

2015 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER HOGAN

Hearing on 29 November 2016

In general

1. How many farmers are there in the EU? Please state the definition on which this figure is based. How many are new? How many have left the sector? What is their average age?

In 2013, the last year for which figures are available, there were 10 841 000 farms in the EU. This figure stems from the Farm Structure Survey (FSS), which Eurostat conducts every 3-4 years. Each farm is managed by one farmer, who is defined as the natural person responsible for the normal daily financial and production routines of running the holding concerned. The Commission does not have readily available data on new entrants or on the number of farmers who have left the sector.

While more than 30% of farmers were older than 65 years, 6% were younger than 35 years. Since the age of farmers is reported by age class, it is not possible to calculate an average age.

I am conscious of the need to encourage and support young farmers. A number of measures are available for this purpose, including the Young Farmers' Scheme which is part of the CAP. The Commission recognises and is committed to address the challenge of generational renewal.

2. How many recipients of the first pillar of CAP were there in 2015?

In 2015, 7 246 694 EU farmers received direct payments and 127 268 beneficiaries received support under market measures. Please see also in Annex I an overview of the number of CAP beneficiaries under the first pillar in respect of financial year 2015 broken down at Member State level by market measures and direct payments.

3. What is the average amount a farmer receives from the EU? Which Member State's farmer have received the highest and the lowest amounts per capita?

Please refer to the overview provided for the question under 2. The Member States with the 3 highest and lowest average amounts are indicated.

KPI Agricultural factor income

4. How many farmers have left their jobs in 2015 due to the dairy and pig meat crises?

It is not possible to answer this question based on available EU-level statistics. It is also the case that a number of farmers who will have left the sectors concerned during 2015 may have left for reasons that had nothing at all to do with the difficulties in those sectors.

5. How can DG AGRI be sure of the accuracy of the data provided in its annual activity report regarding the agricultural factor income: KPI 1 bearing in mind that
- the number of farmers in the EU is not precisely established
 - and that the ECA concluded in its special report 1/2016 that the Commission's system for measuring the performance of the CAP in relation to farmer's incomes is not sufficiently well designed and that the quality and quantity of statistical data used to analyse farmers' incomes have significant limitations?

Agricultural factor income is calculated per annual work unit, which is the work performed by one person who is occupied on an agricultural holding on a full-time basis. Data for this indicator are transmitted by Member States to Eurostat in the context of the Economic Accounts for Agriculture, which are a satellite account of the European system of national and regional accounts, adapted to the specific nature of the agricultural sector. Eurostat applies strict quality criteria to the data it publishes, in line with the European Statistics Code of Practice.

The number of farmers in the EU is established every 3-4 years via Eurostat's Farm Structure Survey (see answer to question 1).

The ECA mainly criticized the absence of data on the disposable income of farm household, also including income from non-agricultural sources. The Commission considers it has representative and high-quality data on farm income (derived from agricultural activities), both at the macroeconomic level (from the Economic Accounts for Agriculture) and at the individual farm level (through the Farm Accountancy Data Network). These data can be used to monitor the income and business activities of EU agricultural holdings, assess the performance of CAP measures in support of farmers' incomes and understand the impact of these measures on different types of agricultural holdings.

6. According to the KPI 1 - Agricultural factor income per full-time worker, the sector's value added and productivity remain on the right long-term course, though they faltered in 2015. The chart shows, that the KPI is falling since 2013. Does the Commission know why the value of KPI 1 is falling? And what actions are prepared to set it back on upward trend?

By falling in 2014 and 2015, agricultural factor income per full-time worker bucked a medium-term upward trend. The main downward pressure on income came from lower dairy and pigmeat prices, which were undermined by increased production and weaker global demand, particularly in Asia.

The Commission has taken robust and comprehensive action to stabilise prices - through the standard tools of public intervention and private-storage aid and through the "dairy packages" of 2015 and 2016. The dairy packages have also offered broader support to farmers – e.g. to improve their cash flow situation and help them adjust to current market conditions. Current indications are that the support measures introduced by the Commission are proving effective as market prices in the dairy and pigmeat sectors, in particular, show increasing signs of recovery.

Finally, through rural development programmes, support for training, investment, technological development and new ways of working together continues to help farmers maximise their income in the medium term.

KPI 3 minimum share of land with specific environmental practices

7. What has DG AGRI done in order to avoid the so called gold plating (over regulation) by the authorities of the Member States and to make the system as simple as possible?

In rural development which is governed by the principle of subsidiarity and implemented in shared management, Member States have the possibility to define eligibility criteria and commitments, going beyond what are strictly required under the EU rules. However, DG AGRI systematically advises Member States not to impose on their beneficiaries additional obligations that are not needed in view of contributing to achievement of operations in line with the priorities of the policy, while creating unnecessary additional burden.

In the 2014-2020 period, all operations included in the rural development programmes have to be controllable and verifiable and the assessment has to be carried out jointly by the managing authority and the Paying Agency.

In the context of preparing action plans to reduce rural development error rates, Member States have been requested to assess the impact of obligations going beyond EU legal requirements and to include targeted actions in their action plans in view of reducing the error rate.

As a result, some programme modifications have been submitted for approval to the Commission. For instance, a Member State removed the requirement to market the organic production as an eligibility condition. Another Member State abolished their additional requirement to maintain investments beyond the 5 years period provided for by the EU legislation.

KP4 rural employment rate stable in 2014

8. In 2014 the employment rate in rural development recovered at 63.3% even though agriculture is gradually taking a lower share of overall employment: 8 millions of CAP beneficiaries.

How can the Commission be sure that the recovery of the employment rate in rural area is actually and solely the effect of the rural development measures and not for instance an effect of the cohesion policy or of national and regional policies?

The objective of maintaining and creating jobs in rural areas is not solely pursued by the CAP measures and funding and the Commission has never claimed that this is the case. Rather, the objective of maintaining and creating rural jobs is shared with many other EU instruments, notably other ESI Funds. Accordingly, rural development programmes work in complementarity with these other funds towards this common objective (e.g. in the fields of broadband, training and infrastructure projects).

The creation and maintenance of rural jobs is of critical importance for the vitality of rural communities and the protection of the rural environment as well as balanced territorial development.

The effects and impacts of rural development operations on employment are assessed regularly through monitoring and evaluation. The ex-post evaluation will assess, to the extent possible, the net effect of the rural development programmes on the maintenance and creation of employment in rural areas, being one of the three main priorities under this policy.

Through rural development in the 2014-2020 period, 50 million citizens are expected to benefit from improved services in rural areas, 153 million citizens to be covered by a local development strategy and 18 million citizens in rural areas to benefit from an improved broadband network and ICT services.

9. Regarding the five key performance indicators in general, would you please expand your evaluation? Would you scale it on a positive trend?

On the one hand, the key performance indicators point to a challenging current situation for some farmers. As already indicated [see reply to question 6], prices for pig meat and dairy products have been low. As a result, a weighted average of EU agricultural prices was even below the world market level in 2015.

In broad terms, this is in line with the target of getting generally closer to world market prices (it is not intended that the EU market should exactly track or match world market prices), so that EU farmers are market-oriented; but it does reflect particular difficulties for some farmers – difficulties which exerted downward pressure on agricultural factor income per full-time worker. However, in the medium term the values for this indicator are on the rise. The most recent indications show a recovery in prices, which will feed into improved incomes. This can, at least in part,

be attributed to the intervention of the Commission to provide significant levels of support (in excess of €1 billion) to support particularly hard-hit sectors. Furthermore, the economic picture for rural areas as a whole (all sectors included) is brightening after difficult years: the employment rate is climbing again after being hit hard by the economic and financial crises of 2008/2009.

With regard to the environment, it is encouraging that, according to early analysis now available¹, 72% of EU agricultural area is subject to at least one "green direct payment" obligation while substantial areas of land are covered by contracts funded by rural development programmes to improve management of soil, water and biodiversity, as well as to limit climate change².

According to DG AGRI's Annual Activity Report, the error rate for the CAP as a whole stands at 2.02% for 2015, confirming the positive trend observed in previous years. When considering also the corrective capacity, at 1.87% of the expenditure in 2015, the remaining risk to the EU budget is significantly below the materiality threshold.

10. Has the measurement of performance improved in 2015? Did you make a progress in collecting qualitative information from the Member States?

The measurement of performance has further improved in 2015 compared to the previous period. The Common Monitoring and Evaluation Framework (CMEF), covering for the first time both pillars of the CAP, was set up for the 2014-2020 period in view of monitoring CAP performance. The system was developed in close cooperation with the Member States' administrations and is based on existing data sources to avoid additional burden and cost.

Based on the Commission Implementing Regulations 808/2014 of 17 July 2014 and 834/2014 of 22 July 2014 laying down the indicators, further work has been done to provide guidance to the Member States and collect reliable information. (http://ec.europa.eu/agriculture/cap-post-2013/monitoring-evaluation/index_en.htm)

A number of data sets – providing detailed information on data definition, data sources, level of geographical detail or reporting frequency and delay have also been made available via the internet:

http://ec.europa.eu/agriculture/cap-indicators/index_en.htm

The work done will ensure that all data providers work on the same basis and that data users understand what the data represent. This information will be further updated and expanded in the future.

See also reply to question 25.

¹ http://ec.europa.eu/agriculture/direct-support/pdf/2016-staff-working-document-greening_en.pdf

² E.g. 17.7% of farmland and 3.5% of forest area in the case of biodiversity, according to aggregated targets from rural development programmes – see <http://ec.europa.eu/agriculture/events/2016/rural-development/fact-sheet.pdf>

Compliance issues: first pillar

11. For the first time in 2015, certification bodies were required to ascertain the legality and regularity of the expenditure. DG AGRI could only use these opinion to a very limited degree because of significant weaknesses in methodology and implementation. Could you please explain these weaknesses in more detail and provide some ideas for solution.

Please see the Commission's consolidated reply to questions 11 & 12, under question 12.

12. Despite the fact that 2015 was the first year that the certification bodies of the Member States have the duty to check the legality and regularity of the transactions there is still a real problem of reliability of the Member States data. How can the Commission explain this state of play? What has DG AGRI done in order to redress the situation?

In this first year of implementation, the work done by Certification Bodies on legality and regularity can only be used to a limited extent. This work was assessed by the Commission through several components. The main reasons for the limited reliance on the Certification Bodies' work on legality and regularity were as follows:

- Timing of the audit work: because certain Certification Bodies were nominated late or because of inadequate planning of the audit activities, often the verification of the on-the-spot controls done by the Paying Agency in claim year 2014 (paid in financial year 2015) was only done in 2015, resulting in partially ineffective checks because the situation of the land parcels or animals concerned might have changed in the meantime;
- Technical skills and legal expertise: detecting errors in the CAP expenditure requires a lot of very specific skills and expertise, to be able, for instance, to very precisely assess the eligibility of land or to check in details that a given procurement procedure respects all applicable rules. Many Certification Bodies have still to learn more and develop further their abilities in detecting deficient controls;
- Inadequate audit strategy for the first year: no integrated sampling and error evaluation were possible to use leading to insufficient testing for one or both audit objectives;
- Too small sample sizes: most Certification Bodies limited the size of the samples to the minima set in the Commission guidelines, without considering for instance the limitations to the effectiveness of their checks resulting from the late timing or from the learning curve.

Nevertheless, there are a number of encouraging messages to be taken from the 2015 exercise as well as a number of lessons learned for the future.

While the work of a number of Certification Bodies has not achieved the high standard necessary with regard to certifying the legality and regularity of EU expenditure, it constitutes a first important step along the road to a single audit approach and towards a better accountability at national level with regard to the legality and regularity of CAP expenditure. On the basis of the first year of application of the new arrangements, conclusions can hardly be drawn for the intended purposes, i.e. validation of the control statistics. However, the fact that there is a layer of control by a body of professional auditors can only, over time, result in an improvement in the management and control systems in the Member States.

The Commission will continue to guide and support the Member States in their efforts to improve and consolidate the work done by the Certification Bodies, to ensure that in the coming years, the extent to which assurance can be drawn will increase. Two meetings with experts for all Certification Bodies were organised in 2016, to share experience and discuss improvements to the guidelines. The Commission is updating the guidelines to reflect the experience gained so far. The Commission will also continue to audit on the spot the work done in around 15 Certification Bodies per year and issue tailored recommendations to each of them. In addition the Commission will continue to carry out desk reviews for all Certification Bodies in the context of the annual financial clearance.

13. The reliability of the data in the Land Parcel Identification System (LPIS) database has improved over recent years, but we still detect errors in declared land area. Has the Commission already worked out the solution to this problem?

Member States are required since 1997 to have in place a Land Parcel Identification System (LPIS) in order to inform the farmer of what is eligible land and to enable checks on land parcels under the Integrated Administration and Control System (IACS).

Member States have developed and improved over the years the data in the LPIS and its functioning. The LPIS is now in most of the Member States a very reliable administrative and control tool, as also confirmed by the European Court of Auditors in its 2015 Annual Report, point 7.17. However, as it must be constantly kept up-to-date to reflect the reality on the ground, an LPIS requires regular updates with recent imagery and then the digitising of reference parcels (excluding ineligible elements) in a uniform manner. This requires the necessary budget for image acquisition and trained personnel. The Commission notes that where Member States omit to properly maintain their LPIS update process, the subsequent overhaul action may take time.

To ensure a continued update, the legislation provides for an annual LPIS quality self-assessment by Member States using a common methodology developed by the Joint Research Centre (JRC) of the Commission. The Commission monitors the results of these self-assessments and the remedial action taken the Member States when the benchmark is not met. The effectiveness of the implementation of the remedial action is subject to regular audits.

14. What kind of scrutiny and remedial actions are to be taken by the Member State and DG AGRI regarding the reservations for the paying agencies?

For reservations accompanying the declaration of assurance by the Director General, Member States are requested to design and implement action plans. They must include an appropriate time schedule, in order to remedy the identified weaknesses. (It is also possible that issues leading to a reservation are already covered by ongoing corrective actions, so that there is no need to request a new action plan for that reservation).

DG AGRI closely monitors the proper implementation of these action plans on the basis of the reporting done by the Member States and, when necessary, accompanies the national authorities with guidance and support in order to assess the implementation of the remedial actions.

Nevertheless, it ultimately is the responsibility of the Member State to implement the necessary corrective measures and failure to do so is addressed by the Commission via suspension/reduction of payments in line with Article 41(2) of Regulation 1306/2013.

In order to protect the EU budget, the expenditure by the Paying Agencies concerned by a reservation is placed under reinforced scrutiny. This entails in most cases a conformity clearance procedure which can trigger net financial corrections in order to recover the ineligible expenditure to the EU budget.

15. What is the problem at the origin of the reservation concerning France? Last year we were reassured that the action plan would be smoothly executed. Why does it take so long to redress the situation? Deficiencies in the Landfill Parcel identification System were detected before 2010 already.

In France, Commission audits identified recurrent problems in the updating of LPIS, i.e. (ineligible) land for which aid is paid and in the distribution of the entitlements. This was also confirmed by the Court of Auditors' audit work.

The Commission wants to make sure that farmers receive support as they should, but that only the eligible land is paid.

In shared management, it is for Member States to organise their control and management system. Member States accredit their paying agencies. The role of the Commission is to ensure that Member States respect the general conditions set out in EU law and if necessary to take pre-emptive or corrective actions. It is important, therefore, also to recognise the responsibility that Member States have with regard to control and management systems, which is not always fully appreciated.

On the French action plan the Commission services are regularly reporting, conducting meetings and missions to check the effective implementation of the action plan. This action plan was initiated in 2013 at the request of DG AGRI services and has been closely monitored since then.

The entitlement issue has been corrected in a satisfactory way. The issue regarding the updating of LPIS remained open and incurred serious delay.

However, despite the efforts deployed by the French authorities, the progress was judged insufficient to remedy adequately the weaknesses and the reservation was carried forward. In light of the situation, a decision was taken to suspend payments to France for payments for claim year 2015 (2016 financial year) in order to protect the EU budget.

Conformity clearance procedures have been finalised in respect of financial years 2009 to 2013 and significant financial corrections have been made. For subsequent years, the conformity clearance procedure is on-going.

The fact that the action plan was not completed in time for the implementation of the CAP reform also had an impact on the French authorities' capacity to define eligible land under the reformed CAP.

16. Why DG AGRI did not issue a reservation as to the deficiencies detected in Greece and Bulgaria? In particular, in Greece the Landfill Parcel Identification System is not yet in order: there is still a problem with the integration of “permanent pasture”. Why the Commission is so optimistic about the situation in Greece whilst there has been a problem with the parcels in Greece for more than 10 years.

The main issue with the Land Parcel Identification System (LPIS) in Greece concerned ineligible permanent pasture under the pre-reformed CAP. Greece made great efforts to update its LPIS. Some actions were still needed but, in general, the situation is under control. The area recorded as eligible pasture in LPIS has decreased from 3,6 million hectares in 2012 to 1,5 million hectares in claim year 2014. This situation has also been confirmed by the European Court of Auditors.

Also the error rate went down. For direct payments in Greece, the error rate in financial year 2015 (claim year 2014) is at 2.14%, compared to 4.53% in financial year 2014. As laid out in the 2015 Annual Activity Report of DG AGRI, the residual amount at risk was subject to a reduction in the 2015 financial year. Therefore, there was no expenditure at risk for which a reservation would be needed.

With regard to Bulgaria, there are no indications that in the year in question there were weaknesses in the LPIS which would justify a reservation. However, recurrent problems related to the performance of on-the-spot checks in the bovine sector have been found for which a reservation has been issued in the 2015 Annual Activity Report.

17. In Slovenia, a DG AGRI audit (see DG AGRI AAR, annexe 10 p 117) revealed a case of artificial creation of parcels; the case is covered by a conformity procedure but is that a simple case of error or should it be communicated to the OLAF as possible fraud case?

Issues are referred to OLAF only where there is evidence or suspicion of fraud. In this case, there was no such evidence or suspicion and no basis on which to refer the matter to OLAF.

The issue concerned parcels which have just been bigger than the minimum parcel size of 0.1 ha. The Commission found some parcels in which very small ineligible surfaces have been included in the parcel in a way that the parcel fulfilled the minimum parcel size. The Commission concluded that such parcels did not fulfil the definition of agricultural parcels as laid down in the CAP legislation and a financial correction was decided. Slovenia challenged the decision in the Court of Justice of the European Union, which ruled in favour of the Member State.

18. According to the Annual report, there were some issues identified concerning the LPIS in Turkey. Can these “some issues” be identified by the Commission?

Such issues were identified during the audit mission carried out between 19 and 23 October 2015 in view of entrustment for implementing the Agri-environmental measure under IPARD II on a pilot basis. These issues concerned only one district counting 60 villages. They concerned:

a) Digitization of the ortho-photos in the Agricultural Information System (the Turkish version of the LPIS), which in some areas did not contain sufficiently reliable and accurate information on agricultural parcels.

b) The Agricultural Information System was not updated by the IPARD Agency following on-the-spot controls and, therefore it may contain inaccurate information on the agricultural parcels.

Turkey will be able to implement the IPARD II Programme only after entrustment has been granted by the Commission, i.e. pending the Commission being satisfied that the management and control system put in place by Turkey meets all the relevant requirements.

Rural development

19. Even though the error rate for rural development went down, it is still quite high. What are the main causes and what remedial actions have been taken?

The downward trend experienced in the last 3 years in the error rate for rural development reflects the efforts made, by the Commission and Member States, to identify the root causes of errors and implement the necessary corrective and preventive actions.

The main causes for errors are still mostly linked to investment measures, due to Member States' insufficient checks of eligibility criteria, deficient evaluation of the reasonableness of costs, and incorrect implementation of public procurement procedures. Area-related payments represent less than one third of the error rate, mainly in relation to over-declaration of areas and commitments not verified.

DG AGRI is monitoring action plans established by Member States to address the deficiencies identified in the management and control systems. In addition, several trainings were organised to share good practices in the implementation of rural development programmes, and guidance is constantly delivered on specific topics. In March 2016, DG AGRI organised the 6th seminar on error rates under rural development, with the presence of all managing authorities and Paying Agencies of Member States. The next seminar is scheduled for June 2017.

20. In rural development there is still a problem with the reliability of the data communicated by the Member States as after adjustments by DG AGRI 36 Paying agencies have an error rate above 2% whilst only one made a qualified declaration.

What about the situation in France with an error rate of 15 % and in Portugal with an error rate of around 10%?

The adjustments made by DG AGRI to the error rates reported by Member States are based on deficiencies in the management and control systems identified during Commission audits or any other available audit information. These deficiencies result in errors being not detected; the adjustments (top-ups) represent the best possible estimate of the amounts of errors not detected. These differences between the error-rates reported by the Member State and DG AGRI's adjusted error rates should therefore not be seen as a problem of reliability of the control data of Member states but rather as a quantification of the deficiencies identified in management and control systems. Action plans were implemented to remedy the identified systemic deficiencies: an effective management and control system produces control data that can be used for assurance without adjustment.

Regarding France and Portugal, several adjustments were made by DG AGRI for both area and animal related payment and for investments, based on the findings of audits having an impact on financial year 2015 expenditure.

More specifically, as regards France, adjustments were necessary because in 2015 a DG AGRI audit found that not all of the previously detected weaknesses in the livestock density controls had been remedied. The Certification Body also found a high level of errors in the 2015 expenditure. Moreover, several DG AGRI audits between 2013 and 2015 found weaknesses in the controls pertaining to measures for young farmers, non-productive investments, modernisation of agricultural holdings and the measure for adding value to agricultural and forestry products.

As regards Portugal, adjustments were necessary because DG AGRI audits between 2013 and 2015 revealed weaknesses in the controls pertaining to investment measures for public and private beneficiaries, LEADER, young farmers and measures related to area or number of animals claimed.

Finally, the risk to the EU budget is covered by the ongoing conformity clearance procedures and financial corrections will be applied where appropriate.

21. In the Annual report it is stated (page 51), that 17 reservations from 2014 are repeated in 2015 as the remedial actions plans are still underway. Were these

action plans finished in 2016? If not, does the Commission know why it takes that long for Member States to take action?

Action plans, addressing the underlying causes for reservation, are systematically monitored, and they are updated (twice a year) by the Member States concerned. In the annual review meetings with the Managing Authorities and in the Monitoring Committees, this issue of error rates is regularly brought to the agenda.

The 17 Paying Agencies concerned are still under reservation for different reasons. Ultimately, it is the responsibility of the Member States concerned to ensure that the necessary remedial actions are taken to have the reservations lifted.

Often, reservations result from a range of audit findings and the action plan is not deemed to be completed until there is assurance that all remedial actions covering all identified deficiencies in the management and control system, which may take more than one year. There are also certain corrective actions carried out by Member States that need a follow up audit mission by the Commission to get sufficient assurance that the deficiency has been actually remedied. In some cases the actual result of implemented corrective cannot be immediately assessed.

For the reservations included in the AAR 2015, there are 16 action plans with a total number of 154 actions: 57% have been implemented, 21% are ongoing, 21 % are planned and 1% is overdue. The next reporting exercise will come in February 2017 and will cover the reservations in the 2016 Annual Activity Report.

Market measures

22. Why has the reservation concerning the pre recognition of producers group been carried over for Poland? This is a recurrent reservation concerning a deficiency detected for a while and reported on in the 2013 annual report of the ECA. How is it possible that the situation is not yet redressed?

In 2013, serious deficiencies were detected in the control system for aid to producer groups (PGs) in Poland. The reservation introduced in the 2013 AAR on preliminary recognition of producer groups (PGs) in Poland has been carried over since then in view of the persistence of grave deficiencies with widespread irregularities in the control system of PGs.

In May 2014, the Commission requested Poland to implement an action plan of remedial measures in the control system of aid to PGs. Based on DG AGRI's monitoring missions, the serious deficiencies and inadequacy of the implementation of corrective actions were confirmed. The actions undertaken by the Polish authorities demonstrated that the objectives of Poland's action plan had not been met, the recognition of ineligible PGs had not been withdrawn and aid continued to be paid. Furthermore, Poland notified that the implementation of the action plan would be delayed.

For this reason, the Commission concluded that Poland was not in a position to implement the necessary remedial measures timely. The Commission therefore

proceeded in April 2016 with the suspension of monthly payments to Poland at a rate of 25%, representing the level of risk to EU Fund, in respect of aid for preliminary recognition of producer groups.

Conformity clearance procedures led to financial corrections of 55.5m EUR in June 2015 and 115.8m EUR in November 2016 covering the financial years from 2009 to 2013. Conformity clearance procedures are underway in respect of subsequent years in order to protect the EU budget.

A serious obstacle to the redress of this deficient control framework in Poland has been the lack of supervision and monitoring at national level of the quality of the work carried out by the national authorities, partly due to national delegation of recognition responsibilities to third bodies representing regional governments, and a lack of immediate follow-up vis-à-vis ineligible PGs. Delays from the Polish authorities in the implementation of the action plan have also been noted due to lengthy administrative procedures and internal reorganisations of delegated tasks.

23. Is the Commission of the opinion, in view of the repetition of the crises in the dairy sector, that the CAP is really performant? Are those multiple crises not the evidence that the CAP does not function as a safety net?

The "safety net" offered by the CAP actually consists of a number of strands. Traditional instruments for moderating price fluctuations (mainly public intervention and private-storage aid) are only one of those strands. Central to the safety net principle are the direct payments, which help significantly to stabilise farm income.

At the same time, support through rural development programmes – for training, investments, technological development and various forms of co-operation – help farmers in the medium term.

Another strand was available to address the problem of low dairy sector prices: provision for "exceptional measures" which the Commission has deployed.

This overall approach has in fact contributed effectively to supporting farmers, often at times of difficult market conditions. In a market-orientated policy, prices will inevitably fluctuate from time to time. There is no evidence that the recent difficulties in certain market sectors result from any difficulties with the functioning of the safety net. In fact, the opposite is the case. These crises were essentially the result of external factors and, without the safety net, the situation for farmers would have been considerably worse. Nor should current difficulties obscure the broader successes of the CAP.

The EU farm sector responds primarily to market signals rather than signals from support instruments, and on this basis is at the core of an agri-food sector which achieves annual exports worth EUR 120 billion or more – and which sustains around 44 million jobs.

The CAP underpins these achievements while helping to care for the environment and the social fabric of rural areas far more effectively than it did when it was sharply focused on price support.

Performance Based Budget approach

24. How did you include the principles of Economy, Efficiency and Effectiveness in your daily operations and annual planning and controls?

Under shared management, Member States are responsible for carrying out the controls, while the Commission audits the proper functioning of the national management and control systems.

The legislative framework for the new programming period was completed in 2014 and following the first years of full implementation of the new policies the Commission proposed amendments in order to introduce certain simplifications of the controls system.

During this period, reducing the cost of CAP management and control, while at the same time ensuring the sound financial management of the CAP funds was one of the goals of the Commission's proposals.

The Commission considers that with these changes, we are moving towards greater simplification in order to remove unnecessary and/or reduce administrative burden which should result in an increase of cost-effectiveness.

Currently there is no information available as to how far simplification measures adopted and implemented or proposed by the Commission have resulted in a reduction of costs of managing and controlling CAP expenditure.

25. What Key Performance Indicators have you included in your planning and how did you check up on their achievement?

The four key performance indicators (KPIs) which monitor the core aspects of the CAP are Agricultural factor income, EU commodity prices compared to world prices, Minimum share of land with specific environmental practices/ commitments and rural employment rate. The fifth key indicator linked to the achievement of the internal control objectives is the error rate and corrective capacity.

Achievements measured by the five KPIs are presented each year in the AAR. Beyond this, to constantly assess the results of the CAP, for the current period a Common Monitoring and Evaluation Framework (CMEF) covering both pillars of the CAP was set up. The CMEF was developed in close cooperation with the Member States' administrations and is based on existing data sources to avoid additional burden and cost. The data collection mechanisms and data defined for the CMEF are laid down in Implementing Regulations 808/2014 and 834/2014. The framework is designed to deliver solid information on the performance of the CAP with a view to providing reports in 2018 and 2021 – in line with the legal obligations. Together with information received from Member States this information is used for the management of the CAP.

26. What follow-up measures did you introduce following the annual revision of the goals achieved?

The DG AGRI Annual Activity Report and the Management Plans give an exhaustive annual overview of the measures taken based on the information available. It should be noted however that it takes time for the results of a policy to become visible; given the recent implementation of some CAP measures, it would not be realistic to already expect important changes in indicator values for 2015, being the first year of implementation of the new CAP during which many of these measures were applied.

27. Have you also set medium to long-term goals allowing you to also check the effectiveness and not just the efficiency of your operations?

The overall medium and long term goals are the CAP objectives as laid down in Article 110 of the Horizontal Regulation (Regulation 1306/2013). The results and impact of the CAP measures (their effectiveness, efficiency, relevance, coherence and added value of the EU intervention) are assessed against these. Additional to the yearly DG AGRI Annual Activity Report, the Commission will present a report on this by the end of 2018 and 2021.

Conflict of Interests (Rules and control mechanism)

28. What measures / rules has your DG had at your disposal or had introduced in 2015 to prevent and fight against the conflict of interests? How did those rules changed up till today?

Maintaining high ethical standards and preventing conflict of interest are priority issues for DG AGRI. In doing so, the DG implements the Commission's general Ethics policy. The main policy innovation in 2015 is the publication of the first Annual Communication on the application of Article 16(3) regarding the prohibition of lobbying and advocacy for senior managers having left the service and during one year after retirement. It also launched a process of revision of the Decision C(2013) 9037 on outside activities and assignments with a view to adapting it to the experience gained in the previous years. Discussions related to the adoption of new rules on outside activities and assignments are ongoing. The obligation not to disclose unauthorised information unless it is already public or made accessible to the public has also been at the top of the concerns with a specific focused reflection upon it in 2016.

In addition, in 2015 the Commission made a commitment to enhanced transparency regarding contacts with stakeholders and lobbyists and therefore meetings can only be held with those people or organisations that have signed up to the EU's transparency register. As part of good administrative practice, and in conformity with ethical principles, in their contacts with interest representatives, DG AGRI staff shall also meet only professional organisations or self-employed individuals, which are registered in the transparency register. In this regard, a practical guide on transparency register for meetings of DG AGRI staff with organisations or self-employed

individuals has been circulated in DG AGRI. Regular reminders are sent to the staff and in general rules are well respected.

In DG AGRI's efforts to ensure high ethical standards a key feature is the involvement of its senior management. The tone is given at the top and the Director-General sends on annual basis a message to staff on ethical values reminding the main rules and practices and highlighting a specific aspect of relevance for the concerned period. The 2015 reminder included a reference to the new Ethics module on Publications and Speeches in SYSPER.

To be noted as well that newcomers in DG AGRI are requested to follow compulsory training on ethics (in 2015 97 % of newcomers in DG AGRI attended the obligatory training courses, including the training on ethics).

AGRI staff is therefore well aware of the individual obligations and it is used to respect the rules to exercise their duties of independence, impartiality and discretion in the contacts with Member States, agricultural stakeholders, interest groups and in when dealing with public procurement issues.

29. Do you have any regular/ad hoc controlling mechanism at place?

All notifications of conflicts of interest, gifts, external activities, spouse's employment, or publications or speeches on EU-related matters are subject to a prior authorisation procedure involving the corresponding hierarchical superiors, the specialised scrutiny of DG AGRI's Ethics Correspondent and, in certain instances, also of DG HR services.

Managers as part of their supervision activities regularly remind their staff on ethical rules and have to report on this in their management supervision report. These reports are analysed by the Ethics Correspondent of DG AGRI who contacts those managers that have signalled a specific case or have asked for support. In 2015, two managers were contacted and the Ethics Correspondent was able to provide adequate support in the form of discussions during unit meetings on particular ethics-related issues, such as contacts with external stakeholders or social media.

30. Were there any cases reported, investigated and concluded in 2015?

One potential conflict of interest case was reported by AGRI to the Commission's Investigation and Disciplinary Office in 2015. This Office transferred the information to OLAF for further follow-up. OLAF is currently investigating the allegations. In the Ethics module of SYSPER a total of 103 requests for authorisation were encoded during 2015.

Gift and hospitality declarations:	6 requests
Public speeches or publications:	22 requests
Spouse employment declarations:	10 requests
Request authorisation for outside activity:	36 requests (1 retrieved)
Outside activity while on leave on personal grounds:	29 requests

Achievements and Successes

31. Please name 3 of your main achievements and successes in 2015.

With regard to the CAP general objective "viable food production", one of the main successes of 2015 was that EU agri-food exports increased by 6% in value year-on-year, passing EUR 129 billion. This involved increasing exports to destinations such as the US and China to make up for the impact of the ongoing Russian embargo, which cut sales to Russia by 39%.

The CAP continued to support this success through action over market stabilisation and the operation of supply chains, through implementation of the new direct payments system and the new rural development programmes, and through an EU promotion policy reinforced with a larger budget.

With regard to the general objective "sustainable management of natural resources, and climate action", an important success was the good level of coverage of land with environment- and climate-related CAP instruments. According to early analysis now available, 72% of EU agricultural area is subject to at least one "green direct payment" obligation, while substantial areas of land are covered by contracts funded by rural development programmes to improve management of soil, water and biodiversity, as well as to limit climate change (e.g. nearly 18% in the case of farmland biodiversity) .

With regard to the general objective "balanced territorial development", an important success is that next-generation broadband internet access in rural areas reached 25% by the end of 2014, which is an increase from less than 20% in 2013. This success was supported by rural development programmes.

Challenges Ahead

32. Please present the main challenges your DG is facing?

In general terms, DG AGRI must help ensure that the design and implementation of the CAP achieve the best possible economic, environmental and social outcomes. This means helping farmers to operate effectively in a market characterised at present by low prices and some price volatility. It also means helping them to raise productivity while caring for the natural environment, cutting greenhouse gas emissions and adapting to climate change. It further means nourishing opportunities for work and general living in rural areas – at a time when agricultural employment is falling in some regions.

More specifically, DG AGRI is called upon to help to achieve these outcomes from the CAP partly through continuing implementation of the 2013 reform, and partly through the ongoing work of "simplification and modernisation of the CAP" agreed in the Commission Work Programme 2017.

Room for Improvements

33. Please present your view on the possible improvements in operations, activities and results achieved.

The Commission will take forward work and consult widely on simplification and modernisation of the Common Agricultural Policy to maximise its contribution to the Commission's ten priorities and to the Sustainable Development Goals. A simplified and performance-based policy should be at the centre of any future reflections.

Simplification

34. In reference to Parliament's own-initiative report on "protecting the European Union's financial interests: towards performance-based controls of the Common Agricultural Policy" and Parliament's request to the Commission to come forward with concrete proposals to simplify the Common Agricultural Policy, asks the Commission to inform Parliament about the concrete proposals in this regard.

In early 2015, the Commission launched a screening exercise of the entire agricultural acquis to identify the simplification potential. In this context Member States, the other EU institutions and stakeholders were invited to submit proposals. More than 1500 proposals were received in the context of this exercise. As a follow up, four waves of simplification changes have been introduced in Delegated and Implementing Acts, as well as guidelines.

The Commission has now tabled a range of more technical changes to the 4 CAP Basic Regulations. The new proposals are part of the Omnibus Proposal which was published as part of the review package of the Multi-Annual Financial Framework. The measures proposed are aimed at further simplifying the policy with a view to easing the burden on and making life easier for both farmers and managing authorities. While many of the measures proposed are quite technical in nature, a number are more significant and should have a substantial impact on the simplification of the CAP.

For instance, as regards the CMO simplification, over 200 Commission regulations will be reduced substantially to around 20 delegated and 20 implementing acts:

- 8 new delegated regulations and 6 new implementing regulations have been adopted and published in the OJ;
- 30 regulations have been repealed (as a consequence of the above activity) or are time expired;
- a further 6 delegated regulations and 6 implementing regulations are in the pipeline planned for adoption by end-2016;
- 57 regulations have been declared obsolete.

Please see in Annex II further details on the simplification activities from the beginning of Commissioner Hogan's mandate.

2014 Discharge follow-up

35. What actions did the Commission take in order to:

- a. take appropriate measures to strengthen the action plans in Member States so as to identify the most frequent causes of error; and revise the strategy for rural development conformity audits? As mentioned in the follow-up, e.g. the public procurement breaches have been identified, but according to ECA's annual report breakdown, the error rate concerns the non-respect of procurement rules as well as overstated number of eligible hectares .

Rural development is a targeted and therefore complex policy which makes it inherently more prone to errors.

Member States are taking actions to address weaknesses in the checks of public procurement procedures. 36% of the actions currently monitored in action plans focus on this topic. Furthermore, there are 31 rural development programmes where the ex-ante conditionality on public procurement was not fulfilled at the moment of adoption, and where specific action plans are being implemented and should be completed by the end of 2016.

For rural development, the over-declaration of areas is a minor source of errors. The over-declaration of areas is being addressed through regular updates of the Land Parcel Identification System (LPIS) in Member States. (Please see reply to question n. 13). As stated by the Court of Auditors in its Annual Report 2015, "thanks to action plans set up by the Commission and the Member States, the reliability of data in the LPIS has been constantly improving over recent years".

The Commission is closely monitoring the action plans implemented by the Member States, including during its audits. The Commission intensified its audit work since 2015 to protect the EU budget through dedicated in-depth audits on public procurement rules (in 2015: Germany, Romania, Spain, and Bulgaria, in 2016: Poland, Italy, Greece, and Hungary; others are planned in coming years). Besides these dedicated in-depth audits, the Commission always includes checks on public procurement rules and reasonableness of costs when auditing the controls to be carried out by Paying Agencies for rural development investment measures. In any event, shortcomings with the public procurement procedure do not necessarily mean that the overall expenditure was ineligible.

Finally, simplifying the implementing tools of the policy could help further reduce the error rate. For instance, the Commission is actively promoting the use of simplified cost options in rural development. Besides, recent amendments of legislation allow for an early detection and prevention of irregularities in respect of area claimed (pre-checks on payment applications), which will most likely reduce the level of errors.

- b. facilitate synergies in the natural resources area to eliminate its current heterogeneity of supportive actions? As stated in the follow up, the Parliament is aware of the fact that the two pillars work in a complementary manner, but

what Parliament wants the Commission to achieve is facilitating synergies directly as one action (if possible).

The Commission has deployed considerable efforts to maximise synergies in the area of natural resources by helping Member States to ensure that their new rural development programmes complement the activity of direct payments (primarily cross-compliance and the "greening" layer) as well as possible.

The Commission did not go for eliminating the "heterogeneity" of types of support. At present, this is certainly not possible (as the CAP consists of two pillars for the time being) and it is probably not desirable (as different challenges in different regions require somewhat different policy responses).

Area-related payments under rural development must be linked to commitments that go beyond what is required by other CAP schemes. This way, double funding of the same expenditure item is avoided, while complementarity between pillars, schemes, and measures is ensured. The Commission considers better integrating the delivery mechanisms of different pillars in the post-2020 CAP.

- c. report in detail to Parliament on the implementation of the capping in CAP direct payments Member State per Member State? Did the Commission already consider the issue?

The Commission has not foreseen any specific report to the Parliament on the implementation of capping by Member States beyond the reinforced reporting in the Annual Activity Report (AAR) and the informative notes on Europa website on the decisions taken by Member States in their implementation of the 2013 reform of direct payments:

http://ec.europa.eu/agriculture/direct-support/direct-payments/index_en.htm

- d. draft proposals with a view to sanctioning false or incorrect reporting by paying agencies including the three following dimensions, namely inspection statistics, statements by the paying agencies and the work of certification bodies?

The Commission does not have any indication that the Paying Agencies report false information. The Member States provide the results of their actual controls.

EU legislation provides for a set of accreditation criteria to be respected by the Paying Agencies in order to process EU subsidies to a professional standard. Besides, the Certification Bodies are required to give an opinion on the legality and regularity of the expenditure included in the annual accounts submitted by the Paying Agencies.

The statistical data communicated includes all detected errors. Errors that were not detected due to weaknesses in the control systems cannot be reported. The Commission is working with the Member States to help them improve the

effectiveness of their control systems, to advise and support them. This is done mainly through actions plans which are closely monitored by the Commission services.

As to sanctioning, the Commission did not make any proposal in the sense referred to in the question. When the Commission is aware through its audits that the control systems have weaknesses, it adjusts the originally reported error rate in a way that reflects the magnitude of the non-detected errors.

Where there are persistent deficiencies in the control systems, the Commission may suspend payments, based on Article 41(2) of Regulation (EU) No 1306/2013. But this article is not a sanction mechanism for "incorrect or false reporting".

Similarly, in accordance with Article 42 of Regulation (EU) No 1306/2013 the Commission may suspend payments where the Member States do not submit in time the information on the number of checks and their outcomes. This Article applies in case of absence of reporting and again it is not a sanction mechanism for "incorrect or false reporting".

This overall approach has proven its merits, with error rates going down.

- e. take appropriate measures to require that Member States' action plans in rural development include remedial actions addressing frequently-found cases of error

DG AGRI asks Member States regularly to take corrective actions to address causes of errors, including those resulting from audit findings. Action plans are being closely monitored in annual review meetings, monitoring committees, and periodic updates.

An annual seminar on error rates, involving Paying Agencies and Managing Authorities, is organised to reflect the state of play in the implementation of action plans and to share good practices.

The next annual meeting is planned in June 2017. DG AGRI is organising training sessions and exchanges of good practices in cooperation with the European Network for rural development.

Please also refer to replies under question n. 19.

- f. ensure complementarity between Union funds in order to mitigate the risk of double-funding and duplication of administration in knowledge-transfer and advisory measures;

DG AGRI continues to monitor enforcement of the rules related to the funds for which it holds responsibilities. These rules include the obligation on Member States to prevent double funding for any given operation.

Issues of synergies and complementarities with other funds (notably the ESF) as regards activities linked to knowledge-transfer and advisory services have to be

described in the rural development programmes and are checked at the time of the approval of programmes and their modifications.

In addition, Member States have the possibility to set up multi-funds monitoring committees in order to better complement and align strategies in the implementation of the ESI Funds.

FYROM

36. Why no audit was made in 2015 for the Former Yugoslav Republic of Macedonia?

As regards IPARD II, only the audits performed on-the-spot in the related Member State or Candidate Country are reported as audit missions. In the year 2015 the Commission performed two desk audits with regard to FYROM. As these two desk audits were carried out from the Commission headquarters in Brussels, rather than on the spot, they were not reported as audit missions.

An on-the-spot mission to the former Yugoslav Republic of Macedonia was not planned in 2015 as several missions had been carried out in the previous years and the risk assessment was not such as to require a new audit mission.

The two desk audits carried out in 2015 covered the following:

- Review of the Management and Control System and the annual accounts and financial statements submitted by the former Yugoslav Republic of Macedonia. This information is received annually according to the Sectoral Agreement for IPARD I (2007-2013).
- Review of the request of the former Yugoslav Republic of Macedonia for entrustment of budget implementation tasks (EBIT) for IPARD II (2014-2020). The same measures had already been implemented in the Country in the previous programming period.

An on-the-spot mission to the former Yugoslav Republic of Macedonia is included in the multi-annual work programme for 2016-2019.

Fair CAP

37. Can the Commission confirm that 60 of the richest Spanish families received around EUR 250 Mio in total since 2008 for a period of 6 years? Could the Commission please break down the above mentioned subsidies with the respective amounts, funds and purpose?

In accordance with Article 111 of Regulation (EU) No 1306/2013 the Member States are responsible for the publication of the beneficiaries of CAP Funds. A website is put in place by the Member States allowing the users to search for beneficiaries and have information on the amounts received and for which measure, along with a description

of the measures financed by the Funds, including the nature and the objective of each measure.

The publication of this information is made by the Member States which are responsible for making payments to beneficiaries under shared management. Therefore they are better placed to ensure its accuracy. The Commission itself does not communicate information on individual payments and individual beneficiaries.

Finally, the published information remains available for two years from the date of the initial publication.

Information published by each Member State can be found under the following link:

http://ec.europa.eu/agriculture/cap-funding/beneficiaries/shared/index_en.htm

38. Given the pressure on funds, and on the CAP funding in particular at this critical period for agriculture, does the continuing practice of large payments to major landowners in such as Ireland and the UK represent best value for money to the EU? If not, and given that this is an area of 'shared management' and thus an area where the Commission has shared responsibility, what plans - if any - does the Commission have to end that practice and to place limits on the amounts that can be collected under CAP by any individual landowner in any jurisdiction?

Large landowners exist as a result of factors which are determined mainly at national level (e.g. history, taxation and inheritance law). Some of these landowners receive large CAP direct payments because the payments are allocated on a per-hectare basis. This approach has the advantage of linking payments closely to environmental standards of land management (through cross-compliance and the "greening" layer of direct payments).

The 2013 CAP reform introduced various provisions for redistributing direct payments between beneficiaries: at per-hectare level, through the rules on "convergence"; and in terms of total receipts per beneficiary, through the provisions on reductions of payment amounts above EUR 150 000, on "capping" and on the "redistributive payment". Some of these provisions are optional for Member States. The Commission is monitoring the impact of the reformed direct payments system, whose implementation began only in 2015.

The question of ending particular practices is not one that is exclusively the responsibility of the Commission. Some of these practices are provided for in basic acts, which can only be changed by the co-legislators. In the case of the 2013 reform, the co-legislators decided, not to accept some of the proposals made by the Commission.

Fraud & Corruption (including co-operation with OLAF)

39. What further measures / rules your DG had at your disposal or had introduced in 2015 to fight against fraud & Corruption? How did those rules changed up till today?

DG AGRI had issued guidelines to Member States on the implementation of the new provisions for the prevention, detection and correction of fraud and irregularities in the CAP. In addition, DG AGRI – starting in already in 2014 – had delivered dedicated seminars to Managing Authorities and Paying Agencies on the prevention, detection and correction of fraud and irregularities. These seminars have been organised in all Member States, 18 of them in 2015 alone.

The rules in this area have not changed until today, but in early 2016, Member States were provided with written guidance on assessing the risk of fraud and irregularities.

40. How did you co-operate with OLAF and ECA in the spheres of prevention, investigation or corrective measures?

The co-operation with OLAF continues to be good. Wherever the Commission detects possible fraud or receives allegations of fraud in the CAP, DG AGRI refers them to OLAF for investigation.

DG AGRI takes into account the findings of ECA for establishing its risk assessment in the preparation of the multiannual audit work programme. Systemic findings of ECA are followed up by conformity clearance procedures.

Czech Republic

41. Follow-up of the Commissions responses to the 2014 discharge report (§ 326 - 2014/PAR/0355):

- a. Could the Commission please inform the Parliament about the state of play, findings and measures taken or planned to take with regard to the risk of a possible conflict of interest concerning the State Agricultural Intervention Fund in the Czech Republic? Could the Commission please provide us with further information on possible investigations by OLAF?
- b. In 2015 Mr. J.F. was the chairman of the supervisory board of the State Aid Agricultural Intervention Fund (SZIF) and at the same time Member of the Parliament and member of the board of director of Agrofert.
 - i. What amount of EU subsidies has Agrofert and its subsidiaries received in 2015, 2014, 2013, and 2012, respectively?
 - ii. What is the Commission assessment for the above mentioned conflict of interest?

- iii. Which obligations have chairmen of supervisory boards of paying agency towards the EU? Can these obligations be fulfilled by a Member of a national Parliament benefitting from privileges and immunities?
- c. What measures has the Commission taken or does plan to take to safeguard the financial interest of the EU and to prevent the above stated conflicts of interest concerning the implementation and control over the EU agriculture subsidies in the Czech Republic? Which measures has the Commission taken or does plan to take as regards projects of the same company selected in 2015 and 2016?
- d. What assurance over the legal implementation of the EU funding in the Czech Republic has the Commission received from the Czech authorities considering the conflicts of interests mentioned about? Is it reliable?

Please see the Commission's consolidated reply to all points under this question.

A conformity clearance procedure in relation to potential non-compliance of the Paying Agency CZ01, State Agricultural Intervention Fund (SAIF) with the accreditation criteria set out in the Commission Regulation (EU) No 907/2014 has been opened on 8 January 2016. A bilateral meeting between the Commission services and the competent Czech authorities has taken place. The Czech authorities were given the opportunity to further comment on the Commission's findings and have recently submitted their comments. The Commission is evaluating the latest comments and will take a decision on the result of the procedure in due course.

Failure to remedy a conflict of interest may ultimately result in withdrawal of the accreditation of the Paying Agency by the Competent Authority or in imposing financial corrections by the Commission.

The procedure is still on-going, therefore I cannot comment any further.

As a general comment while there are on-going OLAF investigations in relation to the Czech Republic, these are not linked with the conformity clearance procedure matter in question. However, if at the end of this procedure information related to possible cases of fraud, corruption or any other illegal activity affecting the financial interests of the EU becomes available, this will be transmitted to OLAF by DG AGRI.

42. During the first round of the OP rural development, the Czech Republic distributed over EUR 300 Mio at the end of 2015. The majority of the investment was used for the big chicken and piggery farms and the processing agricultural industry. Another EUR 170 Mio were used for the same purposes. What are the criteria for EU-funding with regard to the industrial processing of agricultural products?

The eligibility criteria related to the funding of processing, marketing, and development of agricultural products are spelled out in Article 17 of Regulation (EU) No 1305/2013.

Under this Regulation, Member States have the possibility to programme such measures, provided that the needs' assessment and the intervention strategy are consistent with these choices.

From a budgetary point of view, the legislation only establishes that at least 30% of the envelope must be devoted to environmental and climate practices and at least 5% must be dedicated to Leader (community-led local development). The Czech rural development programme fulfils these conditions.

43. Beginning 2016, the European Commission implemented a sanction of EUR 30 Mio in the Czech Republic due to insufficient controls with regard to direct payments of the EU agricultural fund. This sanction was the result of a European Commission audit. Could the Commission please provide Parliament with this audit report?

A financial correction of EUR 30 Mio, which is not a sanction but an action to recover unduly spent amounts, was included in the Commission conformity clearance decision ad hoc 51 (Commission Implementing Decision (EU) 2016/1059 of 20 June 2016, OJ L 173, p. 59).

The reasons justifying the correction are explained in the Summary Report accompanying the decision. The Czech Republic decided to challenge the decision in the Court of Justice of the European Union (case T-627/16). The case is still pending. Therefore, the Commission cannot disclose the audit report or other documents leading to the adoption of that correction prior to the final outcome of the litigation.

Staff related issues

44. Are there any unfilled positions in DG AGRI? If yes, how many?

In 2016, DG AGRI concluded a specific agreement with horizontal services spelling out yearly staff reduction objectives for the period until end of 2018. The agreement also includes the timeline to be respected: the return of posts has been set for June and end-December each year. In order to be able to respect these commitments, DG AGRI has proposed a reorganisation to the Commission central services that should be adopted next 30 November. DG AGRI is imposing an extremely strict recruitment limitation since beginning of the year despite a high number of departures. The reallocation decisions linked to this in-depth restructuring and the need to retrieve vacant posts from units so as to be able to return the requested number of posts according to the schedule explains the relatively high number of permanent posts currently vacant in DG AGRI.

DG AGRI has currently (21/11/2016) a total of 74 posts that are vacant out of which 27 are in the reserve and 47 in the units. The vacant posts in the units are partly frozen in view of the reorganisation and future payments and partly in the process of recruitment.

In December 2016 DG AGRI has to return 23 vacant posts and in June 2017 an additional 9 vacant posts. This makes a total of 32 vacant posts.

45. What is the proportion of DG AGRI's staff working in the field of audit?

DG AGRI has an own Directorate dedicated to audit activities, Directorate J. A simple way to calculate the proportion of audit activities is to summarize all posts in this Directorate. However, this includes all administrative support (clerical tasks, financial tasks, event organisation) and management. This method includes thus Directorate J staff not directly involved in audit activities - but on the other hand - does not take account of audit and assurance activities undertaken in other Directorates.

J.1 total staff number	20	posts & ext
J.2 total staff number	21	posts & ext
J.3 total staff number	24	posts & ext
J.4 total staff number	32	posts & ext
J.5 total staff number	30	posts & ext
Total J1, J2, J3, J4, J5	127	

The total number of post and external personnel in DG AGRI on 14/11 was 1053. To be more accurate, the number of FTE dedicated only to audit and assurance related tasks in Directorate J should be added to FTE dedicated to these tasks in operational units. According to DG AGRI's last task mapping exercise performed in 2015, a total of 115 FTE are dedicated to those activities DG-wide.

Miscellaneous

46. According to recent media reports a Romanian archbishop is being investigated for fraudulently claiming EUR 300 Mio of EU agricultural funds. Could the Commission please provide Parliament with further information on this case? Has OLAF opened an investigation?

Under shared management it is for the Member States to carry out recoveries of undue amounts. It is also national competence to pursue criminal offences.

In line with these principles, the case is under investigation by the Romanian authorities. In fact the enquiry was open before any media attention. According to the information of the Romanian prosecutor's office, the amount at stake is EUR 300 000 (and not EUR 300 Mio). As regards EU agricultural funds, the accusations concern claiming ineligible areas such as vineyards and non-respect of the cross-compliance obligations.

DG AGRI is in touch with OLAF and with the Romanian Paying Agency to monitor the situation and to make sure that the Member State continues to follow up the case with due diligence.

OLAF is aware of media reports covering these allegations. As a general rule, OLAF analyses incoming information of potential investigative interest according to

standard procedures. Specialised experts evaluate this information to find out whether:

- It falls within OLAF's competence to act (i.e. it relates to OLAF's mandate to protect the EU's financial interests, if for example EU funds are involved etc.),
- There is sufficient suspicion of fraud, corruption or any illegal activity affecting the EU's financial interests for OLAF to open a case (Regulation 883/2013), and
- Consideration may also be given to whether such information falls within the investigative policy priorities of OLAF.

It is only after such an initial assessment that OLAF decides whether or not to open an investigation. Please note that the fact that OLAF will assess the information received does not mean that the individuals in question are guilty of any wrongdoing. OLAF fully respects the presumption of innocence.

47. What are the largest ongoing rural development projects in terms of the funded amounts?

As outlined in response to question 37, the Commission itself does not communicate information on individual payments/projects and individual beneficiaries.

Information published by each Member State can be found under the following link:
http://ec.europa.eu/agriculture/cap-funding/beneficiaries/shared/index_en.htm

Annex I

Further details for questions 2 & 3

Pillar I - Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives **(0503)**

MS	NC	Farmers	SUM (payments-F106)	AVG	H/L
AT	0503	107 528	705 177 842	6 558	
BE	0503	34 732	550 419 711	15 848	
BG	0503	98 942	643 764 694	6 506	
CY	0503	32 950	51 135 162	1 552	L3
CZ	0503	29 854	882 467 565	29 559	H1
DE	0503	316 600	5 140 130 484	16 235	
DK	0503	42 930	924 399 924	21 533	H3
EE	0503	17 184	110 715 641	6 443	
ES	0503	834 858	5 110 698 539	6 122	
FI	0503	55 900	524 842 370	9 389	
FR	0503	353 870	7 601 149 048	21 480	
GB	0503	166 186	3 111 542 942	18 723	
GR	0503	689 027	2 162 864 217	3 139	
HR	0503	96 330	159 336 841	1 654	
HU	0503	173 678	1 284 544 651	7 396	
IE	0503	124 148	1 226 962 215	9 883	
IT	0503	1 122 953	3 929 321 123	3 499	
LT	0503	140 107	393 994 017	2 812	
LU	0503	1 865	33 189 318	17 796	
LV	0503	60 394	156 524 921	2 592	
MT	0503	5 996	5 268 416	879	L1
NL	0503	46 993	799 640 223	17 016	
PL	0503	1 348 093	3 352 939 888	2 487	
PT	0503	159 759	645 062 359	4 038	
RO	0503	1 050 065	1 418 741 826	1 351	L2
SE	0503	61 630	687 452 204	11 155	
SI	0503	56 457	135 982 928	2 409	
SK	0503	17 665	431 271 170	24 414	H2
EU		7 246 694	42 179 540 240	5 821	

Pillar I - Improving the competitiveness of the agricultural sector through interventions in agricultural markets (0502)

MS	NC	Beneficiaries	SUM (payments-F106)
AT	0502	1 446	23 736 790
BE	0502	2 238	75 554 494
BG	0502	2 027	30 400 817
CY	0502	992	8 002 568
CZ	0502	212	15 958 745
DE	0502	6 770	110 124 931
DK	0502	451	10 734 053
EE	0502	541	1 852 599
ES	0502	18 489	530 958 573
FI	0502	216	6 882 295
FR	0502	24 060	552 874 578
GB	0502	308	38 573 479
GR	0502	6 158	66 434 046
HR	0502	3 734	6 160 100
HU	0502	8 879	50 352 919
IE	0502	33	3 070 777
IT	0502	22 389	625 222 213
LT	0502	1 010	6 088 659
LU	0502	4	476 513
LV	0502	214	3 502 978
MT	0502	57	382 456
NL	0502	144	52 468 584
PL	0502	5 272	219 784 167
PT	0502	19 448	109 366 907
RO	0502	467	42 093 174
SE	0502	644	13 645 917
SI	0502	923	7 020 933
SK	0502	142	8 289 389
EU		127 268	2 620 013 655

Annex II

Further details for question 34

Key CAP points in the omnibus proposal

Rural Development Regulation 1305/2013

- More flexibility regarding the rules on young farmers
- Several changes to ease the rules to be respected by Financial Instruments. One of the more sensitive ones (for ENV) is that we delete compliance with the Environmental Impact Assessment Directive as an ex-ante eligibility condition for investments.
- Introduction of a sector-specific income stabilisation tool
- Simplification of the rules on selection criteria
- Money spent by MS in connection with the refugee crisis can be eligible for EU financing as from the date of the event and not only as from the date when the programme modification is notified to the Commission

Direct Payments Regulation 1307/2013

- Active farmer – more flexibility for MS and as from CY 2018 it becomes voluntary, so MS can decide whether or not to apply the AF rules
- Possibility of unspent funds for SAPS
- In times of market crisis, MS can decide to “decouple” the VCS (already done for 2017 by a Commission implementing regulation), this proposal allows to continue for 2018 et seq.)

CMO Regulation 1308/2013

- Several changes for operational programmes in the F&V sector
- Simplification in the management of import quotas (publish information on the internet rather than adoption of Commission regulations)

Horizontal Regulation 1306/2013

- Financial discipline procedure simplified – to be managed by Commission alone and no longer involving Council and EP
- The so-called 50/50 rule for clearing irregularity cases be replaced by a 100% rule, which would simplify the management of this system
- New more proportionate rules on the recovery of undue payments in case of violations of public procurement rules.

Main changes to DA/IA

Ongoing:

- The major exercise to align the **CMO Commission-level regulations** is ongoing. The final result will be to reduce the number of regulations from more than 200 to 40.
- **Greening review**: public consultation was launched in December and concluded in March. CSWD with conclusions was made public in June. Discussion on the proposed changes by the Commission ongoing in expert groups.

Completed Actions:

Adoption of Regulation amendments:

- (i) one month extension of the deadline for the aid applications
- (ii) more flexibility with regard the eligibility conditions in relation to the identification and registration requirements for animals for voluntary coupled support,
- (iii) flexibility for MS to decide whether YF support will be available to legal persons jointly controlled by YF and other farmers and making 3 changes to voluntary coupled support (modulated unit rates within single measures, possibility to transfer funds among measures and streamlining of notifications)
- (iv) 5 simplifications of the IACS IA (preventive preliminary cross checks, improved conditions for reducing the level of on-the-spot checks, improved sample selection to reduce number of on-the-spot checks, rules for collective claims under 2nd pillar and possibility to modify declaration of parcel use for greening after submission),
- (v) amendment of the rural development IA to reduce publicity obligations for smaller farmers and programming requirements for financial instruments,
- (vi) second set of amendments to IACS rules (DA and IA) to introduce: 1) A simplified system of administrative penalties replacing the different categories provided for by the previous system by a simple penalty, which is 1,5 times the area over-declared from 2016; 2) A "yellow card" system (for BPS and SAPS) for first-time offenders whereby when the over-declaration is minor (below 10% of the area declared) the administrative penalty will be reduced by 50%. A farmer found over-declaring repeatedly will have to pay back this reduced penalty.

6 changes to direct payment guidelines (applicable in claim year 2015):

- Limitation of mapping requirements to declared EFAs, identification of EFAs in the EFA layer of LPIS, gaps in hedges or wooded strips, adjacent EFAs, compensation of EFA in case of wrong declarations and permanent grassland/