

## 2018 Discharge to the Commission

### WRITTEN QUESTIONS TO COMMISSIONER HOGAN

Hearing on 17 October 2019

*DG AGRI Annual Report 2018*

1. To which of the Juncker priorities did the CAP priorities contribute the most?

**Commission's answer:**

The CAP has provided a substantial contribution to a number of the priorities set in the current Commission mandate.

First, the CAP has been a key tool to provide income stability and support for the maintenance and creation of jobs, as well as the stimulation of growth and investments across the EU territory, in particular in rural areas. As reported in the DG AGRI AAR for 2018 the agricultural factor income has risen from EUR 14 865/AWU in 2012 to EUR 17 304/AWU in 2017 (an increase of 16.4 %).

The CAP has also supported and facilitated the access to the new digital technologies by the farming community and rural areas. Thanks to the CAP, the coverage by broadband in rural is today much higher as it was at the beginning of this Commission mandate. At the end of 2018, 53% of rural households had next generation broadband access, more than doubling the rate coverage of 2014 (around 24% of households).

The CAP has also encouraged the transition towards a more sustainable farming sector. In this context, GHG emissions have declined during the last decade and important advances are taking place to encourage renewable energy and to increase energy efficiency in the EU's farming sector. Total emissions from agriculture have reduced by 20% since 1990.

Furthermore, the CAP has contributed to the balanced and progressive trade policy developed by the Commission to harness globalisation, in combination with DG AGRI's international cooperation activities. The CAP and the Commission's wider activities in agriculture and rural development have contributed to making the Union "A Stronger Global Actor". The EU agri-food trade surplus grew by 7% last year and has been positive for 9 consecutive years.

2. What is the part of the agriculture in the RAL?

**Commission's answer:**

By mid 2019 all Rural Development Programmes from the period 2007-2013 were closed. The current level of RAL in agriculture area is to be expected in EAFRD where the N+3 rule applies and there are multiannual projects. The RAL at the end of FY2018 for EAFRD (budget lines 05.04 + 05.010404) amounts roughly to EUR 34.58 billion.

The RAL at the end of FY 2018 for EAGF (direct managed lines (differentiated and non-differentiated) amounts roughly to EUR 170.86 million.

For direct expenditure, a large part of the RAL is linked to promotion measures, which usually have a RAL (the amount for promotion (budget line 05.021002) is roughly EUR 124.36 million).

Therefore, in total the RAL for agriculture related funds amounts roughly to EUR 34.75 billion. Since the total RAL for the EU budget was 281.2 billion (as reported in the ECA Annual Report), the AGRI part was 12.3% at the end of financial year 2018.

3. To which extend are the situations of conflict of interests detected by the Commission in Czech Republic and Slovakia well reflected by the annual activity report of DG AGRI. Which reservation are related to those issues?

**Commission's answer:**

The Commission is currently following up on allegations of conflict of interest in the Czech Republic. A coordinated audit carried out by several Commission services (including DG AGRI) took place in January–February 2019. Since its preliminary results were available only in June 2019, they are not reflected in the DG AGRI Annual Activity Report for 2018 (AAR). The reservation for Czech Republic on Rural Development expenditure (see Annex 10, page 166 of the AAR for further details) is not linked to the alleged situation of conflict of interest.

As regards Slovakia, the Commission understands that you are referring to the complaints from farmers in relation to their access to Direct Payments. The situation and the measures taken by DG AGRI by the time of drafting the AAR are described on page 137 of Annex 10 of the AAR. See also reply to question 4.

A specific paragraph on actions taken by the European Commission in relations to avoidance of conflicts of interest has been included in the AAR 2018 of DG AGRI (chapter 2.1.1.2.1, pages 73-74). It refers to the substantial work carried out by the European Commission in relation to the implementation of the strengthened rules on the avoidance of conflicts of interest in shared management (Article 61 of the revised Financial Regulation), i.e. guidance and raising awareness measures provided to the Member States' authorities and the follow-up on specific allegations of conflicts of interest.

4. There were cases of discrimination against small and medium-sized farmers in the redistribution of EU subsidies in Slovakia. OLAF is now investigating fraud. Did you consider to take any measures to prevent similar cases in the future?

**Commission's answer:**

Slovakia was requested to update an ongoing action plan and to implement the remedial measures/concrete actions in order to be able to solve issues related to double claims (overlapping declarations) without delay and to pay direct payments to farmers on time. The Commission received the updated action plan from the Slovak authorities on 15 October 2019.

In 2018 several Slovak farmers complained that they were unable to receive Direct Payments either because third entities cultivate the land they are entitled to farm without their consent or because of overlapping (double) claims for the land they are farming. There is a mix of allegations of fraud, malfunctioning of the Paying Agency, and issues concerning the application of the rule of law.

Regarding the allegations of **fraud**, a number of investigations are being carried out by the OLAF, which is the competent body to investigate such allegations.

As regards the Slovak **management and control systems**, the Commission is closely monitoring the situation and following up on the Action Plans implemented by the Paying Agency. In June 2019 DG AGRI requested the Slovak authorities to reinforce the Action Plans concerning Direct Payments and Rural

Development to address all the deficiencies identified by DG AGRI and by the Certification Body. The goal of the Action Plans is to correct the situation and to prevent similar cases in the future. Moreover, there are a number of audits going on and the financial risks to the EU funds will be covered by financial corrections, if necessary.

The Commission is very much aware of the **rule of law** aspects and is closely monitoring the situation.

In August 2019 the Slovak authorities informed the Commission about the **legislative measures** they are taking to improve the correctness and transparency of the “Land Registry” (cadastre), as well as about a **new methodology** implemented by the Slovak Paying Agency (APA) for the treatment of double claims. They also point out the number of persons accused of harming the financial interests of the EU (59 in 2018 and 37 in 2019), as well as the amounts recovered to the EU budget (EUR 3.9 million in 2018 and EUR 2 million in 2019) in relation to the alleged illegal practices.

It goes without saying that the EU institutions, hand in hand with the MS authorities, must do everything possible to enforce, inter alia, the basic EU principles, such as non-discrimination.

In absolute terms, as regards direct payments distribution in Slovakia, the figures reflect its concentrated farmland structure: direct payments are mainly granted per hectare, so the amounts paid to a farm correlates to the area declared. However, between 2014 and 2017, the distribution of CAP support has become more balanced in Slovakia, as the biggest beneficiaries received a smaller share of the CAP support in 2017 compared to 2014.

The CAP post-2020 proposal aims at further improvement of the distribution and targeting of direct payments. To this end, the Commission has included the following obligatory elements in its legal proposal: i) **redistributive top up**-payments to first hectares, ii) **reduction** of all direct payments starting at 60 000 €, and **capping** the payments at 100 000 €/farm, but deducting costs of labour, iii) definition of “**genuine**” **farmers**: payments would take place only to those farmers who mainly depend on farming for their living.

5. In the reservations regarding the first and second pillars, the Director General refers to deficiencies concerning the accuracy of the LPIS, the notion of active farmer, the young farmer scheme or the organic farming. What is it about? How does the Commission redress the situation?

**Commission's answer:**

The reservations included in the Annual Activity Report (AAR) indicate where the problems in the implementation of the CAP in the Member States are and where corrective actions need to be taken. When deemed necessary, these reservations are accompanied by action plans addressing serious deficiencies as regards specific measures or Paying Agencies. Structural and systemic deficiencies of the management and control system, including the quality of the LPIS (update, accuracy) are often part of these plans. The action plans are implemented by the Member States, closely monitored by DG AGRI and reported in detail in the AAR. If remedial actions are not implemented, this may lead to suspension or interruption of payments in order to protect the budget.

For reservations made in the 2018 AAR, and as indicated in the subsequent AAR letters, 4 Member States were requested to reinforce and update their Action Plans in Direct Payments (Sweden, Poland, Slovakia and Italy), which had been already initiated from previous reservations. These updated Action Plans were submitted by the due date (16 September for Sweden, Poland and Italy, and 15 October for Slovakia) and are currently being assessed by the Commission services in order to ensure that the necessary corrective actions are being taken. In case of Italy for example, a reinforcement of the plan was requested to ensure that all the weaknesses identified in the LPIS, the allocation of Payment Entitlements and the verification of Active Farmer status will be remedied.

With regard to the notion of active farmer status and the young farmer scheme, DG AGRI has provided extensive guidance to Member States on these notions.

As from 2018, Regulation (EU) 2017/2393 (Omnibus Regulation) introduces amendments to the Active Farmer provision making (1) the application of the list of negative activities optional, (2) introducing a possibility for MS to implement only one or two of the criteria for being regarded as active farmer for those excluded via the negative list, and (3) introducing a possibility to use fiscal or social security registers in the context of the provision.

As regards young farmer support, the Omnibus Regulation stipulates that the payment for young farmers shall always be granted per farmer for a period of 5 years and that MS can increase the percentage applied to calculate the amount of the payment for young farmers in the range of 25% to 50% and irrespective of the calculation method applied; such decision is without prejudice to the 2% limit of their national ceiling for direct payments to finance the payment for young farmers.

Regarding organic farming, the deficiencies concern weaknesses in the control system set up by the Member States to ensure that beneficiaries of the organic farming rural development measure comply with the EU rules for organic farming and with other eligibility criteria defined in the Rural Development Programmes. During its audits, in some Member States, DG AGRI found weaknesses in the administrative and in the on-the-spot checks performed by the Member States' Paying Agencies to verify the organic farming status of the beneficiaries who requested aid under the organic farming measure. For example, that a Paying Agency did not check that a beneficiary poses a valid organic farming certificate or the on-the-spot checks were carried out late, during a period when effective verification of commitments was not possible. For these findings, a conformity clearance procedure is underway and the Commission will propose financial corrections to cover the risk for the Fund caused by such deficiencies. The financial corrections will be continued until a corrective action is implemented by the Member States and until the deficiencies cease to have a negative effect on the expenditure concerned.

6. Could you depict in detail all the steps used by DG AGRI as referred in box 7.5 of the ECA annual report to calculate the final amount at risk and inform the Parliament about the different kind of error rates used therefore?

**Commission's answer:**

DG AGRI has put in place a solid methodology for estimating the adjusted error rates, which is described in detail in Annex 4 of the Annual Activity Report (page 49-57). Based on this methodology, box 7.5 of ECA's Annual Report is to be read as follows:

**Paying Agencies control statistics:**

For each support scheme, the Paying Agencies apply a system of ***administrative controls*** (100% of aid applications) and ***on-the-spot checks*** (at least 5% for most schemes) prior to any payment. Member States are required to send detailed statistical data on the checks carried out and their results on a yearly basis, by 15 July for all EAFRD measures and all EAGF IACS measures, to the Commission. Statistics for market measures are received in the first months of the year.

DG AGRI validation of control statistics and calculation of the reported error rate:

The statistical data is collected, compiled and checked for consistency and completeness. The error rate found in the random on-the-spot check sample, after deduction of the errors found as a result of administrative controls, is used as a basis.

A "reported error rate" is calculated, which represents the risk that remains for the population not subject to on-the-spot checks.

DG AGRI adjusted error rate (reported error rate + top ups):

In a second step, DG AGRI considers all available information in determining to what extent the reported error rate covers all the errors. Where ex-post audits have revealed management and control systems' deficiencies, the statistics do not reflect the risk resulting from those deficiencies. To estimate the level of unreported errors, the auditors make adjustments ("top ups") to the reported error rates.

Adjustments take into account evidence from different sources, in particular the opinion of the Certification Bodies on the legality and regularity of the expenditure, DG AGRI's own audits, findings of the European Court of Auditors, etc.

DG AGRI applies the professional judgement of its auditors and in particular the Guidelines on the calculation of the financial corrections. This thorough assessment results in an additional error rate to the reported error rate and the calculation of an **adjusted error rate** and the corresponding amount at risk, which reflect the **real level of error in the population concerned**.

The adjusted error rate per Paying Agency is obtained by dividing the adjusted amount at risk by the expenditure declared to the Commission for the financial year. Adjusted error rates are aggregated at Member State and ABB levels by aggregating the adjusted amounts at risk.

All top-ups applied by DG AGRI are clearly indicated in Annex 10 of the AAR, for each of the expenditure area concerned. (pages 102-124, 140-142, 162-164).

DG AGRI amount at risk at payment

The amount at risk at payment is the amount of EU expenditure which risks to have been misspent on the basis of the adjusted error rates. For DG AGRI, the estimated overall amount at risk at payment for the 2018 expenditure is EUR 1 222.60 million (equal to 2.15%) i.e. before taking account of the corrective

capacity.

DG AGRI corrective capacity

The assurance objective is to ensure that the remaining risk to the EU budget does not exceed 2%. The Commission is of the view that the corrective capacity in the years following the year of expenditure must also be considered.

DG AGRI uses a historical average of the net financial corrections executed and Member States recoveries to estimate its corrective capacity. Details are reported in the Annual Activity Report under point 2.1.1.3. at page 106. For 2018, DG AGRI conservatively estimated a corrective capacity of EUR 1 081.62 million.

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DG AGRI final amount at risk

In line with the methodology applied at corporate level by the Commission services, DG AGRI calculates a final amount at risk, as the difference between the overall amount at risk at payment and the corrective capacity. For 2018, the estimated final amount at risk was EUR 140.98 million, representing 0.25% of the relevant expenditure (as presented in the AAR under point 2.1.1.2.2. and table 2.1.1.2.2–15 at pages 93-94 where it is also stated that the estimated final amount at risk corresponds to the estimated overall amount at risk at closure used by other DGs [as well as in the AMPR]).

Please see also the reply to question 7.

7. Annex 10 of 2018 DG AGRI AAR, table 10\_3.2.5 gives an idea of the adjustments made by the Commission as to the error rates issued by the Member States Managing authorities regarding the direct payments. Overall, the reported error rate for ABB03 increased from 0.84% to 1.83%, because of the adjustments made by DG AGRI.

Does the Commission consider that there is a positive evolution in the way that the Member States authorities determine their own error rates?

**Commission's answer:**

The Commission considers that the information reported by the Paying Agencies is reliable and reflects the errors they actually **find**. Due to certain deficiencies in their systems, all Paying Agencies may **not detect** all errors and therefore not all errors are reported to the Commission in the control statistics. To cater for that any deficiency in the Paying Agencies' detection of errors, DG AGRI uses all



relevant and available information to make appropriate adjustments. These adjustments are meant to quantify the errors undetected due to system weaknesses. Meanwhile the audit findings and resulting reservations trigger action plans meant to address these weaknesses. The methodology is described in detail in Annex 4 (p.49-57) of the AAR.

The information reported by the Paying Agencies is verified at several instances:

a) DG AGRI auditors carry out extensive check of the consistency and completeness of the data that has been reported by the Member States. Whenever needed, clarifications are sought from the Member States.

b) Furthermore, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity on the annual accounts of the Paying Agency, as well as on the legality and regularity of expenditure including the quality of the control data. DG AGRI is increasingly using the CB's work for the calculation of the adjustments.

The adjustments are made taking into account all relevant and available information to ensure the maximum reliability of the decision: DG AGRI's own audits, the opinion of the Certification Bodies, ECA's previous Annual Reports, information from OLAF (if relevant), and information from the DG AGRI operational units. The adjustments of the reported error rates are always based on the seriousness and extent of the deficiencies identified and on the professional judgement of the DG AGRI auditors, in line with the guidelines on calculation of the financial corrections. The level of adjustment corresponds to the information that is available at the moment of the preparation of the AAR. The Commission therefore considers that the audit findings and information DG AGRI uses as a basis for the adjustments are reliable.

The Commission considers that there is a positive evolution in the error rate as can be seen in the AAR. As regards adjustments to the error-rate, these are made for specific Paying Agencies in relation to specific findings and may vary from year to year, as some Paying Agencies improve their systems and others may have “new” deficiencies (e.g. if an LPIS is not updated). Overall there is a positive evolution in the error rate.

8. The error rates communicated by the MS as mentioned in Table - 3.2.5-1. and Table 3.3.4.1 page 162-163 of Annex 10 of the DG AGRI AAR for 2018 are residual ones. What does it mean? What is the definition of “reported error rates”?

**Commission's answer:**

The reported error rates, as presented in tables 3.2.4.1. (page 140-142) and 3.3.4.1. (page 162- 164), are those error rates estimated based on the control statistics submitted yearly by the Paying Agencies. Details on their calculation are

mentioned in Annex 4 of the Annual Activity Report (page 49-57).

The error rate per Paying Agency is calculated as the error rate found in the random on-the-spot check sample, and after deduction of the errors found as a result of administrative controls.

The "reported error rate" is considered "residual" in the sense that it represents the error rate/risk of error that remains in the non-controlled population (= the aid applications/payment claims which have not been controlled on-the-spot by the Paying Agencies).

This reported error rate is used for calculating a first estimate of the amount at risk for each Paying Agency.

Please see also the reply to question 6.

9. The long-term decrease in greenhouse house gas emissions from agriculture has slowed down in recent years, before the adoption and implementation of the greening measures.

*Greenhouse gas emissions (GHG) from agriculture have declined substantially between 1990 and 2010. Since then, emission levels appear to be relatively stable. Between 2015 and 2016, there was an increase in emissions from cropland and a smaller one from enteric fermentation (AAR 2018 page 46 and following)*

What is the evolution in 2017 and 2018?

**Commission's answer:**

GHG emissions from agriculture increased slightly from 2016 to 2017, while data from 2018 are not available yet. In 2017, emissions from agriculture are still more than 20% lower than in 1990. The recent slowing down of the decrease of emissions from agriculture is probably the result of the lower mitigation potential of the sector, which is widely acknowledged, and increase in production. The fact that higher production has been achieved with a similar level of emissions demonstrates increased efficiency by the sector.

10. Organic farming continues to be taken up by farmers

In 2017, 7 % of the EU's utilised agricultural area (UAA) was being farmed organically, corresponding to 12.8 million ha, going up from 10.1 million ha in the baseline year of 2012, when the share was 5.6 %.

How many farmers are involved in organic farming practices and from which Member States?

**Commission's answer:**

9.4 million hectares received support in 2018 under the EAFRD maintaining or converting to organic farming practices.

Latest complete figures are referring to 2016 from Eurostat and show that there were more than 295.000 farmers from the following countries:

GEO/TIME	2016
European Union - 28 countries	<b>295.577</b>
Belgium	1.946
Bulgaria	6.964
Czechia	4.271
Denmark	3.306
Germany	27.636
Estonia	1.753
Ireland	1.765
Greece	20.197
Spain	36.207
France	32.266
Croatia	3.546
Italy	64.227
Cyprus	1.174
Latvia	4.145
Lithuania	2.539
Luxembourg	93
Hungary	3.414
Malta	14
Netherlands	1.557
Austria	24.213
Poland	22.435

Portugal	4.246
Romania	10.083
Slovenia	3.513
Slovakia	431
Finland	4.493
Sweden	5.741
United Kingdom	3.402

#### 11. Organisation and human resources

*In 2018, the Directorate-General for Agriculture and Rural Development (DG AGRI) had a staff of around 1000 and was made up of 10 directorates. Seven operational directorates were responsible for managing agricultural market measures, direct support, rural development and pre-accession assistance, research and innovation, international relations and audit. Three directorates were in charge of policy strategy and coordination (covering the design, implementation, enforcement and evaluation of the Common Agricultural Policy (CAP)), resources (including budget and financial management), and legal and procedural matters (including internal control).*

*In the context of the Synergies and Efficiencies Review, a thorough review of DG AGRI's structure and of certain processes (notably finances and administrative support) led to the new organisation chart that applies since January 2017. It also required a very strict staff allocation policy in a particularly busy period for the DG. This demanding exercise was successfully closed in October 2018.*

What has been the main results and consequences of the abovementioned review of the DG AGRI structure?

#### **Commission's answer:**

The reorganisation streamlined DG AGRI's structure by eliminating 1 Deputy Director-General function, 1 directorate, 6 units and the secretarial pool. Key administrative support activities, notably the financial management circuits and the organisation of committee and expert group meetings, were centralised and streamlined and consequently led to efficiency gains. The practical implementation of the reorganisation went very smoothly; the same applies to the new working modalities in the financial and meeting logistics domains. A stocktaking exercise launched in the last quarter of 2017 concludes that overall the new organisation chart works well. Of course, colleagues needed some time to adapt to the new structure and in some areas further adjustments and fine tuning

have been necessary.

The new organisation chart was key to ensure DG AGRI's compliance with the specific staff reduction targets set to be achieved by the end of 2018. Due to a strict staff allocation policy DG AGRI was able fulfil the requirements of the staff reduction ahead of time. In the period 2016-2018 DG AGRI reduced its staff by almost 150 jobs out of which 130 were permanent posts, budgetary credits corresponding to 12 full-time equivalents (FTEs) and 5 posts were loaned to DIGIT. The new working methods established for the financial domain could free up a total of 10 FTEs. Concerning the organisation of meetings, only few posts could be reduced so far. In the medium-term, further reductions in this domain will depend on the full implementation of AGM, the new IT tool for managing meetings.

The workload in the DG remains very high and DG AGRI continues to contribute to different strands of the Synergies & Efficiencies Review. Therefore, while the pressure on DG AGRI's job market has eased, DG AGRI needs to carefully monitor its job quota.

DG AGRI's results in the 2018 staff survey were very similar to the Commission's results and there is an overall upward trend, including when it comes to staff engagement.

12. What is the precise number of farmers in the European Union?

**Commission's answer:**

According to Eurostat Farm Structural Survey 2016 data there were 10 467 850 farms and 9 108 120 AWU (agricultural annual working units – full time equivalent) in EU 28.

The number of farms (agricultural holdings) counted in FSS is higher than the number of beneficiaries as sources of data are different (see also replies to question 13) and a beneficiary may have several holdings or some holdings may not apply for support (e.g. too small to get minimum payment).

[According to R1166/2008,] 'agricultural holding' or 'holding' means a single unit, both technically and economically, which has a single management and which undertakes agricultural activities listed in Annex I within the economic territory of the European Union, either as its primary or secondary activity.

Member States carried out surveys on the structure of agricultural holdings in 2010, 2013 and 2016. The number of beneficiaries originates from paying agencies data and corresponds to previous year, in the case of AAR2018 expenditure to claim year 2017 (See also replies to question 13).

13. Number of CAP beneficiaries

On page 8 of the AAR it is mentioned that the CAP has **around** seven million beneficiaries, supported under a variety of different schemes

On page 26, the AAR refers to “10.5 million farms who still provide work for roughly 20.5 million people”.

Why did DG AGRI refer to approximation as to the number of the beneficiaries?

**Commission's answer:**

Regarding the approximation (around seven million beneficiaries), footnote 12 in the AAR 2018 provides an explanation: *"There were approximately 6.5 million beneficiaries under direct support schemes, around 3.3 million beneficiaries under rural development measures and some 0.13 million beneficiaries of market measures in financial year 2017. As a majority of beneficiaries of payments under rural development measures are also beneficiaries of direct payments (but are only counted once when considering total beneficiary numbers), the total number of beneficiaries, up to 7 million for both Agricultural Funds, is lower than the sum of the individual figures. The small decrease in direct support beneficiaries (-2.6% with the highest relative reductions in EE and ES) compared to financial year 2016 is partly due to structural adjustments in the European agricultural sector, but is also the result of stricter eligibility conditions such as the higher minimum requirements and the 'active farmer' clause."*

More people help on farms without being employed by those farms. This explains why the EU's regular agricultural labour force is much higher, at 20.5 million people in 2016. For many of these people, farm work only represented a minor activity. Only a relatively small proportion of this regular workforce (17.0 %) worked full-time. Indeed, when converted into Annual Work Units (AWUs) that measure the volume of work carried out in terms of full-time labour equivalents, the agricultural labour force provided work that was equivalent to 9.1 million full-time workers.

How did it calculate the number of 20.5 million people mentioned on page 26?

**Commission's answer:**

The phrase in question says “around 10.5 million farms still provide work for roughly 20.5 million people”. See also reply to question 12.

10.5 million is the number of farms in the EU according to Eurostat's FSS data. Methodology of FSS is described here.

20.5 million people is quoted as “EU's regular agricultural labour force is [...] at 20.5 million people in 2016” by Eurostat on p. 25 of their publication Agriculture,

14. According to the AAR 2018, the employment in the EU's rural areas has climbed above its pre-2008 crisis level 67, 7%.

However the agricultural labour force has steadily declined: from 11 595 (1000 annual work unit) in 2008 to 9363 (1000) annual work unit in 2017 (AAR 2018 page 22)

CONT committee already pointed out (look at paragraph 206 of the Zeller report on the 2015 Commission discharge) that the key performance indicator concerning rural employment rate, is not fully relevant; the employment rate in rural area being, indeed, not only determined by CAP factor. Page 21 the AAR points out that **Jobs in rural areas will increasingly be non-agricultural.**

However, the Commission has not taken into account the EP Position and has maintained the KPI as it was. Why did the Commission maintain this indicator?

**Commission's answer:**

The scope of the Common Agricultural Policy is not limited to agriculture, but also covers rural development with the aim of keeping the rural economy alive by promoting jobs in farming, agri-foods industries and associated sectors.

Even if employment in rural areas is affected by plenty of exogenous factors, which are outside the control of the policy, there is a need to closely monitor the evolution of employment in rural areas.

Furthermore, the indicator on employment rate in rural areas has been included in the Strategic Plan 2016-2020 for the Directorate-General for Agriculture and Rural Development, which is the basis for the AAR reporting. For a proper assessment of the performance of the policy, it is important to monitor the same indicators across the whole multi-annual period.

15. *Higher productivity gradually leads to job losses in the farm sector as capital is substituted for labour, but it also tends to make the remaining jobs more economically sustainable (and therefore more likely to attract new entrants). Furthermore, if the right conditions are set for job creation in other related sectors, the net effect on employment can be positive (as the graph on rural employment indicates, see p. 21).*

Does the Commission welcome the trend of decreasing agricultural labour force (DG AGRI AAR 2018 p. 22)? What are the implications of this development? Is this connected to the direct payments? Is there any data on the development of the labour force specified for differences in farm size i.a. do small farms decrease in labour force at the same rate as big farms?

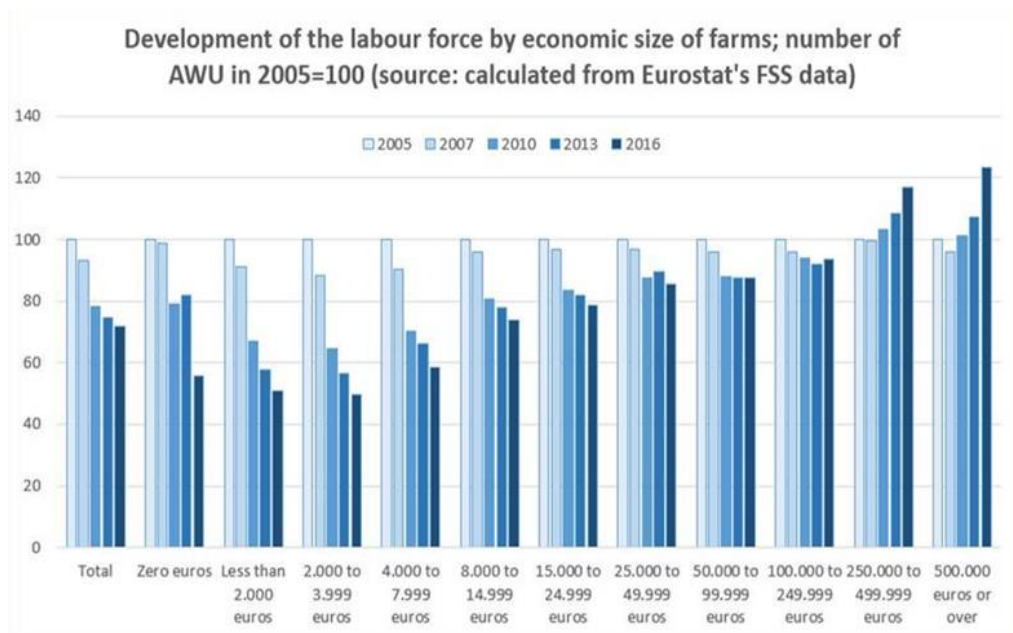
### **Commission's answer:**

The Commission welcomes higher productivity in the agricultural sector. Structural adjustment of the farm sector and substitution of labour for capital are natural processes to increase competitiveness.

Direct payments provide a basic income support to farmers and help to make farm income more viable. As an effect, the direct payments reduce the speed of structural adjustment and keep more farms into business compared to a scenario without CAP support.

A decrease in the agricultural labour force is likely to continue with the digitalisation of the agricultural sector and is not considered negative as such. However, it is of utmost importance that the people who move out of the agricultural labour force are able to find work in other sectors (either linked to agriculture in up or downstream sectors, or in other sectors) and that such employment opportunities are available in rural areas, thus contributing to growth and resilience of these areas.

Decrease of annual working units (Eurostat FSS 2016) by economic size of farms, measured by Standard Output, is significant for farms having low standard output. At the same time, larger farms maintain or increase the number of annual working units.



16. According to the AAR 2018, more than 6.5 million farms covering 90% of farmed land benefitted from direct payments. In 2017, this support constituted 38% of their farming income



According the numbers published in AAR 2017 and 2016, 47% of the farmers receive less than 5000 euros a year of public money.

CONT already insisted that the Commission should take on board in its proposal for the future that larger farm incomes do not necessarily need the same degree of support for stabilising farm incomes as smaller farms in times of income volatility crisis since they may benefit of potential economies of scale, which are likely, to make them more resilient.

How will the new “delivery model” achieve this objective?

**Commission's answer:**

While not possible to target each farmer at individual level (for the sake of avoiding excessive administrative burden), the Commission legal proposal for the period post-2020 is characterised by a strong emphasis on balanced distribution of income support by the following compulsory elements: **redistributive support, reduction and capping of payments** and targeting support only for **genuine farmers**.

- To make direct payments both fairer and more effective, the Commission has proposed to strengthen the already existing **reduction of payments**:
  - It would be an obligatory feature of direct payments.
  - As opposed to the current reduction, which only applies on the basic payments, the post-2020 reduction would apply on all direct payments. The justification is exactly that economy of size applies on all direct payments (i.e not only on certain types of interventions).
  - The thresholds and cut rates would also become much stricter: progressive reduction starts already from EUR 60 000, and capping applies to payments exceeding EUR 100 000.
  - It would not be possible to replace reduction with a minimum share of the national ceiling used for the redistributive payment (which would be obligatory anyway).
  - All labour costs would be deducted from the payments reduction in order not to lose farm jobs.
  - The product of reduction would be kept in the Member State and should either be used in direct payments, in which case primarily for the redistributive payment, or in rural development.
- For the same reason – better distribution –the **obligatory redistributive payment has been proposed**. This is a **top up of payment** for the first hectares, or tranches of hectares.
- The obligatory **genuine farmer** definition stands in the legal proposal to make sure that the payments are not granted to those who do not primarily depend on farming for their living. The philosophy behind direct payments – and our obligations deriving from the Treaty – mean that we

must ensure fair income and standard of life for the farmers. This obligation should not be deviated by granting support to persons not primarily involved in agriculture.

- Commission has also proposed a **round sum payment**, voluntary, simplified system targeting small farmers.

It is also worth pointing out that the new delivery model is based on identified needs, performance and further flexibility of Member States in implementing the policy and designing the interventions. Therefore, Member States may take on-board the concern of smaller holdings in broad manner, in several interventions.

In the new performance based system the specific result and impact indicators and their targets are set. A specific result indicator “*Redistribution to smaller farms*” targets the issue of smaller holdings.

17. The indicators regarding the number of farmers, the farmer income or the distribution of the CAP are “less positive” than the ones regarding the productivity of the agriculture, the international trade of agricultural products or the jobs in the agri food sector.

How does the Commission assess the evolution of the situation of the small and medium size farms?

**Commission's answer:**

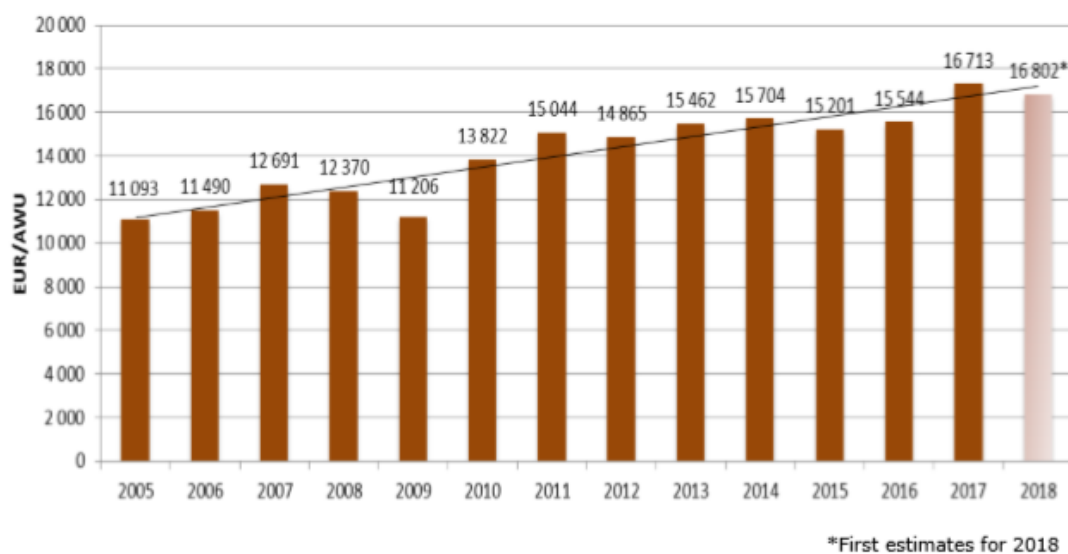
The Commission analyses farms according to their physical or economic size, in particular using census data. In addition, using the Farm Accountancy Data Network, income and productivity can be compared between farm classes. The distribution of direct support is analysed every year and it is proposed to use this indicator as an impact indicator within the future Performance Monitoring and Evaluation Framework. In addition, a result indicator to measure the additional income support granted to smaller farms was added.

As regards the development of smaller farms, the reply to question 15 already sets out that the decrease in the agricultural labour force, and in particular of smaller farms, is likely to continue with technological change. Direct payments provide a basic income support to farmers and help to make farm income more viable. Thereby, direct payments reduce the speed of structural adjustment and keep more farms into business compared to a scenario without CAP support. It is of utmost importance that people who move out of the agricultural labour force are able to find work in other sectors and that such employment opportunities are available in rural areas, thus contributing to growth and resilience of these areas.

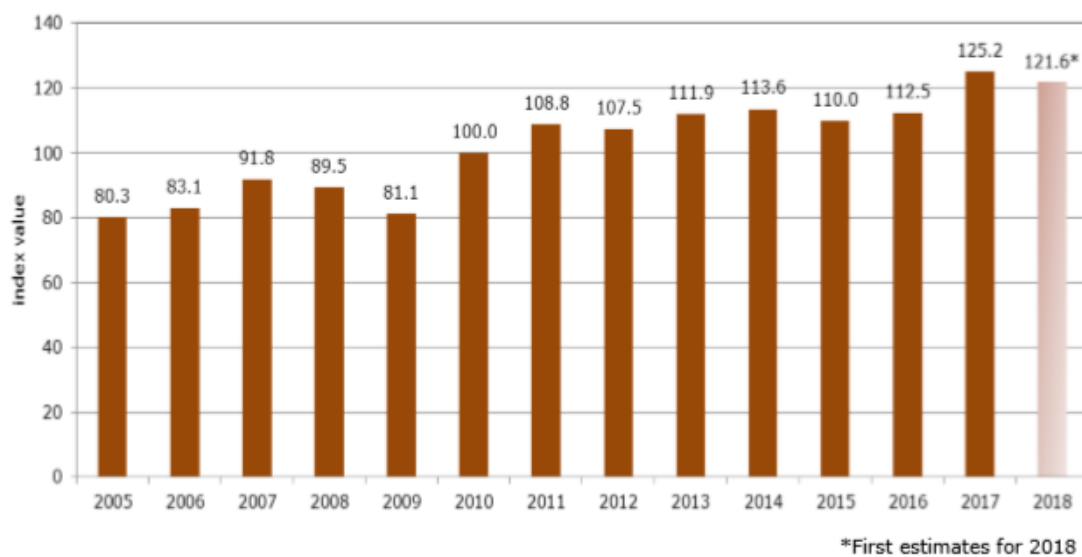
With the Common Agricultural Policy, the Commission is keen to target support to small and professional family farms. To do so, the June 2018 CAP reform proposals propose a series of instruments to Member States to improve distribution of direct

payments and better target them to family farmers who need it most.

**Graph 2 – Agricultural factor income at real prices per full-time worker, EU-28, 2005 to 2018**



**Graph 5 – Index A: Index of the real income of factors in agriculture per annual work unit, EU-28, 2005 to 2018 (2010 = 100)**



18. Update of the situation of conflict of interest

Can the Commission provide the Parliament with an update of the situations of conflict of interests in Slovakia, Hungary, Czech Republic, Romania and Poland?

**Commission's answer:**

The Commission follows up on any allegations of conflict of interests it receives and closely monitors the implementation of rules on conflict of interests.

The Commission is currently following up on allegations of conflict of interest in the **Czech Republic**. In January-February 2019 a coordinated audit was carried

out by several Commission services (DG AGRI/DG REGIO/DG EMPL). DG AGRI audited the investment measures under Rural Development.

The enquiry is ongoing and, in order to respect the process for the contradictory procedure with the Member State, no further details from the audit can be shared at this time. Confidentiality is of utmost importance and the Commission must ensure that the contradictory process will be fair and robust.

As a precautionary measure and until the situation is clarified, no payments from the EU budget under the European Structural and Investment Funds are being made to companies directly and indirectly owned by PM Babiš that could be potentially affected by the alleged conflict of interest.

In relation to the Rural Development Fund, the Commission is not reimbursing to the Czech authorities the amounts related to Agrofert projects that could be potentially affected by the alleged conflict of interest.

In case a non-compliance with the applicable rules is established, appropriate measures to protect the EU budget will be taken, including corrective actions for the past where this is foreseen.

The European Parliament will be kept informed in a timely manner about the evolution of the file. In April 2019, Commissioner Oettinger already discussed the file with members of your Committee in an “in camera” session.

As regards **Hungary**, following the results of OLAF investigations, DG AGRI audits of 2015 and 2017 found a systemic lack of verification of conflict of interest in public procurement procedures under 2007-2013 Rural Development Programme. The Commission decided the application of financial corrections totalling around 6.5 million EUR. The Hungarian authorities committed to remedy the situation for the programming period 2014-2020, including appointing an audit company that would conduct the review of public procurement processes. DG AGRI is closely monitoring the situation.

As regards **Slovakia, Romania, and Poland**, there are several DG AGRI ongoing audits in these Member States, which are focused on the implementation of the CAP, including the application of the Integrated Administration and Control System (IACS), but not specifically on allegations of conflict of interest. The AAR of DG AGRI details the results of audits in 2018, which have led to adjustments and error-rates above 2%. For Slovakia, reference is made also in the reply to question 4.

*Intergovernmental Panel on Climate Change (IPCC)*

19. *According to the report on climate change and land use adopted by the Intergovernmental Panel on Climate Change (IPCC) on 8 August 2019, it will be impossible to keep global temperatures at safe levels unless there is also a transformation in the way the world produces food and manages land.*

*The impact of intensive agriculture – which has helped the world's population soar from 1.9 billion a century ago to 7.7 billion – has also increased soil erosion and reduced amounts of organic material in the ground.*

*Climate change exacerbates land degradation through increases in rainfall intensity, flooding, drought frequency and severity, heat stress, wind, sea-level rise and wave action.*

Does the Commission consider that the measures adopted as to the Greening and the Ecological Focus areas have been efficient enough in the light of the challenges depicted by the IPCC?

**Commission's answer:**

In its reports on greening (\*) the Commission concluded that this instrument has the potential to significantly improve practices of farmers, in particular considering its wide area coverage (ca.76% of the total agricultural area). However the Commission also concluded that Member States and farmers' choices did not lead to fully use this potential and this is the reason why the Commission improved the greening practices in 2018, in particular by establishing a ban of pesticides on EFA.

However, greening is far from the only CAP instrument addressing environmental and climate problems in farming and as such its effects should not be considered in an isolated way. In this respect, cross-compliance, farm advisory systems, agri-environmental and climate measures, investments, environmental programmes in market measures, research and knowledge exchange play a very important role as well.

In its proposal for a future CAP post 2020, the Commission proposes a new green architecture, which includes a strengthened compulsory element with conditionality and a toolbox of voluntary interventions, many of which – such as ecoschemes - are addressing environmental and climate problems. In the framework of a new delivery model, Member States will have to explain in CAP Plans how these instruments will be consistent and effective and they will be required to monitor the achievements of objectives based on their needs.

The new green architecture will be based on the balance between mandatory requirements (New conditionality) and voluntary practices.

Building on cross-compliance and greening, new enhanced conditionality has reinforced some requirements by adding new standards such as protection of

wetland and peatland (sensitive carbon-rich areas) and improving some current standards (crop rotation instead of crop diversification as designed under Greening scheme).

Conditionality will be a common foundation of what the CAP achieves for the environment and climate.

Beyond conditionality, further interventions will be proposed by Member States to support farmers for more ambitious actions as regards biodiversity protection, soil quality improvement and mitigating action for the climate changes. From this perspective, Eco-scheme (mandatory for Member States) will offer more financial opportunity to encourage and support the ecological transition. In addition, Member States can continue to use their rural development budgets to fund relevant commitments for the environment and climate.

(\*)

- The 2016 Commission Staff Working Document on the implementation of greening after one year: SWD(2016)218

- The 2017 Commission report on Ecological Focus Area: <https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM%3A2017%3A152%3AFIN>

- The 2017 evaluation study:  
[https://ec.europa.eu/agriculture/evaluation/market-and-income-reports/greening-of-direct-payments\\_en](https://ec.europa.eu/agriculture/evaluation/market-and-income-reports/greening-of-direct-payments_en)

### *ECA Annual Report 2018*

20. The ECA annual report 2018 describes shortcomings identified during DG AGRI's review in the certification bodies work. (7.32: sampling methodology of 9 certification bodies was not fully in line with the guidelines issued by the Commission, 9 certification bodies insufficiently checked the eligibility conditions.) In point 7.33. the Court states that over the past four years (2015-18) DG AGRI concluded that it could rely fully on the work of the certification bodies in around one quarter of cases. Besides monitoring, what else can the Commission do in order to ensure the improvement of the work of the certification bodies?

#### **Commission's answer:**

The Commission is of the opinion that the work of the certification bodies has been improving over the past 4 years since the introduction of the legality and regularity reporting requirements. Due to the diversity of the measures under the CAP and the complexity of some of them, there is still room for improvement in the certification bodies' work. The Commission is not only monitoring the work of the certification bodies, but it is working closely with them to ensure improvement where it is needed. Part of the Commission activities in relation to

the certification bodies include regular monitoring missions to review their work, where when issues are identified e.g. with the sampling methodology, the certification body is recommended to rectify the shortcomings during the year, so that the Commission can place higher reliance on its work when the annual certification report is received.

Other Commission activities in relation to the certification bodies' work include providing guidelines on the annual certification audit, and support and assistance in implementing these guidelines through organising biannual expert group meetings and practical workshops where the audit methodologies proposed and DG AGRI findings and recommendations are discussed. In addition, and a helpdesk function has been established through the use of a functional mailbox. The latest initiative from the Commission to complement the biannual expert group is to also organise an expert group meeting in November 2019 for the Competent Authorities responsible for appointing the Certification Bodies.

In conclusion, the Commission supports the Member States and the certification bodies with a wide range of activities and is confident that this will also contribute to further reliance on the certification bodies in the future.

21. As regards performance, the Court found weaknesses in the result indicators for rural development spending. Out of the 113 rural development actions the Court examined, 35 had no relevant result indicator measuring the immediate and direct effects of the actions (7.53. ECA annual report 2018).

**Commission's answer:**

Each CAP measure is monitored by the respective output indicators and reported accordingly. However, the assessment of its effects is subject to an evaluation. This assessment is backed by respective evaluation questions for which the Common Monitoring and Evaluation Framework indicators only represent a tool and will be complemented by other information.

The CMEF is a broad evaluation framework to provide an assessment of the results and the impact of the CAP towards its objectives (established in the Rural Development Programmes by the so-called Priorities and Focus Area). Output indicators are linked to policy actions and interventions while result and impact indicators are linked to specific objectives. Given that also for the collection of indicator data as requested in the Common Monitoring and Evaluation Framework issues such as cost-effectiveness and limitation of administrative burden had to be taken into account, the current set of Common Monitoring and Evaluation Framework indicators cannot be relied on to directly measure results and impacts for each individual measure, this information having to come from evaluations.

22. To what extent could Member States fill the reporting gap by setting their own indicators?

**Commission's answer:**

Member States have plenty of flexibility in this respect. They are indeed encouraged to develop programme specific indicators in addition to the common indicators in the monitoring and evaluation system in order to reflect reality more accurately.

Despite the comprehensive evaluation framework provided by the CMEF, some additional data or information may be needed to evaluate CAP policies and Rural Development Programs. The Commission encourages Member States, and evaluators to establish additional indicators and collect additional information in the context of evaluations and to carry out specific evaluation activities to assess the impact of Rural Development Programs on their objectives (priorities and focus areas).

23. When does the definition of common indicators make sense taking into account the cost-effectiveness of the system and the acceptable administrative burden for the Member States?

**Commission's answer:**

The Commission is of the opinion that the number and the definition of common indicators for the period 2014-2020 takes well into account the cost-effectiveness of the system and generates an acceptable administrative burden for the Member States.

Common indicators are essential to report progress jointly at EU level, and for consistency in reporting between programmes.

This definition makes sense when objectives are common, as well as the types of interventions. It is very important to have a common set of indicators to be able to provide citizens with a comprehensive view of what the CAP achieves at EU level.

24. ECA also found that most result indicators have their limitations and gaps. Few result indicators measure the direct effects of the support. (7.58.) Some result indicators were considered as imprecise (7.59.)

**Commission's answer:**

Result indicators aim to monitor the direct and immediate effects of measures. They are, as much as possible, defined in percentage terms as this allows the



measurement of, amongst others, the share of the targeted populations that receives support. It also facilitates putting the achievements in perspective.

The Commission uses result indicators to follow Member States progress in the implementation of the CAP. Establishing a link between a CAP intervention and its impact on biodiversity, soil, etc. is very complex. This is why evaluations are carried out to measure the net-effects of CAP interventions. However, the Commission is aware of which farm practices are beneficial for the environment and climate and, with result indicators it monitors if these practises are implemented according to plan.

While some result indicators can be improved, some of the limitations found by ECA are not real limitations if the indicators fiches and methodologies are taken into account. Since the name of some of the indicators highlighted in the ECA report might be imprecise, more detailed definitions and methods can be found in the fiches that may clarify these limitations, for instance the indicator in the above-mentioned finding in ECA report (7.59).

25. Did the Commission carry out the evaluations to determine the "net impacts" in order to be able to assess whether support has contributed effectively to the focus area?

**Commission's answer:**

In order to be able to assess whether support has contributed effectively to the focus area, it is necessary to isolate the policy effect from other influencing factors (contextual facts, other related policies etc.). The so-called 'net impacts' need to be measured. This is normally done through evaluations.

The Commission carries out evaluations according to its evaluation plan. Currently, a series of evaluations, contributing to the assessment of the impact of the CAP towards its general objectives (viable food production; sustainable management of natural resources, balanced territorial growth) is ongoing. In all evaluations, to the maximum extent possible net impacts are assessed, however, it is often not possible to quantify these net impacts. The Commission also asks Member States to assess the "net impact" of their Rural Development Programmes, for instance in the enhanced implementation reports. They also find it is often difficult to measure this 'net' effect due to methodological limitations. Irrespective of these constraints, the Commission offers Member States and evaluators its support and expertise – e.g Evaluation Helpdesk organised more than one hundred of capacity building events in the current period (7 Thematic Working Groups, 12 Good Practices Workshops and 113 Yearly Capacity Buildings in MS among them).

26. The Court found similar weaknesses in direct payments result indicators. As regards direct payments to young farmers or greening payments the indicators were of limited use for monitoring the results achieved (7.62. -7.63.)

**Commission's answer:**

The “Share of area under greening practices” is one of the main indicators used to report on greening as it provides broad coverage on total Utilised Agricultural Area, but it is not the only one available. All greening obligations and exemptions are subject to a full, detailed system of output indicators, which provide information at EU, Member State and regional (NUTS 3) level.

Detailed data and analysis based on this system of indicators are available in the different reports and evaluations on greening (\*) and in the dashboards published on the agrifood portal on Europa website, updated annually.

([https://agridata.ec.europa.eu/extensions/DataPortal/cmef\\_indicators.html](https://agridata.ec.europa.eu/extensions/DataPortal/cmef_indicators.html))

(\*)

- The 2016 Commission Staff Working Document on the implementation of greening after one year: SWD(2016)218

- The 2017 Commission report on Ecological Focus Area:

<https://eur-lex.europa.eu/legal-content/EN/ALL/?uri=COM%3A2017%3A152%3AFIN>

- The 2017 evaluation study:

[https://ec.europa.eu/agriculture/evaluation/market-and-income-reports/greening-of-direct-payments\\_en](https://ec.europa.eu/agriculture/evaluation/market-and-income-reports/greening-of-direct-payments_en)

27. How could the Commission improve the system of indicators for the assessment of direct payments?

**Commission's answer:**

The CAP proposal included a comprehensive new Performance Monitoring and Evaluation Framework which addresses several of the drawbacks highlighted by the Court. As is currently the, the Commission will be able to monitor precisely direct payments with the output indicators. In addition, a set of result indicators was developed in order to assess the redistribution of income support to smaller farms, areas and sectors in needs. Within the New Delivery Model, Member States have several means to support generational renewal or improve the CAP delivery on environment and climate. Therefore, most of the indicators are not specific to direct payments or rural development: e.g. ‘The number of young farmers setting up a farm with support from the CAP’ relates to direct payments for young farmers and the rural development support to set up. Similarly, ‘The

share of agricultural land under management commitments supporting biodiversity conservation and restoration' and other similar indicators relate to eco-schemes, environmental-climate management commitments and sectoral types of environment.

28. In its reply to the Court's finding under 7.64 the Commission writes that the quality of data received from the Member States did not allow obtaining a sufficiently reliable/comprehensive picture of the use of the derogation for using fallow land declared as ecological focus area.

What kind of tools does the Commission have at its disposal (if any) to sanction Member States for a failure to provide sufficiently reliable data?

**Commission's answer:**

The mentioned finding of the Court relates to a situation following droughts in 2017 and 2018, as the Court itself confirms in point 7.64. In these exceptional circumstances, it is understandable if the quality of data received from the Member States is of less than the usual high quality.

However, in normal circumstances, the Commission is continuously monitoring and evaluating the quality of data received. When issues with reliability are found, the Commission informs the Member States of shortcomings and requests modifications. Should the Member States fail to provide sufficiently reliable data, even after this notification, the Commission opens conformity procedures in accordance with the applicable regulations and may apply financial corrections for these shortcomings.

29. The Court's AR describes cases of Estonian and Italian beneficiaries who received start-up aid as a young farmer. After the initial aid instalment, but within the start-up period, the board took on other members, who were not young farmers. At this point, the beneficiary became ineligible. Yet, national authorities paid further instalments without identifying the breach of eligibility conditions. What measures will the Commission take to avoid such eligibility-related errors?

**Commission's answer:**

In the two young farmer cases, in Italy and Estonia, the transactions when paid in financial year 2018 were legal and regular. All eligibility conditions were fulfilled at that time. The changes that caused the beneficiaries to no longer meet one of the young farmer conditions occurred after the controls by the Paying Agency and respective payment. In the case of Estonia, once the issue was identified, the farmer took action to correct it. As a result, the ineligibility lasted for around 4 months out of a commitment period of 5 years. In the second young farmer case

(Italy) the Paying Agency decided to recover the first (interim) payment once the issue was identified following the Court's visit. However, the Italian authorities could have identified the situation through the regular procedures in place before the second (final) payment, and could therefore have recovered the payment even without the visit by the Court.

The Commission will take the necessary measures to avoid such issues in the future including drawing the attention of the Certification Bodies to the need for Paying Agencies to control this both at interim payments and at final payments. Other measures such as highlighting this situation in the error rate seminars for Member States and Paying Agency conferences will also be done as part of the broader guidance given to the Member States.

How can the Commission (better) monitor the paying authorities in the member states?

**Commission's answer:**

Under the principle of shared management, Member States are obliged to have systems in place which prevent, detect and correct irregularities. In its assurance process, the Commission verifies the effectiveness of the control systems in the Member States on an ongoing basis through its multiannual plan of compliance audit missions. The control procedures on the eligibility of the beneficiaries during the relevant period is one of the key controls assessed by the certification bodies and DG AGRI during their audits.

At the same time it should be noted that the error rate for CAP expenditure is very close to 2 % and so with the audits in place including the Certification Bodies, the Commission considers that the Paying Agencies are very well monitored.

Whenever weaknesses are found during the audits, the Commission protects the Union's financial interests by means of financial corrections imposed on the Member States. The Commission takes very seriously the findings of the Court, which are considered in its annual risk analysis for the multiannual work plan.

30. The Court's AR mentions the case of a polish beneficiary who submitted a joint application with other family members for the construction of a pigsty, where each beneficiary claimed the maximum level of support even though they were not eligible for SME support due to mutual ownership of a shared holding. What actions does the Commission take to reduce such eligibility-related errors in cases involving beneficiaries who do not meet the conditions for SME support? How can the Commission uncover said shared ownership structures?

**Commission's answer:**

Under the principle of shared management, Member States are obliged to have systems in place, which prevent, detect and correct irregularities. In its assurance process, the Commission verifies the effectiveness of the control systems in the Member States on an ongoing basis through its multiannual plan of compliance audit missions. The eligibility of the beneficiaries (including SME eligibility criterion) are part of the key controls assessed by the Certification Bodies and the Commission during their audits. Furthermore, the Commission has this year launched a Pilot project giving Paying Agencies access to the Arachne database, which can help in showing links between enterprises. Whenever weaknesses are found during the audits, the Commission protects the Union's financial interests by means of financial corrections imposed on the Member States. The Commission takes very seriously the findings of the Court, which are considered in its annual risk analysis for the multiannual work plan. In addition, the Commission will follow-up on this specific case reported by the Court.

31. Until last year the Commission's replies to the Court's findings had always been placed next to each other on the same page. This year, the Commission's replies are at the end of the report in an Annex.

Did the Commission voice its concerns over the less reader friendly approach of the Court's publication?

**Commission's answer:**

Following its independent decision, the European Court of Auditors (ECA) published the Commission's replies to its 2018 Annual report at the end of the report instead of next to the relevant observation made by the ECA as has been the practice for the past annual reports.

The Commission regrets the ECA's decision, finds that the presentation of the Commission's replies next to the ECA's observations is indeed more reader friendly, and did raise its concerns with the ECA. It has however taken note of the ECA's decision and will adapt its replies to the new format in future ECA reports. The Commission was unfortunately not in a position to adapt its replies to the new format already this year as it was informed about the ECA decision after the adversarial stage of the process.

*Special report 4/2019 "The control system for organic products has improved, but some challenges remain"*

32. ECA found that the use of enforcement measures for sanctioning non-compliance has not been harmonised across the EU, and Member States' authorities and control bodies were sometimes slow in communicating cases of noncompliance. Furthermore, the Court also identified weaknesses in the Member States' checks

on incoming consignments and found that, in some Member States, the control bodies' checks on importers were still incomplete. In addition, the ECA found that many products could not be traced back to the agricultural producer, while it took more than three months for some to be traced back.

Notwithstanding the efforts of the Commission to remedy the shortcomings, what has been concretely achieved since the audit was carried out?

**Commission's answer:**

The European Commission is working intensively on all the recommendations made by the European Court of Auditors.

With regards to the specific actions to address the remaining weaknesses in Member State control system and reporting (recommendation n. 1), the Commission has organised a number of meetings with the Member State delegates to the Committee of Organic Production, in order to prepare guidance to harmonise the national catalogues of measures (rec. 1b), and has prepared a common template for the annual report (rec. 1c)

Concerning recommendation n. 2, to improve supervision over imports through better cooperation, the Commission has already organised a meeting in October 2019 to foster the cooperation with the accreditation bodies (rec. 2a). Moreover, the Commission has already drafted and put in place specific procedures to promptly assess the annual reports of the equivalent control bodies and of equivalent third countries (rec. 2b)

With regard to the traceability checks, recommendation n. 3, the Commission has started a number of traceability exercises that will be finalised end of this year (rec. 3a).

*Special report 2/2019 "Chemical hazards in our food: EU food safety policy protects us but faces challenges"*

33. Did the Commission assess potential changes to the legislation governing chemical hazards in the light of the capacity to apply it consistently?

**Commission's answer:**

*This question does not fall under the responsibility of Commissioner Hogan.*

The Commission is firmly committed to the constant evaluation of EU law to identify areas of improvement through its REFIT programme. A number of sectoral evaluations are currently being carried out, or planned in the near future in the area of food law.

Parliament and Council recently adopted a Regulation amending the General Food

Law and eight other sectoral acts (Regulation (EU) 2019/1381 of the European Parliament and of the Council of 20 June 2019 on the transparency and sustainability of the EU risk assessment in the food chain and amending Regulations (EC) No 178/2002, (EC) No 1829/2003, (EC) No 1831/2003, (EC) No 2065/2003, (EC) No 1935/2004, (EC) No 1331/2008, (EC) No 1107/2009, (EU) 2015/2283 and Directive 2001/18/EC), which addresses, amongst others, the long-term sustainability of the EU risk assessment in the food chain, and more specifically the scientific capacity of the European Food Safety Authority (EFSA). In the Commission's view, in the areas where implementation is pending the level of protection from chemical hazards is not compromised.

A REFIT evaluation is currently close to finalisation regarding the pesticides legislation. It assesses whether the existing EU pesticides legislation has achieved its objectives and covers the five criteria: effectiveness, efficiency, relevance, coherence and EU added value. A report to the European Parliament and the Council accompanied by a Staff Working Document is expected to be finalised in the first quarter of 2020. The REFIT evaluation confirms that the pesticides Regulations are to a large extent effective in protecting human health and that the level of compliance with MRLs is high showing that the food available to consumers is safe.

An evaluation of the EU legislation on feed additives in animal nutrition is ongoing, which will consider risk assessment and risk management of chemical substances in this sector. In particular, their effects on human health (consumers of food from animal origin and workers handling the feed additives), on animal health and on the environment of chemical substances used as feed additives. Similarly, the performance of the legislation on Food Contact Materials is being evaluated, with a Staff Working Document to be published by the end of March 2020, which will consider the efficacy of the provisions governing the evaluation and management of chemical risks in this area.

34. Did the Commission encourage complementarity, so that Member State public authorities can rely more extensively on checks carried out by the private sector?

**Commission's answer:**

*This question does not fall under the responsibility of Commissioner Hogan.*

The Commission notes that the new Official Controls Regulation (Regulation (EU) 2017/625) which applies from 14 December 2019 specifies in its Article 9 (1)(d) that competent authorities shall perform official controls taking account of – inter alia – where appropriate, private quality assurance schemes.

The Commission will – within its mandate – endeavour to support Member State

competent authorities in the implementation of this provision. The current work to prepare the tertiary legislation takes into account the needs expressed in the Regulation and in particular the complementarity of the responsibilities of Member States' authorities and the private sector.

35. What action will the Commission take on pesticide residues in food to maintain the same level of assurance for both EU produced and imported food while remaining compliant with WTO rules?

**Commission's answer:**

*This question does not fall under the responsibility of Commissioner Hogan.*

In the area of pesticides residues, the EU Regulation on maximum residue levels provides the same level of consumer protection for all foods on the EU market. Since all established MRLs must be safe for consumers, one single set of MRLs applies independently of the origin of the food.

There are very strict criteria for establishing MRLs. They can only be set if the thorough two-step risk assessment carried out by an Evaluating Member State and EFSA shows that they are safe for consumers. The risk assessment takes fully into account the most updated available information on a substance, including the most updated information on its classification under the European Chemicals legislation (Regulation 1272/2008 on the classification, labelling and packaging of substances and mixtures - CLP).

The same strict procedures and criteria apply to import tolerances (i.e. specific MRLs for pesticides uses that are needed only outside Europe, e.g. for tropical fruits not grown in Europe, or for uses that are no longer authorised in the EU, while these uses are still authorised in third countries).

A thorough review of all existing MRLs (including import tolerances) is ongoing to assess older existing MRLs according to the newest scientific standards. Such review is expected to be finalised by end of 2023.

36. Did the Commission give Member States further guidance on the application of enforcement measures and enhance its procedures for monitoring compliance with EU food rules

**Commission's answer:**

*This question does not fall under the responsibility of Commissioner Hogan.*



The Commission will consider providing such guidance where appropriate.

The Commission has already strengthened its use of existing audit and follow-up activities as means to encourage third countries' compliance with EU import requirements.

The following actions contribute to an enhancement of the compliance with EU food rules:

- Common methodologies for the gathering of information by the Member States on dietary intake of food additives and on the consumption and use of flavourings will be developed.
- The follow-up of recommendations made to third countries has been reinforced.

Reminder letters to third countries which have failed to submit residue monitoring plans by the target date of 31 March each year are issued systematically.

#### *Young farmers*

37. What the DG AGRI has done in 2018 for more efficient support of young small and medium-sized farmers?

#### **Commission's answer:**

As from 2018 the Member States may increase the top up payment for young farmers by increasing by up to 50% the percentage applied to calculate the amount of the payment for young farmers, irrespective of the calculation method applied. The maximum limit applicable to the number of hectares continue to apply (between 25 and 90) which prevents disproportionate support to larger farms (guaranteeing a better treatment to small and medium-sized farms).

Regarding rural development, as you know this is a policy implemented in shared management. DG AGRI provides advice and collaborates with the national and regional authorities responsible for implementing the rural development programmes, which include very relevant measures for supporting young farmers and small and medium sized farmers (e.g., aid for setting up of young farmers, investments, cooperation projects, training and advice or basic services in rural areas)

In addition, DG AGRI organised, together with the European Network for Rural Development, a series of relevant networking events for young and small and medium sized farmers. These events addressed issues like the development of sustainable bio-economy value chains in rural areas, how to attract young farmers and foster generational renewal in rural areas or how to make rural areas attractive for young people. They also helped to exchange experiences and use the rural development tools currently available in a more efficient way.

38. ECA annual report from 2017 argues, that EU support for young farmers is too often poorly defined, with no results or impact specified. What has been done so far to tackle with this problem?

**Commission's answer:**

Regarding support for the setting-up of young farmers, the main criticism related to the application of selection criteria by Member States. The Commission, in its advisory capacity, has recommended that Member States should distribute more homogenously the available resources in 2014-2020 and to open several calls along the whole programming period to avoid that budget allocations are exhausted at the beginning of the programming period. The Commission has also recommended setting selection criteria ambitious enough to target the best beneficiaries in terms of efficiency and needs.

The financial challenge for young farmers to create and develop new activities in the agricultural sector is well acknowledged. The young farmer top-up payment is providing an enhanced income support targeting only newly setup young farmers during a period of estimated higher needs. This support is essential in the first years following their setting-up. The Young Farmer Payment may be reserved to skilled and educated people and in this respect it is for the MS to better target the potential beneficiaries. The simplicity and accessibility of the system allows equal support to any young farmer, whatever their geographical location and their specific production.

39. Attracting young farmers: In Claim Year 2017, more than 360.000 newly set-up young farmers, which correspond to almost 5.8% of all direct payment beneficiaries in the EU, benefited from this additional top-up payment. Does the Commission have data on the distribution of young farmers per member state (i.a. where do these young farmers have their farms?)?

**Commission's answer:**

There are no monitoring data available on the type of farms in which young farmers receiving support for set-up are established.

The Commission does have the data on the distribution of Pillar 1 Young Farmer Payment beneficiaries per country. The highest number of supported young farmers was observed in Poland (about 90.000 farms), followed by Greece (about 50.000 farms). The lowest numbers – in Malta, Luxembourg, Cyprus, Slovakia and Estonia (below 1.000 farms). The complete Country distribution of young farmers beneficiaries of the top-up payment is indicated in the table below.

<b>2017</b>	<b>number of YFP beneficiaries (2017)</b>
<b>BE</b>	1862
<b>BG</b>	2074
<b>CZ</b>	4006
<b>DK</b>	1283
<b>DE</b>	29250
<b>EE</b>	682
<b>IE</b>	8531
<b>EL</b>	51806
<b>ES</b>	10935
<b>FR</b>	24640
<b>HR</b>	6731
<b>IT</b>	34696
<b>CY</b>	534
<b>LV</b>	2715
<b>LT</b>	8469
<b>LU</b>	104
<b>HU</b>	11219
<b>MT</b>	87
<b>NL</b>	5404
<b>AT</b>	9056
<b>PL</b>	94354
<b>PT</b>	1939

<b>RO</b>	33160
<b>SI</b>	4308
<b>SK</b>	594
<b>FI</b>	4687
<b>SE</b>	4467
<b>UK</b>	6560
<b>UE</b>	364153

Does the Commission have data on their business models and do they differ from other farms in their area (e.g. specialising certain produce or towards certain customers/ organic farming/ innovative, digital business models, etc)?

**Commission's answer:**

No further information on the business model, at least for Pillar I can be provided, because direct payments are not linked to any specific activity.

How many young farmers have benefited from the Young Farmer Payment in 2018 and how would the Commission assess the possibilities to reach the overall target of the programming year 2014-2020?

**Commission's answer:**

Provisional data suggest that the total number of beneficiaries has increased in claim year 2018 by some 28%, from 364 153 to 466 006. The total amount raised by 53%, from EUR 390 million in 2017 to 600 million in 2018 (AGRIVIEW DATA).

Member State	number of YFP beneficiaries (2018)
<b>BE</b>	2 546
<b>BG</b>	2 588

<b>CZ</b>	5 166
<b>DK</b>	2 029
<b>DE</b>	37 911
<b>EE</b>	802
<b>IE</b>	8 618
<b>EL</b>	65 732
<b>ES</b>	15 234
<b>FR</b>	30 416
<b>HR</b>	10 299
<b>IT</b>	48 678
<b>CY</b>	661
<b>LV</b>	3 229
<b>LT</b>	9 161
<b>LU</b>	119
<b>HU</b>	11 066
<b>MT</b>	137
<b>NL</b>	7 328
<b>AT</b>	13 037
<b>PL</b>	121 213
<b>PT</b>	1 995
<b>RO</b>	46 757
<b>SI</b>	4 208
<b>SK</b>	779
<b>FI</b>	4 181
<b>SE</b>	4 604
<b>UK</b>	7 512

EU	466 006
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Did you put forward any additional measures or incentives to boost the success rate of the programme? Are there any noticeable changes in comparison with the previous year?

**Commission's answer:**

The increase in the number of Pillar 1 young farmer payment beneficiaries as well as the amounts spent for them could be linked with the amendments of the Omnibus regulation, as explained in the answer to Q5, namely that:

- the payment for young farmers shall always be granted per farmer for a period of 5 years and;
- MS can increase the percentage applied to calculate the amount of the payment for young farmers in the range of 25% to 50% and irrespective of the calculation method applied.

*Controls in CAP*

40. Controls are a guarantee that money from the EU budget earmarked for the funding of CAP instruments is being properly spent. However, costs of the common agricultural policy controls already amount to EUR 4 billion a year and that they concern 50 million transactions with a budget for agriculture of around EUR 58 billion. The European Parliament and CONT Committee welcome the fact that Commission is giving priority to a new CAP simplification exercise and strongly favour an improvement in the quality and consistency of inspections rather than an increase in the number of controls in agriculture.

What concrete progress has been made concerning optimising CAP-related controls and making the inspections more effective, consistent and reasonable?

**Commission's answer:**

The legal framework stipulates that Member States combine controls concerning first and second pillar area-related measures, in order to avoid multiple visits on the farm to the extent possible. Especially with the new the area monitoring system, Member States will have enhanced possibilities to combine such controls and reduce as much as possible on-farm verifications

Bearing in mind that the organisation and carrying-out of CAP-related controls at farm level is the responsibility of Member States, the Commission has throughout the current CAP-period taken a number of steps to improve the legal framework, the methodologies and tools available for such controls:

- The Commission strongly promotes, and finances, controls by Remote Sensing, meaning that the majority of the annual area related controls on-the-spot can be carried out without physical visits, instead relying on imagery.
- The Commission encourages Member States to organise on-the-spot controls so as to reduce the number of visits to any individual beneficiary, for instance by combining checks of several services at the same time or by delegating the authority to carry out checks to specific services. It is for instance not uncommon that checks of animals in relation to aid claims are carried out simultaneously with veterinary checks. Legal simplifications have given Member States the power to decide themselves how to combine the different random and risk-based control samples in a way that suits the relevant administration. Nevertheless, obligations stemming from policy purposes, like requirements to ensure the presence of a crop in a specific period of the year, or keeping animals for a given period, can limit the flexibility of Member States to organise controls most efficiently.
- Member States have the opportunity to reduce the obligatory minimum control rate for major area related aid schemes from the typical 5% of beneficiaries, to 3% or even lower, provided that the control systems meet certain standards of reliability. This is a strong incentive for Member States to reduce the control burden by optimising their control systems.
- The Commission pushes for an increase in the quality of Member States' Land Parcel Identification Systems. Correct identification and location of agricultural parcels, together with the now obligatory graphical area aid application to be submitted by the farmer, increases the accuracy of farmers' applications, in turn making on-the-spot controls more efficient by ensuring straightforward verification of the area claimed.
- Finally, the Geo Spatial Aid Application reduces the burden for farmers when applying for aid and also reduces the errors that may occur in applications and thereby reduces the need for control.

How has the Commission promoted integrated approach to controls, whereby all the controls required on a given farm are carried out at the same time wherever possible, so that the number of onsite visits is kept low and the concomitant financial and time cost and burden for administrations and farmers can be reduced and the control process streamlined?

**Commission's answer:**

As from 2018, the Commission has also made it possible for Member States to make controls more effective and efficient by substituting the classical on-the-spot

checks with “checks by monitoring”, a system of checks relying on automatized analysis of Sentinel satellite data, in combination with evidence from other sources like geo-tagged photos provided by the farmer. This reduces the need for physical visits to only those cases where the data does not provide sufficient assurance - and in those cases, checks would only be made of the elements for which doubts exist, and not the entire holding.

41. Does the Commission see any issues in relying primarily on satellite pictures for their monitoring?

**Commission's answer:**

Checks by monitoring, an innovative and cost-efficient alternative to the 5% on the spot checks, does not rely on satellite data only to conclude on a farmer's compliance with eligibility conditions. Administrative checks for 100% of applications have to be carried out, e.g. checks of documentation to prove respect of eligibility conditions. Cross-checks have to be run as well, e.g. between the application and the LPIS or other administrative registers. Furthermore, if certain conditions cannot be monitored, a sample of farmers needs to be checked to verify the respect of those non-monitorable requirements. This may involve checking documentary evidence, geo-tagged photos or any other relevant evidence available to the paying agency.

It is for the Member States to make sure that illicit use of land does not take place.

How can the Commission make sure that the monitored areas are under the rightful ownership of the farmers receiving the direct payments?

**Commission's answer:**

Controlling the entitlement to farm the land is part of the responsibilities of the Member States, outside the Common Agricultural Policy.

According to the EU legislation the beneficiary entitled to payment are those who farm the land. The parcels declared by a beneficiaries need to be at the farmer's disposal on a given reference date fixed by a Member State.

Some Member States have asked the beneficiaries to provide evidence that they are legally entitled to farm the land. Others have not. It is up to the Member States to regulate this issue.

The Commission, through its audits, ensures that the rules put in place by the Member States are respected.



How can the Commission ensure that direct payments are not used to finance illicit land grabbing in countries like Slovakia, Bulgaria and Rumania?

**Commission's answer:**

As concerns land grabbing and the situation in Slovakia, where the European Parliament undertook fact-finding missions the Commission has already taken action. Whenever there are such allegations of particular malpractices in individual Member States, the Commission services look into these cases very carefully. If the concern is fraud, then OLAF is responsible.

If the land is taken by force, then there is a rule of law issue and the judicial system of the Member State should act. The Commission can assist the Member State, if necessary.

In case of deficiencies in the CAP management and control systems of the Member State concerned, the Commission can and will audit the systems or monitor the implementation of a corrective Action Plan to remedy the situation and to protect the EU budget.

*Simplified cost options (SCOs)*

42. The Annual Activity Report of DG AGRI provides information that the Commission is currently updating the guidance on the simplified cost options (SCOs) to include the novelties introduced by Regulation 2018/1046 (AGRI AAR 2018 – p. 130). The SCOs are less prone to errors, but the Court of Auditors observed that they remained a marginal part of the rural development. In this context:

- What is the state of play of the guidance on SCOs' update?

**Commission's answer:**

The revised guidance on SCOs will shortly be available, possibly by the end of 2019. It will include some clarifications on the new possibilities with the use of SCOs that are foreseen following the adoption of the Omnibus Regulation. This is a shared guidance with the other European Structural and Investment Funds and it establishes common procedures and practices on the use and verification of SCOs.

- For how long would the updated guidance be relevant?

**Commission's answer:**

The updated guidance will be relevant until the end of this programming period, i.e. 2023. A new guidance will possibly be prepared on the use of SCOs under the CAP post-2020 if there is a specific request by Member States.

- How does the Commission take into account lessons learnt from the current period in order to better prepare the use of SCOs in the next period? What will change for the next period with regard to SCOs and would the Commission be ready on time with the new guidelines for SCOs?

**Commission's answer:**

The Commission promotes very actively the use of SCOs by organising workshops, seminars and exchange of practices between Member States. The latest workshop was organised by the ENRD in June 2019, when the use of SCOs in the context of LEADER was discussed. The Commission is regularly interacting with Member States on this issue and is willing to explore different ways in order to provide the appropriate fora and help Member States to develop further the use of SCOs.

In the future period, the CAP will be governed by the new delivery model, which aims to increase subsidiarity and provide flexibility to Member States in the design and the implementation of their interventions. Member States will be required to describe in their CAP Strategic Plan the elements that contribute to simplification and reduce the administrative burden for the final beneficiaries. In this respect, it is expected that SCOs will gain a prominent role in the implementation of the policy post-2020 and Member States will increase their use of SCOs. If there is a specific request, the Commission may provide new guidelines on SCOs and DG AGRI will continue the exchange and the cooperation with other services that have a lengthy experience with SCOs.

- Do all member states use SCOs? What are the most frequent problems faced by the member states when using SCOs? How does the Commission assist the member states to overcome such problems?

**Commission's answer:**

All MS, except one, are using or intend to use SCOs. Currently, 76% of the Rural Development Programmes include the possibility of SCOs for several measures/sub-measures. The uptake will increase by the end of the programming period, reaching an estimated percentage of 85%. The Commission can already confirm that various RDPs, which have been modified in the last year, have introduced new possibilities regarding SCOs. The most frequent concerns that MS express are: the legal uncertainty surrounding the design and establishment of an SCO, the fact that national administrations need to invest in time and resources in order to establish the methodology of an SCO and that the use of SCOs may trigger financial corrections.

The Commission is in constant dialogue with the Member States and is organising

various initiatives in order to discuss and deconstruct these concerns, also by ensuring the involvement of auditors. The latest workshop on SCOs for EAFRD was organised by the ENRD in June 2019 and various other conferences and events are organised at the initiative of the Member States with the participation of the Commission. On such occasions, the Commission makes a reference to the conclusion of the ECA Special Report, that recognises the added-value and the great potential in simplification that SCOs are bringing to the beneficiaries and the administrations.

43. In paragraph 7.48 of its annual report ECA states that Member States used simplified cost options, such as lump sums or flat rates in 3 of the 49 projects audited. According to the Court national authorities could have used simplified cost options in a further 16 projects.

- Is the Commission concerned with the little use of simplified cost options?

**Commission's answer:**

The Commission considers that there is significantly more than “little use” of SCOs. The recent RDP modifications which include further SCOs demonstrate exactly that there is increasing and considerable use of SCOs.

- What steps did the Commission take in order to follow up the Court's recommendations described in Special Report 11/2018 aimed at encouraging the appropriate use of simplified cost options for non-area and animal related measures, for example?

**Commission's answer:**

The Commission has taken a number of concrete steps as a follow-up of the Court's recommendations. These include the organisation of a recent workshop on the use of SCOs in EAFRD in June 2019, with an additional workshop planned on mid-2020; and the ongoing work to revise the SCO guidelines in order to provide further clarifications, participation in various workshops and seminars organised by Member States concerning the exchange and discussion of SCOs etc., which should contribute to their use. The Commission has also requested Member States to provide concrete ideas on how this exchange on SCOs can be reinforced and further developed.

- What are the incentives for the Member States?

**Commission's answer:**

All MS which make use of SCOs have recognised that they are reducing significantly the administrative burden both for beneficiaries and national authorities and when an SCO is in place the verifications on compliance become simpler and less-time consuming. Overall, the use of SCOs helps the administrations to shift the human resources and administrative effort involved in the management of the Fund towards the achievement of the policy objectives and the delivery of outputs/results.

- What holds them back to simplify administration?

**Commission's answer:**

As mentioned in reply to question 42, some MS have expressed certain concerns regarding the effort and investment needed to establish SCOs and they often make reference to the legal uncertainty that may surround these approaches. The Commission has repeatedly advised MS to involve their national audit authorities in the design of SCOs and to always maintain a reliable audit trail.

44. *Reimbursement based on results*

The Regulation 2018/1046 includes the option of financing not linked to costs but based on the fulfilment of conditions related to the implementation or the achievement of programmes' objectives. The Commission reports that it is now working on the preparation of Delegated Acts to implement this option (AAR DG AGRI 2018 p. 140).

- What is the state of play of the preparation of this Delegated Act and could the Commission provide more details about the types of indicators to be used to measure the results?

**Commission's answer:**

DG AGRI has explored the possibility to include EAFRD in the recent Delegated Act that has been prepared for the ERDF. However, following a thorough assessment, it was concluded that the specific nature of the Delegated Act was such that it could not be extended to other policies outside the ERDF. DG AGRI has discussed this issue with certain Member States, asking them also to come up with concrete ideas on how such a possibility could be further explored.

What is the Commission's analysis about the effect of the changes in the reimbursement methodology for the current rural developments programmes (from reimbursement of costs incurred to reimbursement based on results) for the

ability of national administrations to manage such a change, and for final beneficiaries?

**Commission's answer:**

In view of the CAP post-2020, the Commission is shifting the focus from compliance to a more result-oriented implementation approach of the policy. In particular, Member States will be reimbursed by the Commission having demonstrated that the expenditure effected is matched by a corresponding output.

It is clear, however, that Member States are ready for such approaches, consisting of support linked to the achievements of certain objectives instead of compliance with eligibility conditions. The proposal for the future CAP is strongly based on this principle, and will leave much flexibility for Member States to implement such approaches.

45. *Broadband actions in rural and remote areas*

In the AAR DG AGRI informs that in 2018 it participated in 5 broadband missions and prepared and presented the "rural proofing checklist", a tool aiming to prevent the transferring of funds originally allocated to broadband actions in rural and remote areas to other non-rural or non-broadband related projects without proper guarantees.

- What were the reasons for the deviations of funds from originally allocated actions that the Commission identified during its missions?

**Commission's answer:**

The broadband missions carried out were not audit missions. There was no issue of or suspicion that funds were being unduly spent. The missions were rather of a fact-finding, collaborative and advisory nature.

Around €6 billion of European Structural and Investment Funds (ESIF) were allocated to the support of broadband investment in the 2014-2020 period.

To ensure the implementation of the support, in 2015 the Commission called on the Member States to create national Broadband Competence Offices (BCOs) and since 2017 has actively supported the networking and capacity building of these offices through a dedicated BCO Support Facility.

In parallel, an action plan for the rollout of rural broadband was drawn up to address the concrete challenges faced by some Member States. The Broadband Country Missions are one of the actions in this Rural Broadband action plan or "Toolkit" which is managed jointly by DGs AGRI, REGIO and CNECT with input from DG COMP. These missions were carried out in a limited number of Member States or regions with a low deployment of fast and/or ultrafast broadband networks, especially in rural areas, coupled with difficulties in the

implementation of their National Broadband Plans, including public support measures co-financed by ESIF programmes. The missions took the form of joint meetings with national/regional managing authorities, National Regulatory Authorities, Programme Monitoring Committees, etc. where possible, but not only, in the framework of the European Semester process, to ensure high visibility. The specific broadband exchanges were led by a Director of one of the 3 DGs and identified the follow-up actions for each MS concerned, which are then monitored by the inter-DG Steering Committee of the BCO network.

The missions focused on difficulties encountered by the MSs, ranging from insufficient administrative capacity, regulatory and administrative obstacles, implementation of mapping methodologies, or changes in market investment dynamics to the identification of the most adequate support measures and their implementation in line with public procurement and state aid rules. The missions also examined the set-up of the newly established Broadband Competence Offices to ensure that their operational capacity was sufficient and that there was sufficient cooperation with the relevant departments within the national administration.

The missions referred to were, as already stated, not audit missions. There was no issue of deviation of funds from Broadband projects detected. The AAR refers to the use of a checklist to prevent transfer of funds via a legitimate programme modification. The Rural Proofing Checklist is a tool which is used by the Commission services (DGs AGRI and REGIO) when a MS requests, via a programme modification, to shift funding from broadband related projects to some other measure within their programme. The checklist provides a list of questions for the officials concerned to ensure that the MS has provided sufficient justification for the funds transfer. Its aim is to provide sufficient assurance that the requested re-programming of funds would not further increase the digital gap between rural/remote areas and other areas.

- How does the "rural proofing checklist" work in practice and could it be considered as a sufficient tool to prevent irregularities?

**Commission's answer:**

The rural proofing checklist is not a tool designed to prevent irregularities. Part of the abovementioned Rural Broadband action plan or "Toolkit", it is a simple mechanism which is designed to ease the process of communicating and deciding on re-programming requests by Member States affecting EU funds for rural broadband projects. It includes the main questions that the Commission services will ask in the re-programming process with a view to identifying the transfer is sufficiently justified by an improvement of the broadband coverage (for instance as a result of an increase in private investment) or whether the MS will ensure that

broadband deployment needs are met by other means.

The rural proofing checklist can also help to identify technical capacity issues that can be addressed with the other elements of the Rural Broadband action plan, reducing the risk of the reprogramming of ESIF resources.

- How many member states use this checklist and what are the outcomes from the introduction of such a tool?

**Commission's answer:**

The checklist is a tool which was designed *for use by Commission services* who manage Rural Development or Structural Funds programmes. It has been shared with the Broadband Competence Offices in the Member States as well as with the National authorities. This enables National authorities to know in advance that requests to re-programme ESIF resources supporting broadband roll-out will have to be well justified and that the Commission will need assurances that the digital gap between urban and rural areas has been or will be addressed through other means. The checklist has been successfully used on a number of occasions when such programming was proposed and the MSs in question have withdrawn their request, reduced the amount concerned or provided the necessary assurance.

46. *Sustainable Development Goals*

The programme statements to the EU draft budget, the Eurostat annual monitoring report, and the Annual Management and Performance Report do not include an actual monitoring or reporting of how the CAP contributes to achieving the SDGs.

- Without a long-term EU strategy on sustainable development up to 2030, how does the Commission envisage to monitor and report on the CAP's contribution to sustainable development and achievement of the SDGs after 2020?

**Commission's answer:**

The legislative proposals for the CAP Post 2020 and the related impact assessment include many elements on sustainable development. Further improving the sustainable development of farming, food and rural areas is a cross-cutting objective of the CAP.

The proposal for the future of the CAP has nine specific objectives, reflecting the balance across the components of sustainable development. Accordingly the proposals outline a balanced set of common indicators to measure policy performance. This includes impact indicators that are also used for the EU reporting on Sustainable Development Goals, hence enabling to report on CAP contributions to sustainable development.

EU policies, funds and actions cover all SDGs and provide a significant contribution to their achievement both within the EU and externally. President-elect Ursula von der Leyen has made sustainability an overriding political priority for the future Commission. The UN 2030 Agenda for Sustainable Development is the roadmap and compass that will be used to become a Sustainable Europe by 2030.

Will the Commission suggest revision of the currently used indicators of the CAP to put the monitoring and reporting of the SDGs implementation on the right track?

**Commission's answer:**

SDGs are systematically monitored and reviewed by the Commission services, and reflected in the 2019 EUROSTAT report:

<https://ec.europa.eu/eurostat/web/sdi>

The EU reporting on SDGs will be reviewed in line with the Post-2020 policy initiatives and priorities of the new Commission. The President-elect indicated in her political guidelines that the European Semester will be refocused into an instrument that integrates the UN SDGs. Furthermore, mission letters state that “each Commissioner will ensure the delivery of the UN SDG within their policy area. College as a whole will be responsible for the overall implementation of the Goals.”

47. How does the Commission try to make fraud prevention and identification more effective?

**Commission's answer:**

As most of the CAP budget is under shared management between the Commission and the competent authorities in the Member States, it is these authorities that directly fall victim of cases of fraud against the CAP budget. In order to capacitate the authorities in the Member States to prevent, detect and correct fraud cases, DG AGRI has carried out a fraud risk assessment in order to identify domains of the CAP at risk of fraud and in order to describe the most frequent modi operandi. The corresponding document has been translated into all official languages of the EU and sent to all relevant authorities in the Member States.

In addition, DG AGRI has offered to Member States targeted anti-fraud seminars. All Member States without exception have accepted this offer and more than 50 such seminars have been held until the recent past.

As new schemes of fraud may appear at any time, DG AGRI monitors fraud cases through the investigation reports it receives from OLAF and through its own audit



reports, if they point to such cases. In the event that new patterns of fraud would evolve, DG AGRI would inform the Member States accordingly to alert them and enable them to react appropriately.

As regards fraud prevention, even if at this time no legal basis allows the Commission to require managing and/or paying authorities to adopt formal stand-alone anti-fraud policies, the Commission continues to encourage Member States to adopt national anti-fraud strategies (NAFS) and provides them with the assistance needed to do so.

This approach is embedded in the Commission Anti-Fraud Strategy (CAFS) adopted on 29 April 2019.

For what concerns fraud detection, the Commission, in cooperation with the Member States, has considerably improved the irregularity reporting system over the past years, allowing for a better and more refined analysis.

In this regard, the Commission is engaged to further improve its analysis on the nature of fraud and to achieve a better understanding of the overall anti-fraud framework in the different Member States. In the framework of the CAFS, the Commission will work to further enhance the quality and reliability of the information reported by the Member States, to increase the interoperability between the various IT tools where useful information and data are stored. These actions are the pre-requisites for an enhanced analytical function in OLAF. Among the concrete projects that will be implemented to get a deeper knowledge of the countries' national systems, it is worth mentioning also the Country profiling in the area of anti-fraud, which will allow to correctly assess the anti-fraud capability of the Member States across several areas (revenue and expenditure, cohesion policy and CAP included). Additionally, the Commission will evaluate the possibility to expand the use of ARACHNE (a risk-scoring IT tool used at the moment in the Cohesion policy and extended by a pilot project to the CAP in 2019) or any tool providing similar results, to further areas of the EU budget. The tool is currently been used for enhancing fraud detection.

In this regard, if the Commission relies on reports coming from the Member States how can you manage cases if corruption is already on a governmental level?

**Commission's answer:**

Although the Commission has taken various initiatives against corruption in the past and continuously monitors the respect of the principle of the rule of law in the Member States, it is ultimately the competence of judicial (and political) authorities in the Member States to combat corruption.

DG AGRI audits are not directed at fraud but, where detected or indications are found, it is brought to the attention of OLAF. Then, in case of fraud, corruption

and other misconducts affecting the EU financial interests, DG AGRI works closely with OLAF. Such cooperation occurs also in the framework of the new Commission Anti-Fraud Strategy, which focuses on protecting the EU's financial interests from fraud, corruption and other intentional irregularities and on the risk of serious wrongdoing inside the EU's institutions and bodies. As a result, prevention, detection and investigative efforts are also oriented towards cases of corruption affecting the EU financial interests.<sup>1</sup>

Moreover, should a situation emerge whereby corruption at governmental level would put the legal and regular implementation of the CAP at risk in a given

Member State, DG AGRI could, where the conditions are met, make use of the suspension of payments under the CAP and apply financial corrections against the Member State.

#### *Rural tourism*

48. The operational programmes concerning development of rural areas by the support of rural tourism had a number of anomalies in more than one member state. Could you share your opinion whether these problems are of a systemic nature?

#### **Commission's answer:**

In the past years, the Commission carried out audits on the measures related to support of rural tourism and detected some irregular cases concerning the use of the investment (actual operation not in compliance with the intended operation), for which financial corrections were applied. The Commission also recommended in some cases to the Member State authorities to increase the number of on-the-spot checks and ex-post checks for these types of projects.

Do you have available data on the number of problematic cases in projects supporting rural guest houses/hotels?

#### **Commission's answer:**

While this type of investments seems more prone to errors/irregularities, the Commission does not have data/elements to consider this problem of a systemic nature in all MS's. At least one Member State has also taken the initiative to

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<sup>1</sup> The Commission Anti-Fraud Strategy of 2019 covers: fraud – including VAT fraud –, corruption and misappropriation affecting the EU's financial interests, other criminal offences affecting the Union's financial interests, irregularities insofar as they are intentional but not already captured by the criminal offences referred to above, and serious breaches of professional obligations by staff or Members of the Union's institutions and bodies.

discontinue measures prone to irregularities in the 2014-2020 Rural Development Program. The Commission is following closely where member states are investigating irregularities.

*Digital Single Market:*

49. Besides supporting the broader access of next generation broadband coverage, what does the Commission do to support farmers in exploiting the benefits of digital farming and precision farming?

**Commission's answer:**

The Commission is particularly anxious to support the development of digital technologies and has taken action to reduce barriers to the uptake of precision agriculture technologies such as a lack of knowledge, digital skill and investment capacities, as well as challenges to access sufficient broadband, and to create an “enabling environment” key for the uptake of digital technologies by farmers.

Currently, under the Common Agricultural Policy (CAP), Member States (MS) have the possibility to e.g. support investments and advisory services dedicated to digital technologies. One important instrument to trigger both – the development and the uptake of precision/digital farming technologies - is the European Innovation Partnership for Agricultural Productivity and Sustainability (EIP-AGRI). The EIP-AGRI is a powerful link between the CAP and the research and innovation programme Horizon 2020, bringing together scientists and practitioners. This is essential to make sure that innovative technologies and practices are effectively adopted by end users.

Under the new CAP the Commission proposes to strengthen the role of advisory services, notably in relation to digital technologies, and embed them into a coherent Agricultural Knowledge and Innovation System (AKIS). This strengthened knowledge ecosystem should enhance uptake of digital technologies and the development of relevant skills. Generally, under the national CAP Strategic Plans, MS will have to pay particular attention to the modernisation of the policy implementation by focusing on a better use of knowledge and new technologies.<sup>2</sup> The Integrated Administration and Control System (IACS) will comprise a new compulsory component: the Area Monitoring System, which will provide the MS with a multipurpose platform using satellite data to monitor and implement their CAP Strategic Plans. The Area Monitoring System will also provide the data allowing for development of down-stream services aimed at

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<sup>2</sup> Here MS can build up on experiences gained over the last years: DG AGRI and the national authorities have together made great progress in the use of Copernicus satellite data in the implementation of the current CAP, using ‘Checks by Monitoring’, exploring freely available Sentinel satellite data to replace the classical On-The-Spot-Checks (see also reply to question 40).

supporting farmers in their daily management decisions on farms.

The legislative proposal also includes a concrete element for digitalization and to be used by farmers: the Farm Sustainability Tool for nutrients (FaST). Member States shall provide on-farm decision support system as a digital tool, starting from nutrient management functionalities and open to support further sustainability objectives. This is a perfect example about how innovation can deliver agronomic, economic and environmental benefits at the same time.

Beyond the CAP, other European policies and programmes including CAP, DEP, Horizon Europe, ESIF and the Connected Europe Facility, InvestEU, contribute to foster the development and the uptake of digital and precision technologies. For instance in agriculture:

- Under Horizon 2020, large projects focusing on various aspects related to the digitalisation of agricultural production are supported. Preparations for the post 2020 Horizon Europe programme are running. New technologies accompanying the digital transition will continue to have a prominent place.
- The forthcoming Digital Europe Programme (DEP) will offer opportunities to build capacities to employ digital technologies across the economy and society. Proposed activities under the DEP, directly or indirectly contributing to the digital transformation of the sector, include Artificial Intelligence actions developments, Data spaces for pooling and sharing data, Digital Innovation Hubs, and Support to advanced digital skills.

It is essential that all these policies work in synergy and complement each other.

Finally, the Commission supports accessing and sharing data. Data can be regarded as the fuel for an efficient and effective digital transformation of agriculture. As it regards public data, the CAP post-2020 foresees that the data collected by the MS through the IACS should be shared, in particular following the INSPIRE Directive. The Commission also drives the transposition and implementation of the Open Data and reuse of Public Sector Information Directive. As regards the handling of private data relevant for the development of the agricultural sector, especially farm data, the Commission is closely observing the experiences gained with the “EU Code of conduct on agricultural data sharing by contractual agreement”, to see whether more guiding and/or regulatory action is needed.

The declaration on ‘A smart and sustainable digital future for European agriculture and rural areas’, which was signed in April this year as a result of collective efforts by Member States and the EU Commission, is a clear commitment to action to support in a coordinated manner and through a multi-policy approach the competitiveness of the agricultural sector and enhance the well-being of rural dwellers.

Is there data on the connection of direct payments and spread of digital farming/precision practices?

**Commission's answer:**

With the new Regulation (EU) 2018/1091 on integrated farm statistics<sup>3[1]</sup> for collecting farm structure data at farm level, the basic provisions for collecting data on the uptake of digital/ precision technologies are laid down. The respective module on machinery and equipment is currently elaborated and will include variables on digital/ precision farming technologies.

Thus, starting from 2023, statistical data on the uptake of digital/ precision farming technologies by farmers across the EU can be expected to be available.

In the meantime, several EU services, including DG AGRI, DG ENV, DG CLIMA, DG GROW, ESTAT, JRC, and the European Environment Agency, in cooperation with EU stakeholders, among them CEMA, the association representing the European agricultural machinery industry, and Copa-Cogeca, representing farmers and agricultural cooperatives in the EU, have carried out surveys among farmers across the EU<sup>4[2]</sup>, as well as representatives of the machinery sector and public authorities, to get a better overview of the uptake of precision agriculture technologies. The results of the analysis of the surveys are expected by the end of the year.

Collected data will facilitate an analysis of the situation in different MS and sub-sectors/ branches. Data may allow to look at correlations between the uptake of precision farming/digital farming technologies and farm size, the receipt of EAFRD and/or national support; yet, it will not be possible to draw a direct causal relation.

For some Member States, e.g. Denmark, good information on the uptake of digital/precision farming technologies is already available.

*Rural support*

50. Key objectives of the rural support development policy is to strengthen economic resilience of the farm sector. How is knowledge-building and support for investments achieved in practice?

**Commission's answer:**

Support for knowledge transfer and information actions could take several forms

<sup>[1]</sup> Regulation (EU) 2018/1091 of the European Parliament and of the Council of 18 July 2018 on integrated farm statistics and repealing Regulations (EC) No 1166/2008 and (EU) No 1337/2011 (Text with EEA relevance.).

<sup>[2]</sup> <https://ec.europa.eu/eip/agriculture/en/news/precision-agriculture-survey>.

such as training courses, workshops, coaching, demonstration activities, information actions, short-term farm exchange and visit schemes. 114 M euro of public expenditure have been planned by MS for these actions in the whole period 2014-2020, with 3.8 million participants in training actions expected to be supported by the EAFRD. By 2018, 27.8% of this target has been achieved.

Investment measures have been highly relevant in meeting the needs of agriculture via improving competitiveness and contributing to the maintenance of sustainable agricultural structures, and have served multiple economic, social and environmental priorities at once. Evaluation reports have generally observed positive results in terms of uptake, high leverage effect and financial execution. Some of the operations that could be supported concern an improved use of fertilizers and plant production products (e.g. reduced use, equipment, precision agriculture), the improvement or establishment of manure storage structures, or investments in modernisation and mechanisation (i.e. physical investments to reduce production costs of production and increase productivity in small-scale agriculture) 17 billion euro of public expenditure have been planned by MS for these actions in the whole period 2014-2020, with more than 335 000 holdings expected to be supported by the EAFRD. By 2018, 42% of this target has been achieved.

Is there data showing how farms of different size make use of these offers? How much do these programmes cost?

**Commission's answer:**

There is no data regarding the size of farm holdings supported.

There is no specific information available regarding the cost of providing EAFRD support for knowledge exchange and investments. According to a recent study<sup>5</sup> the total cost of preparing, implementing and controlling Rural Development Programmes for Member States could be estimated at 8% of the EAFRD. The study concludes that the management of rural development programmes is a demanding task, but the overall administrative costs are judged to be reasonable.

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<sup>5</sup> New assessment of ESIF Administrative costs and burden study,  
[https://ec.europa.eu/regional\\_policy/en/information/publications/studies/2018/new-assessment-of-esif-administrative-costs-and-burden](https://ec.europa.eu/regional_policy/en/information/publications/studies/2018/new-assessment-of-esif-administrative-costs-and-burden)