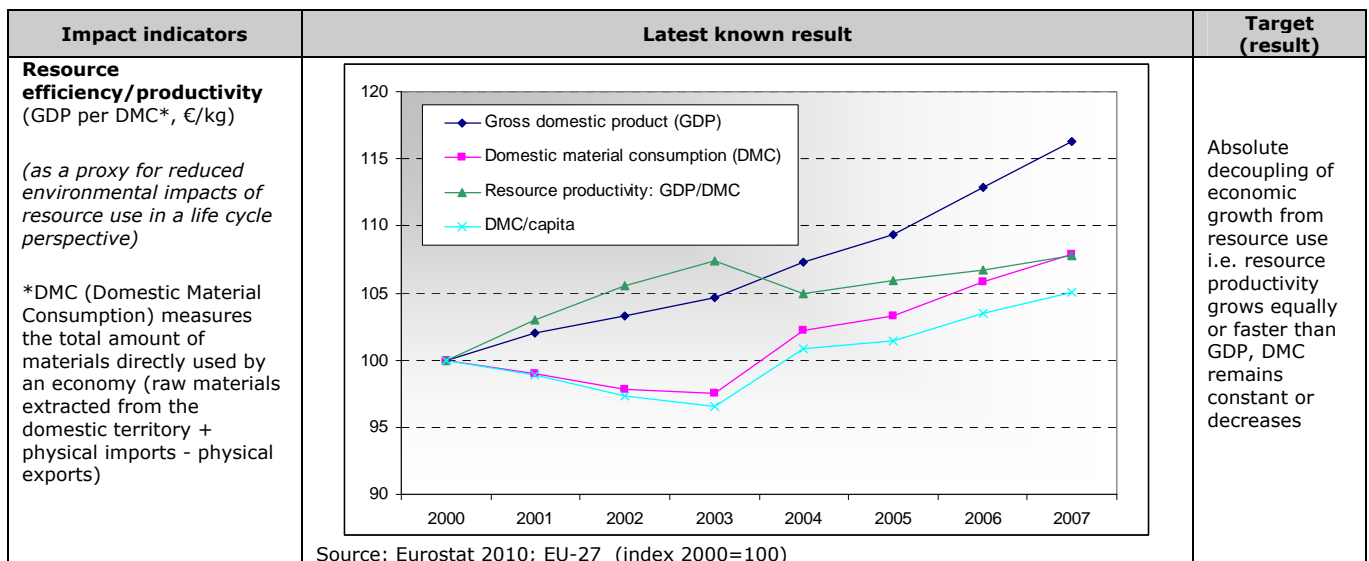
**GENERAL OBJECTIVE 1:** To contribute to a high level of quality of life and well-being for citizens, by aiming to secure an environment where the level of pollution does not give rise to harmful effects either on human health or on the environment and by supporting the development of a greener and more resource efficient economy.

**GENERAL OBJECTIVE 2:** To ensure a high level of environmental protection by promoting measures at international level to deal with regional or worldwide environmental problems.

**GENERAL OBJECTIVE 3:** To preserve, protect and improve the quality of the environment by promoting and supporting the implementation of environmental legislation and the integration of environmental protection requirements into the definition and implementation of other EU policies and activities, with a view to promoting sustainable development.

In 2011 DG ENV continued its efforts of laying the foundations for future initiatives and advancing political priorities, in particular the resource efficiency and innovation aspects of the **Europe 2020 Strategy for smart, sustainable and inclusive growth** and **the biodiversity agenda**. In parallel, DG ENV further pursued its work on monitoring, promoting and enforcing the implementation of environmental legislation by the Member States. Together with the Council and the Parliament, it participated in the legislative process of adopting proposals and implementing the 2011 legislative work programme.

Improving **resource efficiency** reduces environmental harm and cost through more productive use of resources and innovation and DG ENV made two major contributions to the EU2020 Resource Efficiency and Innovation Union Flagship Initiatives. Simultaneously, it carried out a number of actions in waste, sustainable consumption and production, chemicals and air policies which have the dual aim of protecting the environment and health while promoting innovation and the shift to a greener, more resource-efficient economy.



**Biodiversity** – the world’s natural capital – is integral to the resource efficiency agenda. Without vital goods like wood, crops or fibres, and ecosystem services like pollination or water regulation, our economic prosperity and social well-being will be put in peril. While the protected areas are increasing globally, further efforts are needed and in 2011 DG ENV continued efforts to halt the loss of biodiversity, elaborating a comprehensive set of actions for the coming decade.

| Impact indicators   | Latest known result  | Target (result)  |
|---|--|--|
| <b>Protected areas:</b><br><br>% of terrestrial and inland water areas conserved<br>% of marine and coastal areas conserved | <p>Source: Data from CBD 3<sup>rd</sup> edition of Global Biodiversity Outlook, 2010; UN MDG 2010 Report</p> | By 2020:<br>- conservation of at least 17 % of terrestrial and inland water areas and<br>10% of coastal and marine areas |

Environmental challenges are increasingly global and systemic in nature. Consequently, progress in environment policy depends to a greater extent on measures taken in other policy areas such as transport and energy (including TENs), cohesion and agriculture. To tackle the inter-linked drivers of environmental degradation DG ENV continued working towards ensuring the **integration of environmental objectives** into other EU policies (e.g., greening the Common Agricultural Policy and financing for biodiversity & ecosystems).

Delivering on environmental objectives in the EU and beyond requires an appropriate level of **financing**. DG ENV has contributed to the ongoing discussions on the Multiannual Financial Framework in order to maximise its coherence with environmental policy objectives and to secure the next phase of dedicated financing for the environment as the current **LIFE+** instrument expires in 2013.

| Impact indicators  | Latest known result  | Target (result) |   |  |       |   |       |               |       |   |
|--|--|-----------------|---|--|-------|---|-------|---------------|-------|---|
| <b>"Green" spending</b> (direct environment and environment friendly, for TEN T based on avoided CO <sub>2</sub> emissions) within Cohesion Policy (total of 345 billion €) and Trans-European Transport Network (TEN T) (total of 7.2 billion €) <sup>1</sup> | <table border="1"> <thead> <tr> <th>Category</th> <th>% of "green" spending within the respective category*</th> </tr> </thead> <tbody> <tr> <td>Cohesion Policy-Direct Environment+Risks</td> <td>14.5%</td> </tr> <tr> <td>Cohesion Policy-Indirect Env+Clean Energies</td> <td>15.8%</td> </tr> <tr> <td>TEN Transport</td> <td>71.4%</td> </tr> </tbody> </table> <p>Source: DG Environment estimate*; data for the period 2007-2013</p> | Category        | % of "green" spending within the respective category* | Cohesion Policy-Direct Environment+Risks | 14.5% | Cohesion Policy-Indirect Env+Clean Energies | 15.8% | TEN Transport | 71.4% | Increase in the amount of "green" spending within EU expenditures |
| Category   | % of "green" spending within the respective category*  |                 |   |  |       |   |       |               |       |   |
| Cohesion Policy-Direct Environment+Risks   | 14.5%  |                 |   |  |       |   |       |               |       |   |
| Cohesion Policy-Indirect Env+Clean Energies  | 15.8%  |                 |   |  |       |   |       |               |       |   |
| TEN Transport  | 71.4%  |                 |   |  |       |   |       |               |       |   |

As a marketplace of some 500 million people with strict environmental standards, the EU has an important role to play to promote a green economy **beyond its borders**, including among the beneficiaries of EU aid, and to improve **international environmental governance**. As other countries grow economically they have to address a range of environmental issues. In 2011 the Commission put much effort into building alliances with third countries and promoting global solutions to capitalise on EU domestic experience and capacity. There is now an increasing global recognition of the environmental challenges as evidenced in the growing number of countries joining **Multilateral Environmental Agreements**. The latest Commission work in this area includes preparations for the major Rio+20 Conference in 2012 but also a host of other multilateral environmental agreements ranging from chemicals to waste and biodiversity.

<sup>1</sup> This figure excludes the European Regional Development Fund and the Cohesion Fund

| Impact indicators   | Latest known result  | Target (result)                           |
|---|--|---|
| <p><b>Degree of ratification of major multilateral environmental agreements</b> (Number of parties)</p> <p><i>As a proxy for assessing the extent to which global parties share major EU environmental concerns</i></p> <p><i>Of the Conventions presented, EU signatory or party to: Basel (Hazardous waste), CBD (Biological diversity), CITES (trade in protected species), Kyoto (climate), Ozone, Rotterdam (PIC), Stockholm (Persistent Organic Pollutants), UNCCD (desertification), UNFCCC (climate change)</i></p> | <p>Source: UNEP Global Environment Outlook GEO4, 2007<sup>2</sup>; GEO5 scheduled for 2012</p> | <p>High level of ratification of MEAs</p> |

Timely and effective **implementation of environmental legislation** is key to ensure that the health and environmental benefits promised materialise and to exploit its "green economy" potential. Throughout 2011, DG ENV dedicated much effort to promote and monitor the activities of Member States in this regard. This was done via guidance documents, discussions with national authorities and, where necessary, launching infringement procedures. However, over 80% of pre-infringement investigations were resolved without recourse to legal action.

| Impact indicators  | Latest known result                                       | Target (result)  |
|--|---|--|
| <p><b>Effectiveness of application of EU environment legislation:</b></p> <p>Number of open infringement cases<sup>3</sup> of EU environmental law by policy area:</p> <p>Environmental impact assessment<br/>Water<br/>Air<br/>Nature<br/>Waste<br/>Other</p> | <p>Source: DG Environment; data as of 3 November 2011</p> | <p>Effective and uniform implementation of EU environmental legislation.</p> |

Delivering coherent policy objectives in the most efficient way requires a solid knowledge base. Following the 2010 publication of the "State and Outlook for European Environment" report by the European Environment Agency, 2011 saw the completion of the **final assessment of the 6th Environment Action Programme (EAP)**<sup>4</sup>. It showed that the large majority of actions set out in the Programme have been or are in the process of being implemented. Over the past decade, the Programme was successful in providing an overarching framework for environment policy in almost all areas of the environment. However, better implementation of EU rules by Member States is needed to close the gap between the 6th EAP's ambitions and its end-result. The final assessment prompted the launch of a wide and ongoing debate to define the strategic orientations for environment policy in the context of EU2020.

<sup>2</sup> [http://www.unep.org/geo/GEO4/report/GEO-4\\_Report\\_Full\\_en.pdf](http://www.unep.org/geo/GEO4/report/GEO-4_Report_Full_en.pdf)

<sup>3</sup> This means the Commission sent an official letter of formal notice to the Member State

<sup>4</sup> Communication on the Final Assessment of the 6th Community Environment Action Programme, COM(2011) 531

## 1.2. Achievements by ABB Activities

### 1.2.1. 07 02 Global Environmental Affairs

#### SPECIFIC OBJECTIVE

To pursue ambitious environment policies at international level and to ensure that EU concerns are reflected in international environmental agreements;  
 To promote and support improvements in the environment in the candidate countries and the potential candidates countries for accession to the EU, as well as in the European Neighbourhood countries;  
 To strengthen cooperation on environmental issues with our main trading partners;  
 To strengthen international governance and ensure the integration of environmental requirements into all EU external policy, particularly development and trade policy

| Result indicators  | Latest known result   |      |                                |                                  |      | Target (result)  |
|--|---|------|--------------------------------|----------------------------------|------|--|
|  | Year  | 2006 | 2008                           | 2010                             | 2011 |  |
| <b>EU participation in Multilateral Environmental Agreements (Conventions):</b><br>- Environmental Conventions EU is a signatory or a party to (number)<br>- Amendments, new environmental agreements, protocols to Conventions adopted each year (number) | <b>Conventions*</b>   | N/A  | 47                             | 49                               | 49   | Sustained EU participation in multilateral environmental agreements so that EU concerns are reflected in multilateral environmental agreements |
|  | <b>Amendments, new agreements, protocols adopted</b>  | 4    | 5 (including 2 new agreements) | 5 (including two new agreements) | 5    |  |
| <b>Level of EU influence on decisions taken by Multilateral Environment Agreements (MEAs) and processes</b>  | *Among them Conventions on :Biological Diversity (CBD), Persistent Organic Pollutants (Stockholm), Access to Environmental Information, Public Participation in Environmental Decision-making and Access to Justice (Aarhus), Control of Transboundary Movements of Hazardous Wastes and their disposal (Basel), Protection of the Mediterranean Sea against pollution (Barcelona), International Trade in Endangered Species (CITES).<br><br>EU has a significant level of influence in MEAs as shown by the leading role that it plays in promoting effective international environmental governance.<br><br>Progress has been made on multilateral processes, but difficulties remain in finding consensus with developing countries concerned with financial matters. |      |                                |                                  |      | Majority of decisions taken in international meetings are in line with EU positions.   |

In 2011 the Commission presented the **Communication on RIO+20<sup>5</sup>** proposing an EU position for the Rio+20 UN Sustainable Development Conference, which will be held in Rio de Janeiro, Brazil, in June 2012. The Communication outlined objectives and actions on the two themes of the Conference: enabling the transition to a green economy and poverty eradication; and ensuring better governance for sustainable development. Based on this document the EU adopted its consolidated position and submitted it to the UN in November.

The Commission followed up on the agreements reached in 2010 at the **10<sup>th</sup> Conference of Parties of the Convention on Biological Diversity (CBD)** in Nagoya, Japan. Among others, it participated in the Nagoya Protocol Intergovernmental Committee (ICNP I) preparing the entry into force of the Protocol on Access to Genetic Resources and the Fair and Equitable Sharing of Benefits Arising from their Utilization and prepared for the second ICNP to take place in New Delhi, India in July 2012.

The Commission participated on behalf of the EU in the negotiations of a legally binding agreement on **mercury**. This enabled the EU to contribute substantially to the progress achieved at the 2<sup>nd</sup> and 3<sup>rd</sup> meetings of Intergovernmental Negotiating Committees and to securing that negotiations are well on track towards the signature of an agreement in Japan in 2013.

In addition, the Commission prepared for the CBD COP11 in Hyderabad, India scheduled for October 2012 by participating in the scientific advisory bodies under the Convention and coordinating Member States on resource mobilisation issues. It also played an important role and participated in the discussions on the establishment of the Intergovernmental Science-Policy Platform on Biodiversity and Ecosystem Services (IPBES) that took place in Nairobi, Kenya in October 2011 and in the development of the 3<sup>rd</sup> phase of The Economics of Ecosystems and Biodiversity (TEEB).

The Commission contributed to the agreement reached at the COP10 of the Basel Convention in Cartagena, Colombia, on the control of transboundary movements of hazardous wastes and their disposal. An agreement was reached to facilitate the entry into force of the so-called "Ban

<sup>5</sup> Communication 'Rio+20: towards the green economy and better governance', COM(2011) 363 final

Amendment" (banning exports of hazardous waste from OECD to non-OECD countries). The Commission prepared and forwarded to the Cartagena Protocol Clearinghouse the second national report on the Implementation of the Cartagena Protocol on Biosafety in the EU.

The work under the **UN Convention on Combating Desertification** also continued where the Commission played a key role at the COP10 meeting in Changwon, South Korea in discussions on the evaluation of the Convention and on the ways to improve its effectiveness.

Moreover, the Commission was instrumental in achieving a global consensus at the 5<sup>th</sup> COP held in Geneva to extend the list of dangerous substances to be banned under the **Stockholm Convention on Persistent Organic Pollutants (POPs)**<sup>6</sup>. At the same conference the EU also nominated three more chemicals to be listed under the Convention. In addition, the Commission played a leading role in securing a successful outcome at the COP5 of the **Rotterdam Convention on Prior Informed Consent** where additional substances have been added to the Convention.

Other efforts under this chapter included the preparation for and participation in a number of other Multilateral Environmental Agreement (MEA) conferences and meetings such as the **Bonn Convention** (migratory species), the **International Whaling Commission**, and the revision of the Gothenburg Protocol (concerning acidification, eutrophication and ground-level ozone) under the **Convention on Long-range Transboundary Air Pollution**. The Commission also regularly updated the **EU Wildlife Trade Regulation** in relation to decisions taken by the Convention on International Trade in Endangered Species (CITES).

In light of the responsibilities conferred on the Commission by the **Lisbon Treaty for external representation** of the Union, DG ENV strived to find – on a case by case basis - practical arrangements with EU Member States in statutory meetings of MEAs and the distribution of tasks between the Commission and the Member State holding the EU Presidency. However, the institutional and organisational consequences of the Treaty remain to be fully resolved to exploit fully the Treaty's potential.

Together with the **UN Environment Programme (UNEP)**, the Commission announced a wide-ranging new partnership aimed at promoting sustainable development in the 21st century and covering funding from the Commission to UNEP for the next two years. The agreement reflects the EU 2020 strategy as well as UNEP's work on the **Green Economy**, the International Panel on Sustainable Resource Management and the TEEB. Also with UNEP, the Commission launched two major reports<sup>7</sup> calling for a radical change in the use of scarce resources, notably on metal recycling and decoupling of growth from resource use by 2050.

| Result indicators   | Latest known result   | Target (result)   |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
|---|---|---|------------------|--|---------|---------------------|----------------|------------------------|---------------------|----------------|---------|-----------|--|-------|-----------|-------------------------------------|---------|-----------|--|---------|---------------------|----------------|------------|-----------|---|--------|-----------|-------------------------------------|--------|-----------|----------|---|
| <p><b>Progress along pre-accession path for candidate and potential candidate countries (implementation of the Stabilisation and Association Agreements (SAAs))</b></p> <p><b>Status of relations on the environmental issues, including the negotiations on the environmental chapter (where applicable) with Potential Candidates and Candidate Countries</b></p> | <p>Enlargement countries are making gradual progress towards transposition and implementation of the EU acquis. However, institutions are generally weak, technical capacity is limited, finance is insufficient and stakeholder involvement is limited. New impetus for enlargement with candidate country status granted. To complement support at the national level, the Regional Environmental Network for Accession (RENA) assists countries in moving closer to implementation of EU policy<sup>8</sup>.</p> <table border="1" data-bbox="584 1476 1163 1883"> <thead> <tr> <th>Country</th> <th>Candidacy Status</th> <th>Negotiations on environmental chapter (27)</th> </tr> </thead> <tbody> <tr> <td>Albania</td> <td>Potential candidate</td> <td>Non applicable</td> </tr> <tr> <td>Bosnia and Herzegovina</td> <td>Potential candidate</td> <td>Non applicable</td> </tr> <tr> <td>Croatia</td> <td>Candidate</td> <td>Accession Treaty signed with ambitious but achievable transition periods</td> </tr> <tr> <td>fYRoM</td> <td>Candidate</td> <td>Overall negotiations not yet opened</td> </tr> <tr> <td>Iceland</td> <td>Candidate</td> <td>Environmental chapter not yet opened for negotiation</td> </tr> <tr> <td>Kosovo*</td> <td>Potential candidate</td> <td>Non applicable</td> </tr> <tr> <td>Montenegro</td> <td>Candidate</td> <td>Seven key priorities for the opening of accession identified by the Council</td> </tr> <tr> <td>Serbia</td> <td>Candidate</td> <td>Overall negotiations not yet opened</td> </tr> <tr> <td>Turkey</td> <td>Candidate</td> <td>Underway</td> </tr> </tbody> </table> <p><i>This designation is without prejudice to positions on status, and is in line with UNSC 1244 and the ICJ Opinion on the Kosovo declaration of independence.</i></p> | Country   | Candidacy Status | Negotiations on environmental chapter (27) | Albania | Potential candidate | Non applicable | Bosnia and Herzegovina | Potential candidate | Non applicable | Croatia | Candidate | Accession Treaty signed with ambitious but achievable transition periods | fYRoM | Candidate | Overall negotiations not yet opened | Iceland | Candidate | Environmental chapter not yet opened for negotiation | Kosovo* | Potential candidate | Non applicable | Montenegro | Candidate | Seven key priorities for the opening of accession identified by the Council | Serbia | Candidate | Overall negotiations not yet opened | Turkey | Candidate | Underway | <p>Alignment with EU environment legislation and of sustainable development goals by candidate countries and potential candidates</p> |
| Country   | Candidacy Status  | Negotiations on environmental chapter (27)                                  |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Albania   | Potential candidate   | Non applicable  |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Bosnia and Herzegovina  | Potential candidate   | Non applicable  |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Croatia   | Candidate   | Accession Treaty signed with ambitious but achievable transition periods    |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| fYRoM   | Candidate   | Overall negotiations not yet opened   |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Iceland   | Candidate   | Environmental chapter not yet opened for negotiation                        |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Kosovo*   | Potential candidate   | Non applicable  |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Montenegro  | Candidate   | Seven key priorities for the opening of accession identified by the Council |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Serbia  | Candidate   | Overall negotiations not yet opened   |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |
| Turkey  | Candidate   | Underway  |                  |  |         |                     |                |                        |                     |                |         |           |  |       |           |                                     |         |           |  |         |                     |                |            |           |   |        |           |                                     |        |           |          |   |

<sup>6</sup> The 5th Conference of the Parties (COP) to the Stockholm Convention on Persistent Organic Pollutants, Geneva, Switzerland

<sup>7</sup> <http://www.unep.org/resourcepanel/Publications/tabid/54044/Default.aspx>

<sup>8</sup> Together with the NGO Environment Forum, RENA is financed from a regional IPA programme sub-delegated to ENV



DG ENV also continued its work on bilateral and regional relations with countries outside the EU. These included support to the **enlargement process** with the candidate and potential candidate countries in their preparations to comply with the EU environmental acquis; contributing to the environmental dimension of the **European Neighbourhood Policy**; integrating environmental considerations in development cooperation; and ensuring relations on environmental issues with the EU's developed-country trading partners. DG ENV also pushed for ambitious Trade & Sustainable Development chapters in bilateral and regional trade agreements to be concluded by the EU.

## 1.2.2. 07 03 Development and Implementation of EU Environmental Policy and Legislation

### **SPECIFIC OBJECTIVE 1: Green economy & resource efficiency**

To support the development of a greener and more resource efficient economy;

To bring about more sustainable production and consumption patterns through better resource efficiency, resource and waste management, and by aiming to ensure that the consumption of renewable and non-renewable resources does not exceed the carrying capacity of the environment;

To foster eco-innovation and stimulate the development and the uptake of environmental technologies.

2011 saw the finalisation of the work on the **Roadmap to a Resource Efficient Europe**<sup>9</sup> which is a major contribution of DG ENV to the EU 2020 Resource Efficiency Flagship Initiative<sup>10</sup>. Aiming to make Europe's economy more sustainable by 2050, the Roadmap sets out an agenda for competitiveness and growth based on using fewer resources when producing and consuming goods, and creating business and job opportunities from activities such as recycling, better product design, materials substitution and eco-engineering. To this end, the Roadmap identified the economic sectors that consume the most resources (food, mobility, and housing) and suggested tools and indicators to help guide action at EU, Member State and international level. The Commission also commenced the preparation of appropriate policy and legislative proposals to implement the Roadmap, the development of indicators as well as the establishment of relevant fora. The Commission also continued to examine options to make production and consumption more sustainable through, inter alia, more effective Green Public Procurement, corporate environmental reporting and ecological footprinting.

Recognising that **innovation** will play a key role in driving the European economy towards a more sustainable future, DG ENV launched a new **Eco-Innovation Action Plan** which supports the better and more cost-effective implementation of existing environmental legislation, thereby contributing to the Flagship Initiatives on the Innovation Union<sup>11</sup> and on the Industrial Policy for a Globalization Era<sup>12</sup>. Building on the 2004 Environmental Technologies Action Plan (ETAP), the new Action Plan expands the focus from green technologies to the broader concept of eco-innovation, focusing on achieving environmental objectives through innovation. The Plan foresees a variety of actions such as: developing new standards; supporting demonstration projects to facilitate the market uptake of promising technologies; and mobilising financial instruments for SMEs. The 2011 ETAP Fora<sup>13</sup> provided an opportunity to exchange ideas and practical examples on material security and resource efficiency, and on global opportunities for eco-innovation and for green trade. Eco-innovation is also one of the priorities under the Competitiveness and Innovation Framework Programme (CIP), implemented through a number of instruments e.g., financial instruments for start-ups and SMEs, networks for eco-innovative actors or a specific measure under the Enterprise Europe Network providing environmental support services to SMEs, helping them turn environmental challenges into economic opportunities. In 2011, out of 280 projects submitted around 50 will be selected for funding in the area of food and drink, buildings, recycling, water and green business. These activities are anticipated to further stimulate investments in clean technologies, which have been growing over the last years.

To support companies to develop innovative environmental technologies the Commission launched the **Environmental Technology Verification**<sup>14</sup> (ETV) pilot programme under the new Eco-

<sup>9</sup>Communication on 'Roadmap to a Resource Efficient Europe', COM(2011) 571

<sup>10</sup>Communication on 'A resource-efficient Europe', COM(2011) 21

<sup>11</sup>Communication on 'Innovation Union', COM(2010) 546

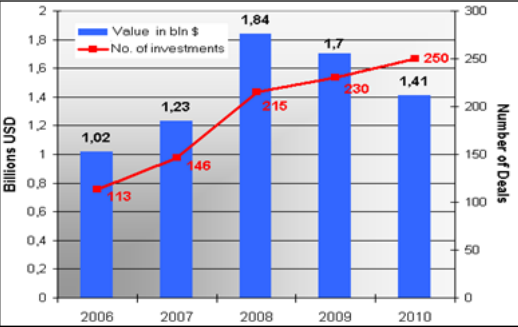
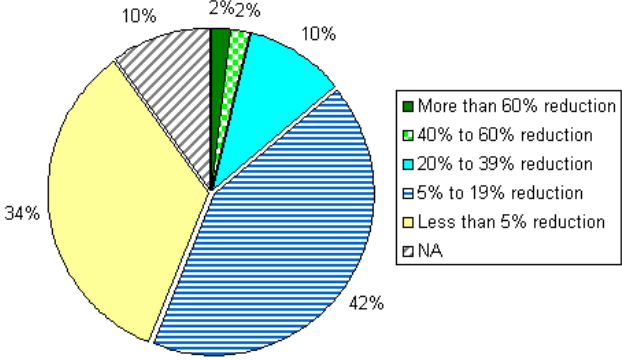
<sup>12</sup>Communication on 'An Integrated Industrial Policy for the Globalisation Era; Putting Competitiveness and Sustainability at Centre Stage'; COM(2010) 614

<sup>13</sup>[http://ec.europa.eu/environment/etap/events/ecoinnovation\\_en.html](http://ec.europa.eu/environment/etap/events/ecoinnovation_en.html)

<sup>14</sup> Commission Staff Working Paper - The Environmental Technology Verification (ETV) initiative Helping Eco-Innovations to reach the Market accompanying The Eco-innovation Action Plan

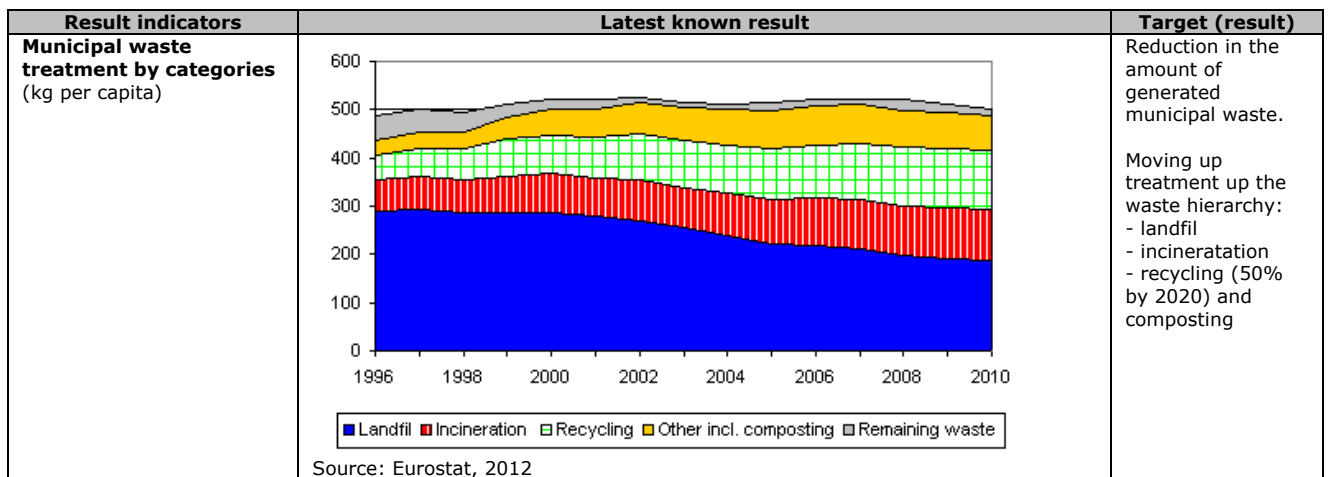


Innovation Action Plan. It will provide – on a voluntary basis - independent verification of the performance of new environmental technologies. This will help manufacturers prove the reliability of performance claims and help technology purchasers identify innovations that suit their needs. The facility will initially cover three areas: water treatment and monitoring; materials, waste and resources; and energy technologies.

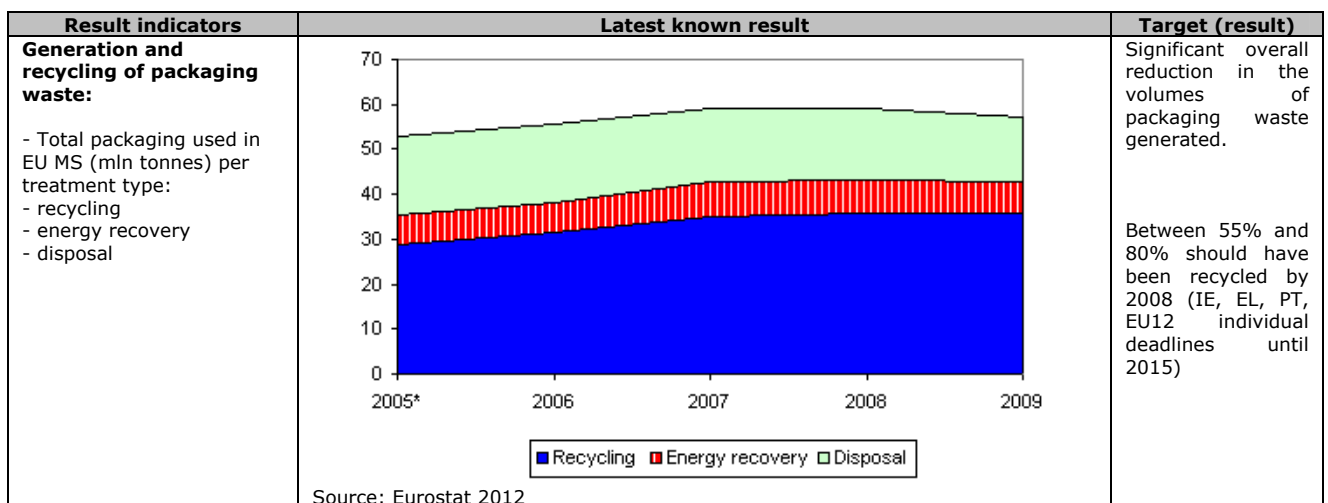
| Result indicators   | Latest known result  | Target (result)  |
|---|--|--|
| <p><b>Clean Technologies Venture Capital investments in Europe:</b></p> <p>Number and value of investments</p>  |  <p>Source: Data from Cleantech Group (consultancy), 2011</p> <p>* energy efficiency accounts for the large majority of investments with a smaller share of investments in e.g., bio-materials, water conservation, smart production and sustainable agriculture</p> | <p>Increased number and/or value of investments into environmental technologies</p>  |
| <p><b>Effects of introduced eco-innovations in SMEs on resource efficiency</b></p> <p>(reduction of material use per unit output)*</p> <p>* as indicated by the surveyed SMEs a sample of EU SMEs; 5,222 managers interviewed</p> |  <p>Source: Eurobarometer , Attitudes of European entrepreneurs towards eco-innovation, 2011</p>  | <p>Increase resource-efficiency of companies achieved by means of eco-innovation</p> |

The Commission published a **report on Member States' performance in the prevention and recycling of waste**<sup>15</sup> which revealed that while some Member States had made excellent progress in increasing recycling and lowering land-filling rates, many still need to improve their record, particularly as regards minimising landfilling and increasing prevention, re-use and recycling rates. Overall, waste generation seems to be increasing but at a lower rate than economic growth. The report concludes that achieving the long-term goal of becoming a 'recycling society' – one that not only avoids producing waste but also uses it as a resource – is still a long way away.

<sup>15</sup> Communication on the Report on the Thematic Strategy on the Prevention and Recycling of Waste, COM(2011) 13



2011 also saw the finalisation of the legislative processes on the proposals to revise EU rules on the **Restriction of the Use of Certain Hazardous Substances in Electrical and Electronic Equipment (RoHS)**<sup>16</sup> and on **Waste Electrical and Electronic Equipment (WEEE)**<sup>17</sup>. The revised RoHS<sup>18</sup>, which entered into force in July 2011, aligned the RoHS substance restrictions with REACH and extended the ban on heavy metals and other dangerous chemicals to a wider range of products such as medical devices and monitoring and control instruments and many other products that were outside the scope of the previous RoHS Directive. In parallel, the revised **WEEE Directive**<sup>19</sup> will raise the binding collection levels to 85% of waste generated. The new law will also give a boost to systematic collection which is the precondition for recycling valuable raw materials like gold, silver, and rare metals contained in used TVs, laptops, mobile phones etc.



To stimulate European recycling markets, the Commission adopted a Regulation setting '**end-of-waste' criteria** for iron and steel scrap as well as for aluminium scrap. The criteria determine when a material recovered from waste ceases to be waste and can be dealt with as other products or raw materials. Criteria for other materials, including paper, glass, and copper, are in the pipeline.

The **Retail Forum**<sup>20</sup>, launched under the SCP Action Plan in 2009 to promote sustainable consumption, met four times in the course of 2011. It discussed issues such as packaging optimisation, minimisation of waste, sustainable practices in selling fisheries and aquaculture products. The Forum's Annual Event reviewed the Forum's first three years of activity (2009-11) and agreed to continue for a second three-year term (2012-14).

<sup>16</sup> Proposal for a revised directive placing restrictions on certain hazardous substances in electrical and electronic equipment, COM(2008) 809

<sup>17</sup> Proposal for a revised directive on waste electrical and electronic equipment, COM(2008) 810

<sup>18</sup> Directive 2011/65/EU on the restriction of the use of certain hazardous substances in electrical and electronic equipment

<sup>19</sup> <http://www.europarl.europa.eu/sides/getDoc.do?type=TA&reference=P7-TA-2012-0009&language=EN&ring=A7-2011-0334>

<sup>20</sup> [http://ec.europa.eu/environment/industry/retail/index\\_en.htm](http://ec.europa.eu/environment/industry/retail/index_en.htm)

Implementing legislation under this objective included the adoption of a number of measures in areas such as **Ecolabel** (criteria for the award of the EU Ecolabel for nine product groups: laundry detergents, detergents for dishwashers, personal computers, notebook computers, copying and graphic paper, light sources, all-purpose cleaners and sanitary cleaners, hand dishwashing detergents, and lubricants), **EMAS** (adoption of a guide for corporate and global EMAS registrations and of a list of 11 priority sectors, for which EMAS Sectoral Reference Documents (SRD's) will be developed) and **waste**, including end-of-life vehicles.

**SPECIFIC OBJECTIVE 2: Nature & Biodiversity**

To protect, conserve, restore and develop the functioning of eco-systems, natural habitats, wild flora and fauna with the aim of halting desertification and the loss of biodiversity, including diversity of genetic resources; to ensure that the real value of eco-systems and their capacity to make the EU more resilient to climate change is recognized.

DG ENV efforts to meet this objective included actions to implement the agreements reached at the 10<sup>th</sup> meeting of the Conference of the Parties to the UN Convention on **Biological Diversity** (Nagoya, Japan)<sup>21</sup> and the commitments made by Member States 'to halt the loss of biodiversity and the degradation of ecosystem services in the EU by 2020 and to restore them in so far as feasible'. To this end, the Commission presented **a new strategy on biodiversity**<sup>22</sup> that will contribute to the EU's resource efficiency objectives by ensuring that Europe's natural capital is managed sustainably. The Strategy includes six targets addressing the main causes of biodiversity loss and anchoring biodiversity objectives in key sectoral policies such as agriculture, fisheries and forestry to reduce the main pressures on nature and ecosystem services. Among others, it underlines the need for full implementation of existing nature protection legislation and a network of natural reserves and foresees tackling matters such as green infrastructure and invasive alien species.

The Commission continued preparations towards the ratification and implementation of the Nagoya CBD Protocol dealing with **Access to Genetic Resources and Benefit Sharing** (ABS). This will establish a framework for regulating how researchers and commercial companies may obtain access to and knowledge of these resources.

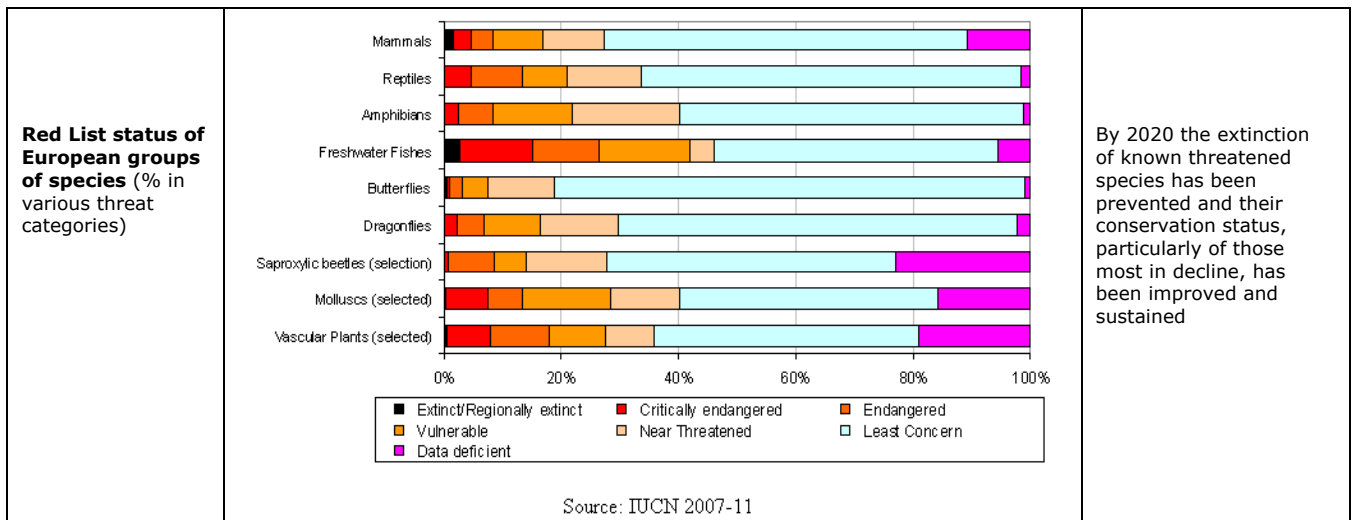
| Result indicators   | Latest known result  | Target (result)  |
|---|--|--|
| <b>Conservation status of Species and Habitats of European Importance</b> | <p>Source: Report on the Conservation Status of Habitat Types and Species under the Habitats Directive COM(2009) 358; data concerns 2001-2006 period ; 6-years reporting cycle, next Report scheduled for 2015</p> | By 2020, compared to current assessments 100% more habitat assessments and 50% more species assessments under the Habitats Directive show a favourable or improved conservation status |

Significant progress was also made towards **finalising the establishment of Natura 2000**, Europe's network of protected natural areas. In 2011, the network was expanded by approximately 46,000 square kilometres, mainly in marine areas. As the establishment phase for Natura 2000 is now at an advanced stage the focus is increasingly shifting to the effective management and restoration of the sites in the network which should contribute to improving the status of a variety of species.

| Result indicators  | Latest known result  | Target (result) |        |             |                                |             |                                |  |      |             |                |      |             |      |             |     |       |       |     |      |     |       |   |
|--|--|-----------------|--------|-------------|--------------------------------|-------------|--------------------------------|--|------|-------------|----------------|------|-------------|------|-------------|-----|-------|-------|-----|------|-----|-------|---|
| <b>Designated areas: Natura2000 area (sites designated under Habitats and Birds Directives) (Cumulative surface area, number of sites)</b> | <table border="1"> <thead> <tr> <th colspan="3">Terrestrial</th> <th colspan="2">Marine</th> <th colspan="2">Total (terrestrial and marine)</th> </tr> <tr> <th>Area</th> <th>No of sites</th> <th>% of EU27 area</th> <th>Area</th> <th>No of sites</th> <th>Area</th> <th>No of sites</th> </tr> </thead> <tbody> <tr> <td>751</td> <td>22758</td> <td>17,5%</td> <td>199</td> <td>3348</td> <td>950</td> <td>26106</td> </tr> </tbody> </table> <p>* Area in thousand km<sup>2</sup>, EU27 terrestrial area 4.490 thousand km<sup>2</sup></p> <p>Source: DG Environment, 2010<br/>Marine sites determined on a case-by-case basis for each of major sea regions</p> | Terrestrial     |        |             | Marine                         |             | Total (terrestrial and marine) |  | Area | No of sites | % of EU27 area | Area | No of sites | Area | No of sites | 751 | 22758 | 17,5% | 199 | 3348 | 950 | 26106 | Establishment of terrestrial Natura 2000 completed by 2012<br>By 2010 up to 20% of EU's terrestrial area covered by Natura 2000 sites<br>Sufficient representation of marine species and habitats concerned by Natura legislation by 2012 |
| Terrestrial  |  |                 | Marine |             | Total (terrestrial and marine) |             |                                |  |      |             |                |      |             |      |             |     |       |       |     |      |     |       |   |
| Area   | No of sites  | % of EU27 area  | Area   | No of sites | Area                           | No of sites |                                |  |      |             |                |      |             |      |             |     |       |       |     |      |     |       |   |
| 751  | 22758  | 17,5%           | 199    | 3348        | 950                            | 26106       |                                |  |      |             |                |      |             |      |             |     |       |       |     |      |     |       |   |

<sup>21</sup> <http://www.cbd.int/cop10/doc>

<sup>22</sup> Communication on 'Our life insurance, our natural capital: an EU biodiversity strategy to 2020', (COM(2011) 244



DG ENV also released a report on **soil sealing** in the EU27<sup>23</sup>. It highlighted that the rate of land consumption in Europe is still a cause for concern and recommended a three-tiered approach to address the problem focusing on limiting the progression of soil sealing, mitigating its effects, and compensating valuable soil losses by action in other areas. The report will feed into a technical document that will provide national, regional and local authorities with guidance on best practices for limiting soil sealing and mitigating its effects.

Significant progress was also made on 'greening' the **Common Agricultural Policy**, with the Commission putting forward proposals which would require all farmers in receipt of the main CAP payments to carry out environmental measures on their farms, to support the protection and enhancement of biodiversity, as well as of water, soil and air.

The Commission continued its work on the implementation of the **Regulation<sup>24</sup> laying down the obligations of operators who place timber and timber products on the market**, which entered into force in 2010. This legislation prohibits the first placing on the internal market of illegally harvested timber and of products derived from such timber, and requires EU operators to exercise "due diligence" to minimise the risk of illegal timber entering their supply chain.

DG ENV and JRC published their yearly report on forest fires<sup>25</sup>. Work continued on extending the **European Forest Fire Information System (EFFIS)** to North African and Middle Eastern countries in order to cover most of the Mediterranean riparian states and interest in EFFIS from Northern European Member States continues to grow.

Further progress made in preventing and controlling air pollution is also expected to contribute to reducing acidification, eutrophication and ozone-related impacts on eco-systems and to promote their recovery.

**SPECIFIC OBJECTIVE 3: Environmental quality, chemicals & industrial emissions**  
 To contribute to a high level of quality of life and social well being for citizens by providing an environment where the quality of environmental media does not give rise to harmful effects on human health and the environment.

In 2011, the College of Commissioners considered how best to deal with the issue of air quality in the short and long term<sup>26</sup>. Building on this, DG ENV accelerated the preparatory work for the review of the current air policy scheduled for 2013 which is intended to set new long-term objectives beyond 2020.

In parallel, ongoing work continued with a view to further prevent and reduce the emission of pollutants. The Commission presented a proposal to **lower the sulphur content of shipping fuels<sup>27</sup>**. The proposal incorporates new International Maritime Organization (IMO) standards into EU law which should reduce sulphur dioxide emissions by up to 90 % and fine particle emissions

<sup>23</sup> <http://ec.europa.eu/environment/soil/pdf/sealing/Soil%20sealing%20-%20Final%20Report.pdf>  
<sup>24</sup> Regulation No 995/2010 laying down the obligations of operators who place timber and timber products on the market  
<sup>25</sup> Forest Fires in Europe 2010, <http://effis.jrc.ec.europa.eu/effis-news/97-forest-fires-in-europe-2010>  
<sup>26</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=MEMO/11/31&format=HTML&aged=0&language=EN&guiLanguage=en>  
<sup>27</sup> Proposal for a Directive amending Directive 1999/32/EC as regards the sulphur content of marine fuels, COM(2011) 439

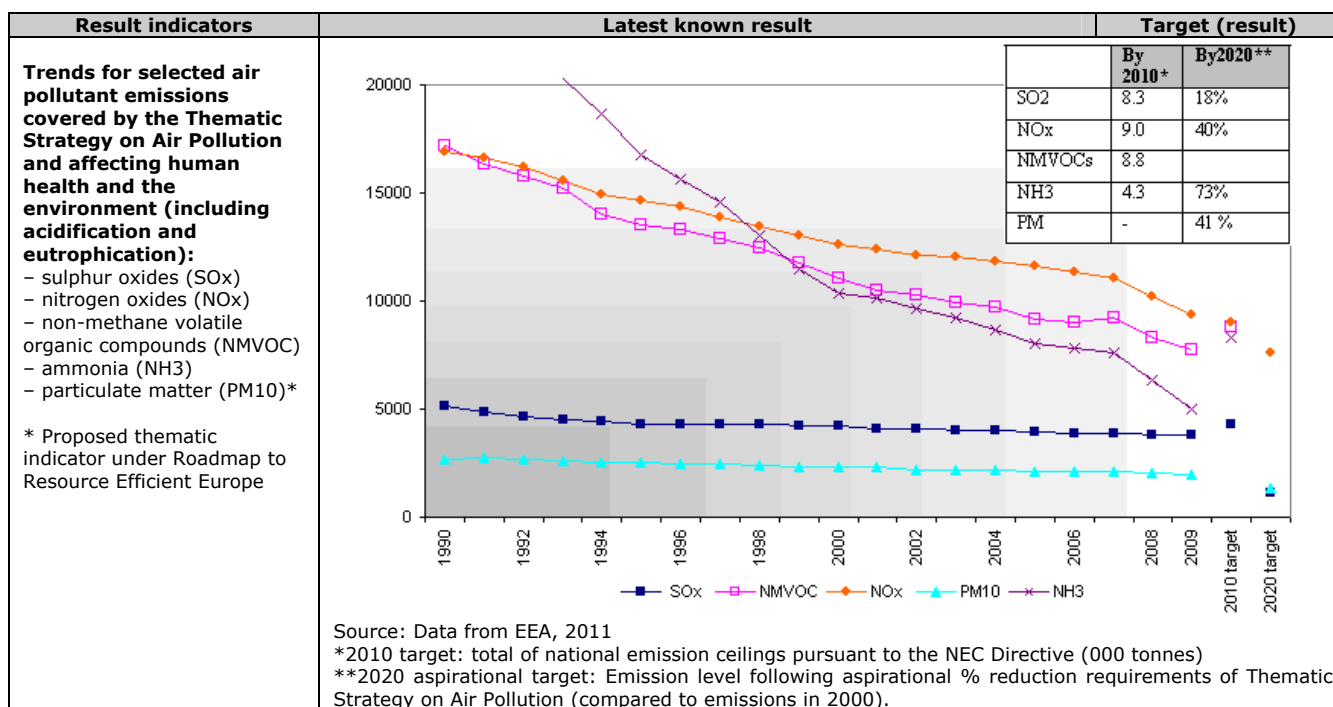
by up to 80 %. A proposal to amend the **Seveso Directive** was presented which aims at reducing the impacts of industrial accidents on health and the environment. The Commission also started the implementation work on the **Industrial Emission Directive (IED)**, revised in 2010, which foresees the adoption of implementing acts defining the environmental performance levels of Best Available Techniques (BAT), which must be met when permitting major industrial plants. This contributes to the uptake in the EU industry of effective and innovative solutions to environmental problems affecting air, water and soil quality.

The Commission continued improving information exchange and availability. The data published online under the **European Pollutant Release and Transfer Register (E-PRTR)** on emissions from major individual industrial plants was complemented by new **online maps**<sup>28</sup> showing pollution from diffuse sources (transport, residential heating, agriculture, shipping and aviation).

The Commission also published **a report on the implementation and review of the Paints Directive**<sup>29</sup> which limits the amount of emissions of volatile organic compounds (VOC) in paints, varnishes and vehicle refinishing products. The report shows that while Member States had established monitoring systems to ensure compliance, improvements to the monitoring programmes and practices are still required. The report concluded that, pending further assessment as part of the ongoing work related to the review of the Thematic Strategy on Air Pollution, amending the scope or limit values of the Paints Directive is not justified at this stage.

Furthermore, pursuant to the **Ambient Air Quality Directive** the Commission adopted an implementing Decision which streamlines the current reporting and exchange of information streams on air quality assessment and management<sup>30</sup>.

Overall, while emissions of air pollutants are declining, meeting air quality standards (PM or ozone exposure) remains a challenge in a number of Member States.



The report on the implementation of the **Environmental Noise Directive**<sup>31</sup> (END) concluded that noise remains a significant problem across the EU with serious health impacts and identified several areas for improvement on which public consultation is ongoing.

Concerning water policy, the Commission started examining more than 120 **River Basin Management Plans (RBMP)** submitted by the Member States in accordance with **the Water**

<sup>28</sup> <http://prtr.ec.europa.eu/DiffuseSourcesAir.aspx>

<sup>29</sup> Report on the implementation and review of Directive 2004/42/EC on the limitation of emissions of volatile organic compounds due to the use of organic solvents in certain paints and varnishes and vehicle refinishing products, COM(2011) 297 final

<sup>30</sup> OJ L 335, 17.12.2011, p.86.

<sup>31</sup> Report on the implementation of the Environmental Noise Directive in accordance with Article 11 of Directive 2002/49/EC, COM(2011) 321

**Framework Directive<sup>32</sup>** (WFD) to assess the status of waters against the objectives of the Directive, i.e., achieving good status by 2015. It also finalised **a report on Member States' progress in addressing water scarcity and droughts<sup>33</sup>** which concluded that the balance between water demand and availability has reached a critical level in many areas of Europe and identified a number of policy options where more action is required from Member States. These include e.g., actions to improve water efficiency in buildings and to address losses from water distribution networks. The report, together with the outcomes of the RBMP assessment, will feed into the 2012 water policy review 'Safeguarding Europe's water resources'.

| Result indicators  | Latest known result   |   | Target (result)     |   |                           |         |  |           |               |          |                     |     |   |
|--|---|---|---------------------|---|---------------------------|---------|--|-----------|---------------|----------|---------------------|-----|---|
| <b>Number of water bodies in good status or with good ecological potential (as defined by the Water Framework Directive)</b><br><br>River basins are made up of one or more water bodies |   | <table border="1"> <thead> <tr> <th>Number<sup>+</sup></th> <th>Water bodies in good status or with good ecological potential</th> </tr> </thead> <tbody> <tr> <td>EU Water bodies in total:</td> <td>121.198</td> </tr> <tr> <td>- surface (rivers, lakes, coastal, transitional)</td> <td>- 108.107</td> </tr> <tr> <td>- groundwater</td> <td>- 13.091</td> </tr> <tr> <td><b>River Basins</b></td> <td>176</td> </tr> </tbody> </table> | Number <sup>+</sup> | Water bodies in good status or with good ecological potential | EU Water bodies in total: | 121.198 | - surface (rivers, lakes, coastal, transitional) | - 108.107 | - groundwater | - 13.091 | <b>River Basins</b> | 176 | Good status or good ecological potential in all water bodies by 2015 unless a WFD exemption applies |
|  | Number <sup>+</sup>   | Water bodies in good status or with good ecological potential   |                     |   |                           |         |  |           |               |          |                     |     |   |
| EU Water bodies in total:  | 121.198   |   |                     |   |                           |         |  |           |               |          |                     |     |   |
| - surface (rivers, lakes, coastal, transitional)   | - 108.107   |   |                     |   |                           |         |  |           |               |          |                     |     |   |
| - groundwater  | - 13.091  |   |                     |   |                           |         |  |           |               |          |                     |     |   |
| <b>River Basins</b>  | 176   |   |                     |   |                           |         |  |           |               |          |                     |     |   |
|  | Assessment ongoing (on the basis of River Basin Management Plans - RBMP)<br>Full assessment every 6 years; latest assessment is on going and to be finalised in 2012<br>RBMP delivered for 122 river basins (by 22 MS by November 2011) |   |                     |   |                           |         |  |           |               |          |                     |     |   |

Source: DG Environment, November end 2011

The Commission continued its work on examining the Action Programmes and Nitrates Vulnerable Zones established by the Member States in accordance with **the Nitrates Directive<sup>34</sup>** (ND), in view of contributing to achieving the objectives of the WFD.

| Result indicators  | Latest known result |  | Target (result)  |
|--|---------------------|--|--|
| <b>Nitrate concentrations in ground- and surface waters:</b><br><br>- % of sampling points per water quality class (mg nitrate/ L) |                     |  | Reduction of nitrate concentrations in ground and surface waters per water quality class; reduction of waters above 50mg per L threshold |
|  |                     |  |  |

Source: DG ENV, 2010; data covering years 2004-2007

A **report<sup>35</sup> on the implementation of the Urban Waste Water Treatment Directive** showed that while implementation is progressing, collection and treatment compliance rates could still improve, in particular in the new Member States.

| Result indicators  | Latest known result   |  | Target (result)   |
|--|---|--|---|
| <b>Urban waste water treatment by category:</b><br><br>(% of generated wastewater pollution load in agglomerations above 2000 p.e )<br><br>p.e. - The size of an agglomeration in terms of generated pollution load is measured in "population equivalent" (p.e.). This is the organic biodegradable load that has a five-day biochemical oxygen demand (BOD5) of 60 g of oxygen per day, or in a more popular terms – the organic biodegradable load generated by one person per day. |   |  | All agglomerations greater than 2000 p.e.:<br>- wastewater collection in place<br>- secondary treatment (removal of organic pollution)<br>- more stringent/ advanced (than secondary) treatment when discharging into sensitive areas<br><br>Target dates differ according to MS (from 1998 to 2005 for EU15 and from 2008 to 2018 for EU12). |
|  | Source: 6 <sup>th</sup> Commission Report on Implementation of the UWWT (2011); Data for 31.12.2007-31.12.2008, EU15 without UK |  |   |

<sup>32</sup> Directive 2000/60/EC establishing a framework for Community action in the field of water policy

<sup>33</sup> Third Follow up Report to the Communication on water scarcity and droughts in the European Union, COM(2011) 133

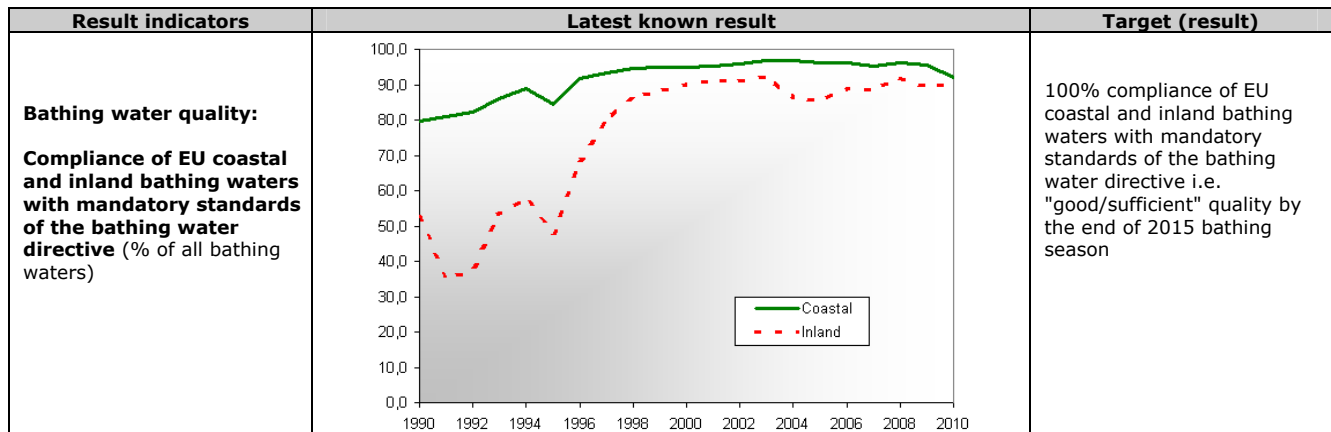
<sup>34</sup> Directive 91/676/EEC concerning the protection of waters against pollution caused by nitrates from agricultural sources

<sup>35</sup> Commission Staff Working Paper 6th Commission Summary on the Implementation of the Urban Waste Water Treatment Directive, SEC(2011) 1561 final



To help small drinking water suppliers (the weakest link in the provision of safe and healthy drinking water) implement the **Drinking Water Directive**<sup>36</sup> DG ENV organised a workshop on best practices for conducting a risk-assessment. The workshop was part of the Commission's efforts to promote its new approach towards better implementation and enforcement of the current Directive and resulted in a best practice document<sup>37</sup>.

**The annual Bathing Water Report**<sup>38</sup>, which provides information about water quality in more than 21,000 coastal and inland bathing sites across the EU, showed that the quality of bathing water across Europe declined slightly between 2009 and 2010, but the overall quality was still high. Accordingly, nine out of 10 sites met the minimum requirements. Along with the report, the Commission also adopted new signs and symbols to inform the public on bathing water classification and on bathing restrictions in line with the new **Bathing Water Directive** that will become fully operational in 2014 following the ongoing transition<sup>39</sup>.



Together with DG MARE, DG ENV carried out public consultations to explore options for **future EU action on Maritime Spatial Planning and Integrated Coastal Zone Management (ICZM)**. These would address problems facing Europe's coasts such as water contamination, coastal erosion and resource depletion while preserving their potential for economic development and leisure. The results of the consultations will feed into the review of the 2002 EU Recommendation on ICZM as part of a joint initiative with DG MARE on Maritime Spatial Planning.

DG ENV also took further steps in the implementation of the **Marine Strategy Framework Directive**<sup>40</sup> discussing issues such as: the initial assessment of Member States' marine waters; the determination of Good Environmental Status (GES); establishing targets to be reported to the Commission; and ensuring the required consistency and comparability among and within regions/sub-regions. More specifically, in 2011, the Commission published a Staff Working Paper<sup>41</sup> that outlines many elements which Member States should consider when presenting their first implementation reports in 2012.

In addition, the Commission proposed a package on offshore safety which also included an important step towards the better protection of the Mediterranean Sea with a **proposal for the EU to accede to the Protocol of the Barcelona Convention**. This particular proposal of the offshore package aims to protect the Mediterranean against pollution from offshore exploration and exploitation activities and hence bring the waters of the Mediterranean closer to good environmental status, the ultimate goal of the **Marine Framework Directive**.

As regards chemicals, in 2011 the Commission proposed<sup>42</sup> a recast of the legislation that covers the export and import of dangerous chemicals, known as the **Prior Informed Consent (PIC) Regulation**. The proposal aligns definitions with the recent Regulation on the classification, labelling and packaging of chemicals (CLP Regulation) which adjusted the EU classification system to the UN Globally Harmonised System ensuring that the same hazards are described and labelled

<sup>36</sup> Council Directive 98/83/EC on the quality of water intended for human consumption

<sup>37</sup> [http://ec.europa.eu/environment/water/water-drink/event\\_091111\\_en.html](http://ec.europa.eu/environment/water/water-drink/event_091111_en.html)

<sup>38</sup> [http://ec.europa.eu/environment/water/water-bathing/report\\_2011.html](http://ec.europa.eu/environment/water/water-bathing/report_2011.html)

<sup>39</sup> <http://www.acceptance.ec.europa.eu/environment/water/water-bathing/signs.htm>

<sup>40</sup> Directive 2008/56/EC establishing a framework for community action in the field of marine environmental policy (Marine Strategy Framework Directive)

<sup>41</sup> Commission Staff Working Paper on the Relationship between the initial assessment of marine waters and the criteria for good environmental status, SEC(2011) 1255

<sup>42</sup> Proposal for a Regulation concerning the export and import of dangerous chemicals, COM(2011) 245 final

in the same way around the world. Throughout 2011, the Commission also participated in Council and Parliament negotiations on the 2010 draft legislation to strengthen rules on the prevention and control of major accident hazards involving dangerous substances (so-called **Seveso III**)<sup>43</sup>. The review was prompted by the adoption of the above mentioned CLP rules but the proposal also introduces improved provisions on the inspections of establishments and on public access to information, participation and access to justice. Agreement was reached on the **biocides proposal**<sup>44</sup> which will improve the safety of biocides (used to suppress organisms such as pests and germs), simplifies authorisation procedures and introduces new rules for articles such as furniture and textiles treated with biocides.

By the deadline of November 2010 set by the **REACH Regulation**<sup>45</sup> more than 24,000 dossiers covering more than 5,000 substances (substances produced in large amounts) had been registered at the European Chemicals Agency (ECHA). The Commission, together with Member States, began its work to evaluate registered chemicals. Accordingly, the Commission took a decision on six substances of very high concern that will now require authorisation to be placed on the market or used for a specific purpose<sup>46</sup>. The achievements of the first round of registrations and lessons learnt for the future were debated at a conference organised by the Commission and ECHA in September. Also under REACH, the Commission banned **cadmium** in all jewellery, plastic products and brazing sticks. The measure will ease the recycling of PVC waste, which represents significant progress in the efforts to save resources.

| Result indicators  | Latest known result   | Target (result)   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
|--|---|---|---------|-------|--|-----------------------------------|------------------|--|--|--|-----------------------|----|-----|-------------------------------|---|----|----------------|-----|----------------|-----------------------|-----|---|---------------------|---|---|--|
| <p><b>Production of environmentally harmful chemicals by toxicity class (from most to least dangerous)</b> (million tonnes per year)</p> <p>Includes chemicals covered by biocides and REACH legislation</p> <p>(CMR - carcinogenic, mutagenic and reprotoxic)</p> | <p>Source: Eurostat, 2011</p>   | <p>A shift away from the two most dangerous classes of toxic chemicals towards less harmful toxic chemicals</p> |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <p><b>Progress in dealing with biocidal products (decisions on non-inclusion, authorisations, restrictions, substitutions)</b></p>   | <table border="1"> <thead> <tr> <th></th> <th>By 2010</th> <th>2011*</th> </tr> </thead> <tbody> <tr> <td>Substances evaluated and authorised under defined restrictions</td> <td>36</td> <td>18</td> </tr> </tbody> </table> <p>* as of Nov 2011</p> <p>Source: DG ENV, 2012</p>   |   | By 2010 | 2011* | Substances evaluated and authorised under defined restrictions | 36                                | 18               | <p>Increased number of processed substances (in order to better know and manage risks due to their use). Estimated apprx. 660 evaluations by 2024 (apprx. 50 per year)</p> |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
|  | By 2010   | 2011*   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| Substances evaluated and authorised under defined restrictions   | 36  | 18  |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <p><b>REACH – registrations, evaluations, authorisations, restrictions, substitution of substances of high concern (Number)</b></p>  | <table border="1"> <thead> <tr> <th></th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td><b>Registrations</b></td> <td>24,675 dossiers; 4,300 substances</td> <td>5,335 substances</td> </tr> <tr> <td><b>Evaluations</b></td> <td></td> <td></td> </tr> <tr> <td>  a - compliance checks</td> <td>70</td> <td>146</td> </tr> <tr> <td>  b - test proposal evaluations</td> <td>4</td> <td>80</td> </tr> <tr> <td>  c - substances</td> <td>N/A</td> <td>starts in 2012</td> </tr> <tr> <td><b>Authorisations</b></td> <td>N/A</td> <td>6</td> </tr> <tr> <td><b>Restrictions</b></td> <td>3</td> <td>2</td> </tr> </tbody> </table> <p>Source: DG ENV, 2012</p> |   | 2010    | 2011  | <b>Registrations</b>   | 24,675 dossiers; 4,300 substances | 5,335 substances | <b>Evaluations</b>   |  |  | a - compliance checks | 70 | 146 | b - test proposal evaluations | 4 | 80 | c - substances | N/A | starts in 2012 | <b>Authorisations</b> | N/A | 6 | <b>Restrictions</b> | 3 | 2 | <p>Progressive assessment of substances towards their authorisation or restriction</p> |
|  | 2010  | 2011  |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <b>Registrations</b>   | 24,675 dossiers; 4,300 substances   | 5,335 substances  |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <b>Evaluations</b>   |   |   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| a - compliance checks  | 70  | 146   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| b - test proposal evaluations  | 4   | 80  |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| c - substances   | N/A   | starts in 2012  |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <b>Authorisations</b>  | N/A   | 6   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |
| <b>Restrictions</b>  | 3   | 2   |         |       |  |                                   |                  |  |  |  |                       |    |     |                               |   |    |                |     |                |                       |     |   |                     |   |   |  |

The Commission took an important step towards greater protection for citizens by recommending a **definition of 'nanomaterials'**<sup>47</sup> which will help determine which materials need special treatment in specific legislation. These materials are already being used in hundreds of applications and consumer products ranging from toothpaste to batteries, paints and clothing.

DG ENV also finalised the **4th report on the implementation of the 1999 EU Strategy on Endocrine Disrupters**<sup>48</sup>. It showed that EU legislation does not provide for a comprehensive assessment of their cumulative effects on humans and the environment. Given the increasing

<sup>43</sup> Proposal for a Directive on control of major-accident hazards involving dangerous substances, COM(2010) 781 final

<sup>44</sup> Proposal for a Regulation concerning the placing on the market and use of biocidal products, COM(2009) 267 final

<sup>45</sup> Regulation No 1907/2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals (REACH)

<sup>46</sup> <http://europa.eu/rapid/pressReleasesAction.do?reference=IP/11/196&format=HTML&aged=1&language=EN&quiLanguage=en>

<sup>47</sup> Commission Recommendation on the definition of nanomaterials, OJ L 275/38 of 20.10.2011

<sup>48</sup> Commission Staff Working Paper, 4th Report on the implementation of the "Community Strategy for Endocrine Disrupters" a range of substances suspected of interfering with the hormone systems of humans and wildlife (COM (1999) 706)

concerns regarding the potential impact of these substances e.g., on human fertility and the rapidly expanding knowledge on the matter, the Commission indicated it would review the Strategy in 2012.

Under this Specific Objective the implementation of the environmental legislation also covered measures on biocides, mercury etc. The Commission also adopted a number of decisions regarding drinking water, nitrates and air.

**SPECIFIC OBJECTIVE 4: Compliance & awareness raising**

To promote compliance, strengthen effective policy implementation and enforcement in the EU, *inter alia* through the definition of coherent implementation priorities and innovative approaches; to ensure that EU environment policy is based on the principles of 'better regulation'; to promote awareness-raising, access to information, and transparency in relation to EU environment policies; to promote the participation of interested parties and the public at large, including non-government organisations, in the environment policy-making and implementation.

Under the new Multiannual Financial Framework, the Commission proposed to allocate EUR 3.2 billion over 2014-2020 to a **new Programme for the Environment and Climate Action - LIFE<sup>49</sup>**. The new programme will build on the existing LIFE+ Programme but will be reformed to be simpler, more flexible and have a greater impact focusing on priority issues. The proposal foresees funding possibilities for Integrated Projects to implement in a sustainable manner and on a large territorial scale, environmental or climate strategies or action plans required by specific environmental or climate legislation. The sub-programme for the environment will support projects in the area of resource efficiency, biodiversity and environmental governance and information. The proposal was accompanied by a paper on the **financing of Natura 2000<sup>50</sup>** which concluded that financing is best achieved by mainstreaming into EU programmes for agricultural, cohesion, maritime, fisheries and environment policies as well as making it a key element of the new LIFE programme.

Under **the current LIFE+ programme**, the Commission concluded a selection procedure for LIFE proposals submitted under the 2010 call<sup>51</sup>. Of 183 projects selected for co-financing, 104 were in the Environment Policy and Governance (EPG) strand, 64 in Nature and Biodiversity (N&B) and 15 in Information and Communication (I&C). Under the EPG strand, projects mainly concerned waste and natural resources, while in the I&C strand projects dealt with biodiversity, climate change, waste and water. As in the previous years, the large majority of N&B projects contribute to the implementation of the **Birds and/or Habitats Directives** and the **Natura 2000 network**. A new call for proposals under LIFE+ was published in 2011 and the corresponding selection procedure will be concluded in 2012.

The Commission also launched a call for proposals for **grants co-financing the operation of non-governmental organisations** that are primarily active in protecting and enhancing the environment at European level. The funding aims at promoting the participation of NGOs in the policy process. 27 NGOs were selected for funding in 2011, broadly covering all key areas of environmental policy and contributing to both policy development and implementation as well as carrying out awareness raising activities.

| Result indicators   | Latest known result   |      |      |      | Target (result)  |  |
|---|---|------|------|------|--|--|
| LIFE projects running<br>LIFE projects launched<br>(Number)   |   | 2007 | 2008 | 2009 | 2010   |  |
|   | running   | 536  | 481  | 534  | 618*   |  |
|   | launched  | 141  | 193  | 210  | 182  |  |
| *as of end October  |   |      |      |      |  |  |
| Contribution made by LIFE III and LIFE+ to policy development | LIFE III and its successor LIFE+ have provided a useful contribution to the development (knowledge based), negotiation (providing good experience and practices) as well as enforcement (compliance phase) of the environmental policies. Moreover, it helped to integrate environment into other policies by providing a comprehensive approach, in particular for Nature and Biodiversity in acting as a "catalyst" to activate other funds such as the structural or agriculture fund. |      |      |      | Sufficiently broad and policy-useful LIFE + proposals, such that implementation, updating and development of EU environmental policy and legislation are enhanced, including the integration of the environment into other policies. |  |

<sup>49</sup> Proposal for a Regulation on the establishment of a Programme for the Environment and Climate Action (LIFE), COM(2011) 874

<sup>50</sup> Commission Staff Working Paper Financing Natura 2000 - Investing in Natura 2000: Delivering benefits for nature and people, SEC(2011) 1573

<sup>51</sup> <http://ec.europa.eu/environment/life/funding/lifepius2010/lifepius10.htm>

DG ENV continued to promote the timely and correct transposition and **implementation of EU environmental law** by Member States developing new mechanisms to motivate and improve implementation e.g., the 'Programme for cooperation with national judges'. These mechanisms have reduced the number of open infringement cases. Where necessary, infringement procedures were launched. It also worked to improve the implementation of the **EIA and SEA Directives** as well as the Espoo Convention (via workshops/seminars for stakeholders, the preparation of guidance documents and the collection of Court rulings on the EIA Directive) and to integrate environmental considerations into other policy domains.

| Result indicators  | Latest known result  | Target (result) |      |      |      |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |
|--|--|-----------------|------|------|------|------|------|----------------------------|-----|-----|------|-----|-----|---------------------------------|-----|-----|-----|-----|-----|----------------------------|-----|----|-----|-----|-----|------------------------------|----|----|----|----|----|--|
| <b>Evolution of infringement cases</b> (Number)<br>Complaints received in CHAP*<br>Open infringement cases (Letter of Formal Notice sent)<br>Cases sent to ECJ<br><i>*a centralised, SG-managed database for registering incoming complaints and inquiries</i> | <table border="1"> <thead> <tr> <th></th> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td><b>Complaints received</b></td> <td>N/A</td> <td>N/A</td> <td>143*</td> <td>620</td> <td>612</td> </tr> <tr> <td><b>Open infringements cases</b></td> <td>479</td> <td>481</td> <td>451</td> <td>442</td> <td>339</td> </tr> <tr> <td><b>EU Pilot cases open</b></td> <td>N/A</td> <td>85</td> <td>129</td> <td>188</td> <td>364</td> </tr> <tr> <td><b>Cases referred to ECJ</b></td> <td>77</td> <td>61</td> <td>61</td> <td>60</td> <td>56</td> </tr> </tbody> </table> <p>* between the introduction of CHAP on 28 September 2009 and 31 December 2009</p> |                 | 2007 | 2008 | 2009 | 2010 | 2011 | <b>Complaints received</b> | N/A | N/A | 143* | 620 | 612 | <b>Open infringements cases</b> | 479 | 481 | 451 | 442 | 339 | <b>EU Pilot cases open</b> | N/A | 85 | 129 | 188 | 364 | <b>Cases referred to ECJ</b> | 77 | 61 | 61 | 60 | 56 | Better and more efficient management of infringement cases/complaints. |
|  | 2007   | 2008            | 2009 | 2010 | 2011 |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |
| <b>Complaints received</b>   | N/A  | N/A             | 143* | 620  | 612  |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |
| <b>Open infringements cases</b>  | 479  | 481             | 451  | 442  | 339  |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |
| <b>EU Pilot cases open</b>   | N/A  | 85              | 129  | 188  | 364  |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |
| <b>Cases referred to ECJ</b>   | 77   | 61              | 61   | 60   | 56   |      |      |                            |     |     |      |     |     |                                 |     |     |     |     |     |                            |     |    |     |     |     |                              |    |    |    |    |    |  |

Information campaigns/events were carried out on a number of issues. **Green Week**<sup>52</sup> - the EU's largest annual conference on environment policy - supported the Europe 2020 flagship initiative on resource efficiency. Under the theme "*Resource Efficiency - Using less, living better*" over 40 sessions took place addressing traditional environmental issues but also the transition to a resource efficient economy; greener chemicals; green skills, financing eco-innovation; food waste; construction, and business ideas for the 'circular economy'. The adoption of the Roadmap to a Resource Efficient Europe inaugurated an **EU-wide campaign** "*Generation Awake. Your choices make a world of difference!*"<sup>53</sup> which encourages consumers to make resource efficiency a habit.

| Result indicators  | Latest known result   | Target (result) |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
|--|---|-----------------|--------------------------|-------|-------|------|--|------|-------|-------|-------|---|-----|-----|-----|-----|-----------------------|-----|-----|-----|-----|---|----|-----|-----|-----|--------------------------|
| <b>Media outreach</b> (in mln)   | <table border="1"> <caption>Media Outreach Data (in mln)</caption> <thead> <tr> <th>Metric</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>Distributed copies of Environment for Europeans newsletter</td> <td>~0.5</td> <td>~0.5</td> <td>~0.5</td> <td>~0.5</td> </tr> <tr> <td>Viewers of audio-visual products</td> <td>~12</td> <td>~15</td> <td>~18</td> <td>~19</td> </tr> <tr> <td>DG ENV website visits</td> <td>~28</td> <td>~30</td> <td>~32</td> <td>~33</td> </tr> <tr> <td>Minimum audience reached by awareness campaigns (internet, social media, other media, viral videos, events)</td> <td>~5</td> <td>~10</td> <td>~15</td> <td>~18</td> </tr> </tbody> </table> | Metric          | 2008                     | 2009  | 2010  | 2011 | Distributed copies of Environment for Europeans newsletter | ~0.5 | ~0.5  | ~0.5  | ~0.5  | Viewers of audio-visual products                | ~12 | ~15 | ~18 | ~19 | DG ENV website visits | ~28 | ~30 | ~32 | ~33 | Minimum audience reached by awareness campaigns (internet, social media, other media, viral videos, events) | ~5 | ~10 | ~15 | ~18 | Increased media outreach |
| Metric   | 2008  | 2009            | 2010                     | 2011  |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| Distributed copies of Environment for Europeans newsletter   | ~0.5  | ~0.5            | ~0.5                     | ~0.5  |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| Viewers of audio-visual products   | ~12   | ~15             | ~18                      | ~19   |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| DG ENV website visits  | ~28   | ~30             | ~32                      | ~33   |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| Minimum audience reached by awareness campaigns (internet, social media, other media, viral videos, events)                      | ~5  | ~10             | ~15                      | ~18   |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| <b>Number of municipalities taking part in participative schemes</b><br>*European Green Capital Award and European Mobility Week | <table border="1"> <caption>Number of municipalities taking part in participative schemes</caption> <thead> <tr> <th>Year</th> <th>Number of municipalities</th> </tr> </thead> <tbody> <tr> <td>2008</td> <td>~2000</td> </tr> <tr> <td>2009</td> <td>~2100</td> </tr> <tr> <td>2010</td> <td>~2200</td> </tr> <tr> <td>2011</td> <td>~2300</td> </tr> </tbody> </table>   | Year            | Number of municipalities | 2008  | ~2000 | 2009 | ~2100  | 2010 | ~2200 | 2011  | ~2300 | Increased number of municipalities              |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| Year   | Number of municipalities  |                 |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 2008   | ~2000   |                 |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 2009   | ~2100   |                 |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 2010   | ~2200   |                 |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 2011   | ~2300   |                 |                          |       |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| <b>Subscribers of DG Environment 'Science-Environment Policy News Alert Service'</b>   | <table border="1"> <thead> <tr> <th>2007</th> <th>2008</th> <th>2009</th> <th>2010</th> <th>2011</th> </tr> </thead> <tbody> <tr> <td>6000</td> <td>9000</td> <td>11000</td> <td>12000</td> <td>13500</td> </tr> </tbody> </table>  | 2007            | 2008                     | 2009  | 2010  | 2011 | 6000   | 9000 | 11000 | 12000 | 13500 | Increased number of subscribers; 20,000 by 2013 |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 2007   | 2008  | 2009            | 2010                     | 2011  |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |
| 6000   | 9000  | 11000           | 12000                    | 13500 |       |      |  |      |       |       |       |   |     |     |     |     |                       |     |     |     |     |   |    |     |     |     |                          |

Through the **European Green Capital Award** the Commission has long recognized the important role that local authorities play in improving the environment in urban areas where up to 80 per cent of Europeans live. Four cities – Stockholm, Hamburg, Vitoria-Gasteiz and Nantes – have been awarded the title, from 2010 to 2013 respectively. In 2011, the Commission launched the search to find the city for 2014. More than 2,000 European towns and cities participated in the **European Mobility Week**, inviting citizens to a wide range of activities around sustainable mobility. The theme for 2011 aimed to promote resource-efficient alternatives to private cars that still dominate urban transport.

<sup>52</sup> [http://ec.europa.eu/news/environment/110523\\_en.htm](http://ec.europa.eu/news/environment/110523_en.htm)  
<sup>53</sup> <http://www.generationawake.eu>

**SPECIFIC OBJECTIVE 5: Development of the knowledge base to support policy making and implementation**

To generate and facilitate exchange of environmental data and information and develop the knowledge base to support policy-making and implementation. (This objective is implemented mainly through the European Environment Agency - EEA, the Joint Research Centre, the RTD Framework Programmes and GMES)

The implementation measures by the Commission included the work on harmonised access to spatial data sets and services, the interoperability of spatial data sets and services and download and transformation services under the **INSPIRE Directive**<sup>54</sup>, as well as further work on implementation of the Shared Environmental Information System (SEIS) and preparations for structural improvements of the science-environment policy interface.

| Result indicators <sup>55</sup>   | Latest known result  | Target (result)   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
|---|--|---|---------------------|----------------|-----|---------|-----|---------|-----|--------|-----|----------|-----|--------|-----|--------|-----|---------|-----|-----------|-----|-------------|-----|---------|-----|----------|-----|---------|-----|---------|-----|--------|-----|----------|-----|---------|-----|---------|-----|-------------|-----|-------|-----|----------------|-----|---------|-----|---------------|-----|----------|-----|--------|-----|---------|-----|--------|-----|--------|-----|---------------------------------------|-----|--------|-----|------------|-----|-------|-----|--------|-----|---------|-----|------------------------|-----|------------|-----|---------|-----|-------|-----|--|
| <b>Availability of key information and assessments on past and future changes in the state of the environment, pressure on the environment and policy responses, e.g. the Core Set of Indicators and five yearly state and outlook reports published by the European Environment Agency</b> | <p>Core set of indicators used widely by EEA and European Commission e.g. in Management Plans.</p> <p>Continued citing of results from State of Environment and Outlook Report 2010 in key policy documents.</p> <p>Up-time of EEA website in 2010 above 99 %.</p>   | <p>Increased volume and quality assured environmental information generated and used in accordance with general principles of the Shared Environmental Information System (SEIS) and INSPIRE compliant. EEA core set of indicators and other indicator sets and underpinning data are available via web-based platforms as part of SEIS. Maintain EEA website annual up-time of at least 98%.</p> |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| <b>Use of EEA information and assessments accessed via EEA website:<br/>Number of page views on EEA website</b>   | <p><b>2009:</b> 8,618,464 page views<br/><b>2010:</b> 8,855,564 page views</p>   | <p>2012 target: 9 million page views by December 2012</p>   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| <p><b>Improved national delivery of annual Eionet priority data flows*</b></p> <p>*this does not necessarily reflect compliance with data delivery under EU law</p>   | <table border="1"> <caption>Data for Eionet Priority Data Flow Reporting (Estimated from Chart)</caption> <thead> <tr> <th>Country</th> <th>Reporting Level (%)</th> </tr> </thead> <tbody> <tr><td>United Kingdom</td><td>100</td></tr> <tr><td>Estonia</td><td>100</td></tr> <tr><td>Germany</td><td>100</td></tr> <tr><td>Sweden</td><td>100</td></tr> <tr><td>Slovenia</td><td>100</td></tr> <tr><td>France</td><td>100</td></tr> <tr><td>Latvia</td><td>100</td></tr> <tr><td>Austria</td><td>100</td></tr> <tr><td>Lithuania</td><td>100</td></tr> <tr><td>Switzerland</td><td>100</td></tr> <tr><td>Croatia</td><td>100</td></tr> <tr><td>Bulgaria</td><td>100</td></tr> <tr><td>Romania</td><td>100</td></tr> <tr><td>Denmark</td><td>100</td></tr> <tr><td>Norway</td><td>100</td></tr> <tr><td>Portugal</td><td>100</td></tr> <tr><td>Belgium</td><td>100</td></tr> <tr><td>Ireland</td><td>100</td></tr> <tr><td>Netherlands</td><td>100</td></tr> <tr><td>Spain</td><td>100</td></tr> <tr><td>Czech Republic</td><td>100</td></tr> <tr><td>Finland</td><td>100</td></tr> <tr><td>Liechtenstein</td><td>100</td></tr> <tr><td>Slovakia</td><td>100</td></tr> <tr><td>Poland</td><td>100</td></tr> <tr><td>Iceland</td><td>100</td></tr> <tr><td>Serbia</td><td>100</td></tr> <tr><td>Cyprus</td><td>100</td></tr> <tr><td>Former Yugoslav Republic of Macedonia</td><td>100</td></tr> <tr><td>Turkey</td><td>100</td></tr> <tr><td>Luxembourg</td><td>100</td></tr> <tr><td>Italy</td><td>100</td></tr> <tr><td>Greece</td><td>100</td></tr> <tr><td>Albania</td><td>100</td></tr> <tr><td>Bosnia and Herzegovina</td><td>100</td></tr> <tr><td>Montenegro</td><td>100</td></tr> <tr><td>Hungary</td><td>100</td></tr> <tr><td>Malta</td><td>100</td></tr> </tbody> </table> <p>Source: European Environment Information and Observation Network 2010</p> | Country   | Reporting Level (%) | United Kingdom | 100 | Estonia | 100 | Germany | 100 | Sweden | 100 | Slovenia | 100 | France | 100 | Latvia | 100 | Austria | 100 | Lithuania | 100 | Switzerland | 100 | Croatia | 100 | Bulgaria | 100 | Romania | 100 | Denmark | 100 | Norway | 100 | Portugal | 100 | Belgium | 100 | Ireland | 100 | Netherlands | 100 | Spain | 100 | Czech Republic | 100 | Finland | 100 | Liechtenstein | 100 | Slovakia | 100 | Poland | 100 | Iceland | 100 | Serbia | 100 | Cyprus | 100 | Former Yugoslav Republic of Macedonia | 100 | Turkey | 100 | Luxembourg | 100 | Italy | 100 | Greece | 100 | Albania | 100 | Bosnia and Herzegovina | 100 | Montenegro | 100 | Hungary | 100 | Malta | 100 | <p>2/3 of Member States reporting level higher than 90 % in the EEA Priority Data Flow exercise by 2013.</p> |
| Country   | Reporting Level (%)  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| United Kingdom  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Estonia   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Germany   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Sweden  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Slovenia  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| France  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Latvia  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Austria   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Lithuania   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Switzerland   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Croatia   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Bulgaria  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Romania   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Denmark   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Norway  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Portugal  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Belgium   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Ireland   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Netherlands   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Spain   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Czech Republic  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Finland   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Liechtenstein   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Slovakia  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Poland  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Iceland   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Serbia  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Cyprus  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Former Yugoslav Republic of Macedonia   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Turkey  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Luxembourg  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Italy   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Greece  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Albania   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Bosnia and Herzegovina  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Montenegro  | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Hungary   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |
| Malta   | 100  |   |                     |                |     |         |     |         |     |        |     |          |     |        |     |        |     |         |     |           |     |             |     |         |     |          |     |         |     |         |     |        |     |          |     |         |     |         |     |             |     |       |     |                |     |         |     |               |     |          |     |        |     |         |     |        |     |        |     |                                       |     |        |     |            |     |       |     |        |     |         |     |                        |     |            |     |         |     |       |     |  |

<sup>54</sup> Directive 2007/2/EC establishing an Infrastructure for Spatial Information in the European Community (INSPIRE)

<sup>55</sup> An indicator on the number and value of funding (€/year) of Research and Innovation projects promoting mainly resource efficiency and sustainable environmental management, allocated through EU financial support programme is under consideration

## PART 2. MANAGEMENT AND INTERNAL CONTROL SYSTEMS

### 2.1 Introduction to DG ENV

DG Environment's policy role was supported by a budget of EUR 394 153 964 in commitments and EUR 263 653 421 in payments in 2011.

In addition to the information on resources by ABB activity (cf. Annex II), the main elements of the financial resources managed by DG ENV can be summarised as follows :

|  | <b>ABB Activity / Budget Line</b> | <b>Commitment Appropriations 2011(*)</b> | <b>% implementation</b> |
|--|-----------------------------------|--|-------------------------|
| <b>LIFE III Completion (grants)</b>  | <b>07 02 + 07 03</b>              | <b>128.229</b>                           | <b>0%</b>               |
| <b>Completion pre-2007 other</b>   | <b>07 03</b>                      | -  |                         |
| <b>LIFE + (total)</b>  | <b>07 01 04 01 + 07 03 07</b>     | <b>324.043.982</b>                       | <b>100,0%</b>           |
| - LIFE + action grants   | 07 03 07                          | 269.370.976                              | 100,0%                  |
| - LIFE + operating grants  | 07 03 07                          | 9.000.000                                | 100,0%                  |
| - LIFE + procurement & support expenditure   | 07 01 04 01 + 07 03 07            | 45.673.006                               | 99,9%                   |
| <b>European Environment Agency (incl. EFTA + C5 assigned from recovery 2009 surplus)</b> | <b>07 03 09</b>                   | <b>36.792.506</b>                        | <b>100,0%</b>           |
| <b>Competitiveness &amp; innovation (co-delegation)</b>                                  | <b>02 01 04 04 + 02 02 01</b>     | <b>3.278.000</b>                         | <b>97,0%</b>            |
| <b>Obligatory Contributions to MEAs</b>  | <b>07 01 04 04 + 07 02 01</b>     | <b>1.936.247</b>                         | <b>97,5%</b>            |
| <b>Pilot projects and preparatory actions</b>  | <b>07 02 + 07 03</b>              | <b>7.000.000</b>                         | <b>96,9%</b>            |
| <b>SUB-TOTAL ENV AOD</b>   |                                   | <b>373.178.964</b>                       | <b>99,9%</b>            |
| Cross-subdelegation from DEVCO (ENRTP)   | 21 04 01                          | 20.900.000                               | 100,0%                  |
| Cross-subdelegation from ELARG (IPA)   | 22 01 + 22 02                     | 75.000                                   | 100,0%                  |
| <b>SUB-TOTAL CROSS-SUBDELEGATIONS</b>  |                                   | <b>20.975.000</b>                        | <b>100,0%</b>           |
| <b>GRAND TOTAL</b>   |                                   | <b>394.153.964,26</b>                    | <b>99,9%</b>            |

(\*)budget incl. AB and transfers (C1) and carried over assigned revenue (C5)

The budget was implemented up to 99,9 % for commitments and 90,4 % for payments in 2011, an improvement from 2010 performance (96,6 % and 82,85%).The average payment delay increased from 26,83 to 29 days. Delays are mainly noticed in payments that need an approval of a technical report.

With the exception of some actions with international organisations sub-delegated by DEVCO within the ENRTP programme that are managed under joint management, the bulk (98%) of expenditure is disbursed through centralised direct management.

The LIFE+ programme accounted for 82% of the Budget (commitment appropriations) managed by DG ENV in 2011. Out of this budget, 269,37 million (representing 78.3 % of the total budgetary resources available under the LIFE + programme) are dedicated to action grants following an annual call for proposals. The other types of expenditure under the LIFE +



programme relate to operating grants to environmental NGOs, procurement in support of implementation and development of environment policy, communication actions, and support expenditure (including external assistance in the selection, monitoring and evaluation of projects supported via action grants).

As part of the 2014-2020 MFF, the Commission has proposed a new LIFE instrument with a budget totalling €3.2bn. The proposed legal base envisages significant simplifications in the type of costs eligible for support under the programme – in particular, it would exclude from eligible costs both VAT and the costs of staff already in the employment of the beneficiary. Given, as seen below, that a large part of the errors experienced under LIFE grants concerns staff costs and time-keeping, this simplification could be expected to reduce error rates significantly. However, at the time of writing, it is by no means certain that the simplification measure proposed will receive the agreement of the legislative authority.

DG ENV also manages the completion of programmes and actions under the previous generation of programmes (2000-2006), mainly the LIFE III Programme.

Other expenditure includes the payment of obligatory subscriptions to Multilateral Environmental agreements and pilot projects and preparatory actions.

### Regulatory Agencies

The European Environment Agency (EEA) Regulatory Agency as per article 185 of the Financial Regulation. It provides information and data on key policy areas. It has its own Financial Regulation, is the subject to a specific discharge procedure, and issues its own Annual Activity Report. DG Environment represents the Commission on the Management Board and is consulted on certain key documents (such as the annual work programme), in accordance with standard arrangements for regulatory agencies and the Regulation establishing the Agency. There are annual meetings between DG ENV and EEA at senior level to ensure coordination of activities. An annual exchange of call for tenders planning is also done in order to prevent duplication of actions. The subsidy paid to the Agency in 2011 was EUR 36 792 506 (including EFTA participation).

### Executive Agencies

Since 2007 DG ENV shares joint responsibility with DGs ENTR, MOVE and ENER for the Executive Agency for Competitiveness and Innovation (EACI). In 2008, it was agreed to delegate tasks to the EACI for the Entrepreneurship and Innovation Programme (EIP) eco-innovation pilot and market replication projects. In 2011 EUR 36 million were allocated for a call for proposals for eco-innovation first application and market replication projects. The DG participates in the Steering Committee of the Agency, approves the management plan and Annual Activity Report and accounts of the Agency and receives quarterly activity reports. The report of the executive agency EACI is enclosed as Annex 6. DG ENV also manages directly a small amount of appropriations under the CIP/EIP programme (mainly support measures and support to networks).

### Cross-subdelegations

DG ENV is managing a small number of actions under cross-subdelegation agreements with DG DEVCO (budget line 21 04 01 – ENRTP) and ELARG (IPA programme). Reporting on the implementation of these cross-subdelegations is included in the AAR reports of delegating Directorates Generals, following detailed reporting communicated by DG ENV.

## 2.2 The functioning of the entire Internal Control system

### 2.2.1 Compliance with the requirements of the control standards

The yearly reports of the 'Authorising Officers by Sub-delegation' (AOS) are positive, giving assurance on the functioning of the control and supervision system. No systemic weaknesses are identified.

Some concerns were raised on lack of staff that could impact the quality of financial controls. This is the case for certain Authorising Officers by Subdelegation who had to cope with an increasing number of Pilot Projects and Preparatory actions that can only be implemented towards the end of the year due to the necessary procedures that have to be put in place during the year (financing decision, calls for tenders or proposals, budgetary and legal commitments).

Other elements highlighted were:

- as regards LIFE + actions grants, the AOS highlighted that the number of applications submitted in response to the 2011 call of proposals increased by 50% compared to previous years – this required the mobilisation of additional resources (external expertise for the assessment of projects) and will also result in a longer evaluation and selection process for this call for proposals.

- a specific effort was made to improve information / reporting on the implementation of the Budget during the year and, according to AOS, the results were positive.

A self-assessment of managers on implementation of Internal Control standards confirmed compliance with the requirements of internal control. Some managers noted that they faced temporary difficulties due to staff mobility or vacancy causing disruption in the Units, filing and archiving due to moves related to building renovation, and awareness of staff on IT security requirements.

### 2.2.2 Effectiveness of implementation of the prioritised control standards

As required by the Commission's internal control framework, DG ENV identified the following four standards to prioritise in 2011:

#### ICS 3 – Staff Allocation and Mobility

This standard was selected following the reorganisation of the Commission in 2010, which resulted in the creation of a 'Shared Resource Directorate' between DGs ENV and CLIMA. Emphasis was put on the following actions in 2011:

- Efforts to promote a more flexible and dynamic organisation, for example:
  - use of cross-DG task forces to meet particular policy challenges (for instance, creation of a task force to develop the Resource Efficiency Roadmap);
  - use of targeted learning programmes including:
    - a series of leadership programmes designed to also strengthen internal management, aimed at future women managers, team-leaders and key assistants;
    - a series of management clinics to allow Heads of Unit to discuss practical realities of management, notably on use of resources and prioritisation;
  - monitoring of staff turnover (including in SRD), and identifying and addressing root causes

for any abnormal staff turnover identified.

- A detailed review of staff allocation is carried out every year in the context of the AMP exercise, on the basis of a detailed breakdown of activities and staff allocations. These details are then tested in a series of hearings presided by the Director General, to ensure that staff allocations are in accordance with the priorities of the DG. Staff allocations are then kept under review on an ongoing basis to ensure they evolve in line with the priorities of the DG.

### ICS 6 – Risk management process

This internal control standard was prioritised in 2009 and 2010 and was then carried forward to 2011.

An audit report from the IAS on risk management in the DG was initially received at the end of January 2010. The 7 recommendations in the report required a number of mitigating actions which resulted in 2010 in a number of deliverables like e.g. awareness raising and training of managers, the setting up of a Risk Steering Committee, regular quality review of the risk register, and implementation of the risk mitigation plans.

In 2011 this risk management process has been consolidated through the implementation of a revamped IT tool linked to the SPP process. This IT tool supports the processes by which risks are identified and evaluated, and also documents the implementation of mitigation action plans. The new tool also supports the work of the risk management Steering Committee and provides reports to senior management on identified critical and very important risks. An analysis on the "tolerable risk of error" was also conducted in 2011 and led to the definition of costs of controls and their impact in the error rate that was included in the financial legislative statement of the proposal for a new LIFE legal base 2014-2020.

As a result of this effort the recommendations from the IAS report of January 2010 have now all been implemented on 31 December 2011.

### ICS 8 – Processes and procedures

This standard was first selected following the reorganisation of the Commission in 2010, which resulted in the creation of a 'Shared Resources Directorate' between DGs ENV and CLIMA. This required an extensive reworking of processes and procedures, and measures were already put in place in 2010 to ensure compliance by DG ENV with the essential requirements of this Internal Control Standard.

Efforts have however continued in 2011, in cooperation with SRD, and emphasis has been put on:

- continuing review of processes and procedures, identification of possible weaknesses, and implementation of appropriate improvements. This process has been particularly marked in the response to the SIAC internal audit on procurement (see further below) which has called for an important effort in updating, documenting, and communicating the relevant procedures.
- improving the availability and user-friendliness of documentation on processes and procedures (guides, manuals). This has entailed revision / updating of Intranet tools, in particular as regards financial procedures and processes for procurements.
- A new ex-post audits manual was drafted in 2011 and approved at the beginning of 2012 by the Director General. Two manuals on how to deal with follow up of Court of Auditors recommendation – one for the Finance Unit and one for the operational Units – were also drafted and published on the Intranet.
- A total revision of the Intranet pages for grants was also launched at the end of 2011 and will be finished by mid-2012.

## ICS 9 - Supervision

- Following the reservation in the AAR 2009 related to the eligibility of costs declared by beneficiaries of action grants, guidance to beneficiaries and legality/regularity controls were enhanced in 2010-2011. Implementation of the action plan, drawn up following the reservation in the 2009 AAR relating to error rates in LIFE action grants, has continued in 2011, with results being closely monitored. These efforts, and the results thereof, are described in more detail at Section 3.1.1 below.
- Improved supervision of critical risks, which was reinforced by the creation of a risk steering committee.
- More effective and timely implementation of audit recommendations. Particular attention has been given to the ex-post control strategy definition and implementation.
- Monitoring of budgetary implementation was increased and Senior Management regularly reviews the situation during the Directors meetings.
- Finally a post devoted to Internal Control Standards implementation and supervision has been created in 2011 in the Finance Unit by internal redeployment.

### **2.2.3 Mobility rules**

There was no derogation on mobility rules.

### **2.2.4 Conclusion**

DG ENV has put in place monitoring measures which ensure that the internal control systems are effective. DG ENV has also considered the risks and focuses the control resources on those areas where risks are the greatest, while ensuring adequate control over all activities. Risk management, timely implementation of the budget, documentation of procedures were improved and the closure of several audit recommendations confirms this improvement. The Internal Control System is effective and is recognised at senior and middle management level as an effective tool according to AOS reports and ICS survey.

Based on all information and the above analysis, it can be stated that DGENV has an effective, robust and reliable internal control system at its disposal.

## **2.3 Information to the Commissioner**

*The main elements of this report and assurance declaration have been brought to the attention of Commissioner Potočník, responsible for Environment and discussed in a meeting on 20 March 2012.*

A mid-year report was presented to him on 5 August 2011 and discussed in a meeting on 28 September 2011.

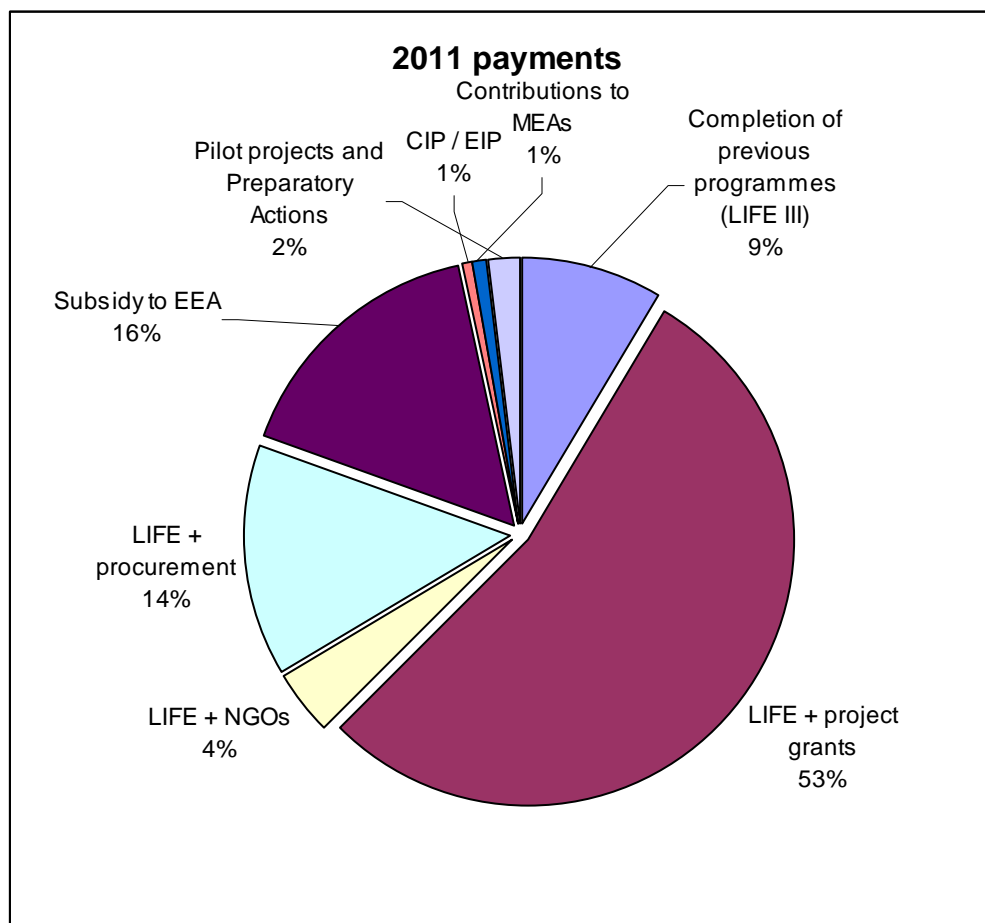
## PART 3. BUILDING BLOCKS TOWARDS THE DECLARATION OF ASSURANCE (AND POSSIBLE RESERVATIONS TO IT)

### 3.1 Building blocks towards reasonable assurance

#### 3.1.1 Building block 1: Assessment by management

##### 3.1.1.1 – Overall Key indicators

The following chart gives an overview of the types of payments in 2011 <sup>56</sup>:



The control strategy of the DG is defined in Annex V, but the main elements are as follows:

- ex-ante controls: definition of proposed spending as part of the management plan process (eAMP), verification of tender specifications and launching of calls for tenders, checks on the justification of grants to be awarded without call for proposals and a process of opinion on tenders of a value greater than EUR 300 000 via an internal procurement advisory body (ENVAC).

- transaction controls: there are two main financial circuits: firstly the decentralised model (model one) for the action grants of LIFE III and LIFE+ and secondly a hybrid of models two and three, with involvement of the SRD financial unit in the process, for other operations. There are no second-level ex ante controls.

<sup>56</sup> This chart represents the outturn on payment appropriations in 2011 (see Annex 3) including the administrative expenditure and expenditure under cross-subdelegations executed by other DGs.

- ex-post controls: the 2011 audit plan included, for the first year 30 projects selected on a random base, while 15 projects were still selected on a risk based approach.

- reporting: monthly reporting on budgetary implementation, six monthly reporting on recovery orders, yearly reports from Authorising Officers by Sub-delegation on financial management and also by managers on the implementation of internal control standards. In 2011, a specific monitoring of the budgetary implementation was put in place with monthly discussion at management level in the Directors meeting and follow up according to the targets dates in the management plan.

### **Key indicators on controls**

| <b>Input indicators</b>   | <b>2011</b>  | <b>2010</b>                                   |
|---|--------------|---|
| Staff devoted to <b>financial initiation in full time equivalent (FTE).</b> | <b>21.25</b> | <b>21.25</b><br><b>(25 for CLIMA and ENV)</b> |
| Staff devoted to <b>financial verification in full time equivalent.</b>     | <b>8.5</b>   | <b>8.5</b><br><b>(10 for CLIMA and ENV)</b>   |
| Number of files submitted to <b>ENVAC</b>                                   | <b>45</b>    | <b>45</b><br><b>(55 for CLIMA and ENV)</b>    |
| Staff devoted to <b>ex-post audits in FTE</b>                               | <b>4.33</b>  | <b>4</b>                                      |
| <b>Financial resources</b> for outsourced ex-post audits                    | <b>0 €</b>   | <b>161 330 €</b>                              |

| <i>Output indicators</i>   | <i>2011</i>            | <i>2010</i>                                |
|--|------------------------|--|
| <b>Corrections made on costs claims and invoices before payment.</b>           | <b>100</b>             | <b>156</b>                                 |
| <b>Percentage of number of payments</b>  | <b>7,47%</b>           | <b>10,07%</b>                              |
| <b>Amount</b> of corrections made on costs claims and invoices before payment. | <b>6 225 525 €</b>     | <b>7 928 433 €</b>                         |
| <b>Percentage</b> of corrections made before payments                          | <b>2,32%</b>           | <b>2,97%</b>                               |
| Rate of <b>transactions corrected/rejected</b> by ex-ante control              | <b>8,02%</b>           | <b>8,43%</b>                               |
| <b>Exceptions registered</b>   | <b>6</b>               | <b>10</b><br><b>(11 for ENV and CLIMA)</b> |
| Negative opinions given by <b>ENVAC</b>  | <b>0</b>               | <b>2</b>                                   |
| <b>Ex post audit reports issued</b>  | <b>34</b>              | <b>36</b>                                  |
| Amount of <b>payments audited</b>  | <b>32 569 220,24 €</b> | <b>47 160 648,31 €</b>                     |
| Amount of recovery   | <b>2 667 738,93 €</b>  | <b>3 367 362,64 €</b>                      |



|   |   |                                   |
|---|---|-----------------------------------|
| orders recommended by ex-post auditors.                 |   |                                   |
| Rate of recovery orders recommended to payments audited | <b>8,19% (random + risk based sample)</b> | <b>7,14 % (risk based sample)</b> |
| Recovery orders issued                                  | <b>43 for 4 348 894€</b>                  |                                   |

### **Main conclusions and issues related to the output indicators**

- 2011 saw a reduction in the number of transactions that had to be corrected or rejected by the verification teams. There was similarly a fall in the numbers of exceptions.

- A new post was devoted to ex-post audits to help reach the target of the audit plan (45 audits against 36 in 2010). However the person recruited could only take up her function on 1 September of the year. In the meantime the framework of ex-post auditors from BUDG could not be used as it was only signed at end of the year. For these reasons, the number of reports issued slightly decreased.

- From the September 2011 a pre-contradictory procedure on the findings of ex-post audits with the AOS Units was also put in place.

- The overall amount of payments audited decreased (- 30,9%) ; this is due to the introduction of a random sample that selected smaller projects than the previous all risk based sample. The average audited project decreased from EUR 1 310 018 to EUR 957 918, 24.

While the results of ex-post audits provide useful indicators, they can give only a partial picture of the state of control in the ENV policy area. This is because they concern only LIFE action grants which, while an important part of the total budgetary activity, account for only 64% of the payments made in 2011. Therefore, set out below is a breakdown of the ensemble of expenditure managed by DG ENV, with the controls and indicators that provide assurance of sound management.

| <b>ABB activity</b>   | <b>2011 payments</b> |   |
|---|----------------------|---|
| 02 02 Competitiveness, industrial policy, innovation and entrepreneurship                   | <b>1.792.911</b>     | <ul style="list-style-type: none"> <li>• Only procurements.</li> <li>• Ex-ante control of all transactions.</li> <li>• Financial initiation role centralised in the finance unit in the ENV/CLIMA shared resources directorate, and therefore in the hands of trained experts.</li> <li>• Larger procurement transactions, plus a random sample of smaller transactions, subject to the special ENVAC procedure (in-depth ex ante assessment by a joint ENV/CLIM advisory committee)</li> </ul> => Estimated error rate for this category of payment: 0.05% |
| <b>07 01 Administrative expenditure of the 'Environment and climate action' policy area</b> | <b>14.577.575</b>    |   |
| <i>07 01 02 External staff and other management expenditure</i>                             | <i>678.578,91</i>    | <ul style="list-style-type: none"> <li>• Compliance with Commission rules and procedures for</li> </ul>   |

|  |                    |  |
|--|--------------------|--|
| <i>in support of the 'Environment and climate action' policy area</i>  |                    | <ul style="list-style-type: none"> <li>recruitment of external staff.</li> <li>Ex ante control of other transactions.</li> </ul> =>Estimated error rate for this category of payment: 0%   |
| <i>07 01 04 Support expenditure for operations of 'Environment and Climate Action' policy area</i><br><br><i>LIFE Administrative support</i> | 13.898.996         | <ul style="list-style-type: none"> <li>Ex ante control of all transactions.</li> <li>Financial initiation role centralised in the finance unit in the ENV/CLIMA shared resources directorate, and therefore in the hands of trained experts.</li> <li>Larger procurement transactions, plus a random sample of smaller transactions, subject to the special ENVAC procedure (in-depth ex ante assessment by a joint ENV/CLIM advisory committee)</li> <li>Audit on procurements issued in January 2010:52 sub actions of the action plan closed by end 2011.</li> </ul> =>Estimated error rate for this category of payment: 0.05% |
| <b>07 02 Global environmental affairs</b>  | <b>2.487.686</b>   | <ul style="list-style-type: none"> <li>Mainly obligatory contributions to international organisations. No risk on underlying operations</li> <li>Some final payment of grants on the former LIFE III Third countries programme</li> </ul> =>Estimated error rate for this category of payment: 0%  |
| <b>07 03 Development and implementation of Union environmental policy and legislation</b>  | <b>227.086.249</b> |  |
| <i>Final payments LIFE grants</i>  | 21.498.642         | See in-depth analysis in section 3.1.1.2.  |
| <i>Pre-financing LIFE grants</i>   | 132.972.644        |  |
| <i>Payments on DG ENV procurement and other own activities on LIFE budget</i>  | 31.391.931         | <ul style="list-style-type: none"> <li>Ex ante control of all transactions.</li> <li>Financial initiation role centralised in the finance unit in the ENV/CLIMA shared resources directorate, and therefore in the hands of trained experts.</li> <li>Larger procurement transactions, plus a random sample of smaller transactions, subject to the special ENVAC procedure (in-depth ex ante assessment by a joint ENV/CLIM advisory committee)</li> <li>Audit on procurements issued in January 2010:52 sub actions of</li> </ul>  |

|   |                    |   |
|---|--------------------|---|
|   |                    | <p>the action plan closed by end 2011.</p> <ul style="list-style-type: none"> <li>• Actions are primarily procurement, where final payment is made for services rendered. Problems seen with action grants (relating to timesheets and other issues) therefore do not apply.</li> </ul> <p>=&gt;Estimated error rate for this category of payment: 0.05%</p>  |
| <i>European Environment Agency (07 03 09)</i> | 41.223.032         | <ul style="list-style-type: none"> <li>• Responsibility of the Commission limited to the payment of the subsidy to the agency.</li> <li>• Payments made on base of cash-flow forecasts received from the Agency.</li> <li>• Annual payments corrected according to the surplus of previous year declared by the Agency.</li> </ul> <p>=&gt;Estimated error rate for this category of payment is 0% given that the responsibility of the Commission is limited to the payment of the subsidy to the Agency (see further Annex 4)</p> |
| <b>TOTAL GENERAL</b>                          | <b>245.944.421</b> |   |

### **3.1.1.2. Grants management.**

This activity represents 64% of 2011 payments and also, since it involves action grants to a wide range of third party beneficiaries, presents the most challenging control issues.

### **Results of Ex-post audits.**

**On the 34 Ex-post audits** reports issued or in pre-contradictory phase:

- 21 were from the random sample,
- 8 were from the risk based sample of the 2010 audit plan,
- 3 were from the risk based sample of the 2011 audit plan,
- 1 (originally part of the random sample) concerned a programme (LIFE Third countries) that is now closed with only residual payments in 2011, and so is not included in the calculation of the amount at risk,
- 1 (originally in the random sample) gave an exceptional result and is assimilated to the risk based group.

Out of the 21 ex-post audits in the random sample, 19 related to projects financed under the LIFE III Programme (11 LIFE Environment, 8 LIFE Nature,) and 2 to the LIFE + programme (all 2 on NGO operating grants). The ex-post audit activity in 2011 considered projects for which the final payments were made in 2010. The random sample of 21 projects represented 19.82% of the 106 projects for which final payments were made in 2010 and totalled EUR 21.94 million which was 21,82% of the volume of projects for which final payments were

made in 2010.

A random error rate could be defined by the recovery orders recommended on the random based sample of 21, after a pre-contradictory procedure. The rate of recommended recovery orders compared to payments was 4.88% (detected error rate). The residual error rate – taking into account the recovery orders issued in 2011 following ex-post audits made in 2011– would be 4,84. One particular good result is that for LIFE III Nature the result of the sample is under 2%: 1,34%.

The main reason for detected errors is the lack of time-sheets or reliable time sheets. This error accounts for more than 50% of the total amount of errors. This means that this type of error in itself represents an overall error rate of 2,44%. The other causes of errors are: miscalculation of durable goods depreciation – mainly for LIFE III Environment projects – (20%); claimed costs not booked in project accounts or with no reference to the project (10%); recoverable VAT claimed by the beneficiary or the partner (5%); missing documentation (5%); and recalculation of overheads (7%).

If one were to apply the detected error rate noted above, the amount at risk would represent 2.11% of the total 2011 payments made under ABB activity 07 03. However, while the error rate detected in ex-post audits provides a useful indicator, it does not give the full picture of the state of control for LIFE grants. This is because the ex-post audits assess the management of projects that started some time ago. For instance, in 2011 the ex post audit programme involved audits of 45 grants for which final payments were made in end of 2009 and 2010. Inception of these projects dates therefore to as far back as 2005.

The ex post audit results therefore overwhelmingly concern older grants, and as a consequence reflect only partially the significant improvements in grant management made after the action plan following the 2009 AAR.

It is therefore considered appropriate to place the ex-post audit results in a wider context and consider them jointly with other control results and other available information, in particular quantified indicators from the management and monitoring system of projects, in order to provide assurance on the ensemble of LIFE grant funds.

### **Ex ante and other indicators relevant to LIFE grants**

#### Results from project monitoring visits and other ex ante checks:

The error rate of 4,88 % in ex post audits above does not yet fully reflect the corrective measures which have been carried out over the last 2 years following the 2009 AAR. The DG has evidence that these corrective measures are proving to be effective and will gradually and steadily reduce error rates over time. In this context we might note:

- **Every** project is visited **every** year by the external contractor monitoring team. The monitors are required to verify whether timesheets are being used. Each monitoring visit leads to a mission report including a compulsory sample of timesheets. LIFE units send a feedback letter to beneficiary where omissions are found with appropriate instructions.
- The verification of monitoring reports for a sample of 245 projects (27,5% of open projects) shows:
  - 97.6% compliance by monitoring team with the obligation to check timesheets.
  - These checks give the following results:

|  |                         |
|--|-------------------------|
|  | At time of first visit: |
|--|-------------------------|

|   |     |
|---|-----|
| Timesheets in order *                               | 65% |
| Some problems with timesheets or timesheets lacking | 35% |

\* or – in 3 cases – not yet required.

- Analysis of a subset of 24 cases (where there were problems with timesheets at the time of the first visit but there has then been a second monitoring mission) indicates that by the time of the next visit in two thirds of the cases the problem has been resolved. This indicates the following results

|  |                    |
|--|--------------------|
|  | After second visit |
| Timesheets in order  | 88%                |
| Some problems with timesheets or timesheets lacking  | 12%                |
| <i>Compared to %age of projects in the random ex post audit sample where there were timesheet deficiencies</i> | 65%                |

- To recap: when one assesses LIFE projects that are still running, it appears that by the time of a second visit (i.e. in year 2) only 12% of the projects will have problems with timesheets. This is less than a fifth of the rate seen in the older projects subject to ex post audit, where 65% of projects show deficiencies with timesheets.
- As indicated above, half of the total error rate in the projects subject to ex post audit results from deficiencies regarding staff costs and time sheets. Therefore, of the total error rate of 4.88%, 2.44% represents errors regarding staff costs. We would expect therefore for the more recent projects to see this figure divided by five, so that the adjusted error rate decreases from 4,88% to 2,93% (2,44% + 2,44%/5).
- Applying this error rate, we arrive at the following calculation of the amount at risk for ABB activity 07 03 (Development and implementation of Union environmental policy and legislation):

|  | %age  |             | Result    |
|--|-------|-------------|-----------|
| Error rate based on random ex post audit sample, applied to total amount of grants that closed in 2011 | 2.93% | 98 565 527  | 2 887 970 |
| Add: Errors identified in risk-based audits  |       |             | 867,264   |
| Deduct: Recovery orders issued   |       |             | - 8 448   |
| EEA subsidy – amount at risk   | 0%    | 41 223 032  | 0         |
| Amount at risk for procurement actions financed under 07 03  | 0.5%  | 31 391 931  | 156 960   |
| Total= amount at risk  |       |             | 3 903 745 |
| Amount at risk as %age of total payments made under ABB 07 03  |       | 227 480 000 | 1,72 %    |

The percentage being below the materiality threshold of 2%, no reservation is proposed.

Upstream controls at the time of the call for proposals or signature of grant agreement:

- Prior to each call for proposals, a workshop is held in each member state explaining how to present a proposal. This already flags issue of time registration.
- Annual information sessions are held for the national contact points who advise

applicants.

- Adequacy of budget presentation is checked during selection process.
- Individual analysis and guidance during revision phase of selected proposals prior to financial commitment and grant agreement signature.
- Grant agreement contains clear rules about personnel costs and the obligation to use timesheets.
- Clearer additional guidelines sent to all beneficiaries since 2010.
- Training of national contact points
- Annual kick-off meetings on a regional basis for all newly selected projects. These include instructions on time-registration. Slides are shown with examples of good and bad timesheets.

#### Other ex ante controls

##### a) Ex ante control of second pre-financing payments

- A monitoring visit will always have taken place before a second pre-financing occurs. Check lists require the results of missions to be taken into account. Second pre-financings can be and are blocked because of insufficient timesheets.

##### b) Ex ante control of final payments

- As well as the normal checklists mentioned above, final payments must be accompanied by an independent auditor's certificate (where grant is above €300,000). Auditors are required to certify that costs incurred comply with the grant agreement. The external auditors must use the standards guidelines for ex-post auditors posted on the website.

#### A systematic and ongoing programme for monitoring projects

DG ENV intends to continue the existing arrangements, whereby LIFE projects are monitored on a regular basis and the findings of project monitors are recorded systematically, to permit remedial action where required. To this end, preparations are currently underway to permit a further contract for project monitoring services up till the end of 2013 (the end of the current LIFE + instrument).

The new arrangements for project monitoring will provide as follows:

- each project to be visited at least once a year by project monitors. At least one of the visits during the life of the project will involve the relevant Commission desk officer;
- monitoring visits to assess not just the beneficiary's technical progress but also its arrangements for financial management of the project. In particular, the monitors are required to collect at least three invoices and three timesheets at each mission, and include them with the mission report and provide the Commission with statistics on validity and quality of such timesheets;
- each monitoring visit to be fully documented, and also result in an update of the monitoring file that is set up for each project;
- monitors to collect project indicators and encode them in a database, to provide information for evaluation of the LIFE programme;
- (for NGO operating grants) on-the-spot checks of the accounts and verification of documents for a sample of beneficiaries.

In addition to such ex ante and mid-project controls carried out by external contractors, DG ENV also will continue its programme of ex-post audits carried out by qualified in-house auditors. The 2012 ex post audit plan provides for up to 35 audits.

The results of such ex post audits on closed projects, combined with information on running projects from regular monitoring visits, provides DG ENV with a powerful array of data to assess the quality of financial management and error rates on LIFE grants.

### Conclusion on LIFE Grants:

DG ENV is confident that the residual ex post error rate on LIFE grants will decline further in the coming years. This conclusion is supported by persuasive evidence in ex ante checks, in particular from project monitoring indicators. The DG intends to continue to collect data from such monitoring activities on a systematic basis so as to increase assurance over time.

#### **3.1.1.3. Fraud prevention and detection**

An anti fraud correspondent was nominated and an anti-fraud strategy will be defined in 2012.

The risk based sample of the ex-post audits was more focused to fraud detection and fraud indicators were added in the ex-post audits manual.

#### **3.1.1.4. Cost-effectiveness of controls**

An analysis showed that costs of controls reached in 2010, EUR 7 661 445 representing 3,36% of payments made on grants. Taking in consideration the error rate of 3,25% that resulted audits by the Court of Auditors of two projects in their 2010 DAS exercise, a decrease to 2% would mean increasing the costs of control up to EUR 10 000 000 representing 4,64% of payments made on grants.

#### **3.1.1.5. Conclusion**

The level and quality of control implemented in the DG provides reasonable assurance of the legality and regularity of operations.

### **3.1.2 Building block 2: Results from audits during the reporting year**

In **The Court of Auditors'** 2010 DAS report, the Court did not detect any significant weakness after auditing 30 payments.

The Court indicated that DG ENV had lifted the reservation made in the 2009 AAR on the basis of assumptions concerning the results of ex-post audits that were not proven. DG ENV considered that its assessment was based on the analysis of four years of risk based audits and was confident that it constituted a sound basis for the calculation of the error rate and lifting of the reservation. The Court also recommended the DG to better document some of the key controls and to better control OECD grants.

In response to this report, DG ENV:

- Implemented a new ex-post control strategy based on random sampling, with also some risk-based audits.
- As regards the documentation of controls, while the DG considered its internal control system overall as reliable, it has continued to improve the documentation of some key controls.
- With regard to the control of OECD grants, the accounting, internal control, audit and procurement procedures of this organisation have been checked by the Commission in the framework of Article 53(d) of the Financial Regulation. The conclusion was that it offers guarantees equivalent to internationally accepted standards. It should also be remembered that specific control arrangements are defined in the Framework Agreement between the Commission and OECD. Therefore, DG ENV recalled that OECD has its own internal control system that has been checked by the Commission and considered of equivalent quality as its own internal system.



No special report was issued by the Court in 2011 for DG ENV.

No specific audit of DG ENV was conducted by **Internal Audit Service (IAS)** in the first months of 2011, however a consultancy engagement on the re-organisation of DG ENV was carried out in 2010 and a "Management letter on the reorganisation of former DG TREN, DG ENV and DG JLS and on the creation of shared services" was issued on 24<sup>th</sup> March 2011. This management letter concerned mainly the Shared Resources Directorate and horizontal services. The consultancy drew four main conclusions:

- need for a strengthened and more structured monitoring from horizontal services : steering committee, regular meetings and evaluation
- need to address the absence of corporate identity for the SRDs,
- need to reconcile economies of scale with the duplication of workload for the SRDs,
- need to fill senior management posts and pay adequate attention to the potential demotivation and turnover in SRDs.

The IAS management letter was subsequently discussed at the preparatory meeting of the Audit Progress Committee (APC) on 23<sup>rd</sup> May and the Chair concluded the item as an A point, proposing that

- Some useful lessons can be drawn for the future, even if the consultancy came rather early in the process
- All concerned services should give due consideration to the issues identified to better inform future decision making and to ensure that the risks identified in the management letter are effectively mitigated
- The horizontal services should consider defining a method to evaluate the schemes put in place and draw lessons for the future.

The DG implemented the action plan of three previous audits:

- **the audit on risk management:** actions for the 6 recommendations were completed (i.e. one-off actions have been completed or the first cycle of recurring actions has taken place). For the one recommendation – analysis to identify the tolerable risk of error for the DG - the implementation has been adapted accordingly with DG BUDG to take into consideration the Council and Parliament requests in the framework of the negotiation of the new financial regulation.

- **the audit on Environmental Programs (LIFE+):** 11 out of 12 actions have been implemented. 1 action remains open and relates to mail registration, document management and filing. It should be finalised by 30/6/2012.

- **the audit on monitoring the implementation of EU Law in DG ENV:** The 3 remaining actions from this audit have now been implemented and IAS confirmed the implementation of all actions related to this audit after their follow up on 6 September 2011.

### **Shared Internal Audit Capability**

In 2011, the SIAC performed its activities in conformity with the audit work plan based on the assessment of risks in the DG and approved by the Director General.

The following audits, verifications and consulting activities have been performed during the year:

#### **Audit of 2010 Payments in DG ENV**

In order to gain an assurance on the legality and regularity aspect of the payments processed in DG ENV, the SIAC sampled and audited at least one payment per AOS, covering mostly interim and final payments.

The audit did not reveal any significant weakness in the legality and regularity of the payments. However, in order to improve the quality of the recorded financial transactions, the auditors listed a number of recommendations for the management's consideration (relating, inter alia, to timely approval of final deliverables, use of "Stop and Go" for payments, respect of payment deadlines, control of the encoding of data in ABAC, and harmonising the structure/content of the "fiche de circulation").

The management accepted all audit recommendations. An action plan, designed to mitigate the risks identified during the audit, was developed by the relevant units of the DG and SRD.

#### *Audit of Management of the follow-up of ECA and Discharge Authority recommendations*

The audit of the Management of the Follow-up of the ECA and the Discharge Authority (DA) Recommendations was performed in the DG following the request of Commissioner Šemeta, Chair of the Audit Progress Committee (APC) and Commissioner in charge of Audit and Anti-Fraud.

The SIAC auditors focused on the following elements of the process: governance arrangements; documentation of procedures; organisation, coordination and communication within the DG; planning and reporting mechanisms; IT tools used; supervision and reporting arrangements and coordination with the central services in the Commission, with ECA and with Discharge Authority.

The auditors also assessed the actions taken by DG ENV in order to mitigate the issues raised in the recommendations, as well as the validity of recommendations' status in the RAD ('Recommendations, Actions, Discharge') database at the moment of the audit.

Based on the results of this audit, the SIAC assessed that the internal control system in place provided reasonable assurance regarding the management of the implementation of the ECA and DA recommendations in DG ENV.

The only process to be improved were the formal procedures, guidelines or roles defined regarding the management and monitoring of the implementation of the ECA and DAS recommendations in the DG.

#### *Audit of Users Access Rights granted in ABAC in DG ENV*

The objective of this audit was to review whether the access rights granted in ABAC to DG ENV and SRD management (AOD and AOS) and staff involved in the financial transactions are correctly reflecting their roles and responsibilities.

The auditors reviewed systems and procedures set in place for the monitoring of the coherence and the current state of the access rights with the sub-delegations and actions taken by the DG following reorganisations. The audit covered all access rights granted to officials who visa financial transactions in ABAC, i.e. Authorising Officers by Delegation or by Sub-delegation, financial initiators and financial verifiers.

The weaknesses identified during the audit concerned some mismatches between formal authorisations and rights granted in ABAC, as well as cases of obsolete profiles and budget lines still being active.

The SIAC provided the finance unit with the detailed audit working files, so that the necessary corrections were performed in an efficient way.

#### *1<sup>st</sup> Follow-up audit on Procurement*

The audit report on Procurement in DG ENV was issued on 6 January 2011. The audit resulted in 19 recommendations: 3 very important, 11 important and 5 desirable.

During the year, the auditors were kept well informed by various owners of the recommendations, regarding the implementation of the action plans developed to mitigate the identified risks. Therefore, in order to verify the actions taken and "keep the momentum" regarding efforts on procurement process improvement, the follow-up audit was launched in the second half of the year.

All 62 sub-actions were tested and verified according to the accuracy and completeness of the actions taken by the DG. The follow-up audit resulted in closing 52 sub-actions. Ten remaining sub-actions were reviewed and new implementation dates were introduced.

The SIAC will perform the second follow-up audit on procurement in 2012.

### *Audit on Internal and External Communication in DG ENV*

The audit on Internal and External Communication in DG ENV was commenced in the 4<sup>th</sup> quarter of 2011. The auditors conducted the preliminary survey phase, during which background information such as: the Commission guidelines and best practices, industry studies and reports and past audit reports were thoroughly studied and analysed in order to develop an Engagement Planning Memorandum and the audit plan. The auditors developed, conducted and analysed the results of the survey that was sent to all management and staff of DG ENV and SRD.

Based on the findings of the survey, numerous interviews were conducted with the managers and staff of DG ENV, SRD, the Cabinet, DG COMM and DG HR.

The audit will be continued in 2012, due to its extended scope (Internal and External Communication that are different in nature and processes) and the need to perform it in the two DGs that differ greatly in their organisation regarding the communication aspects.

### *Consulting*

- Cut-off procedure

The SIAC, in its consulting capacity, was asked to support the finance unit during performance of the 2010 DG ENV's accounts (Balance Sheet and Income Statement) cut-off procedure. The task of the SIAC was to challenge the accounting methods used and their alignment with the DG BUDG's cut-off guidelines. The SIAC gained reasonable assurance that the necessary checks were correctly performed by the accounting team of SRD.2.

### *External Quality Review of the SIAC*

Throughout the year, the activity of SIAC was scrutinized by Moore Stephens Chartered Accountants. This audit had as purpose a verification of the SIAC's conformity with the Institute of Internal Auditors' (IIA) Standards for the Professional Practice of Internal Auditing and Code of Ethics. Prior to the audit the SIAC's performed its own self-assessment.

This exercise included testing of the SIAC's past work against all Standards of the IIA. Based on the results of their exercise, Moore Stephen's overall assessment was that the SIAC of DG ENV and DG CLIMA was compliant with the IIA Standards and Code of Ethics for the whole period under review.

The SIAC obtained a 'Certificate of Conformity', therefore, the internal auditors of DG ENV are authorised to quote in their audit reports the following statement: *"This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing"*, giving the management reassurance of the quality of the SIAC's work.

### **3.1.3 Building block 3: Follow-up of previous years' reservations and action plans for audits from previous years**

The action plan issued after the reservation made in 2009 has continued to be successfully implemented, and reinforced with the main points as follows.

Action 1: Reinforcement of preliminary information to beneficiaries and ex-ante checks of time sheets by the services of the Commission as of 2010.

This action focuses mainly on time registration as this was the main origin of the errors found in 2010 and 2011 through ex-post audits.

Internal guidelines on time registration were issued on 30 June 2010 for the LIFE+ action grants. A model of the timesheet was also made available on the LIFE website and a circular note was sent to all beneficiaries on 8 December 2010.

Every project is visited every year by the external monitoring team who has received instructions to collect and check at least three time sheets and invoices. The checked timesheets are annexed to the mission reports.

A systematic check of a significant sample of timesheets and salary documents are conducted by Commission staff during visits to projects.

Where there are significant doubts on the way time is registered, a sample of the timesheets and salary slips/contracts can be requested before releasing the second pre-financing payment. A specific attention is given to timesheets.

To check the efficiency of this action an ex-ante control was launched on a sample of LIFE + files. The results are described in the previous section.

Action 2: Improvement of the audit methodology for 2011 in order to increase the representativeness of the results.

This action has been implemented totally in 2011.

Action 3: detection audits to be still implemented on the closed programmes audited in 2009 with high level of error rates. This action was still implemented in 2011 with an audit on the LIFE Third countries programmes.

The implementation of the action plan after the 2007 reservation was also on track with the improvements of the LIFE + legal base, the suppression of programmes with high error rates and an increased effort on ex-post audits where the number of ex-post audits doubled between 2007 and 2011.

### **3.1.4 Building block 4: Assurance received from other Authorising Officers in cases of crossed sub-delegation**

In 2011, DG ENV sub-delegated the following amounts:

| <b>2011 implementation of crossed sub-delegations</b> |            |                     |                  |            |                |             |
|---|------------|---------------------|------------------|------------|----------------|-------------|
|   | Commitment |                     |                  | Payment    |                |             |
| Sub-Delegated DG                                      | RAL 2010   | 2011 Appropriations | 2011 Consumption | RAL 2010   | Appropriations | Consumption |
| DIGIT   | 0          | 57 985,50           | 57 985,50        | 0          | 57 985,50      | 0           |
| ESTAT   | 0          | 1 000 000,00        | 1 000 000,00     | 0          | 500 000,00     | 0           |
| JRC   | 0          | 1 495 000,00        | 299 000,00       | 299 000,00 | 299 000,00     | 299 000,00  |
| SANCO   | 0          | 50 223,01           | 50 223,01        | 89 696,77  | 89 919,78      | 89 919,78   |

Activities covered by the crossed sub-delegation granted to DIGIT:

This crossed sub-delegation was intended to fund the following:

- Memorandum of understanding (MoU) 00177- EMAS EU Register: 1 contract was awarded in 2011 for an amount of €39,292.00.
- Memorandum of understanding (MoU) 00315- E-Proposal: 1 contract was awarded in 2011 for an amount of €18,693.50.

The crossed sub-delegation foresees half-yearly reports on the implementation of the project and the allocation of resources. No exceptions were encountered in 2011 and DG ENV relies on the positive declaration of assurance received from DG DIGIT regarding the implementation of the projects.

Activities covered by the crossed sub-delegation granted to DG ESTAT:

This crossed sub-delegation was intended to fund the LUCAS 2012 Survey.

This activity concerns commitment appropriations of €1,000,000.00 and payment appropriations of €500,000.00 delegated in 2011 for launching a call for tenders with 6 lots in 2011 on the supply of statistical services: Land Use/Cover Area frame statistical Survey (LUCAS) 2012 – Agro-Environmental Survey: Fieldwork, Technical Assistance and Quality Control.

Activities covered by the crossed sub-delegation granted to JRC:

This crossed sub-delegation was intended to fund the following:

- Implementation of a preparatory action on "Climate of the Carpathian Basin" - three contracts were awarded in 2010 for an amount of €1,495,000.
- A pilot project on "Certification of low carbon farming practices", with a value of €300,000.

This activity concerns payments appropriations of €299,000.00 delegated in 2011 to cover a 2010 commitment (payment on RAL).

The crossed sub-delegation foresees half-yearly reports on the implementation of the project and the allocation of resources. No exceptions were encountered in 2011 and DG ENV relies on the positive declaration of assurance received from DG JRC regarding the implementation

of the projects.

#### Activities covered by the crossed sub-delegation granted to SANCO:

This activity concerns a commitment appropriation of €50,223.01 and payments appropriations of €89,919.78 delegated in 2011 to implement contracts related to genetically modified organisms.

Two final payments related to a 2008 commitment from ENV were made for a total of €89,919.78

#### Activities implemented by the Executive Agency on Competitiveness and Innovation (EACI):

DG ENV received quarterly activity reports from the Agency and their annual activity report. It also participated in the steering committee of the Agency and has received assurance from the Director of the EACI. The Agency has also informed DG ENV on its ex-post audit strategy for those projects. For the time being no project has been closed and no ex-post audit implemented.

The Agency's declaration of assurance for 2011 was not supported by a full contribution from its internal audit capacity, but this staff issue has been resolved for 2012.

### **3.1.5 Completeness and reliability of the information reported in the building blocks**

- As far as the completeness of the information is concerned, all financial activities of DG ENV are covered by appropriate and efficient control systems, on which information has been provided.
- Concerning the reliability of the information, all operational services with financial responsibilities and all control actors in the DG, SRD and SIAC have been actively involved in the provision of relevant information, the drafting of this report and its final approval.
- Concerning ex-post audits:
  - The amount of payments subject to ex post audit in 2011 represents 14.6% of the total amount of payments, selected by random sampling.
  - The introduction of a pre-contradictory procedure with the AOS after the summer break reinforced also the reliability of the results.
  - However, the long duration of the majority of the projects funded (around five years) limits the representativeness of the results for the 2011 activity - for example, 85% of the projects audited as part of the random sample were LIFE III projects from the previous legal base.
  - Therefore the DG has sought to introduce other indicators and building blocks to give assurance. This has involved sample checks on timesheets in a sample of ongoing LIFE+ projects. The results for 2011 were positive and showed a strong improvement compared to the older files in the ex post audit sample. It appears therefore that the implementation of the action plan following the 2009 AAR and the continuation of other efforts to improve the management of action grants has improved the situation.
  - The process of doing sample checks on ongoing projects will be continued systematically and consolidated in the future.
- The results of other building blocks are also positive.

Taking all these elements into consideration, DG ENV considers that there is no need to issue a reservation in relation to 2011 management and that there are no findings which could prevent the Director General from giving his reasonable assurance on the use of the resources.

## **3.2 Reservations**

Not applicable.

## **3.3 Overall conclusions on the combined impact of the reservations on the declaration as a whole**

Not applicable.



## PART 4. DECLARATION OF ASSURANCE

*I, the undersigned, Karl Falkenberg*

*Director-General of DG Environment*

*In my capacity as authorising officer by delegation*

*Declare that the information contained in this report gives a true and fair view<sup>57</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, ex-post controls, the work of the internal audit capability, 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 institution*

*Brussels, 30 March 2012*

*(signed)*

*Karl FALKENBERG*

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<sup>57</sup> *True and fair in this context means a reliable, complete and correct view on the state of affairs in the service*