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Protecting the EU's financial interests: towards performance-based controls of the CAP


The European Parliament,

– having regard to the Treaty on the Functioning of the European Union,

– having regard to Opinion No 1/2012 of the European Court of Auditors on certain proposals for regulations relating to the common agricultural policy for the period 2014-2020,

– having regard to Opinion No 2/2004 of the European Court of Auditors on the single audit model,

– having regard to Special Report No 16/2013 of the European Court of Auditors, entitled ‘Taking stock of ‘single audit’ and the Commission’s reliance on the work of national audit authorities in cohesion’,

– having regard to the 2013 annual activity report of the Directorate-General for Agriculture and Rural Development,

– having regard to Rule 52 of its Rules of Procedure,

– having regard to the report of the Committee on Budgetary Control and the opinion of the Committee on Agriculture and Rural Development (A8-0240/2015),

A. whereas over the two rounds of common agricultural policy (CAP) reforms the rules have become more diverse and complex;

B. whereas more complex rules lead to more errors on the ground;

C. whereas the objectives of the CAP have to be fulfilled, while mutual understanding and trust between all the EU institutions and national and regional bodies must be ensured for the effective implementation of the CAP;
D. whereas a more effective and efficient CAP reform requires simplification and less bureaucracy in order to meet the CAP’s objectives;

E. whereas the cost of controls and of providing advice to stakeholders and farmers is currently estimated at EUR 4 billion annually at Member State level, and is likely to rise, as could error rates, with the implementation of the latest CAP reform, in particular the introduction of ‘greening’ measures;

F. whereas the 2013 reform has resulted in significant changes in the data required from farmers to accompany applications and justify claims, with new requirements which risk bringing about a higher error rate in the initial learning and adaptation phase;

G. whereas it is important that operators are not burdened with a disproportionate number of inspections;

H. whereas the objectives of the CAP have to be fulfilled, while the mutual understanding and trust between all EU institutions, national and regional bodies have to be ensured for the effective implementation of the CAP;

I. whereas farmers are incentivised to provide services such as landscapes, farmland biodiversity and climate stability even though they have no market value;

J. whereas the cost of controls and providing advice to stakeholders and farmers may be currently estimated at EUR 4 billion at Member State level; emphasises the need to minimise the cost of controls and their bureaucratic burden;

K. whereas performance-based controls may become a useful methodology, while stability and an enabling approach are needed on the part of administrative bodies in order to build trust with final beneficiaries; recalls however that a one-size-fits-all system cannot be imposed on the diverse types and scale of agricultural holdings in the EU;

L. whereas greening measures introduced by the last reform of the common agricultural policy aim to achieve improved agricultural sustainability through the effect of various instruments:

   – simplified and more targeted cross-compliance;

   – the Green Direct Payment and voluntary measures that are beneficial for the environment and climate change in rural development;

M. whereas the Directorate-General for Agriculture and Rural Development¹ judged it was necessary to issue 51 reservations for some paying agencies;

1. Shares the opinion expressed by the European Court of Auditors that ‘the arrangements for the common agricultural policy spending for the period 2014-2020 continue to be complex’²; recalls nonetheless that the complexity of the CAP is due to the diversity of farming in Europe, and that simplification must not result in a dismantling of the instruments that have been adopted;

¹ 2013 Annual Activity Report Directorate General for Agriculture and Rural Development.
² Opinion No 1/2012 of the European Court of Auditors on certain proposals for regulations relating to the common agricultural policy for the period 2014-2020.
2. Calls for a less bureaucratic CAP with a view to reducing the error rate and for instruments to be established which will make it possible to distinguish between error and fraud;

3. Calls for a distinction to be drawn, when use is made of the findings of checks and as regards the possible imposition of penalties, between unintentional omissions and cases of fraud, as omissions do not as a rule cause any financial damage to the taxpayer;

4. Calls for a less bureaucratic CAP that can be implemented and interpreted clearly, with a view to reducing the error rate and to establishing instruments that will make it possible to distinguish between error and fraud, while ensuring that farmers are still able to deliver the vital food production which is at the heart of the policy; believes that continuing to tackle complexity and that streamlining the CAP is one of the key elements for attracting new entrants to agriculture and also for retaining them and their skills so as to ensure a thriving EU agricultural sector in the future; expects strong measures from the better regulation programme in this respect; welcomes the Commission’s decision to extend the deadline for direct payment requests by one month and considers it a step towards reducing the CAP error rate;

5. Urges that clearer guidance be given to both national authorities and farmers in order to reduce the error rate;

6. Supports the Commission’s initiative of simplifying the CAP with immediate examination of measures which can be implemented quickly, as this would benefit farmers, paying agencies, EU institutions and taxpayers; urges also that at the mid-term review, proposals for amendments to the basic legislative act be brought forward for consideration for the reform for the next funding period;

7. Fears that the most likely error rate determined by the Court of Auditors will increase in the common agricultural policy direct payments area during the period 2014-2020, owing in particular to the fact that the next framework for cross-compliance does not yet correspond to a reduction in the level of needless complexity of this policy for the managing authorities or for the beneficiaries;

8. Recalls that Parliament and the Court of Auditors have often stressed the necessity of striking the right balance between less administrative burden and effective financial control;

9. Notes that the costs of the common agricultural policy controls already amount to EUR 4 billion a year and that they concern 50 million transactions with a budget for agriculture of around EUR 58 billion;

10. Welcomes the fact that the Commission is giving priority to a new CAP simplification exercise and that it is proposing, firstly, to simplify a number of delegated and implementing acts;

11. Favours strongly an improvement in the quality and consistency of inspections rather than an increase in the number of controls in agriculture by the Member States, the Commission and the Court of Auditors;

12. Emphasises also that controls are a guarantee that money from the EU budget earmarked for the funding of CAP instruments is being properly spent;
13. Recalls that the objective of the single audit scheme is to put in place a single chain of audits from the final beneficiaries to the European Union institutions;

14. Finds regrettable that the single audit scheme is not yet effective and that control systems set up by the Member States do not function to their full potential; reminds the Member States of their responsibility to provide the effective first level of controls while minimising the burden on farmers, and of the existing options for introducing flexibility when organising controls;

15. Encourages the Commission and the Member States, as a guideline, to find ways to optimise and combine CAP-related inspections so that chosen beneficiaries would, whenever possible, be subjected to only one round of controls annually;

16. Stresses that according to the annual report of the European Court of Auditors for the financial year 2013:

(a) the most likely error in the direct payments area would have been 1.1% lower, and thus relatively close to the materiality threshold of 2%, if national authorities had used the information available to them to prevent, detect and correct those errors at least partially;  
(b) the most likely error rate would have been reduced to 2% in rural development if the national authorities had used all the information available to them to prevent, detect and correct errors;  

17. Deplores the fact that the Commission had to correct upwards the error rates communicated by 42 out of 68 paying agencies with a residual error rate above 2%, despite the fact that almost all the paying agencies for the direct payments were accredited and certified by the certifying authorities and despite the fact that 79 of the 82 statements of assurance made by the paying agencies received an unqualified opinion from the certification bodies in 2013;

18. Expects that the new mission assigned to the certification bodies by Regulations (EU, Euratom) No 966/2012 and (EU) No 1306/2013 will improve the reliability of the data communicated by the Member States as regards their management of the EU agricultural funds;

19. Calls on the Commission to amend the guidelines for certification bodies in order to verify more closely the compilation of statistical reports;

20. Reiterates its demand to the Commission to draft proposals with a view to sanctioning false or incorrect reporting by paying agencies, including the three following dimensions, namely inspection statistics, statements by the paying agencies, and the work carried out by the certification bodies; asks that the Commission be empowered to withdraw the accreditation of the paying agencies in cases of grave misrepresentations;

21. Expects the Commission to urgently make full use of the process of simplification of the CAP, especially with regard to the burdensome and complex regulations governing cross-compliance and greening which ultimately impacts upon farmers across Europe;

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1 See 2013 ECA annual report, point 3.8.  
2 See 2013 ECA annual report, point 4.8.
22. Supports the Commission’s initiative of simplifying the CAP through the immediate consideration of measures which can be implemented quickly, as this would benefit farmers, paying agencies, EU institutions and taxpayers; urges also that proposals for amendments to the basic legislative act be brought forward; calls on the Commission to come forward with concrete proposals for simplifying the CAP, taking into consideration the feedback from stakeholders in the agricultural sector;

23. Advocates the reinforcement and stronger implementation of the single audit through the coordination of the control activities carried out by the various institutions, and calls for the administrative burden arising from audits to be lightened so that farmers are not subjected to different visits on separate occasions by the bodies responsible or to excessive or multiple controls by the Commission and the Court of Auditors in the same year, under any and all regulations, which would thus reduce the burden on farmers by decreasing the number of inspections; calls for the bundling of the audit tasks and controls carried out by certifying bodies and other Member State bodies; notes that the advice given by both national authorities and the Commission in guidelines to farmers for implementing the CAP is often contradicted by the assessment criteria used by the Court of Auditors, resulting in fines that are both disproportionate and unexpected;

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

25. Reminds the Commission that the risk of unintentional errors owing to complex regulation is in the end borne by the beneficiary; calls for a reasonable, proportional and effective policy on sanctions to support this approach, such as avoiding double sanctioning for the same error under both the payment scheme and cross-compliance;

26. Believes that, in order to ensure smooth project implementation, payments should not be interrupted when minor and/or clerical errors are identified;

27. Requests that the Commission, the Member States and the Court of Auditors further develop risk-based audit strategies factoring in all relevant data, including prior identification of the best/worst performers per policy area;

28. Emphasises that criteria should be developed in order to define which Member States are identified as best/worst performers;

29. Recalls that a large spectrum of Member States can be considered as ‘worst performing’ as regards EU funds management, depending on the policy area concerned;

30. Insists that the definition of performance in respect of controls should be based on a checklist and primarily entail the quality of the Member States’ checks and administrative systems, i.e. the efficiency, consistency and reliability of the managing and certifying authorities;

31. Considers that the best performing Member States in each policy area should be rewarded by a reduction in Union controls;

32. Believes that the development and administration of performance-based controls should in no way become a source of increased uncertainty as regards the security of the EU’s food supply;
33. Calls the best performing Member States to share their experience with the worst performing Member States;

34. Requests that the Commission encourage the exchange of best practices, so as to ensure the smoothest possible controls and the least possible disturbance to farmers;

35. Notes that, in accordance with Article 59(5) of Regulation (EU) No 1306/2013 on the financing, management and monitoring of the common agricultural policy, ‘Member States shall ensure a minimum level of on-the-spot checks needed for an effective management of the risks, and shall increase that minimum level where necessary. Member States may reduce that minimum level where the management and control systems function properly and the error rates remain at an acceptable level’;

36. Asks the Commission to further define the acceptable level referred to in Article 59(5) of Regulation (EU) No 1306/2013 and to initiate a dialogue with Parliament and the European Court of Auditors in this regard;

37. Encourages the Member States to develop further e-government initiatives aimed at reducing the error rate by preventing mistakes in the application phase as a mid- to long-term objective; calls upon the Commission and the Member States to respect the target date, as provided for in Article 122(3) of the Common Provision Regulation, to switch to e-cohesion in project application, management and control; believes that full data transparency and accessibility are essential to prevent and combat any abuse; calls in this connection on the Commission to make mandatory the publication of documentation provided by all beneficiaries;

38. Believes that complete fast broadband coverage of rural areas, with significant awareness-raising and training in its use, will be an essential tool in enabling all farmers to benefit from the newest CAP application and claims systems;

39. Calls for further efforts to reduce the complexity of application systems and forms for farmers, and favours the increased use of e-government technology by the Member States in order to forestall errors in the application process, which will require broadband internet access for beneficiaries; encourages the Commission to create a programme to help educate older farmers; stresses the robust investments in broadband networks in rural areas and calls on the Member States to strive towards the digitisation of the application process; recalls that the reliable implementation of e-government technologies requires the Member States to develop, finance or co-finance such technology;

40. Calls on the Member States to implement digitisation programmes as regards the relationship between government and agricultural holdings, with a view to obtaining a ‘single farm file’ involving the integrated and synchronous management of crop data; takes the view that such a simplification would aggregate items that are currently managed separately (crop plans, individual insurance plans and logbooks), as farms would make a single declaration that would then be shared between government departments, which would lead to greater efficiency in checks by those departments and thus to a reduced risk of payment errors and to the streamlining of controls;

41. Calls on Member States to ensure that the governmental/regional bodies dealing with the new CAP implementation communicate and work together effectively to the benefit of farmers implementing the policy on the ground;
42. Considers the long-term potential benefits of developing and adopting industrial internet-based solutions in both farming and controls, especially as regards integrated solutions for beneficiaries and paying agencies, to be numerous; expects this to impact positively on the consistency, reliability and cost-efficiency of controls; urges the Commission to adopt and execute pilot projects in this field; recalls that this approach is dependent on Member State commitment to delivering fast broadband connections to rural areas throughout the EU;

43. Invites the Commission to cooperate with all relevant stakeholders, including, but not limited to, the Court of Auditors, the Member States and the beneficiaries’ organisations, in preparing a long-term strategy that would seek to address non-policy related ways of keeping the burden on beneficiaries and inspectors from increasing further following future CAP reforms and changes to the basic acts;

44. Asks the Commission to respect the principle of controllability already in force in rural development when drafting, in accordance with Article 46 of Regulation (EU) No 1307/2013, a proposal for a legislative act relating to the Ecological Focus Area;

45. Asks the Commission to address the issue of the reduction of the minimum level of controls foreseen in Article 59 of Regulation (EU) No 1306/2013 in the evaluation report foreseen in Article 110 of this same regulation on monitoring and evaluation of the CAP;

46. Asks the Commission to draft a communication on the possibility of introducing performance-based management systems in all areas of the CAP, especially in the investment part of rural development, in order to initiate a debate with all the stakeholders with a view to introducing this principle in EU legislation;

47. Instructs its President to forward this resolution to the Commission, the Council, the European Council and the governments and parliaments of the Member States.