

2019 Discharge to the Commission

**WRITTEN QUESTIONS TO COMMISSIONER
WOJCIECHOWSKI**

Hearing on 30 November 2020

Questions concerning overall regularity of transactions etc.

1. The largest part of errors in 2019 in natural resources section is ineligibility type errors reaching 70% (Box 6.2. of ECA Annual Report 2019). Complex eligibility conditions are named as the main reason for such errors. Did the Commission perform an analysis evaluating in which Member States number of this type of errors is the highest, and subsequently took additional actions (e.g. training, control checks etc.) to reduce such expenditure errors in those Member States?

Commission's answer:

Following the publication of the “Commission Communication to the Council and the European Parliament on the root causes of errors and actions taken” in 2017 and the several legal simplification initiatives proposed by the Commission affecting a number of implementing and delegated acts, the error rate level both for EAGF and EAFRD has further decreased. Thanks to these amendments, the management and control system was simplified and new possibilities were introduced, such as the "yellow card" system for penalties or simplification of controls for financial instruments. The agricultural part of the Omnibus Regulation, entered into force in 2018, introduced some simplification and technical improvements to the four basic Regulations of the CAP. Under the Omnibus Regulation, the rules introduced further flexibility for Member States in the definition of active farmers as well as elements to the definition of permanent grassland that are optional for Member States such as the ploughing-up or the extension of the definition to land that has so far not been eligible such as areas covered with shrubs or trees that produce animal feed but are not directly grazed by animals. Amendments to the Voluntary Coupled Support have been also introduced by the co-legislators. Notably, these introduce clarifications of the applicable rules, while also fully aligning them to the terms of the Blue Box Agreement on Agriculture.

In addition, summary of audit results and lessons learnt are regularly

communicated to all the Paying Agencies and Certification bodies during the annual meetings organised by DG AGRI and Council Presidencies.

For **market measures**, eligibility conditions are, in most of the cases, explained in detailed guidelines for the Member States. Those guidelines have been prepared on the base of experiences, concrete questions of Member States, results of past audits. In addition, when recurrent issues are detected by audits, the practice is to explain them to all Member States in the management committees of the sector in order to disseminate the information and facilitate corrective measures. Audit results can also lead to changing the guidelines or even specific aspects of the legislation.

As regards identifying errors or deficiencies in particular Member States, the Annual Activity Report of DG AGRI contains a clear identification of Member States (for market measures) and Paying Agencies (for direct payments and Rural Development) with error rates above 2 % and remedial actions to be taken including action plans, which are closely monitored by DG AGRI.

2. What are for your DG the most expected improvements from the certification agencies in terms of regularity and legality?

Commission's answer:

The Commission considers the Certification Bodies as a key element in the overall CAP assurance building and the “single audit” approach. Thus, the Commission closely monitors the work of the Certification Bodies and ensures that the certification exercise is performed in line with the Guidelines. Although significant improvement has already been achieved, as the Certification Bodies delivered sound and substantial results for Financial Year 2019 from auditing the legality and regularity of the expenditure on all populations compared to previous years, the Commission expects continuous improvements in their work. Importantly, with the update of the relevant Guidelines to the Certification Bodies and the focus that is given on the Paying Agencies’ Internal Control System assessment by the Certification Bodies, the Certification Bodies have increased their reporting on issues related to deficiencies in key controls of the Paying Agencies’ system, on follow up of recommendations and implementation of action plans. Thus the Certification Bodies are providing significant input as regard legality and regularity of expenditure which also forms the basis of the Commission assurance.

3. In view of the number of AGRI programs under shared management, what measures have been put in place in conjunction with the Member States to reduce the error rate?

Commission's answer:

The measures put in place in conjunction with Member States include remedial actions requested by the Commission based on findings in audits. Also the Certification Bodies recommend remedial action based on their findings. In case of high error rates and systemic deficiencies, DG AGRI requests an Action Plan in which the main steps and a timeline are agreed upon together with the Member State concerned.

DG AGRI has also taken action to address the root causes of errors in the CAP. This is further detailed in part 3.4 (p.169) of Annex 10 of the DG AGRI AAR 2019 (see also reply to question 1).

For both CAP funds, the continuous decrease in error-rates is due to the efficient management and control systems applied, in particular the Integrated Administration and Control System (IACS). Owing to the design of the management and control systems, nearly all errors affecting payments not detected at year-end are expected to be covered by subsequent recoveries (by Member States) or financial corrections.

4. As DG AGRI last updated its fraud risk analysis in 2016, what actions are being taken to bring this key aspect for preventing deliberate misuse of EU funds up-to-date?

Commission's answer:

Assessing the risk of fraud in the CAP is an on-going exercise and was not halted as from 2016. Since then, all appropriate sources of information (primarily OLAF investigation reports) have been analysed to identify new fraud patterns. However, no substantial new fraud patterns have been detected and therefore it was considered that the written fraud risk assessment was still applicable.

DG AGRI's Anti-Fraud Strategy was updated in October 2020. Its fraud risk assessment was reviewed against the data stemming from OLAF investigations and irregularities reported to the Commission. In the current regulatory framework, the fraud risk assessment is still valid. A new risk assessment is expected at the entry into force of the new MFF and of the relevant sectoral legislations.

5. The CAP accounts for 98% of the 'natural resources' envelope, which amounted to EUR 59.5 bn in 2019, yet neither OLAF nor DG AGRI had engaged in assessing Member States' measures to prevent and fight fraud in CAP spending. Does the Commission foresee performing such assessment in the nearest future and strengthening controls in Member States with poor assessment results?

Commission's answer:

The impact of alleged fraud on the implementation of the CAP is marginal, both in terms of number of cases reported by the Member States and cases investigated by OLAF and in financial terms.

In 2019, the Member States (including the UK) have reported only 236 cases of allegedly fraudulent irregularities in relation to some 7 million beneficiaries. The financial impact of these cases was estimated at EUR 24 623 588, which represents 0,041% of all CAP expenditure made in 2019. As at 15/11/2020, OLAF was investigating only 43 alleged cases of fraud (possible financial impact unknown).

These numbers demonstrate that fraud in the CAP is not a systemic threat to the implementation of the CAP in any Member State. However, the allegations of fraud that have been in the public domain as regards CAP expenditure show that there are frauds committed and also a certain number of creations of artificial conditions to obtain the aid.

In this respect the Commission has considered it necessary, also in line with the European Parliament discharge 2018 resolution and the conclusions of 21 July 2020 of the European Council to propose to improve the audit and control of shared management EU funds through the mandatory use of a data-mining tool (Arachne) which includes the collection of information on the beneficial owners by the Member States for CAP expenditure.

Furthermore, the implementation of anti-fraud measures is an accreditation condition for the Paying Agency. As stated in Article 1(2) of Commission Delegated Regulation (EU) No 907/2014, in order to be accredited, a Paying Agency shall have an administrative organization and a system of internal control which comply with the criteria set out in Annex I ('accreditation criteria') regarding (a) internal environment, (b) control activities, (c) information and communication and (d) monitoring. According to these criteria, the Paying Agency shall ensure that:

- a) Staff training is appropriate at all operational levels, including fraud awareness, and there is a policy for rotating staff in sensitive positions, or alternatively for increased supervision;
- b) The checks shall include those required by the relevant Regulation governing the specific measure under which aid is claimed, and those required pursuant to Article 58 of Regulation (EU) No 1306/2013 to

prevent and detect fraud and irregularity with particular regard to the risks incurred;

- c) Monitoring procedures to prevent and detect fraud and irregularity with particular regard to those areas of CAP expenditure under the Paying agency's competence which are exposed to a significant risk of fraud or other serious irregularities are in place.

Moreover, the Management Declaration to be provided by the director of each paying Agency (Article 102(1)(c)(iii) of Regulation (EU) No 1306/2013 and to Article 3 of Regulation (EU) No 908/2014) shall confirm that effective and proportionate anti-fraud measures under Article 58 of Regulation (EU) No 1306/2013 are in place and take account of the risks identified.

According to Article 9 of Regulation (EU) No 1306/2013, the Certification Body shall provide, in its annual audit report:

- d) An opinion, on the completeness, accuracy and veracity of the annual accounts of the paying agency;
- e) On the proper functioning of its internal control system
- f) On the legality and regularity of the expenditure for which reimbursement has been requested from the Commission;

The opinion shall also state whether the examination puts in doubt the assertions made in the management declaration.

To summarize, the implementation of anti-fraud measures is an accreditation condition of the Paying Agency and their effectiveness and proportionality is annually evaluated by the Certification Body and by DG AGRI in the annual financial clearance exercise and conformity clearance procedures (as per Article 52 of Regulation (EU) No 1306/2013) are launched when deficiencies are identified.

OLAF's assessment of Member States' measures in the area of CAP implementation is carried out in the framework of the analysis of the (fraudulent and non-fraudulent) irregularities reported to the European Commission via the Irregularity Management System (IMS). Even if the use of IMS is not uniform across the Union, the data reported has until now allowed the identification of patterns and trends which are reported in the annual report of the protection of the EU financial interests (PIF Report). The PIF Report includes recommendations focused on the detected trends in the area of the CAP: in 2017 the creation of artificial conditions, in 2018 reference was made to the Rural Development, in 2019 focus is on market measures.

Question relating to the work of audit authorities

6. The Court of Auditors remains critical on the work of the audit authorities, particularly in the area of agriculture. What solution does the Commission recommend to improve their work and control?

Commission's answer:

The quality of the Certification Bodies' audit work, and consequently the level of reliance on their opinion on the legality and regularity of expenditure, is a key element in the overall CAP assurance building. The European Court of Auditors recognises that the 2015 expansion of Certification Bodies' role to provide an opinion on the regularity of expenditure was a positive development (ECA 2019 annual report, par. 6.29).

DG AGRI notes that a significant improvement in the work of the Certification Bodies was achieved as they delivered sound and substantial results from auditing the legality and regularity of the CAP expenditure compared to previous years. This is the reason why DG AGRI relied extensively on the results of the work of the Certification Bodies for the calculation of the error rates and for assessing whether a reservation is necessary for the Paying Agencies concerned in the Annual Activity Report of DG AGRI. In limited cases, the Court of Auditors identified some areas regarding the Certification Bodies' work on Legality & Regularity, similar in type to those identified by the Commission, in which there is scope for further improvement (ECA 2019 annual report, par. 6.29). DG AGRI closely monitors the work of the Certification Bodies and provides the necessary guidance with the annual update of the Guidelines and the continuous support in the form of a Help-Desk, replying to questions raised by the Certification Bodies. In addition, DG AGRI organises with the Certification Bodies two Expert Group Meetings per year, where best practices are shared on topics of interest and where space for improvement has been identified.

Questions concerning misuse of funds etc.

7. In view of the information that has circulated on some misuse of AGRI funds in recent times, particularly in Italy, Slovakia, etc., have specific audits been conducted in these countries? And if so, for what results?

Commission's answer:

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.

Numerous audits have been carried out as regards e.g. Italy and Slovakia and the assessment of the deficiencies in the respective paying agencies is reported in DG

AGRI's Annual Activity Report. Details on on-going audits cannot be disclosed in order to ensure a proper contradictory procedure in line with internationally accepted audit standards. Some details about audits conducted can be found below.

For **market measures**, Italy and Slovakia have been audited in the framework of the multiannual work programme of DG AGRI. During financial year 2020, one audit has been carried out in Slovakia (for wine restructuring and EU school Scheme) and two audits in Italy (fruit and vegetables and Scrutiny of transactions). Due to COVID19 restrictions, these audits have been carried out remotely. The final outcome of these audits will be available at the end of the conformity audit procedure.

For **direct payments**, concerning Slovakia, audits were carried out in 2017, 2019 and the latest in September 2020. An Action Plan has been in place which included the updates in the Land Parcel Identification System (LPIS) (and also an organisational move of the management of LPIS), improvements in the implementation of the Geo-Spatial Aid Application and the use of preliminary checks.

An audit was carried out in Slovakia in September 2020. The preliminary results of the audit are under analysis by DG AGRI auditors and will be communicated to the Member State in the framework of the conformity audit procedure.

The latest Commission Decision on financial corrections published on 20 November 2020 included a financial correction for Slovakia. The correction for direct payments related in particular to deficiencies in the Land Parcel Identification System and amounted to 48 million euros.

For Slovakia, concerning **Rural Development** measures, DG AGRI audits in 2017 and 2018 identified deficiencies in eligibility checks and in public procurement procedures for several non-IACS measures. Another DG AGRI audit in 2019 detected deficiencies in cross-checks and on-the-spot checks for several IACS measures and further audits are planned. The Certification Body also had findings for IACS measures. The Slovak authorities have been requested to take remedial action in the form of an action plan and have reported the implementation of an action plan addressing some of the deficiencies found and has been requested to reinforce this action plan to address the newly identified deficiencies. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.

Concerning the alleged corruption by former staff of the Slovak Paying Agency, the Slovak authorities are investigating this issues. DG AGRI has taken the matter very seriously ever since the allegations were made in spring and concrete actions have already been and are being implemented. As a precautionary measure, DG AGRI interrupted the payment deadline for a part of the expenditure declared under Rural Development investment measures for the first three quarters of 2020.

Moreover, DG AGRI requested the Slovak Competent Authority to put the Paying Agency's accreditation under probation and draw up a plan to remedy the deficiencies related to the accreditation criteria. On 23 October 2020, the Slovak Ministry of Agriculture and Rural Development, as the Competent Authority, communicated to DG AGRI its decision to put the Agricultural Paying Agency under probation with effect from 15 October, for 12 months. The Ministry also sent to DG AGRI their action plan for the paying agency to remedy the deficiencies identified. As regards the Slovak management and control systems, DG AGRI is closely monitoring the situation and following up on the Action Plan for Rural Development implemented by the Paying Agency.

8. OLAF has uncovered a series of land frauds in Sicily despite the use of satellite technology to identify plots of land. Following this case, have checks been carried out elsewhere in Italy or in Europe on this same type of fraud?

Commission's answer:

The European Anti-Fraud Office (OLAF) has been dealing with some cases referring to the declaration of ineligible land plots in Sicily. However, OLAF has uncovered such frauds not by the use of satellite technology, rather by cross-checking accounting documentation.

More precisely, OLAF has uncovered that the land plots declared by the applicants, in Italy, were not eligible either because they were not legally owned or because they were not managed according to the law. It was, often, about state-owned land, or land plots detained by deceased people, and/or inaccessible land. Similar cases of fraud have been uncovered by the Italian police bodies also in other Italian regions such as Apulia and Calabria.

Since 2017 OLAF has been dealing with some cases referring to the declaration of ineligible land plot in Corsica. These frauds were detected using allegations transmitted by an NGO and were supported by images obtained by land technology as regards the actual agricultural use (of absence thereof) of suspicious parcels.

Similar cases were reported in France in other areas in 2019, mainly due to the fact that the national law does not require applicants to present any proof of entitlement to farm for plots of land for which a subsidy is claimed.

In Slovakia, OLAF has also found evidence of claimed land that was not fit for agricultural use during its investigations. Satellite technology has been used as part of the evidence gathered and examined in these cases but other documentary evidence were crucial to investigative findings and in determining the ineligibility of applications.

9. Year after year, the ECA identifies suspected fraud cases in CAP spending, as well as weaknesses in ex-post checks. In its annual report, OLAF also highlights investigated cases in agriculture. How does the Commission ensure that proper measures are being taken to improve investigation and resolution of cases, and that the Member States take appropriate actions at national level to pursue fraud and recover funds?

Commission's answer:

Under Article 58 (1) of Regulation (EU) 1306/2013, Member States are obliged to undertake all reasonable efforts to prevent, detect and correct fraud and other irregularities. As stated in the answer to question 5 above, in 2019, Member States (including the UK) have reported only 236 cases of allegedly fraudulent irregularities. The financial impact of these cases was estimated at EUR 24 623 588, which represents 0,041% of all CAP expenditure made in 2019. The low number of alleged cases of fraud is corroborated by the low number of OLAF investigations.

The ECA regularly informs OLAF of cases of suspected fraud it comes across either through its audit work or via notifications from third parties, but the number of such fraud notifications in recent years has been rather low. In 2019, OLAF received eleven notifications and in 2020 so far six notifications. (Please note that these numbers differ from the numbers communicated by the ECA per year, because the notifications issued by the ECA towards the end of the calendar year are sent to/registered in OLAF at the beginning of the next calendar year).

In terms of the follow-up given by OLAF to ECA's notifications, the percentage of investigations opened increased in 2019, with OLAF opening seven investigations from 11 notifications. OLAF recommendations made at the closing of an investigation are monitored to verify that the expected corrective actions are undertaken. DG AGRI and OLAF cooperate in the follow up of the financial recommendations and periodic exchange of data takes place between the services. Member States that are not implementing the requested measures are requested to provide duly justified reasons. In case of non-compliance, DG AGRI can launch conformity procedures and eventually adopt financial corrections or safeguard measures (interruption/suspension of payments).

OLAF also addresses administrative recommendations to DG AGRI, often focused on weaknesses of the management and controls systems in Member States and on related processes.

10. When does DG AGRI envisage to update its fraud risk analysis (according to the ECA the last update is from 2016) and to perform an analysis of the member states fraud prevention measures?

Commission's answer:

(See also answer to question 4) Assessing the risk of fraud in the CAP is an on-going exercise and was not halted as from 2016. Since then, all appropriate sources of information (primarily OLAF investigation reports) have been analysed to identify new fraud patterns. However, no substantial new fraud patterns have been detected and therefore it was considered that the written fraud risk assessment was still applicable.

DG AGRI Anti-Fraud Strategy was updated in October 2020. Its fraud risk assessment was reviewed against the data stemming from OLAF investigations and irregularities reported to the Commission. In the current regulatory framework, the fraud risk assessment is still valid. A new risk assessment is expected at the entry into force of the new MFF and of the relevant sectoral legislations.

Questions concerning paying agencies

11. In 2019, what was the total amount of financial corrections requested from the paying agencies?

Commission's answer:

Every year the Commission adopts around 3 conformity ad-hoc decisions on a package of individual financial corrections. In 2019, the Commission adopted 3 such decisions published in the Official Journal, covering 96 individual net financial corrections for a total amount of EUR 534,67 million.

Further details are included in page 80 of the DG AGRI annual Activity Report 2019.

12. How do you explain that 18 paying agencies have an error rate between 2 and 5% for the direct payments component and one above 5% and how do you explain the adjusted error rate of countries such as Portugal, Cyprus, Denmark or Austria at 5.2%?

Commission's answer:

The 18 paying agencies have an error rate between 2 and 5% after adjustments made to the reported error rate based on DG AGRI audits or the Certification Bodies work. The reported error rates are those error rates estimated based on the control statistics submitted yearly by the Paying Agencies. 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. Where ex-post audits by DG AGRI, the Certification Bodies and the European Court of Auditors have found weaknesses in the management and control system of certain Paying Agencies, it follows that the reported error rate estimated based on the statistical data might underestimate the real level of errors.

This is why, in order to conservatively estimate the level of errors in the expenditure, DG AGRI applies adjustments to the error rates in certain cases.

For Cyprus, the adjusted error rate of 3.65% is mainly due to the Member States own reported high error rate (3.01%). An Action Plan was to be requested but as Cyprus already took remedial action following the audit, and based on the latest statistical information that shows an improved trend, no action plan was deemed necessary.

In the case of Portugal, Denmark and Austria, the Member States reported relatively low error rates and the adjustments made are based on DG AGRI audits and the residual risk in the uncontrolled population.

For Denmark, this concerned payment entitlements and Denmark is recalculating its payment entitlements. Also in Portugal, payment entitlements were affected but also area related payments. Corrective action was requested and the ongoing Action Plan should be reinforced. For Austria, the adjusted error rate is due to weaknesses in allocation of payment entitlements and no remedial action was requested given the change in legislation as of 2020.

For all four Member States, the adjustments made to the error-rate are supported by findings reported by the Certification Bodies.

In the Annual Activity Report it is not just an overall amount at risk which is calculated but the Commission identifies exactly where the risk is in which Paying Agencies hence the number of Paying Agencies with error rates between 2 % and 5% and above 5 %. The identification of the areas at risk enables the Commission to monitor that the Member States are taking remedial action.

13. For ABB04 (rural development): how do you explain that 30 out of 71 paying agencies have an error rate of 2% and some are above 5 (Germany, Spain, France, Slovakia etc.)? Have corrective measures been taken?

Commission's answer:

The 30 paying agencies have an error rate of 2% and some are above 5% after adjustments made to the reported error rate based on DG AGRI audits or the Certification Bodies work. The reported error rates, are those error rates estimated based on the control statistics submitted yearly by the Paying Agencies. 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. Where ex-post audits by DG AGRI, the Certification Bodies and the European Court of Auditors have found weaknesses in the management and control system of certain Paying Agencies, it follows that the reported error rate estimated based on the statistical data might underestimate the real level of errors.

This is why, in order to conservatively estimate the level of errors in the expenditure, DG AGRI applies adjustments to the error rates in certain cases.

For Cyprus, Germany, Estonia, Spain, France, United Kingdom, Portugal and Slovakia, the adjusted error rates above 5% mainly resulted from a combination of significant deficiencies identified during DG AGRI audits, in addition to the Certification Body assessment, and high reported error rates. For these Member States, DG AGRI requested the implementation or the reinforcement of specific Action Plans, to address the identified deficiencies and the underlying causes of the error rates.

In the Annual Activity Report it is not just an overall amount at risk which is calculated but the Commission identifies exactly where the risk is in which Paying Agencies hence the number of Paying Agencies with error rates between 2% and 5% and above 5%. The identification of the areas at risk enables the Commission to monitor that the Member States are taking remedial action.

14. For paying agencies still concerned about the possible outcomes of future Commission's audits, the rules for the new approach are not as detailed as those for the traditional checks. How does the Commission intend to propose solutions to paying agencies expecting further guidance in order to take the right decisions and reduce the risk of future financial corrections?

Commission's answer:

The single audit approach (in previous years referred to as the "new approach") has been gradually developed in collaboration with Paying Agencies and Certification Bodies during the last five years. The conformity audit missions take as a starting point the work of the respective Certification Body when assessing compliance of the CAP management and control systems at national level. Where assurance cannot be obtained from the Certification Body's work on certain areas/issues, the checks are extended to the work of the Paying Agency, which in such case are controlled in a similar way as in the past. Hence, for the audit towards the Paying Agencies the guidance provided still applies. The conformity

procedure however is exactly the same, meaning that the same legal provisions apply and the same steps are followed (as laid down in Article 34 of Regulation (EU) 908/2014. Member States are informed through the Letter of Findings of the corrective measures needed. In addition, recommendations to the Certification Bodies are also included.

Under the New Delivery Model in the Post-2020 CAP, the Commission will not lay down detailed rules on eligibility and on the checks to be carried out by the Paying Agencies. Paying Agencies will be required to have robust governance systems in place for the CAP, which is also the same in the current CAP. With this continuity on the governance systems, the Commission would like to ensure stability in the CAP but also keeping what is working and what the Member States' authorities are familiar with. Moreover, there will be some requirements on the governance systems in place, such as the Integrated Administration and Control System and the Land Parcel Identification System. The Commission considers that there will be a reduced risk of financial corrections in the future as Member States will be implementing interventions which are tailored to their specific needs and so have an incentive to implement them in a way to avoid administrative burden whilst delivering on the policy objectives. Moreover, the Commission will continue exchanging best practices with the Paying Agencies through conferences and workshops.

Performance of national agencies

ECA concludes that the work of paying agencies and certifying bodies is not entirely reliable and found errors as described in the 2019 Annual Reports. Ultimately, the Commission is responsible for the legality and regularity as well as performance of the CAP.

15. How does the Commission assess the performance of the national agencies involved in the management of EU subsidies under shared management: how does the Commission ensure the quality and reliability of their work?

Commission's answer:

Please refer to the replies provided to questions 18 and 38. The assessment of the performance of the work of the Paying Agencies is presented in the Annual Activity Report of DG AGRI and in the assurance that can be drawn from the shared management system of the CAP expenditure.

Quality and reliability of the work is to be ensured through continuous monitoring by DG AGRI: expert group meetings, conferences, guidelines and guidance provided to Paying Agencies, Certification Bodies and Competent Authorities and helpdesk function for replies on queries raised by the bodies involved apart from the assurance that can be gained through the legal framework: the financial clearance assessment and procedure (Art 51 of Reg. (EU) No 1306/2013) and

conformity clearance procedure (Art 52 of Reg. (EU) No 1306/2013).

16. ECA continues to find i.a. weaknesses in the audit authorities' sampling: How does the Commission ensure that sampling quality will improve and become more reliable?

Commission's answer:

The Commission considers that, in general, the Certification Bodies' sampling methodology is in line with the Commission's guidelines and it provides statistically valid results. In very few cases, due to the diversity of the measures under the CAP and the complexity of some of them, DG AGRI issued recommendations to Certification Bodies on how to improve their sampling; however, the samples and extrapolated errors are considered representative. The Commission is not only monitoring the work of the Certification Bodies, but it is working closely with them to ensure improvement where needed. During the missions, DG AGRI works closely with the Certification Bodies in order to identify any shortcomings that could be still rectified during the audit work of the financial year concerned. In most of the cases, especially for the sample on Legality and Regularity of Non-IACS populations where the final samples are not yet totally selected at the time of the mission, the necessary guidance is provided on the spot so that the samples and the error evaluation are representative of the population examined, thus enabling the Commission to place higher reliance on the Certification Bodies' work when the annual certification report is received.

Furthermore, the Commission provides continuous support to the Certification Bodies on sampling methodology through biannual Expert Group Meetings and practical workshops where the audit methodologies proposed and DG AGRI findings and recommendations are discussed. Finally, a helpdesk function exists providing replies on concrete questions raised by the Certification Bodies. Where necessary, the replies provided are based on the professional opinion of the statistician with whom the Commission has a service contract.

17. How does the Commission analyse whether these weaknesses and errors of the national authorities identified by ECA are systemic problems related to corruption, conflict of interests and intentional mismanagement?

Commission's answer:

The Commission follows closely the findings of ECA and the replies from the Member States. Where relevant, the Commission asks the national authorities for additional clarifications. Errors that ECA classifies as "accidental" are not the result of a systemic problem. However, whichever the type of error, the Commission assesses the need to check it further by looking into each case and comparing them with the issues found in its own audits into the Member States'

controls and systems. If a Commission audit is already planned in the same area of support in the Member State concerned by ECA findings, the Commission makes sure to also look into the issues reported by ECA. Otherwise, the Commission may launch an own enquiry to ensure the issues reported by ECA are addressed by relevant financial corrections and/or action plans, as applicable.

The cases related to conflict of interests and potential fraud related to corruption followed up by DG AGRI so far represent isolated cases. In some of these cases the actual conflict of interest and/or irregularity no financial risk to the fund was found to have materialised despite previous allegations. For other cases the actual conformity clearance procedures are still ongoing. Thus no further information can be provided at this stage. Nevertheless, DG AGRI follows up and will recover any potential financial risk established through these audits.

18. What does the Commission do or plans to do to resolve any systemic weaknesses in the quality and reliability of the national authorities' work?

Commission's answer:

As regards the Paying Agencies, any systemic weaknesses in the quality and reliability of the PA' work are followed up in conformity clearance procedures and financial clearance assessment by DG AGRI. The Paying Agencies are provided with the certification audit results, based on which they should start remedial action if considered necessary. The Competent Authorities granting the accreditation of the Paying Agencies are also required to ensure constant supervision of the PAs compliance with accreditation criteria – functioning of the internal control system. DG AGRI monitors the state of play of the accreditation of the Paying Agencies building on the Certification Bodies' results and the Competent Authorities' assessment and providing in this respect the national authorities with guidelines, guidance, consultation through expert group meetings and conferences.

Paying agencies in Bulgaria

According to recent media reports, certain paying agencies in Bulgaria are requiring beneficiaries to pay up to 60% of their subsidies as "success fees".

19. Could the Commission elaborate on this: are these allegations correct? Is the Commission aware that such fees are being collected? How and when did the Commission become aware? What is the nature of these fees? Which paying agencies are affected?

Commission's answer:

The allegations do not concern the CAP, but rather the Bulgarian Operational

Programme “Competitiveness” to support small and medium enterprises.

According to Bulgarian media publications and the Bulgarian Ministry of Economy¹, OLAF can refer the following:

In May 2020, the Bulgarian Ministry of Economy allocated EU funds from the Bulgarian Operational Programme “Competitiveness” (relating to the European Regional Development Fund (ERDF), so not CAP funding under the responsibility of Commissioner Wojciechowski) to support small and medium sized enterprises, which have lost income because of the COVID-19 crises. The total value of the two measures (BG16RFOP002-2.073 and BG16RFOP002-2.077), intended for small and medium enterprises, respectively, was at least EUR 200 million.

In the course of the implementation of the measure (end of July 2020), the Bulgarian Ministry of Economy received a signal (source not specified, although media publications indicate several members of the Bulgarian Parliament) that eligible companies were asked to pay a “success fee” in case their project was financed.

In the recent months in Bulgaria, there are anti-governmental protests. At the end of September 2020, three of the main protest organisers (called in Bulgaria “the poisonous trio”) sent e-mails with several video clips to the European Parliament (to all 705 members), including the allegations for a “success fee”, which refers to ERDF and the OP ‘Competitiveness’.

The Bulgarian audit authority has started a system audit mission covering all calls for project launched under the Operational Programme Innovation and Competitiveness and targeting Covid19 related measures. Besides the above mentioned calls for project (support for micro and small enterprises and support for medium enterprises), two other will be covered (support for transport sector and support for tourism sector). One of the main objectives is to audit the selection of projects.

Following the results of the system audit, the Commission auditors will decide if additional measures need to be taken.

20. How and by whom are these fees collected (by the paying agency, other agencies, private consultancies or companies acting on behalf of the state, individual staff members, etc.)?

Commission's answer:

The Bulgarian media alleges that fees were collected by private consultancies and

¹ <https://www.mediapool.bg/taksa-uspeh-signalizirani-za-rushveti-po-evroproekti-v-ikonomicheskoto-ministerstvo-news310504.html>; <https://www.24chasa.bg/mnenia/article/9114304>; <https://mi.government.bg/bg/interviews-type-detail-397-.html>

probably individual staff members of the Ministry of Economy and did not relate to CAP expenditure. This information stems from media sources and could not be confirmed by the Commission at this stage.

The Commission is looking forward to receiving the results of the official investigations/audits ongoing. The Commission will examine the exact situation and take appropriate measures, in light of the results of the audits and investigations.

21. Are these unlawful fees or is this a reflection of systemic corruption in the management and distribution of EU funds?

Commission's answer:

The Commission still has no clear indication whether these are lawful or unlawful fees, included directly in the consultancy contracts which are related to ERDF not CAP expenditure. Further contacts with the ERDF programme authorities are going. So far no expenditure was declared to the EU budget.

22. Is there evidence for a systemic problems or are these singular cases of unlawfully claimed fees?

Commission's answer:

See replies to questions 20 and 21.

23. Which measures has the Bulgarian government undertaken to end the practice of collecting unlawful success fees?

Commission's answer:

According to Bulgarian media², OLAF can refer that following a meeting with the Prime Minister, the Ministry of Economy decided to open a hotline (phone and e-mail) to receive corruption signals.

The Bulgarian Minister of Economy said that the State Agency for National Security (SANS) had been alerted about the case relating to the ERDF. The Ministry's Inspectorate also started their own investigation. The investigation on the case that was sent to SANS has not been finalised yet.

24. Has the Commission done anything or does it intend to undertake any action to end the practice of collecting unlawful “success fees” from beneficiaries?

² <https://www.mediapool.bg/taksa-uspeh-signali-za-rushveti-po-evroproekti-v-ikonomicheskoto-ministerstvo-news310504.html>

Commission's answer:

The Commission will take appropriate measures in light of the result of the official investigations/audits which are currently ongoing in this file that relates to the ERDF (not CAP expenditure).

25.Has it referred a case to OLAF on this matter?

Commission's answer:

OLAF informed the Commission that it did not open any investigation concerning the allegations mentioned in your questions. OLAF is examining the matter and may open investigations if there are sufficient suspicions of fraud.

26.How is the Commission planning to claim back the funds distributed by paying agency(-ies) in such an intransparent and corrupted way? What kind of mechanism is it about to use?

Commission's answer:

As the case referred to relates to EFRD funds and not CAP expenditure the funds have not been distributed by the Agricultural Paying Agency.

In relation to the two grant schemes mentioned (BG16RFOP002-2.073 and BG16RFOP002-2.077) financed by the Bulgarian operational programme “Innovation and Competitiveness”, no expenditure has been declared yet to the European Commission. However, as mentioned above in the Commission reply to question 19, the Bulgarian audit authority is already aware of these risks and is currently checking the measures implemented in order to tackle the Covid-19 crisis. The Commission expects therefore that all irregular expenditure will be corrected at Member State level and only legal and regular expenditure will be declared to the Commission.

In any case, the Commission has also mechanisms to check the quality and reliability of the work done by the audit authority. In particular, the REGIO audit plan for the year 2021 includes a compliance audit for the BG programme Innovation and Competitiveness, with the objective to provide assurance that no significant error remains undetected, unreported and uncorrected in the expenditure declared to the Commission.

In case the Commission concludes that the management and control system does not function adequately, the Commission may interrupt the payment deadlines or even suspend the payments to the concerned programme.

In case irregular expenditure is declared to the Commission, the concerned amounts can be recovered either by voluntary re-payment by the Member State or through financial corrections procedures.

Paying agencies in Slovakia

Following the exchange of views in CONT on 29 October.

27. Are there any new developments in this case, e.g. regarding the paying agency, which was put under probation?

Commission's answer:

The Slovak authorities have clarified to DG AGRI that the action plan drawn up to remedy the deficiencies found and reinstate full accreditation will be updated according to the final conclusions of the Certification Body's audit and the forensic audit that is currently ongoing at national level. The Commission continues to closely monitor the situation in Slovakia.

28. What are the measures described in the action plan and how is the progress?

Commission's answer:

The action plan covers deficiencies found in the Paying Agency's compliance with the following accreditation criteria (as stated in Annex I of Regulation No 907/2014):

- ↳ Internal Environment (*Organizational Structure, Human-Resources Standard and Delegation*),
- ↳ Control Activities, mainly related to procedures for authorizing claims;
- ↳ Monitoring, ongoing monitoring via internal control activities and separate evaluation via an internal audit service.

Numerous actions are set out in order to restore the full compliance with the accreditation criteria in the above areas e.g. Increase the number of staff in key positions, set up a control mechanism to verify conflicts of interest between the Paying Agency staff and aid applicant/beneficiary, etc. The progress on the implementation of the action plan will be communicated by the Competent Authority to DG AGRI on a quarterly basis.

29. During the exchange of views, the Commission mentioned financial corrections after payments were suspended - what amount of financial corrections was applied in rural development and regarding the direct payments?

Commission's answer:

The table below shows the financial corrections applied to Slovakia since 2016. For the EAGF, approximately 61 Mio Euro of financial corrections have been applied. For EAFRD the figure is 22 Mio Euro. The latest correction applied to Slovakia was published on 20 November 2020 and included a correction for direct

payments related to deficiencies in the Land Parcel Identification which also meant that cross checks were carried out too late allowing for some double claims to take place – the correction relating to direct payments amounted to 48 million EUR.

	EAFRD	EAGF	Both funds
Decision Number	Total Net Amount (EUR)	Total Net Amount (EUR)	Total Net Amount (EUR)
52	-1 963 410.60	-4 106 640.37	-6 070 050.97
54	-204 053.34		-204 053.34
55		-1 341 156.02	-1 341 156.02
58		-3 677 911.70	-3 677 911.70
60	-5 030 123.04	- 19 781.92	-5 049 904.96
61	-1 372 869.80		-1 372 869.80
63	- 934 227.05	- 15 850.61	- 950 077.66
64	-13 209 638.63	-51 554 670.42	-64 764 309.05
Grand Total	-22 714 322.46	-60 716 011.04	-83 430 333.50

30. What are the reasons for the arrests in relation to the investigations on the corruption carousel involving the paying agency? What are the relevant procedures?

Commission's answer:

The Commission with OLAF is aware that there are currently several ongoing criminal investigations concerning this area in Slovakia. However, as investigative processes are ongoing, further comments cannot be made. This is in order to protect the confidentiality of on-going and possible ensuing investigations, subsequent judicial proceedings, personal data and procedural issues.

At the same time the Slovak authorities have ordered a forensic audit of the Paying Agency and at the request of the Commission has put the Paying Agency under probation. The Commission is closely following this and will monitor to ensure that appropriate remedial action is taken and apply financial correction where necessary to protect the EU budget.

See also replies to question 27.

Questions related to the reservations in the 2019 AAR

Reservation 1: Market Measures (amount at risk: EUR 47.6 mio)

The reservations mention weaknesses in the eligibility controls and insufficient quality of on-the-spot checks regarding the OP for Producer Organisations. In the Wine Sector, the adjusted error rates in Bulgaria (15.7%) and Italy (9.6%) are very high with amounts at risk of more than EUR 30 mio in Italy and EUR 2.3 mio in Bulgaria.

31. Could you please provide more details on these reservations and explain how the Commission will ensure that the necessary corrections are carried out?

Commission's answer:

As regards Bulgaria, following the analysis of the adjusted error rates and the amount at risk carried out during the AAR 2019, DG AGRI requested an action plan to Bulgaria for Wine restructuring and conversion of vineyards, addressing the deficiencies identified by the Certification Body.

In addition, DG AGRI has currently two ongoing audits in Bulgaria. One launched in 2019 covering the wine restructuring and conversion of vineyards and one covering the findings reported by the Certification Body, which are mostly related to wine restructuring and conversion of vineyards. The Commission cannot comment further on on-going audits

In the context of these two audits and the action plan, the Commission will ensure that remedial actions are taken.

As regards Italy, also in the context of the AAR, DG AGRI requested an action plan. In addition, DG AGRI has currently one ongoing audit in Italy covering the findings reported by the Certification Body, which were also responsible of the high adjusted error rate. The Commission cannot comment further on on-going audits.

The DG AGRI Annual Activity Report endeavours to provide some details as regards the reservations without jeopardising the on-going conformity audit procedures

In the context of this audit and the action plan, DG AGRI will ensure that remedial actions are taken.

Reservation 2: Direct Payments (amount at risk: EUR 307.6 mio)

Reservations were made for 17 Paying Agencies in 9 Member States. Most of the reservations mention weaknesses in the on-the-spot checks and administrative checks.

32. Could you please provide more details on these reservations?

Commission's answer:

Following the analysis of the adjusted error rates and the amount at risk carried out in the context of the AAR 2019, 17 reservations have been issued in 9 Member States (AT, CY, DK, ES, GR, IT, PT, RO and SE). Where necessary, DG AGRI has requested remedial actions or an action plan to address the causes of the errors and deficiencies, which are followed-up through implementation until the completion.

The reservations can be grouped in the following categories:

-) Due to weaknesses in relation to payment entitlements (AT, DK, IT, PT, SE)
-) Due to weakness in animal-based voluntary support measures (AT, GR, RO)
-) Due to high reported error-rate (CY)
-) Based on the Certification Body assessment (ES06)
-) Due to weaknesses in the quality of on-the-spot checks (ES09, ES15, GR, PT, SE)
-) Weaknesses in the Land Parcel Identification System (LPIS) (IT)
-) Due to weaknesses in the definition of land type (RO, SE)

More details on the weaknesses that are the grounds for the adjustments cannot be provided as the conformity audit procedures are ongoing. The DG AGRI Annual Activity Report endeavours to provide some details as regards the reservations without jeopardising the on-going conformity audit procedures.

Moreover, the ongoing conformity clearance procedure ensures that the financial risk to the EU budget is covered.

33. What is the Commission going to do to assist Member States in improving the quality of their controls?

Commission's answer:

As regards direct payments the Commission wishes to underline that the expenditure is free of material error as ECA has also concluded for the past three years. This is the result of the very effective Integrated Administration and Control System (IACS) including the Land Parcel Identification System (LPIS). The Commission work with the Member States where higher error rates were detected to address the identified issues.

More general, the Commission is committed to work continuously with Member States in two complementary ways.

First, the applicable legal framework is clarified and simplified, whenever justified. Guidance is offered on the rules governing the execution of checks. This is done in regular meetings of the Committee for Direct Payments or in bilateral exchanges for more tailored approach. For example, Regulation (EU) No 2020/532 introducing exceptional measures for checks in 2020, due to the COVID-19 pandemic, was accompanied by a dedicated and detailed explanatory document. On the other hand, the rules are streamlined to alleviate excessive administrative burden and allow better focus on actual risky areas. Amendment to Regulation (EU) No 809/2014 is currently being finalised with several provisions in this regard, for example allowing the application of a minimum threshold to

decide on the necessity of certain non-essential checks.

Second, the Commission is actively fostering the modernisation of the control systems, notably IACS (the Integrated Administration and Control Systems). This strategic task is accomplished with advisory and promotion activities, comprising the organisation of seminars, expert group meetings and bilateral exchanges. The guidance is accompanied by financial incentives: for third year in a row the Commission offered financing of the cloud services necessary for using the satellite data for control purposes.

Reservation 3: Rural Development (amount at risk: EUR 288.4 mio)

Reservations for 21 Paying Agencies in 18 Member States.

34. Could you please provide more details on these reservations and explain how the Commission will ensure that the necessary corrections are carried out?

Commission's answer:

Following the analysis of the adjusted error rates and the amount at risk carried out in the context of the AAR 2019, 21 reservations have been issued in 18 Member States (AT, CY, DE, DK, EE, ES, FI, FR, HR, HU, IE, IT, LT, PT, RO, SE; SK, UK). Where necessary, DG AGRI has requested remedial actions or an action plan to address the causes of the errors and deficiencies, which are followed-up through implementation until the completion.

The reservations can be grouped in the following categories:

- J Due to deficiencies in organic farming measure (AT, HU); under afforestation (ES02, PT); and for Leader and private investment non - Integrated Administrative and Control System (non-IACS) measure (DE19)
- J Due to deficiencies in checks for the on the spot controls (OTSC) (CY, DK, FR18, FR19, IT10, SK); cost reasonableness (ES09, FR19); in cross-checks (ES09, SK); in eligibility (ES09, CY, RO, SK) and active farmer (GB07)
- J Due to weaknesses in supervision procedures for some measures (IT10); and in recording of the maximum eligible area (MEA) in the Land Parcel Identification System (LPIS) for Integrated Administrative and Control System (IACS) measures (IT10, IT26)
- J Due to deficiencies in investment measure (HR); private investments (LT); forestry, agri-environmental commitments, setting up of producer groups and risk management measures (HU);
- J Due to deficiencies in public procurement procedures (HU, RO, SK)
- J Due to high reported error rates (CY, DK, EE, ES02, ES09, FR18, FR19,

HR, IE, LT, PT)

) Based on the Certification Body assessment (FI, GB07, HR, IT26, SE)

More details on the weaknesses that are the grounds for the adjustments cannot be provided as the audit procedures are ongoing. The DG AGRI Annual Activity Report endeavours to provide some details as regards the reservations without jeopardising the on-going conformity audit procedure.

Moreover, the ongoing conformity clearance procedure ensures that the financial risk to the EU budget is covered.

Horizontal questions to reservations

35. In all reservations, net financial corrections are mentioned. Could you please specify the amounts and reasons for each Member State and programme affected?

Commission's answer:

For all Member States affected by a reservation, the financial risk will be covered by ongoing conformity procedure. The exact amount will only be established at the end of the conformity procedure. Furthermore, the amounts and details of the financial corrections considered or being proposed cannot be disclosed before the Commission adopts a conformity ad-hoc decision and its subsequent publication in the Official Journal. See also the reply to question 11.

36. Did you experience any specific patterns or reoccurrences compared with the reservations in the previous years?

Commission's answer:

The amounts at risk for the reservations, as published in the 2019 Annual Activity Report, continued the decreasing trend for the three spending areas: market measures, direct payments and rural development. Even though the number of reservations remains on the same level in absolute value, the decreasing amounts at risk indicate that reservations become more and more targeted to well-defined problem areas, allowing the Commission to pin-point the measures which require additional work by the Member States.

For **market measures** some of the issues detected during DG AGRI audits or by the Certification Bodies are sometimes repetitive, for example:

- For fruit and vegetables they relate to deficiencies in the checks of Member States to establish the eligibility and the approval of the operational programmes and deficiencies in the calculation of specific costs.
- For wine, they relate to deficiencies in on the spot controls and in the calculation of standard costs.

- For EU School Scheme, they relate to deficiencies in public procurement procedures and calculation of standard costs.

For market measure, there was not any particular, unusual or new high error rate to mention for the Annual Activity Report 2019 compared to previous years. On the contrary, the overall reservation for France Agrimer has been lifted.

For **Direct payments**, the reservations are often a result of the absence of Member States to take remedial action following observations in earlier audits.

For **Rural Development**, there are no new specific patterns or occurrences compared with the reservations in the previous years. Issues detected during DG AGRI audits or by the Certification Bodies follow the same pattern.

37. Were there any particularly high corrections this year compared to the reservations of the past years? Any surprising or particular observations that you could highlight?

Commission's answer:

Concerning the **adjusted error rates and reservations** reported in the AAR, please refer to the reply to question 36. The amounts at risk for the reservations, as published in the 2019 Annual Activity Report, continued the decreasing trend for the three spending areas: market measures, direct payments and rural development

Concerning **financial corrections**, please refer to the reply to question 35.

38. Could you provide more details on the weaknesses in the management and control systems that the Commission detected or that were flagged by the Certification bodies? How is the Commission assisting the Member States in improving the quality and reliability of their controls?

Commission's answer:

Regarding accreditation, deficiencies and weaknesses were found in the Paying Agencies' compliance with the accreditation criteria, in the areas: *Internal Environment* (organizational structure, human-resources standard and delegation), *Control Activities*, in particular *procedures for authorizing claims* and *procedures for debts*) and *Monitoring*.

Section 2.1 of DG AGRI 2019 AAR (p.69 of the Annex) provides more information on Compliance with the accreditation criteria.

In these cases, the Paying Agency was requested to take immediate action to address these deficiencies. The Competent Authority was also requested to follow up and evaluate the deficiencies and to prepare progress reports when it deemed necessary.

For more serious cases, the Competent Authority was requested to assess the weaknesses and evaluate the need of putting the Paying Agency's accreditation under probation.

DG AGRI is following the information provided by the Paying Agencies and the action plans and progress reports provided by the Competent Authorities and will continue to monitor the Paying Agencies' compliance with accreditation criteria.

Member States implement action plans to address specific weaknesses identified. The Commission is regularly monitoring their progress.

Questions concerning the Integrated Administration and Control System (IACS), the Land Parcel Identification System (LPIS) etc.

39. "The Integrated Administration and Control System limits the risk of error in direct payments. The main management tool for direct payments is the Integrated Administration and Control System (IACS), which incorporates the Land Parcel Identification System (LPIS)." How reliable is the data retrieved from the management tools? How does the Commission control the data received by the member states?

Commission's answer:

All Member States must each year deliver Quality Assessment (QA) reports on their LPIS. These reports are analysed by the Commission and remedial actions are requested when necessary. The QA process is a useful self-assessment tool that allows identifying areas for improvement. The Commission proposed to extend the QAs to cover also the Geo-Spatial Application and the Area Monitoring System in the future CAP.

The Paying Agencies find and report errors to the Commission with the control data sent yearly. However, due to the deficiencies in the control systems, not all errors may be found. To cater for that situation, DG AGRI uses all available information to make adjustments to the reported error rates. So, the adjustments are meant to quantify the errors undetected due to system weaknesses and do not concern the reliability of the control data as such.

40. "Since 2018, member states paying agencies may use "checks by monitoring" (ECA AR point 6.16). In 2019, 15 paying agencies (in Belgium, Denmark, Spain, Italy and Malta) used checks by monitoring for some of their direct payment schemes. They will cover around 4.7% of 2020 spending on direct aid payments" (ECA AR point 6.17). How does the Commission want to implement checks by monitoring in more paying agencies around Europe?

Commission's answer:

Under shared management it is the decision of Member States to organise their control systems. Additionally, checks by monitoring is a procedure applied on voluntary basis under the current legal framework. Therefore, it is fully the Member States' competence to replace the traditional on-the-spot checks, with the technological alternative of checks by monitoring. On practical initiatives the Commission undertakes to encourage that decision, please see reply to question 41.

For the future, the Commission proposed that Area Monitoring System (AMS) should be a compulsory element of the IACS in Member States. (AMS builds on the technology applied in checks by monitoring which relies on automatically processed satellite data. The main purpose of AMS is to use that data to provide information on indicators.

41. The Court of Auditors presented a 4/2020 report on the use of new imaging technologies for the CAP. In 2019, 15 paying agencies in 5 states used Sentinel data. What initiatives are being taken to ensure that more countries use these techniques? What are the remaining obstacles preventing more countries from using these technologies? What strategies are being put in place to increase the use of new technologies and more "follow-up checks" by paying agencies?

Commission's answer:

The Commission is actively supporting Member States in taking the decision to opt for checks by monitoring. Significant efforts are committed to offer guidance in conferences or seminars and in bilateral meetings (also advisory missions, when possible). General guidance is formalised and easily accessible thanks to several documents published online, such as the Question and Answer document gathering replies to most common queries from actual adoption.

Based on the growing experience, the Commission is fine-tuning the legal framework to maximise potential benefits for Member States who choose to opt for checks by monitoring. Amendment to Regulation (EU) No 809/2014 is being finalised to respond to issues signalled by the early adopters. It will significantly simplify the implementation, in particular handling of aid applications in Member States choosing a gradual phasing-in. Enhancing the step-by-step approach proves efficient in increasing the uptake, allowing Member States time to transition progressively.

Finally, the Commission provides free of charge access to the necessary cloud services for Member States who do checks by monitoring or who run pilot projects in view of implementation in a subsequent year.

Moreover, with the financing of the Horizon 2020, a research and innovation project is being carried out by a consortium of Member States, called New IACS

Vision in Action (NIVA). The NIVA project aims to provide technological solutions as well as hands-on training and exchange of best practices between the Paying Agencies and research institutes.

42. Thanks to management tools used for direct payments, such as Integrated Administration and Control System (IACS) or Land Parcel Identification System (LPIS) level of error in those transactions has significantly decreased. Has the Commission undertaken actions to deploy similar management tools for remaining areas (i.e. rural development, market measures, fisheries, environment and climate action), where the error rate is still high (approx. one-fifth)?

Commission's answer:

IACS and LPIS is also used for the area and animal-based measures in rural development. Thus, IACS covers around 84% of the total CAP expenditure. Moreover, IACS/LPIS are also used for the POSEI direct payments and for the market measure, wine restructuring. IACS/LPIS are not tailored to reimbursement-based expenditure (i.e. projects), thus it cannot be extended to cover all CAP expenditure.

DG AGRI has launched the Arachne tool as a pilot in the current programming period, which is currently used to carry out checks related to the reimbursement-based expenditure in rural development.

The tools used for the agricultural direct payments are tailor made to link the payments to specific land parcels as this is the key eligibility condition for direct payments. However, for LIFE Environment and Climate change actions the eligibility of the actions, and subsequently costs of the projects, is determined in the proposals of the LIFE beneficiaries.

Environment and Climate Action projects that are financed under LIFE Programme are rigorously assessed through ex-post audits that check the eligibility of the costs of the projects. These audits lead to the report of the annual error rate of both DGs Environment and DG Climate Action, which is amongst the lowest in the Commission. It is noted that ECA is not reporting material errors in the areas of Environment and Climate action.

For fisheries, the operations under the European Maritime and Fisheries Fund (EMFF), implemented under shared management, are mainly project-based and the measures financed are varied in nature and therefore not similar to direct payments. These fisheries operations are subject to the management and control systems in place in the Member States.

The European Court of Auditors has published the Special Report 04/2020 “Using new imaging technologies to monitor the Common Agricultural Policy: steady progress overall, but slower for climate and environment monitoring”.

43. How many Member States' paying agencies, in total and in percentage, have participated so far in the biannual workshops to present the latest information on the application of these new monitoring technologies? How is the Commission encouraging the rest of the paying agencies to participate?

Commission's answer:

Normally all Paying Agencies who find it relevant for their work are invited to participate. Important events with a high turn out to flag were: the 25th IACS conference in Prague, held on 27 – 29 November 2019. The programme focussed on the technological solutions enabling the uptake of checks by monitoring. On 5 November 2020, a full day webinar was provided, presenting latest developments in the relevant technological tools. A detailed presentation with discussion is also planned for 8 December 2020, targeting Member States who plan to start checks by monitoring in 2021.

44. How is the Commission encouraging Member States to take up the checks by monitoring approach?

Commission's answer:

See reply to question 41.

45. How is planning the Commission to make a better use of new technologies for monitoring environmental and climate requirements?

Commission's answer:

The Commission already enabled the use of checks by monitoring for the checks of cross-compliance, with amendment of Regulation (EU) No 809/2014, which entered into force. Besides, the Commission is currently examining the necessary technological developments, relevant in the context of environmental and climate requirements. Most promising avenue being the generalised use of geo-tagged photos, promoted by the Commission. However, it is also important to note that Member States should define the relevant requirements in a way that allows the use of new technologies. The use of some of these technologies should also be fostered by the deployment of on-farm digital applications, such as the farm sustainability tool for nutrients (FaST), foreseen in the new CAP Commission's proposal. This tool is based on new technologies and would provide farmers access to existing databases, knowledge and information, including satellites data from Copernicus. It will also increase the digital skills of the farming sector, opening opportunities for other sustainability applications. The Commission is offering guidance on planning future interventions in a technology-ready manner.

46. How will the Commission tackle the issue of the “false green errors” mentioned in the ECA’s special report?

Commission's answer:

The Commission provided a Quality Assessment (QA) framework which allows Member States implementing checks by monitoring to carry out self-assessment of their processes to identify points for improvement. The QA received positive feedback as a useful and resource-efficient mechanism.

47. What options is the Commission considering to provide incentives and support to Member States to use checks by monitoring in the post-2020 CAP?

Commission's answer:

According to the principles of the New Delivery Model, proposed for the future CAP, it is for the Member States to make their choices as regards the organisation of their control systems. Therefore, it will be entirely for the Member States to decide on most adequate procedures for checks, using either the classical on-the-spot or checks by monitoring.

On the other hand, the Commission proposed that Area Monitoring System (AMS) should be a compulsory element of the IACS in Member States. AMS builds on the checks by monitoring technology to provide information on indicators. The Commission defends that AMS should be required as from the beginning of the implementation of the future CAP framework and should not be rendered optional. Thus the Commission wanted the Basic Act to set out requirements on the governance systems to be in place.

The Commission counts on the support of the European Parliament in that regard by maintaining the original wording of Article 68 of the proposed Horizontal Regulation.

The Commission will continue to provide guidance and support to Member States wanting to make sure of control by monitoring.

Questions relating to Arachne

48. Only 12 paying agencies from only nine Member States were participating in the Arachne project. What are the Commission’s steps/actions to encourage participation of more Member States in Arachne? Did all Member States receive presentation or training on this tool? If not, why?

Commission's answer:

The Commission is actively encouraging Member States to use ARACHNE already in the current programming period in different events like Paying Agencies’ conferences. To that end, a workshop with various Member States was

organised in the summer 2020. Moreover, an expert group meeting is being organised for all Member States where the Commission will demonstrate again the functionalities of ARACHNE, and address any questions or concerns that Member States may have.

The ARACHNE project was launched by DG's EMPL and REGIO in 2013. For European Social Fund/European Regional Development 20 Member States (including UK) use ARACHNE and one Member State is in pilot phase.

As concerns its use for the EAFRD, in the framework of a pilot launched in early 2019, at the moment, some 5 paying agencies have uploaded some project data into ARACHNE and another 5 paying agencies have shown interest in doing so in the future and are testing the tool, all together coming from 9 Member States.

All Member States have received a presentation of the tool (in Nov 2018). DG AGRI organizes trainings to the Member States who are using/testing ARACHNE, as well as actively promotes and encourages its use during the annual conferences and meetings with the Paying Agencies. Workshops were also organised on how to use it and on exchange of ideas between the Member States having uploaded some data and the ones interested in doing so (in Aug 2020), and DG AGRI is working on taking on board their comments on how to make ARACHNE more appropriate for their use in EAFRD. A technical expert group meeting to present the tool to Member States in view of compulsory use of Arachne in the post-2020 CAP context is scheduled in December 2020.

49. As several cases of allegations of misuse of CAP funds have been brought to the attention of DG AGRI during 2019, can we have more details about the use Arachne system and the way to impose it to all Members States?

Commission's answer:

The Commission is currently encouraging and working closely with the Member States to promote the use of ARACHNE. Moreover, as part of the fight against fraud (and irregularities), the Commission is proposing to include the compulsory use of a single data-mining tool in the Post2020 CAP legal framework. The compulsory use of the tool ARACHNE, would enhance the audit and control of the CAP expenditure. The tool will enable more efficient controls on conflict of interests, indications on SME's and on possible circumvention of rules e.g. in relation to capping of funds or genuine farmer.

The ARACHNE project in DG AGRI is still in pilot phase. Currently 5 Member States are using it to some extent, another 4 have shown interest in doing so in the future and are testing the tool. The latest stocktaking meeting with these Member States (in Aug 2020) has shown that member States consider ARACHNE as a powerful tool, in particular for larger projects operated under public procurement rules. In the AGRI context, projects involve usually small entities for which relevant data may not be always available in ARACHNE. Thus the more Member

States use it, the more robust its results will be. The ARACHNE tool in its current version is perceived by Member States as rather complex, but as offering the following benefits:

- * to establish potential links between beneficiaries and other stakeholders in a project,
- * to use it as an additional tool to help select the right projects based on potential risks,
- * to complement the administrative checks on applications for funding/payment, to identify risks, especially regarding potential conflicts of interests, fraud, and company viability.

Several Member States found that the data collection process (in order to have the data to upload in ARACHNE) is tedious, as often data on contracts and contractors/suppliers is not readily available in the paying agencies databases (also here some improvements are needed).

50. In February 2019, DG AGRI launched a pilot project encouraging Member States to use Arachne. However, to date only 12 paying agencies in 9 Member States have been participating in this pilot project. Does the Commission plan to deploy other IT tools, which would facilitate risk assessment and - ideally - due diligence on projects, beneficiaries and contractors?

Commission's answer:

The Commission is closely working with the Member States to raise awareness as to the usefulness and effectiveness of the ARACHNE tool and to promote its usage in the current programming period. In that context, the Commission does not plan to deploy other tools but is further developing the functionalities of ARACHNE and is adapting it to the particularities of the CAP. Moreover, the Commission has proposed ARACHNE to be used mandatory for the CAP expenditure, including Direct payments, in the Post 2020 CAP. ARACHNE is very useful in assessing the risk for projects and beneficiaries, as well as for checking circumvention of rules e.g. in relation to capping of funds or genuine farmer.

No other tools are being envisaged at this time. It should be noted that a development of any such new tool takes considerable time and resources. DG AGRI sees it appropriate to capitalize on the results achieved in other Structural Funds (REGIO and EMPL) with the use of ARACHNE. Further development to simplify the tool and further tailor it to the needs of the Paying Agencies is worked on. It is important to have a single data mining tool in order to improve data interoperability.

51. Has DG AGRI assessed the participation of the 12 Paying Agencies (PAs) from 9 member states in the pilot project “Arachne for AGRI”? What are the main positive and/or problematic aspects of the participation in the project/the use of the Arachne system? Does the Commission have information how many PAs are willing to join the project/to use the system in future?

Commission's answer:

In August 2020 a stocktaking workshop took place.

The 5 Member States (MS) currently using the tool to some extent and the 4 Member States having done some preliminary testing, have reported the following:

The positive aspects of its potential use as seen by the MS are:

- * to establish potential links between beneficiaries and other stakeholders in a project,
- * to use it as an additional tool to help select the right projects based on potential risks,
- * to complement the administrative checks on applications for funding/payment,
- * to identify risks, especially regarding potential conflicts of interests, fraud, and company viability.

The negative aspects as seen by the MS:

- * the data to be uploaded in ARACHNE is often not readily available, as it is currently not collected by the MS, nor available in an IT format. This requires considerable time investment and change of procedures in place in the MS.
- * the tool's output is complex to understand and requires considerable further investigation by the operator when an issue is found. Also, it seems mainly useful for larger projects operated under public procurement rules, but DG AGRI projects involve usually small entities on whom there is no data available in ARACHNE.
- * some MS have also voiced concerns regarding data protection of the data collected, stored and its operators.

In the current context of the pandemic, the Commission was not approached by more Member States than the 9 currently using and testing the ARACHNE tool for EAFRD expenditure.

Questions concerning training etc.

52. How many and what type of trainings were organized by the DG AGRI to the paying agencies, certification offices and other bodies in Member States to train and

encourage the use of new IT technology and other tools for more effective, error-free and transparent management of payments?

Commission's answer:

In 2019 and 2020, 5 conferences of Directors of Paying Agencies and Coordinating Bodies (including 2 in videoconferences due to COVID-19) have taken place, where among other topics the use of new IT technologies and tools for the CAP monitoring was discussed. These Conferences allow for the sharing of good practices in the implementation of the CAP and inform about strategic issues as regards assurance and audit. Meetings are also regularly organised with representatives of the Learning Network of the Paying Agencies, in which strategic issues and implementation challenges are discussed.

In the Panta Rhei conference in September 2019, the Commission offered an interactive workshop on the modernisation of IACS, in particular in view of preparations for the future CAP implementation. Another presentation was planned for the conference in April of 2020, but the event was cancelled due to COVID 19 restrictions.

DG AGRI also actively contributed to training events organised by the Joint Research Centre. In 2019, 2-days IACS workshop took place in April as well as a 3-days IACS conference in November. In 2020, a webinar took place on 5 November. All of these events focused on the uptake of new technologies. The following conference is planned for June 2021.

For certification bodies expert group meetings held twice a year have also included presentation and discussions on the monitoring system and in particular control by monitoring and the guidelines for certification bodies have been updated.

Question concerning follow-up on DG AGRI review visits to 17 certification bodies

53. Follow-up on DG AGRI review visits to 17 certification bodies in 2018: were there any improvements made in these bodies in 2019 following DG AGRI recommendations? What steps Commission took to strengthen certifying bodies?

Commission's answer:

During and subsequent to the audit missions in 2018, DG AGRI issued various recommendations on areas where it was identified that there was still room or need for improvement or cases where the approach followed by the Certification Bodies was not fully in line with the Commission's Guidelines. All other recommendations were followed up closely by DG AGRI and, in most cases, remedial actions were taken immediately after the audit increasing the reliance that DG AGRI could place on the Certification Bodies work even within the same

financial year.

Improvements were made through DG AGRI's guidance and support during the audit missions. Moreover, a summary of issues arising from the missions or the annual clearance exercise is presented during the Expert Group meetings. During these meetings, best practices on improving the Certification Bodies' work are presented and discussed. Finally, a helpdesk function provided by the relevant unit in DG AGRI, allows the Certification Bodies to send their questions and obtain replies in a timely manner.

It should be noted that missions audits to the Certification Bodies continues and that DG AGRI applies the single audit approach meaning that a conformity audit also start with a review of the Certification Body's work allowing for recommendations to be issued and remedial action taken by the Certification Bodies.

The Commission considers that the established framework regarding the continuous monitoring and support to the Certification Bodies is very effective and assists the Certification Bodies to strengthen their ability to perform their work effectively. By taking into account and implementing the DG AGRI's recommendations, the Certification Bodies have achieved significant improvement in their work since 2015 when reporting on legality and regularity of expenditure commenced.

Questions concerning transparency of final beneficiaries

54. Did the Commission take any steps in creating the standardised and publicly accessible format for disclosing the end beneficiaries of the CAP as recommended in the EP Resolution for Discharge 2018?

Commission's answer:

The Commission proposes improvements to the information currently collected by the Member States on beneficiaries of certain funds (including information on beneficial owners of the beneficiaries/recipients) and the way such information is analysed and used for control and audit purposes by the Member States and for supervision by the Commission.

For example, the Commission will include the mandatory use of a single data-mining tool (i.e. ARACHNE) for the CAP expenditure in the proposal for the Horizontal regulation. The compulsory use of the ARACHNE system would enhance the control mechanisms on beneficial owners in the case of the CAP. Progress in that area would create the conditions for more efficient controls on circumvention of rules or on conflict of interests.

In the meantime, CAP beneficiaries are already publicly disclosed in accordance

with the transparency provisions of the current CAP legislation laid down by the Council and the European Parliament. Whereas previously proposed CAP transparency provisions have been contested by Member States in national courts, the current provisions have been upheld and remain in force.

The Commission proposals for CAP and Cohesion Policy (CPR) for the period 2021-27 create a unique set of information to be published both for CAP and Cohesion Policy Funds. The elements to be published will be the same for all shared management Funds under CAP and CPR.

The Commission focus was also to reinforce Member States' responsibilities to publish the information on beneficiaries on a website in open, machine-readable, accessible, findable and re-usable formats as set out in Article 5(1) of Directive (EU) 2019/1024 on open data and the re-use of public sector information, which allows data to be sorted, searched, extracted, compared and reused.

55. Is it possible to receive the list of 50 largest final beneficiaries per Member State and the list of 50 largest recipients of the EU funding under the EU Agriculture and Cohesion policies aggregated across all Member States as already requested by CONT on several occasions?

Commission's answer:

Concerning **agriculture**, under the current legal framework, the obligation to collect the data on the beneficiaries of EU funds under shared management lies with the Member States. While some information on beneficial owners may be available to Paying Agencies for control purposes in specific cases, it is not systematically available in order to establish a list of the 50 biggest beneficial owners. Member States consider that Paying Agencies may not use such data collected by other bodies, e.g. under the anti-money laundering policy, as the latter has distinct legal basis and purpose. As a general principle from the General Data Protection Regulation, data, even publicly available, may only be collected and processed for a specific purpose and with the agreement of the data subject. For particular schemes/measures where this information is relevant for the controls done by the Paying Agencies, targeted checks are done by requesting the information to the applicants and/or by cross-checking against other registries/databases. However, the Paying Agencies do not necessarily have readily available in their databases, for all beneficiaries, the information on the natural persons as beneficial owners. Consequently, with the information that is readily available, it is not possible to build such a list of the largest individual recipients/beneficial owners of CAP funding.

However, a list of the largest CAP beneficiaries, as defined by the transparency rules, was built and sent to the chair of the Budgetary Control Committee under the Interinstitutional agreement by requesting the information from the Member States from their Transparency Websites. The Commission suggests a technical

meeting on this.

Question related to wages of farmers, employment in rural areas etc.

56. What measures are envisaged so that farmers' wages are less dependent on direct aid and can reflect their work?

Commission's answer:

In view of the still significant gap between farmers' income and the average wage in the economy, direct payments to farmers remain an important tool to contribute to achieve a fair standard of living for farmers. Direct payments are in their vast majority (90%) decoupled from actual production, so that farmers make their decisions essentially on the basis of market signals.

EU agriculture benefits from a market-oriented framework which has allowed the EU to become a large net exporter of agri-food products over the past years. Farmers benefit from the opportunities markets are offering them in a competitive food supply chain, the functioning of which the EU has been constantly trying to improve, in particular as regards the balance of powers between the actors of the chain. However, it is important why policy interventions are justified: 1) agriculture depends more on the uncertainties related to weather and climate than many other sectors; 2) there is an inevitable time gap between consumer demand and farmers being able to supply and 3) farmers are increasingly asked to deliver public goods not normally remunerated for by the markets, (such as adopting environmentally-friendly farming practices and taking care of the landscape).

Yet at the same time, CAP interventions aim, among others, at:

Increasing competitiveness of the agricultural sector, in particular by stimulating the productivity gains via a number of policy tools and drivers, such as research and innovation programs, new technologies, support for investments to improve the overall performance and sustainability of the sector, rural development and infrastructure, efficient advisory systems and continuous training for farm managers, various instruments of risk management, as well as developing quality schemes and non-price competitiveness;

Improving farmers' position in the value chain through a set of measures, such as strengthening cooperation among farmers for instance through producer organisations, increasing market transparency and ensuring effective mechanisms against unfair trading practices. These aspects are also part of the farm to fork strategy aiming at improving the overall sustainability of the EU food system.

The above-mentioned measures are to contribute, inter alia, to increasing and stabilising the part of farmers' income obtained from the market, and thereby reducing, ceteris paribus, the degree of farm income reliance on direct payments.

57. What is your assessment of the measures to develop employment in rural areas?

Commission's answer:

Rural development measures contribute to the creation and maintenance of rural employment. In particular, the support for business start-up, the projects financed under the Local Development Strategies and investment operations do have a positive impact in rural jobs. Furthermore, rural development may also support village renewal and basic services which also contribute to job creation and create the necessary conditions to increase rural population or halt depopulation. However, objectives such as generational renewal in agriculture and job creation in rural areas cannot be achieved by one support instrument alone, but are the result of synergies among various national and EU instruments and the specific national or regional context.

58. How do you see the evolution of the Smart Village program? Can we have a more specific idea of the repair by country or even by region of this program? What is your assessment of the development of internet in rural areas and connectivity?

Commission's answer:

The various activities that have taken place at the EU level have given important insights as to the usefulness of the concept of smart villages, for example the pilot project on Smart Eco-Social villages, and the exchanges on good practices and stakeholder input that have taken place in the European Network for Rural Development (ENRD). The ongoing preparatory action Smart Rural Areas of the 21st Century is developing smart villages tools for rural communities and will give hands on experience with working with villages on the development and implementation of smart village strategies in all Member States. Next year, a second preparatory action will among other things map the progress already made in the Member States regarding smart villages and support for these, and further look into the best ways for supporting smart villages in the future CAP Strategic Plans.

When it comes to the development of internet in rural areas and connectivity, despite recent serious improvements, **still 40% of rural households do not have access to high-speed internet access**. The urban-rural digital divide is not just an imbalance of technology or connectivity. It is an imbalance of opportunity. Broadband connectivity is essential for the rural prosperity.

The COVID-19 pandemic has also underlined the importance of fast and reliable broadband for the continuation of work, education, the economy and essential e-services such as health in times of confinement.

The Commission will continue supporting Member States' investments in fast broadband infrastructure, a pre-requisite and an enabler for digital solutions in all

regions, especially in rural areas.

Funding possibilities will continue to be available in the 2021 -2027 programming period via several EU instruments and funds. Besides the European Regional Development Fund (ERDF), the European Agricultural Fund for Rural Development (EAFRD) and the Connecting Europe Broadband Fund (CEBF), there will be opportunities under the “Next Generation EU” fund.

7.5 billion EUR (in 2018 prices) of this fund will be available for the rural development pillar of the CAP and already available in 2021 and 2022 under the current legal framework. A good share of this fund can be used if their design contributes to the objectives of a green and digital economic recover - including broadband.

It is expected that Member States will use all these possibilities to make digital transition possible by prioritising broadband connectivity in order to reach the 2025 EU Digital Single Market target of providing access to internet connectivity to all rural or urban households with a downlink of at least 100 Megabits per second, upgradable to Gigabit speed.

It is also likely that a new generation of investments that some Member States have launched in 2020, or are planning to implement in grey areas (areas where there is only one infra-structure based provider active) will bring very high capacity fibre networks in rural areas. These investments are also expected to be an enabler in ensuring 5G for rural areas in a near future.

Questions concerning small and young farmers, family farming etc.

59. Which part of direct payments was designated to small farmers and young farmers in 2019 across the Member States?

Commission's answer:

Regarding **young farmers**, Member States estimated the share of direct payments necessary to finance the young farmer payment in 2019 at about 1.2% (total for EU-28). It goes from 0.2% for CZ to the maximum 2% for IE, EL, ES, HR, LV, NL, AT and PT. However it should be recalled that when the estimated share is below the maximum 2% and the claims for young farmer payments require a higher amount, Member States need to finance it (for example via a linear reduction of basic payment) up to the maximum 2%. For claim year 2018, the actual amount spent for young farmer payment corresponds to 1.3% of the direct payments envelope (2019 not yet available).

Regarding **small farmers**, there is no ex-ante allocation of a part of the direct payments envelope to the small farmer scheme (SFS). Indeed, the SFS replaces all the other direct payments schemes for the participating farmer and is financed primarily accordingly, i.e. by the amounts to which the small farmers would have

been entitled in the "standard" system: basic payment, redistributive payment, greening payment, payment for areas under natural constraints, young farmer payment, cotton and voluntary coupled support. If necessary this is complemented via the basic payment or young farmer payment possible unspent funds, or if necessary via a linear reduction of the basic payment. However, to give an order of magnitude, for claim year 2018 (not yet available for 2019), the total expenditure for the SFS represented 3.7% of the total direct payments in the Member States applying the scheme (from less than 1% in BG, DE, SI and EE to 27.7% in MT, with RO at 10.6% and PL at 10.2%). In the Member States where a maximum 10% applies (due to the method chosen for calculating the SFS), the actual financing needs were always lower than the ceiling.

More information is available here : https://ec.europa.eu/info/sites/info/files/food-farming-fisheries/key_policies/documents/summary-report-implementation-direct-payements-claim-2018.pdf

60. Which measures DG AGRI has taken specifically in favour of young farmers and which forms of support (e.g. direct payments, lump sum, financial instruments) and what explicit and qualifiable results were reached knowing that their number continues to decline. 5.1% are under the age of 35.

Commission's answer:

Under **Pillar 1** (direct payments), the Young farmer payment (YFP) targets farmers of no more than 40 years of age who are setting up for the first time an agricultural holding. The scheme is compulsory for all Member State. This is a payment per hectare, additional to other direct payments.

In terms of number of young farmers participating in the scheme, for claim year 2018 (financial year 2019), almost 463 460 young farmers, or 7.5% of the basic payment applicants, benefited from the YFP. This is an increase of about 63% in comparison to 2015 and 13% in comparison to 2017. In addition, for claim year 2018, 18 690 young farmers received allocations from the reserve in the form of new or increased Payment Entitlement (PEs) in case of Member States applying Basis Payment Scheme with PEs.

In terms of amounts paid to the young farmers, for claim year 2018, the total amount of the payments dramatically increased and amount approximately to EUR 537 million meaning that in 2018 the amount has increased by 62% compared to 2015 and by 39% compared to 2017. This value corresponds to approximately 1.3 % of the Direct Payments envelope. This is an increase from 0.8% in 2015 to 1.3% in 2018.

The increase in the number YFP beneficiaries as well as the amounts spent could be linked with the amendments of the Omnibus regulation, namely that:

-the payment 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.

Apart from the young farmers' payment, other measures have been available to support young farmers within **the second pillar**. The ones with targeted focus include business start-up aid for young farmers (Measure M 6.1), investments in agricultural holdings when modulated in favour of Young Farmers (Measure M 4.1), supporting measures tailored to accompany them such as training (Measure M 1), advice (Measure M 2), and cooperation (Measure M 16). Those and other measures including LEADER (Measure 19) could include explicit goals to target young farmers based on the programming and needs of Member States. At EU level, business start-up aid for young farmers (Measure M 6.1) is planned to benefit more than 176 000 young farmers during the current programming period (at the end of 2018, more than 101 000 young farmers had benefited from this sub-measure).

Similarly, at EU level support for investments in agricultural holdings (measure M04.1) is planned to benefit nearly 337 000 holdings/beneficiaries. At the end of 2018, nearly 105 000 holdings/beneficiaries had benefited from this sub-measure, of which more than 51% concerned people below the age of 40. Results are determined by a combination of the underlying socio-economic and cultural context, measure selection and measure design, as well as financial provision. Effects of the measures might be dwarfed in remote and marginalised areas. The Young Farmers aids enable Generational Renewal when the amount of aid offered and the conditions of the offer are significant. However, there are still big differences in Member States decisions concerning rates of aid and maximum eligible areas. Young Farmers measures are assessed as effective, but the availability of advisory services influence the efficiency of the aid. Member States have been modifying further programs to tailoring aid rates and delivery to local conditions, using measures in a co-ordinated way.

Significant evidence confirm access to land, capital and knowledge are key factors for successful generational renewal in EU agriculture. However, the best mechanisms for addressing this, vary considerably according to Member State, local context and farm types. The funding cannot address wider issues which prevent a good functioning of land and credit markets. Coherence of the Common Agricultural Policy with particular national and regional policies are relevant, particularly for land and capital availability. Aids that promote co-operation, innovation, training and advice have proved as relevant in helping Young Farmers gain knowledge and think about new ways to access land and capital. Finally, aids that promote rural economic diversification, added value and better services, including broadband, may not appear directly relevant but prove vital to create a wider economic climate, particularly in remote areas, in which the barriers of access to land and credit are reduced because there are alternative income and

employment opportunities for Young Farmers and their family members. The Commission also introduced streamlining of rules for support to young farmers, including the possibility to use financial instruments.

During the years 2017 and 2018, the Commission has carried out and promoted activities in the field of generational renewal, e.g. a collection of outputs from a dedicated EIP-AGRI Focus Group on ‘New entrants into farming: lessons to foster innovation and entrepreneurship’; the compilation of good practice examples related to young farmers in the European Network for Rural Development (ENRD) projects database; the organisation, by the ENRD, of a series of workshops on making rural areas more attractive for young people and the update of the pilot project study on exchange programmes for young farmers.

For the next period, the Commission proposes to reinforce further the support for the young farmers via the Complementary income support for young farmers. The Commission proposes more flexibility for the Member States to design the income support according to the needs of their young farmers’ population by adjusting the definition and differentiating the amount and the duration of support. In order to better contribute to the objective of generation renewal in general, the Commission proposes that an amount corresponding to minimum 2% of the Direct Payment envelope is dedicated to the Complementary income support for young farmers and/or the support for initial setting-up of young farmers in the second pillar.

61. It is often argued that more consideration needs to be given to the fact that large farms do not necessarily need the same level of support as small farms to stabilize their farm incomes in times of instability, since they can benefit from potential economies of scale that can make them more resilient. What measures have been taken to support family farming?

Commission's answer:

Smaller farms have indeed on average higher income support needs compared to larger farms which can benefit from economies of size. Several policy tools allow to better target direct payments towards smaller farms:

the redistributive payment: Member States have the option to redistribute up to 30% of their direct payments envelope to the first hectares on every farm. In 2018, 10 Member States implemented this scheme, using on average 7.4% of their total expenditure for direct payments,

the reduction of payment and capping: Member States must also reduce by at least 5 % the amounts above EUR 150 000 which any beneficiary obtains from the basic payment. In claim year 2020, 21 Member States apply degressivity, 14 of which only the obligatory minimum. Only 1 Member State applies a higher reduction rate, and 9 Member States apply capping,

the small farmer scheme: Member states may propose small farmers to replace all direct payments by one scheme, possibly with a more attractive lump sum than what the farmers would have received through the “standard” schemes,

but also certain voluntary coupled support measures with so-called modulated unit rates (amount per unit higher for first hectares/animals). In claim year 2020, 7 Member States used this possibility in 23 support measures.

These tools contribute to reinforce the unit amount per hectare to smaller farms. Analyses show that the average total direct payment per hectare decreases with increasing farm size, while the income per worker increases (up to 500 ha and decreases above).

But, admittedly, there is still room for improvement in this regard. Therefore, the Commission’s post-2020 proposal include provisions to further reinforce the direct payments towards smaller farms.

Reduction of payments / capping: the Commission’s post-2020 proposal substantially strengthens degressivity/capping (obligatory application; lower thresholds; much higher cut rates with real capping from EUR 100 000; broader scope). However, the EUCO conclusions in respect of the MFF have substantially watered down this proposal (voluntary use, only applicable to BISS, etc.).

Coupled Income Support: The Member States may recognize the growing economy of size of farms (if relevant) and, accordingly, pay modulated per unit amounts (i.e. higher support rate for farms with less eligible animals/hectares). Complementary Redistributive Income Support for Sustainability (CRISS): the Commission has proposed it to be compulsory for Member States. It addresses precisely the need for specific income support for the family farms with a top up by ha for the first hectares (e.g. first 20 hectares will receive the top up).

Round sum payment for small farms: Member States may propose farmers an amount (same round sum for all participants) which replaces all the other Direct Payments. It aims at simplification (only 1 payment) and also at a better redistribution towards smaller farms.

Under Pillar II, Regulation (EU) No 1305/2013 does not define what a "small farm" is. Those definitions can be different in order to apply measures from both Pillars. When defining small farms, Member States may base themselves on the agricultural structures operating in the programme area and relevant physical parameters (such as land size, number of livestock, etc.). It is possible to introduce several definitions (e.g. distinguishing between agricultural sub-sectors such as crops, livestock, etc.). Measurement can also be done based on Standard Output. Pillar 2 is providing for farm development support with maximum support levels have up to 15.000 euro;

Member States have also the possibility to implement thematic programs for small

farms where they could in more targeted way design a combination of measures available throughout the Second Pillar with targeted conditionality and financial terms. Thematic sub-programmes may also address specific needs relating to the restructuring of agricultural sectors with a significant impact on the development of a specific rural area. The support rates laid down may be increased by 10 additional percentage points for operations supported in the framework of thematic sub-programmes concerning small farms. Specific targeted support for small farms within the RDP measures include: business start-up aid for the development of small farms, investments in physical assets, quality schemes for agricultural products and foodstuffs, knowledge transfer and information actions, advisory services, farm management and farm relief services, co-operation, investments in non-agricultural activities, setting up of producer groups.

Questions relating to the fruit, vegetables and wine sectors

62. The Internal Audit Service (IAS) found gaps in the guidance provided to Member States for implementing and controlling the fruit and vegetables regime, notably in relation to recurring weaknesses in the control systems, and a missing analysis of root causes of the main weaknesses. That may increase the risk of ineligible expenditure and financial corrections. Which measures have been taken to resolve root causes of the main weaknesses?

Commission's answer:

The Directorate-General for Agriculture and Rural Development has properly addressed this issue in the corresponding action plan and has been implementing all planned measures according to the agreed timeline.

In their follow-up audit, IAS closed the very important recommendation related to the 'Instructions to Member States'. This was done with the clearing the backlog of unanswered questions from MS, with the discussing the replies to MS or the audit findings in a MS in the ad hoc committee (Committee for Common Organisation of Agricultural markets – Horticultural Products) and updating the information on fruit and vegetables regime on the Europa website.

On 6 April 2020, the Commission services communicated to the Member States' competent authorities a note on "Technical issues following audit findings"³ highlighting some of the elements of non-compliance with EU law on fruit and vegetables, based on findings from some Commission 2017-2019 audits carried out in a number of Member States. The aim of the note was to communicate to Member States good practices, where available, regarding correct implementation of certain EU legal provisions on fruit and vegetables. The technical issues addressed in this note are: Minimum number of members; Producer organisations'

³Ares(2020)1951138 of 06 April 2020.

main activity; Democratic accountability; Soundness of the estimates and the aid plan; Implementation of actions before the approval of the amendments; Consistency and technical quality; Calculation of standard flat rates, scales of unit costs and specific costs; Checks to establish the eligibility of aid; Checks of the performance of the OTSC to sufficient number; Checks of the performance of the OTSC of sufficient quality; and Withdrawals OTSC on measures of operational programmes.

Moreover, the problem has been on the agenda in CMO Committee meetings on Fruit and Vegetables where the Commission services have provided specific feedback on audit results and best practices to the Member States delegates.

63.A number of reservations affect the fruit and vegetable and wine sector, what corrective measures have been taken?

Commission's answer:

For 2019 reservations carried out from 2018 AAR

- Italy - Fruit and vegetable operational programmes: A corrective action plan is currently implemented by the Member state at the request of DG AGRI in order to address the deficiencies. A DG AGRI follow up audit is ongoing as regards the proper implementation of the corrective measures.
- Portugal - Fruit and vegetables operational programmes: A corrective action plan has been requested by DG AGRI but is still not provided by the Member state. DG AGRI will follow the corrective measures and take the necessary actions in order to protect the financial interests of the Union.
- United Kingdom - Fruit and vegetable operational programme: Taking into account the particular situation of this country, no action plan has been requested. DG AGRI will recover the irregular amounts in the ongoing conformity audit procedure.

For 2019 new AAR reservations:

- Italy - Wine restructuring: A corrective action plan has been requested by DG AGRI to the Member state. DG AGRI will monitor the proper implementation of this action plan.
- Bulgaria - Wine restructuring: The Bulgarian authorities have modified their control system following DG AGRI audit carried out in 2019. In addition, an Action plan has been requested from the Member State in order to tackle the deficiencies identified by the Certification Body. The ongoing conformity audit procedure will ensure that the financial risk to the EU budget is covered.

64. The Commission has created new observatories in 2019: for fruit and vegetables and for wine, I would like to know what are the first results and observations?

Commission's answer:

Since their creation, the Commission has organised 7 meetings of the economic board of the market observatory for fruit and vegetables and 3 meetings in the case of wine. Despite the COVID sanitary crisis, meetings have continued via web-conferencing system and as soon as it became available with interpretation, in order to facilitate the debate between the experts. For each meetings, experts have shared their feedback on the past campaign and forecast for the future campaign for the sector concerned (tomatoes, pip fruit, stone fruit, citrus, wine), covering production, prices and trade. Experts also shared their knowledge on the ongoing conditions in the market, be it in the EU or as regards trade with third countries. This market information has been and continues to be particularly useful for the Commission to follow the developments in the fruit and vegetable and wine sectors all throughout the COVID19 crisis. In-depth discussions on the market situation related to COVID19 and its impact on the sectors have been fruitful. Identifying data needs and how to collect and process them is considered the key future objective for the Observatories. All the presentations and documents used in the meetings, along with a summary, are published on the Commission website (https://ec.europa.eu/info/food-farming-fisheries/farming/facts-and-figures/markets/overviews/market-observatories_en).and are thus publicly available to all stakeholders in the sector. The new observatories, with designated market experts as members of the economic board, are therefore delivering in accordance with their objective.

65. A number of reservations affect the ABB02 component and in particular the fruit and vegetables and wine sectors, what corrective measures have been taken?

Commission's answer:

See reply to question 63.

Question relating to greening, CO2 emissions and biodiversity

66. Share of agriculture area under greening practice increased from 75% in 2015 to 79% in 2018. Do you have information from 2019? Are there any measures in place to increase such area further?

Commission's answer:

The share for 2019, based on latest figures, is 80% (for EU-28).

There are no measures in place to increase greening coverage. It depends on the areas under the direct payment system and on changes e.g. to the farm structure

and farming system, which are reflected in changes to areas exempted from greening (areas under Small Farmers Scheme, organic areas or areas under measure specific derogations).

67. How do you explain the fact that CO₂ emissions from agriculture are not falling further, given the resources invested, or even increasing as was the case between 2016 and 2017? Do you have the figures and trends between 2017 and 2018?

Commission's answer:

Emissions from agriculture already decreased by 21% from 1990. In the last years we are observing a yearly fluctuation. Considering the last available data sent by countries to UNFCCC and the EU Greenhouse Gas Monitoring Mechanism, the data the total non-CO₂ GHG emissions in the EU27 agriculture shows a decrease of 1.3% between 2017 and 2018 (from 399.541 to 394.426 MT CO₂ eq), while the increase from 2016 to 2017 was below 0.8%.

The recent slowing down of emission decrease probably is the result of the combination of the lower mitigation potential of the sector having high mitigation costs, which is widely acknowledged, together with the difficulty in capturing the implementation of mitigation practices detached by production levels in the reported emissions by Member State.

68. In its report 13/2020 the court of auditors demonstrates the decline of biodiversity on the land. 66 billion had been planned for this area between 2014 and 2020 for a rather weak result that does not halt the decline. The court issued recommendations. Have these been implemented or will they be implemented soon? Have KPIs on maintaining biodiversity been developed?

Commission's answer:

All the four recommendations of the European Court of Auditors have been accepted and will be carefully considered in the framework of the Biodiversity Strategy 2030 and the future CAP post 2020.

The timeframe for implementing the ECA recommendations goes from 2022 to 2023. Those timeframes take into account the CAP reform process and are compatible with steps foreseen at this stage for the implementation of the Biodiversity Strategy. Under those circumstances, the recommendations could not have been already implemented as the pre-conditions for those are not there yet. In particular as regards the recommendation 1c), the Commission is currently updating the methodology to track biodiversity expenditures in the CAP.

The Commission will increase the contribution of rural development to farmland biodiversity. The Commission Proposal for the CAP post 2020 already provides for a higher co-financing rate (maximum 80%) in case of management commitments referred to in Article 65 (including agri-environment-climate),

support for Natura 2000 payments (Article 67) and non-productive investments (Article 68), which in the majority of cases are aimed at supporting environmental objectives.

While the Commission agrees that the future CAP Plans must deliver more efficiently on various environmental and climate-related objectives and targets including those on biodiversity, the new delivery model proposed provides Member States with more flexibility as for the methods to implement the policy and achieve the objectives of the new CAP. The Commission will ensure that the schemes, their design and the methods of their implementation serve the overall purpose of guaranteeing the increased environmental ambition of the future CAP Plans, including in respect of biodiversity objectives.

69. What measures can the Commission take to link more closely the level of co-financing of different measures to the assessment of their impact on biodiversity?

Commission's answer:

The Commission Proposal for the CAP post 2020 (in Art.85(3)) provides for a higher co-financing rate (maximum 80%) in case of management commitments referred to in Article 65 (including agri-environment-climate), support for Natura 2000 payments (Article 67) and non-productive investments (Article 68), which in the majority of cases are aimed at supporting environmental objectives. In the current programming period, this rate was set at 75%.

The Commission will continue to track the CAP budget expenditure for biodiversity built on the internationally agreed OECD Rio Markers methodology.

The tracking of spending in CAP plans related to biodiversity objectives will be proposed to operate on the basis of awarding weightings (i.e. coefficients) of 0%, 40% or 100% to categories of spending, according to the relevance to biodiversity.

The Commission stays ready to revise its biodiversity budget tracking methodology to align it with new legislative changes and adapting it to the next MFF 2021-2027, as well as to other relevant developments.

Questions related to the organic sector

70. The EU organic sector has developed rapidly over recent years but referring to the Special report 04/2019: The control system for organic products has improved, but some challenges remain, ECA concluded. Which measures DG AGRI has taken to address the remaining weaknesses they had identified in the Member States for EU products, to improve the supervision of imported organic products through better cooperation as well as to carry out more complete traceability checks?

Commission's answer:

In its reply to the recommendations put forwards by the ECA, the Commission has proposed a set of measures to address the remaining weaknesses. For instance, the Commission has moved forward to further harmonisation of measures, in particular in relation to issuing guidance on national catalogues of measures.

The new organic regulation will enter into application in 2022. It provides that uniform arrangements for the cases where Competent Authorities are to take measures in relation to suspected or established non-compliances will be provided in an Implementing Act.

With regards to harmonisation, a continuous discussion with MS is ongoing in the framework of the Committees of organic production, on uniform application of the regulation and best practices shared among MS. In this regard, the Commission is also carrying out traceability checks and sharing the results and conclusion with MS.

With regards to imported products, the Commission has significantly reduced the time to analyse the annual report of Control bodies recognised for the certification in third countries, to allow a faster action to address shortcomings. Moreover, besides working on reinforcing control through the secondary legislation entering into application in 2022, the Commission has continued to apply reinforced controls, in-situ and at the border, for products with a higher risk profile.

To conclude the Commission has further worked on the improvement of the Traces module E-Coi ensuring traceability for imported product and once the harmonised certificate of operators will be implemented, an EU database will be developed.

71. Do you think that having 7.5% of organic farms in 2018, considering the amounts invested, is a correct figure?

Commission's answer:

Total share of area under organic farming in 2018 was 7.5%. The sector is progressing at a fast pace (+30% in the last 5 years) and cannot be considered a niche sector anymore.

Question relating to simplification and red tape etc.

72. What measures have been implemented to further simplify EU legislation and reduce red tape for farmers?

Commission's answer:

With the 2018 proposals for reform of the CAP, the Commissioner put on the

table a simpler EU framework with fewer rules aiming to address the issue of 'simplification' in several ways.

Firstly, the Commission has proposed a major shift in the way the policy is implemented with the New Delivery Model'. The aim is to replace the current compliance approach, based on detailed rules at beneficiary level, with performance-based framework, focusing on achievement of results by the Member States.

Secondly, it has greatly reduced the level of detailed legislation at EU level. Thus the Member states will be able to customize the interventions to their needs and the needs of their farmers. This will reduce the complexity and administrative burden vis-vis the farmers.

And thirdly, it empowers Member States to ensure the rules they define for farmers are based on the principle of simplification and subsidiarity, so eloquently advocated by the Member States in Council over the past years.

To ensure that simplification is a core principle in Member States implementation of the CAP, the Commission has proposed that the CAP Strategic Plans must specifically set out and explain how a Member State has ensure a simple implementation of the policy.

Question relating to decommitments under EAFRD

73. Are there programmes under EAFRD affected by decommitment rule in 2019?

What is the forecast for decommitment level at the end of the programming period and what measures does the Commission undertake to assist member states to avoid decommitment?

Commission's answer:

In the current programming period, the N+3 rule applies, which means that the Commission has to automatically de-commit budget commitments which have not been used by the Member State by 31 December of the third year following that of the budget commitment. However, Member State (MS) may, until the end of January N+4, ask for derogation in case of legal proceedings and administrative appeals having a suspensory effect, and/or force majeure. All requests are assessed by the Commission based on the arguments and justification provided.

Regarding commitments to be consumed by the end 2019 (commitments made by the Commission in 2016), three rural development programmes in ES (Andalusia), FR (Picardy) and IT (Puglia) did not consume all the commitments in time. MS requests for derogations were partially accepted in the case of Andalusia (case of force majeure) and totally in the case of Puglia (case of legal proceedings). Consequently, de-commitments occurred only for two rural development programmes for Andalusia (ES) for EUR 10,3 million and Picardy

(FR) for EUR 6,2 million.

Regarding commitments to be consumed by the end 2020 (commitments made by the Commission in 2017), at this stage, **27** programmes in **6 MS (BG, DE, ES, FR, IT and PL)** are – in principle – at risk of de-commitment due to N+3 by the end of 2020. However, the declarations of expenditure for the fourth quarter of 2020 still have to be submitted by the MS (by 31 January 2021) and will be included in the final calculation.

The Commission monitors the situation closely. The relevant national authorities are informed of the risk of de-commitment in the appropriate committees regularly, and warning letters are also sent to the authorities.

It should be noted that the implementation of the rural development programmes 2014-2020 will continue until the end of 2023 under existing applicable legal acts, in accordance with the N+3 rule. If the Transitional Regulation extends the implementation of programmes by two years, then current programmes will continue until 2025. The Commission therefore considers that it is not possible at this stage to forecast possible n+3 de-commitments at closure which will happen in 2024 or 2026.

Questions concerning fisheries, the environment and climate action

74. “The selection criteria and eligibility requirements for projects in fisheries, the environment and climate action also vary. These policy areas account for a small proportion of ‘Natural resources’ spending. Among the six transactions we examined, we found ineligible elements in the costs reimbursed for two projects” (ECA AR point 6.27). How many projects in the policy area of “fisheries, the environment and climate action” does the Commission have? How are the projects split between fisheries, environment and climate action? Can the Commission name the different selection criteria in fisheries, environment and climate action? How does the Commission ensure that these selection criteria are reliable?

Commission's answer:

This question does not concern CAP expenditure.

The LIFE programme provides finance to about 160 projects per year, out of which 40 on climate action and 120 on environment, including nature and biodiversity. LIFE also supports the operations of around 25 NGOs working on climate and environmental policies.

For the LIFE Programme, the selection and award criteria were defined, for the different types of projects, in the [Multiannual Work Programme 2018-2020](#). This allows to provide the potential applicants with a stable framework useful for the preparation of their proposals. The Multiannual Working programmes are scrutinised and approved by the LIFE Committee consisted of Member States

representatives. The selection and award criteria are then mentioned in the application guide of each [Call for proposals](#). The way in which they will be assessed is explained in the evaluation guide which for transparency is available in the web pages of the LIFE Programme.

These criteria have been defined taking into account the requirements of the LIFE Regulation and the experience acquired in more than 25 years with the implementation of the LIFE programme. They are also discussed with the Member State's experts in the framework of the LIFE Committee. Selection and award criteria are specific per type of project and, for the most part of the projects, they focus on the following:

-EU added value: *extent and quality of the contribution to the specific objectives of the priority areas of the two LIFE sub-programmes*. The assessment of this criterion covers, in particular, the extent and quality of the contribution to the specific objectives targeted (impact); the magnitude of the environmental and/or climate effects expected due to the project actions at the end of the project, in comparison to the state-of-play estimated or measured at the outset of the project. It will also take into account the relevance of the territorial, social and policy contexts, which the project actions are expected to influence. The expected effects should be expressed having in mind the applicable project level indicators and measuring units, which the projects will have to report on in the LIFE key project-level indicator (KPI) data base created for this purpose. Thus, e.g. LIFE Nature and Biodiversity proposals will be assessed based on their expected effects on the structures and functions of the habitats and the status of the species and/or the ecological status of ecosystems and the condition of their services. This assessment only takes into account the actions considered feasible on the basis of the evaluation of the technical and financial coherence.

-EU added value: *sustainability* (continuation, replication, transfer potential). The sustainability of the project results in the medium and long term is the capacity to maintain them after its implementation, be it by continuation, by replication or by transfer.

-*Technical coherence and quality* that assess if the project actions proposed are appropriate and feasible measures for achieving the forecast project outputs and outcomes. Project actions should aim at maximising their effectiveness and efficiency in relation to the outputs and outcomes pursued. The project actions should be well planned and clearly described.

-*Financial coherence and quality*. The financial contributions of the beneficiaries and co-funders, the proposed budget and its consistency with the actions proposed and with the applicable rules as well as the cost-effectiveness and value-for-money of the proposed approach are evaluated under this criterion.

According to the Annual Implementation Reports received from Member States, at the end of 2019 approximately 34.000 projects had been selected for funding

under the European Maritime and Fisheries Fund (EMFF). Since the fund is implemented under shared management, the selection and eligibility criteria for these EMFF projects are established by national authorities on the basis of national and EU legislation (notably fund-specific rules), and their formulation and application are subject to the relevant checks and controls as part of the management and control systems.

Questions relating to result and performance indicators etc.

75. EP in its Resolution on Discharge 2018 insisted that a specific result indicator “Redistribution to smaller farms” would be adopted in the new delivery system. Was this taken into consideration?

Commission's answer:

The Commission proposal for the Strategic Plan Regulation contains a specific result indicator ‘R.6 Redistribution to smaller farms’ in its Annex I (percentage of additional support per hectare for eligible farms below the average farm size (compared to the average)).

76. Have new performance targets and indicators been set to identify and reduce income inequalities between farmers, the evolution of greening and the presence of young farmers?

Commission's answer:

Regarding income inequalities between farmers, two result indicators have been added to monitor direct support re-distribution to smaller farms and to areas with higher needs such as Areas facing Natural Constraints: ‘R.6 Redistribution to smaller farms’ and ‘R.7 Enhancing support to farms in areas with specific needs’. In addition, income developments will be closely monitored via context indicators reporting farm income (C.26) by type of farming, by region, by farm size, in Areas facing Natural Constraints. This will allow measuring differences. Moreover, the impact indicator I.24 will monitor the distribution of CAP support.

Regarding the monitoring of cross-compliance, the Commission has proposed an output indicator to monitor the various good agricultural and environmental practices (GAEC) by practice and by land type (O.32). Unfortunately, this indicator was deleted by the Council in its general approach as regards the Strategic Plan Regulation. The final list of indicators will be set by the co-legislators.

For young farmers, the result indicator R.30 will indicate the number of young farmers setting up who benefitted from CAP support. In addition, the impact indicator I.21 will report the new farm managers based on ESTAT new Integrated

Farm Statistics survey.

Quantified targets will be defined for all result indicators.

77.Regarding the new challenges for the next CAP, what are the new reliable indicators or KPI that the Commission intends to put in place and how does it intend to involve the MS?

Commission's answer:

In its Strategic Plan 2020-2024, DG AGRI will report on the corporate indicators it contributes too: GHG emissions from agriculture, Farmland bird index, Pesticide risk, Water in groundwater, Area under organic farming, European Union preferential trade and investment agreements, Readiness of enlargement countries on economic criteria and People at risk of poverty or social exclusion in rural areas. In addition, DG AGRI will focus on four KPIs specific to the CAP: Agricultural factor income, EU commodity prices compared to world prices, Share of agricultural land under environmental and climate commitments and Number of young farmers setting up a farm. These indicators will also be reported in the programme statements. In addition, in view of the Green Deal targets some of them will form part of the annual report on performance to the EP and Council. Finally, some of these indicators are also used to assess EU progress towards SDGs.

Few of these indicators are new, such as the one for young farmers or the Pesticide risk. Adding indicators requires defining legal basis, which was done for both, ensuring data delivery and a harmonised methodology.

These indicators will not be notified by Member States to DG AGRI. These are statistics or correspond to other reporting obligations to the UN and to Commission reporting systems. For new indicators, Member States need to establish a data collection system. Member States efforts are also needed to improve the quality of the data collected, included for already existing indicators, such as the Farmland Bird Index or the GHG emissions. For the latter, Member States will need to use more complex methodologies that will better reflect changes in emissions linked to changes in farming practices.

78.According to the ECA report on the performance of the EU Budget for 2019, in the field of CAP spending, there are 14 indicators without a specific, quantified target and there are 8 indicators, where it is unclear whether they are on track. What does the Commission do in order to have better knowledge and information in case of those objectives?

Commission's answer:

In the current programming period, targets were defined for the result indicators relating to both the EAGF and the EAFRD. Some of the targets are quantified and

others (where it is more relevant to indicate the desired ‘direction of travel’), stipulate a trend. For example, in view of the influence on farmers’ incomes of external factors such as drought and disease, the target for the CAP is to contribute to an increase in agricultural incomes. These indicators have baselines and qualitative targets enabling the Commission to assess progress, i.e. to assess if CAP performance is on track even without quantitative targets.

Some of the unclear situations relate to the fact that progress towards targets is not always linear (typically reporting on investment support is low at the beginning of the programming period and it is increasing fast towards the end). In these cases, the closest we will get to the end of the programming period, the clearly the assessment of the CAP will be. Other highlighted ‘unclear’ situations relate to the choice of indicator which is not adequate to reflect the progress (sometimes due to a change in data availability), in these cases the indicators need to be changed.

In the future CAP proposal, the number of result indicators has been streamlined (38 result indicators are defined in the PMEF in comparison to 41 in the current CMEF). Most importantly, the result indicators relate to the objectives and cover both funds (EAGF and EAFRD) at the same time. E.g. to address soil erosion, Member States can implement eco-schemes (Pillar I) or agricultural-environmental-climate commitments (Pillar II) and the result indicator on soil management covers both types of intervention. This reflects the flexibility given to Member States in defining their intervention logic towards common objectives.

In addition, quantified targets will be defined for all result indicators. The definition of annual milestones will also reduce the number of unclear situations. Together with Member States we are committed to improve data collection and result indicators will be certified.

The indicators for which it is more relevant to indicate the desired ‘direction of travel’ are not defined as result indicators anymore. Their development will be analysed nevertheless (e.g. the variability of farm income).

79. The ECA identifies fewer errors under heading Natural resources, but also difficulties to measure performance. How does the Commission envisage addressing the shortcomings presented in the ECA Annual Report on Performance of the EU budget under paragraphs 4.61-4.64?

Commission's answer:

Under the New Delivery Model and the performance-based CAP, the Commission should be able to measure and track performance for all indicators. The Commission’s high environmental objectives in the Green Deal and the Farm2Fork strategy have been translated into concrete objectives for the CAP. The achievement of performance will be measured through indicators (result, output and impact indicators), as well as quantified targets. By contrast to the current programming period, Member States will establish quantified targets for

all result indicators.

The Commission will monitor the Member States' performance through several performance reporting mechanisms and have assurance that the performance is on track. In case a Member State's performance is lagging, the Member State will be urged by the Commission to implement corrective actions to bring the performance back on track.

While the performance of the policy can be observed annually and relatively reliably at the level of output, the strong influence of external factors (such as climatic events or health crises) becomes more important when one seeks to measure results and, in particular, impacts. Nevertheless, provided a CAP action has proven to be effective in achieving its objective, following annual progress in its implementation will itself provide a good indication of whether or not the CAP is on track. Also, the measures of the various indicators cannot be looked at in isolation, but require interpretation in context. Ultimately, evaluations will provide facts and findings on the CAP's performance.

The extent to which the impact of policy actions can be assessed depends on the timing and nature of the evaluations which are set out in the legal basis, and often on the data availability and quality as provided by the Member States and other partners or organisations. The Commission relies on the development of big data and ICT to be able e.g. to geolocalise environmental and climate commitments supported with the CAP, allowing for a more accurate assessment of their impact. The Commission plans to publish in 2023 a mapping of the CAP strategic plans accompanied with a first assessment.

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