2014 Discharge to the Commission

WRITTEN QUESTIONS TO COMMISSIONER HOGAN

Hearing on 14 January 2016

Union and CAP objectives- indicators

1. What is the relationship between the Union's objectives established in the Treaty (i.e. increase agricultural productivity, a fair standard of living for the agricultural community, stabilisation of markets , assure availability of supplies, etc) and other objectives set up in the political priorities such as the Europe 2020 strategy in the field of Agriculture and Rural development? Is there any kind of hierarchy among them?

Commission's answer:

The Union objectives in the Treaties together with horizontal policy clauses (e.g. on the protection of the environment, consumer protection or animal welfare) provide the formal and substantial framework for all EU initiatives and activities.

Fulfilling these objectives in the light of changing internal and external challenges has always required formulating political priorities which reflect the specific needs of a given point in time.

This is the case for the key strategic orientation at EU level as well as for the key aims any EU policy intends to achieve.

In the case of the CAP, the three core objectives are viable food production, sustainable use of natural resources (including the climate dimension) and a balanced territorial development of EU rural areas; the CAP sets out complementary measures designed to jointly achieve all three objectives.

They contribute specifically to the relevant Juncker priorities as well as to the headline targets[1] and flagship initiatives[2] of the EU 2020 strategy and thus to the fundamental Treaty objectives.

[1] Climate and energy, research and development, employment, social inclusion
[2] Innovation, resource efficiency, youth, digital agenda, new skills and jobs

2. Could the Commission provide measurable quantitative results for the countries in terms of additional GDP growth and employment? What kind of performance indicators is the Commission using to evaluate the CAP spending?

Commission's answer:

Could the Commission provide measurable quantitative results for the countries in terms of additional GDP growth and employment?

On the one hand, the farm sector today accounts for a smaller share of the EU economy than it did in the past. Accordingly, GDP growth stemming from the primary agricultural production may be rather limited. Nevertheless, the agricultural sector is closely linked with other economic sectors and thus plays a key role for growth and jobs in many rural areas throughout the EU as well as making a clear contribution to a vital and valuable living environment for rural communities. Together with food processing, food retail and food services, agriculture makes up a sector providing nearly 44 million jobs in the EU. This sector achieves annual exports worth over EUR 120 billion. Agriculture is also the sole or main buyer of products from important upstream sectors (in 2011 the EU farm machinery sector alone employed roughly 135 000 people directly) and has a strong and positive economic imprint on various other, local rural businesses.

When looking at its contribution to societal demands, it is essential to emphasise the CAP's role in delivering public goods usually not remunerated by the markets. Farming covers about half of the EU's land area and forests cover a further 38 %. The CAP helps to care for the key natural resources of soil, water and biodiversity in these areas, as well as to cut greenhouse gas emissions and provide carbon sinks. Around one third of the EU's farmland is considered as being of "high nature value" matching touristic demands, implying that the provision of these public goods also brings about benefits for other economic sectors.

What kind of performance indicators is the Commission using to evaluate the CAP spending?

In the 2013 CAP reform a comprehensive monitoring and evaluation framework was established with the aim to evaluate the CAP against its objectives (Article 110 of Regulation (EU) Nr 1306/2013). As part of this framework, a large set of indicators was selected (output, result, impact and context indicators). To the best extent possible these are based on existing data sources, to limit as much as possible the administrative burden of data collection. The complete indicator list is published in Commission Implementing Regulation (EU) No 834/2014 of 22 July 2014 and, as far as indicators for rural development are concerned, in Implementing Regulation (EU) No 808/2014. These indicators form the basis from which independent evaluators, contracted by the Commission, will evaluate the CAP. They will also feed into the reports to be provided (by the end of 2018 and 2021, respectively) on the CAP's performance in line with Article 110(5) of Regulation (EU) No 1306/2013.

For Rural Development, Title VII of Regulation (EU) No 1305/2013 sets out performance indicators which will be assessed in 2019 under the Common Monitoring and Evaluation system. Article 22 of Regulation (EU) No 1303/2013 provides for a performance reserve (6% of total budget for the programming period) which will only be made available to the more performant priorities identified in the assessment.

3. The Commission states on its replies to the Court (ECA annual report, paragraph 3.5), that *for 2014, around 58 % of the EU budget was allocated to Europe 2020*. Has the Commission made an evaluation of the EU budget allocated to Agriculture and Rural Development to Europe 2020 strategy? How much EU budget was allocated to the Union's objectives as defined in the treaties for 2014 in the field of Agriculture and rural development?

Commission's answer:

Has the Commission made an evaluation of the EU budget allocated to Agriculture and Rural Development to Europe 2020 strategy?

Based on the Commission's Draft Budget 2014, the CAP contribution to the Europe 2020 flagship initiatives was estimated at EUR 3.3 billion from the European Agricultural Guarantee Fund and EUR 13.9 billion from the European Agricultural Fund for Rural Development (on the basis of initial 2014 commitment appropriations before the MFF reprogramming). Further information was provided in the Programme Statement accompanying the Draft Budget (COM(2013) 450 – June 2013). The average annual contribution of the CAP to the flagship initiatives in the period 2014-2020 is expected to correspond to the above mentioned amounts.

How much EU budget was allocated to the Union's objectives as defined in the treaties for 2014 in the field of Agriculture and rural development?

The EU budget for 2014 amounted to EUR 142.690 billion in commitment appropriations with the financing for the CAP amounting to EUR 58.047 billion in commitment appropriations, or 40.7%.

4. Could the Commission provide a table with an evolution of the CAP Key performance indicators in the last 10 years?

Commission's answer:

The 5 Key Performance indicators for the CAP are: 1/ the agricultural factor income; 2/ the rural employment rate; 3/ the ratio between EU commodity prices and world prices; 4/ the share of land under specific environmental practices, and 5/ the CAP error rate (and Commission's corrective capacity). This last KPI was only introduced in 2013.

1. The agricultural factor income

Agricultural factor income per Annual Working Unit in the EU, from 2005 to 2014 (**EUR/AWU**)

Year	**2005**	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**
EU28	10 081	10 418	11 514	11 347	10 632	12 600	14 112	13 671	14 493	14 180

2. Rural employment rate (people aged 15 to 64 years)

	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
EU Total employment rate (%)	63.3	64.2	65.2	65.7	64.4	64.0	64.1	64.0	64.0	64.8
Employment rate EU rural areas (%)	65.3	63.7	64.5	64.8	62.8	62.7	62.5	63.4	63.5	64.3

Source: Eurostat, data extracted on 02/12/2015

3. EU commodity prices compared to world prices[3] (2005-2015)

	ratio EU/wld price										
	2005	**2006**	**2007**	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015p**
BEEF	1.38	1.56	1.58	1.50	1.69	1.26	1.21	1.19	1.24	0.98	0.92
PIG MEAT	1.22	1.34	1.34	1.59	1.59	1.16	1.12	1.19	1.21	0.93	1.00
POULTRY	1.14	1.24	1.40	1.41	1.25	1.18	1.35	1.18	1.13	1.04	0.83
SOFT WHEAT	1.05	1.02	1.12	1.13	0.97	0.92	1.08	0.98	1.03	0.99	0.94
MAIZE	1.51	1.40	1.58	1.27	1.09	1.18	1.06	0.95	1.04	1.14	1.02
BARLEY	1.11	1.09	1.00	1.08	1.10	1.08	1.02	0.97	1.01	0.97	0.93
SUGAR			2.75	2.48	1.58	1.04	1.10	1.55	1.90	1.62	1.27
BUTTER	1.61	1.78	1.57	1.08	1.47	1.09	1.17	1.19	1.27	1.23	1.05
CHEDDAR	1.32	1.34	1.09	1.08	1.17	0.95	1.03	1.14	1.10	1.12	1.04
WMP	1.33	1.34	1.07	1.04	1.18	1.02	1.07	1.09	0.98	1.12	1.10
SMP	1.12	1.19	1.02	0.98	1.10	0.92	0.90	0.95	0.90	0.97	0.96
Weighted average	1.25	1.32	1.31	1.30	1.31	1.08	1.12	1.13	1.15	1.05	0.96

4. Minimum share of land with specific environmental practices (2007-2013[4])

Year	2007	2008	2009	2010	2011	2012	2013
Millions of hectares covered by 2007-2013 agri-environment measures (only new commitments from 2007)	15.5	31.7	38.5	40.7	41	43	46.85

5. Error rate and Corrective capacity (only introduced in financial year 2013)

	2013	2014
Error rate for the for the CAP as a whole	3.26%	3.10%
Corrective capacity	1.45%	1.55%

Source: DG AGRI's Annual Activity Reports for 2013 and 2014

[3] World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Australia), Barley (Black Sea) and Sugar (London white sugar 05). Compared to Pacific prices (US and Australia), EU prices were very competitive in 2015 because of the exchange rate effect but also because US demand drove price increases. If the comparison would be made with Brazil specifically for meat, the increase in EU competitiveness would be less pronounced.

[4] Agri-environmental commitments for the preceding programming period 2000-2006 could not be taken into account since compatibility with new commitments during the period 2007-2013 could not be guaranteed. For 2015 area under greening obligation will be taken into account under this enhanced KPI however data is still missing (a minimum implementation period is necessary before data becomes available) and also including it in an evaluative comparison would be misleading.

Union and CAP objectives- indicators

5. The European Parliament recalled, in its European Parliament decision of 29 April 2015 on discharge, the critic demographic situation of European rural areas. The lack of economic dynamism and the reduced amount of young farmers are menacing factors for the European agriculture. According to the 2014 Activity Report, as regards RDPs 2007-2013, the corresponding levels of achievement are relatively lower than in the case of other policy objectives even though there are some positive developments of the indicators over the last years. What does the Commission intend to do in case the implementation levels did not reach the expected levels?

Commission's answer:

The 2007-2013 Rural Development policy supported generational renewal and economic dynamism in various ways, including support for young farmers. According to the most recent data (end 2014), targets for support for micro enterprises (73 300) were largely met (95%). As regards support for young farmers, we have achieved the target of supporting 164 000 young farmers. It should be noted that these figures are not final because support from the 2007-2013 programming period has been paid out until the end of 2015.

The Commission introduced several new elements for the 2014-2020 programming period which are expected to improve both uptake and policy performance.

The strategic programming approach, which is based on a thorough SWOT analysis and needs assessment, allows for a more flexible combination of measures, as well as the reinforced focus on performance. The performance of the measures will be assessed against a series of indicators at the middle of the programming period and, accordingly, underperforming focus areas will have to be given a boost.

When programming their Rural Development programmes 2014-2020, Member States and regions were required to assess implementation risks and mitigation strategies related to the measures (Regulation No 808/2014). This would include lessons learned from the previous period and where applicable, concern issues related to low achievements.

As for the specific case of young farmers, targeted support is now available under both pillars of the CAP. In addition to Rural Development support (see reply to Question 22), young farmers may be granted additional top-ups under Direct Payments.

6. How many farmers are benefitting of the CAP first pillar: 8 or 7 million?

Commission's answer:

7.52 million farmers benefitted from direct payments in financial year 2014 (claim year 2013). If market measures are included, 7.67 million beneficiaries received support in 2014 from the first pillar of the CAP, i.e. the European Agricultural and Guarantee Fund (EAGF).

During the same year, 3.15 million beneficiaries were granted aid under the second pillar of the CAP, i.e. the European Agricultural and Rural Development Fund (EAFRD).

Many farmers participate in both direct payments and rural development measures. This is the reason why the total number of beneficiaries of the CAP is lower than the sum of the beneficiaries for each of the pillars. In 2014, CAP support (i.e. support from one pillar or both) was granted to 8.20 million beneficiaries.

7. According to the annual activity report of the Director general of DG AGRI the agricultural income factor has been more or less stable in 2014 (key performance indicator 1).

a. Is there a link between the evolution of the farmer income and the evolution of the number of farmers?

Commission's answer:

Farm income depends on various developments/sources. It is the combined result of the accumulated value of output (sale of farmers' goods and services + support received), taking into account various input costs (feed, fertilizer, energy, etc.) and other elements such as taxes, rent, hired labour, etc.

The structural long-term decline in the number of agricultural holdings - between 2005 and 2013 with an average annual rate of decline which stood at -3.7% - is clearly a consolidation process towards larger and more competitive farms, notably in Member States and regions where agricultural structures are particularly fragmented. This process is taking place across the EU, where many factors play a role, e.g. increase in productivity, agricultural markets' evolution, development in labour market, etc.

b. To which extent this relatively good result has been influenced by the decline in the number of farmers in the Union?

Commission's answer:

The agricultural income per worker is positively influenced by the decline of agricultural workforce. At the same time the income of farmers is affected by many other factors so that no direct link can be established between the size reduction of the agricultural workforce and income evolution.

c. Why did the Commission abstain to define any objective as to the diminution of the farmers' number?

Commission's answer:

Against a large variety of agricultural structures present in Europe, often historically induced, it is inevitable that the EU farm sector will restructure in response to various factors – such as the retirement of older farmers, the value of economies of scale available in some areas and shifts in the opportunities offered by a range of supply chains.

The CAP helps setting the conditions in which restructuring can make the farm sector more competitive and sustainable – helping farmers to exploit most of the opportunities available and offering incentives for the young generation to enter and stay in the sector.

The Commission does not seek to determine what the "right" number of farmers would be at a given moment. Instead, it allows market forces to play their important role in leading the sector towards long-term sustainability while providing substantial income support to the farming sector. However in case of market failures CAP measures can be taken to adjust this process in line with broader CAP objectives.

Moreover, it has also to be seen that a declining number of farmers does not necessarily lead to a decline in agricultural production. The EU area utilised for agricultural activities has remained rather stable in recent years – utilized agricultural area in EU 28 covered 173.4 million ha in 2007, increased to 175.8 million ha in 2010, and dropped back to 174.6 million ha in 2013.

d. Would it be desirable to define such an objective by Member State?

Commission's answer:

It would not be desirable to set such an objective, for the reasons outlined in response to question 7(c). The strong disadvantages of doing so would apply at Member State level as well as at EU level.

8. How can the Commission reconcile the facts that on the one side the employment rate in rural area (AAR of DG AGRI for 2014 key performance indicator 4) had been stable in 2014 whilst there is a permanent decline in the number of farmers in the Union?

Commission's answer:

As described above, the long-term structural decline in the number of farms is a consolidating process towards larger and more competitive farms, taking place not only across the EU but in all developed countries. However this does not prevent the overall employment rate in the wider rural economy from being stable or even increasing. Not everyone working in a rural area works on a farm.

Rural economies consist of a complex set of vertical and horizontal interactions of various sectors and value chains.

Agriculture fundamentally contributes to regional economic cycles be it in terms of high value and standard food production or in terms of public goods not remunerated by markets, but with positive spill-overs also to other sectors (e.g. landscape for tourism). The linkages with the wider rural economy and the corresponding employment figures were outlined in response to question 2 and underline the aforementioned complexity.

Can the Commission provide precise data to the Parliament in this regard?

Commission's answer:

Data on the employment rate in the wider rural economy are to be found above in the responses to questions 2 and 4.

Regarding the agricultural employment rate: in 2013, a total of 10.8 million farms operated in the EU-28, down from 12 million farms in 2010 (-11.5%). The long-term decline in the number of agricultural holdings thus continued - between 2005 and 2013 the average annual rate decline stood at -3.7%. While some of these losses may be due to changes in survey thresholds, it is clear that a consolidation process towards larger, more competitive farms is taking place across the EU, with an increase in the average farm size from 14.4 to 16.1 ha of agricultural land (+12.2%). At the same time, agricultural area has remained almost the same – 173 million hectares in 2007 and 174 million hectares in 2013.

The move towards higher competitiveness is further expressed in the lower number of regular agricultural workers (22 million in 2013, down from 25 million in 2010; -12.8%). Converted into full-time jobs, the decline is less pronounced (-4.4% between 2010 and 2013), indicating a shift towards more full-time employment in agriculture.

9. According to the DG AGRI AAR for 2014 44.7% of all EU farms are semi-subsistence farms: i.e. with income less than 4 000 Euro per year.

    a. Does the Commission consider this state of play as normal? Does the Commission find normal that less than 2% of Union farmers receive 31% of the CAP direct payments?

Commission's answer:

With regard to **income**: it should be understood that this depends on a wide range of factors, many of which are completely independent of the CAP (e.g. taxation levels and rules, which are set nationally or regionally).

With regard to **CAP direct payments**: in line with the past development of the agricultural sector in a number of Member States the farms in question are generally small and therefore receive a lower proportion of direct payments than large farms.

However, in line with the need to keep a diversified EU farm landscape, the CAP offers Member States various possibilities for rebalancing payments towards small farms.

In terms of direct payments, following the 2013 CAP reform Member States could introduce a redistributive payment topping up direct payments on a maximum of the first 30 hectares of a farm, or on an area of up to the average farm size of the Member State. Furthermore, higher totals of direct payments to a given farm are reduced once they exceed a certain level, and may be capped if Member States so decide. And the small farmers' scheme offers a simple non-bureaucratic payment tailored to the needs of smaller farms that Member States were free to choose. Member States used these options in very different ways.

Furthermore, the full range of rural development measures is open to semi-subsistence and other small farms, including a specific sub-measure on the development of small farms.

Finally, it should be emphasised that, the type and amount of CAP support provided does not in itself determine the land ownership regime which is also the result of other factors, in particular historical ones.

b. Why DG AGRI has not defined any objective accompanied with indicators to reduce the income inequalities between the farmers?

Commission's answer:

As mentioned above, the CAP has not been set up in order to eliminate income inequalities between farmers. Member States have legal powers that would be more effective for tackling income and wealth discrepancies such as taxation policies etc.

The CAP aims to help the EU farm sector develop in a viable, sustainable way. Attempting directly to reduce *income inequalities* would not necessarily achieve this – and might be counter-productive if it penalised farmers who increased profits by responding better to market demand, while rewarding those who were less performing.

When it comes to inequalities in the distribution of support, on the other hand, the 2013 reform has made a significant contribution to making the CAP fairer as it has reduced the disparities of the level of direct payments between Member States (external convergence) and required Member States to move to a more uniform level of direct support per hectare among farmers (internal convergence). This goes beyond the possibility (referred to under question 9a) for Member States to provide a redistributive payment to beef up income support of smaller farms. It should be noted, however, that the repeated proposals by the Commission to introduce mandatory capping for high amounts of income support were all turned down by the legislators.

10. Governments (via Council) are still reluctant to put indicators and targets in place in some areas. How can the performance be measured in lack of comparable performance indicators and targets?

Commission's answer:

To the extent possible, performance should be measured using indicators that respect the "RACER" (relevant, accepted, credible, easy, robust) criteria. However, performance information also comes at a cost, and there is a balance to be struck between its value for policy making and the cost and burden of data collection and reporting. Where it is not cost-effective to regularly collect quantitative data, other data sources, such as qualitative information, case studies or focus groups can contribute to assess performance. Similarly, target values need to be set carefully, and in some cases it is more meaningful to propose a trend or a range for one or more indicators instead of one single figure as target.

In any case, indicators cannot directly measure the performance of a policy or a measure; their evolution needs to be interpreted in an evaluation which takes into account other elements that influence the policy and its effects.

To assess the performance of the CAP, the Commission together with the Member States has developed the CAP Common Monitoring and Evaluation Framework. This framework includes a set of indicators which will serve as starting point for the Commission reports to Council and Parliament on the performance of the CAP in 2018 and 2021 (see reply to question 2).

Finally, it should be emphasised that not only the Commission but also Member States have important responsibilities in the process of measuring performance. Member States not only help to set the framework but also have the central role in collecting data which the Commission relies on for its work.

Reliability of the Member States data

11. Has the reliability of the data communicated by the Member States as regards their management of the EU agricultural funds improved in Financial Year 2014? What does the EC do to help Member States with this issue?

Commission's answer:

As stated in the past, the Commission has no reason to doubt the reliability of statistical data communicated by Member States. The Member States provide the results of their actual controls. These controls are not always as effective as they should be and may not detect all errors.

In practice, this means that the statistical data communicated by the Member States to the Commission includes **all detected errors** but not the errors that were not detected due to weaknesses in the control systems.

When the Commission is aware, through its own audits or European Court of Auditors' audits, that controls systems have weaknesses, it adjusts the originally reported error rate in a way that reflects the magnitude of the non-detected errors.

Therefore, the statistical data communicated is not 'unreliable' *per se*, rather it is not always a reliable indicator of the real risk to the EU-budget.

The Commission is working with the Member States to help them improve the effectiveness of their control systems. This is done mainly through action plans which are closely monitored by the Commission services. The Commission services also organise regular meetings with the national authorities to advise and support them.

12. The current legislative framework does not provide sanctions for incorrect or false reporting by the paying agencies. Would it be legally possible to use the article 41.2 of regulation EU 1306/2013 in this regard?

Commission's answer:

The Commission does not have any indication that Paying Agencies report false information. As explained in the reply to question 11, they report the results of their controls.
Where there are persistent deficiencies in the control systems, the Commission does indeed make use of article 41(2) of Regulation EU 1306/2013. This has been the case in 2014 e.g. for Greece.

Article 41(2) of Regulation EU 1306/2013 is not a sanction mechanism but is aimed at restricting EU financing to legal and regular expenditure. It could thus not be used to merely sanction "incorrect or false reporting by the paying agencies" as suggested by the question unless there is actual sufficient proof that irregular expenditure occurred.

Furthermore, for article 41(2) to be applied, key components of the control system must be considered deficient and one of the following two conditions has to be fulfilled:

- the deficiencies identified must have resulted in at least two previous financial corrections;
- the Member State is considered not to be in a position to implement the necessary remedial measures decided in consultation with the Commission (e.g. action plan with clear progress indicators).

13. In 2014 as to EAGF-IACS statistics the Commission has to correct upwards the error rates communicated by 17 out 69 paying agencies with a residual error rate above 2%; of which five were above 5% whilst in 2013 the Commission had to correct upwards the error rates communicate by 42 out of 68 paying agencies with a residual error rate above 2%.

    Could the Commission comment on this positive evolution? What is the reason of such amelioration? Could we expect that the data communicated by the Member States as to the CAP first pillar payments will be soon fully reliable?

Commission's answer:

In 2013, the error rates reported by the Paying Agencies were adjusted in 42 cases, 33 of which resulted in an adjusted error rate equal or above 2%. In 2014, there were 30 such adjustments, of which 17 resulted in an adjusted error rate equal or above 2%.

As explained in the answer to question 11, when the Commission services adjust the error rates given by the national authorities it does so because it considers that there are deficiencies in the control systems and that not all errors were detected by the national authorities and therefore could not have been included in the reporting from the Member States. The reported error rate is thus adjusted to reflect also the estimated part of non-detected errors.

It follows that when the Commission does not adjust the reported error rates it is because it does not have any finding that would suggest that the control systems are deficient.

The decrease in the number of adjustments is a reflection of the improvement of the Paying Agency's control systems, thanks to the implementation of the actions plans monitored by the Commission and to the genuine commitment and important investments from national authorities.

It is also due to the fact that the conformity clearance procedures underlying the adjustments in 2013 were at a more advanced stage. Consequently, in some cases, deficiencies had been remedied, the amounts at risk had been more precisely identified and the adjustments made in 2014 were more tailored. This resulted in fewer adjusted error rates above 2%.

14. What measures and actions were taken to promote the exchange of best practices amongst Member States?

Commission's answer:

Best practices are exchanged intensively, and at various levels.

Three times a year, the paying agencies and coordination bodies, together with the Commission services, participate in conferences to exchange views and experience on the CAP implementation, management and control systems, focusing on the main difficulties encountered and main challenges for the future. The Commission services also collaborate closely with the Learning Network, which is an informal cooperation structure established by the Paying Agencies themselves to exchange best practices.

In the field of direct payments, several workshops aiming at facilitating the exchange of experience and good practices amongst Member States were organised in the second half of 2015 for the following topics related to the implementation of the new direct payment schemes: the new young farmers' scheme, the administration and control of voluntary coupled support for animal premiums, the implementation of provisions related to active farmer, specific issues in relation to area aids (maintenance activities, areas naturally kept in a state suitable for grazing or cultivation, permanent grassland under established local practices), the different greening obligations (in particular Ecological Focus Areas and crop diversification). Similar workshops will follow in 2016, on issues of most interest for the Member States.

These come on top of the already existing ones organised with the collaboration of the Commission's Joint Research Centre (JRC) on the Land Parcel Identification System (LPIS) and on on-the-spot controls (OTSC) and of the regular committee meetings and expert groups for direct payments and greening organised on a monthly basis.

As regards rural development, in 2015, dedicated workshops and seminars were organised on issues related to financial error in the management of Rural Development Programmes. The target group for those activities are programme managers, national rural networks (NRNS) and network support units (NSUs), and stakeholders of Community led local development (CLLD) and Leader.

In addition, regular discussions take place with Member States authorities in the Rural Development Committee (RDC) meetings and with stakeholders represented in the

Civil Dialogue Group for Rural Development (CDG-RD). Simplified cost options, anti-fraud issues (artificial creations of funding, irregularities, etc.), IACS and LPIS and the guidance document on controls and penalties for rural development and the Q&A table addressing Member States' questions on control and penalties were discussed. A guidance document on most common irregularities in public procurement has been presented in the Expert Group of the European Structural and Investment Funds and in the Rural Development Committee.

The activities of the European Network for Rural Development (ENRD) also included workshops and presentations to improve the quality of RDPs and of controls. Those ENRD activities will continue in 2016, including work on capacity building and peer exchange in view of supporting a more effective and simpler programme implementation.

15. Concerning the beneficiaries of agricultural funds, could the EC provide a full list per Member State? Does the EC believe that making such a list available would improve the CAP system by making it more transparent?

Commission's answer:

1. The Commission is fully committed to transparency and openness as regards information on beneficiaries of CAP payments.

Member States were required since 30 April 2009 to make available details of all recipients of payments made under the Common Agricultural Policy via websites managed by the Member States responsible for carrying out the payments. However, following the judgment of the European Court of Justice (ECJ) of 9 November 2010 (Cases C-92/09 and C-93/09), the publication by the Member States of information on recipients of CAP had to be stopped as far as natural persons were concerned. As regards legal persons the publication continued without changes.

The publication of CAP beneficiaries with regard to natural persons was re-established by the co-legislators in Regulation 1306/2013, taking into account the reasons why the ECJ had invalidated its precursor. The new scheme also applies to legal persons.

Transparency should in particular improve the management of CAP funds, by reinforcing public scrutiny of how the money is used.

Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 requires the publication of details about the measure entitling the farmer to receive aid, the nature and the purpose of the aid, which would provide concrete knowledge to the public on the type of subsidy and on the purpose for which the subsidy was granted. In order to strike a balance between the multiple objectives of transparency on the use of public money, beneficiaries' right to respect of their private life and protection of their personal data, it was decided that the amount of the aid should be taken into account. A threshold was therefore set up as regards the amount of aid received below which the name of the beneficiary should not be published, this threshold reflecting the level of the support within the framework of the CAP Small Farmer Scheme.

Commission Implementing Regulation (EU) No 908/2014 of 6 August 2014 published on 28 August 2014 provides for the implementing transparency rules with provisions on:

(a) The form, including the way of presentation by measure, and the calendar of the publication foreseen in Articles 111 and 112;

(b) The uniform application of Article 113 on information of beneficiaries;

(c) The cooperation between the Commission and Member States.

The new provisions have been applicable for financial year 2014 as from 31 May 2015.

The search tools should enable users to search for beneficiaries with different entries: name, municipality, amounts received, measure for which the aid is granted. In other words, it should be possible to see that a beneficiary X from municipality Y received Z euros under measure A, B or C.

2. With regard to the question whether the Commission could provide a full list of data on individual beneficiaries per Member State, it is important to remember that the CAP is implemented in shared management between the Member States and the Union.

Under shared management, Member States are entrusted with the management of EU funds at the national level. It is the Member States who retain full data that relate to the individual beneficiaries.

Hence, Article 111 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council provides that it is the responsibility of Member States to ensure annual ex-post publication of the beneficiaries of the CAP Funds. The information shall be published on a single website per Member State. In accordance with Article 62 of Commission Implementing Regulation (EU) No 908/2014, the Commission is responsible for setting up and maintaining a Union website under its central internet address, which includes links to the websites of the Member States. The Commission provides updated internet links according to the information sent by Member States.

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

Rural development: suspicion of fraud

16. In rural development the Court of Auditors has detected cases of suspected intentional circumvention of the eligibility criteria (point 7.30 of the ECA annual report for 2014) and has forwarded those cases to the OLAF. Has DG AGRI detected similar problems at the occasion of its own control? If yes how did DG AGRI organise a follow-up on these cases?

Commission's answer:

The Commission has in several of its audits detected cases where it suspected the creation of artificial funding conditions. All such cases were covered by conformity clearance procedures and discussed with the Member States concerned. Financial corrections were applied where appropriate. Where factual elements pointed to a possible fraudulent creation of artificial funding conditions, the relevant cases were referred to OLAF. Following investigations, OLAF has not made recommendations for financial or judicial follow-up.

The phenomenon of the creation of artificial funding conditions (typology, legal framework, indicators) has been extensively presented by DG AGRI to the competent authorities in all Member States in order to raise their awareness in this area.

The Commission would like to stress that artificial funding conditions are difficult to prove and can only be established following the strict conditions set out by the European Court of Justice. Based on the judgment in case C-434/12, in order to prove "artificially created conditions", both the subjective and objective elements have to be demonstrated independently. At the same time, it is vital to preserve legal certainty of beneficiaries who act in accordance with the applicable legislation. Therefore, Paying Agencies can only refuse payment based on clearly established evidence, and not on suspicions. Accordingly, they invest time and effort to gather conclusive evidence and subsequently launch recovery procedures.

DAS in agriculture

17. On the basis of the data communicated by the Commission the Court has stated that for EAFRD the figures show that the corrective capacity is insufficient in 2014 to reduce the expenditure at risk below materiality by the end of the programming period. How can the director general justify the declaration of assurance he made in its annual activity report?

Commission's answer:

For Rural Development the amount at risk is estimated at 568.83 million EUR corresponding to an adjusted error rate of 5.09%. This amount at risk is the Director General's best estimate of the amount of expenditure authorised in 2014 which may relate to underlying transactions made by the Member States which are not in conformity with the applicable regulatory provisions.

The corrective capacity from net financial corrections and recoveries for Rural Development is estimated at 209.22 million EUR or 1.87% of 2014 expenditure.

The gap between the amount at risk and the corrective capacity is addressed by reservations covering 28 Paying Agencies, comprising 16 Member States: Bulgaria, Germany (3 paying agencies), Denmark, Spain (6 paying agencies), France (2 paying agencies), UK (2 paying agencies), Hungary, Greece, Italy (4 paying agencies), Lithuania, Latvia, Netherlands, Poland, Portugal, Romania and Sweden.

In all cases, the expenditure by the Paying Agencies concerned is placed under reinforced scrutiny by the Directorate General for Agriculture and Rural Development: conformity clearance procedures to ultimately protect the EU budget, monitoring of the implementation of remedial actions to be taken by Member States and, where necessary, interruption/reduction/suspension of payments to the Member States.

This systematic and precisely targeted approach enabled the Director General to state that the situation is under control, i.e. even though there are shortcomings, they have been identified, are being tackled and thus ultimately the EU budget is protected. This is fully in line with Article 66(9) of the Financial Regulation according to which the authorising officer by delegation shall provide to his or her institution a declaration of assurance with regard to his management of EU funds, "except as otherwise specified in any reservations related to defined areas of revenue and expenditure".

In the overall conclusion on assurance and reservations, the Director General clearly states that "Rural development remains an area which merits very close scrutiny" (see page 208 of the AAR).

In the 2014 Annual Activity Report, the Director General for Agriculture and Rural Development was in a position to give assurance for the CAP as a whole, taking into account the overall amount at risk for the year concerned as well as the corrective capacity.

Financial correction - France

18. On 16 January 2015, the Commission adopted a conformity clearance decision containing a number of individual financial corrections for deficiencies in the management and control system in France.

    The overall amount imposed on France was slightly over 1 billion euro. Around 700 million euro of that amount was due to 2 corrections relating to direct payments.

    The corrections aimed at protecting the EU budget from the risk caused by inaccuracies in the French LPIS (Land Parcel Identification System). In order to avoid excessive negative impact on the national budget, the amount will not be deducted in one go, but in three equal annual instalments, in years 2015, 2016 and 2017.

    According to the written contribution transmitted by the French National Assembly to CONT committee on 16 November 2015 the initial amount claimed by the Commission was EUR 3.5 billion.

    a. Does the Commission consider that it has well protected the Budget of the European Union?

Commission's answer:

The conformity clearance decision adopted by the Commission on 16 January 2015 (OJ L16) covered 40 individual financial corrections concerning 14 Member States. For France, 8 specific corrections, concerning market measures, direct payments and rural development, were adopted, including two corrections for deficiencies in the LPIS, one for the EU expenditure 2009 to 2011 financial years and a second one for the EU expenditure 2012 and 2013 financial years. The Commission responded positively to the requests of Bulgaria, France, Lithuania and Romania to reimburse the total amount of corrections in three annual instalments, in accordance with Article 34(8), third subparagraph, of Commission Implementing Regulation (EU) No 908/2014.

The deficiencies identified in the LPIS in France affected the proper functioning of the cross-checks, which, in line with document VI/5330/97 guiding the application of financial corrections, is considered a key control. In absence of any other information at the time of the first notification of the level of correction on 26 September 2013, the Commission services proposed a 5% flat rate correction for weaknesses in the operation of a key control. For the three financial years concerned, i.e. 2009 to 2011, this amounted to EUR 1.1 billion.

Subsequently, the French authorities requested the opinion of the Conciliation Body. In that context the French authorities embarked on an exercise aiming to replace the 5% flat rate by a more precise estimate of the risk for the budget. The figures brought forward by France were subject to audit by the Commission services and could for certain items be accepted. As provided for by document VI/5330/97, and for a part of the expenditure, the 5% flat rate was substituted by a more precise determination of the amounts to be corrected, resulting in a lower level of correction amounting to EUR 380 million (gross amount).

For the second correction related to financial years 2012 and 2013, the Commission services were able to use the calculations made by the French authorities already in their first notification, amounting to EUR 335 million (gross amount). The French authorities did not ask for conciliation in that respect. The level of the correction adopted was therefore identical to the first notification.

The amount of EUR 3.5 billion mentioned in the question is not a Commission figure and the Commission cannot speculate about what the French National Assembly was referring to when communicating that figure to the CONT committee.

The conformity clearance procedure is governed by rules established in Article 52 of Regulation (EU) No 1306/013 (Previously Article 31 of Regulation (EU) No 1290/2005). These rules provide for a contradictory procedure by which the Commission shall ensure that the concerned Member State is given the possibility to provide its views as regards the initial findings by the Commission services and to provide the Commission with a **calculation of the risk to the EU budget**. In this respect each of the corrections made with regard to France ensured that the EU-budget was correctly protected.

Finally, the possibility to pay the correction under certain conditions in three tranches is established by the legislation and the Commission does not consider that this lowers the effectiveness of the conformity clearance procedure in protecting the EU budget.

b. What did the Commission do to speed up the procedure as it announced in the framework of the last discharge exercises? In this case the French State will pay amounts in 2017 concerning deficiencies detected in 2008.

Commission's answer:

In the case of the deficiencies in the LPIS in France, the corrections adopted by the Commission on 16 January 2015 cover EU expenditure made from 31 December 2008 until 31 December 2013 (Member State expenditure until 15 October 2013 when the EAGF financial year ends).

The conformity clearance procedure is governed by rules established in Article 52 of Regulation (EU) No 1306/013. These rules provide for a contradictory procedure by which the Commission shall ensure that the concerned Member State is given the possibility to provide its views as regards the initial findings by the Commission services and to provide the Commission with a calculation of the risk to the EU budget. If agreement is not reached, the Member State may request the independent opinion of the Conciliation Body, which may make recommendations that the Commission has to take into consideration when making its final assessment. This procedure is time-consuming as it may involve audit missions to check the reliability of the calculations made by the national authorities.

For enquiries starting in 2015, as established in Article 34 of Commission Implementing Regulation (EU) No 908/2014, both the Commission and the Member States have to respect precise deadlines for each step of this procedure. The

Commission considers that the new legal framework reflects a good balance between on the one hand the obligation to guarantee the contradictory rights of the Member States and on the other hand the need to act diligently to protect the EU financial interest.

The provisions allowing the Commission to respond positively to requests for executing financial corrections in three annual instalments reflect the need to take into account the actual impact of the net financial corrections on national budgets. France requested to pay the correction in three annual instalments and for that reason the correction is executed in years 2015, 2016 and 2017.

c. What is the impact of the appeal made by France against the decision?

Commission's answer:

The appeal made by France against the two LPIS-related corrections does not have any immediate impact as the appeal does not suspend the execution. It would only have an impact should the European Court of Justice decide to partially or fully annul the decision.

The Commission's reply to question 48 gives an overall estimate of the impact of appeals on the corrective capacity of the clearance conformity procedure.

d. Is this conformity clearance decision already taken on board in the Communication on the protection of the budget for 2014?

Commission's answer:

The decision in question has been taken into account in the Communication on the protection of the EU budget for 2014, as it has also been in the 2014 EU annual accounts (in accordance with the EU accounting rules and the accrual accounting principle.)

However, this conformity clearance decision was taken in January 2015 and was therefore not taken into account when estimating the corrective capacity for the financial year 2014 as reported in the Annual Activity Report (AAR) of DG AGRI. It will be taken into account for financial year 2015 and reported in the 2015 AAR for the amount actually received during that year i.e. one third of the overall correction.

Reservations in rural development

19. The Director General, in his capacity as Authorising Officer by Delegation has set some reservations on rural development expenditure. The reservations are on 28 paying agencies, comprising 16 Member States. This situation is lasting from several years. Could the Commission provide the actions plan to solve this issue and the results achieved till now? It appears that some irregularities coming from national paying agencies could lead to a cut of funding for some countries. Could the Commission provide an update about the current investigations?

Commission's answer:

The action plans for reservations concerning rural development expenditure are closely followed by the Commission. The action plans are updated by Member States every six months and scrutinised by the Commission. The latter presents the synthesis and overall conclusions to managing authorities and paying agencies in a dedicated seminar taking place twice a year. Furthermore, they are subject to dedicated discussions in the annual review meetings with the managing authorities and the monitoring committees.

According to the most recent updates of the action plans, conclusions could be summarized as follows: investment measures as the major contributor to error rate, actions are progressively linked to audit findings, some recurrent topics spread in all Member States (public procurement, artificial conditions and agro-environment commitments). Finally, according to the Court of Auditors, most errors could have been detected by Member States and therefore, could have been avoided (the error rate for rural development would have been 3,3% lower if they had been detected).

The Commission cannot disclose information on on-going enquiries. However, the most recent financial corrections adopted by the Commission can be seen in the latest conformity clearance decision "ad-hoc" no. 49 (published as Decision 2015/2098/EU of 13 November 2015, OJ L303, 20.11.2015).

Concerning the deficiencies that lead to cutting of funding for some Member States, the Commission reported in Section 2.1.1.7 (pages 130 – 133) and Annex 10, Part 3.3 (pages 165 – 173) of the Annual Activity Report of DG AGRI (AAR) for 2014 and will report again in the 2015 AAR.

IPARD-expenditure for Turkey

20. The Director General set a reservation on IPARD-expenditure for Turkey. Could the Commission provide data on agricultural financing of Turkey? What are the problems encountered? What kind of controls the Turkey has set up to monitor the agricultural spending of EU supporting funds?

Commission's answer:

Data on agricultural financing:

In the last three years for which annual accounts have been received from Turkey, the EU expenditure declared under the IPARD programme was as follows: (years are given as financial year - FY)

FY 2012: EUR 13 320 938.48,

FY 2013: EUR 133 711 625.41,

FY 2014: EUR 254 868 355.07.

For the first three quarters of FY 2015, Turkey has declared EU expenditure of EUR 51 237 294, 68.

Turkey has set up a detailed management and control system in order to ensure that expenditure financed under IPARD is spent in conformity with the agreement concluded between the Commission and Turkey. The agreement provides that the beneficiary has to submit with the application for support three offers from different potential suppliers. The Commission has noticed that the checks carried out by the Turkish authorities were not as robust as the Commission requires concerning the independence of the offers. The issue has been followed up under the conformity clearance procedure.

Avian influenza

21. In November 2014, the avian influenza was detected in Germany, the Netherlands, United Kingdom and Italy. The health and safety measures require killing and safe disposal of the poultry present on the infected holdings and cleaning and disinfection of the holdings and the establishment of protection and surveillance zones around the outbreak. Could the DG AGRI provide data on costs incurred on this issue? What are the estimated losses for the European farmers?

Commission's answer:

As to the CAP, under Article 220 of Regulation (EU) 1308/2013, at the request of the Member State concerned, exceptional market measures can be adopted to deal with market disturbances linked to animal diseases.

The Commission did not receive any requests for compensation of losses following the avian influenza outbreaks in November 2014 in Germany, the Netherlands and the United Kingdom.

In 2015, the Commission received a request for compensation of losses following the avian influenza outbreak in December 2014 in Italy. The request is being examined and additional information has been requested from Italy.

In 2014, a request was made by Italy in relation to the 2013 outbreaks. The contribution of the CAP to the expenses incurred by Italy was 4.93 million euro.

Following the confirmation of the occurrence of avian influenza in Germany, the Netherlands, the United Kingdom, and Italy in November 2014, DG SANTE awarded grants to these Member States within the framework of emergency measures in respect to the health and safety measures undertaken. The total costs declared by the four Member States for carrying out the measures in 2014 amounted to 4 776 453 euro. Given that the grant mechanisms foresee a co-funding rate of 50%, the Union awarded financial contributions to the affected Member States of 2 374 531 euro.

The Union contribution covered costs incurred by the Member States in the implementation of the following emergency measures:

- slaughter and compensation for the value of the animals to the farmers,
- cleaning and disinfection of the affected holdings,
- destruction of feeding stuffs,
- transport of carcasses,
- as well as some overhead costs.

As a result of the outbreaks, 562 340 birds and 1 549 907 eggs were destroyed.

Young farmers

22. Could the Commission provide detailed data on the Young farmers programme for each Country (funding, performance, number of new young farmers beneficiaries, etc)?

Commission's answer:

For direct payments (DP): Claim year 2015 (budget year 2016) is the first year of application of the Young Farmers Scheme (YFS) under the first pillar. Member States had to notify their main implementation decisions by 31 January 2015. While there is not yet a track record of actual implementation and it is not feasible to undertake an evaluation of the policy instrument before the end of its first year of actual implementation, these notifications already show:

- Member States have notified a level of expected expenditure amounting to a total of 2.6 billion Euro over the period 2014-2019. This amount could be higher depending on the final data on actual uptake.

- Across the EU, on average and based on the estimate made by MS before the actual claims were lodged, the YFS accounts for around 1.33% of the DP envelope in 2015 (maximum available is 2% of the DP envelope).

- Preliminary results show that in 2015 almost 300,000 farmers applied under the YFS across the EU. However, this figure does not yet comprise data from FR, HR and RO as no data has been reported to the Commission. For a number of Member States data on the actual number of YFS beneficiaries will be only available in the first quarter of 2016.

For rural development: Member States are implementing the sub-measure "Business start-up support" (in 98 out of 118 RD programmes) in the 2014-2020 programming period. More than 5.3 billion EUR in total public expenditure has been programmed to support more than 171 000 young farmers across the EU.

As regards the performance of this measure, the Commission notes that the end of the first year of implementation of the new CAP has not yet been reached; therefore no evidence is available on the possible impact of the new measures. The Commission will present annual reports on the performance of the CAP, the first report being due in 2018.

Member State	Nr of beneficiaries (holdings) receiving start up aid young farmers (6.1)	Total public expenditure (EUR)
Finland	2,722	145,900,000
France	38,153	1,143,947,225
Greece	23,900	307,797,756
Croatia	1,004	50,222,222
Hungary	3,000	121,720,316
Italia	20,168	891,104,975
Lithuania	1,170	64,705,882
Luxemburg	140	8,400,000
Latvia	350	13,900,934
Malta	60	4,300,000
Poland	28,715	717,997,734

Portugal	5,218	214,146,913
Romania	9,367	444,839,556
Sweden	550	16,168,713
Slovenia	2,500	60,650,000
Slovakia	600	30,000,000
UK	445	29,309,527
Grand Total	**171,557.00**	**5,349,563,297.25**

23. In Italy, two Regions (Lazio and Abruzzo) encountered interruption and reduction for Measure 112 (Young farmers). Could the Commission provide details on the actions taken to solve the situation?

Commission's answer:

On the basis of Article 41(1) of Regulation (EU) 1306/2013, for four quarterly payment declarations of Lazio (Q2, Q3, Q4 of 2013 and Q1 of 2014) a reduction of payments was decided for expenditure incurred by the Region under the Young Farmer measure. The reduction was based on DG AGRI's assessment at the time that the expenditure had not been effected in accordance with Union rules. The Region had failed to comply with the provisions of Article 13(4) of Regulation (EC) No 1974/2006 according to which "the individual decision to grant support for the setting up of young farmers shall be taken no later than 18 months after setting up".

After further analysis, the Commission services concluded that the case concerned a key deficiency in the regional control system. This deficiency led to the proposal for a flat-rate financial correction of 5% for the total expenditure under measure 112 for the period from 23.07.2011 until 31.03.2014 in the context of the Conformity Clearance procedure.

Additional financial corrections may be applied by the Commission for future declarations of expenditure, for the period following June 2015, at the completion of possible new audits. The reductions for the four quarterly payment declarations were taken into account when the financial correction was applied.

The actions implemented by Lazio were the following:

• The description of the starting point of the 18-month-term foreseen by Article 13(4) of Regulation (EU) No 1974/2006 was more accurately described in public calls published after the preliminary findings of DG AGRI auditors. The Region reassured the Commission, with a formal note, that for all public calls subsequent to the audit, the aid granting decisions have been adopted in respect of Article 13(4). (27/05/2014)

• New database to facilitate the control procedures specifically with regard to the setting-up of young farmers. (27/05/2014)

For Abruzzo an interruption of payments according to Article 83 of Regulation (EU) No 1303/2013 was decided. The clarification provided by the Region allowed the Commission to conclude that the relevant EU legislation had been respected. The potential audit findings were closed on the basis of the justifications and conclusive documentation submitted by the Region. Nonetheless, the Region implemented the following actions:

• New control checklists (31/12/2014)

• The Paying Agency (AGEA) implemented new controls on its database to allow for a punctual verification of the respect of the provisions set by Article 13(4). (09/04/2015)

Czech Republic

The question 24 falls under the responsibility of Commissioner Crețu.

24. The Czech Ministry for Industry and Trade has changed the rules for the Enterprises and Innovations Operational Programme (OPPIK) in the sense that large companies are now allowed to apply for 40 per cent of the total amount instead of the original 20 per cent. A second important change was that companies or subsidiaries of large enterprises which are situated at other locations than the parent enterprise or the group are now allowed to submit more than one or two projects within the first call for tender.

    a. What were the reasons for the above mentioned changes of the rules? Could you please provide the Parliament with a list of the companies who made use of these changes?

Commission's answer:

During the monitoring committee of the Operational Programme (OP) Enterprise and Innovation for Competitiveness the Commission representatives raised the question about the increased support for large enterprises (40% in contrast to 20% stated in the adopted OP) as for the five first calls the share of large companies reached 40%.

These were the first calls for proposals opened and the threshold of 20% needs to be respected over the period: the percentage can be balanced with further opened calls where the support for large enterprises will be lower to respect the average share of 20% at priority level. The Commission representatives clearly stated that increasing the overall threshold for the support of large enterprises up to 40% / 50% at priority axis level is not acceptable (although not officially requested by the managing authority), as preference is to be given to support SMEs.

This means that the OP has not changed its rules in favour of large enterprises.

All selected projects are published on:
http://www.mpo.cz/cz/podpora-podnikani/oppik/

    b. Is the Commission aware of the possibility that the changes of the above mentioned rules could be influenced by the President of the technical association of the chemical industry who is also working for the Agrofert holding as a Vice CEO?

Commission's answer:

The Commission has no other information than press articles and an anonymous complaint and therefore cannot comment. The first calls for proposals under the OP Enterprise and Innovation for Competitiveness were launched before summer 2015.

c. How is the Commission dealing with such situations in Member States?

Commission's answer:

The Commission services are closely monitoring the launch of the implementation of the OP Enterprise and Innovation for Competitiveness. At this moment, this OP includes a threshold of 20% for maximum support of large enterprises at the level of priority axes. To increase this threshold, the OP would have to be modified, and therefore the Commission would need to accept such change. The Commission clearly informed the Managing Authorities of the OP Enterprise and Innovation for Competitiveness that such modification is not acceptable.

The Commission services had in any event already planned an early preventive on-the-spot system audit on the OP Enterprise and Innovation for Competitiveness in the context of the designation procedure, focusing amongst others on projects selection. If there is clear evidence of serious deficiencies in the functioning of the management and control system, payments will be interrupted and appropriate financial corrections will be required.

Please also see the replies given to additional questions No 44 f) and g) asked to Commissioner Crețu in the context of the 2014 Discharge process.

25. ERDF/ Czech Republic: The maximum amount for the project costs were fixed at 30 million CZK. The average amount which was paid out for one project within the scope of the "modernisation of companies in the agricultural sector" was 2,5 million CZK. What were the reasons to raise the maximum amount per project for the budgetary term to 150 million CZK. What is the annual turnover of the enterprises that have made use of raise of the maximum amount? Has an enterprise of the Agrofert group made use of the raise of the maximum amount for project costs?

Commission's answer:

Although the question refers to ERDF, the reply is given on the assumption that the European fund concerned is EAFRD since the measure "modernisation of companies in the agricultural sector" is an EAFRD funded measure.

The Rural Development regulation sets the maximum threshold for the support rate (aid intensity). However the regulation neither sets a maximum amount of project costs, nor requires such a maximum to be defined by the Member States in their Rural Development Programmes. The Czech authorities decided to set limits to the support per project under their own responsibility.

In the Czech Rural Development Programme (RDP) 2007-2013 the measure under M111–Modernisation of agricultural holdings was programmed as follows:

a) the level of aid is:

- max 60% of eligible cost for investment by young farmers in Less Favoured Areas (LFA)

- max 50% of eligible cost for investment made by other farmers in LFA

- max 50% of eligible cost for investment made by young farmers in other areas than LFA

- max 40% of eligible cost for investment made by other farmers in areas outside LFA

b) Eligible cost for one project is from 100.000 CZK to 30 million CZK

c) Max level of support per one beneficiary within period 2007-2013 is 90 million CZK

All settings mentioned above have not been modified during the period 2007-2013.

The maximum project size under measure 4.1.1 (Modernization of farms) of the new RDP 2014-2020 has been increased up to 150 million CZK (approximately 5 million Euro), in order to also implement larger projects in livestock and crop production (especially technologically demanding buildings such as greenhouses, etc.). This has a positive impact on maintaining and creating jobs and increasing competitiveness in sensitive sectors. No information is available on annual turnover of the enterprises which have applied under Measure 4.1.1 as the selection and contracting process for the first call for proposals is still on-going.

26. The State Agricultural Intervention Fund (SZIF) is in charge of the distribution of the ERDF subsidies in the Czech Republic. One of the members of the supervisory board of the SZIF, J. F. is apparently at the same time a member of the board of directors of Agrofert. The company received during 2007 - 2013 the highest amount of EU subsidies. Is the Commission aware about this situation? Can the Commission exclude a possible conflict of interest? Was the case transferred to OLAF?

Commission's answer:

Although the question refers to ERDF, the reply is given on the assumption that the European fund concerned is EAFRD (rural development) since the State Agricultural Intervention Fund (SZIF) is not involved in ERDF management. This means that the SZIF is not in charge of the distribution of the ERDF subsidies (regional development) in the Czech Republic. Instead the SZIF is the accredited Paying Agency responsible for the management and control of CAP expenditure in the Czech Republic.

The Commission became aware of the issue when an anonymous complaint was received pointing out that J.F was a member of both the supervisory board of SZIF and the board of directors of AGROFERT.

To clarify the situation, a conformity clearance procedure has been launched to get detailed and precise information on the risk of a conflict of interest as well as on the mitigating measures taken. No 1(B)(v) of the accreditation criteria for the paying agencies set out in in Annex I to Commission Regulation (EU) No 907/2014 stipulates that appropriate measures must be taken to avoid a conflict of interest where a person occupying a position of responsibility within the paying agency also fulfils other functions outside the paying agency. Failure to take the necessary measures to prevent a conflict of interest could ultimately require the Czech Competent Authority to withdraw the accreditation and/or could lead to the application of financial corrections by the Commission.

OLAF has received the corresponding allegations and is currently evaluating them in order to determine whether a case should be opened or not.

27. Did changes in Operational Programmes occur in other Member States as well (for Programming period 2014-2020)? If so, could the Commission provide such data (type of change, Operational Programme, Member State, beneficiaries of such changes)? Did such changes occur in previous Programming period (2007-2013)? If so, could the Commission provide such data (type of change, Operational Programme, Member State, beneficiaries of such changes)? Were all the changes in such Operational Programmes conflict-of-interest free?

Commission's answer:

This question falls under the responsibility of Commissioner Crețu.

An operational programme (OP) is a living document. During the time of its implementation, i.e. the 7 year period of the multi-annual financial framework, different changes of the initial programme document might be needed. Most of the changes are triggered by changes in the political and/or economic environment (as for example the major financial crises during the 2007-2013 period). Some changes might occur due to not fully correct or not anymore applicable initial assumptions for the needs. The rules for the change of an OP are stipulated in the relevant Regulations and require Commission approval.

Most programme changes contain a reallocation of funds between priority axes, as well as the inclusion or removal of some types of investments. In both cases, the Commission assesses before approval if the changes are in line with the EU priorities.

The Commission disposes of a list and information about the changes in all programmes. As most of the programmes undergo changes during their implementation this list is quite extensive.

As regards programme modifications for 2014-2020, the Commission already received 21 requests for OP amendments out of which it approved seven. The current migration crisis is, for example, a reason for programme modification in some Member States.

28. Did changes in the maximum amount of the project costs within the scope of the "modernisation of companies in the agricultural sector" occur in other Member States as well (in present or previous Programming period)? If so, what is the annual turnover of the enterprises that have made use of raise of the maximum amount (enterprise, annual turnover, EU contribution, Operational Programme, Member State)?

Commission's answer:

Maximum amounts of project costs for that measure can be amended if it is justified by the intervention logic of the programme. In order to reduce errors, setting detailed rules going beyond the legal requirements is discouraged by the Commission because it leads to "gold plating" and additional risks of financial errors. Accordingly, the information on annual turnover of the enterprises eligible for support is not requested in RDPs. Neither is it part of compulsory reporting, which implies that this information is not systematically available to the Commission. The measure on "modernisation of companies in the agricultural sector" is not subject to rural development rules that require a differentiating of eligibility based on the size of the enterprise. The annual turnover is relevant for State aid rules, where different requirements may apply based on the size of the enterprise. However, please note that in 2014-2020 period EAFRD co-financed support for the production of and trade with Annex I products (agricultural products) is exempted from State aid control on the basis of Council –Parliament Regulation.

The maximum amount of project costs applied under the Czech Rural Development Programme was not changed during the period 2007-2013. See also reply to question 25.

Rabobank issue

29. According to recent media reports the Dutch bank Rabobank has apparently acquired over 21 000 hectares of farmland across Romania since 2011 through an investment fund called Rabo Farm. The latter has bought land in Romania and leases it to farmers. Apparently the leaseholders are directly transferring their single area payment subsidies to Rabo Farm as a guarantee against rent.

    a. Is the Commission aware of this case? Could you please inform Parliament about the state of play?

Commission's answer:

The Commission is only aware of the issue based on the same media reports mentioned in the question.

In the absence of more specific information and as a general rule, the rules on direct payments do not prevent beneficiaries of EU subsidies from using the amounts they are entitled to receive as guarantees against liabilities, not least given that in such a situation the financial advantage of these subsidies seems to remain fully with the beneficiaries.

Furthermore, there is no indication in the elements reported by the media that the contracts would not be freely negotiated or that the amount corresponding to the EU subsidy that the farmers transfer would not correspond to the rent price of land or any other kind of service (security/collateral) covered by the contract.

    b. Apparently there are indications that Rabo Farm's leaseholders also include politicians and other persons of influence. Has OLAF investigated in this case and what is the state of play?

Commission's answer:

OLAF does not have any investigations into the matters referred to in this question

LEADER

30. How many sanctions, including the respective amounts, were threatened or implemented by the European Commission against beneficiaries in 2014 concerning the non-compliance of obligational explanatory plaques?

Commission's answer:

Under shared management it is for Member States to impose sanctions on individual beneficiaries for non-respect of obligations linked to receiving EU support. The Commission is not systematically informed about the reasons for the individual sanctions imposed, but only about the amounts being recovered.
During its audits, the Commission monitors whether Member States enforce the obligation of placing the plaque and have appropriate procedures for applying sanctions on beneficiaries.

Error rates

31. DG AGRI's Annual Activity Report demonstrates that 39.11 % of all payments were subject to an error between 2% and 5% and for additional 15.27% the error rate exceeded 5%. These altogether represent more than half of CAP budget. What measures do you envisage to further limit the amount of errors especially in Rural Development?

Commission's answer:

The error rates estimated by DG AGRI in its Annual Activity Report covering 2014 expenditure confirm that progress is still needed. The expenditure and paying agency concerned are precisely identified in the reservations, as well as the remedial actions to be taken by the Member States.

The Commission will continue to monitor closely the actual implementation by the Member States of the requested remedial action plans and will not hesitate if necessary to reduce or suspend payments, in accordance with Article 41(2) of Regulation (EU) No 1306/2013, in cases where the Member State concerned is not implementing them appropriately.

In relation to Rural Development, all measures programmed for the 2014-2020 period have been assessed in the light of their verifiability and controllability. A joint statement by the paying agency and the managing authority has been included in all the rural development programmes approved. If a specific operation turns out to be difficult to verify or control, the Commission requests its modification in the RDP, in line with Article 62(2) of Regulation (EU) 1305/2013 (EAFRD). The Commission also encourages Member States to make full use of all simplified costs options, e.g. lump sum payments and standard costs, which are less prone to errors than payments linked to eligible costs. As stated in the Annual Activity Report, "Rural Development remains an area which merits very close scrutiny and continued assessment of whether, with reasonable effort, it will be possible for the adjusted error rate to descend below 2%".

Please see also reply to questions 40, 41, 43 and 44.

32. In comparison to 2013 there are positive trends in regard lowering the error rate apart from the direct payments under EAGF where it increased from 2, 34 % to 2, 54 %. What are the reasons for this increase?

Commission's answer:

The Commission does not consider this slight increase can in any way be indicative of a trend. If anything, it indicates stability in the level of error for direct payments. It is noted that the 2014 adjusted error rate in the Annual Activity Report of DG AGRI is very close to the most likely error reported by the European Court of Auditors for 2014: 2.2% when cross-compliance is deducted (2.9% less cross-compliance errors of 0.7%). Slight variations from year to year can occur for example when top ups are made for Member States with large expenditure.

33. National authorities are sometimes troubled with the different error rates applied by different bodies to CAP funding (ECA, Commission, certified bodies etc.) which can lead to uncertainty for national authorities and paying agencies when implementing and controlling CAP spending. Is the Commission aware of this? How is the Commission addressing the different error rates and how it communicates to paying agencies which rate is relevant for them, in particular as regards potential recoveries and penalties?

Commission's answer:

The European Court of Auditors (ECA) estimates most likely error rates for the global EAGF and EAFRD expenditure in the 28 Member States, which can be used at EU level only, for instance in the discharge procedure.

By contrast, in its Annual Activity Report (AAR), the Directorate General for Agriculture and Rural Development (DG AGRI) reports estimates of the error rates at the level of each individual Paying Agency and for each type of activity – market measures, direct payments and rural development. This precise information is complemented with a description of the deficiencies in the management and control systems that require remedial actions to be taken. The same deficiencies are the basis for financial corrections by the Commission to cover the risk to the EU budget related to the expenditure already paid, as well as for interruption, reduction or suspension of expenditure where remedial measures are not taken by the Member State concerned.

With a view to contributing to improving the effectiveness of the management and control systems of the CAP expenditure, the Commission will continue to communicate precisely and transparently on the identified deficiencies in the management and control system for each paying agency and type of activity.

From financial year 2015, the certification bodies have to deliver an opinion on the legality and regularity of the transactions underlying CAP expenditure. This opinion will take the form of an error rate that will have to be used in the first instance by the Member State itself to take remedial measures when necessary. The opinion of the certification body will also be used by the Commission, provided that there is enough assurance on the methodology used and the accuracy of the checks carried out by the certification body. The first opinions will be delivered in February 2016 and a very initial assessment of these opinions will be included in the 2015 AAR of DG AGRI.

34. To which extent has the harmonized rules on procurement adopted by the Commission Decision C(2013) 9527 have reduced the amount of errors in this field?

Commission's answer:

The adoption of the harmonized rules to be applied in the case of non-respect of public procurement provisions in order to determine the financial correction did not have any tangible impact on the number of errors in this field. It is too early to quantify the potential impact on financial corrections.

35. The Commission stated in 2014 that it cannot be expected with any real certainty that an adjusted error rate below 2% would be attainable, with reasonable efforts, for all areas of the CAP. Is there any possibility that the changes implemented as a consequence of the simplified procedures established in the 2013 reform change this state of things for the new period 2014-2020?

Commission's answer:

Given that the implementing and delegated acts for the CAP reform were adopted in mid-2014 and only came into effect from claim year 2015 (which means financial year 2016 for direct payments), there is, as yet, no data on whether simplified procedures have had an impact. In particular, for rural development, while the programmes have all been approved by end 2015, the selection of projects is still underway and it is expected that there will be very limited expenditure in 2015 under such simplified procedures.

However, it has to be mentioned that rural development measures are complex by nature. The co-legislators chose to allow all Member States to retain full flexibility to tailor measures to their individual national, regional and local needs. Therefore the measures likely remain prone to error.

Even direct payments, although fully implemented under IACS - which as both ECA and Commission agree "makes a significant contribution in preventing and reducing the levels of error in the aid schemes to which it applies"[5] - will not necessarily escape from the risk of error rates above materiality. The provision of national flexibility, notably for greening and voluntary coupled support, is adding a new level of complexity to that sector and it cannot be excluded that this may lead, at least in the short term, to an increase in error rates for direct payments.

36. What kind of challenges may arise from the very weak human resources performance of the managing authorities? Can the Commission foresee any actions?

[5] ECA report for 2014, para 7.35

Commission's answer:

Human resources involved in the management of rural development programmes can be partially financed from technical assistance allocations in the rural development programmes, up to a limit of 4%. Member States have the obligation to manage EU funds in the most efficient way with the appropriate resources. The Commission has issued a Guidance Document to Member States, including recommendations on how to make an effective use of technical assistance for improving the administrative capacities.

The Commission has no evidence that would allow it to consider that the managing authorities have in general a "very weak human resources performance".

37. How will the Commission calculate the errors of the cross compliance (for example meeting dates or deadlines)? As these errors do not affect the eligibility; they should not be calculated in the overall error rate.

Commission's answer:

Cross-compliance is a sanction mechanism by which farmers are penalised when they do not respect a series of requirements which stem in general from policies other than the CAP and apply to EU citizens independently of the CAP. The respect of cross-compliance obligations does not constitute an eligibility criterion for any CAP payment and, therefore, the control of these requirements does not pertain to the legality and regularity of the underlying transactions financed by the CAP.

These principles have been in force since the beginning of the Single Payment Scheme in 2005. The fact that cross-compliance does not affect the eligibility of payments has been explicitly confirmed by the European Court of Justice (case T-588/10) and has been further clarified by Article 97(4) of Regulation 1306/2013 for claim years 2015 and onwards.

Thus, the Commission considers that reductions imposed for violations of cross-compliance requirements should not be taken into account for the calculation of the error rates for the CAP. This approach is followed when establishing the adjusted error rate for the Annual Activity Report (AAR) of the Directorate General for Agriculture and Rural Development (DG AGRI).

Member States are under obligation to enforce the cross-compliance rules and apply appropriate sanctions in case of infringements. The Commission monitors the actions of the Member States and reports on cross-compliance in DG AGRI's AAR.

38. How do you plan solve the lack of coherence between the annual and the multiannual examination methodologies?

Commission's answer:

The Commission does not agree with the view that there is a lack of coherence in the methodologies used for estimating the error rates.

Both the ECA and DG AGRI estimate error rates related to the annual expenditure in a given year. The main methodological difference is that the ECA works at the level of the entire EU expenditure and uses a statistical method while DG AGRI works at the level of each paying agency on the basis of concrete audit findings. However, when aggregated at EU level the error rates estimated by DG AGRI do not significantly differ from the estimates of the ECA.

The financial corrections by the Commission and the recoveries by the Member States resulting from ex-post controls and audits do protect the EU financial interest. They are taken into account when estimating the corrective capacity of the Commission which is an average of the corrections done over the past three years, thus using a multi-annual approach to give an annual estimate.

39. The Commission argues that reductions imposed for violations of cross-compliance requirements should not be taken into account for the calculation of the error rates for the CAP (7.7 ECA annual report) as cross compliance is a sanction mechanism by which farmers are penalised when they do not respect a series of rules which stem in general from other policies than the CAP and apply to EU citizens independently of the CAP. Does the Commission monitor cross-compliance independently if it is taken into account for the calculation of the error rates? Can the Commission elaborate how this is performed (type, number of checks etc.)? Does the Commission foresee an alternative method by which this error should be taken into account, (i,e error rates taken into account for other policies i.e: environment)?

Commission's answer:

The Commission monitors the enforcement of cross-compliance rules in the framework of the conformity clearance procedure. There is a dedicated team for audits of cross-compliance.

Each year between 10 and 12 audit missions are carried out. The Paying Agencies to be audited are selected in such a way that each Member State is audited at least once every 5 years. Additional risk factors (e.g. results of previous audits) may have an impact on the frequency of audits of specific Paying Agencies.

The audits focus on the control and sanctioning system implemented by the Paying Agencies as regards the beneficiaries’ respect of the cross compliance requirements.

In case the system in place leads to leniency in sanctions (or lack of sanctions), financial corrections may be imposed. The level of cross-compliance corrections is established in accordance with a guidance document.

[Please see also reply to question 37]

40. The error rate differs in 2.5% between the EAGF and the EDFRD against this last one. To what extent have the reforms operated in 2014 reduced this difference?

Commission's answer:

As the CAP reform became mainly operational as of 2015 it is too early to express views on its effects on the difference between the error rates for the first and the second pillar.

The reformed CAP includes for the rural development policy the obligation for Member States to assess the verifiability and controllability of the measures before the programmes are approved.

This assessment has been carried out jointly by the managing authorities and the paying agencies. In addition the Commission has the possibility to interrupt and suspend payments, hence protecting EU funds, in the cases set out in accordance with Article 83 of Regulation (EU) No 1303/2013 and Article 41 of Regulation (EU) 1306/2013.

41. The Commission foresees that the measures implemented jointly by Member States and the Union will reduce the error rate levels. What mechanisms has the Commission set up in order to assure that these measures will be correctly implemented?

Commission's answer:

On the preventive side, in the field of direct payments, the functions of support and monitoring of Member States in the implementation in the CAP reform have been strengthened and, in the course of 2015, the Commission services have provided detailed written guidance to Member States through the drafting of guidelines and written replies to a large number of written questions. Bilateral meetings and missions/visits on the spot were also held and workshops aiming at facilitating the exchanges of experience and good practices between Member States were also organised in 2015 (See reply to question 14).

These preventive mechanisms are without prejudice to the possibilities for the Commission to provisionally reduce or suspend payments to Member States or definitively exclude irregular expenditure from EU financing when the conditions to do so are met.

Moreover, for the EAGF Member States have to establish Action Plans for errors detected in the management and control systems of the national authorities, where the Commission services consider that remedial action is necessary.

As regards rural development policy, guidance documents issued by the Commission raise awareness concerning potential causes of errors (AEC, investment measure fiche, fiche on verifiability and controllability and assessment of risk of errors). Please see also the detailed reply to question 14 referring to relevant seminars and workshops and the activities planned for 2016.

For the 2014-2020 programming period, all measures included in RDPs have been assessed in the light of their verifiability and controllability. A joint statement by the paying agency and the managing authority has to be included in all the rural development programmes (ex-ante assessment). The Managing Authorities and the Paying Agencies assess the verifiability and controllability of measures during the implementation of the rural development programme. The ex-ante assessment and assessment during the implementation period takes into account the results of controls in the previous and current programming period. Where the assessment reveals that the requirements of verifiability and controllability are not met, the measures concerned must be adjusted.

Member States have to establish Action Plans for errors detected in the management and control systems of the national authorities, focusing on main root causes for errors under rural development. Those are being closely followed by the Commission services.

42. The increasingly environmental requirements have led to an augmentation of the areas covered by at least one agri-environmental commitment. How does the Commission intend to assure that the new cross-compliance criteria will not suppose an increase of the administrative burden and of the error?

Commission's answer:

The cross compliance system has been consolidated and streamlined as a result of the last CAP reform. In particular certain requirements which were not directly linked with the agricultural activity were removed. A possibility of sending an early warning instead of applying a penalty, without systematic follow up checks, has also been introduced for minor infringements. These changes should lead to a reduction of the administrative burden for both farmers and national administration and at the same time contribute to reducing errors.

43. The Commission welcomes the Court's assessment on Member States' role and is of the view that Member States should have done more to reduce errors. How is the Commission continuing to work with Member States to reduce errors?

Commission's answer:

Firstly, the Commission systematically asks Member States to draw up Action Plans to redress identified deficiencies in the management and control systems and closely monitors their implementation.

Secondly, the Commission works with Member States upfront to prevent errors and management and control deficiencies from occurring. (Please see also reply to question 41). This includes simplification and clarification of rules in cooperation with Member States at the very upstream level of law-making activities. For each of the 3 ABB activities, i.e. market measures, direct payments and rural development, Commission staff working documents on the assessment of main causes of errors that were published in 2014 identified the main specific causes of errors and listed actions to be implemented.

Most important issues are discussed with Member States in management committees and expert group meetings. Guidance documents are also discussed in these meetings to provide assistance to the national authorities: for instance the Commission services provided detailed lists of key and ancillary controls covering all types of CAP measures. The Commission has also organised several seminars and ad-hoc trainings for Member States on topics linked to the reduction of error rates.

For Direct Payments, these activities focused in 2015 on the implementation of the new schemes introduced in the framework of the CAP reform.

In Rural Development particular attention is paid to the Action Plans in those Member States or regions where the error rate is high. The Commission has also organised several trainings for Member States on topics linked to the reduction of error rates: simplified cost options, public procurement, reasonableness of costs, and result-oriented agri-environment payments.

For Market Measures, a large body of work is dedicated to simplifying and modernising the future framework of all Commission legislation linked to the Common Market Organisation, particular attention being paid to the potential changes that would reduce payment errors.

44. The Commission appreciates the Court's analysis of the root causes of errors in its special report 23/2014 which largely confirmed the Commission's own analysis presented to the European Parliament and the Council in June 2013 (SWD (2013) 244), according to which ambitious policy objectives of the policy and insufficient control systems are contributing factors to the level of errors. How did the ex-ante assessment helped in 2014 for the verifiability and controllability of the measures?

Commission's answer:

The ex-ante assessments on the verifiability and controllability of the measures have contributed to a better design of the measures, identifying risks in the implementation that have to be avoided or mitigated through adequate actions.
The assessment will be followed up and updated during the implementation of the Rural Development Programmes (RDP). Where draft RDPs included operations or measures that were identified as failing to ensure their verifiability and controllability, the Commission requested their modification.

45. A guidance document on most common irregularities in the management of European Structural and Investment Funds has already been presented to Member States. Can you share this document with us? Do you have any feedback on it?

Commission's answer:

The "Guidance for practitioners on the avoidance of the most common errors in public procurement of projects funded by the European Structural and Investment Funds" contains practical suggestions, a series of good practices, real-life examples, explanations on specific topics, case studies and templates and useful links in order to help those who are involved in the day-to-day management of EU-supported projects. It also describes the most common mistakes and explains how to avoid them and how to handle each situation.

The Guidance document has been published in all EU languages in October 2015 and is available on the InfoRegio website
http://ec.europa.eu/regional_policy/en/policy/how/improving-investment/public-procurement/guide/

It has been presented to national audit authorities on 20 November 2015 during the multi-fund technical group meeting, and received a positive reaction from Member States.

Key changes on the public procurement directives were presented to managing authorities in the Rural Development Committee meeting in November 2015.

The guidance document itself will also be presented to the Member States in the Rural Development Committee in February 2016, where managing authorities of the rural development programmes are represented.

In March 2016 DG AGRI also organises a workshop on public procurement with managing authorities and paying agencies.

Financial instruments in rural development

46. The European Court of Auditors (ECA) states in the Special Report 05/2015 that there are currently no precise exit and winding-up provisions for Member States with regard to financial instruments in rural development. According to the ECA it is not clear what will happen to the audited funds in the future. Do these financial instruments still exist and what is their current status? Could you please provide more information on the duration and purpose of these funds? What is the development concerning the exit strategy for the 2014-2020 period and in how far has the Commission implemented the ECA's recommendations on the exit strategy?

Commission's answer:

Financial Instruments receiving support under the 2014-2020 RDPs must comply with the respective provisions of Regulation 1303/2013 (CPR), including the ex-ante assessment in relation to the financial instrument.

The exit and winding-up provisions have been clarified in the new legal framework and are subject to specific guidance for Member States and financial institutions. They are also covered iby the Fi-compass (technical assistance platform on financial instruments) activities.

In 2007-2013, the EAFRD could support financial instruments such as loan, guarantee or venture-capital funds investing in enterprises. From these, only loan and guarantee funds were created by EAFRD managing authorities (MAs).

Financial instruments created by EAFRD MAs in 2007-2013 can no longer provide loans and/or guarantees after closure of RDPs 2007-2013 (i.e. after 31/12/2015). However, their activity continues with regards to outstanding loans/guarantees (provided before the date of closure) for which maturity expires after the date of closure of RDPs 2007-2013. The latter is regulated by Article 52(3) of Regulation 1974/2006. The duration of the provided loans and/or guarantees is Fund/Country-specific and its monitoring falls within the responsibility of the Member States. The Commission only ensures the eligibility of the EAFRD expenditure at closure.

Non-productive investments

47. The European Court of Auditors' audit on 'The cost-effectiveness of EU Rural Development support for non-productive investments in agriculture' revealed that in 75 % of clear indications of unreasonable costs in 75 % of the audited projects. Having regard to the minimum 30% financial allocation for environmental and climate change-related activities which is legally required in the new programming period what measures will the Commission impose in order to significantly improve the cost effectiveness of non-productive investments?

Commission's answer:

Member States have the obligation to achieve value for money. This means that costs have to be reasonable and that adequate checks and assessments should be in place.

The Commission has issued guidance on controls and penalties under rural development, including as an annex the checklist on the assessment of reasonableness of costs that was part of the Special Report of the Court of Auditors in this topic (SR 22/14).

Where the requirements concerning the reasonableness of costs are not met (key control) the Commission imposes financial corrections to the Member States under the conformity clearance procedure.

Recoveries

48. Can the Commission provide data for the recoveries? Average time to finalise recovery, number of cases brought to the Court of Justice, number of cases won /lost?

Commission's answer:

The Commission can provide data on net financial corrections which are amounts recovered by the Commission from the Member States corresponding to expenditure that was not paid by the Member State in conformity with the EU rules. According to the principle of shared management, recovering irregular payments from the final beneficiaries is the sole responsibility of the Member States. Figures for these recoveries can be found in the Annual Activity Report (AAR) of DG AGRI (see page 120).

Details of the net financial corrections adopted by the Commission in 2014 can be found in Section 2.1.1.3.1 of 2014 AAR (see pages 115-116). For the financial corrections included in the conformity clearance decisions presented in Table 2.1.5, page 116 of the 2014 AAR, the average time to finalise a conformity procedure was 40 months. The Commission has already taken steps to shorten the conformity clearance procedure. Under the new implementing act, the length of the procedure for standard cases is intended to be reduced to two years after the initial audit takes place (see diagram Annex 10-4.3 in the 2014 AAR).

The number of net financial corrections executed between 2012 and 2014 is 276. The number of cases brought to the European Court of Justice against the conformity clearance decisions during this period is 29. Half of these appeals are still on-going. Furthermore, some of these cases are partly won and partly lost. As a result, it is not yet possible to give an indication on the financial impact of these specific appeals. However, the amounts reimbursed to MS as a result of cases lost are deducted from the corrective capacity used in the AAR. For the corrective capacity calculated in the 2014 AAR, this deduction corresponded to 6.14% of the total amount of financial corrections executed between 2012 and 2014, thus representing not the number of cases lost but the amount subject to reimbursement following loss of court cases.

Simplification

49. The Commission has shown a strong commitment for simplifying the CAP rules. To which extent have the measures implemented during 2014 contributed to this objective? Which is the outcome of this simplification by Member States?

<u>Commission's answer:</u>

2014 was the year in which the legislative framework of the 2013 reform of the CAP was completed by means of the adoption of delegated and implementing acts by the Commission and the issuing of a number of guidance documents to the Member States. As such, it was the year during which very first experiences with regard to the implementation of the policy were collected.

On the basis of this experience Commissioner Hogan launched in early 2015 a comprehensive screening exercise to assess the scope for simplification of the new rules and invited EU institutions, Member States and stakeholders to provide their proposals for simplification. More than 800 pages were submitted containing over 1500 proposals in total. Following assessment of these proposals the Commission has already started undertaking actions (by means of amendments to Commission regulations or by means of guidance documents) to simplify the implementation of the policy both for farmers and other beneficiaries of the CAP and for national administrations.

For concrete examples, please see also the reply to question 51.

50. Simplification of the implementation of the rural development measures is one of the main challenges in this policy area. Is the Commission working on the reduction of complexity which would help innovation?

<u>Commission's answer:</u>

The Commission has been promoting, through dedicated seminars and presentations in the Rural Development Committee, the use of simplification options (simplified cost options, e-Governance, CLLD[6], etc.) in the implementation of the programmes.

Within the context of the European Structural and Investment Funds, a Common High level group for simplification for beneficiaries has been established to this effect in 2015 with a two and half year mandate. The objective of this group is also to identify good practices and make recommendations. Special attention is given to achieving complementarity with respect to other EU instruments such as Horizon 2020, the research and innovation framework programme.

Last, but not least, the Commission aims at simplifying the rules governing investment support via financial instruments in order to enhance the efficiency of EU funding (leverage effect, revolving funds) and to foster investment in innovation.

6 Community led local development

51. The Commission is committed to the simplification of the CAP rules and will insist on the simplification of the national rules by the Member States, without jeopardising sound financial management. (ECA AR 7.10) Can the Commission provide an overview of the measures to be taken to achieve this goal?

Commission's answer:

The Commission has already adopted an amendment to the implementing regulation on IACS, introducing a series of changes to the rules in order to give Member States more flexibility in relation to controls and make life easier for farmers.

The amended implementing regulation provided the following new solutions:

Preliminary cross-checks on aid applications were introduced. This should prevent errors linked to filling out forms which should result in fewer sanctions for farmers.

It will be possible for farmers to modify the declaration of parcel use for greening after the submission of the application, which means more flexibility for farmers in managing the land.

The possibility to reduce the level of on-the-spot checks was made available already as from 2016, provided the conditions are met, linked to a certified error rate not exceeding 2% and a reliable control system not subject to any on-going conformity clearance procedure. Member States are also encouraged to increase the efficiency of their inspections. Checking a range of obligations during the course of a single on-the-spot check will reduce the number of inspections and the inconvenience for farmers.

In rural development, rules for collective claims for agri-environment measures were introduced. This should increase the accessibility of the collective claims option by providing a clear legal framework, including inter alia more flexibility for the notification of commitments.

The Commission has also adopted (entry into force pending) a delegated act simplifying and offering Member States additional flexibility in relation to young farmers' support and voluntary coupled support payments under the first pillar.

The rules for voluntary coupled support will be more flexible to allow for an easier use in times of market volatility and better targeting of particular sectors in difficulties. The rules for the young farmers' scheme will give more latitude to the national authorities and make the scheme more adjustable to the national legal framework.

Member States may use these possibilities, which are in line with the principle of sound financial management, in order to simplify national rules of implementation.

52. How will the Commission ensure that simplification does not go against the need to respect diversity of agricultural systems, different climate conditions and disparities in the EU?

Commission's answer:

The simplification exercise takes full account of the diversity of agriculture in the Member States. In particular, the simplification exercise launched by Commissioner Hogan is not a top-down exercise but it is based on proposals that have been requested and received from EU institutions, Member States and stakeholders.

53. The Commission shares the Court's view that areas of the rural development expenditure are governed by complex rules and eligibility conditions. The Commission is of the view that this is a consequence of the ambitious objectives of the rural development policy. Can the Commission explain why this policy is particularly prone to errors? What specific action will be undertaken to the simplification of the CAP rules and will insist on the simplification of the national rules by the Member States, without jeopardising sound financial management?

Commission's answer:

Rural development policy encompasses a broad range of measures, including support for investments, cooperation and knowledge transfer, and area-related agri-environment-climate measures. Support is always linked to the fulfilment of target-specific conditions to be met by the beneficiary, which often entails challenges for the controls. For instance, agro-environment-climate commitments must be differentiated in line with area- and time-specific circumstances and go beyond the baseline (i.e. existing legal requirements such as in cross-compliance) as well as obligations already paid for under other types of schemes (greening). This results in detailed agri-environment-climate contracts that are in some cases difficult to control. On the investment side, the non-respect of the complex public procurement procedures is considerably contributing to high error rates in rural development. The ex-ante assessment on the verifiability and controllability of measures in the framework of the 2014-2020 programming has improved the capacity of the Commission and the Member States to identify possible risks and propose mitigating actions.

The Commission is analysing the scope for simplification in rural development, as explained in the reply to question 50.

Reinforcement of assurance

54. The Commission replies to the Court's Comment (ECA AR para 7.44) that the assessment of the reinforcement of assurance exercise no longer applies. Can the Commission provide further information and brief explanation of the new system? Which were their reasons for modification, has there been any improvements as a result of the new provisions?

Commission's answer:

As from financial year 2015, Certification Bodies are required to, amongst other things, report on the legality and regularity of the expenditure for which reimbursement is claimed from the Commission. The new aspect of legality and regularity has replaced the former reinforced assurance model which was optional for Member States.

In this context, the modalities of the reinforcement of assurance have been incorporated into the annual certification of accounts procedure. The Certification Bodies will continue to audit the accounts of the paying agencies and in addition are now required to also test the legality and regularity of expenditure for which reimbursement is claimed form the Commission. Testing the legality and regularity will be done by verifying on the spot the veracity of the claims and reporting all differences, on a sample large enough to allow a statistically valid extrapolation of the differences found.

During 2015, DG AGRI continued to provide guidance to Paying Agencies and Certification Bodies on the exact modalities of the new approach. This was done through a combination of monitoring missions to Member States, two expert group meetings with Paying Agencies and Certification Bodies and continuous replies provided to Member States by the audit staff of DG AGRI.

The Certification Bodies will provide their first reports on this new work, as regards financial year 2015, by 15 February 2016. Only then will the Commission be in a position to assess the quality and reliability of the work done by the Certification Bodies and the added value of this work in terms of further assurance.

Permanent pasture

55. In accordance with the findings of the Court of Auditors some important weaknesses still persist in the LPIS in Greece, Spain and Italy; why has the Commission not used the reinforced instruments it has under the new CAP legislation (i.e.: article 41.2 of Regulation EU n° 1306/2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94), where there are significant and persistent deficiencies in national systems?

Commission's answer:

The Court states in its report (para 7.40) that "all the paying agencies examined have, **under the close guidance and active supervision of the Commission**, taken remedial action which overall led to an improvement in the situation" and that when weaknesses persist they do so "to a lesser degree". This is a clear indication that the remedial actions implemented by the national authorities did work even though improvements are still necessary in some Member States.

DG AGRI reported in its 2014 AAR on the weaknesses in the LPIS in Greece, Spain and Italy. Any financial consequences for the claim years 2013-2014 are subject to conformity clearance procedures in order to cover the ensuing financial risks for the EU budget.

The provisions of Article 41(2) of Regulation (EU) No 1306/2013 which entered into force on 1 January 2014 can only be used under very precise conditions: when key components of the control system are considered deficient and one of the following two conditions is fulfilled:

- the deficiencies identified must have resulted in at least two previous financial corrections;
- the Member State is considered not to be in a position to implement the necessary remedial measures decided in consultation with the Commission (e.g. action plan with clear progress indicators)

When the Commission found that Greece did not meet its commitments from the agreed action plan to remedy the situation for claim year 2014, the Commission reduced the payments (Commission Decision C(2014)8997) under Article 41(2) of Regulation (EU) No 1306/2013.

For Italy, based on the audit evidence and the corresponding risk to the EU budget, it was decided that no reservation in the AAR was necessary and as such no action plan was prepared. For Spain the action plan prepared in 2013 is being implemented by the authorities. Therefore for the latter two cases, reductions under article 41 of Regulation (EU) No 1306/2013 were neither required nor legally possible.

Any prejudice to the EU budget for the claim year 2013-2014 for Italy and Spain resulting from the Court of Auditors' findings will be covered by a conformity clearance procedure.

56. Beneficiaries from CAP funding argue that there is a clear problem as regards rules concerning permanent pastures. The Court has identified some concerns of eligibility of some of the beneficiaries (see ECA annual report 7.21), the Commission argues that it is aware of the weaknesses regarding permanent pastures and that actions plans have been put in place to address the problem. Can the Commission elaborate on the specific measures of these Plans? Some beneficiaries argue that the rules are not clear enough or do not cover the different multiple types of permanent pastures in the EU? Is the Commission addressing or planning to address these concerns?

Commission's answer:

1. Regarding the action plans: The action plan for Greece is considered as finished, as it concerned the pasture issue before 2015. With the reform entering into force in 2015, the pasture issue will be followed under the new eligibility conditions linked to permanent grassland.

For Spain the action plan is in its final stages. The Commission services continue to monitor it until the actions laid down in the agreed plan are fully implemented.

For France the action plan is still very much ongoing, and the Commission will continue to closely follow the implementation and will not hesitate to take action and apply suspension of payments if and when the action plan is not implemented as foreseen.

2. As far as the rules on permanent pasture are concerned, the former definition of permanent pasture has been replaced by the definition of permanent grassland agreed upon in the 2013 CAP reform. It is in line with the former definition but it has been widened to also include some types of grassland which represent "established local practices" (See Article 4(1)(h) of Regulation (EU) No 1307/2013) and more clearly sets out when areas must be considered as permanent grassland.

The implementation of the permanent grassland requirements, including the implementation of a pro-rata system to assess the maximum eligible area of permanent grassland containing landscape features and trees, has been monitored by the Commission services either in the context of the action plans referred to above or through bilateral contacts with national authorities. Stakeholders were also involved in that matter through discussions and presentations held in the context of the civil dialogue groups.

3. Finally, in order to help Member States in the management of the obligations on permanent grassland implemented from 2015 in the context of greening, a working

document on this subject has been discussed with Member States and finalised in July 2015.

Russian ban

57. The Russian ban on agriculture products was a major challenge for the European agriculture in 2014 and it continues to so be. The Commission implemented a range of support measures aiming at compensating the effects of this ban.

   a) Which has been the outcome of these measures?

Commission's answer:

Various market measures implemented since the embargo helped re-balance the sectors concerned and provided much needed support to affected producers in general, and – in the case of Member States most dependent upon the Russian market – specifically to milk producers in the three Baltic States and Finland through targeted aid of EUR 28.7 million (Baltic States) and EUR 10.7 million (Finland).

European agriculture showed its resilience by finding alternative markets at home and abroad (in particular in Asia), as evidenced by the trade statistics: the overall value of EU agri-food exports in the 12 months after the ban of August 2014 has risen by 6% despite the loss of the Russian market.

   b) Is it foreseen to extend them as long as the Russian prohibition continues?

Commission's answer:

The market conditions for all products affected are re-examined every time the ban is extended in addition to continuous monitoring of the market situation by the Commission. As the ban was extended in August 2015, the Commission took additional measures in the fruit and vegetable sector for an additional amount of EUR 191 million to avoid potential temporary imbalances and the markets remained strong. The 'solidarity package' of EUR 500 million agreed in September also includes support for the dairy and pig meat sectors affected by the Russian ban.

   c) Which medium-term measures has the Commission foreseen to overcome this situation?

Commission's answer:

The Commission has reinforced measures related to promotion and actively tackles trade barriers to create new opportunities for exports of agricultural products. Rural development measures can support farmers in developing active risk management strategies and direct payments provide an income support to reduce the impact of exceptional market imbalances on farmers' income. The broad aim of the policy is to increase the resilience of European farmers to economic and political shocks. In parallel, the Commission has maintained its position not to increase support levels for public intervention in order to keep the market orientation of the sectors concerned with a view to their long term competitiveness on global markets.

58. The Russian ban needed a quick reaction to support the European producers. Could the Commission provide detailed data on the use of exceptional measures taken and the results achieved?

Commission's answer:

As an immediate response for dairy, the EU opened a private storage aid scheme (PSA) for butter, skimmed milk powder (SMP) and cheese and extended the period during which butter and SMP could be offered for sale into public intervention (Regulations 947-950/2014). Among those safety net measures, public intervention and PSA for butter and SMP have remained available without disruption to date. Up to the 18/12/2015, 159 000 tonnes of butter and 63 000 tonnes of SMP have been offered for PSA since the schemes were opened in September 2014. In addition, 30 400 tonnes SMP have been bought into public intervention.

PSA stocks by the end of October 2015 were set at 74 200 tonnes butter and 27 700 tonnes SMP. (Details can be found at http://ec.europa.eu/agriculture/milk-market-observatory/pdf/eu-stocks-butter-smp_en.pdf).

Total expenditure will depend on duration of storage – in budget year B2015 (B2015), EUR 6.9 million was spent on storage measures for dairy products.

Private storage for pig meat was opened for two months (March/April; Reg. 2015/360) in 2015. (64 000 t of pig meat were put into store and have left it already), with an expected total expenditure of EUR 16.9 million, of which EUR 11.495 million already paid in 2015.

Member States most dependent on the Russian dairy market (three Baltic States and Finland) received specific temporary exceptional aid of EUR 28.7 million (Baltic States) and EUR 10.7 million (Finland).

Exceptional support measures were also introduced and maintained throughout the embargo in the fruit and vegetable sector, with around 809 000 tonnes having been withdrawn from the market over the first year of the embargo, with an EU expenditure of EUR 163 million. As the ban was extended in August 2015, the Commission took additional measures for fruit and vegetables for which EUR 191 million have been allocated in the EU budget for 2016.

EFSI- Horizon 2020

59. Which is the total amount of money coming from Horizon 2020 budget and managed by DG AGRI that was transferred to the European Fund for Strategic Investments (EFSI)? Can the Commission provide with a brief description of the projects that have been financed in the area of natural resources with EFSI money? In which way they represent an added value to activities financed normally by the EIB or with conventional financial instruments?

Commission's answer:

The Horizon 2020 budget managed by DG AGRI contributed in total with an amount of EUR 98 649 256 to the European Fund for Strategic Investment.

There have been 2 projects supported with EFSI money and linked to natural resources so far. These projects concern:

- The construction of a large scale bio-product mill in Finland (EUR 275 million.)

- The construction and operation of a greenfield biogas plant in Denmark (EUR 35,5 million.)

All EFSI-supported projects must address market failures or sub-optimal investment situations. They shall typically have a higher risk profile and therefore be outside the scope of normal investment practices of the EIB. This must be expressly justified by the EIB, as foreseen under Article 5 of Regulation 1017/2015 on "additionality".

60. The Directorate-General for Agriculture and Rural Development has participated since 2013 in the Framework Programme for Research and Innovation (Horizon 2020). How has DG AGRI managed to assure that the objectives of the CAP, as originally stated in the TFEU, are achieved while maintaining the Horizon 2020 strategy-driven approach?

Commission's answer:

The Horizon 2020 strategy-driven approach is in line with the CAP objectives, in particular with the objective of increasing agricultural productivity. Following the strategic approach, under Horizon 2020 agricultural research parts of the work programmes for 2014 to 2017 are grouped under the specific calls "Sustainable Food Security and Rural Renaissance":

https://ec.europa.eu/programmes/horizon2020/en/h2020-section/food-security-sustainable-agriculture-and-forestry-marine-maritime-and-inland-water

EIB- rural development

61. On 14 July 2014, the European Commission signed a Memorandum of Understanding with the European Investment Bank for co-operation in agriculture and rural development. Under this scheme, the EIB would advise Member States and regions in defining strategies or programmes. Which is the foreseen or actual added value of this co-operation scheme? What was the amount foreseen for this scheme for 2014?

Commission's answer:

The Memorandum of Understanding with the European Investment Bank is a non-binding political document expressing common objectives.

The value-added of such assistance/advisory service is the development of a streamlined investment approach in specific sectors or infrastructure at regional or national level, where such investment is insufficient and strategic approaches need to be developed. The strategic approaches to be established should enhance efficiency, employment, and economic gains. However, the MoU is not linked to a separate budget. Concrete outcomes will be delivered by means of EAFRD support which is targeted towards investment projects in line with the Rural Development objectives and underlying investment strategies.

There is no separate budget related to the Memorandum of Understanding.

DG AGRI organization

62. What has been the outcome of the reorganization of the Directorate-General? To what extent have coherence and efficiency improved to face the implementation of the new programming period 2014-2020?

Commission's answer:

The reorganisation's driving force has been the need to adapt DG AGRI's structure and organisation to the CAP reform and other main political challenges by focusing on key political priorities and better exploiting the synergies that can be found between different activities within the DG.

The new CAP introduced a variety of new policy measures, with new challenges in their implementation, management and control and therefore required enhanced efforts from DG AGRI to accompany and monitor the implementation of the new system of direct payments at Member-State level. At the same time, DG AGRI was facing the challenge of keeping the error rate at an acceptable level while applying new policy instruments, the need to absorb the Horizon 2020 research activities in the field of agriculture and natural resources, and a demanding international agenda of bilateral and multilateral trade negotiations, with their ever increasing synergies with AGRI Quality policy.

The restructuring also responded to the Commission's staff reduction objective by establishing a more compact structure which allows concentrating limited resources on main activities.

Due to the then imminent adoption of the rural development programmes for the new programming period 2014-2020, and hence the need for a stable organisational structure for the rural development department, it was decided to limit structural changes in this area only to minor adjustments in the horizontal Directorate and to leave the two geographical Directorates untouched.

Indeed, considering the heavy workload that the units in the two geographical Directorates would have to face in the months following the reorganisation, it was decided to use part of the efficiency savings achieved via the reorganisation to temporarily reinforce the rural development units.

In April 2014, 10 posts have thus been allocated to the rural development units for a duration of between 1 and 2 years. Once the approval process of the new RDPs has been concluded, these temporary allocations are being used to cater for new priorities or to respond to staff cut obligations.

This new form of dynamic staff allocation has proven to be very useful in times of scarce resources.

IACS

63. According to the European Court of Auditor's Annual Report, 95% of applicants receive payments upon successful completion of control checks. To which extent does the reorganization aiming at supporting Member States in their efforts to implement the new direct payments schemes, in particular as regards IACS have improved this state of things?

<u>Commission's answer:</u>

For direct support, the payments to beneficiaries shall only be made when the verification of the eligibility conditions to be carried out by the Member States has been finalised (Article 75(2) of Regulation (EU) No 1306/2013). This means that all controls (administrative controls on 100% of the claims and on-the-spot controls, in general on 5% of beneficiaries for each scheme) must have been finalised. Therefore, payments are made after successful completion of both administrative and on-the-spot controls, 95% of applicants are subject to administrative controls under IACS and the remaining 5% subject to both administrative and on-the-spot controls. This also concerns advances of direct payments (up to 50%) that Member States may pay from 16 October to 30 November, by anticipation of the normal payment deadline (1 December).

As an exception, and only for claim year 2015, the Commission adopted an implementing act (Regulation (EU) No 2015/1748 of 30 September 2015) allowing Member States to pay advance payments from 16 October even if the on-the-spot checks had not been finalised. This exceptional measure was justified by the severity of the economic situation in certain agricultural sectors, and particularly in the dairy market, which had generated serious financial difficulties and cash-flow problems for beneficiaries. That situation coincided with the first year of implementation of the new direct payment schemes and the difficulties experienced by Member States in their practical implementation of those schemes which has delayed, in certain cases, payments to beneficiaries (see also reply to question 66).

On the other hand, the re-organization referred to in the second part of the question ensured the dedication of more resources to supporting and monitoring Member States in the implementation of direct payments, including for the set-up and where necessary, review, amendment and simplification of the IACS legislative framework. This allowed the Commission services to be in constant contact with Member States and help them deal with implementation difficulties.

Costs of controls

64. According to the Annual Activity Report, the costs of controlling the CAP are already high and any further increase of control efforts would raise the issue of the cost-effectiveness of the control system. Could the simplification measures foreseen by the Commission and other measures already implemented such as the Common monitoring and evaluation framework for the CAP reduce this cost? Can the Commission present a table of such costs by Member States?

Commission's answer:

The 2013 CAP Reform introduced the maximum degree of simplification upon which the European Parliament and Council of Ministers as co-legislators could agree. However, simplification is an ongoing process: removing unneccessary and/or reducing administrative burden should result in an increase of cost-effectiveness.

In any case, simplification should not lead to reducing assurance as regards the legality and regularity of the underlying expenditure. The Commission should remain able to ensure the protection of the EU's financial interests also in the framework of CAP expenditure.

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

The information supplied by each Member State to the Commission on their national costs of management control is provided on a confidential basis and is not shared with the other Member States. It cannot be disclosed by the Commission to other parties without prior approval from all Member States.

65. What measures and actions were taken in 2014 to reduce the cost of CAP controls and bureaucratic burden currently estimated at 4 billion EUR?

Commission's answer: [see also reply to Question 49]

2014 was the year in which the legislative framework of the 2013 reform of the CAP was completed by means of the adoption of delegated and implementing acts by the Commission and the issuing of a number of guidance documents to the Member States. Already during the reform, reducing the cost of CAP management and control, while at the same time ensuring the sound financial management of CAP funds, was one of the goals of the Commission's proposals. Following the first year of full implementation of the new policy, the Commission has called for proposals for simplification. As a follow-up of these proposals the Commission adopted in the end of 2015 an amendment to the IACS implementing regulation which introduced certain simplifications of the controls system. The Commission will continue examining the proposals received and will present additional changes as needed.

Budget implementation- delays

66. The first payments for the new reform of the CAP of 2013 are just being released. What are the reasons for this delay? Will the delayed be solved for 2016?

Commission's answer:

1. From a budgetary point of view, the implementation of the CAP reform of 2013 is well under way.

The application of the new direct payments started in calendar year 2015, with the first payments only possible as of 1 December 2015 (advances as of 16 October 2015). This has been inherent to the direct payments system in general, and as in the past follows a pre-defined flow: farmers' applications, Member States' controls and payments to beneficiaries. These payments fall within financial year 2016.

As regards rural development, all programmes were approved in 2014-2015, accompanied by the payment of pre-financing to Member States. First interim payments have already started in 2014. It should also be noted that the budget for payments in 2015 was subject to significant limitations in view of the MFF payments ceiling for that year. In 2014 and 2015 the Commission paid over EUR 2.1 billion of pre-financing for 2014-2020 rural development programmes and over EUR 3.3 billion of interim payments. Implementation of the new rural development programmes is expected to reach cruising speed in 2017.

2. Some Member States have indeed experienced some difficulties in the first year of implementation of the reformed CAP and, at the end of November 2015, payments to beneficiaries were slightly lower than last year at the same period (it should nonetheless be noted that it is only since 2014 that Member States may pay advance payments to beneficiaries - of up to 50% - from 16 October without prior authorisation from the Commission).

One possible reason for this is that 17 Member States (or regions) decided to use the possibility to defer, in 2015, the deadline for beneficiaries to submit the aid application for direct support and rural development measures covered by IACS from 15 May at the latest to a later deadline (12 of these until 15 June whereas 5 set a deadline somewhere between 15 May and 15 June). The choice made by Member States to postpone the deadline for applications had consequences on the timing of the whole process of administration, control and payment of claims at national level.

It is indeed up to the Member States to organise their administration and control procedures in such a way that payments are made to beneficiaries in a timely manner and within the regulatory framework in place (i.e. for direct support schemes, payments in respect of claim year N are to be made from 1 December N to 30 June N+1 - with possibilities to pay advances from 16 October to 30 November upon completion of both administrative and on-the-spot controls).

Within that framework, the Commission services have provided guidance to Member States on the various possibilities that exist, depending on the schemes managed and the administrative arrangements retained at national level, to allow Member States to optimize the organisation of the controls to avoid unnecessary delays in the payments to beneficiaries.