



2015

Annual Activity Report

**Directorate General
for Agriculture and
Rural Development**

Annexes



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ANNEX 1: Statement of the Internal Control Coordinator

I declare that in accordance with the Commission's communication on clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission¹, I have reported my advice and recommendations to the Director-General/Executive Director on the overall state of internal control in the DG/Executive Agency.

I hereby certify that the information provided in Section 2 of the present AAR and in its annexes is, to the best of my knowledge, accurate and exhaustive.

29 April 2016

[signed]

Rudolf MÖGELE
Internal Control coordinator

¹ Communication to the Commission: Clarification of the responsibilities of the key actors in the domain of internal audit and internal control in the Commission; SEC(2003)59 of 21.01.2003.

ANNEX 2: Human and financial resources

Human Resources by ABB activity				
Code ABB Activity	ABB Activity	Establishment Plan posts	External Personnel	Total
05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	129	7.46	136.46
05 03	Direct aid aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	78	6.88	84.88
05 04	Rural development	218	39.58	257.58
05 05	Instrument for Pre-Accession Assistance — Agriculture and Rural Development	8	5.25	13.25
05 06	International aspects of the 'Agriculture and rural development' policy area	81	10.75	91.75
05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	117	15.25	132.25
05 08	Management of the Directorate-General for agriculture and rural development	239	19.88	258.88
05 09	Horizon 2020 — Research and innovation related to agriculture	12	2.33	14.33
05 AWBM 01	Management of the Directorate-General for agriculture and rural development	98	12.42	110.42
Total		980	119.79	1099.79

General remark: the above data rely on the snapshot of Commission personnel actually employed in each DG/service as of 31 December of the reporting year. These data do not necessarily constitute full-time-equivalents throughout the year.

Global envelope

		MONTANTS DEGAGES	LIGNE MERE	MISSIONS	REPRES ENTATION	REUNIONS	CONFERE NCES	COMITES	ETUDES	INFORMATI QUE	FORMATIO N	Total		Perte en crédits	% perte	% exécution	% d'annula tion
C1	CREDIT		115.847,49	2.178.016,00	10.000,00	1.800.000,00	131.027,22	2.250.000,00	209.825,00	19.933,16	312.685,13	7.027.334,00					
C1	EXECUTION			2.178.016,00	10.000,00	1.800.000,00	131.027,22	2.250.000,00	209.825,00	19.933,16	312.685,13	6.911.486,51	C1	115.847,49	1,65%	98,35%	
C8	ENGAGEMENT	0		271.815,28	6.620,07	612.517,25	5.878,15	869.439,99	209.825,00	19.933,16	137.377,64	2.133.406,54					
C8	PAIEMENT			155.362,61	2.255,98	474.084,25	2.777,02	721.747,41	209.825,00	19.933,16	115.931,04	1.701.916,47	C8	431.490,07	20,23%	79,77%	
	PERTE C8/Poste			116.452,67	4.364,09	138.433,00	3.101,13	147.692,58	0	0	21.446,60	431.490,07		547.337,56			7,79%

		FMC	Crédits	Engagement	Paiement	% EXECUTION
05	05.010211.00	AGRI				
05	05.010211.00.01.10	AGRI	2.293.747	2.293.747	2.098.118	
05	05.010211.00.01.30	AGRI	10.000	10.000	8.268	
05	05.010211.00.02.20	AGRI	1.790.000	1.790.000	1.256.075	
05	05.010211.00.02.40	AGRI	84.217	84.217	79.088	
05	05.010211.00.03	AGRI	1.875.704	1.875.704	1.308.454	
05	05.010211.00.04	AGRI	286.694	286.694		
05	05.010211.00.05	AGRI	54.809	54.809		
05	05.010211.00.06	AGRI	266.751	266.751	145.945	
05 Total			6.661.921	6.661.921	4.895.947	100,00%

ANNEX 3: Draft annual accounts and financial reports

1. Financial reports

1.1 Commitments and payments (tables 1 and 2)

Expenditure	Commitments			Payments		
	Crédits	Exécution		Crédits	Exécution	
Direct expenses	97,114,540.28	89,634,491.67	92.30%	105,439,578.97	80,299,527.77	76.16%
FEAGA	46,229,892,368.13	44,883,460,321.82	97.09%	46,229,892,368.13	44,883,460,321.82	97.09%
shared Mgt						
Rural Development	20,499,267,610.91	20,121,535,985.19	98.16%	11,813,416,578.86	11,780,683,717.18	99.72%
shared Mgt						
Preadhesion	183,872,121.23	168,000,000.00	91.37%	201,901,687.16	201,901,687.16	100.00%
shared / decentr Mgt						
TOTAL	67,010,146,640.55	65,262,630,798.68	97.39%	58,350,650,213.12	56,946,345,253.93	97.59%

Overall, in 2015, execution rate of commitments appropriations of DG AGRI has increased from 79,41% in 2014 to 97,39% in 2015, reaching almost its level of 2013. The execution rate of payments appropriations has globally remained unchanged (97,64% in 2014 compared to 97,59% in 2015). The total amount **committed** in 2015 amounts **EUR 65.262,6** million and the total amount **paid** in 2015 amounts **EUR 56.946,3** million.

- With regard to « shared management expenditure » for rural development, the amount committed in 2015 was EUR 20.121,5 million (EUR 3.294,7 million in 2014), representing 98,16% of the available appropriations. The amount paid in 2015 was EUR 11.780,7 (EUR 11.178,9 million in 2014), representing 99,72% of the available appropriations.
- For pre-accession aid for rural development, EUR 168 million was committed in 2015 (nothing in 2014) representing 91,37% of the available appropriations. EUR 201,9 million was paid in 2015 (compared to 158,7 in 2014), representing 100% of the available appropriations.
- With regard to « shared management expenditure » for EAGF, the amount committed and paid in 2015 was EUR 44.883,5 million (44.247,5 in 2014), i.e. 97,09% of the available appropriations.
- With regard to « direct management expenditure », the amount committed in 2015 was EUR 89.6 million (79,6 in 2014) representing 92,30% of the available appropriations. The amount paid was 80,3 million EUR (64,5 in 2014), i.e. 76,16% of the available appropriations.

1.2 Unused balance of Commitments (table 3)

Circuits	RAL
Direct expenses	66,148,636.78
FEAGA	0.00
shared Mgt	
Rural Development	24,630,835,580.56
shared Mgt	
Preadhesion	584,059,579.42
shared / decentr Mgt	
TOTAL	25,281,043,796.76

The unused balance on commitments, commonly known as budgetary RAL (Reste à liquider), was **EUR 25.281 million** at the end of 2015 (17.250,5 million in 2014), of which EUR 24.630,8 million relates to rural development, EUR 584.1 million to pre-accession aid and EUR 66,1 million to direct management expenditure.

1.3 Payment time limits (table 6a/b)

As far as payment time limits are concerned, there was a consolidation of the progress of last years:

- For «direct management expenditure » (see table 6a), the average delay remains stable at 13 days (13 days in 2014). 28 payments were made beyond the allowed payment time limit (24 payments in 2014), which represents 2,9% of the total number of payments (2,7% in 2014).
- For « rural development » (see table 6b), the level of payment delays remains at a high level in 2015. 123 payments were made beyond the allowed payment time limit (177 in 2014) which represents 21,4% of the total number of payments. The average delay has slightly decreased at 38 days (42 days in 2014).

1.4 Revenue and income

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
	1	2	3=4+2	4	5	6=4+5	7=3-6
52	3,664,572.40	-	3,664,572.40	3,664,572.40	-	3,664,572.40	-
61	14,617,721.79	10,672,882.64	25,290,604.43	14,617,721.79	6,013,563.12	20,631,284.91	4,659,319.52
65	37,726,627.40	11,885,424.05	49,612,051.45	34,401,463.04	981,595.64	35,383,058.68	14,228,992.77
67	1,963,709,945.57	1,139,865.67	1,964,849,811.24	1,871,689,659.87	1,139,865.67	1,872,829,525.54	92,020,285.70
90	7,770.12	-	7,770.12	7,770.12	-	7,770.12	-
Total DG AGRI	2,019,726,637.28	23,698,172.36	2,043,424,809.64	1,924,381,187.22	8,135,024.43	1,932,516,211.65	110,908,597.99

The total income recognised for DG AGRI corresponds to **EUR 2.043,4 million** in 2015, while the amount cashed is EUR 1.932,5 million. At the end of 2015, EUR 110,9 million is therefore still owed to DG AGRI (EUR 27,8 million in 2014).

The revenue in 2015 concerning the EAGF and EAFRD funds amounts EUR 1.963,7 million, of which EUR 1.709,0 million for EAGF and EUR 254.7 million for EAFRD. An additional amount of EUR 1.139,9 million is carried-over from previous year.

The budgetary regularised income for EAGF corresponds to a total amount of EUR 1.631,6 million in 2015 (EUR 1.014,2 million in 2014) of assigned revenue under EAGF linked to milk levies, irregularities, conformity clearance². An additional amount of EUR 77,4 million still have to be recovered at year-end.

With regard to the « ageing balance of recovery orders » at 31.12.2015, no movement was registered for old recovery orders issued between 1998 and 2004 (-1,2% in 2014, -0,2% in 2013; -3% in 2012; -5% in 2011).

Annexes:

Table 1a&1b: Commitments

Table 2a&2b: Payments

Table 1/2: Financial circuits (commitments – payments-RAL)

Table 3a&3b : Commitments to be settled (RAL)

Table 4: Balance sheet

Table 5: Economic Outturn Account

Table 6a/6b: Average Payment Time Limits (Rural development and Direct expenses)

Table 7: Income

Table 8: Recovery context

Table 9: Ageing balance of Recovery Orders

Table 10: Waivers of Recovery Orders

Tableau 11: Negotiated Procedures

Tableau 12: Summary of Contracts

Table 13: Building Contracts

Table 14: Secret Contracts

Table 15: Allocation of financial resources according to ABB activity

2. Draft annual accounts

2.1 Accounting principles and methods

The annual accounts of DG AGRI have been prepared in accordance with the generally accepted accounting principles. Estimates have been made, where necessary, in accordance with the methodology agreed upon with the services of the Accountant of the European Commission.

It should be noted that the balance sheet and economic outturn account of Directorate General, presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear.

Other items not included are:

² This amount includes EUR 1.066,6 million for income line 6701 (clearance), EUR 155,5 million for income line 6702 (irregularities), EUR 409,6 million for income line 6703 (milk).

- the intangible assets (IT software bought externally) or the tangible fixed assets (hardware, technical equipment, office furniture, buildings) declared/recorded by DG DIGIT and by OIB respectively;
- personnel and management expenses which are managed centrally;
- the appropriation of the net result of the year and of prior years, except for the opening balance in 2005. As the accumulated result of the Commission is not split amongst the various Directorates-General, the balance sheet presented here is not in equilibrium.

Additionally, the figures included in tables 4 and 5 are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

2.2 Acronyms

EAGF: European Agricultural Guarantee Fund;

EAFRD: European Agriculture Fund for Rural Development;

EAGGF : European Agricultural Guarantee and Guidance Fund.

2.3 Balance Sheet

TABLE 4 : BALANCE SHEET

BALANCE SHEET	2015	2014
A.I. NON CURRENT ASSETS	4,744,734,690.82	1,790,192,113.93
A.I.1. Intangible Assets	6,630,602.17	5,191,357.03
A.I.5. LT Receivables	856,472,779.35	1,157,867,910.07
A.I.6. Non-Current Pre-Financing	3,881,631,309.30	627,132,846.83
A.I.7. OLD LT Pre-Financing	-	-
A.II. CURRENT ASSETS	4,102,138,574.55	7,444,330,766.32
A.II.2. Current Pre-Financing	1,311,961,079.37	5,472,966,891.79
A.II.4. Exchange Receivables	27,785,236.66	15,954,572.61
A.II.5. Non-Exchange Receivables	2,762,392,258.52	1,955,409,301.92
ASSETS	8,846,873,265.37	9,234,522,880.25
P.II. NON CURRENT LIABILITIES	(129,180,308.55)	(64,577,448.80)
P.II.2. Long-term provisions	(129,180,308.55)	(64,577,448.80)
P.III. CURRENT LIABILITIES	(62,533,823,852.65)	(58,458,589,628.22)
P.III.4. Accounts Payable	(9,273,761,512.33)	(11,373,276,163.82)
P.III.5. Accrued charges and deferred income	(53,260,062,340.32)	(47,085,313,464.40)
LIABILITIES	(62,663,004,161.20)	(58,523,167,077.02)
NET ASSETS (ASSETS less LIABILITIES)	(53,816,130,895.83)	(49,288,644,196.77)
P.I.2. Accumulated Surplus / Deficit	113,738,292,917.78	57,532,172,886.62
Non-allocated central (surplus)/deficit*	(59,922,162,021.95)	(8,243,528,689.85)
TOTAL	0.00	0.00

Assets

Non-current assets

Non-Current pre-financing: it concerns mainly shared management expenditure but also indirect management. For shared management it includes 2.170.239.359,79€ pre-financing paid in 2014 and 2015 to Member States for the financing period 2014-2020 (EAFRD) for which the period of settlement exceeds one year and 1.006.296.567,55€ to be recovered from Member States at the closure of the financing period 2007-2013 (EAFRD), which is expected to happen in 2017 at the earliest. It also includes 591,027,646.49€ advances paid by Member States to beneficiaries and reimbursed from EAFRD and EAGF funds.

Long-term receivables: it concerns not yet executed clearance decisions under shared management (EAGF and EAFRD). The period of settlement exceeds one year.

Current assets

Current pre-financing: the big decrease compared to 2014 is due to the use (and clearing) in 2015 – effective and/or estimated - of most of the open pre-financing before the expiring of the eligibility period at 31/12/2015 of the financing period 2007-2013 (EAFRD). More than 99 % of the amount in this item relates to shared management and indirect management expenditure. Concerning the closure of the rural development and pre-accession programmes under the EAGGF Guidance section (2000-2006 programming period), the period of settlement does, in principle, not exceed one year.

Non-Exchange receivables: EUR 2.790,2 million are owed to DG AGRI by Member States (99%) and by private organisations (1%). The amount owed by Member States (EUR 2.762,3 million) concerns non-exchange transactions; it includes mostly amounts to be recovered under EAGF, EAFRD and EAGGF Guidance section, TRDI and Sapard (financing period 2000-2006) for irregularities committed by final beneficiaries and detected by the Member States (for EUR 1.760,3 million); a value reduction of EUR -1.008,6 million has been applied to these receivables. It also includes the short term amount of the not yet executed clearance decisions under EAGF and EAFRD of EUR 1.069,8 million and the Agricultural levies for Milk of EUR 810,7 million and 34.9 million irregularities declared by Member States but not yet collected by the Commission.

Liabilities

Non-current liabilities

Long-term provisions: this amount mainly relates to the estimate of potential future expenses resulting from court cases awaiting judgement.

Current liabilities

Accounts payable: this item concerns amounts payable to private firms and to Member States. 99% of accounts payable relates to amounts payable to Member States under EAGF, EAGGF Guidance section (2000-2006) and EAFRD. It includes amounts already requested by Member States but not yet paid.

Accrued charges: this item includes an estimate of the amounts which Member States and other beneficiaries are entitled to claim (accrued charges).

The total short-term liabilities remain quite stable compared to 2014 with an increase of about 7%.

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2015	2014
II.1 REVENUES	(2,266,234,842.10)	(2,694,814,567.93)
II.1.1. NON-EXCHANGE REVENUES	(2,264,173,039.64)	(2,693,793,568.49)
II.1.1.5. RECOVERY OF EXPENSES	(1,399,221,822.40)	(2,190,681,126.81)
II.1.1.6. OTHER NON-EXCHANGE REVENUES	(864,951,217.24)	(503,112,441.68)
II.1.2. EXCHANGE REVENUES	(2,061,802.46)	(1,020,999.44)
II.1.2.1. FINANCIAL INCOME	(2,061,802.46)	(2,687,708.59)
II.1.2.2. OTHER EXCHANGE REVENUE	-	-
II.2. EXPENSES	61,846,619,850.61	58,900,934,599.09
II.2. EXPENSES	61,846,619,850.61	58,900,934,599.09
II.2.1. EXP IMPLM BY MEMBER STATES (SHARED)	61,568,758,931.26	58,510,990,826.38
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	33,302,817.97	30,879,244.57
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	92,970,096.62	315,827,878.24
II.2.6. STAFF AND PENSION COSTS	(1,054,712.96)	(1,028,179.94)
II.2.8. FINANCE COSTS	16,270,975.24	24,834,265.24
II.2.10. OTHER EXPENSES	133,772,679.84	19,430,564.60
II.1.2.2. OTHER EXCHANGE EXPENSES	2,599,062.64	1,666,709.15
STATEMENT OF FINANCIAL PERFORMANCE	59,580,385,008.51	56,206,120,031.16

Surplus/Deficit from activities

Exchange and Non-Exchange Revenue

Almost all of the revenue result from non-exchange transactions, which amounts to EUR 2.264,17 million; it corresponds to recovery of expenses of EUR 1.399,2 million due to - irregularities (EUR 138,7 million) or - financial and conformity clearance decisions (EUR 1.260,58 million), and to other non-exchange revenues of EUR 864,95 million, including the revenue generated by agricultural milk levies (EUR 813,7 million).

Expenses:

99,6% of the expenses relate to shared management expenditure comprising EAGF, EAFRD, EAGGF Guidance section, SAPARD and IPARD:

Under the heading "II.2.1 "Expenses implemented by MS" the EAGF amount corresponds to EUR 45.010,4 million;

The amount for SAPARD-EAGGF Guidance section 2000-2006 and EAFRD under shared management corresponds to EUR 16.363,5 million;

Furthermore reimbursements included in financial and conformity clearance decisions amount EUR 194,4 million, while EUR 37,1 million corresponds to the net write-down and -back in 2015 related to receivables from Member-States due to irregularities.

IPARD under decentralised management amounts to EUR 92,97 million.

Annex 3 Financial Reports - DG AGRI - Financial Year 2015

Table 1: Commitments

Table 2: Payments

Table 3: Commitments to be settled

Table 4: Balance Sheet

Table 5: Statement of Financial Performance

Table 6: Average Payment Times

Table 7: Income

Table 8: Recovery of undue Payments

Table 9: Ageing Balance of Recovery Orders

Table 10: Waivers of Recovery Orders

Table 11: Negotiated Procedures (excluding Building Contracts)

Table 12: Summary of Procedures (excluding Building Contracts)

Table 13: Building Contracts

Table 14: Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2015 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	22,2132712	21,5844529	97,17 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2869,354	2666,88714	92,94 %
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	43311,90037	42168,038	97,36 %
	05 04	Rural development	20514,08424	20132,767	98,14 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	183,8721212	168	91,37 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,675	3,88881903	83,18 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	51,023	51,0099136	99,97 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	52,683725	50,4554296	95,77 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	0,34091179	0	0,00 %
Total Title 05			67010,14664	65262,6308	97,39%
Total DG AGRI			67010,14664	65262,6308	97,39 %

* Commitment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous commitment appropriations for the period (e.g. internal and external assigned revenue).

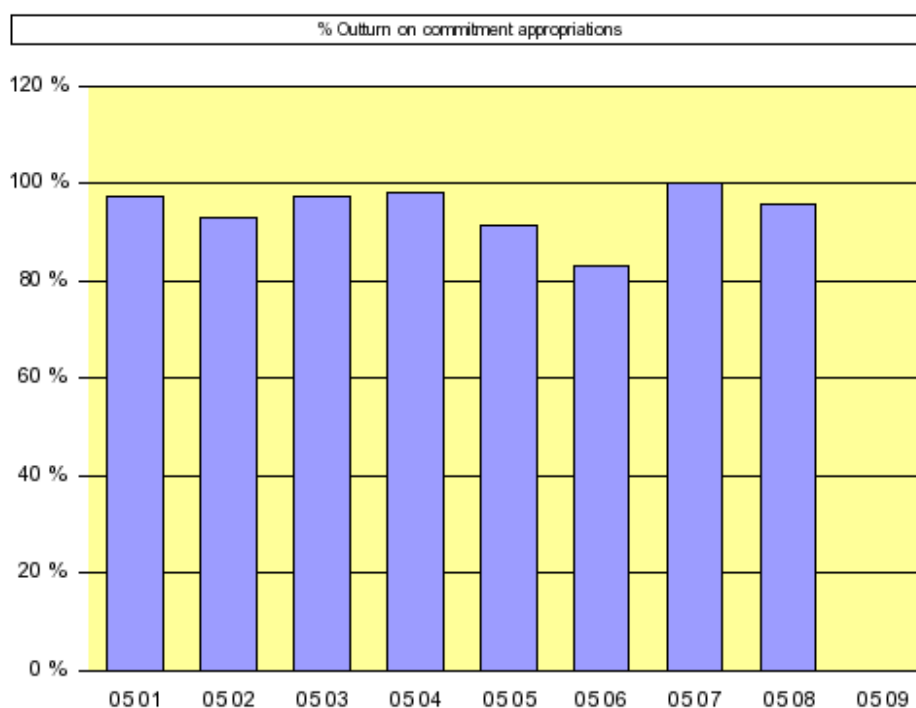


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2015 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	31,82426882	20,3066492	63,81 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2868,952581	2666,485413	92,94 %
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	43311,90037	42168,03803	97,36 %
	05 04	Rural development	11823,31831	11788,33559	99,70 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	201,9016872	201,9016872	100,00 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	3,88882	3,88881903	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	51,023	51,00991358	99,97 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	57,50026371	46,37915413	80,66 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	0,34091179	0	0,00 %
Total Title 05			58350,65021	56946,34525	97,59%
Total DG AGRI			58350,65021	56946,34525	97,59 %

* Payment appropriations authorised include, in addition to the budget voted by the legislative authority, appropriations carried over from the previous exercise, budget amendments as well as miscellaneous payment appropriations for the period (e.g. internal and external assigned revenue).

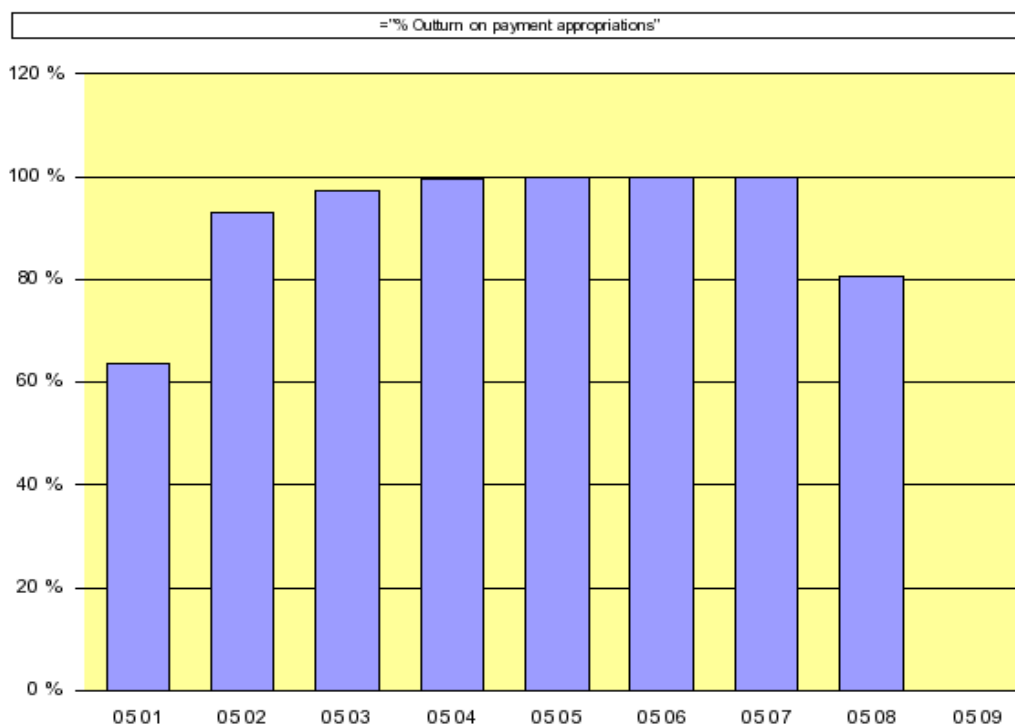


Table 1-2: Execution 2015

Expenditure								
	Commitments			Payments			Circuits	RAL
	<i>Crédits</i>	<i>Exécution</i>		<i>Crédits</i>	<i>Exécution</i>			
Direct expenses	97.114.540,28	89.634.491,67	92,30%	105.439.578,97	80.299.527,77	76,16%	Direct expenses	66.148.636,78
FEAGA	46.229.892.368,13	44.883.460.321,82	97,09%	46.229.892.368,13	44.883.460.321,82	97,09%	FEAGA	0,00
shared Management							shared Mgt	
Rural Development	20.499.267.610,91	20.121.535.985,19	98,16%	11.813.416.578,86	11.780.683.717,18	99,72%	Rural Development	24.630.835.580,56
shared Management							shared Mgt	
Preadhesion	183.872.121,23	168.000.000,00	91,37%	201.901.687,16	201.901.687,16	100,00%	Preadhesion	584.059.579,42
shared/decentralised Management							shared / decentr Mgt	
TOTAL	67.010.146.640,55	65.262.630.798,68	97,39%	58.350.650.213,12	56.946.345.253,93	97,59%	TOTAL	25.281.043.796,76

NB : En SAP le montant des crédits de paiements correspond à 58.349.646.860,44 et non 58.350.650.213,12 comme dans le rapport BO.
La différence de 1.003.352,68 correspond aux montants decommitted C8 des crédits non-dissociés (1.017.018,02 + 1 différence non matérielle de -13.665,34).

TABLE 3: BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2015 (in Mio €)

Chapter		2015 Commitments to be settled				Commitments to be settled from financial years previous to 2015	Total of commitments to be settled at end of financial year 2015(incl corrections)	Total of commitments to be settled at end of financial year 2014(incl. corrections)	
		Commitments 2015	Payments 2015	RAL 2015	% to be settled				
		1	2	3=1-2	4=1-2/1	5	6=3+5	7	
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	21,50799776	11,49	10,02015041	46,59 %	0,00	10,02	9,61
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2730,119265	2728,96	1,15559876	0,04 %	0,47	1,63	1,33
	05 03	Direct aids aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	47832,64819	47832,65	0	0,00 %	0,00	0,00	0,00
	05 04	Rural development	20134,07942	3997,92	16136,16133	80,14 %	8.505,28	24.641,44	16548,24
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	168	0,00	168	100,00 %	416,06	584,06	645,68
	05 06	International aspects of the 'Agriculture and rural development' policy area	3,88881903	3,89	0	0,00 %	0,00	0,00	0,00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	51,08214417	51,08	0	0,00 %	0,00	0,00	0,00
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	50,45542956	20,76	29,69651659	58,86 %	14,20	43,89	41,97
Total Title 05			70991,78126	54646,75	16345,03359	23,02%	8936,010205	25281,0438	17246,8263
Total DG AGRI			70991,78126	54646,75	16345,03359	23,02 %	8936,010205	25281,0438	17246,8263

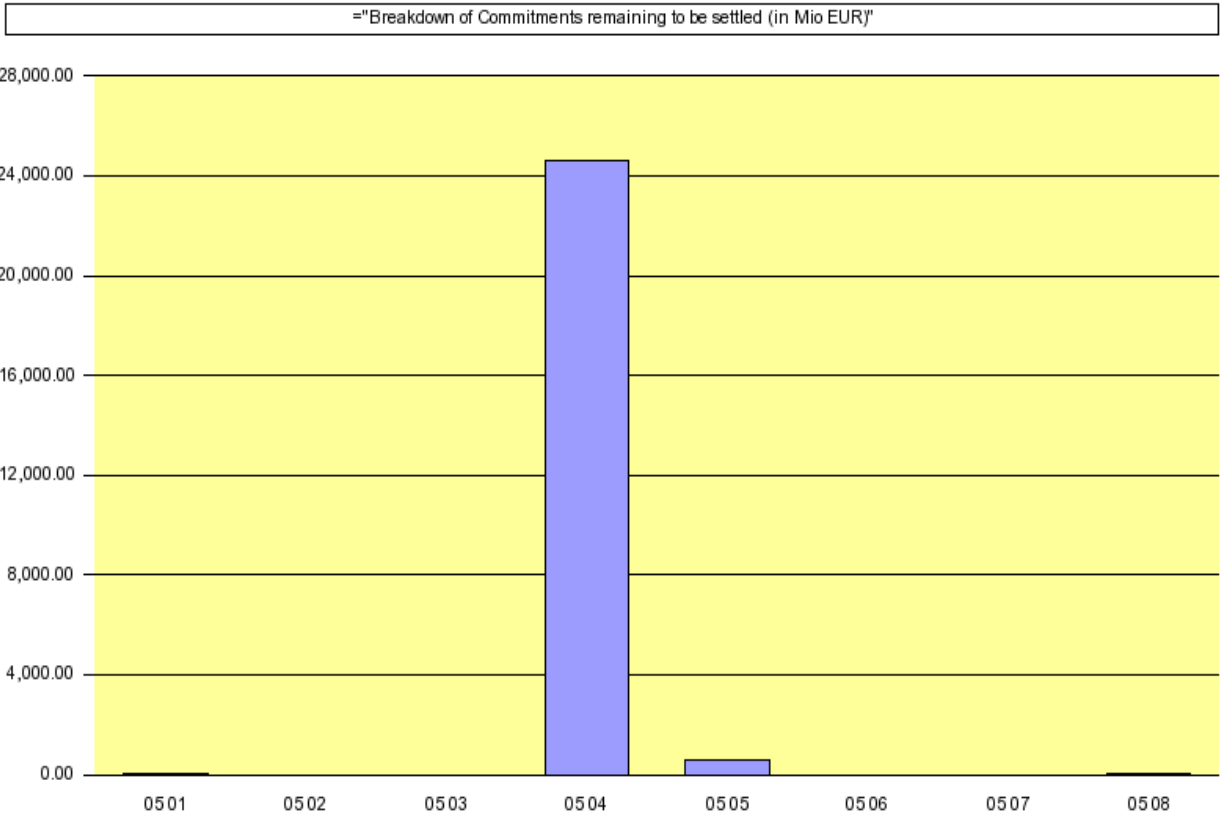


TABLE 4 : BALANCE SHEET

BALANCE SHEET	2015	2014
A.I. NON CURRENT ASSETS	4.744.734.690,82	1.790.192.113,93
A.I.1. Intangible Assets	6.630.602,17	5.191.357,03
A.I.5. LT Receivables	856.472.779,35	1.157.867.910,07
A.I.6. Non-Current Pre-Financing	3.881.631.309,30	627.132.846,83
A.I.7. OLD LT Pre-Financing	-	-
A.II. CURRENT ASSETS	4.102.138.574,55	7.444.330.766,32
A.II.2. Current Pre-Financing	1.311.961.079,37	5.472.966.891,79
A.II.4. Exchange Receivables	27.785.236,66	15.954.572,61
A.II.5. Non-Exchange Receivables	2.762.392.258,52	1.955.409.301,92
ASSETS	8.846.873.265,37	9.234.522.880,25
P.II. NON CURRENT LIABILITIES	(129.180.308,55)	(64.577.448,80)
P.II.2. Long-term provisions	(129.180.308,55)	(64.577.448,80)
P.III. CURRENT LIABILITIES	(62.533.823.852,65)	(58.458.589.628,22)
P.III.4. Accounts Payable	(9.273.761.512,33)	(11.373.276.163,82)
P.III.5. Accrued charges and deferred income	(53.260.062.340,32)	(47.085.313.464,40)
LIABILITIES	(62.663.004.161,20)	(58.523.167.077,02)
NET ASSETS (ASSETS less LIABILITIES)	(53.816.130.895,83)	(49.288.644.196,77)
P.I.2. Accumulated Surplus / Deficit	113.738.292.917,78	57.532.172.886,62
Non-allocated central (surplus)/deficit*	(59.922.162.021,95)	(8.243.528.689,85)
TOTAL	0,00	0,00

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE

STATEMENT OF FINANCIAL PERFORMANCE	2015	2014
II.1 REVENUES	(2.266.234.842,10)	(2.694.814.567,93)
II.1.1. NON-EXCHANGE REVENUES	(2.264.173.039,64)	(2.693.793.568,49)
II.1.1.5. RECOVERY OF EXPENSES	(1.399.221.822,40)	(2.190.681.126,81)
II.1.1.6. OTHER NON-EXCHANGE REVENUES	(864.951.217,24)	(503.112.441,68)
II.1.2. EXCHANGE REVENUES	(2.061.802,46)	(1.020.999,44)
II.1.2.1. FINANCIAL INCOME	(2.061.802,46)	(2.687.708,59)
II.1.2.2. OTHER EXCHANGE REVENUE	-	-
II.2. EXPENSES	61.846.619.850,61	58.900.934.599,09
II.2. EXPENSES	61.846.619.850,61	58.900.934.599,09
II.2.1. EXP IMPLM BY MEMBER STATES (SHARED)	61.568.758.931,26	58.510.990.826,38
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	33.302.817,97	30.879.244,57
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	92.970.096,62	315.827.878,24
II.2.6. STAFF AND PENSION COSTS	(1.054.712,96)	(1.028.179,94)
II.2.8. FINANCE COSTS	16.270.975,24	24.834.265,24
II.2.10. OTHER EXPENSES	133.772.679,84	19.430.564,60
II.1.2.2. OTHER EXCHANGE EXPENSES	2.599.062,64	1.666.709,15
STATEMENT OF FINANCIAL PERFORMANCE	59.580.385.008,51	56.206.120.031,16

It should be noted that the balance sheet and statement of financial performance presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate General's accounts since they are managed centrally by DG Budget, on whose balance sheet and statement of financial performance they appear. Furthermore, since the accumulated result of the Commission is not split amongst the various Directorates General, it can be seen that the balance sheet presented here is not in equilibrium. Additionally, the figures included in tables 4 and 5 are provisional since they are, at this date, still subject to audit by the Court of Auditors. It is thus possible that amounts included in these tables may have to be adjusted following this audit.

TABLE 6: AVERAGE PAYMENT TIMES FOR 2015 - DG AGRI

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nb of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nb of Late Payments	Percentage	Average Payment Times (Days)
20	1	1	100,00 %	17			
30	893	876	98,10 %	10,52625571	17	1,90 %	37,29411765
45	565	444	78,58 %	24,55630631	121	21,42 %	89,41322314
60	26	23	88,46 %	32,2173913	3	11,54 %	69,66666667
90	46	39	84,78 %	37,35897436	7	15,22 %	95,42857143

Total Number of Payments	1531	1383	90,33 %		148	9,67 %	
Average Payment Time	22,64467668			16,15256688			83,31081081

Target Times							
Target Payment Time (Days)	Total Number of Payments	Nb of Payments within Target Time	Percentage	Average Payment Times (Days)	Nb of Late Payments	Percentage	Average Payment Times (Days)
20	29	19	65,52 %	14,05263158	10	34,48 %	26,2
30	334	68	20,36 %	22,20588235	266	79,64 %	60,13909774

Total Number of Payments	363	87	23,97 %		276	76,03 %	
Average Payment Time	49,68595041			20,42528736			58,90942029

Suspensions							
Average Report Approval Suspension Days	Average Payment Suspension Days	Number of Suspended Payments	% of Total Number	Total Number of Payments	Amount of Suspended Payments	% of Total Amount	Total Paid Amount
0	43	132	8,62 %	1531	1.012.852.399,43	8,70 %	11.637.705.614,16

Late Interest paid in 2015			
DG	GL Account	Description	Amount (Eur)

Table 6a: Average payment time limits – direct expenses

Exercice 2015					
Délais de paiement au 31/12/2015 (circuit dépenses directes)					
Ligne budgétaire	Libellé	Nb paiements	Délai moyen	Trans. clôture. > délai autorisé	
				Nombre transactions > délai autorisé	% sur total transactions
05.021002	Promotion measures - Direct payments by the Union	16	18		
05.010401	Support expenditure for European Agriculture Guarantee Fund (EAGF) - Non-operational technical assistance	314	10	4	1,3 %
05.010503	Other management expenditure for Research and Innovation programmes - Horizon 2020	13	15	1	7,7 %
05.040502	Operational technical assistance				
05.046002	Operational technical assistance	107	12	1	0,9 %
05.060100	International agricultural agreements	3	17		
05.080100	Farm Accountancy Data Network (FADN)	74	15	1	1,4 %
05.080600	Enhancing public awareness of the common agricultural policy	110	31	17	15,5 %
05.080900	European Agricultural Guarantee Fund (EAGF) -Operational technical assistance	79	7		
05.087701	Pilot project - Assessing end-user costs of compliance with Union legislation in the fields of environment, animal welfare and food safety				
05.087708	Pilot project - Exchange programme for young farmers	3	33		
16.016000	Purchase of information	8	17		
05.010201.00.02.20	Assistance technique	5	19		
05.010211.00.01.30	Réceptions	25	13		
05.010211.00.02.40	Conférences	31	10		
05.010211.00.04	Studies and consultations	2	13		
05.010211.00.05	Information and management systems				
05.010211.00.06	Further training and management training	107	11	2	1,9 %
05.010404.11	autres cr.adm.siege	68	8	1	1,5 %
18.010401	Support expenditure for International Security Fund	3	6		
05.010601	Consumer, Health and Food Executive Agency	1	47	1	100,0 %
05.087709	Preparatory action - Union plant and animal genetic resources	2	18		
DG AGRI - direct		971	13	28	2,9 %

Table 6b: Average payment time limits – Rural Development

Exercice 2015							
Délais de paiement et suspensions au 31/12/2015							
Ligne budgétaire	Libellé	NB paiements	Délai moyen	Trans.clôtur.>délai autorisé (45 jours)		Suspensions délai de paiement	
				Nombre trans. >délai autor.	% sut total trans.	Nombre trans. suspensdues	Total jours suspendus
05.040501	FEADER: Programmes 2007-2013	319	52	106	33,2%	13	645
05.0502	IPARD: Programmes 2007-2013	8	109	5	62,5%	0	0
<i>Total système local RDIS (1)</i>		327	53	0	<i>n/a</i>		
05.046001	FEADER: Programmes 2014-2020	247	19	12	4,9%	1	17
<i>Total système local RDIS 2 (2)</i>		247	19,0		71,7%		
05.04 / 05.05	Total Développement rural	574	38,3	123	21,4%		

TABLE 7: SITUATION ON REVENUE AND INCOME IN 2015								
Chapter		Revenue and income recognized			Revenue and income cashed from			Outstanding balance
		Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
		1	2	3=1+2	4	5	6=4+5	7=3-6
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	3.664.572,40	-	3.664.572,40	3.664.572,40	-	3.664.572,40	-
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	14.617.721,79	10.672.882,64	25.290.604,43	14.617.721,79	6.013.563,12	20.631.284,91	4.659.319,52
65	FINANCIAL CORRECTIONS	37.726.627,40	11.885.424,05	49.612.051,45	34.401.463,04	981.595,64	35.383.058,68	14.228.992,77
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1.963.709.945,57	1.139.865,67	1.964.849.811,24	1.871.689.659,87	1.139.865,67	1.872.829.525,54	92.020.285,70
90	MISCELLANEOUS REVENUE	7.770,12	-	7.770,12	7.770,12	-	7.770,12	-
Total DG AGRI		2.019.726.637,28	23.698.172,36	2.043.424.809,64	1.924.381.187,22	8.135.024,43	1.932.516.211,65	110.908.597,99

PS: Les montants du tableau Income de la DG BUDG ont été modifiés pour y inclure la balance des recevables ouverts pour le FEAGA (77.403.396,41€ sur la ligne 67): cette modification est nécessaire car la table initiale n'inclut jamais la situation réelle du FEAGA, mais montre uniquement les montants régularisés qui sont, par définition, toujours recouverts à la fin de l'exercice.

TABLE 8: RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
	Year of Origin (commitment)							
2005					2	14.617.721,79		
No Link	168	292282466,4	168	292.282.466,39	169	292.397.674,33	99,41%	99,96%
Sub-Total	168	292282466,4	168	292.282.466,39	171	307.015.396,12	98,25%	95,20%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									79	6.429.790,27		
NON ELIGIBLE IN COST CLAIMS	1	0,01	14	244.442,38			15	244.442,39	66	160.634.961,15	22,73%	0,15%
CREDIT NOTES	25	112.251,73	11	521.625,95			36	633.877,68	46	717.762,97	78,26%	88,31%
Sub-Total	26	112.251,74	25	766.068,33			51	878.320,07	191	167.782.514,39	26,70%	0,52%
GRAND TOTAL	26	112.251,74	193	293.048.534,72			219	293.160.786,46	362	474.797.910,51	60,50%	0,19%

TABLE 8: RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)

(DG AGRI DIRECT PAYMENT CIRCUIT ONLY)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
Year of Origin (commitment)								
2005					0	0,00		
No Link	0	0	0	0,00	0	0,00	0,00%	0,00%
Sub-Total	0	0	0	0,00	0	0,00	0,00%	0,00%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES	0	0,00	0	0,00			0	0,00	4	88.919,18	0,00%	0,00%
NON ELIGIBLE IN COST CLAIMS	1	0,01	14	244.442,38			15	244.442,39	15	244.442,39	100,00%	100,00%
CREDIT NOTES	25	112.251,73	11	521.625,95			36	633.877,68	46	717.762,97	78,26%	88,31%
Sub-Total	26	112.251,74	25	766.068,33			51	878.320,07	65	1.051.124,54	78,46%	83,56%
GRAND TOTAL	26	112.251,74	25	766.068,33			51	878.320,07	65	1.051.124,54	78,46%	83,56%

**TABLE 8: RECOVERY OF PAYMENTS
(Number of Recovery Contexts and corresponding Transaction Amount)**

(DG AGRI RURAL DEVELOPMENT CIRCUIT ONLY)

INCOME BUDGET RECOVERY ORDERS ISSUED IN 2015	Irregularity		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
Year of Origin (commitment)								
No Link	168	292.282.466,39	168	292.282.466,39	171	307.015.396,12	98,25%	95,20%
Sub-Total	168	292.282.466,39	168,00	292.282.466,39	171	307.015.396,12	98,25%	95,20%

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES	0	0	0	0	0	0	0	0	75	6.340.871,09	0,00%	0,00%
NON ELIGIBLE IN COST CLAIMS	0	0	0	0	0	0	0	0	50	38.542.115,68	0,00%	0,00%
CREDIT NOTES	0	0	0	0	0	0	0	0	0	0,00	0,00%	0,00%
Sub-Total	0	0	0	0	0	0	0	0	125	44.882.986,77	26,70%	0,52%

For expenses workflow no other option than "none" is available for the recovery context

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2015 FOR AGRI

	Number at 01/01/2015	Number at 31/12/2015	Evolution	Open Amount (Eur) at 01/01/2015	Open Amount (Eur) at 31/12/2015	Evolution
1998	1	1	0,00 %	84.690,31	83.708,07	-1,16 %
1999	10	10	0,00 %	7.244.527,00	7.244.527,00	0,00 %
2000	1	1	0,00 %	2.174.832,59	1.850.432,59	-14,92 %
2001	2	2	0,00 %	1.791.203,19	1.725.160,75	-3,69 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1	1	0,00 %	984.454,00	984.454,00	0,00 %
2014	17		-100,00 %	11.830.536,08		-100,00 %
2015		44			95.345.450,06	
	33	60	81,82 %	27.785.108,69	110.908.597,99	299,17 %

TABLE 10: RECOVERY ORDER WAIVERS IN 2015 >= EUR 100.000

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG	
-----------------	--

Number of RO waivers	
-----------------------------	--

TABLE 11: CENSUS OF NEGOTIATED PROCEDURES - DG AGRI - 2015

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		

No data to be reported

TABLE 12a: SUMMARY OF PROCEDURES OF DG AGRI EXCLUDING BUILDING CONTRACTS

Internal Procedures > € 60,000		
Procedure Type	Count	Amount (€)
Open Procedure (Art. 127.2 RAP)	9	4.252.330,00
TOTAL	9	4.252.330,00

For table 12b, see following page.

TABLE 13: BUILDING CONTRACTS

Total number of contracts :

Total amount :

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14: CONTRACTS DECLARED SECRET

Total number of contracts :

Total amount :

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

Table 12b: Open procedures and negotiated procedures > €60 000

AAR 2015 - DG AGRI - Procédures ouvertes et procédures négociées > 60.000 €																	
(classement par date de publication)																	
Contract Local Id	Central Number	AGRI Unit	State	Type	LE	Subject / Purpose	Procedure ID	Procedure Reference	Lot Number	Lot Award Date	Official Journal Reference	Publication date	Amount	Procedure Type	Contract sign date	Abac Commitment n°	
1	AGRI-2015-0162	30-CE-0710700/00-84	E.4	IN FORCE	Direct	Aide à la Décision Economique SA	EVALUATION OF MEASURES FOR AGRICULTURE CARRIED OUT FOR THE OUTERMOST REGIONS (POSEI) AND THE SMALLER AEGEAN ISLANDS	PROC-092098-v1	AGRI-2015-EVAL-12	lot for 30-CE-0710700/00-84	30/04/2015	2014/S 201-353923	18/10/2014	530.700,00	(FR2012) Open Procedure (Art. 127.2 RAP)	01/06/2015	SI2.706567
2	AGRI-2015-0348	30-CE-0743679/00-46	E.4	IN FORCE	Direct	ECORYS Brussels NV	MAPPING AND EVALUATION OF THE IMPLEMENTATION OF THE CAP		AGRI-2015-EVAL-01			2015/S 043-073312	19/02/2015	410.511,00	(FR2012) Open Procedure (Art. 127.2 RAP)	12/10/2015	SI2.714239
3	AGRI-2015-0412	30-CE-0743679/00-44	E.4	IN FORCE	Direct	Arcadia International GEIE	STUDY ON AGRICULTURAL INTERBRANCH ORGANISATIONS IN THE EU		AGRI-2015-EVAL-13			2015/S 119-216343	12/06/2015	176.380,00	(FR2012) Open Procedure (Art. 127.2 RAP)	01/12/2015	SI2.716679
4	AGRI-2015-0480	30-CE-0753596/00-70	E.4	IN FORCE	Direct	LGC Ltd	STUDY ON THE STATE OF PLAY OF PROCESSING TECHNOLOGIES AND THE ABSORPTION OF WATER IN POULTRY MEAT		AGRI-2015-EVAL-14			2015/S 147-269606	22/07/2015	286.694,00	(FR2012) Open Procedure (Art. 127.2 RAP)	23/12/2015	SI2.721253
5	AGRI-2015-0473	30-CE-0752990/00-63	E.4	IN FORCE	Direct	Coffey International Development Ltd	EVALUATION STUDY OF THE IMPLEMENTATION OF THE EUROPEAN INNOVATION PARTNERSHIP (EIP). INTERNAL REFERENCE NUMBER: AGRI-2015-EVAL-05	PROC-100620-v1	AGRI-2015-EVAL-05	Lot1	08/12/2015	2015/S 140-257660	23/07/2015	369.720,00	(FR2012) Open Procedure (Art. 127.2 RAP)	23/12/2015	SI2.720962
6	AGRI-2015-0482	30-CE-0754259/00-07	E.4	IN FORCE	Direct	Copenhagen Economics AS	STUDY ON THE IMPACT ON EU AGRICULTURE AND AGRICULTURAL TRADE OF EU CONCLUDED BILATERAL TRADE AGREEMENTS	PROC-100875-v1	AGRI-2015-EVAL-10	Lot1	15/12/2015	2015/S 140-257661	23/07/2015	285.000,00	(FR2012) Open Procedure (Art. 127.2 RAP)	28/12/2015	SI2.721374
7	AGRI-2015-0481	30-CE-0753573/00-18	E.4	IN FORCE	Direct	IDEA Strategische Economische Consulting	PILOT PROJECT - AGROPOL: DEVELOPMENT OF A EUROPEAN CROSS BORDER AGRIBUSINESS MODEL REGION	PROC-100835-v1	AGRI-2015-EVAL-07	lot1	11/12/2015	2015/S 141-258964	24/07/2015	1.008.475,00	(FR2012) Open Procedure (Art. 127.2 RAP)	23/12/2015	SI2.721335
8	AGRI-2015-0487	30-CE-0753616/00-42	E.4	IN FORCE	Direct	Johann Heinrich von Thunen-Institut	DISTRIBUTION OF THE ADDED VALUE OF THE ORGANIC FOOD CHAIN; AGRI-2015-EVAL-12	PROC-100617-v1	AGRI-2015-EVAL-12	lot1	11/12/2015	2015/S 143-263190	28/07/2015	222.850,00	(FR2012) Open Procedure (Art. 127.2 RAP)	23/12/2015	SI2.721809
9	AGRI-2015-0491	30-CE-0754350/00-08	E.4	IN FORCE	Direct	Arcadia International GEIE	PREPARATORY ACTION - EU PLANT AND ANIMAL GENETIC RESOURCES IN AGRICULTURE	PROC-100622-v1	AGRI-2015-EVAL-09	LOT1	11/12/2015	2015/S 157-287592	15/08/2015	962.000,00	(FR2012) Open Procedure (Art. 127.2 RAP)	23/12/2015	SI2.722031

ANNEX 4: Materiality criteria

General Principle

Reasonable assurance is the judgement of the Authorising Officer by Delegation (hereafter referred to as the Director General). For this purpose, he/she is required to assess all relevant information at his/her disposal available to support the declaration of assurance. Under shared management, implementation tasks including controls and payments are delegated to the Member States in accordance with the criteria and procedures laid down in the Financial Regulation and in sector-specific rules. For EAGF and EAFRD the provision of assurance has therefore to be based on the assessment of the information and indicators resulting from the management reporting and supervision arrangements in place and of the functioning of the internal control systems operated by the Member States' implementing bodies. This assessment allows the Director General to form an opinion as to the effectiveness of the management and control systems operated at the level of the Member States' implementing bodies.

Assurance model for expenditure implemented under shared management

The EAGF and EAFRD are implemented through a management and control system based on four levels. Taken together, these four levels and the results they produce are the basis for the Director General to obtain reasonable assurance as to the effectiveness of management and control systems and the legality and regularity of the expenditure.

Levels of assurance from the Member States' control systems	<p>Administrative structure set up at Member States level: management, control and payment of the expenditure is entrusted to accredited Paying Agencies. Compliance with strict accreditation criteria (which are laid down in Commission Implementing Regulation (EU) No 908/2014 and in Commission Delegated Regulation (EU) No 907/2014) is subject to a detailed review by an independent external audit body designated at national level (Certification Body) as well as to constant supervision by the competent national authority (at Ministerial level). The Paying Agencies are required to provide an annual Management Declaration which includes a declaration that the system in place provides reasonable assurance on the legality and regularity of the underlying transactions. These Management Declarations are verified by the above-mentioned Certification Bodies, which are required to provide an annual opinion thereon.</p> <p>Ex-ante administrative controls and on-the-spot checks (prior to payment): for each support scheme financed by the EAGF or EAFRD, the Paying Agencies apply a system of exhaustive ex-ante administrative controls (100% of aid applications must be checked) and on-the-spot checks (at least 5% in the case of most schemes) prior to any payment. These controls are made in accordance with precise rules set out in the sector specific legislation (e.g., the Integrated Administration and Control System – IACS, including a Land Parcel Identification System – LPIS). For the majority of these aid schemes Member States are required to send statistical information on the checks carried out and their results on a yearly basis to the Commission (control statistics).</p> <p>Ex-post controls carried out by the Member State/Paying Agency/Certification Body (after payment): all aid measures other than direct payments covered by the IACS are subject to ex-post controls, either by a specific control body (in the case of the EAGF) or by the Paying Agency itself (in the case of the EAFRD). In addition the Certification Bodies verify and certify providing an opinion, on an ex-post basis, on the completeness, accuracy and veracity of the Paying Agencies' annual accounts, on the proper functioning of their internal control systems and on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission.</p>
Assurance from the Commission's checks	<p>DG AGRI audits: The audits carried out by DG AGRI serve a number of purposes.</p> <p>In the first place, they protect the EU budget from irregular payment by recovering amounts unduly spent by the Member State as a result of deficiencies detected in their management and control systems. This is done via a clearance of accounts procedure consisting of both an annual financial clearance (limited to the Paying Agencies' annual accounts) and a multi-annual conformity clearance, whose aim is to exclude the expenditure not compliant through <u>net financial corrections</u> which return to the EU budget as <u>assigned revenue</u>.</p> <p>Secondly, by revealing deficiencies to be remedied and by leading to financial corrections up to the moment those deficiencies have been corrected, they have a remedial and preventive role.</p> <p>Thirdly, DG AGRI's audits are also used to provide assurance to the Director General on the Member States' management and control systems.</p>

Assessment of management and control systems in the Member States

The Director General carries out an assessment on the extent to which he/she can draw assurance from the four levels of the management and control systems described. This assessment is based on three elements as follows:

The first element is the **assessment of the functioning of management and control systems in the Paying Agencies. This is carried out by DG AGRI's audit directorate and includes**

- Checking compliance of the Paying Agencies with the accreditation criteria. This is carried out by the Certification Bodies with, where appropriate, the placing under probation of those Paying Agencies with serious deficiencies in their application of the accreditation criteria by the Competent Authority.
- The performance by DG AGRI, on the basis of a detailed risk analysis, of accreditation audits in order to check by itself the respect by Paying Agencies of accreditation criteria as well as audits on the proper functioning and operation of the Certification Bodies.
- The qualitative analysis of the Management Declarations issued by the directors of the Paying Agencies whereby they are required to declare whether they have put in place systems which provide reasonable assurance on the legality and regularity of the underlying transactions.
- The qualitative analysis of the opinions from the Certification Bodies on these Management Declarations.
- An annual financial clearance exercise carried out by DG AGRI examining the completeness, accuracy and veracity of the accounts declared by the Paying Agencies and resulting in the adoption of a clearance of accounts decision without prejudice to the conformity procedure with regard to the legality and regularity of the expenditure.

The second element assessed is the **result of the controls carried out by the Member States on the final beneficiaries.**

- For most of the agriculture budget, each year Member States are required to send statistical information to the Commission in relation to the more than 900 000 on-the-spot checks carried out. For the large part³, these results relate to the financial year covered by the AAR in question. These statistics provide data on the errors discovered in the course of administrative and/or on-the-spot checks and enable DG AGRI to determine the reported **error rate** per Paying Agency or aid scheme.
- The Certification Bodies are required to give an opinion on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission.

The third assurance element is comprised of **the Commission's own conformity audits on** Member States management and control systems. DG AGRI's conformity clearance procedure can exclude from EU financing expenditure made in the 24 months prior to the notification to the Member States of a deficiency. Around 120 such audits are opened each year on the basis of a detailed risk analysis and enable the Commission to obtain direct assurance as to the effectiveness of the Paying Agencies' management and control systems.

³ This is presently not the case for statistics for certain measures under Rural Development where there is a limited overlap between reporting period and financial year.

Materiality criteria

DG AGRI estimates the error rate on the basis of control statistics for each Paying Agency (or measure for market measures, ABB 02) and for each ABB activity and also takes into account all available information and audit results, including on-the-spot missions; this information is used as the best estimate of the possible risk for expenditure in the reporting year. In the event that the error rates reported by Member States are not accurate or found not to be reliable or are not available, the audit directorate either re-calculates them when it has sufficient information to do so or, alternatively, adjusts them upwards by flat rates in line with the results of the assessment of the functioning of the management and control systems. This results in **an error rate at Paying Agency level validated and adjusted by the management of DG AGRI (adjusted error rate)**.

Further steps in the process determine when a reservation shall be made by the Director General, what elements are included in the amount at risk and how he/she can demonstrate the overall remaining financial risk to the EU budget when all corrective measures have been taken into account.

As regards "corrective measures", the net financial correction imposed by the Commission and the recoveries operated by the Member States themselves are ex-post exercises and multi-annual in nature. It is extremely rare that financial corrections and recoveries are executed in the same financial year as that of the expenditure concerned. However, the performance of the ex-post corrective system can be estimated from its results in the most recent years. Consequently, DG AGRI reports on a corrective capacity that is estimated as the annual average of the implemented net financial corrections imposed by the Commission and recoveries of undue payments declared by the Member States for the last three years.

Comparing the corrective capacity with the amount at risk gives a solid indication of the remaining financial risk to the EU budget when all corrective actions are taken into account (see last section of this Annex, as well as key performance indicator 5 and Part 3.2 of the body of the AAR).

Step 1: Estimation of an error rate at Paying Agency level = REPORTED ERROR RATE

In the first place, for each ABB, the statistical data sent by the Paying Agencies on the results of the administrative and on-the-spot checks carried out is collected, compiled and checked for consistency and completeness. The error rate per Paying Agency used as the basis for the subsequent assessment is 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. On that basis, a "**reported error rate**" is calculated, which represents the error rate that remains in the non-controlled population (= the aid application 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. It is noted that the vast majority of this statistical data relates to checks carried out in respect of the financial year which is the subject of the report.

Step 2: Validation and adjustment of the reported error rate by DG AGRI at Paying Agency/Member State and ABB level = ADJUSTED ERROR RATE

All available information is considered in determining to what extent the reported error rate is reliable for each Paying Agency for each ABB activity. Where ex-post audits (by the Commission, Certification Bodies or the European Court of Auditors (ECA)) have revealed management and control systems' deficiencies, these are not reflected in the Member States' control statistics and, therefore, those statistics do not reflect the risk resulting from those deficiencies. In order to estimate the level of unreported errors the auditors make adjustments to the reported error rates taking

into account the following evidence:

- ✓ DG AGRI's own audits over the previous three years (including conformity audits and accreditation audits); older reports in cases where available information indicates that no or insufficient remedial actions have been implemented. This includes the auditors' professional judgement on the evolution of the control environment in the Paying Agency.
- ✓ The opinion which the Certification Bodies have delivered on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission, including the reliability of the control statistics reported by the Paying Agencies and the quality of the underlying controls, is also examined.
- ✓ ECA systems audit assessments in the previous three annual reports are also taken into account; older reports in cases where available information indicates that no or insufficient remedial actions have been implemented. In the event that a DG AGRI audit has taken place more recently than the ECA' systems audit, it is possible that the assessment arising from the latter is replaced by the DG AGRI more recent appreciation of the situation.
- ✓ Information furnished by the operational units within the DG regarding the reliability of Member States' statistics or other information obtained pertaining to deficiencies in their management and control systems, or remedial action taken by Member States.
- ✓ Other relevant evidence including elements signalled by
 - the Anti-Fraud Correspondent of DG AGRI;
 - the director of the Paying Agency in his/her Management Declaration;

In determining the extent of the adjustment to make to the reported error rate, DG AGRI applies the **professional judgement** of its auditors and in particular the criteria for estimating the seriousness and extent of the identified deficiencies established in its "Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures"⁴. When using these criteria, the auditors take into account that the methodology for preparing financial corrections aims at covering the risk to the EU budget whereas the top-up to be applied should represent the audit assessment of the extent to which the Paying Agency's reported error rate is understated; for instance, insufficient sanctions represent a risk to the EU budget but shall not be considered as errors to be included in the error rate for the expenditure of the year in question.

- For ABB 03 and ABB 04, the decision making process for the assessment is carried out by the auditors concerned, on a case by case basis, for each Paying Agency.. Where available, the input of the operational units is integrated to complete the assessment process and enable the calculation of an **adjusted error rate**. The professional judgement of the audit services of the DG is applied particularly when weighing contradictory information or considering abnormal statistical results. This results in an additional error rate top-up to the reported error rate and a corresponding amount at risk.
- For ABB 02, the same approach is followed but per measure instead of per Paying Agency.

⁴ See C(2015) 3675 final; previously Document VI/5330/97, AGRI/60637/2006, AGRI-2005-64043, COM(2010) 2498 final and D(2012)1338812 were considered.

- Coordination is carried out at the level of DG AGRI's audit directorate to ensure that there is a consistency of approach taken as regards the adjustments made to the Member States' error rates.
- For measures about which there is no information on the risk, (no reporting required by the legislation) the average adjusted error rate (for that part of the ABB for which statistics are available) is extrapolated to the expenditure concerned.
- The additional amount at risk resulting from an adjustment or "top-up" is added to the initial amount at risk calculated in Step 1, resulting in an adjusted amount at risk for each Paying Agency.
- The **adjusted error rate** per Paying Agency is obtained by dividing the adjusted amount at risk by the total expenditure declared to the Commission for the financial year. **Adjusted error rates** are aggregated at Member State and ABB levels by aggregating the adjusted amounts at risk.

Step 3: DG AGRI materiality criteria

Article 66(9) of the Financial Regulation provides that

"The authorising officer by delegation shall report to his or her institution on the performance of his or her duties in the form of an annual activity report containing financial and management information, including the results of controls, declaring that, **except as otherwise specified in any reservation related to defined areas of revenue and expenditure**, he or she has reasonable assurance ..."

The Director General for DG AGRI shall make financial reservations at **Paying Agency** level (and/ or aid scheme level as regards market measures within ABB02).

- Paying Agencies with an **adjusted error rate** above 5% shall in general be subject to a reservation.
- For Paying Agencies with an **adjusted error rate** between 2% and 5%, professional judgement shall be applied in assessing whether the risk is sufficiently covered by mitigating factors and thus whether a financial reservation is necessary. The operational units of DG AGRI are integrated into the decision making process for determining the existence of mitigating factors. The mitigating factors are disclosed in all cases where a reservation is deemed to be not necessary. They shall include notably whether the necessary remedial actions have been implemented by the Member State/Paying Agency concerned and whether there is an on-going conformity clearance procedure covering the expenditure for the financial year of the AAR.
- A *de minimis* approach for deciding on reservations shall be applied. Given the amounts at stake for the CAP with expenditure of ± 55 billion EUR, a *de minimis* threshold of 1 million EUR is applied. All cases for which the amount at risk is below that threshold are not subject to a reservation (unless on reputational grounds). Reservations made for the preceding year shall not be issued for the financial year concerned by the AAR if the amount at risk for that financial year is below the 1 million EUR threshold.
- For market measures a flexible approach may also be taken when deciding on reservations, notably where the **adjusted error rate** is calculated on a purely risk based sample. For most market schemes, the legislation does not require that a random sample is selected for on-the-spot checks. The latter are, rather, risk based. Extrapolating the result of the risk sample therefore to the uncontrolled population would result in overstating the error rate and

amount at risk. In such cases it shall be evaluated if there are elements which mitigate against applying a reservation even where the **adjusted error rate** is above 5%.

- If the **adjusted error rate** is below 2%, generally no reservation is made.

Coordination is carried out between all relevant parts of DG AGRI to ensure that there is a consistency of approach taken as regards the mitigating factors used to consider whether a reservation is necessary.

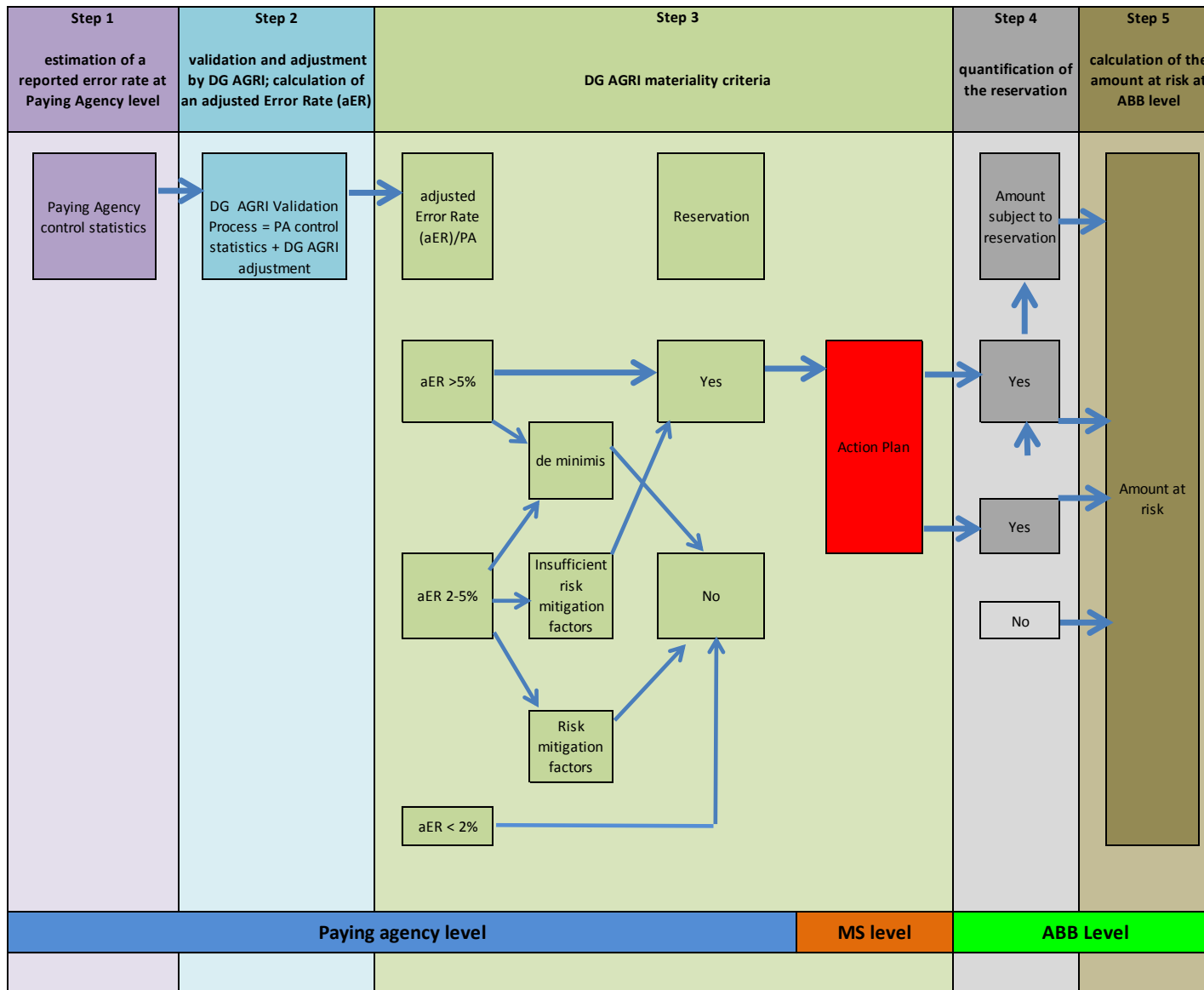
In the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, it is the Member State, which has to assume the overall responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules. Therefore, while the action plans, accompanying reservations where necessary, should identify the deficiencies and Paying Agencies concerned, it is the Member State which must ensure that the corresponding remedial actions are precisely defined and actually implemented.

Step 4: Quantification of the reservation

The amount under reservation is the amount at risk for each Paying Agency (or Member State in respect of ABB02) for which a reservation has been made. It is **aggregated at Member State level**.

Step 5: Calculation of the amount at risk at ABB level

The **amount at risk** is the amount of EU expenditure which risks to have been misspent on the basis of the adjusted error rates; it covers all Paying Agencies irrespective of whether they are subject to a reservation and is **aggregated at ABB level**.



DG AGRI'S DECISION PROCESS FOR MAKING RESERVATIONS

ANNEX 5: Internal Control Template for budget implementation (ICT)

EXPENDITURE IN SHARED MANAGEMENT⁵

Stage 1 – (Negotiation and) assessment/approval of spending proposals:

Main control objectives: Ensuring that the Commission (COM) adopts the actions that contribute the most towards the achievement of the policy objectives (effectiveness);

Main risks	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The actions financed ⁶ do not adequately reflect the policy objectives or priorities .	Internal consultation, hierarchical validation at DG-level of each action. Inter-service consultation (including all relevant DGs) Adoption by Commission Decision , where foreseen by EU law.	Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions.	Costs: estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2020). Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [non-quantifiable individually]	Effectiveness: - % of actions adopted/ approved ⁷ - % of financial allocation approved ⁸ Efficiency: - average time to adopt/ approve an action ⁹

⁵ DG AGRI uses the Internal Control Template for shared management covering 99.6 % of its total expenditure and other management modes fall under the 'de minimis' threshold.

⁶ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural Development pillars (EAGF and EAFRD).

⁷ For the 1st pillar, the indicator refers to legal acts adopted; for the 2nd pillar to legal acts adopted, to the modification of RDP 2007-2013 and to the approval of RDP 2014-2020.

⁸ For the 1st pillar the indicator refers to the execution of financial ceilings, for the 2nd pillar to budget allocation of RDP 2014-2020 approved in 2014.

⁹ For the 1st pillar, the indicator refers to legal acts adopted, for the second pillar to legal acts adopted and to the approval of RDP 2014-2020.

Stage 2 – Implementation of operations (Member States):

A. Setting up of the systems

Main control objectives: ensuring that the management and control systems are adequately designed

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The process of designation (and accreditation) of national authorities in the Member States (MS) is not effective and, as a result, the management and control systems are not compliant with the applicable rules.</p>	<p>Supervision by Commission (for 2014-2020): - Commission review (and audits) of a sample of national designations/accreditations - submission of MS Audit Strategies to the Commission (on request)* * [For Cohesion policy]</p>	<p>Coverage / Frequency: fixed in sector-specific rules Depth: verification (desk review + audit missions where necessary) of description of management and control systems communicated by MS. Accreditation audits are generally done on-the-spot.</p>	<p>Costs: estimation of cost of COM staff involved in the audits of samples of national designations/accreditations (for 2014-2020) Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2020) <i>[not quantifiable]</i></p>	<p>For 2014-2020: Effectiveness: - % of authorities designated/accredited - number of authorities for which serious system weaknesses were found following accreditation reviews/audits Efficiency: - number of authorities for which serious weaknesses found by accreditation reviews/audits (% of total checked)</p>

B. Member states' controls to prevent, detect and correct errors within the declared certified expenditure

Main control objectives: ensuring that the periodic expenditure declarations submitted to the Commission for each action are legal and regular

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or non-compliant with EU and/or national eligibility rules and legislation.</p>	<p>Management verifications: first level checks by designated/accredited programme authorities or bodies.¹⁰</p> <p>Certification, audit opinion and annual report by the relevant authorities or bodies designated/accredited.¹¹</p> <p>MS recoveries from final beneficiaries (CAP)</p>	<p>Coverage: fixed in sector-specific rules</p> <p>Depth:</p> <ul style="list-style-type: none"> - <u>management verifications</u>: performance of first-level checks (administrative and on the spot controls). - <u>certification</u>: [limited] additional verification (desk checks and on-the-spot), with where appropriate additional checks. - <u>audit opinion</u>: system audits on the checks already carried out, where necessary with re-performance of on-the-spot checks; where applicable, audits of operations (on a statistical basis) and additional substantive testing on expenditure. 	<p>Costs: real costs for the management and control activities of paying agency</p> <p>Benefits:</p> <ul style="list-style-type: none"> - Amounts of corrected undue payments (prior to reimbursement from the control statistics) - MS recoveries 	<p>Effectiveness:</p> <ul style="list-style-type: none"> - Amount and % of corrected undue payments (prior to reimbursement from the control statistics) as reported by MS. - annual certificate opinions of the Member States. - MS recoveries <p>Efficiency:</p> <p>Ratio = (amount of corrected undue payments plus MS recoveries) divided by costs of management and controls</p> <ul style="list-style-type: none"> - time to lift interruption of payments¹²

¹⁰ For CAP: Paying Agency (PA)

¹¹ For CAP: Certification Body (CB)

¹² For EAFRD: average time of interruption/suspension.

Stage 3 – Monitoring and supervision of the execution, including ex-post control

Main control objectives: ensuring that the expenditure reimbursed from the EU budget is eligible and regular

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The management verifications and subsequent audits/controls by the Member States have failed to detect and correct ineligible costs or calculation errors.</p> <p>The audit work carried out by the audit/certification authorities is not sufficient to obtain adequate assurance on the submitted declarations.</p> <p>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received.</p>	<p>Commission checks of periodic MS expenditure declarations.</p> <p>Commission assessment of management and control systems in the Member States, in particular of work done and/or reported by the AA¹³/PA/CB, namely:</p> <ul style="list-style-type: none"> - assessment of annual control/audit/certification report - calculation of projected error rate (where applicable) - estimation of a residual error rate (RER) - assessment of systems audits reports from AA/CB - assessment of annual summaries (where 	<p>Coverage: verification of information provided in the annual (audit/control /certification) report and annual audit opinions.</p> <p>Depth: desk checks and/or on-the-spot audits based on risk assessment; <u>verification</u> of the quality and reliability of the information based on Commission's own audit work; <u>'validation' and where necessary adjusting of error rates reported</u> by MS to calculate a cumulative residual error risk (RER);</p> <p><i>[at closure: where applicable scrutiny of closure report and</i></p>	<p>Costs:</p> <ul style="list-style-type: none"> - cost of Commission financial officers checking MS expenditure (financial circuits) - estimation of cost of Commission staff involved in the assessment of management and control systems in MS, including analysis of AA/CB report, own audit work¹⁴, and drafting of interruption letters <p>Benefits: errors prevented [unquantifiable], errors detected or corrected (amount of financial corrections).</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - best estimate of residual risk of error per MS - number of programmes/MS/PA with a reported error rate assessed as reliable (and not subject to an adjustment) - Number, amount and % (of expenditure declared in 2014) of interruptions/suspensions of payments - net financial corrections made resulting from Commission audit work <p>Efficiency:</p> <ul style="list-style-type: none"> - cost of control/financial management of the Commission checks and assessment (% of total appropriations) - Ratio = cost of Commission staff involved in the assessment of management and control systems in MS divided by total

¹³ Audit Authority (AA)

¹⁴ Systems audit, re-performance of annual control reports (ACR), follow-up of audit authorities, closure audits, fact finding audits, conformity audits of PA (CAP), etc.

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
	<p>applicable)</p> <ul style="list-style-type: none"> - own Commission audits - technical and bilateral meetings with MS <p>Interruptions and suspensions of payments Financial corrections (implemented by Commission) Annual financial clearance procedure and multi-annual conformity clearance procedure (CAP)</p>	<p><i>closure opinion, if needed with audits on sample of OPS]</i></p>		<p>amount of net financial corrections adopted by the Commission</p> <ul style="list-style-type: none"> - Time-to-payment / % of Commission payments within delays

ANNEX 6: Interruptions, reductions and suspensions

Total of financial corrections executed during the financial year 2015

EAGF

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)
BE	619 759 474,15	-402 763,64	619 356 710,51
BG	659 691 980,15	-6 590,91	659 685 389,24
CZ	895 727 329,81		895 727 329,81
DK	906 416 259,27	-172 161,96	906 244 097,31
DE	5 064 828 074,41	-279 044,04	5 064 549 030,37
EE	118 540 290,36		118 540 290,36
IE	1 215 249 032,21	-153 843,27	1 215 095 188,94
EL	2 026 926 295,67	-16 180 400,60	2 010 745 895,07
ES	5 584 498 645,49	-2 537 683,66	5 581 960 961,83
FR	7 763 809 500,56		7 763 809 500,56
HR	165 212 373,47		165 212 373,47
IT	4 427 776 846,06	-3 986 559,30	4 423 790 286,76
CY	57 275 647,93		57 275 647,93
LV	166 200 825,05		166 200 825,05
LT	395 379 479,53	0,00	395 379 479,53
LU	32 138 642,90		32 138 642,90
HU	1 313 578 280,13	-1 956 616,34	1 311 621 663,79
MT	5 615 099,49		5 615 099,49
NL	743 713 380,23	-1 300 135,07	742 413 245,16
AT	695 219 296,33		695 219 296,33
PL	3 456 265 313,47	-74 784,66	3 456 190 528,81
PT	675 219 680,25	-16 251,89	675 203 428,36
RO	1 420 242 043,49		1 420 242 043,49
SI	139 556 252,20		139 556 252,20
SK	436 709 901,57		436 709 901,57
FI	538 378 125,71	-36,11	538 378 089,60
SE	696 399 464,51	-130 079,25	696 269 385,26
UK	3 058 694 235,89		3 058 694 235,89
Total MS	43 279 021 770,29	-27 196 950,70	43 251 824 819,59

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
BE	619 759 474,15	-402 763,64	619 356 710,51	-10 772,03	05 02 05 99 0000 031	Eligibility - Reduction Short Proc. - Sugar - Aid for diversification
				-390 684,72	05 02 08 03 0000 061	Eligibility - Reduction Short Proc. - F&V Exceptional support measures - R.1031/14 Art.11(a)
				-13,12	05 03 01 99 0000 373	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				-516,74	05 03 01 99 0000 374	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				-1 667,19	05 03 02 99 0000 373	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				890,16	05 03 02 99 0000 374	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
BG	659 691 980,15	-6 590,91	659 685 389,24	-6 590,91	05 02 08 99 0000 016	Eligibility - Reduction Long Proc. - F&V Exceptional support measures - R.913/14 Art.7(2)
DK	906 416 259,27	-172 161,96	906 244 097,31	-58 258,38	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-69 874,85	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-44 028,73	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
DE	5 064 828 074,41	-279 044,04	5 064 549 030,37	-39 837,72	05 02 10 01 3800 508	Ceiling - Reduction Short Proc. - Promotion - Measures within the Union - programme 3
				-176 997,55	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-26 455,59	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-23 236,13	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement

MS	EXPENDITURE	CORRECTIONS	EXPENDITURE	Corrections Specifications		
	declared by MS T104	done by EAGF	taken into account for the monthly payments	Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
						of appropriations from FY 2014
				-3 835,81	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-5 623,23	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-2 251,08	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
				-806,93	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
IE	1 215 249 032,21	-153 843,27	1 215 095 188,94	-153 843,27	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1
EL	2 026 926 295,67	-16 180 400,60	2 010 745 895,07	-406 067,36	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1
				-7 586 972,00	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-7 781 964,22	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-196 759,33	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-143 698,40	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-9 524,08	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-9 885,87	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-35 016,67	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997
				-10 512,67	67 01 00 00 0000 093	Payment reduction - Control system - C(2014)8997

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
ES	5 584 498 645,49	-2 537 683,66	5 581 960 961,83	-71 967,02	05 02 08 03 0000 056	Eligibility - Reduction Short Proc. - F&V Exceptional support measures - R.913/14 Art.7(2)
				-3 579,30	05 02 08 03 0000 061	Eligibility - Reduction Short Proc. - F&V Exceptional support measures - R.1031/14 Art.11(a)
				-24 549,53	05 02 08 03 0000 064	Eligibility - Reduction Short Proc. - F&V Exceptional support measures - R.1031/14 Art.11(b)
				-1 784 907,06	05 02 09 08 0000 002	Ceiling - Reduction Short Proc. - National support programme for the wine sector (FY 2015)
				-31 676,70	05 02 09 99 1650 011	Eligibility - Reduction Short Proc. - Wine
				-103 649,76	05 03 01 99 0000 373	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				-416 731,75	05 03 01 99 0000 374	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				-10 913,40	05 03 02 99 0000 373	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
				-89 709,14	05 03 02 99 0000 374	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex VIII of R.73/2009)
IT	4 427 776 846,06	-3 986 559,30	4 423 790 286,76	-1 507 831,06	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1
				-2 443 465,05	05 02 08 03 0000 056	Eligibility - Reduction Long Proc. - F&V Exceptional support measures - R.913/14 Art.7(2)
				-35 263,19	05 02 09 99 1650 011	Eligibility - Reduction Long Proc. - Wine
LT	395 379 479,53	0,00	395 379 479,53	-21 349,02	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
				-4 221,80	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-182 956,45	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-922,38	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				209 449,65	05 03 01 02 0000 012	Ceiling - Payback - Single Area Payment Scheme - CY 2013
HU	1 313 578 280,13	-1 956 616,34	1 311 621 663,79	-270 154,85	67 01 00 00 0000 024	Payment deadline Agri.dg2.d.4(2015)4602636 REV.1
				-1 841,62	05 02 09 08 0000 002	Ceiling - Reduction Short Proc. - National support programme for the wine sector (FY 2015)
				-85 766,93	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-9 878,56	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-6 239,84	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-3 457,32	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-9 096,29	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-829,03	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-29 221,48	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-23 889,81	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
				-12 222,25	05 03 01 02 0000 009	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-26 761,86	05 03 01 02 0000 010	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-12 411,55	05 03 01 02 0000 010	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				-153 722,20	05 03 01 02 0000 010	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2012
				124 671,88	05 03 01 02 0000 011	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				6 470,87	05 03 01 02 0000 011	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				3 173,26	05 03 01 02 0000 011	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				20 139,25	05 03 01 02 0000 011	Ceiling - Payback - Single Area Payment Scheme - CY 2013
				-42 002,49	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-389 815,15	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-43 426,97	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-45 203,16	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-140 442,62	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-294 943,48	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
				-66 069,70	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-37 172,88	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				-52 139,02	05 03 01 02 0000 012	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				31 505,93	05 03 01 02 0000 012	Ceiling - Payback - Single Area Payment Scheme - CY 2013
				-287 744,54	05 03 01 02 0000 013	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
HU	1 313 578 280,13	-1 956 616,34	1 311 621 663,79	-8 628,88	05 03 01 02 0000 013	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2013
				2 305,55	05 03 01 02 0000 013	Ceiling - Payback - Single Area Payment Scheme - CY 2013
				54 442,93	05 03 02 44 0000 076	Ceiling - Reduction Short Proc. - Specific support - Art 68 1a i, ii, iii, iv, 1b, 1e - CY 2013
				-48 570,42	05 03 02 44 0000 077	Ceiling - Reduction Short Proc. - Specific support - Art 68 1a i, ii, iii, iv, 1b, 1e - CY 2013
				-47 220,21	05 03 02 44 0000 080	Ceiling - Reduction Short Proc. - Specific support - Art 68 1a i, ii, iii, iv, 1b, 1e - CY 2013
				-50 452,90	05 03 02 44 0000 080	Ceiling - Reduction Short Proc. - Specific support - Art 68 1a i, ii, iii, iv, 1b, 1e - CY 2013
NL	743 713 380,23	-1 300 135,07	742 413 245,16	-1 300 135,07	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1
PL	3 456 265 313,47	-74 784,66	3 456 190 528,81	-74 784,66	05 03 09 00 0000 001	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2014
PT	675 219 680,25	-16 251,89	675 203 428,36	-14 038,44	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1

MS	EXPENDITURE declared by MS T104	CORRECTIONS done by EAGF	EXPENDITURE taken into account for the monthly payments	Corrections Specifications		
				Amounts	Budget line	Remarks
	(a)	(b)	(c) = (a) + (b)			
				-1 904,29	05 03 01 99 0000 370	Ceiling - Reduction Short Proc. - Global ceiling CY 2010 (Annex IV of R.73/09)
				-309,16	05 03 02 99 0000 370	Ceiling - Reduction Short Proc. - Global ceiling CY 2010 (Annex IV of R.73/09)
FI	538 378 125,71	-36,11	538 378 089,60	-36,11	05 03 02 99 0005 162	Ceiling - Reduction Short Proc. - Seeds aid - crop 2011
SE	696 399 464,51	-130 079,25	696 269 385,26	-130 079,25	67 01 00 00 0000 024	Payment deadline Agri.ddg2.d.4(2015)4602636 REV.1

EAFRD

Member-State	Quarter	Type	Amount interrupted	Amount /suspended	reduced	Measure
Bulgarie	2014Q4	interruption	3.515.100,57			311
Bulgarie	2014Q4	reduction			22.800,29	311
Bulgarie	2014Q4	interruption	3.042.170,70			312
Bulgarie	2014Q4	reduction			462.242,45	312
Bulgarie	2015Q1	interruption	2.954.315,34			311
Bulgarie	2015Q1	suspension			61.137,00	311
Bulgarie	2015Q1	interruption	1.805.337,13			312
Bulgarie	2015Q1	suspension			373.116,44	312
Bulgarie	2015Q2	interruption	3.198.433,88			311
Bulgarie	2015Q2	interruption	51.262,83			311
Bulgarie	2015Q2	interruption	2.945.105,87			312
Bulgarie	2015Q2	interruption	60.000,00			312
Bulgarie	2015Q3	interruption	4.426.715,32			311
Bulgarie	2015Q3	interruption	3.770.976,24			312
Greece	2014Q4	interruption	108.323.442,50			112
Lithuania	2014Q4	interruption	4.390.475,34			413
Lithuania	2014Q4	reduction	-		265.594,28	413
Lithuania	2015Q1	interruption	4.335.217,22			413
Lithuania	2015Q1	reduction	-		267.986,16	413
Lithuania	2015Q2	interruption	3.337.857,63			413
Lithuania	2015Q2	reduction	-		174.556,39	413

Member-State	Quarter	Type	Amount interrupted	Amount reduced /suspended	Measure
Lithuania	2015Q3	interruption	3.198.577,59		413
Poland	2014Q4	interruption	65.275.967,18		113
Poland	2015Q1	interruption	21.373.339,43		113
Poland	2015Q2	interruption	41.507.382,35		113
Poland	2015Q2	interruption	3.308.256,90		all but M 113
Romania	2015Q3	interruption	56.915.197,53		215
Slovakia	2014Q4	interruption	95.687,43		111
Slovakia	2014Q4	interruption	109.846,09		331
Slovakia	2015Q1	interruption	-		111
Slovakia	2015Q1	interruption	-		331
Total			338.040.665,07	1.627.433,01	

ANNEX 7: Cross delegations

When the Authorising Officer by Delegation (cross) subdelegates the management of a budget line or part of a line to one or several Directors-General or Heads of Service, the Authorising Officers by cross-subdelegation shall report back to the Authorising Officer by Delegation on the implementation of the amounts subdelegated.

In their reports, they have to provide assurance that the programmes, operations and actions were implemented in respect of the powers (cross) sub-delegated to them. In this respect, they shall inform in writing of the management problems encountered and the solutions proposed to remedy them.

In order to implement its 2015 budget, DG AGRI sub-delegated the management of several projects to others Directorates-General. The Directorates-General concerned are: JRC, ESTAT, EMPL, SANTE, DIGIT, REGIO. As regards the subdelegation to DG NEAR, the subdelegated powers cover only recoveries (no C/P credits are involved so it is not included in the table).

For each report provided by the respective DGs, the Heads of Unit of DG AGRI in charge of the cross subdelegated activities and budget lines have been consulted. None of the DG's concerned have reported important issues or anomalies. Regarding the report sent by ESTAT, one non-compliance event was reported but no reservation has been made. Concerning the report sent by JRC, 6 exceptions and 8 non-compliance events have been reported with regards the Union participation at the world Exposition 2015 in Milan. However no reservation was made in this respect.

Crossed Subdeleg To:	JRC	ESTAT		EMPL		SANTE	DIGIT	REGIO
CD Budget Line:	05.088000	05.080200	05.080300	05.040502	05.046002	05.040502		05.046002
Transferred Comm Credit	4.673.400,00	19.450.000,00	3.000.000,00		334.574,67			0,00
Transferred Pay Credit	9.108.405,00	13.621.271,01	1.917.557,88	0,00	163.023,87	0,00		0,00
Consumed Comm Credit	4.278.154,79	19.317.815,88	3.000.000,00		334.088,88			0,00
Consumed Pay Credit	8.405.850,15	12.371.271,01	1.917.557,88	0,00	163.023,87	0,00		0,00
CND Budget Line:						05.080600	05.010503	05.010404.11
Transferred CND Credit						300.000,00	0,00	300.000,00
Consumed CND Credit						282.459,98	0,00	283.905,86

ANNEX 8: Executive agency

Context

Within the framework of Horizon 2020 **DG AGRI delegated the operational implementation** of its activity under Societal Challenge 2 (SC2) mainly **to the Research Executive Agency (REA)**. This activity was officially handed over to REA for implementation as from 01/11/2014 making 2015 the first full year of delegated implementation by REA.

Council Regulation (EC) 58/2003 requires the **Commission to supervise the implementation** of the Community programmes entrusted to Executive Agencies. REA's Instrument of Delegation stipulates that parent DGs shall **define** in the Memorandum of Understanding (MoU) **a dedicated supervision strategy** to ensure no tasks are duplicated between the Commission and the Agency and to ensure appropriate monitoring of activities.

The supervision strategy is **based on** the meeting and documents discussed during the four yearly **meetings of the REA Steering Committee**. In addition, the interim and AAR reports give the parent DGs a detailed overview of the delegated activities. This is supplemented by regular operational meetings organised between the parent DGs and REA as well as further contacts at Unit level. As a whole this is considered as being a solid basis for the supervision.

Supervision Strategy

In this context DG AGRI established, developed and designed its **supervision strategy** for the Research Executive Agency in 2015. This document pulls together all references to monitoring and supervision and defines a framework for DG AGRI's supervision strategy.

The **main areas** highlighted are:

- the preparation and participation in the Steering Committee meetings; the regular coordination meetings both at Director and at working level;
- the annual planning and reporting cycle from the AWP to the AAR, including the Interim reporting;
- the budget cycle and management reporting.

DG AGRI, as one of REA's parent DGs, participates in **REA's Steering Committee** which thus constitutes the main supervision mechanism allowing for the appropriate monitoring of the Agency's activities. In 2015 four Steering Committees chaired by DG RTD were attended by DG AGRI's hierarchy on 25/02, 10/07, 23/10 and 15/12/2015 and in preparation of which the meeting documents were scrutinised. The analysis of the flash reports yielded no particular comments.

SC2 operational coordination meetings both at Director and Unit level were held between REA and its parent DGs AGRI and RTD to ensure the monitoring and follow-up of delegated activities. In 2015 two coordination meetings **at Director level** were held on 26/03 and 22/09/2015 and a number of meetings were also held **at operational level**.

In addition, on the **SC2 budgetary follow-up** side, four budgetary meetings were organised tracking the yearly budgetary cycle in addition to supervision and follow-up purposes. In between these formal meetings regular contacts between the budgetary Units took place and follow-up tables are maintained. In this framework DG AGRI

established a precise **budgetary monitoring and weekly reporting** tool encompassing both the follow-up of the operational budget as well as Unit H5 administrative research budget thus allowing the AOSD of precise budgetary follow-up.

Through close collaboration with REA, DG AGRI could ensure the full execution of the **2015 operational budget** under its responsibility, both in commitments and payments [CA: €94 393 029 (100%) - PA: €19 590 456 (100 %)]. DG AGRI furthermore contributed with €783 829 to REA's 2015 **administrative budget**. The consumption of REA's total administrative budget has been followed up and a surplus of €4 815 391 has been added to its "subsidy line" (managed by DG RTD). This excess was transferred to REA's operational budget, of which €1.605 million for SC2.

During 2015 one **coordination meeting of the Executive Agencies and Parent DGs** chaired by DG RTD as lead parent DG took place presenting the state of play on the completion of the transfer of activities, the planning of the updates of the MoU, the modifications to the Delegation Acts, the templates for the bi-annual reports as well as further information and discussions on horizontal issues. A total of five **meetings** were attended by DG AGRI **for the update of the MoU** of which the final version was presented at the last Steering Committee of the year.

In the framework of the **annual planning and reporting** cycle and the Steering Committees the **programming documents** such as the AWP and the AAR were scrutinised and commented upon in view of the participation of the hierarchy to the relevant meetings. There are no major difficulties to be reported and some elements worth following-up have been fed into the supervision cycle through the meetings in particular with the budgetary Unit of REA.

From REA's draft AAR 2015 tabled at the first Steering Committee of 2016 the following is noted under the point "Key conclusions on Management and Internal control" of the Executive Summary on page 11:

- REA has assessed the internal control systems during the reporting year and has concluded that the internal control principles are implemented and function as intended.
- In addition, REA has systematically examined the available control results and indicators, as well as the observations and recommendations issued by internal auditors and the European Court of Auditors. These elements have been assessed to determine their impact on the management's assurance as regards the achievement of control objectives.
- In conclusion, management has reasonable assurance that, overall, suitable controls are in place and working as intended; risks are being appropriately monitored and mitigated; and necessary improvements and reinforcements are being implemented. The Director, in his capacity as Authorising Officer (AO) for the administrative budget and Authorising Officer by Delegation (AOD) for the operational budget, has signed the Declaration of Assurance albeit qualified by a reservation concerning FP7 Space and Security themes and a reservation concerning SME actions.
- An external evaluation of REA was conducted during 2015 and for which the final report was received shortly before the Steering Committee of 23 February 2016 where it was presented. The evaluation concluded that REA's performance was effective, efficient and cost-effective, and that the delegation of operational tasks to the Agency has been very successful during the period 2012-2015. The report further presented a number of recommendations to which REA will develop an Action Plan which will be discussed at a forthcoming Steering Committee meeting

ANNEX 9: Evaluations and other studies finalised or cancelled in 2015

Reference No of Annex 4 MP 2015	Title	Reason ¹	Scope ²	Type of evaluation or other study			Associated DGs	Costs (EUR)	Comments	Reference	Cancelled
				Focus ³	Author ⁴	Type ⁵					
I. Evaluations finalised or cancelled in 2015											
a. Evaluations finalised in 2015											
A57	Beef labelling rules	L	To evaluate the impacts of beef labelling rules and on consumers, in particular those of the compulsory and the voluntary labelling system and the rules of controls.	P/R	E	R	SG, SANTE, GROW	271140,00	The evaluation was launched prior to the adoption of the new Better Regulation Guidelines of May 2015. The reference provided is a link to the final deliverable prepared by external consultants.	http://bookshop.europa.eu/en/evaluation-of-eu-beef-labelling-rules-pbKF0714092/	

Reference No of Annex 4 MP 2015	Title	Reason ¹	Scope ²	Type of evaluation or other study			Associated DGs	Costs (EUR)	Comments	Reference	Cancelled
				Focus ³	Author ⁴	Type ⁵					
A58	Article 68 measures	FR	To evaluate specific supports and coherence with other policies, market effects, development of the sectors supported, impacts beyond the supported sectors and regions, environmental and other impacts, management and administration arrangements, relevance and efficiency of Article 68.	P/R	E	E	ECFIN, SG, CLIMA, GROW, ENV	418010,00	The evaluation was launched prior to the adoption of the new Better Regulation Guidelines of May 2015. The reference provided is a link to the final deliverable prepared by external consultants.	http://bookshop.europa.eu/en/evaluation-of-article-68-measures-pbKF0714094/	
A56	Information policy	L	To evaluate the information policy on the CAP.	R	E	E	NEAR, COMP, COMM, ESTAT, SG, RTD, GROW	381750,00	The evaluation was launched prior to the adoption of the new Better Regulation Guidelines of May 2015. The reference provided is a link to the final	http://bookshop.europa.eu/en/evaluation-of-the-information-policy-on-the-cap-pbKF0714098/	

Reference No of Annex 4 MP 2015	Title	Reason ¹	Scope ²	Type of evaluation or other study			Associated DGs	Costs (EUR)	Comments	Reference	Cancelled
				Focus ³	Author ⁴	Type ⁵					
									deliverable prepared by external consultants.		
B38	Ex-ante evaluation synthesis of RDPs 2014-2020	L	To provide an analysis and synthesis of ex-ante evaluations of the RDPs: process of the ex-ante evaluations, intervention logic and internal coherence of RDPs, external coherence and added value, specific clusters of actions.	P	E	E/R	CLIMA, EAC, GROW, ENV, RTD, SG	450000,00	The evaluation was launched prior to the adoption of the new Better Regulation Guidelines of May 2015. The reference provided is a link to the final deliverable prepared by external consultants.	http://bookshop.europa.eu/en/synthesis-of-ex-ante-evaluations-of-rural-development-programmes-2014-2020-pbKF0714096/	
b. Evaluations cancelled in 2015											
II. Other studies finalised or cancelled in 2015											
a. Other studies finalised in 2015											
D103	Cost of and good practices for FADN data collection	O	To examine the methods and costs in the MS with regard the FADN data collection.	R	E	E/R		209825,00		http://bookshop.europa.eu/en/cost-of-and-good-practices-for-fadn-data-collection-pbKF0115505/	

Reference No of Annex 4 MP 2015	Title	Reason ¹	Scope ²	Type of evaluation or other study			Associated DGs	Costs (EUR)	Comments	Reference	Cancelled
				Focus ³	Author ⁴	Type ⁵					
D105	Labelling of products from cloned animals and their offspring	O	To analyse the burden on business operators triggered by the requirement to label food from the offspring clones.	R	E	R		239450,00		http://bookshop.europa.eu/en/study-on-the-labelling-of-products-from-cloned-animals-and-their-offspring-pbKF0714091/	
b. Other studies cancelled in 2015											

¹ L - legal act, LMFF - legal base of MFF instrument, FR - financial regulation, REFIT, CWP - 'evaluate first', O - other (please specify in Comments)

² specify what programme/regulatory measure/initiative/policy area etc. has been covered

³ P - prospective, R - retrospective, P/R - prospective and retrospective

⁴ E - external, I - internal, M - mixed (internal with external support)

⁵ FC – fitness check, E – expenditure programme/measure, R – regulatory measure (not recognised as a FC), C – communication activity, I – internal Commission activity, O – other – please specify in the Comments

Evaluation of the Information Policy on the CAP: Final Report

This evaluation examines the relevance, coherence, effectiveness and efficiency of the information policy on the CAP implemented in the period 2006-2013, focusing primarily on assessment of more recent information actions, i.e. direct and indirect actions implemented as part of the external communication strategy on the CAP for the period 2010-2015. All evaluation findings presented in the report are based on evidence obtained from interviews with EU officials, key EU- and national-level stakeholders and beneficiaries of analysed information actions, findings of 16 case studies and three different surveys, as well as outcomes of extensive desk research. All relevant data for making judgements and drawing of evaluation conclusions and recommendations were either collected by the research team or provided by officials of the Directorate-General for Agriculture and Rural Development of the European Commission. The evaluation concludes that implementation of the information policy on the CAP was useful and generated positive results, despite the limited budget available for its implementation. At the same time, a number of areas where planning and implementation of the information policy on the CAP should be improved are pointed out.

Evaluation of Article 68-measures

This evaluation assesses the possibility of granting optional support for specific needs, under the Article 68 of the Health Check Regulation, within a limit of 10% of direct payments. It draws on standard statistical approaches as well as on the analysis of the measures' notifications to the EC and on information collected during ten National Studies. The scheme was implemented between 2009 and 2014 by 26 Member States. However, few Member States implemented it in a significant way. Measures most frequently implemented aimed at supporting competitiveness or enhancing the environment. Extensive livestock sectors were the most supported. Economic analyses showed that Article 68 helped reduce disadvantages in terms of viability in sheep and goat, cotton, durum wheat and tobacco sectors but had a very limited effect on competitiveness and sustainability of primary production and industries. It sometimes generated competition distortion. Concerning environment, varied measures were designed and results were uneven. The most significantly implemented type of measures was arable crops rotation and diversification, with some positive impacts. National control arrangements were effective but monitoring and evaluation systems were weak. Relevance issues arose from competitiveness measures. Optionality was relevant but Pillar II would have been more adapted for several measures.

Evaluation of EU beef labelling rules

The evaluation of the EU beef labelling rules (Title II of Regulation (EC) No 1760/2000 of the European Parliament and of the Council) shows that the compulsory labelling rules, among other measures, had a positive influence on the restoration of consumer confidence following the BSE crises. However they were not sufficient to alleviate the structural decline in demand for beef which started in 2008. A renationalisation of the markets has occurred in the retail sector coupled with an internationalisation of the markets in the catering sector. This has led to an increase in the consumption of imported beef in most of the Member States. According to a theoretical approach, the cost of compulsory labelling represents around 6% of the beef processing costs. The main issue at this stage is batch management, which is very time consuming. Consumer demand for beef of national origin was met through the retail channel. Compulsory labelling fulfils the expectations of consumers. Yet, consumers do not know or understand batch and plant reference numbers displayed on labels. The market share represented by products sold under voluntary labelling is significant. Voluntary labelling can also sometimes be confusing. The design of control systems complies with EU legislation. Audits conducted by the Commission have highlighted shortcomings in the implementation of traceability and labelling. It is impossible to make any firm judgement on the adequacy of the exchange of information between the Commission and the Member States. The estimates of control costs suggest that they are limited. Nevertheless, as the functioning of control systems is not fully effective, its efficiency could be improved. Beef labelling rules are coherent with all related European food labelling rules. Three recommendations are proposed: simplify beef labelling by replacing all the compulsory reference codes by a single 'traceability number', assess the effect of Regulation (EU) No. 653/2014, and enhance control procedures.

ANNEX 10: Specific annexes related to "Management of Resources"

This annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development and the 28 Member States (comprising 80 Paying Agencies).

The two principal funds under the Common Agricultural Policy (the European Agricultural Guarantee Fund - EAGF and the European Agricultural Fund for Rural Development – EAFRD) are implemented under shared management through a comprehensive management and control system based on four levels. This system includes, on the one hand, all the necessary building blocks to guarantee a sound administration at Member States' level and, on the other hand, allows the Commission to audit the proper functioning of their management and control systems and, if need be, to counter the risk of financial losses as a result of any deficiencies in the set-up and operation of those systems through the conformity clearance mechanism. Taken together, these levels and the results that they produce are the basis for DG AGRI to gain reasonable assurance as to the effective management of the risk of error in the legality and regularity of the underlying transactions.

An explanation of these four levels as well as the findings and the indicators which result from them are set out in detail in this annex which is organised as follows:

Part 1: Description of the system for shared management and the various levels of control in place

- Level 1: Compulsory administrative structure at the level of Member States
- Level 2: Detailed systems for ex-ante controls and dissuasive sanctions
- Level 3: Ex-post controls
- Level 4: Clearance of accounts

Part 2: Functioning of the Paying Agencies

- 2. Financial clearance exercise for financial year 2015
 - 2.1: Compliance with the accreditation criteria
 - 2.2: Management Declaration from the Directors of the Paying Agencies and related opinions from the Certification Bodies
 - 2.3: Legality and regularity of expenditure
 - 2.4: National Declarations
 - 2.5: Overall conclusions of the Certification Bodies' work

Part 3: Control results at the level of the final beneficiaries, the assessment thereon by the Certification Bodies and the overall appreciation of the Commission on their reliability taking into account all available information

- 3.1: ABB02: Market Measures
- 3.2: ABB03: Direct Payments
- 3.3: ABB04: Rural Development

Part 4: Conformity Clearance Procedure and Net Financial corrections

Part 5: Debt management by the Member States

Part 6: Cross compliance

Part 1: Description of the system for shared management and the various levels of control in place

Level 1: Compulsory administrative structure at the level of Member States

Management and control of the expenditure is entrusted to dedicated Paying Agencies, which prior to their operation must be accredited by the Member States on the basis of a comprehensive set of accreditation criteria laid down in EU law. The Paying Agencies' compliance with these criteria is subject to a detailed review by an external audit body (i.e. the Certification Body) as well as to constant supervision by the competent national authority, and clear procedures exist as to how to address and remedy any problems.

Moreover, the directors of the Paying Agencies are required to provide an annual management declaration which covers the completeness, accuracy and veracity of the accounts as well as a declaration that a system is in place which provides reasonable assurance on the legality and regularity of the underlying transactions. These management declarations are verified by independent Certification Bodies, which are required to provide an opinion thereon. For those Member States with only one Paying Agency, this management declaration from the director of the Paying Agency, together with the certificate and opinion of the Certification Body, constitutes by definition the annual summary referred to in Article 59 (5(b)) of the Financial Regulation¹⁵. The Member States which have more than one Paying Agency are further required to produce a synthesis report of all management declarations and of all certificates from the Certification Bodies.

Level 2: Detailed systems for ex-ante controls and dissuasive sanctions

For each aid support scheme financed by the EAGF or EAFRD, there is a system of ex-ante administrative and on-the-spot checks and dissuasive sanctions in case of non-compliance by the beneficiary. These systems are to be applied by the Paying Agencies and contain some common features and special rules tailored to the specificities of each aid regime. The systems generally provide for exhaustive ex-ante administrative controls of 100 % of the aid applications, cross-checks with other databases where this is considered appropriate as well as pre-payment on-the-spot checks of a sample of transactions ranging between 1% and 100%, depending on the risk associated with the regime in question. If the on-the-spot checks reveal a high number of irregularities, additional controls must be carried out.

In this context, the by far most important system is the Integrated Administration and Control System (IACS), which in financial year 2015 covered 93.8% of EAGF expenditure (94.1% in 2014). To the extent possible, the IACS is also used to manage and control rural development measures relating to parcels or livestock, which in 2015 accounted for 54.1 % of payments under the EAFRD (40.2% in 2014). For both Funds together, the IACS covered 85.6 % of total expenditure.

A detailed reporting from the Member States to the Commission on the checks carried out by them and on the sanctions applied is provided for in the legislation. The reporting system enables a calculation, for the main aid schemes, of the extent of error found by the Member States at the level of the final beneficiaries. The reliability of the control statistics reported by the Paying Agencies and the quality of the underlying controls are also verified and validated by the Certification Bodies.

Level 3: Ex-post controls

In addition to the ex-ante controls, all aid measures other than direct payments covered by the IACS are subject to ex-post controls under Articles 79 - 88 of Regulation (EU) No 1306/2013¹⁶. Moreover, the Paying Agencies' annual accounts, the functioning of their internal control procedures and the legality and regularity of the expenditure for which reimbursement has been requested from the Commission are verified and certified by the Certification Bodies.

Level 4: Clearance of accounts

¹⁵ Regulation (EU, Euratom) No. 966/2012 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union

¹⁶ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy

Finally, the clearance of accounts system through the Commission consists of both **an annual financial clearance** and a **multi-annual conformity clearance**.

The **financial clearance** covers the completeness, accuracy and veracity of the Paying Agencies' accounts, and is without prejudice to decisions subsequently adopted pursuant to the conformity clearance procedure.

Moreover, it includes a mechanism under which 50% of any undue payments which the Member States have not recovered from the beneficiaries within 4 or, in the case of legal proceedings, 8 years will be charged to their respective national budgets (50/50 rule). If the undue payments are the result of administrative errors committed by the national authorities, the entire amount involved is deducted from the annual accounts and, thus, excluded from EU financing. Even after the application of the 50/50 rule, Member States are, however, obliged to pursue their recovery procedures and, if they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member State concerned.

The **conformity clearance**, for its part, relates to the legality and regularity of the underlying transactions. It is designed to exclude expenditure as regards EAGF from EU financing which has not been executed in conformity with EU rules, or as regards the EAFRD has not been spent in conformity with the applicable EU and national rules, thus shielding the EU budget from expenditure that should not be charged to it (financial corrections). In contrast, it is not a mechanism by which irregular payments to beneficiaries are recovered, which according to the principle of shared management is the sole responsibility of Member States.

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation (usually such calculations are based on additional work carried out by or information supplied by the Member States). Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national control systems in order to reflect the financial risk for the EU. Where undue payments are or can be identified as a result of the conformity clearance procedures, Member States are required to follow them up by recovery actions against the final beneficiaries. However, even where this is not possible because the financial corrections only relate to deficiencies in the Member States' management and control systems, financial corrections are an important means to improve these systems and, thus, to prevent or detect and recover irregular payments to final beneficiaries. The conformity clearance thereby contributes to the legality and regularity of the transactions at the level of the final beneficiaries.

In order to determine which measures and/or Paying Agencies to visit each year, DG AGRI carries out a detailed annual Central Risk Analysis.

What is the Central Risk Analysis?

DG AGRI's Central Risk Analysis (CRA) serves the purpose to apply a common and unique approach for planning its conformity audits. It is based on the latest certified expenditure under the clearance of accounts exercise. It aims to ensure that the work of the entire directorate is orientated and focussed on the main risks.

For the CRA the following indicators are taken into account: 1) materiality (amounts of declared expenditure), 2) latest audit year (period elapsed since the latest audit of the measure in question), 3) inherent risk to the measure in question, 4) control system risks (risk associated with the control system), 5) Paying Agency risk (risk related to the Paying Agency) and finally 6) the OLAF risk (related to OLAF denunciations and irregularities) and 7) the European Court of Auditors (ECA) risk (related to the findings from the ECA).

The CRA is established at Paying Agency / audit field level (audit field = aid measures with a similar control system) as the audits are addressed to a specific Paying Agency for auditing expenditure spent for aid schemes under one or more specific audit fields.

From mid-2014, DG AGRI introduced a rolling three-year audit work programme. The CRA is now carried out after the financial clearance exercise in order to use information resulting from the analysis of the opinions of the Certification Bodies and also to include in the audit work programme any audit missions necessary in the context of following up reservations or as a result of findings notified by the Certification Bodies.

Explanatory Box: Annex 10-1.1

With a view to taking a more multi-annual perspective for the new programming period, in 2014 the DG AGRI audit directorate adopted an audit strategy for the period 2014-2020.

DG AGRI audit strategy for 2014-2020

The DG AGRI audit strategy aims to formalise the main elements of the clearance of accounts system in terms of background, context, objectives, risks assessment, audit approach and indicators for the audit activities. In particular, it aims to identify the main inherent risks and control risks that will have to be addressed in the coming years, not only taking into account the changes introduced by policy developments and the implementation of the CAP 2014-2020 but also considering previous years' experience and audit findings.

This audit strategy recalls the principle that DG AGRI audits are first and foremost system-based with risk-based audits checking specific components of the Paying Agencies' or Member States' internal control systems. Notwithstanding, it opens the door to defining other ways of addressing specific risks or situations in particular Paying Agencies or Member States.

In addition, it anticipates the impact of the extended role given by the Horizontal Regulation on the financing, management and monitoring of the Common Agricultural Policy (Regulation No 1306/2013) to the Certification Bodies. From the beginning of 2016 (in respect of financial year 2015), Certification Bodies will have reported on the legality and regularity of the expenditure for which reimbursement was requested from the Commission to a much greater extent and detail than has been the case under the previous and current regulatory frameworks. Not only will the information thus gathered have to be evaluated and input to DG AGRI's own risk analysis, but its impact on the focus and scopes of DG AGRI audit activities and, more generally, on assurance building, has to be duly considered.

One direct consequence of finding more synergies between DG AGRI and Certification Bodies' audit activities is the change from 2014 onwards in the time path for DG AGRI audit programmes, designed to allow DG AGRI's risk analysis to fully take into account the latest available information reported by Certification Bodies. This is combined with a strengthening of the multiannual perspective via DG AGRI's 3-year rolling audit programmes, with yearly updates.

Explanatory Box: Annex 10-1.2

2. Financial clearance exercise for financial year 2015

The rules on the financing of the CAP provide for an annual financial clearance exercise covering the completeness, accuracy and veracity of the Paying Agencies' accounts. By 15 February following the end of the financial year in question, Member States are required to send the annual accounts of their Paying Agencies to the Commission, together with an audit opinion from the Certification Body of each Paying Agency stating whether it has gained reasonable assurance that these accounts are complete, accurate and true, that the agency's internal control procedures have operated satisfactorily and that the expenditure for which reimbursement was requested from the Commission is legal and regular. The Commission has until 30 April to review this information and communicate its findings to the Member States. Where the information received is considered acceptable, the Commission has, until 31 May, to adopt a decision clearing the accounts of the concerned Paying Agencies. The new legal framework (Article 9 of Regulation (EU) 1306/2013) that requires the Certification Bodies to give an opinion on the legality and regularity of expenditure for which reimbursement has been requested is applicable as from financial year 2015. Further explanation is provided in the explanatory box below.

The financial year 2015 for the EAGF and EAFRD Funds runs from 16 October 2014 to 15 October 2015. By 1 March 2016, the 2015 accounts of 80 Paying Agencies were submitted. Of these, only 77 had submitted the related audit reports and opinions from the Certification Bodies. The Paying Agency, DK02 – DAFA submitted the Certification Body report on 12 March 2016. The Paying Agency DE09 – Hamburg submitted the Certification Body report on 17 March 2016. The Paying Agency DE11 – Mecklenburg-Vorpommern has only submitted the Certification Body report for the EAGF with no indication of when the equivalent report for the EAFRD could be submitted. The EAFRD accounts of the Paying Agency DE11 – Mecklenburg-Vorpommern will consequently be disjoined on 31 May 2016.

As in previous financial clearance exercises, the accounts of a limited number of Paying Agencies will probably not be cleared by the 31 May deadline. This is either because the opinions from the Certification Bodies are qualified, thus requiring further work from the Paying Agencies and/or from the Certification Bodies, or the level of error exceeds the materiality threshold for the fund. The accounts of these Paying Agencies will be disjoined from the financial clearance decision due by 31 May 2016 and cleared at a later stage. In such cases, DG AGRI takes into account the qualifications and/or the levels of detected error when making adjustments to the error rate of the population concerned (for details on the specific cases considered for financial year 2015, please see sections 3 to 5 of Annex 10)

Financial year 2015 is the first year where, in accordance with Article 9 of Regulation (EU) 1306/2013, the Certification Bodies are requested to give an **opinion on the legality and regularity** of expenditure for which reimbursement has been requested. This opinion is in addition to the opinion on the completeness, accuracy and veracity of the accounts.

The opinion on legality and regularity should confirm the level of errors in the management and control system of the CAP that is operated in the Member States. The opinion is given at the level of each Paying Agency, covering both Funds (EAGF and EAFRD) and the following four populations, organised as per the main internal control systems of the Paying Agency:

- EAGF IACS (schemes covered by the Integrated Administrative and Control System)
- EAGF Non-IACS (schemes not covered by the IACS)
- EAFRD IACS (schemes covered by the Integrated Administrative and Control System)
- EAFRD Non-IACS (schemes not covered by the IACS)

The opinion covers:

- the annual accounts on the payments made within the financial year, and
- the control statistics which includes the results of the eligibility checks (administrative and on-the-spot controls) carried out by the Paying Agency and the Management Declaration of the Paying Agency.

Integrated sampling approach: According to Article 9 (2)(b) of Regulation (EU) 1306/2013 the Certification Bodies can use a single integrated sample for each population where appropriate. The integrated sampling approach means that the Certification Bodies can use one statistical sample to test the legality and regularity of expenditure declared (including the administrative and on-the-spot eligibility checks) and the accounts.

The method starts with the review and assessment of the internal control system of the Paying Agency, including compliance testing, i.e. testing the systems and procedures of the Paying Agency for compliance with the applicable regulations (see section 2.1). The second and key part of the audit work is the substantive testing: Through testing of transactions (based on a statistical sample), the Certification Body auditors are requested to confirm the level of errors found in the initial eligibility checks performed by the Paying Agency and, if not confirmed, to give a qualified opinion. The purpose of the Certification Body's substantive testing is twofold: on one hand it needs to confirm the level of error in the checks of the Paying Agency in order to give an opinion on the legality and regularity of transactions, and on the other hand it needs to confirm the level of error in the payments to give an opinion on the accounts.

The Certification Body must provide two rates to assess the level of error in the checks by the Paying Agency:

- An *error rate* related to the errors found in the payments made to the beneficiaries based on comparing their results to the accounts of the Paying Agency. This will support the basis for the Certification Body's opinion on the annual accounts of the Paying Agencies (see section 2.1.2).
- An *incompliance rate* related to the errors found in control statistics of the Paying Agency based on the re-verified eligibility checks (including administrative and on-the-spot controls), namely verification of legality and regularity. The residual risk needs to be assessed taking account of this incompliance rate. The Certification Body's opinion on the Paying Agency's Management Declaration (see section 2.2) is based on this result (see section 2.3).

In principle, for the purpose of assessing the reliability of the Paying Agencies' reported error rates stemming from their control statistics and for **estimating an adjusted error rate**, DG AGRI should take into account the incompliance rate established by the Certification Bodies. In this assessment the following three scenarios may occur:

- The Certification Body calculated the incompliance rate, it validated the control statistics (unqualified opinion on the Paying Agency's Management Declaration) and it performed its work up to the necessary standard: in this case the Paying Agency's error rate should be retained as the final error rate unless DG AGRI auditors are aware of any systemic weaknesses not detected or not quantified by the Certification Body.
- The Certification Body calculated the incompliance rate but it did not validate the controls statistics (qualified opinion on the Paying Agency's Management Declaration) and it performed its work up to the necessary standard; In this case the Paying Agency's initial error rate shall be topped up by the incompliance rate in order to establish the "adjusted error rate";
- The Certification Body did not perform its task to the necessary standard; In this case the Paying Agency's initial error rate shall be topped up as proposed by DG AGRI auditors.

Explanatory Box: Annex 10-2.1

2.1 Compliance with the accreditation criteria

2.1.1. Status of the Paying Agencies' accreditation

At 15 October 2015, the 28 Member States had 80 operating accredited Paying Agencies. This is one less than at the same time in 2014 due to the closure of the federal Paying Agency in Belgium (BE01 – BIRB) as of 15 October 2014. The activities of this Paying Agency were taken over by the two regional Paying Agencies, who were duly accredited for these activities.

The status of accreditation of the 80 Paying Agencies was as follows on 15 October 2015:

- 79 fully accredited Paying Agencies
- 1 Paying Agency (OPEKEPE in Greece) continued to be under limited accreditation; accreditation continues to be limited to those EAFRD measures for which a proper control system and procedures have been put into place (no further measures have been accredited since April 2011).

During the year, the accreditation status of three Paying Agencies changed compared to the situation at 15 October 2014:

- PAAFRD in the Republic of Croatia was granted full accreditation for EAFRD on 1 October 2015. It had already been granted full accreditation for the EAGF on 20 December 2013.
- Andalucía in Spain was placed under probation on 1 July 2014. This followed the recommendation of DG AGRI in the clearance letter related to financial year 2013. Full accreditation was reinstated on 16 December 2014.
- The Italian Paying Agency AGEA was placed under probation on 25 April 2014. Following the successful implementation of a remedial plan required by the competent authority, full accreditation was reinstated on 25 April 2015. This included a recommendation to the Paying Agency to successfully implement a separate (and more detailed) action plan elaborated by the Paying Agency itself in agreement with the competent authority.

Status of Paying Agencies' accreditation	At the beginning of financial year 2015	At the end of financial year 2015
Fully accredited	76	79
Limited accreditation	1 ¹⁷	1 ¹⁸
Accreditation under probation or provisional accreditation	3 ¹⁸	
Total Member States: 28	80	80

Table: Annex 10 – 2.2

2.1.2 Certification of the functioning of the Paying Agencies' internal control systems and the accounts

In the context of the financial clearance exercise for financial year 2015, the Certification Bodies are required – besides certifying the accounts of the Paying Agencies - to report on and certify whether the Paying Agencies' internal control systems operated satisfactorily.

Taking into consideration the EAGF / EAFRD split, 150 opinions (70 Paying Agencies dealing with both Funds and 10 Paying Agencies dealing only with one Fund – 8 dealing exclusively with EAGF and 2 exclusively with EAFRD) covering the internal control systems, should be received.

¹⁷ OPEKEPE (Greece)

¹⁸ PAAFRD (Croatia) under provisional accreditation for EAFRD; Andalucía (Spain) and AGEA (Italy) under probation

25 Paying Agencies requested permission¹⁹ to submit the audit opinions and related reports after the deadline of 15 February 2016²⁰. With the exception of DE09 - Hamburg; DE11 – Mecklenburg-Vorpommern – section dealing with EAFRD and DK02 - Danish AgriFish Agency, all audit opinions and reports had been received by 1 March 2015. The Certification Body report for DE09 – Hamburg was received on 17 March 2016. The Certification Body report for DK02 – DAFA was received on 12 March 2016. At the time of writing, the Certification Body report concerning the EAFRD for DE11 – Mecklenburg-Vorpommern had not been received. The EAFRD accounts for this Paying Agency will consequently be disjoined.

At the time of writing, 149 audit opinions had been received and assessed. In all cases, the Certification Body concluded that the internal control system of the Paying Agencies operated at least satisfactorily²¹. Despite this assessment, in 8 cases, the Certification Body qualified its opinion on the EAFRD accounts. In 6 cases (BE03 – Region Wallonia, ES03 – Asturias, ES16 – La Rioja, FR18 – ODARC, FR19 – ASP, RO01 – PARDF) the qualification was due to the presence of material error, either at fund level or at population (EAFRD IACS or EAFRD Non-IACS) level in the EAFRD accounts. And in 2 cases (BG01 – SFA, IE01 – DAFM) the qualification was linked to the limitation of scope in the Certification Bodies' work. In addition for IT26 – ARCEA a disclaimer of opinion has been issued for the EAFRD account. For EAGF a qualified opinion was issued for RO02 – PIAA for the detected differences.

2.1.3 The Commission's accreditation audits and summary of findings

The Commission regularly performs accreditation audits. The selection of these audits is based on a detailed risk assessment, to check whether the Paying Agencies (continue to) respect the accreditation criteria. As the unit's resources were primarily focused on addressing the accumulated backlog of ongoing enquiries from previous years and the new Certification Body work on the legality and regularity, only one accreditation mission took place during the year. This was to the Italian Paying Agency IT01 – AGEA. This mission was a follow-up on the reviews undertaken in 2014 and focused on the issue of debts and debt management as well as the implementation of an action plan developed by the Paying Agency which was aimed at mitigating the risks identified by the competent authority when it placed the Paying Agency under probation in April 2014.

2.1.4 The Certification Bodies' reports for financial year 2015 and summary of findings

At the time of writing (22 April 2016), the Certification Body report for DE11 – Mecklenburg-Vorpommern concerning the EAFRD is outstanding.

In the opinion of the Certification Bodies, and except the EAFRD section for the Paying Agency DE11 – Mecklenburg-Vorpommern for which the audit opinion has not been received, none of the Paying Agencies have deficiencies that are serious enough to conclude that they no longer comply with the accreditation criteria.

Concerning the Italian Paying Agency IT01 – AGEA, it is recalled that the Competent Authority placed the Paying Agency under probation on 25 April 2014. Full accreditation was reinstated on 25 April 2015 after a remedial plan required by the Competent Authority had been implemented. However, the reinstatement of accreditation was accompanied by a recommendation that the Paying Agency successfully implements a separate action plan, that was more detailed than the remedial plan of the Competent Authority and which covered various accreditation criteria. The deadline for full implementation of the action plan was 15 October 2015. The Certification Body did not identify any deficiencies in the accreditation criteria. In addition, in its comments on the Action Plan, the Certification Body refers only to the aspects dealing with human resources and debt management stating that progress had been noted. The Certification Body failed to mention that the most important aspects of this action plan had not been implemented and were significantly delayed. This was

¹⁹ According to the provisions of Article 59(5) of the Financial Regulation (EU, Euratom) No 966/2012 and Article 7(3) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council, the deadline of 15 February may exceptionally be extended by the Commission to 1 March.

²⁰ BG01 - State Fund Agriculture; DE03 - Baden-Württemberg MLR; DE09 - Hamburg; DE11 - Mecklenburg-Vorpommern; DE17 - Rhineland Pfalz; DE20 - Sachsen-Anhalt; DE23 - Thüringen; DK02 - Danish AgriFish Agency; ES01 - Andalucía; ES03 - Asturias; ES07 - Castilla La Mancha; ES08 - Castilla y Leon; ES10 - Extremadura; ES11 - Galicia; ES16 - La Rioja; GB05 - DARD; GB06 - SGRPID; GB07 - WAG; GB09 - RPA; GR01 - OPEKEPE; IE01 - DAFM; HU01 - ARDA; LU01 - Min. Agri.; RO01 - RIFA; RO02 - APIA

²¹ ratings of "works well", "works" or "works partially"

detected by the auditors of the Directorate General for Agriculture and Rural Development. The failure on the part of the Certification Body to duly report this raises doubts on the assurance that can be taken from this Certification Body opinion and is the major contributing factor to the proposal to disjoin the EAGF and EAFRD accounts for financial year 2015.

2.1.5 Conclusion on the opinion on the Internal Control System

The opinion of the Certification Body reports received, and with the exception of the issues identified in the previous point on DE 11 and IT01, is that the Internal Control Systems of the Paying Agencies function adequately.

2.2 Management Declaration from the Directors of the Paying Agencies and related opinions from the Certification Bodies

2.2.1 Management Declaration from the Directors of the Paying Agencies

In respect of financial year 2015, the Directors of all the Paying Agencies submitted to the Commission their management declarations on the completeness, accuracy and veracity of the accounts, on the proper functioning of the internal controls systems and on the legality and regularity of the underlying transactions.

All declarations were without reservations (see table 1 below). According to the Guideline on the Management Declaration, in the event that any deficiency is identified in the context of establishing the Management Declaration which does not fulfil the criteria for justifying a reservation but which, in the opinion of the Director of the Paying Agency nonetheless constitutes an issue which should be brought to the attention of the Commission services, this should be disclosed in a document attached to the Management Declaration.

The declaration of the Paying Agencies BE03 – Region Wallonia, GB06 – SGRPID, GB09 – RPA, IE01 – DAFM, RO01 – PARDF and SE01 – SJV included such a document. For BE03 – Region Wallonia, it concerns detected errors in both EAFRD IACS and Non-IACS populations. For GB06 – SGRPID it covered the particular control issues linked to remedial actions taken for the EAFRD IACS population and the work of the Internal Audit Service for both Funds. In case of GB09 – RPA the specific document is related to the interests included in Annex II, delegation of tasks and compilation of control statistics. For IE01 – DAFM it relates to the material error rate in the EAFRD IACS population. For SE01 – SJV the specific document gave an explanation on the error rates and a statement that the weaknesses leading to previous reservation for the EAGF Non-IACS measures have been followed up. For RO01 – PARDF the document concerned the on-going DAS audit for measure 215.

2.5/ TABLE 1			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION				
Paying Agency			Is the Management Declaration free of reservations?				Reservation/Additional remark
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	AT03	Zollamt Salzburg	Y	Y	N/A	N/A	
3	BE02	ALV	Y	Y	Y	Y	
4	BE03	Rég. Wallonne	Y	Y	Y	Y	Additional remark for detected differences in EAFRD IACS and Non-IACS populations
5	BG01	State Fund Agriculture	Y	Y	Y	Y	
6	CY01	CAPO	Y	Y	Y	Y	
7	CZ01	SAIF	Y	Y	Y	Y	
8	DE01	BLE	Y	Y	Y	Y	
9	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
10	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
11	DE04	Bayern StMLF	Y	Y	Y	Y	
12	DE07	Brandenburg MLUV	Y	Y	Y	Y	
13	DE09	Hamburg	Y	Y	Y	Y	
14	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	
15	DE12	Niedersachsen	Y	Y	Y	Y	
16	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
17	DE17	Rheinland-Pfalz	Y	Y	Y	Y	
18	DE18	Saarland AAL	Y	Y	Y	Y	
19	DE19	Sachsen	Y	Y	Y	Y	
20	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
21	DE21	Schleswig-Holstein	Y	Y	Y	Y	
22	DE23	Thüringen	Y	Y	Y	Y	
23	DE26	Hessen	Y	Y	Y	Y	
24	DK02	DAFA	Y	Y	Y	Y	
25	EE01	PRIA	Y	Y	Y	Y	
26	ES01	Andalucía	Y	Y	Y	Y	
27	ES02	Aragón	Y	Y	Y	Y	
28	ES03	Asturias	Y	Y	Y	Y	
29	ES04	Islas Baleares	Y	Y	Y	Y	
30	ES05	Islas Canarias	Y	Y	Y	Y	
31	ES06	Cantabria	Y	Y	Y	Y	
32	ES07	Castilla La Mancha	Y	Y	Y	Y	
33	ES08	Castilla y León	Y	Y	Y	Y	
34	ES09	Cataluña	Y	Y	Y	Y	
35	ES10	Extremadura	Y	Y	Y	Y	
36	ES11	Galicia	Y	Y	Y	Y	
37	ES12	Madrid	Y	Y	Y	Y	
38	ES13	Murcia	Y	Y	Y	Y	
39	ES14	Navarra	Y	Y	Y	Y	
40	ES15	País Vasco	Y	Y	Y	Y	
41	ES16	La Rioja	Y	Y	Y	Y	
42	ES17	C. Valenciana	Y	Y	Y	Y	
43	ES18	FEGA	NA	Y	NA	Y	
44	FI01	MAVI	Y	Y	Y	Y	
45	FR05	ODEADOM	Y	Y	N/A	N/A	
46	FR18	ODARC	N/A	N/A	Y	Y	
47	FR19	ASP	Y	N/A	Y	Y	
48	FR20	France Agrimer	N/A	Y	N/A	N/A	

2.5/ TABLE 1			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION				
Paying Agency			Is the Management Declaration free of reservations?				Reservation/Additional remark
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
49	GB05	DARD	Y	Y	Y	Y	
50	GB06	SGRPID	Y	Y	Y	Y	Additional remark: particular control issues for the EAFRD IACS population and the work of the Internal Audit Service for both Funds
51	GB07	WAG	Y	Y	Y	Y	
52	GB09	RPA	Y	N/A	Y	Y	Additional remark: interests included in Annex II, delegation of tasks and compilation of control statistics
53	GR01	OPEKEPE	Y	Y	Y	Y	
54	HR01	PAAFRD	Y	Y	Y	Y	
55	HU01	ARDA	Y	Y	Y	Y	
56	IE01	DAFM	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population
57	IT01	AGEA	Y	Y	Y	Y	
58	IT02	SAISA	N/A	Y	N/A	N/A	
59	IT03	ENR	Y	N/A	N/A	N/A	
60	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
61	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
62	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
63	IT10	ARPEA	Y	Y	Y	Y	
64	IT23	OPR Lombardia	Y	Y	Y	Y	
65	IT24	OPPAB	Y	N/A	Y	Y	
66	IT25	APPAG	Y	N/A	Y	Y	
67	IT26	ARCEA	Y	N/A	Y	Y	
68	LT01	NMA	Y	Y	Y	Y	
69	LU01	Min. Agric.	Y	Y	Y	Y	Anti-fraud strategy implementation is under way
70	LV01	RSS	Y	Y	Y	Y	
71	MT01	MRRPA PA	Y	Y	Y	Y	
72	NL04	RVO	Y	Y	Y	Y	
73	PL01	ARMA	Y	Y	Y	Y	
74	PL02	AMA	N/A	Y	N/A	N/A	
75	PT03	IFAP	Y	Y	Y	Y	
76	RO01	PARDF	N/A	N/A	Y	Y	
77	RO02	PIAA	Y	Y	N/A	N/A	
78	SE01	SJV	Y	Y	Y	Y	Additional remark: explanation on the error rates, remedy of weaknesses that led to previous reservation.
79	SI01	AAMRD	Y	Y			
80	SK01	APA	Y	Y	Y	Y	

2.2.2 Opinion of the Certification Bodies on the Management Declaration

Table 2 lists the individual opinions Certification Bodies on the Paying Agencies' Management Declarations. Please also see section 2.3.3.

2.5/TABLE 2			CERTIFICATION BODIES' OPINION ON THE PAs' MANAGEMENT DECLARATION				Reservation/Remarks
			Is the Management Declaration confirmed by the Audit Opinion?				
Paying Agency			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	AT03	Zollamt Salzburg	N/A	Y	N/A	N/A	
3	BE02	ALV	Y	Y	Y	Y	
4	BE03	Rég. Wallonne	Y	Y	N	N	Qualified: Material error in the EAFRD IACS and Non-IACS population
5	BG01	State Fund Agriculture	Y	Y	Y	Y	But new MD is under way
6	CY01	CAPO	Y	Y	Y	Y	
7	CZ01	SAIF	Y	Y	Y	Y	
8	DE01	BLE	Y	Y	Y	Y	
9	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
10	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
11	DE04	Bayern StMLF	Y	Y	Y	Y	
12	DE07	Brandenburg MLUV	Y	Y	Y	Y	
13	DE09	Hamburg	Y	Y	Y	Y	
14	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	N/A	N/A	Opinion on EAFRD not received
15	DE12	Niedersachsen	Y	Y	Y	Y	
16	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
17	DE17	Rheinland-Pfalz	Y	Y	Y	Y	
18	DE18	Saarland AAL	Y	Y	Y	Y	
19	DE19	Sachsen	Y	Y	Y	Y	
20	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
21	DE21	Schleswig-Holstein	Y	Y	Y	Y	
22	DE23	Thüringen	Y	Y	Y	Y	
23	DE26	Hessen	Y	Y	Y	Y	
24	DK02	DAFA	Y	Y	Y	Y	
25	EE01	PRIA	Y	Y	Y	Y	
26	ES01	Andalucia	Y	Y	Y	Y	
27	ES02	Aragón	Y	Y	Y	Y	
28	ES03	Asturias	Y	Y	Y	Y	Emphasis of the matter: limitation for the animal premia due to the detected differences in the control statistics - EAGF IACS.
29	ES04	Islas Baleares	Y	Y	Y	Y	
30	ES05	Islas Canarias	Y	Y	Y	Y	
31	ES06	Cantabria	Y	Y	Y	Y	
32	ES07	Castilla La Mancha	Y	Y	Y	Y	
33	ES08	Castilla y León	Y	Y	Y	Y	
34	ES09	Cataluña	Y	Y	Y	Y	
35	ES10	Extremadura	Y	Y	Y	Y	
36	ES11	Galicia	Y	Y	Y	Y	
37	ES12	Madrid	Y	Y	Y	Y	
38	ES13	Murcia	Y	Y	Y	Y	
39	ES14	Navarra	Y	Y	Y	Y	
40	ES15	País Vasco	Y	Y	Y	Y	
41	ES16	La Rioja	Y	Y	Y	Y	
42	ES17	C. Valenciana	Y	Y	Y	Y	
43	ES18	FEGA	NA	Y	NA	Y	

2.5/TABLE 2			CERTIFICATION BODIES' OPINION ON THE PAS' MANAGEMENT DECLARATION				
			Is the Management Declaration confirmed by the Audit Opinion?				Reservation/Remarks
Paying Agency			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
44	FI01	MAVI	Y	Y	Y	Y	
45	FR05	ODEADOM	Y	Y	N/A	N/A	
46	FR18	ODARC	N/A	N/A	Y	Y	Emphasis of the matter: missing administrative controls in the control statistics - EAFRD IACS.
47	FR19	ASP	Y	N/A	Y	Y	
48	FR20	France Agrimer	N/A	Y	N/A	N/A	Emphasis of the matter: opinion is limited to certain measures.
49	GB05	DARD	Y	Y	Y	Y	
50	GB06	SGRPID	Y	Y	Y	Y	
51	GB07	WAG	Y	N/A	Y	Y	
52	GB09	RPA	Y	Y	Y	Y	
53	GR01	OPEKEPE	Y	Y	Y	Y	
54	HR01	PAAFRD	Y	Y	Y	Y	
55	HU01	ARDA	Y	Y	Y	Y	
56	IE01	DAFM	Y	Y	N	Y	Limitation of the CB's work on legality and regularity of the expenditure EAFRD IACS 2014-2020 programming period.
57	IT01	AGEA	Y	Y	Y	Y	
58	IT02	SAISA	N/A	Y	N/A	N/A	
59	IT03	ENR	Y	N/A	N/A	N/A	
60	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
61	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
62	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
63	IT10	ARPEA	Y	Y	Y	Y	
64	IT23	OPR Lombardia	Y	Y	Y	Y	
65	IT24	OPPAB	Y	N/A	Y	Y	
66	IT25	APPAG	Y	N/A	Y	Y	
67	IT26	ARCEA	Y	N/A	Y	Y	
68	LT01	NMA	Y	Y	Y	Y	
69	LU01	Min. Agric.	N	N	N	N	Qualified: Anti-fraud strategy has not been implemented
70	LV01	RSS	Y	Y	Y	Y	
71	MT01	MRRR PA	Y	Y	Y	Y	
72	NL04	RVO	Y	Y	Y	Y	
73	PL01	ARMA	Y	Y	Y	Y	
74	PL02	AMA	N/A	Y	N/A	N/A	
75	PT03	IFAP	Y	Y	Y	Y	Emphasis of the matter: EAGF, EAFRD: high error rates in control statistics for some measures, PRODERAM (EAFRD non-IACS) - PA's on-going action plan
76	RO01	PARDF	N/A	N/A	N	N	Qualified: Detected errors exceeding the materiality for EAFRD IACS and Non-IACS populations
77	RO02	PIAA	Y	Y	N/A	N/A	Emphasis of the matter: to strengthen the internal control system, to monitor the delegated functions and to decrease the error rates for EAGF IACS and Non-IACS
78	SE01	SIV	Y	Y	Y	Y	
79	SI01	AAMRD	Y	Y	Y	Y	
80	SK01	APA	Y	Y	Y	Y	

2.2.3 Follow-up of reservations included in the Paying Agency Directors' Management Declarations

Concerning the previous reservation included in the Paying Agency GR01 – OPEKEPE Directors' Management Declaration, the Paying Agency reported that the related action plan has been completed. It is noted that for claim year 2014, despite the significant improvements made, there were still some problems with maximum eligible permanent pasture areas. The progress made in implementing the pasture eligibility action plan under pillar 1 was reviewed by auditors of the Directorate General for Agriculture and Rural Development in October 2015. The quality of LPIS information was found to be satisfactory for claim year 2015. Errors detected by the Certification Body relating to the eligible pasture areas under Axis 2 of RDP 2007-2013 for financial year 2014 are subject to on-going conformity enquiries.

2.2.4 Conclusion on the opinion on the Management Declarations of the Paying Agencies

As mentioned in section 2, the Certification Bodies have to provide an opinion on the Paying Agencies' Management Declarations based on their assessment of the residual risk for the given population. A detailed assessment is included in section 2.3.3.

In general, in several cases the Certification Bodies did not consider the Paying Agencies' control statistics' error rate reported in the Management Declaration when drawing conclusions on the residual risk. Most of the Certification Bodies took into account their own results (the incompliance rate calculated), which did not indicate a breach of materiality in the majority of cases. However, if the Certification Body confirms, with its own result, an error rate reported by the Paying Agency in the control statistics which exceeds the level of materiality for the given population, that material error rate should be considered by the Certification Body in the conclusion on the residual risk. As summarized in section 2.3.3 per population there was a number of Certification Bodies which concluded that the residual risk was not material based on their own incompliance rates without considering the high error rate reported by the Paying Agency. In addition, a number of Certification Bodies, while they gave a qualified opinion on the accounts, gave an unqualified opinion on the Paying Agency's Management Declaration even though the issues and errors identified are linked to legality and regularity of the expenditure declared and so should have had an impact on the opinion on the Management Declaration.

Hence DG AGRI can take limited assurance overall in such cases and must continue to provide its own professional judgement on the residual risk.

2.3 Legality and regularity of the expenditure

2.3.1 Opinion of the Certification Bodies' work on Legality and Regularity of expenditure

The new "method" underlying the opinion on legality and regularity is based on an integrated sampling approach (auditing internal control system, accounts, legality and regularity of transactions) through one statistical sample in order to minimise the workload of the Certification Body (see section 2) as requested by the Member States.

The method is based on the audit method used for auditing financial statements in accordance with internationally accepted audit standards. The focus is on compliance with applicable eligibility rules. Thus, through a statistical sample the auditors verify at final beneficiary level if all eligibility criteria are met. Therefore, the Certification Bodies also need to perform re-verification of the on-the-spot controls done by the Paying Agencies.

With this new method the auditors' results, conclusions and opinion should give a more precise picture of the extent of the errors in the concerned populations.

For financial year 2015, the new integrated sampling approach had to be applied with some variation in respect of the different populations as it was the first year of application of the new approach and as various conditions define the schemes and measures of the four populations:

- EAGF IACS and EAFRD IACS: the integrated sampling approach could be fully used; both error rates and incompliance rates could be provided;
- EAGF Non-IACS: control statistics do not exist for all the measures; therefore an incompliance rate could not be calculated in all cases;

- EAFRD Non-IACS: in the first year of implementation there was no possibility to calculate the incompliance rate as the period of the control statistics (calendar year) and the financial year are different and the re-verification of on-the-spot controls were performed in relation to the financial year.

The reliability of the Certification Bodies' work based on the new approach has been assessed in the first financial clearance exercise. The results are outlined in the subsequent sections.

2.3.2 DG AGRI's audits of Certification Bodies' work on legality and regularity

In this first year of the Certification Body work on legality and regularity, DG AGRI in its audit programme gave priority to those Certification Bodies covering the Paying Agencies with the highest expenditure.

Mission programme implemented in 2015

In 2015, the 17 missions listed in Table 2.3 below were carried out of which 15 were planned in order to verify the methodology and results of the Certification Body work on the re-verification of on-the-spot and administrative controls (to the extent that had been accomplished by the time of the mission). Two missions (BG and CZ) were carried out to check the extent to which the Certification Body could perform the audit of legality and regularity for the first year given the late nomination of the Certification Body.

List of Paying Agencies and related Certification Bodies audited on legality and regularity work in 2015		
Paying Agency		Certification Body
AT01	AMA	Bundesministerium für Land- und Forst-wirtschaft, Umwelt und Wasserwirtschaft
ES01	Andalucía	Intervención General de la de la Junta de Andalucía, L&R
ES08	Castilla y León	Intervención General de la Junta de Castilla y León
FR19	ASP	CCCOP (Commission de Certification des Comptes des Organismes Payeurs)
GB09	RPA	National Audit Office
HU01	ARDA	KPMG HU
IE01	DAFM	BDO Ireland
NL04	RVO	Auditdienst Rijk
PL01	ARMA	Ministerstwo Finansów - Ministry of Finance
PL02	AMA	
PT03	IFAP	INSPEÇÃO-GERAL DE FINANÇAS
RO01	RIFA	Court of Auditors of Romania
RO02	PIAA	
DK02	DAFA	Deloitte Chartered Accountants
DE04	Bayern StMLF	Deloitte & Touche GmbH
GR01	OPEKEPE	SOL - Collaborating Chartered Accountants, S.A.
IT01	AGEA	Deloitte & Touche SpA
BG01	SFA	Grant Thornton Bulgaria
CZ01	SZIF	BDO CA s.r.o.

Table: Annex 10 – 2.3

The missions covered the audit strategy of the Certification Bodies and the re-verifications of on-the-spot and administrative controls depending on the extent of audit at the time of the mission.

Summary of the main findings of these audits and monitoring activities

A number of Competent Authorities which opted to assign the certification work to private audit firms did not appoint the Certification Bodies early enough to allow the relevant re-verification checks to take place in due time (this was observed in 6 Member States for a total of 14 Paying Agencies as in Italy it concerns the certification work for 9 Paying Agencies).

In addition, due to the late nomination of the Certification Bodies, but not solely for this reason, some of the Certification Bodies did not plan a timely re-verification of controls, which is in particular important for the IACS measures. In some cases the Certification Bodies were not familiar with the on-the-spot controls and therefore rely to a large extent on the experience of the Paying Agency's own inspectors. This was noted in 80 % of the missions carried out.

In some cases the Certification Body did not review the Paying Agency's procedures to check their compliance with the applicable rules before those same procedures were used (accepted) by the Certification Body as the basis for the on-the-spot control re-verifications.

Previous conformity audit findings are not always taken into account in the Certification Bodies' review.

Based on the observations from the missions, the majority of the Certification Bodies' established the audit strategy in line with the approach outlined in the guidelines. However, there were some Certification Bodies for which this was not the case. In most of the cases the verification of administrative checks and the error evaluation could not be reviewed at the time of carrying out the missions as the Certification Bodies' audit had not reached that stage yet.

In 50 % of the missions it was observed that the Certification Bodies' check on the eligibility criteria was not sufficient.

A complete review of the results of the Certification Bodies' work and assessment of the work on legality and regularity took place in the financial year 2015 financial clearance assessment which started in February 2016. The results are outlined in the following sections.

2.3.3 Assessment of the opinions of the Certification Bodies' work on Legality and Regularity of the expenditure

The results of the work on legality and regularity are expressed through assessment of the residual risk by the Certification Bodies. The conclusion of the assessment is reflected in the Certification Body's Opinion on the Paying Agency's Management Declaration.

EAGF IACS population

68 out of the 80 Paying Agencies declared expenditure under EAGF IACS schemes

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	66	N/A
Qualified	1	LU01 - Ministère de l'Agriculture
Opinion with an emphasis of the matter	1	ES03 - Asturias
Total Member States: 28	68	

Table: Annex 10 – 2.4

For LU01 – Ministère de l'Agriculture, the reservation concerns the delay in the implementation of the anti-fraud strategy. The Certification Body of the Paying Agency ES03 - Asturias, without qualifying its opinion, emphasized in its opinion a limitation for animal premia due to the detected differences in the control statistics.

The residual risk was assessed as not material for all Paying Agencies except for Paying Agency ES03 - Asturias.

There was no material incompliance rate established.

EAGF Non-IACS population

72 out of the 80 Paying Agencies declared expenditure under EAGF Non-IACS schemes.

The only qualified opinion was for LU01 - Ministère de l'Agriculture, for the same reason as mentioned above under the EAGF-IACS population. In 7 cases²² no separate opinion on the residual risk for the EAGF Non-IACS population has been provided as the Certification Body treated this population as a de-minimis population. The Certification Bodies of the Paying Agencies BE03 – Region Wallone, HU01 – ARDA and RO02 – PIAA found

²² DE04 – Bayern, DE21 - Schleswig-Holstein, DK01 – DAFA, GB05 – DARD, GB06 – SGRPID, GB07 – WAG, GB09 – RPA

material error (Most Likely Error exceeding the materiality) in this population, which should have been reflected upon in their assessment of the residual risk and in the Opinion on the Management Declaration.

EAFRD IACS population

68 Paying Agencies declared expenditure under EAFRD IACS measures.

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	62	N/A
Qualified	4	BE03 – Region Wallonne, IE01 – DAFM, LU01 - Ministère de l'Agriculture, RO01 – PARDF
Disclaimer of opinion	1	IT26 - ARCEA
Opinion has not been received	1	DE11 – Mecklenburg-Vorpommern MELFF
Total Member States 28	68	

Table: Annex 10 -2.5

For BE03 – Region Wallonia the qualification concerned detected differences and material errors. For IE01 – DAFM the qualification is about the limitation of the Certification Body's work on legality and regularity of the expenditure paid in 2014, but declared in 2015 due the timing of the approval of the rural development programme. For LU01 – Ministère de l'Agriculture, the qualification concerned the delay in the implementation of the anti-fraud strategy. As for RO01 – PARDF the qualification concerned the detected errors exceeding the materiality (Most Likely Error exceeding the materiality at Fund level). For IT26 – ARCEA a disclaimer of opinion was issued for the EAFRD due to the fact that the Certification Body could not verify 4 files for the EAFRD Non-IACS population. These qualified opinions concerned the EAFRD expenditure declared under both IACS and Non-IACS measures, except for IE01 – DAFM. The latter concerns only EAFRD IACS 2014-2020 programming period expenditure.

For 2 Paying Agencies, the residual risk was assessed as material: FR19 – ASP and BE03 – Region Wallonne; for the rest of the Paying Agencies the risk was not material. In 4 cases (BE03 – Region Wallonne, FR18 – ODARC, FR19 – ASP, IT26 – ARCEA) the Certification Bodies found material error (Most Likely Error exceeding the materiality) in this population.

EAFRD Non-IACS

57 Paying Agencies have expenditure declared under EAFRD Non-IACS measures.

As regards the Certification Body's opinion on the Paying Agency's Management Declaration, reservations were included for the same 3 Paying Agencies as mentioned above for the EAFRD IACS population and for the same reasons. And as mentioned above for IT26 – ARCEA a disclaimer of opinion was issued for the EAFRD due to the fact that the Certification Body could not verify 4 files for the EAFRD Non-IACS population. For 2 Paying Agencies (BE03 – Region Wallonia, RO01 – PARDF) the Certification Body indicated material residual risk based on the material errors established for the accounts (Most Likely Error exceeding the materiality).

General assessment

As it was the first year to give an opinion on the Paying Agency's Management Declaration based on the substantive testing related to the controls statistics, the Certification Bodies encountered some difficulties in drawing conclusions, especially when a material incompliance rate was determined. In some cases the Certification Bodies' own results are not correctly reflected in their assessment of the residual risk and the opinion on the Management Declaration. In addition, as mentioned in section 2.2.4, the Certification Bodies' conclusions on the residual risk are inconsistent with the error rates reported by the Paying Agencies in the control statistics.

In most of the cases it was confirmed by the Certification Bodies that the Paying Agencies had established the necessary action plans to remedy the weaknesses leading to reservations in the 2014 Annual Activity Report of DG AGRI. The state of play and potential delays in the implementation were indicated by the Certification Bodies, but the deficiencies leading to the implementation of the Action Plan were not reflected in the incompliance rate established by the Certification Bodies. Thus the Certification Bodies have reported qualitatively in most cases on the action taken to remedy the deficiencies in the control systems, but have not quantified the error underlying the need for the Action Plans. Only few discrepancies were revealed as regards reporting on the action plans, in those cases when the national action plan concerns several Paying Agencies.

2.3.4 Conclusion on the Certification Bodies' work on Legality and Regularity

The Certification Body's work on Legality and Regularity was assessed through several components:

- Timing of the appointment of the Certification Body,
- Timing of the re-verification of on-the-spot controls,
- Quality of Certification Body's re-verification of eligibility checks (administrative and on-the-spot controls) through the DG AGRI audit missions and assessment of the Certification Body's results,
- Adequacy of Certification Body's audit strategy and reported results.

Based on this assessment it is considered that DG AGRI could have limited reliance on the Certification Body's work on legality and regularity. **The main reasons for not relying on the Certification Bodies' work on legality and regularity were as follows:**

- Timing of the audit work: because the Certification Body was nominated late or because of inadequate planning of the audit activities, often the verification of the on-the-spot controls done by the PA in claim year 2014 was only done in 2015, resulting in partially ineffective checks because the situation of the land parcels or animals concerned might have changed in the meantime;
- Technical skills and legal expertise: detecting errors in the CAP expenditure requires a lot of very specific skills and expertise, to be able, for instance, to very precisely assess the eligibility of land or to check in details that a given procurement procedure respects all applicable rules. Many of the Certification Bodies have still to learn more and develop further their abilities in detecting deficient controls;
- Inadequate audit strategy: no integrated sampling and error evaluation were possible to use leading to insufficient testing for one or both audit objectives;
- Too small sample sizes: most of the Certification Bodies limited the size of the samples to the minima set in the Commission guidelines, without considering for instance the limitations to the effectiveness of their checks resulting from the late timing or from the learning curve; as a result of insufficient testing, major conformity issues identified by other auditors (Commission and/or Court of Auditors) were not found.

Main observations per population:

EAGF IACS

This is the population for which the Certification Bodies could provide results on legality and regularity to the greatest extent in the first year of the implementation of the new approach (under the reformed legal framework). It is also due to the fact that the integrated sampling approach as described above can be applied to this population. Nevertheless, there a number of Member States encountered problems with assigning the Certification Bodies to the tasks on time, and a number of Certification Bodies that could not start the re-verification of on-the-spot controls on time. A few Certification Bodies applied an inappropriate audit strategy that prevented them from using an integrated sampling approach and providing results for the incompliance rates. In some cases it meant that the Certification Bodies did not have a representative sample due to the

selection method they applied, or to the fact that the Paying Agency's initial sample for on-the-spot controls was not representative.

EAGF Non-IACS

In a number of cases no assessment of the residual risk was provided for the EAGF Non-IACS population as it was treated as a de-minimis population. If the expenditure of the given population is below 2% of the total expenditure declared to the Fund and if no specific risk is linked to the schemes or measures of that population the Certification Bodies can decide to test the whole expenditure of the Fund under one single population. However, these conditions were not assessed correctly in all cases when this approach was used, and an opinion on the residual risk should have been provided for this population as well. In several cases the Certification Bodies did not conclude on the residual risk as no incompliance rate was calculated although conclusions could have been provided considering the error rate established for the certification of the accounts. It was also found through the DG AGRI audits carried out in 2015 and the assessment of the Certification Bodies' results in the financial clearance exercise that eligibility conditions are not always verified to their full extent by the Certification Bodies.

EAFRD IACS

The integrated sampling approach could be applied to this population as well. Nevertheless, the Certification Bodies' work on legality and regularity can be relied upon to lesser extent than in the case of the EAGF IACS population. Apart from the reasons mentioned under the EAGF IACS population, it was observed during the DG AGRI audits that for several cases the re-verification of the on-the-spot controls were not performed correctly, i.e. commitments linked to these measures are not re-verified by the Certification Bodies appropriately, or at all.

EAFRD Non-IACS

As mentioned in section 2.3.1 even if the Certification Bodies followed the approach provided in the Regulation mentioned above and the related certification guidelines, and performed a number of re-verification of on-the-spot controls, the results could not be linked to the control statistics audited and no incompliance rate could therefore be provided. Therefore, no overview has been provided above for this population in respect of the extent to which DG AGRI can rely on the Certification Bodies' work on legality and regularity. Nevertheless a few Certification Bodies, as outlined in section 2.3.3 were able to use the audit work and results on the accounts for drawing conclusion on the residual risk and delivering the Opinion on the PA's Management Declaration.

Overall conclusion on the Certification Bodies' work as regards DG AGRI's adjusted error rate calculation

As financial year 2015 was the first year of application of the new approach, it is obvious that the full benefits of the new work of Certification Bodies could not be reaped. The overall reliance on the results of the Certification Bodies' work on legality and regularity is limited as detailed above. Therefore, the Certification Bodies' results could only be taken into account to a limited extent in the calculation of DG AGRI's adjusted error rate. In some cases, even if the Certification Body's work on legality and regularity is considered to be in line with the guidelines, the adjusted error rate results from the assessment of DG AGRI/ECA auditors' findings that were not found by the Certification Body.

2.4 National Declarations

Although there is no legal requirement in EU law for a national declaration by a Member State on the management and control of the funds it receives from the EU, some Member States draw up such a declaration on a voluntary basis.

For financial year 2015 (16 October 2014 – 15 October 2015), the Netherlands provided such a declaration which was made available to the Commission by the Dutch Minister of Finance on 9 March 2016. The declaration states, in respect of the EAGF and the EAFRD, that the Dutch management and control systems provide reasonable assurance on the legality and regularity of expenditure and revenue and the eligibility of

the aid applications concerned; that the expenditure and revenue declared and included in the consolidation statement are legal, regular, correct and complete up to the level of the final beneficiaries and that pending claims on behalf of these Funds as included in the consolidation statement are legal, regular, correct and complete.

2.5 Overall conclusion on the Certification Bodies' work

The opinions of the Certification Bodies on legality and regularity can be used to a very limited extent in this first year that they have been delivered.

Nevertheless, there are a number of encouraging messages to be taken from the 2015 exercise as well as a number of lessons learned for the future. While the work of the Certification Bodies is not yet always to the high standard necessary with regard to certifying the legality and regularity of EU expenditure, it constitutes the first important steps along the road to a single audit approach and towards a better accountability at national level with regard to the legality and regularity of CAP expenditure. Even though conclusions cannot be drawn extensively in this first year for the purposes intended (validation of the control statistics), the fact that there is a layer of control by a body of professional auditors, can only, over time, result in an improvement in the management and control systems in the Member State. DG AGRI will continue to guide and support the Member States in their efforts to improve and consolidate the work done by the Certification Bodies, to ensure that in the coming years, the extent to which assurance can be drawn will increase.

Part 3: Control results at the level of the final beneficiaries, the assessment thereon by the Certification Bodies and the overall appreciation of the Commission on their reliability taking into account all available information

Annex 10 - part 3 presents DG AGRI's process to calculate an adjusted error rate and the amounts at risk to the EU budget from the starting point of the control data sent by the Member States and taking into account all other available relevant information.

This part of the Annex is split into three separate sections to deal with the three distinct AAB activities:

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Market Measures - Control results and the DG AGRI assessment thereon**Part 3.1 ABB02 – Market Measures****Index for part 3.1 – ABB02: Market Measures**

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3.1.1 Introduction

This ABB activity deals with the traditional CAP, with measures many of which were put in place to provide a safety net for producers and support markets. Since the beginning of the CAP, price support was the main instrument for ensuring market stability and a reasonable income to farmers. Price support or "intervention" was based on institutional prices set for agricultural products which guaranteed a fixed price to farmers for their products. In today's CAP, market instruments are instead used to provide targeted, market safety nets. Intervention prices are set at levels that ensure they are used only in times of real price crisis and when there is a risk of market disruption.

3.1.2 ABB02 Expenditure

Before 1992, more than 90% of all EU agricultural expenditure went to market support including export subsidies; in 2009, that figure was down to 10% of the CAP budget and by the end of 2015 it stood at 4.5% of the CAP expenditure (5.5% in 2013 and 4.5% in 2014).

The following chapter sets out the elements which DG AGRI uses in order to give assurance on expenditure reimbursed to Member States in 2015.

The overall expenditure in shared management with the Member States is 2 665 701 842 EUR while a further 783 571 EUR relates to indirect expenditure by DG AGRI for promotion measures.

The total expenditure in 2015 amounts to 2 666 485 413 EUR.

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The following table sets out the shared management expenditure reimbursed by DG AGRI in 2015 for the various market sectors:

Budget Item	Sector	EUR
050201	Cereals	-
050202	Rice	-
050203	Non-annex I products	53 778
050204	Food Aid	- 3 225 804
050205	Sugar	-
050206	Olive Oil	44 069 178
050207	Textile Plants	6 134 000
050208	Fruit and Vegetables	1 118 567 572
050209	Wine	1 029 816 173
050210	Promotion	66 331 452
050211	Other plant products and POSEI	240 022 195
050212	Milk and Milk Products	119 595 837
050213	Beef and Veal	154 580
050215	Pigmeat, eggs, poultry & apiculture	44 182 881
ABB02 Shared management		2 665 701 842
ABB02 Direct management		783 571
ABB02	Total	2 666 485 413

Table Annex 10 - 3.1.1

3.1.3 What assurance does the Director General have regarding the expenditure under ABB02 – Market Measures?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. ABB02 is characterised by a number of very diverse measures some of which incur very limited expenditure and some of which are applicable in a limited number of Member States only. The various market measures are completely different from each other with their own distinct control systems. In particular, control statistics only exist for around 70% of expenditure. There is not enough data of a sufficiently broad, comprehensive and representative nature to allow the calculation of a meaningful adjusted error rate at individual Paying Agency or Member State level. DG AGRI therefore deviates from the methodology used for ABB03 and ABB04 as set out in its materiality criteria in Annex 4 of this report. Where statistics exist, an adjusted error rate has been calculated for the measure concerned. It does intend however to adhere as closely as possible to the principles set out in that Annex and to diverge only where technically necessary.

The approach taken by DG AGRI, therefore, was to examine the situation for the largest spending measures in particular and for any measure for which it had statistical data. A qualitative approach was taken on a measure by measure basis for the main expenditure items (annual spending above 100 m EUR). This approach was differentiated depending on the information available for each scheme.

- (i) Where statistics existed, along with a meaningful extent of other audit opinions (from Certification Bodies, DG AGRI audits, ECA assessment), an adjusted error rate was estimated at scheme level.
- (ii) Where this was not possible the approach taken examined the control environment for each scheme, reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from the ECA and from the Certification Bodies. The professional judgement of the DG AGRI auditors was sought, on a measure by measure basis, as to the assurance that could be given to the Director General as well as to give an assessment of the maximum amount of the expenditure which might be at risk.

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- (iii) For those measures for which there was neither statistical nor audit information available, the average adjusted error rate resulting from the examination at points (i) and (ii) was extrapolated in order to assess the risk. For 2015, this was necessary in respect of around 6% of expenditure for the ABB.

This approach has resulted in a clear conclusion being drawn for each of the measures concerned on the effectiveness of each system in preventing, detecting and correcting errors as well as on the amount of expenditure considered to be at risk at measure level and at ABB level.

For the 0.784 million EUR under Direct management (promotion measures), DG AGRI assesses the share of expenditure at risk as 1%, which is the same share set for all CAP expenditure under direct management. This is taken into account in the overall assessment for ABB02 in paragraph 3.1.10 (Conclusions for ABB02).

3.1.4 Fruit and Vegetable Sector

The EU funding for the fruit and vegetable sector is targeted at measures to structure the market. Growers are encouraged to join **producer organisations** (POs) in order to strengthen the position of producers in the market. POs receive support for implementing **operational programmes**, based on a national strategy. They are the principle operators in the fruit and vegetables regime.

The EU fruit and vegetable regime supports operational programmes implemented by recognised **producer organisations** (POs), by making a funding contribution to the programmes' operational funds. National authorities "recognise" groups of producers that meet the requirements of the PO status. A recognised PO may set up an operational fund to finance its operational programme (the latter must be approved by the national authorities). This fund is financed by the financial contribution of members (or the producer organisation itself) and the EU financial assistance.

In certain regions, transitional support is also given to encourage producers, who wish to acquire the status of recognised POs, to form **producer groups** (PGs), to cover administration costs and the investments needed to attain recognition as producer *organisations*. This funding may be partially reimbursed by the EU and it ceases once the PG is recognised as a PO.

The **school fruit scheme** is an EU-wide voluntary scheme which provides school children with fruit and vegetables, aiming thus to encourage good eating habits in young people. Besides providing fruit and vegetables to the children the scheme requires participating Member States to set up nutrition strategies including educational and awareness-raising initiatives.

Temporary **exceptional support measures** for producers of certain fruit and vegetables were introduced by the Commission in August 2014 in order to provide relief to European producers as a result of the market disturbances caused by the Russian ban on certain food imports.

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Expenditure by Measure in 2014 - Fruit and Vegetables

Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	School Fruit Scheme	Exceptional support measures	other	Total Fruit & Vegetables
AT	7 894 864	-	1 859 624	50 189	-	9 804 677
BE	69 851 948	-	1 502 674	464 006	-	71 818 628
BG	-	2 330 752	3 562 793	352 732	-	6 246 276
CY	2 017 192	141 569	182 047	685 937	-	3 026 746
CZ	2 763 598	140 139	5 108 346	78 267	-	8 090 351
DE	42 143 113	-	18 753 998	166 541	-	61 063 652
DK	3 499 391	-	963 013	-	-	4 462 404
EE	-	-	766 106	41 753	-	807 859
ES	207 813 317	-	5 776 240	2 870 215	-	216 459 772
FI	2 262 562	-	-	-	-	2 262 562
FR	114 114 933	6 995	2 062 780	457 130	-	116 641 839
GB	31 327 830	-	-	-	-	31 327 830
GR	22 344 603	-	-	183 822	-	22 528 426
HR	-	-	1 310 721	2 719 773	-	4 030 494
HU	4 001 732	6 380 276	5 651 650	9 173	-	16 042 831
IE	321 543	-	865 228	-	-	1 186 771
IT	228 558 027	-	25 860 482	173 517	1 738 694	256 330 720
LT	-	176 886	1 194 832	297 796	-	1 669 514
LU	-	-	433 685	-	-	433 685
LV	495 229	921 817	998 318	32 422	-	2 447 786
MT	-	-	353 333	-	-	353 333
NL	45 886 519	-	451 667	900 317	-	47 238 503
PL	6 866 580	106 552 805	18 831 763	68 466 980	-	200 718 127
PT	13 075 524	-	679 024	22 763	-	13 777 311
RO	2 357 706	3 617 923	3 490 837	949 391	-	10 415 857
SE	5 008 859	-	-	-	-	5 008 859
SI	-	-	720 234	474 678	-	1 194 912
SK	493 421	-	2 684 429	-	-	3 177 850
Total	813 098 490	120 269 161	104 063 824	79 397 403	1 738 694	1 118 567 572

Table: Annex 10 - 3.1.2

3.1.4.1 Operational programmes of producer organisations

In 2015, the expenditure under this measure amounted to 813.1 million EUR.

Article 97(b) of Commission Implementing Regulation (EU) No 543/2011 obliges Member States to submit to the Commission by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer organisations' operational programmes.

DG AGRI audits on operational programmes of producer organisations carried out between 2013 and 2015 identified both recognition criteria issues and control deficiencies for a number of Member States (AT, ES, FR, GB, HU, NL, PT, RO). The auditors consider that the error rates reported by some of these Member States do not fully reflect the irregular spending and thus have adjusted (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 4 to this AAR) the error rates concerned. In the first place it must be noted that this measure is subject to a very high degree of scrutiny by the national authorities. Every producer organisation has to be checked on-the-spot at least once every three years in order to verify respect of recognition criteria as well as the correct implementation of the operational programme.

The statistical reports received concern operational programme expenditure incurred in financial year 2015 in respect of operational year 2014. The level of error detected by the Member States was 3.5% with rates above 2% reported by a number of Member States. However, due to the 100% control coverage in several of these Member States, there is no error remaining in the uncontrolled population for those Member States on the basis of their "reported" error rates, or the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4).

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In order to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available data in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported. This resulted in adjustments being made to the error rates reported for AT, ES, FR, GB, HU, NL, PT and RO. For one ES Paying Agency, the Certification Body also detected ineligible expenditure which was added to the amount at risk:

Fruit and Vegetables - Operational Programmes for Producer Organisations Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid for OPs in 2014 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + (g)
AT	7 894 864	100.0%	15.2%	10%	-	789 486	10.0%	789 486
BE	69 851 948	38.5%	0.1%		62 691	-	0.1%	62 691
CY	2 017 192	100.0%	0.3%		-	-	-	-
CZ	2 763 598	100.0%	0.4%		-	-	-	-
DE	42 143 113	74.6%	2.7%		290 773	-	0.7%	290 773
DK	3 499 391	64.0%	-		-	-	-	-
ES	207 813 317	44.4%	7.2%	2%	8 619 086 *	4 156 266	6.1%	12 775 352
FI	2 262 562	-	-		-	-	-	-
FR	114 114 933	41.1%	0.6%	10%	431 595	11 411 493	10.4%	11 843 089
GB	31 327 830	100.0%	1.2%	7%	-	2 192 948	7.0%	2 192 948
GR	22 344 603	100.0%	2.8%		-	-	-	-
HU	4 001 732	98.4%	4.4%	7%	2 831	280 121	7.1%	282 952
IE	321 543	93.8%	93.8%		18 762	-	5.8%	18 762
IT	228 558 027	40.6%	0.2%		330 780	-	0.1%	330 780
LV	495 229	100.0%	2.7%		-	-	-	-
NL	45 886 519	37.1%	16.0%	5%	4 610 318	2 294 326	15.0%	6 904 644
PL	6 866 580	100.0%	-		-	-	-	-
PT	13 075 524	31.3%	4.3%	3%	385 874	392 266	6.0%	778 139
RO	2 357 706	100.0%	4.2%	5%	-	117 885	5.0%	117 885
SE	5 008 859	11.2%	4.6%		204 897	-	4.1%	204 897
SK	493 421	100.0%	-		-	-	-	-
Grand Total	813 098 490	48.3%	3.5%		14 957 606	21 634 792	4.5%	36 592 398

Table: Annex 10 - 3.1.3

* 2% top-up by DG AGRI auditors = 8 280 434 EUR plus 338 682 EUR detected by CB for ES18 (La Rioja)

The following summary sets out for all cases for the **Operational Programmes for Producer Organisations** where the adjusted error rate is above 2%, the reasons which led to DG AGRI making top-ups to the reported error rates. In each case it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
AT	10%	0.789 m EUR	A DG AGRI audit found deficiencies in the Paying Agency's assessment of recognition criteria, checks on value of marketed production and on operational programmes which led to a top-up of 10%.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required. An action plan is in the process of being implemented by the Austrian authorities further to reservations in 2013 and 2014 AARs. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES	6.1%	12.775 m EUR	A DG AGRI audit in 2016 found deficiencies with regard to eligibility of	Yes	A reservation is necessary for the 2015 expenditure. The deficiencies found relate

Market Measures - Control results and the DG AGRI assessment thereon

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
			expenditure in respect of environmental actions. As this is limited to a small population, it is considered that a top-up of the error rate by 2% should cover the risk to the Fund. In addition, the Certification Body for ES16 (La Rioja) found incorrect use of the carryover of investments which it has quantified at 0.339 m EUR. This amount is added to the DG AGRI top-up.		to a limited and specific population. The ES authorities have initiated the process of revising the guidelines and this corrective action will be followed up via the conformity clearance procedure which will also ensure that the financial risk to the EU budget is covered. No formal action plan is necessary at this stage.
FR	10.4%	11.8 m EUR	A DG AGRI audit in 2015 found several deficiencies in the controls carried out on eligibility of operational programmes and the aid claimed, checks on value of marketed production and checks on delivery of full production. A top-up of 10% is applied to the error rate reported by France.	Yes	A reservation in respect of 2015 expenditure and an action plan are necessary. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB	7%	3.245 m EUR	A DG AGRI audit carried out in 2015 identified that certain deficiencies persisted with regard to verification of soundness of price estimates and checks on value of marketed production. A top-up of 7% is applied.	Yes	The reservation is carried forward from 2014. UK is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HU	7.1%	0.282 m EUR	A DG AGRI audit carried out in 2015 found several deficiencies in the controls carried out on compliance with recognition criteria by POs, commercial consistency or reasonableness of expenditure. A 7% top up is applied.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IE	5.8%	0.19 m EUR	IE detected a very high error rate of 93.8% in the control carried out. As 94% of the expenditure was checked the error in the uncontrolled population is calculated at 5.8%. No further top-up was considered necessary by DG AGRI.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required.
NL	15.0%	6.9 m EUR	The deficiencies have been detected in previous DG AGRI audits and reservations were made in 2013 and 2014 AARs. The NL authorities themselves have reported an error rate of 16% (10% in the uncontrolled population) and a top-up of 5% has been applied by DG AGRI auditors.	Yes	The reservation is carried forward from 2014. NL is currently implementing an action plan to review recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PT	6%	0.778 m EUR	The PT authorities have reported an error rate of 4.3%. Following an audit in 2014 deficiencies were detected in the control system. Corrective action has been taken in 2015 by the PT authorities (revision of guidelines/instructions as well as training actions). It is assessed that a top-up of 3% would cover the risk to the Fund.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO	5%	0.118 m EUR	For RO, system control weaknesses	No	As the amount at risk is below the de-

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Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
		R	were found during the 2014 DG AGRI audit and a 5% top-up is considered necessary to assess the extent of the undetected errors.		minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required. The conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
SE	4.1%	0.205 m EUR	SE detected a high error rate of 4.68% in the control carried out. No further top-up was considered necessary by DG AGRI.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required.

3.1.4.2 Pre-recognition of producer groups

In 2015 the expenditure under this measure amounted to 120.3 million EUR

Article 97(b) of Commission Implementing Regulation (EU) No 543/2011 obliges Member States to submit to the Commission, by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer groups' recognition plans in the preceding year.

The overall error rate calculated on the basis of the Member States' statistics 3.9%. CY reported a very high error rate of 14.8% but, as it controlled 100% of aid claims, there is no residual risk for the Fund. FR has also reported a very high error rate of 29% but on a very low amount of aid paid (0.007 million EUR). DG AGRI audits on operational programmes of producer groups carried out between 2013 and 2015 identified serious control deficiencies for HU, PL and RO. Poland is by far the highest spending Member State under this measure and represents 88.6% of expenditure in 2015. Spending under the measure rose in previous years as producers in Poland applied for and went through the process of recognition as producer organisations but is now decreasing as Poland completes the recognition process. Hungary is the second highest spending Member State with 5.3%, followed by Romania, at 3% of the expenditure.

In order to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available information in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported. This resulted in adjustments made to the error rates reported as summarised in the following table:

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Fruit and Vegetables -Prerecognition of Producer Groups
Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid Paid EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
BG	2 330 752	100.0%	1.1%		-	-	-	-
CY	141 569	100.0%	14.8%		-	-	-	-
CZ	140 139	100.0%	-		-	-	-	-
FR	6 995	29.0%	29.0%		1 441	-	20.6%	1 441
HU	6 380 276	100.0%	0.4%	7%	-	446 619	7.0%	446 619
LT	176 886	-	-		-	-	-	-
LV	921 817	100.0%	0.0%		-	-	-	-
PL	106 552 805	85.4%	4.3%	25%	663 287	26 638 201	25.6%	27 301 488
RO	3 617 923	100.0%	2.5%	10%	-	361 792	10.0%	361 792
Grand Tot	120 269 161	86.89%	3.9%		664 728	27 446 613	23.4%	28 111 341

Table: Annex 10-3.1.4

It is noted that for ES and LT, there was no aid claimed in 2014 and therefore no controls carried out and control data submitted. However residual amounts from the previous claim year were paid and declared in the annual declaration.

The following summary sets out for the cases for **Pre-recognition of Producer Groups** where the adjusted error rate is above the 2% materiality threshold, the reasons which led DG AGRI to make top-ups to the reported error rates. In each case it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
FR	20.6%	0.001 m EUR	The error rate results from Member State own statistics.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required.
HU	7.0%	0.447 m EUR	A DG AGRI audit in 2015 revealed deficiencies in Member State checks on recognition criteria: fully delivery by members of PGs, reasonableness of costs.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required. The on-going conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PL	25.6%	27.3 m EUR	A DG AGRI audit in 2013 revealed structural deficiencies in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. In its 2013 Annual report, the European Court of Auditors has concluded on significant structural deficiencies in the approval procedures for recognition plans of producer groups in PL, leading it to assess the control systems in PL for this policy area as not effective. DG AGRI's assessment is that 25% of the expenditure is at stake.	Yes	The 2014 reservation is carried forward. PL is currently implementing an action plan which has been closely monitored by DG AGRI during 2015. The implementation of the plan is not considered to be to a satisfactory standard, a further delay until end October 2016 has been requested and payments to undue beneficiaries continue. The Commission has suspended 25% of payments to PL for the period March 2016 to February 2017 in order to protect the EU budget. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered. See explanatory box 3.1.5 below for

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Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
					more information.
RO	10%	0.362 m EUR	A DG AGRI audit in 2014 revealed structural deficiencies in Romania in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However as there were problems with the approval procedure the entitlement to aid is called into question. DG AGRI's appreciation is that 10% of the expenditure is at stake.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required . An action plan is in the process of being implemented by the Romanian authorities further to a reservation in the 2014 AARs. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Aid for Pre-recognition of Producer Groups in Poland – what is the problem and what is the Commission doing to protect the financial interests of the EU?

For the past several years, Poland has been the principal beneficiary of this measure. The huge Polish fruit and vegetables sector was characterised by a multitude of small and medium sized producers which were in competition with each other and had little bargaining power. The lack of coordination in the sector led to particular fruits or vegetables being overproduced at one time or another which impacted negatively on other European markets. The sector in Poland, was a good candidate for this measure which aims to enable producers to organise themselves and set up the necessary structures for the formal creation of producer organisations.

However, several audits carried out by both DG AGRI (2010, 2013 and 2014) and the European Court of Auditors (2013) revealed widespread deficiencies in the Polish control system of aid to producer groups in the fruit and vegetables sector.

The main deficiencies concerned insufficient controls of the recognition status of the producer groups and of the quality of initial and modified recognition plans as well as of the implementation of producer groups' recognition plans. The deficiencies in the controls when approving the plans concerned, in particular, insufficient checks on commercial consistency of the plans, the necessity of investment and reasonableness of costs. For the implementation of the plans the main deficiencies were in the controls of the soundness of investments, the controls of production potential in this respect and the check on the plans' completion. Consequently producer groups have been unduly recognised and this has resulted in EU aid being paid to ineligible producer groups.

Moreover, the direct involvement of third bodies (Marshall's offices) in the recognition of producer groups in Poland creates an administrative uncertainty, not least with regard to the authority and responsibility of the paying agency, but also as concerns the protection of the financial interests of the Fund.

A reservation was made in the AAR for 2013 and it was carried forward to 2014 as well as to the present AAR. In November 2014, Poland established an action plan with a view to remedying the deficiencies by end of 2015.

Two monitoring missions carried out by the Commission in 2015 found serious problems in the implementation of the action plan, mainly due to the lack of supervision and monitoring of the quality of the control work carried out and the lack of appropriate follow-up regarding the producer groups. Insufficient controls remained in respect of the recognition status of the producer groups, of the quality of recognition plans and of their implementation. The actions undertaken by the Polish authorities demonstrated that the objectives of Poland's action plan had not been met, ineligible producer groups had not been derecognised and aid continued to be paid. Furthermore, Poland has notified that the implementation of the action plan will be delayed.

However, in spite of both Commission findings regarding the eligibility of producer groups, the Polish authorities continue to pay aid to all beneficiaries and the amounts recovered so far are very low.

As the Polish authorities have failed to take the necessary action to protect the EU's financial interests and, since they are not in a possible to remedy the deficiencies in the immediate future, the Commission has adopted an implementing decision suspending payments to Poland. The suspension is in respect of 25% of expenditure for the measure from March 2016 until February 2017 and may be extended if necessary.

Financial corrections are also being proposed in the on-going clearance procedures for 2012/2013 financial years and the subsequent years.

Explanatory Box Annex 10 - 3.1.5

Market Measures - Control results and the DG AGRI assessment thereon

3.1.4.3 School Fruit scheme

In 2015, the expenditure under this scheme (i.e. for school year 2014/2015) amounted to 104 million EUR.

Article 15(1) of Regulation (EC) No 288/2009 requires Member States to report on the School Fruit Scheme. Member States' statistical data show that on-the-spot checks were conducted on 42% of aid distributed for the 2014/2015 school year resulting in errors of 0.42 %. No Member State has reported a material error rates. As the control rate is very high the remaining risk to the EU budget for the uncontrolled population is negligible at 0.07%. DG AGRI has no information which would lead to the application of an adjustment of any of the reported error rates.

Fruit and Vegetables - School Fruit Scheme Calculation of Adjusted Error Rate and Amount at Risk						
Member State	Aid Paid EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	adjusted error rate
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (f)/(b)
AT	1 859 624	10.5%	0.02%		353	0.02%
BE	1 502 674	9.8%	0.11%		1 527	0.10%
BG	3 562 793	6.0%	0.05%		1 732	0.05%
CY	182 047	12.6%	0.16%		248	0.14%
CZ	5 108 346	81.9%	-		-	-
DE	18 753 998	15.2%	0.05%		8 746	0.05%
DK	963 013	20.5%	0.59%		4 549	0.47%
EE	766 106	11.8%	0.29%		1 971	0.26%
ES	5 776 240	76.9%	0.00%		12	0.00%
FR	2 062 780	37.6%	1.04%		13 380	0.65%
HR	1 310 721	57.8%	-		-	-
HU	5 651 650	15.8%	-		-	-
IE	865 228	11.6%	-		-	-
IT	25 860 482	91.2%	1.50%		34 295	0.13%
LT	1 194 832	44.8%	-		-	-
LU	433 685	99.5%	-		-	-
LV	998 318	8.4%	-		-	-
MT	353 333	100.0%	-		-	-
NL	451 667	100.0%	-		-	-
PL	18 831 763	14.4%	0.02%		2 499	0.01%
PT	679 024	13.3%	-		-	-
RO	3 490 837	-	0.06%		2 181	0.06%
SI	720 234	14.3%	-		-	-
SK	2 684 429	28.2%	-		-	-
Grand Total	104 063 824	42.2%	0.42%		71 490	0.07%

Table: Annex 10-3.1.6

Market Measures - Control results and the DG AGRI assessment thereon

3.1.4.4 Exceptional Support Measures

Following market disturbances in summer 2014 caused by the Russian ban on various products, and which impacted heavily on fruit exports, temporary exceptional support measures were introduced for producers of certain fruit and vegetables. Expenditure for exceptional support measures in 2015 was 79.4 million EUR (see Table: Annex 10-3.1.2). The biggest spender for the measure was Poland with 68.5 million EUR (86% of the expenditure).

The measure originally covered the period until 30 November 2014. However, by mid-September 2014, it was suspended, as the allocated ceilings for notifications for certain fruit and vegetables were exceeded. These notifications showed that one Member State, Poland, covered nearly 90% of the total budget allocated.

The Commission rapidly undertook a mission to Poland in November 2014 in order to assess the situation. As no expenditure had yet been incurred, the mission was of a preventive nature and a number of recommendations for remedial action were made to the Polish authorities with a view to ensuring that future expenditure would be legal and regular.

A follow-up audit mission will assess if these recommendations were followed and if the expenditure was effected in conformity with EU rules. Therefore, there is no audit evidence of the specific measures which would enable the auditors to give an assessment of the possible error in the expenditure.

However, given the haste with which the notifications were made in September 2014 and the observations of the mission in November 2014, it is proposed to apply a 10% top-up to the expenditure for this measure also. This results in an amount at risk of 6.847 million EUR.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
PL	10%	6.847 m EUR	A preventive audit (i.e. before expenditure had been incurred) carried out end 2014 made a number of recommendations for remedial action. It is nevertheless considered that there is a potential risk and a 10% top-up is applied.	Yes	No action plan is required. The measure has terminated so no remedial action is possible. The risk to the EU budget shall be covered by a conformity clearance audit scheduled for autumn 2016.

3.1.4.5 Conclusion for the Fruit and Vegetable sector

For the fruit and vegetables sector, there are a number of Member States for which serious problems have been detected by the DG AGRI auditors in recent years. The errors which such deficiencies would produce were not indicated in the data on the results of control carried out and reported by those Member States. The DG AGRI auditors have therefore, used their professional judgment to propose adjustments to the error rates reported and thus enable a more realistic calculation of the amount at risk for the sector.

The table below summarises the data which is set out in detail above and indicates that reservations are required in respect of 5 Member States for a total amount of 61 million EUR. The total amount at risk in the 2015 expenditure is estimated at 71.6 million EUR.

Market Measures - Control results and the DG AGRI assessment thereon

Summary of reservations and amounts at risk for Fruit & Vegetable Sector

Measure	Expenditure EUR	adjusted error rate	MS with reservation	amount under reservation EUR	total amount at risk EUR
Operational programmes for Producer Organisation	813 098 490	4.50%	ES	12 775 352	36 592 398
			FR	11 843 089	
			GB	2 192 948	
			NL	6 904 644	
			Total OPPO	33 716 033	
Pre-Recognition of Producer Groups	120 269 161	23.37%	PL	27 301 488	28 111 341
			Total PRPG	27 301 488	
School Fruit	104 063 824	0.07%			71 490
Exceptional measures	79 397 403		PL	6 846 698	6 846 698
Other	1 738 694	0.00%			-
Total	1 118 567 572	6.40%		61 017 521	71 621 927

Table: Annex 10 - 3.1.7

The 2013 and 2014 reservations for **operational programmes for producer organisations** for UK and NL are carried over as the remedial action plans are still on-going. For AT, as the amount at risk is below the de minimis threshold, there is no reservation; however the remedial action plan shall be completed. New reservations are introduced for ES (for environmental measures only) and for FR.

The 2013 and 2014 reservation for **Pre-recognition of Producer Groups** is carried over for PL. The 2014 reservation made for RO in 2014 is not carried over as the amount falls below the de minimis threshold but the action plan launched in 2015 shall be continued.

For the **school fruit scheme**, no new reservations are considered necessary.

For **temporary exceptional support measures** for the fruit and vegetables sector, a reservation is entered for expenditure incurred by Poland. No action plan is however required since the measure is no longer applied.

It is furthermore emphasised, that in the case of all of the amounts under reservation, conformity clearance procedures are underway and undue expenditure will be recovered from the Member States concerned.

3.1.5 Wine sector

In 2008, the Council introduced a reform of the common organisation of the market in wine aimed essentially at improving the competitiveness of EU wine producers and balancing supply and demand in the wine sector. The main financial instruments of this reform included a temporary grubbing-up scheme and the setting up of national support programmes: a specific budget made available for each Member State, which can choose the breakdown best adapted to its particular situation. The most significant measures, in financial terms, have been: restructuring and conversion of vineyards; investments; promotion on third country markets; by-product distillation and harvest insurance.

A review of the EU legislation concerning the wine market also took place in 2013-2014, with Regulation (EC) No 1308/2013, which added new support measures to the existing ones. The existing measures now are: promotion; restructuring and conversion of vineyards; green harvesting; mutual funds; harvest insurance; investments; innovation in the wine sector and by-product distillation. Besides, the regulatory framework should be completed with the review of Regulation (EC) No 555/2008 scheduled for the second semester of 2016.

Market Measures - Control results and the DG AGRI assessment thereon

Expenditure by Measure in 2015 - Wine Sector								
EUR								
MS	Restructuring & conversion of vineyards	Green harvesting	Investment	Promotion	Distillation	Harvest Insurance	Other	Total
AT	6 021 469		2 773 900	838 155				9 633 524
BG	19 915 520							19 915 520
CY	3 321 613		1 153 573			170 814		4 646 000
CZ	4 123 978		1 031 016					5 154 993
DE	19 155 507		16 649 490	1 184 549		123 354		37 112 900
ES	78 626 585		57 961 216	44 345 259	29 398 940		189 149	210 521 149
FR	99 923 169		101 812 023	44 474 219	34 335 553		-	280 544 964
GR	10 619 361			4 542 158			420 670	15 582 189
HR	1 011 183		434 589	103 899				1 549 671
HU	18 953 498		8 495 689	634 363	1 019 450		-	29 103 000
IT	160 506 789	909 350	46 948 330	84 396 749	11 890 959	19 960 268	- 1 549 472	323 062 972
PT	52 295 360			6 992 098	1 370 610	3 529 930		64 187 998
RO	18 954 974			697 410		228 618		19 881 002
SI	4 559 047			481 217				5 040 265
SK	3 044 022		633 210	4 228		198 566		3 880 026
Grand	501 032 076	909 350	237 893 035	188 694 303	78 015 512	24 211 550	- 939 653	1 029 816 173

Table: Annex 10-3.1.8

3.1.5.1 Measures for which control statistics are available

Annual reporting is based on the annexes to Regulation (EC) No 555/2008, whereby Member States are required to report annually to the Commission no later than 1 December the results of controls conducted in the framework of the **restructuring and conversion** and grubbing up schemes. Statistics are also required for **green harvesting** (annex VIIIb of Regulation (EC) No 555/2008) – though only IT applied that measure in 2015. Altogether statistics are available in respect of 49% of wine sector expenditure. Statistics are not presently required in respect of the other measures within the national support programmes although DG AGRI is taking steps to rectify this situation, and they should have to be provided for by the MS once the review of Regulation (EC) No 555/2008 is adopted.

3.1.5.1.1 Restructuring and conversion

In 2015 expenditure under this measure amounted to 501 million EUR.

Aid applications for restructuring and conversion in the wine sector are subject to 100% on-the-spot checks before and after operations, and in all cases before the final payment. The controls, which aim at assessing the eligibility of parcels and operations and at measuring the areas, are performed by means of both remote sensing and classical (on-the-spot) checks both prior and subsequent to restructuring operations. Control and error reporting received from all concerned Member States shows that the regulatory control requirements have been respected, and that consequent to this control 5.01% of claimed areas have been refused as ineligible (compared to 5,69% for 2014 and 4.66% for 2013). It should be noted that the percentage found in many cases is due to differences between the area measured during the on-the-spot checks prior to payment and the area declared by the applicant in his aid application, based on the information provided by the wine register.

DG AGRI has carried out 6 audits on the measure in 2014 and 2015 in FR, IT (twice), PT, BG and DE (Rheinland-Pfalz). The most significant issues detected (both by DG AGRI and the ECA) concerned performance of ex-ante on-the-spot checks.

The following table shows the results of the Member States' controls and the adjustments made by DG AGRI where the Member States' data was not considered to be completely reliable. It also quantifies the amounts at risk and calculates the adjusted error rate.

Market Measures - Control results and the DG AGRI assessment thereon

Wine - Restructuring and Reconversion of Vineyards Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Expenditure declared EUR	% of area controlled	reported error rate	DG AGRI top-up	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	6 021 469	100.00%	5.33%		-	-	-	-
BG	19 915 520	100.00%	22.00%		-	-	-	-
CY	3 321 613	100.00%	5.70%		-	-	-	-
CZ	4 123 978	100.00%	6.70%		-	-	-	-
DE	19 155 507	100.00%	4.99%	5%	-	957 775	5.00%	957 775
ES	78 626 585	100.00%	5.88%		-	-	-	-
FR	99 923 169	100.00%	9.14%		-	-	-	-
GR	10 619 361	100.00%	0.01%		-	-	-	-
HR	1 011 183	-	-		-	-	-	-
HU	18 953 498	100.00%	4.80%		-	-	-	-
IT	160 506 789	100.00%	2.32%		-	-	-	-
PT	52 295 360	100.00%	3.45%		-	-	-	-
RO	18 954 974	100.00%	0.41%		-	-	-	-
SI	4 559 047	100.00%	1.37%		-	-	-	-
SK	3 044 022	100.00%	2.83%		-	-	-	-
Grand Total	501 032 076	100.00%	5.30%		-	957 775	0.19%	957 775

Table: Annex 10-3.1.9

The expenditure reported is a mix of advance payments (covered by a guarantee) and final payments. Once the restructuring operation has been finalised, the required on-the-spot checks are carried out before payment can be made (Article 9(1) of Regulation 555/08). On-the-spot checks are not carried out on advances paid which also appear under "expenditure declared". Therefore, column (c): "% of area controlled" in the above table only reflects the controls on final expenditure.

In the case of DE however, a DG AGRI audit has revealed deficiencies which are not reflected in that Member State's statistics and therefore a top-up has been made to the reported error rate.

Paying Agency	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
DE	5%	0.958 m EUR	A DG AGRI audit in 2015 found that no ex-ante controls were made prior to the realization of the operations. Based on the information sent by the DE authorities and on the auditors' assessment, a top-up of 5% is applied.	No	As the amount at risk is below the de-minimis threshold established in DG AGRI's materiality criteria (see Annex 4) no reservation is required . Corrective action has already been taken by the German authorities. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

2014 reservations not carried over in the 2015 AAR in respect of restructuring and conversion of vineyards:

MS	Adjusted error rate	Justification
ES	0%	A reservation was made in the 2014 AAR in respect of the system for flat rate amounts. ES has taken the necessary remedial action. No remedial action plan was required further to the 2014 reservation. The financial risk to the EU budget has been covered via a conformity clearance procedure.
FR	0%	A reservation was made in the 2014 AAR. France has taken the necessary remedial action. No remedial action plan was required further to the 2014 reservation. The financial risk to the EU budget has been covered via a conformity clearance procedure.

Market Measures - Control results and the DG AGRI assessment thereon

3.1.5.1.2 Green harvesting

In 2015 expenditure under this measure amounted to 0.9 million EUR.

The green harvesting measure provides for the possibility of total destruction or removal of grape bunches while still in their immature stage, in order to contribute to restoring the balance of supply and demand in the Union wine market. The aid can reach a maximum of 50% of the related direct costs. This measure requires a 100% control on the spot prior to payment.

In 2015, Italy was the only Member State where this measure was used, and the amount at stake (0.9 million EUR) represented less than 1% of the total expenditure for wine measures. Italy's control statistics show a 100% control rate on final payments as required by Regulation (EC) No 555/2008 and there is therefore no residual risk to the EU Budget.

DG AGRI audited this measure in Italy in 2012 and did not find any non-compliance leading to a proposal for a financial correction.

3.1.5.2 Measures for which no control statistics are available

For **investment, promotion on third country markets, by-product distillation, harvest insurance and other measures**, which account for 527.8 million EUR (51% of wine expenditure), there are currently no control statistics required by the EU wine legislation. However, statistics should be provided for by the Member State once the review of Regulation (EC) No 555/2008 is adopted, presumably in the second semester of 2016. For 2015, the evaluation of DG AGRI auditors on control and risk environment and on their audit findings is set out hereafter (points 3.1.5.2.1 to 3.1.5.2.5). As there were no control statistics to use as a basis, the auditors have used the information available and their own knowledge of the measures concerned in order to estimate the maximum risk of residual error in each case. Table "Annex 10 – 3.1.9" sets out the quantification of the amount of risk which results from this estimate.

3.1.5.2.1 Investment measure

In 2015 expenditure under this measure amounted to 237.9 million EUR.

The investment measure provides for the possibility to invest in tangible and non-tangible "goods" in order to improve the quality of wine (such as expertise of the winegrowers). The aid is a maximum of 40 to 75% of the investment depending on the region. Investment measures require a 100% control on the spot prior to payment.

For investment measures, DG AGRI carried out audits in CZ, AT and HU between 2012 and 2015. DG AGRI auditors detected an incorrect application of the control requirements in CZ and in HU. In CZ it related to retroactive approval of previous or existing investments and absence of ex-ante control; while in HU it was in connection to the lack of evidence that the Member State was carrying out the mandatory verification of the eligibility of the wine investments to assess that they were not simple replacements.

3.1.5.2.2 Promotion on third country markets

In 2015 expenditure under this measure amounted to 188.7 million EUR.

A 100% administrative check is carried out by the Member States in order to detect ineligible costs. Between 2012 and 2015, the Member States audited by DG AGRI were AT, PT, GR, IT and RO. These audits, which checked that the expenditure was effected in accordance with the existing rules, did not find any serious non-compliance requiring significant financial corrections. Furthermore, as from March 2013, the control rules have been clarified and strengthened.

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In the absence of a qualitative assessment of the potential amount at risk for the 2014 expenditure under the new rules, the average adjusted error rate for wine measures for which statistics were provided (0.19%) is used in order to estimate the maximum amount at risk for this measure.

3.1.5.2.3 By-product distillation

In 2015 expenditure under this measure amounted to 78 million EUR.

By-product distillation is a simple measure. Member States can decide that the wine producer should bring the by-products ("must" and "lies") to a distillery. By-products should be removed from the market in order to avoid that (low quality) wine can be produced from it.

DG AGRI carried out an audit mission in October 2013 in Spain (the second largest beneficiary) and did not detect any deficiencies. DG AGRI considers that distillation measures are low risk as the interest of the Member State is very high to keep every drop of alcohol produced under control.

The amount at risk for this measure is considered to be zero.

3.1.5.2.4 Harvest Insurance

In 2015 expenditure under this measure amounted to 24.2 million EUR.

Harvest insurance is another simple measure. Wine producers can claim up to 80% of the cost of their insurance policy. This requires a straightforward administrative control. On top of that, the aid amount is capped by maximum insurance premium and maximum insured value of the harvest. DG AGRI audit missions took place between 2012 and 2015 to IT and RO. Based on both the evaluation on the spot as well as the structure of the control system, the auditors conclude that there is no or very low risk in this measure. They assess the amount at risk to be zero.

3.1.5.2.5 Other (innovation measure)

In 2015 expenditure under the innovation measures amounted to 0.6 million EUR²³ with expenditure only in CY and ES.

This measure was introduced only in 2014 and represents an extremely marginal amount. The risk is considered to be zero. No audit has yet been performed in this area.

3.1.5.3 Conclusion for the wine sector

Overall, based on the professional experience of its auditors, DG AGRI considers that the principal risk in the wine sector arises with regard to restructuring and conversion measures due to lack of ex-ante on-the-spot checks in two Member States (PT and DE). A reservation is proposed in the case of PT but no specific action plan is necessary since corrective action is already underway in the Member State. Reservations in the 2014 AAR for ES and FR are not carried over as remedial action has been taken and the adjusted error rate is not material.

For measures for which no statistical data exist permitting the calculation of an amount at risk, DG AGRI has used the professional judgement of the auditors to estimate the amount at risk and where there is insufficient

²³ An amount of 1.550 m EUR was reimbursed by Italy in respect of restructuring and conversion of vineyard for marketing years 2007/08 and earlier.

Market Measures - Control results and the DG AGRI assessment thereon

information, has applied the average error rate for the two measures for which statistics are available (restructuring and conversion and green harvesting) of 0.19%. This results in an overall error rate for the wine sector of 0.16%.

Wine Sector - assesment of maximum amount at risk, including for measures not covered by control statistics (million EUR)													EUR		
Member State	Restructuring & Conversion of Vineyards		Green harvesting		Investment		Promotion		By-product distillation		Harvest Insurance		Other	Total expenditure for the Wine Sector	Total amount at risk for the wine sector
	expenditure	Amount at risk	expenditure	Amount at risk	expenditure	Amount at risk	expenditure	Amount at risk (0,19%)	expenditure	Amount at risk	expenditure	Amount at risk			
AT	6 021 469	-	-	-	2 773 900	-	838 155	1 592	-	-	-	-	-	9 633 524	1 592
BG	19 915 520	-	-	-	-	-	-	-	-	-	-	-	-	19 915 520	-
CY	3 321 613	-	-	-	1 153 573	-	-	-	-	-	170 814	-	-	4 646 000	-
CZ	4 123 978	-	-	-	1 031 016	-	-	-	-	-	-	-	-	5 154 993	-
DE	19 155 507	957 775	-	-	16 649 490	-	1 184 549	2 251	-	-	123 354	-	-	37 112 900	960 026
ES	78 626 585	-	-	-	57 961 216	-	44 345 259	84 256	29 398 940	-	-	-	189 149	210 521 149	84 256
FR	99 923 169	-	-	-	101 812 023	-	44 474 219	84 501	34 335 553	-	-	-	-	280 544 964	84 501
GR	10 619 361	-	-	-	-	-	4 542 158	8 630	-	-	-	-	420 670	15 582 189	8 630
HR	1 011 183	-	-	-	434 589	-	103 899	197	-	-	-	-	-	1 549 671	197
HU	18 953 498	-	-	-	8 495 689	340 016	634 363	1 205	1 019 450	-	-	-	-	29 103 000	341 221
IT	160 506 789	-	909 350	-	46 948 330	-	84 396 749	160 354	11 890 959	-	19 960 268	-	1 549 472	323 062 972	160 354
PT	52 295 360	-	-	-	-	-	6 992 098	13 285	1 370 610	-	3 529 930	-	-	64 187 998	13 285
RO	18 954 974	-	-	-	-	-	697 410	1 325	-	-	228 618	-	-	19 881 002	1 325
SI	4 559 047	-	-	-	-	-	481 217	914	-	-	-	-	-	5 040 265	914
SK	3 044 022	-	-	-	633 210	-	4 228	8	-	-	198 566	-	-	3 880 026	8
Totals	501 032 076	957 775	909 350	-	237 893 035	340 016	188 694 303	358 519	78 015 512	-	24 211 550	-	-939 653	1 029 816 173	1 656 311

error rate for restructuring and green harvesting = 0.19%

error rate wine sector

0.16%

Table: Annex 10 - 3.1.10

3.1.6 POSEI

The EU's outermost regions benefit from the POSEI arrangements ("Programme d'Options Spécifiques à l'Éloignement et l'Insularité") in the agricultural sector. These programmes are designed to take account of their geographical and economic handicaps such as remoteness, insularity, small size, difficult topography and climate, and economic dependence on few products.

The outermost regions, as identified in Art 349 of the Treaty for the Functioning of the European Union (TFEU) are:

France : Guadeloupe, French Guyana, Martinique, Réunion, Saint-Barthélemy and Saint-Martin

Portugal: the Azores and Madeira

Spain: the Canary Islands

For **Greece**, the smaller Aegean islands also benefit from specific supply arrangements for certain agricultural products and adapted support measures for local agricultural production (although under a different legal basis than the "real" POSEI regions).

The POSEI measures are funded both under ABB02 and ABB03. The present sub-chapter only deals with ABB02 expenditure.

ABB02 measures fall into two categories:

- specific supply arrangements, aimed at mitigating the additional costs for the supply of essential products for human consumption, for processing and as agricultural inputs, and
- measures to assist local agricultural products.

The measures to assist local agricultural products concern a multitude of products and include measures aimed at supporting production, marketing or processing. Each Member State concerned defines the products and the eligible actions.

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Expenditure for POSEI and Aegean Islands in 2015

	Supply Arrangements mEUR	Local support measures mEUR	Total mEur
ES	66.070	16.650	82.720
FR	28.823	96.333	125.156
GR	5.540		5.540
PT	16.928	7.402	24.331
Grand Total	117.362	120.385	237.747

Table: Annex 10 - 3.1.11

Article 32(2) of Regulation (EU) No 228/2013, Article 39(1)(k) of Regulation (EU) No 180/2014 Article 20(2) of Regulation (EU) No 229/2013) and Article 31(1)(k) of Regulation (EU) No 181/2014 oblige Member States to submit statistics on the checks carried out by the competent authorities. These reports were received for the first time in a consolidated format at the end of 2014.

The measures financed by POSEI are highly differentiated in terms of scope and financial importance. The analysis of the statistics indicates that the error rates for the individual actions fluctuate considerably. Several conformity clearance procedures are ongoing in different Member States.

The tables below show that the random error rates detected by the Member States for both Specific Supply Arrangement and Market Measures are below 2% and the adjusted error rates are also below 2%.

Specific Supply Arrangements
Calculation of adjusted error rate and amounts at risk

MS	expenditure declared EUR	% check carried out	initial error rate	amount at risk EUR	adjusted error rate
ES	66 070 192	6.21%	0.00%	-	0.00%
FR	28 822 824	1.66%	0.00%	-	0.00%
GR	5 540 500	100.00%	0.00%	-	0.00%
PT	16 928 448	24.01%	0.00%	-	0.00%
Totals	117 361 964			-	0.00%

Table: 10 - 3.1.12

Local Support Measures
Calculation of adjusted error rate and amounts at risk

MS	expenditure declared EUR	% check carried out	initial error rate	amount at risk EUR	adjusted error rate
ES	16 649 576	19.63%	-	-	-
FR	96 333 295	53.61%	0.86%	385 252	0.40%
GR	-	-	-	-	-
PT	7 402 193	23.06%	-	-	-
Totals	120 385 064			385 252	0.32%

Table: 10 - 3.1.13

DG AGRI's auditors have no information which raises doubts as to the completeness and reliability of the Member States' control results. However, as no findings have been reported by the Member State, the matter will be followed up in DG AGRI's multi-annual work programme.

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3.1.7 Export Refunds

The total expenditure in 2015 was 0.3 million EUR.

Expenditure on Export Refunds per sector - 2015						
EUR						
MS	Non-annex II	Beef & Veal	Live animals	Pigmeat	Poultry	Total Export Refunds
AT		28 731				28 731
DE		5 244	41 559	11 417	14 495	72 715
GB	1					1
IT				156		156
NL			25 117			25 117
PL		53 928				53 928
PT	53 777			59 688	13 328	126 793
Grand Total	53 778	87 904	66 676	71 261	27 822	307 441

Table: Annex 10 - 3.1.14

The average error rate for ABB02 has been used to assess the maximum risk.

3.1.8 School Milk Scheme

In 2015, expenditure in respect of this measure amounted to 77.6 million EUR. There is a very high level of control generally for the scheme with over 30% of aid claimed being subject to on-the-spot checks.

Error rates and amounts at risk are, overall, negligible and are non-material for any Member State.

School Milk Scheme - 2015 expenditure and calculation of amount at risk							
Member State	Aid claimed 2015 EUR	expenditure declared 2015 EUR	% checked	error found EUR	error rate	amount at risk EUR	Error Rate in uncontrolled expenditure
AT	672 373	613 084	45.60%	257	0.04%	140	0.02%
BE	587 260	578 581	28.45%	1 671	0.29%	1 196	0.21%
BG	1 093	1 425	67.51%	-	-	-	-
CY	235 106	215 507	5.36%	-	-	-	-
CZ	400 186	375 633	100.00%	-	-	-	-
DE	4 879 156	4 956 620	40.13%	1 907	0.04%	1 142	0.02%
DK	996 018	1 850 076	64.25%	-	-	-	-
EE	690 964	718 487	8.76%	37	0.01%	34	0.00%
ES	346 208	319 880	43.26%	-	-	-	-
FI	3 953 840	3 647 730	17.93%	3 038	0.08%	2 493	0.07%
FR	11 493 243	11 567 290	9.98%	108 090	0.93%	97 297	0.84%
GB	4 276 154	4 382 584	9.00%	2 301	0.05%	2 094	0.05%
HU	12 393 039	1 919 874	6.62%	-	-	-	-
IE	653 599	467 096	25.22%	3	0.00%	2	0.00%
IT	1 972 481	2 879 869	9.32%	-	-	-	-
LT	316 643	332 581	16.50%	-	-	-	-
LU	27 392	18 934	100.00%	-	-	-	-
LV	680 146	689 376	6.88%	-	-	-	-
MT	22 347	21 688	12.42%	-	-	-	-
NL	352 608	280 639	100.00%	5 054	1.80%	-	-
PL	9 738 316	9 669 913	16.62%	22	0.00%	19	0.00%
PT	2 041 504	449 960	5.50%	884	0.20%	835	0.19%
RO	12 073 277	11 995 866	100.00%	35 062	0.29%	-	-
SE	8 151 905	8 916 518	19.04%	106 890	1.20%	86 536	0.97%
SI	3 537	3 855	97.41%	-	-	-	-
SK	660 816	662 800	90.70%	-	-	-	-
Grand Total	77 619 210	67 535 863	30.34%	265 215	0.39%	191 788	0.28%

Table: Annex 10 - 3.1.15

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2014 reservations not carried over in the 2015 AAR in respect of the school milk scheme:

MS	Adjusted error rate in 2015	Justification
FR	0.67%	The error rate reported by FR in 2014 was very high at 25.58% reflecting that the Member State was taking corrective action and recovering undue expenditure. It put in place a new IT system for completing and introducing payment claims in order to link the different types of eligible products with the correct aid coefficients. In 2015 FR has reported an error rate of 0.75% (0.67% in the uncontrolled population).

3.1.9 Promotion Measures

Promotion Measures - Expenditure in 2015 and calculation of amount at risk					
EUR					
MS	Promotion measures within the EU	Promotion measures in third countries	Total	DG AGRI error assessment	Amount at risk
AT	2 760 323		2 760 323		
BE	1 171 923	258 035	1 429 958		
BG	863 347	2 434 801	3 298 149		
CZ	462 604	681 579	1 144 183		
DE	1 496 922		1 496 922		
DK	652 119	1 528 430	2 180 549		
EE	100 612		100 612		
ES	4 528 665	1 285 429	5 814 094		
FI	376 904		376 904		
FR	9 066 946	2 530 383	11 597 329		
GB	2 260 771	21 063	2 281 834		
GR	3 897 296	6 466 690	10 363 986	10%	1 036 398.58
IE	802 575		802 575		
IT	4 096 177	2 396 456	6 492 633	25%	1 623 158.13
LT	1 408 215	2 348 870	3 757 085		
LV	125 182		125 182		
NL	3 364 138		3 364 138		
PL	2 902 971	3 565 728	6 468 700		
PT	1 085 394	158 022	1 243 416		
RO	370 308	355 070	725 378		
SI	143 203	364 302	507 505		
Grand Total	41 936 595	24 394 858	66 331 452		2 659 557

Table: Annex 10 - 3.1.16

Control statistics are not available in respect of promotion measures but are being required under the current review of the promotion legislation.

In 2015, audits were carried out in Greece and Italy. These audits have raised doubts with regard to the application of procurement rules for the selection procedure of the implementing bodies in Greece and Italy. The preliminary assessment of error for these two MS is 10% and 25% respectively. This would lead to amounts at risk of 1.036 million EUR for Greece and 1.623 million EUR for Italy. **Reservations must therefore be considered for both Member States.** However, the usefulness of action plans is questionable as the necessary remedial action has been taken by Greece. Furthermore, the promotion regime has been reformed and new guidance is being established with regard to selection procedures for implementing bodies.

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Paying Agency measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
GR	10%	1.036 m EUR	A DG AGRI audit in 2015 found deficiencies in controls on the selection procedure of implementing bodies. A "top-up" of 10% has been applied.	Yes	Remedial action has been taken by GR. An action plan is not considered necessary as in the context of the reform of the promotion regime a new control set-up will in any event be established. An action plan to remedy deficiencies identified for 2015 and before is therefore considered superfluous. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	25%	1.623 m EUR	A DG AGRI audit in 2015 has found serious non-compliance with procurement procedures. A "top-up" of 25% has been applied.	Yes	An action plan is not considered necessary as in the context of the reform of the promotion regime a new control set-up will in any event be established. An action plan to remedy deficiencies identified for 2015 and before is therefore considered superfluous. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered. No action plan required.

3.1.10 Conclusions as regards assurance for ABB02

As a result of the "tops-ups" made by DG AGRI to the error rates reported by the Member States, an adjusted error rate of 3.05% has been calculated for shared management. For ABB02 as a whole, the adjusted error rate is also 3.05%.

The following is a summary of all cases where a reservation is applied in respect of the various measures within ABB02. In the section dealing with each aid measure there is an explanation for those cases where a reservation was considered unnecessary (error rate between 2 and 5% or de minimis amount at risk) and details are also given for reservations made in the 2013 AAR which are not carried over in respect of 2014.

5 reservations from 2014 can be lifted

- AT and RO for Operational Programmes for Producer Organisations (de-minimis)
- ES and FR for wine restructuring (the remedial action has been taken)
- FR for school milk (the remedial action has been taken).

3 reservations from 2014 are carried over as the remedial action plans are still underway and the risk to the Fund is significant:

- NL and UK for operational programmes for Producer Organisations
- PL for Pre-recognition of Producer Groups.

5 new reservations are introduced:

- ES and FR for Operational Programmes for Producer Organisations
- PL for temporary exceptional support measures in the fruit and vegetables sector
- GR and IT for promotion measures.

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The following table details all cases where a reservation was considered necessary in respect of 2015 expenditure:

Member State and measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
ES F and Veg Producer organisations	6.1%	12.775 m EUR	A DG AGRI audit in 2016 found deficiencies with regard to eligibility of expenditure in respect of environmental actions. As this is limited to a small population, it is considered that a top-up of the error rate by 2% should cover the risk to the Fund. In addition, the CB for ES16 (La Rioja) found incorrect use of the carryover of investments which it has quantified at 0.339 m EUR. This amount is added to the DG AGRI top-up.	Yes	A reservation is necessary for the 2015 expenditure. The deficiencies found relate to a limited and specific population. The ES authorities have initiated the process of revising the guidelines and this corrective action will be followed up via the conformity clearance procedure which will also ensure that the financial risk to the EU budget is covered. No formal action plan is necessary at this stage.
FR F&Veg Producer organisations	10.4%	11.8 m EUR	A DG AGRI audit in 2015 found several deficiencies in the controls carried out on eligibility of operational programmes and the aid claimed, checks on value of marketed production and checks on delivery of full production. A top-up of 10% is applied to the error rate reported by FR.	Yes	A reservation in respect of 2015 expenditure and an action plan are necessary. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB F & Veg Producer organisations	7%	3.245 m EUR	A DG AGRI audit carried out in 2015 identified that certain deficiencies persisted with regard to verification of soundness of price estimates and checks on value of marketed production. A top-up of 7% is applied.	Yes	The reservation is carried forward from 2014. UK is currently implementing an action plan to review the recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
NL F and Veg Producer organisations	15%	6.9 m EUR	The deficiencies have been detected in previous DG AGRI audits and reservations were made in 2013 and 2014 AARs. The NL authorities themselves have reported an error rate of 16% (10% in the uncontrolled population) and a top-up of 5% has been applied by DG AGRI auditors.	Yes	The reservation is carried forward from 2014. NL is currently implementing an action plan to review recognition and to recover undue expenditure. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PL F and Veg Producer groups	25.6%	27.3 m EUR	A DG AGRI audit in 2013 revealed structural deficiencies in the approval procedure for recognition plans. When plans were approved the groups received preliminary recognition which created the entitlement to aid. However, as there were problems with the approval procedure, the entitlement to aid is called into question. In its 2013 Annual Report, the European Court of Auditors has concluded on significant structural deficiencies in the approval procedures for recognition plans of producer groups in Poland, leading it to assess the control systems in PL for this policy area as not effective. DG AGRI's assessment is that 25% of the expenditure is at stake.	Yes	The 2014 reservation is carried forward. PL is currently implementing an action plan which has been closely monitored by DG AGRI during 2015. The implementation of the plan is not considered to be to a satisfactory standard, a further delay until end October 2016 has been requested and payments to undue beneficiaries continue. The Commission has suspended 25% of payments to PL for the period March 2016 to February 2017 in order to protect the EU budget. The on-going conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
PL F and Veg exceptional	10%	6.847 m EUR	A preventive audit (i.e. before expenditure had been incurred) carried out end 2014 made a number of	Yes	No action plan is required. The measure has terminated so no remedial action is possible. The risk to the EU budget shall

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Member State and measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
support measures			recommendations for remedial action. It is nevertheless considered that there is a potential risk and a 10% top-up is applied.		be covered by a conformity clearance audit.
GR Promotion measures	10%	1.036 m EUR	A DG AGRI audit in 2015 found deficiencies in controls on the selection procedure of implementing bodies. A "top-up" of 10% has been applied.	Yes	Remedial action has been taken by GR. An action plan is not considered necessary as in the context of the reform of the promotion regime a new control set-up will in any event be established. An action plan to remedy deficiencies identified for 2015 and before is therefore considered superfluous. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered. No action plan required.
IT Promotion measures	25%	1.623 m EUR	A DG AGRI audit has found serious non-compliance with procurement procedures. A "top-up" of 25% has been applied.	Yes	An action plan is not considered necessary as in the context of the reform of the promotion regime a new control set-up will in any event be established. An action plan to remedy deficiencies identified for 2015 and before is therefore considered superfluous. The conformity clearance procedure will ensure that the financial risk to the EU Budget is covered. No action plan required.

Table: Annex 10 – 3.1.17

The following table gives details of cases where a reservation made in the 2014 AAR was not carried over in the 2015 AAR:

MS	Adjusted error rate	Justification
AT F and Veg Producer organisations	10%	A top up was applied to the error rate reported by the AT authorities. However, the amount at risk (0.789 million EUR) is below DG AGRI's de-minimis threshold of 1 million EUR as established in its material criteria (Annex 4). No reservation is required. A remedial action plan is being implemented by the AT authorities and is being monitored by DG AGRI. The risk to the Fund is covered by the on-going conformity clearance procedure.
RO F and Veg Producer groups	10%	A top up was applied to the error rate reported by the RO authorities. However, the amount at risk (0.362 million EUR) is below DG AGRI's de-minimis threshold of 1 million EUR as established in its material criteria (Annex 4). No reservation is required. A remedial action plan is being implemented by the RO authorities and is being monitored by DG AGRI. The risk to the Fund is covered by the on-going conformity clearance procedure.
ES Wine – restructuring of vineyards	0%	A reservation was made in the 2014 AAR in respect of the system for flat rate amounts. ES has taken the necessary remedial action. No remedial action plan was required further to the 2014 reservation. The financial risk to the EU budget has been covered via a conformity clearance procedure.
FR Wine – restructuring of vineyards	0%	A reservation was made in the 2014 AAR. FR has taken the necessary remedial action. No remedial action plan was required further to the 2014 reservation. The financial risk to the EU budget has been covered via a conformity clearance procedure.
FR School milk scheme	0.67%	The error rate reported by FR in 2014 was very high at 25.58% reflecting that the Member State was taking corrective action and recovering undue expenditure. It put in place a new IT system for completing and introducing payment claims in order to link the different types of eligible products with the correct aid coefficients. In 2015 FR has reported an error rate of 0.75% (0.67% in the uncontrolled population).

Table: Annex 10 – 3.1.18

The following table shows the portion of ABB02 expenditure covered by Member States' control statistics and

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the amounts at risk which results from DG AGRI's validation and adjustment process. Control statistics are available in respect of 69.2% of the expenditure covering 1 845 million EUR. For a further 662 million EUR for which no statistics were available, DG AGRI auditors have used their judgement to estimate the maximum amount at risk in that expenditure. For the remaining 158.4 million EUR the aggregate error rate for the other measures (3.05%) was extrapolated to the expenditure concerned. For an additional 0.784 million EUR (DG AGRI direct expenditure on promotion measures), an error rate of 1% is applied.

Overall, the adjustments made resulted in an adjusted error rate of 3.05% in 2015 AAR (down from 3.87% in 2014 AAR).

Overall assessment of risk for ABB02 - Market Measures										
Budget item	Sector	expenditure EUR	expenditure covered by statistics		Expenditure for which no statistics are available					
			expenditure EUR	risk EUR	no stats available EUR	measure risk assessed by auditors		ABB02 error rate applied* =3.05%		
						expenditure	risk	expenditure	risk	
050201	Cereals	-			-	-	-	-	-	
050202	Rice	-			-	-	-	-	-	
050203	Non-annex I products	53,778			53,778	-	-	53,778	1,641	
050204	Food Aid	- 3,225,804			- 3,225,804	-	-	- 3,225,804	- 98,440	
050205	Sugar	-			-	-	-	-	-	
050206	Olive Oil	44,069,178			44,069,178	-	-	44,069,178	1,344,836	
050207	Textile Plants	6,134,000			6,134,000	-	-	6,134,000	187,188	
050208	Fruit and Vegetables	1,118,567,572	1,037,431,475	64,775,229	81,136,097	68,466,980	6,846,698	12,669,117	386,617	
050209	Wine	1,029,816,173	501,941,426	957,775	527,874,747	527,874,747	698,535	-	-	
050210	Promotion	66,331,452	-	-	66,331,452	66,331,452	2,659,557	-	-	
050211	Other plant products and POSEI	240,022,195	237,747,027	385,252	2,275,167	-	-	2,275,167	69,430	
050212	Milk and Milk Products	119,595,837	67,535,863	191,788	52,059,974	-	-	52,059,974	1,588,687	
050213	Beef and Veal	154,580			154,580	-	-	154,580	4,717	
050215	Pigmeat, eggs, poultry & apiculture	44,182,881			44,182,881	-	-	44,182,881	1,348,306	
	Total	2,665,701,842	1,844,655,792	66,310,044	821,046,050	662,673,179	10,204,790	158,372,871	4,832,981	
						Expenditure	Amount at risk	% coverage	error rate	
						1,844,655,792	66,310,044	69.20%		
						662,673,179	10,204,790	24.86%		
						2,507,328,971	76,514,834	94.06%		
									3.05%	
						158,372,871	4,832,981			
						2,665,701,842	81,347,815		3.05%	
						Risk for ABB02 Direct Expenditure (promotion measures, budget item 05021002)	783,571	7,836	0.00%	1.00%
						Total error and risk for ABB02	2,666,485,413	81,355,651	100.00%	3.05%

The total amount at risk for ABB02 is 81.4 million EUR with an error rate of 3.05%.

It is noted that the average amount of net financial corrections per year for the three-year period 2013-2015 (excluding corrections made for cross-compliance) is 136 million EUR for ABB02²⁴.

²⁴ See section 2.1.1.3 of the main body of the report on "corrective capacity". No information is given on the corrective capacity which derives from recoveries as this is not split by ABB activity and is available only at Fund level.

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3.1.11 Root causes of the error rate in market measures – progress report

In May 2014, the Commission Staff Working Document SWD (2014)176 was published. It identifies the root causes for payment errors in non-IACS EAGF spending (Market Measures and POSEI) and lists 15 actions to be taken to address these causes. In 2015, progress was made on the actions as follows:

Action	Description	Progress
1	<p>(a) DG AGRI will propose introducing a list of eligible measures either in Commission Regulation (EU) No 543/2011 (Fruit and Vegetables) or in guidelines.</p> <p>(b) DG AGRI will also propose laying down eligible costs and ceilings for the accompanying measures under the School Fruit Scheme.</p>	The inter-service consultation on the delegated act within the recast of Regulation (EC) No 288/2009 (School Fruit and Vegetables Scheme) was closed in October 2015; the act is scheduled for adoption before the end of 2015.
2	DG AGRI will request Member States – where appropriate by introducing legal provisions to this effect - to demonstrate the verifiability and controllability of requirements and eligibility conditions of measures proposed in their national support programmes.	
3	DG AGRI will propose amendments to the relevant Commission Regulation (EU) No 543/2011 with a view to rendering sanctions in reaction to the non-observance of non-substantial recognition criteria more proportionate as measured against the policy objective of the support. Accordingly, such non-respect will give rise to a reduction in payments but will not entail the withdrawal of the recognition. A progressive approach to the non-respect of substantial criteria is introduced, ultimately leading to withdrawal of the recognition.	
4	In the area of support for promotion measures for agricultural products, DG AGRI will propose incorporating further clarifications as to the requirements for an appropriate procurement procedure in the relevant implementing rules (concerning for instance information about the legal status of the proposing body and the corresponding analysis by Member States).	The delegated act on promotion was published in the Official Journal on 13 October 2015 (Regulation (EU) No 2015/1829), clarifying the legal framework as regards <i>inter alia</i> procurement carried out by public bodies (Article 2 of regulation).
5	The Commission will, where appropriate, work with Member States to clarify and simplify support measures and encourage them to take verifiability and controllability of measures into account at the early stages of drawing up their support programmes.	As regards POSEI, clarifications of Article 40 of Implementing Regulation (EU) No 180/2014 have been given during meetings of the Committee for Direct Payments and during bilateral meetings with ES, PT and FR.

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Action	Description	Progress
6	DG AGRI will, where appropriate: (a) request Member States to submit updated information on management and controls required under Article 31 of Regulation (EU) 228/2013 along with their annual modifications of the national support (b) improve the coordination of the analysis of the annual control statistics submitted by Member States.	Information was received from the Member States operating POSEI concerning management and controls.
7	DG AGRI will, together with Member States, look into the possibility of using simplified cost reimbursement approaches wherever this is appropriate to facilitate the implementation and checking of measures and expenditure.	The modalities of use of standard scales of unit costs are being reviewed in the delegated and implementing acts under preparation (Wine, Fruit and Vegetables) and are being improved and clarified on the basis of a streamlined approach, in the Commission working documents under discussion in export group and committee.
8	A specialists' group made up of Commission and Member State representatives will be established to exchange views and discuss horizontal issues related to eligibility and recognition criteria as well as any other issue discussion of which is appropriate in regard of the occurrence of irregular expenditure. As appropriate, external actors like the European Court of Auditors could be invited to give presentations.	
9	DG AGRI will make use of monitoring wherever this is appropriate in view of the experience gained so far to work with Member States to improve programmes at an early stage of planning as well as to discuss possible deficiencies in the Member States' management and controls of measures.	For POSEI, a series of bilateral meetings was used to discuss and improve programmes. Also in Wine and Promotion, monitoring and discussions were used to identify improvement possibilities. This is an ongoing process.
10	DG AGRI will streamline the presentation of replies to Member States implementation questions in the IT system it shares with Member States so as to create a reference library for all Member States .	
11	DG AGRI will provide up-dated lists of key and ancillary controls for the main support schemes in the CMO.	15 key and ancillary control documents for market measures were presented to the Agricultural Funds Committee on 21 April 2015. The lists concern the Wine sector (4 lists: by product distillation, restructuring, promotion, investments), POSEI (2 lists: assist local agricultural products and specific supply arrangements), Fruits and Vegetables sector (2 lists: producer groups and producer organisation) Smaller Aegean Islands (2 lists:

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Action	Description	Progress
		assist local agricultural products and specific supply arrangements), Promotion, Private Storage, SFS and SMS and aid to apiculture. They are available for Member States on the Web.
12	(a) Encourage Paying Agencies to organise work-shops focused on best practices in the area of management and control procedures and participate actively in them. (b) Look into feasibility of pluri-annual activities including peer-review missions in Member States which result in benchmarking.	
13	(a) Encourage Member States to provide adequate training for management and control officers. (b) Look into the possibility of developing (e-) training modules .	
14	Member States should: (a) Ensure that beneficiaries can efficiently obtain adequate information about the applicable support conditions; (b) Include in their support programmes information on measures taken to enhance beneficiaries' understanding of the applicable support conditions .	As regards Fruit and Vegetables, the main tools for Member States to ensure that beneficiaries obtain the adequate information about the applicable support conditions are the National Strategy and the National Framework for environmental actions which describe and list the eligible actions with their requirements. These instruments are publicly available for potential beneficiaries in Member States. As regards POSEI, during bilateral meetings with ES, PT and FR, Member States were asked to pay special attention to the information given to the beneficiaries. The publication and communication of the key and ancillary controls (see Action 11) is a further important step to letting beneficiaries know about the applicable support rules
15	The errors found are taken into account in the design of the audit programme in the framework of Clearance of Accounts DG AGRI.	

Direct Payments - Control results and the DG AGRI assessment thereon

Part 3.2: ABB03 – Direct Payments

Index for part 3.2 – ABB03: Direct Payments

3.2.1	Introduction
3.2.2	ABB03 Expenditure
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3.2.5	What mitigating factors exist in order to render a reservation unnecessary?
3.2.6	Conclusions as regards assurance for ABB03
3.2.7	Root causes of the error rate in direct payments – what is DG AGRI doing about it?

3.2.1 Introduction

With a yearly budget of more than 40 billion EUR, Direct Payments (also called direct aids, direct support, area aids) represent the most significant part of the CAP budget and a substantial part of the EU budget. The direct support schemes mainly comprise the **Single Payment Scheme (SPS)** to EU-15 as well as Slovenia, Malta and Croatia, and the **Single Area Payment Scheme (SAPS)** for the remaining ten Member States. There are a number of other "decoupled" and "coupled" aids schemes as well as "specific support schemes".

There are 7.26 million beneficiaries of Direct Payments in the Member States and their aid claims are processed, checked and controlled.

The current schemes were still paid in financial year 2015 as the payment period for claim year 2014 is in financial year 2015 (see box 3.2.3). The 2013 reform of the Direct Payments is implemented from claim year 2015 and hence will only impact on financial year 2016 onwards.

The **Single Payment Scheme (SPS)** was introduced in the 2003 CAP reform in order to pay the direct subsidies to farmers. The system applies throughout the Member States of the EU at that time although there are variations in how it is implemented between Member States and sometimes between regions within a single Member State. The scheme was intended to change the way the EU supported its farm sector by removing the link between subsidies and production of specific crops. This reform focused on consumers and taxpayers, while giving farmers the freedom to produce what the market wanted. The SPS was also intended to meet environmental, public, animal and plant health and animal welfare standards and the need to keep land in good agricultural and environmental condition (see Part 6 Cross-compliance).

The **Single Area Payment System (SAPS)** is a transitional, simplified income support scheme which was offered to the Member States who joined the EU in 2004 and 2007 (EU-12) as an option at the date of accession in order to facilitate the implementation of direct payments by replacing (with some exceptions) all direct payments with a single area payment. The level of the payment is obtained by dividing the Member State's annual financial envelope with its respective utilized agricultural area. It is simpler than the Single Payment System (SPS) because there is no need to establish and administer payment entitlements.

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Other decoupled direct aids: These are other direct aids which are decoupled from production, they comprise, a separate sugar payment (which is unrelated to sugar production and is based on either quota or area) and specific support measures under Article 68 of Regulation 73/2009 (other measures under the latter article are also funded as "other direct aids").

Other direct aids: The CAP reform of 2003, while introducing a decoupled single payment scheme, allowed Member States to exclude in whole or in part certain payments from that scheme. This situation has evolved with further decoupling pursued, in particular after the "health check" in 2009, and all payments except for the suckler cow, sheep and goat and cotton schemes as well as the coupled "Article 68" measures, had to be decoupled at the latest as of 2012.

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2015 was as follows:

Expenditure reimbursed by DG AGRI to the Member States in 2015			
Budget item	Measure	Expenditure (EUR)	Totals (EUR)
050301	Decoupled direct aids		38,293,484,951
05030101	SPS (single payment scheme)	29,281,971,882	
05030102	SAPS (single area payment scheme)	7,770,300,202	
05030103	Separate sugar payment	277,543,438	
05030104	Separate fruit and vegetables payment	12,149,748	
05030105	Specific support (Article 68) – Decoupled direct aids	500,566,469	
05030106	Separate soft fruit payment	11,423,749	
05030107	Redistributive payment	440,052,279	
05030199	Other (decoupled direct aids)	- 522,816	
050302	Other direct aids		3,020,544,400
05030206	Suckler-cow premium	880,815,902	
05030207	Additional suckler-cow premium	48,277,259	
05030213	Sheep and goat premium	21,559,198	
05030214	Sheep and goat supplementary premium	6,840,335	
05030228	Aid for silkworms	439,733	
05030236	Payments for specific types of farming and quality production	88,481	
05030239	Additional amount for sugar beet and cane producers	173,908	
05030240	Area aid for cotton	244,017,454	
05030242	Transitional fruit and vegetables payment – Other products than tomatoes	173,730	
05030244	Specific support (Article 68) – Coupled direct aids	1,397,951,929	
05030250	POSEI – European Union support programmes	410,893,474	
05030252	POSEI – Aegean islands	15,729,105	
05030299	Other (direct aids)	- 6,416,108	
050303	Additional amounts of aid		43,188
05030300	Additional amounts of aid	43,188	
05030900	Reimbursement of appropriations carried over from Financial Year 2014 - R.1306/13, Art.26(5)	853,965,493	853,965,493
ABB 03 total			42,168,038,033

Table: Annex 10 – 3.2.1

3.2.3 What assurance does the Director General have regarding the expenditure under ABB03 – Direct Payments?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. In the first place, the Member States, with 69 accredited Paying Agencies, are responsible for managing and checking the aid applications received from over 7.26 million beneficiaries and for paying them.

All land-based aid payments to farmers are dealt with within the framework of the **Integrated Administration and Control System (IACS)**. This system enables the processing of the aid claims received by the Paying

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Agencies and also provides for several eligibility checks including cross-checks between databases and on-the-spot checks.

What is the IACS?

The IACS is the most important system for the management and control of payments to farmers made by the Member States in application of the Common Agricultural Policy. It provides a uniform basis for controls and among other requirements it covers the administrative and on-the-spot control of applications and the IT system which supports the national administration in carrying out its work.

IACS has been in place since 1992 and is operated in the Member States by accredited Paying Agencies. It covers all Direct Payment support schemes as well as certain rural development measures. Furthermore, it is also used to manage the controls put in place to ensure that the requirements and standards under the cross-compliance provisions are respected.

The legal rules as regards the IACS applicable for financial year 2015 are laid down in Council Regulation (EC) No 73/2009 establishing common rules for direct support schemes for farmers and in Commission Regulations (EC) No 1120/2009, 1121/2009 and 1122/2009 laying down the implementing rules. IACS applies to 1st pillar direct support schemes as well as to rural development measures which are granted based on the number of hectares or animals held by the farmer.

In physical terms, IACS consists of a number of computerised and interconnected databases which are used to receive and process aid applications. Thus it provides for:

- a unique identification system for farmers;
- an identification system covering all agricultural areas called Land Parcel Identification System (LPIS) – see box 3.2.5;
- an identification system for payment entitlements;
- a system for identification and registration of animals (in Member States where animal-based measures apply).

Explanatory box: Annex 10 - 3.2.2

What is a claim year and why is it different to the financial year?

A beneficiary has to apply for aid by 15 May of claim year N (with certain derogations allowed). Administrative and on-the-spot checks are carried out by the Paying Agency in the summer and autumn months and the beneficiaries can be paid between 1 December N to 30 June N+1. As the Member States' expenditure for the month of December is only reimbursed by the Commission from the beginning of year N+1, the payment is always made in year N+1.

Explanatory box: Annex 10 - 3.2.3

3.2.3.1. Control results reported by the Member States.

Member States are required to perform administrative checks on all aid applications received as well as on-the-spot checks for at least 5% of applications, unless derogations apply. By 15 July of year N+1, the Member States are obliged to send to the Commission, data on the outcome of the controls carried out in respect of claim year N. These control statistics contain information on amounts claimed, errors detected as a result of administrative, risk based and random on-the-spot checks. The latter result in particular is considered to be the one which is most representative of the error which the Member State would have detected if it had carried out on-the-spot checks on all farms, and thus is the one which is used as the basis for the calculation of the reported error rate.

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The area aids are managed by the Paying Agencies in 69 Paying Agencies. As there are more than one Paying Agency dealing with area aids in some Member States (BE, DE, ES, IT and UK), but centrally managed LPIS in some of them, there are 44 different LPIS.

3.2.3.2 DG AGRI validation and adjustment process

The reliability of the statistics communicated by the Member States depends on the effectiveness of their control and reporting systems. DG AGRI carries out an extensive review and validation process (explained in detail in its Annex 4 to this report setting out its materiality criteria) in order to adjust this error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are the following

A. Assessment of the Certification Bodies' opinions on the control statistics

As described in Annex 10 – part 2, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity of the annual accounts of the Paying Agency, on the proper functioning of its internal control system and on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission. That opinion shall also state whether the examination puts in doubt the assertions made in the management declaration. This opinion is received with the annual declarations of the Member State on 15 February of N+1.

Depending on whether a qualified or unqualified opinion was received and any other information available in the opinion, an adjustment was made to the error rate reported by the Member State.

For ABB03 these findings had an impact for two Paying Agencies. For **Czech Republic** an adjustment of 1.94% and for **Finland** an adjustment of 1.56% established by the Certification Body are taken into account. For **Romania**, the top-up is based on the amount at risk on the basis of which the accounts are qualified.

B. Assessment of findings from the European Court of Auditors (ECA)

In previous years the ECA has carried out a limited number of audits of Paying Agency's management and control systems and reports on them in its Annual Reports, Inter alia it gives assessments of "effective", "partially effective" and not "effective" on elements of the supervisory and control systems. DG AGRI integrates these assessments into the appraisal exercise it carries out on the reliability of the Member States control statistics.

In its Annual Report for financial year 2014, the ECA changed the presentation of the system audits. No summary table was provided with the overall assessment giving ratings of "effective", "partially effective" or "not effective" as the ECA had decided to rely on the DG AGRI audits and not perform systems audits itself for 2014.

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For this year's AAR, the Court's assessments in its 2012 and 2013 reports are taken into consideration as the method applied has been to take the last three years audits and only two years are available:

Annual Report	Paying Agency		Administrative procedures and controls to ensure correct payment including quality of databases	On-the-spot inspection methodology, selection, execution, quality control and reporting of individual results	Overall assessment ²⁵
2012	GB09	UK (England)	Not effective	Partially effective	Not effective
	GB05	UK (Northern Ireland)	Not effective	Partially effective	Not effective
	LU01	Luxembourg	Partially effective	Effective	Partially effective
2013	FR19	France (ASP)	Not effective	Effective	Not effective
	IE01	Ireland	Partially effective	Effective	Partially effective
	IT01	Italy (AGEA)	Partially effective	Partially effective	Partially effective
	DE04	Germany (Bavaria)	Effective	Partially effective	Effective

Table - Annex 10-3.2.4

The ECA examined the Integrated Administration and Control System (IACS) in Croatia and observed only minor deficiencies in the administrative treatment of claims and in the quality of on-the-spot checks. The ECA concluded that these deficiencies did not affect the reliability of the system.

When taking into account the assessment of the ECA, DG AGRI applies an adjustment of 2% for one or more "partially effective" ratings, a 5% adjustment for one "not effective" rating and a 10% adjustment if both categories assessed by the Court were rated as "not effective". However, if DG AGRI has more recent or more precise audit evidence which would indicate a lower level of error, it uses the latter.

C Assessment of findings from DG AGRI audit missions carried out in 2013-2015

(i) Direct Payments

In 2015, 20 Paying Agencies in 11 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2014-2017, the multi-annual work programme of DG AGRI has scheduled audits in order to ensure that Member States are visited with respect to covering a certain % of expenditure declared in financial year 2015.

The general objective of the audits carried out was to review if Member States carry out the administration and control of the area based aid schemes in accordance with EU legislation. In these audits particular attention is paid to the existence and functioning of the following key elements of the IACS: the LPIS-GIS implementation and the related functioning of the cross-checks, the quality of the risk-analysis and the on-the-spot checks, the correct payment and application of sanctions.

²⁵ The ECA's overall assessment is based on other aspects of the control systems not reflected in this table.

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What is the LPIS-GIS?

Farmers are paid on the basis of their eligible agricultural land or "surface area". Locating and measuring agricultural areas create wide-ranging difficulties for farmers who are not technically prepared for the task and of course checking that the areas claimed are correct becomes a mammoth control burden for the national authorities.

Since 1997, therefore, Member States have been required to have in place a Land Parcel Identification System (LPIS) in order to enable checks on land parcels under the Integrated Administration and Control System (IACS). In order to improve the quality of control and keep pace with technological developments, EU legislation required, from 2005, the use of computerized geographical information system (GIS) techniques (much more elaborate than the previous LPIS with ortho-imagery, vectorised polygons in a geospatial environment).

The Land Parcel Identification System is a database which contains a record of the entire agricultural area (reference parcels) of a Member State and the respective maximum eligible areas of every reference parcel. The eligible areas of reference parcels are assessed on the basis of the most recent ortho-images.

Establishing a LPIS requires acquiring a vast number of aerial photos of a minimum quality standard and then digitising all reference parcels (excluding ineligible elements) based on this information in a uniform manner. This requires highly trained and experienced personnel.

Difficulties related to location of reference parcels become more pronounced when the available maps are old, or when the agricultural parcels to be declared no longer match the reference parcels used to locate them. This is often the case with parcels as defined in a fiscal land register (cadastre). It is therefore necessary to keep the LPIS up to date, and in order to do so, Member States should consider a constant refresh of the ortho-imagery over a 3-5 year period depending on the evolution of the terrain (via human intervention or absence thereof).

What is the LPIS quality self-assessment?

In order for Member States to be able to evaluate the quality of their LPIS a common methodology assessing the quality has been developed in coordination with the Joint Research Centre (JRC)*. Member States are required to make an annual self-assessment in this respect and, where appropriate, to take action to remedy deficiencies. For this self-assessment by Member States, the Joint Research Centre, on request by DG AGRI, developed a methodology for the evaluation of seven quality elements (QE) against benchmark criteria (thresholds).

The results for 2014 have been reported back to the Member States and, where the results indicate that the thresholds are met, the matter is, where appropriate, taken up in a DG AGRI audit.

*The Joint Research Centre (JRC) is the European Commission in-house science service. It provides independent scientific and technical advice to the European Commission to support a wide range of European Union policies.

Explanatory box Annex 10- 3.2.5

Audit findings which the auditors consider calling into question the reliability or completeness of the Member States' control statistics result in the latter being flagged for an error rate adjustment.

- For **France** several missions carried out in recent years have detected recurrent problems in the extent to which the LPIS is kept up-to-date, (ineligible) land for which aid is paid and in the distribution of the entitlements. Conformity clearance procedures have been finalised in respect of claim years 2008 to 2012 and significant financial corrections have been made in order to protect the financial interests of the EU. The audit findings and the potential materiality of the risk to the EU budget, led DG AGRI to introduce a reservation for the IACS in France in its 2012 AAR which was carried forward in 2013 and in 2014. An action plan was developed by the French authorities establishing the remedial action to be taken. The implementation of the action plan is closely monitored by DG AGRI. It is noted that the work to be carried out, particularly in respect of the updating and completion of the LPIS, is such that the French authorities had indicated it will take until 2016 to complete and it is therefore necessary to uphold the reservation in

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place until the plan is fully implemented.

Audit missions in 2014 and 2015 showed that certain key intermediate commitments in the action plan had not been met. Besides the non-respect of deadlines and remaining interpretation issues as regards eligible/non-eligible land, it was concluded that the action plan needed some revision. France was requested to identify measures to tackle these issues and provide more detailed progress indicators so as to enable a more hands-on follow-up by DG AGRI. At the time of writing, both the progress reporting received from the authorities and an audit performed in April 2016 have confirmed this state-of-play.

- For **Spain**, problems have been detected during audits in 2012-2014 regarding ineligible permanent pasture land for which aid was paid. This led DG AGRI to introduce a reservation in its 2013 AAR. An action plan to update the LPIS in line with the EU-legislation regarding such pasture land was prepared and has been followed up during 2014. For claim year 2014, the clearance procedure has been launched. The latest mission in March 2016 showed that the action plan has been successfully implemented.
- For **Ireland**, audits in the years 2009-2014 showed weaknesses in the correctness of information in the LPIS and ineligible land for which aid was paid. For those years where this situation has led to a risk for the EU budget, this has been covered in conformity clearance procedures.
- For the **United Kingdom**, audits in England in 2014 revealed weaknesses in the quality of the LPIS and the performance of on-the-spot checks affecting the legality and regularity of area based payments. Given the seriousness of the issue the authorities were requested to develop an action plan so as to ensure proper administration of claims as of claim year 2015. For those years where this situation has led to a risk for the EU budget, this was covered in conformity clearance procedures.
- While there have been serious problems with the LPIS in **Greece** over a long period of time resulting in both reputational and financial reservations, DG AGRI considers that the Greek authorities have done considerable work in order to update their LPIS and correctly record land parcels. A problem however remained with regard to inclusion of permanent pasture in the LPIS.

An action plan was established to address the problem and, while regular progress reporting received from Greece showed that the plan was generally adhered to, audit missions in 2014 revealed that Greece had not fully met its obligations as the work was not found to be of the required quality standard. As a result, the Commission applied a percentage reduction to the reimbursement of the monthly payments declared by the Member State for area aids for claim year 2014 (amounting to 15.8 million EUR for financial year 2015). This reduction of payments concerned 5 % of payments for permanent pasture expenditure and is to be confirmed via a conformity clearance procedure.

- In **Denmark, Finland, Portugal and Romania**, audit missions in 2015 revealed problems in the performance of the on-the-spot checks as regards claim years 2014 and 2015. For those years where this situation has led to a risk for the EU budget, this is covered in an ongoing conformity clearance procedure.
- In **Italy**, audits have shown weaknesses in the correct operation of the LPIS and the inclusion of ineligible land. For those years where this situation has led to a risk for the EU budget, this is covered in an ongoing conformity clearance procedure.
- An audit mission in **Luxembourg** has shown weaknesses in the on-the-spot checks. Any financial risk to the EU budget is covered by an on-going conformity clearance procedure.
- An audit mission in **Slovenia** revealed artificial creation of parcels. Any financial risk to the EU budget is covered by an on-going conformity clearance procedure

Deficiencies in the LPIS in France since 2008 – Overview of their detection and follow-up

History

Since 1997, Member States have been required to have in place a Land Parcel Identification System (LPIS) in order to enable checks on land parcels under the Integrated Administration and Control System (IACS). The strength of this system resides in the correctness of the maximum eligible area for each reference parcel - information that is used to ensure proper crosschecks with the total area declared by the farmers. This requires

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administration and farmers to update the information on a continued basis and this along the definition of what is considered eligible land at EU-level.

Opening a conformity clearance procedure: Detection of deficiencies via audits

Audits carried out in 2009 and 2010 revealed that the French administration was not pro-active in updating the LPIS on the basis of information it had at its disposal. Additionally, it was established that France considered areas eligible as they were, under local practice, used for grazing. The audits showed however that a high number of these areas were covered with trees with almost no herbaceous undergrowth, covered with rocks, bushes and scrub and, as such, could not be fully considered eligible. This difference of opinion also affected the LPIS information.

In addition to the issues regarding the LPIS and the eligibility of certain land, weaknesses were found in the distribution of the entitlements.

Requesting remedial actions following audit findings

This high risk to the EU budget deriving from the deficiencies found being material led to issuing a financial reservation in the 2013 AAR. Further to this France was requested in July 2013 to develop an action plan that should resolve the matter. This action plan foresees the finalisation of certain actions with effect for claim year 2014, for others the deadline is affecting claim year 2015. The whole premise of the plan being to resolve the issues for claim year 2015 and this way to avoid the situation of the 2006-2013 i.e. carrying on for years the mistakes made in the first years.

Close monitoring of action plans and the possible application of a **suspension or reduction** of payments affecting claim year 2016 under article 41(2) (b) of Regulation (EU) 1306/2013

Whilst the first reporting on action plan progress in 2014 was promising, the audit in November 2014 showed that the plan as it was being implemented would not address in a satisfactory manner the issues regarding the eligibility of the land as recorded in the LPIS. France was then requested to upgrade its plan. This was reviewed in a mission carried out in February 2015. The results of this mission together with extra information received in March 2015 did not reassure DG AGRI as to the authorities' capacity to run the 2015 claim year (which is the first year under the reform) without risk of irregular expenditure. A subsequent action plan mission in December 2015 (and additional information received by the French authorities meanwhile) did not provide additional reassurance. An action plan mission performed in mid-April 2016 as well as regular progress reporting received showed that the plan was not adequately adhered to and that France had not fully met its obligations as the work was not found to be of the required quality standard. This state-of-play is being followed up in the light of a possible decision on suspension/reduction for claim year 2015 payments.

Financial corrections as a result of the conformity clearance procedure(s)

On 16 January 2015, the Commission adopted a number of individual financial corrections regrouped in ad-hoc decision No 47 which was published as Decision 2015/103/EU of 16/01/2015 (OJ L16). This decision concerns, inter alia, two financial corrections related to deficiencies in the LPIS affecting area related payments and six other individual financial corrections for other deficiencies affecting CAP expenditure in France (mainly sugar restructuring, animal premia, management of single payment scheme entitlements) for a total of 1 078 million EUR. It will be executed in 3 annual equal instalments in 2015, 2016 and 2017 and will generate assigned revenues for the budgets 2015, 2016 and 2017.

Please refer to Explanatory box 2.1.6 of 2014 AAR for a detailed description of the conformity clearance procedures that resulted in two financial corrections correcting the risk to the EU budget deriving from deficiencies in the French LPIS in relation to claim years 2008 to 2012 impacting on expenditure for financial years 2009 to 2013. An on-going conformity clearance procedure will later on correct the situation for the financial years 2014 and 2015.

The French authorities have appealed to the Court of Justice in respect of the two LPIS financial corrections. In the event that the Court of Justice would nullify the decision in respect of those financial corrections the Commission will have to reimburse the corrected amounts to France.

Explanatory Box: Annex 10 - 3.2.6

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What's the "problem" with "Permanent Pasture"?

The CAP 2006-2013 definition of "Permanent Pasture" includes only "herbaceous" forage, basically grass - pastures of shrubs and trees are not included. However, several Member States have always counted non-herbaceous pastures as eligible for CAP support. This was particularly the case prior to 2006 when support was paid per head of livestock and not per hectare of pasture on which the animals were grazing. In these years this error did not have a direct linear effect on payments. However, with the move away from coupled payments per head of livestock to decoupled area payments, the delineation of eligible pasture land has become a far more significant issue. This is particularly the case in Member States or in some of their regions with extensive grazing of animals.

This problem was identified by DG AGRI in its first audits in 2006/2007 and Member States were then requested to take remedial action in order to regularise the situation with regard to the correct recording in the LPIS. Furthermore, guidance was provided to the Member States on how to find a workable solution to record those areas in the LPIS for which a clean delineation of what is eligible land is not always straightforward. Follow-up financial corrections have been applied for the years in which this led to irregular payments. Member States/regions mainly concerned were Austria, Sweden, Scotland, Northern Ireland, Portugal, Spain, Italy, Greece.

For most of these Member States/regions, the situation has been remedied (though in Austria and Northern Ireland it has to be confirmed in audit missions). Problems persisted for Portugal but have been addressed via their now implemented action plan. For Spain, an action plan on permanent grassland was submitted on 31.10.2014 and has been followed-up by DG AGRI through bi-monthly progress reports and audit missions. The latest audit mission carried out in March 2016 revealed that the action plan has been satisfactorily implemented by 31.12.2015. The same applies to Greece which has implemented a plan which had been found to be unsatisfactory and is now being tackled by further remedial action by Greece. For France, the issue is linked to certain regions and is to be addressed in the action plan. In all these cases the risk for the fund has been and will continue to be via the conformity clearance procedure and resulting net financial corrections.

Within the framework of the CAP reform, the definition of permanent pasture/grassland has been broadened to allow for the presence of other species than grasses and herbaceous forage that can be grazed. This extends the possibility for Member States to include land which can be grazed and which forms part of established local practices where grasses and other herbaceous forage are traditionally not predominant in grazing areas. This will reduce the risk of incorrect declaration from farmers with regard to land eligibility but not totally eliminate it due to difficulties linked to the assessment of whether or not a plant species can be grazed or is "not pre-dominant".

In conclusion, DG AGRI considers that whilst there are some problems with "pocket areas" of permanent pasture, these are being addressed via appropriate action both at the level of DG AGRI (via financial corrections and monitoring) and the Member States concerned. It is recalled that the situation at EU level has improved significantly since it was first detected in the first years of the post 2003 reform. At the same time it has to be put in perspective that while the surface areas concerned by permanent pasture may be vast, there is no linear correlation with the amount of aid paid in their respect. As to the length of time it has taken to resolve the problems in some Member States, it must be considered that the updating of the LPIS to correctly take into account the pasture areas is a laborious exercise which takes time.

Explanatory box Annex 10 - 3.2.7

(ii) Article 68 measures

The livestock related specific support measures under Article 68 of Regulation (EC) No 73/2009 were included in eight conformity audits in 2015. The general objective of the audits carried out was to review if Member States carry out the administration and control of these schemes in accordance with EU legislation. In general the observations and recommendations made concerned the application of the relevant control measures rather than the nature of the specific support measures. The voluntary coupled support measures were not in force in the claim year 2014.

Audit findings which the auditors consider call into question the reliability or completeness of the Member States' control statistics result in the latter being flagged for an error rate adjustment.

- For **Cyprus**, an audit carried out in 2015 has detected serious problems in the ovine and caprine sector affecting claim year 2014 and 2015: ineffective administrative checks due to the absence of holding registers and dysfunctional computerised identification and registration (I&R) database, absence of on-the-spot-checks and incorrect calculation of the amount of the aid. This situation has created a risk for the EU budget and the conformity clearance procedure is ongoing for the two claim years concerned. An action plan is necessary to address all the deficiencies identified, as they are carried over and therefore affect the

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Voluntary Coupled Support (VCS) measures introduced by the CAP reform (replacing the support granted under Article 68 of Reg. 73/2009).

- For **Bulgaria**, an audit carried out in 2015 has detected recurrent problems related to the performance of on-the-spot checks in the bovine sector affecting claim year 2014. This situation has created a risk for the EU budget and the conformity clearance procedure is ongoing. In any event, remedial actions have been already taken by the Member State following the audit therefore an action plan targeting these measures under the Voluntary Coupled Support (VCS) measures introduced by the CAP reform (replacing the support granted under Article 68 of R.73/2009) is not considered necessary.
- For **France**, an audit carried out in 2015 has detected recurrent problems related to the performance of on-the-administrative controls and calculation of the amount of the aid in the ovine and caprine sector affecting claim year 2014. This situation has created a risk for the EU budget and the conformity clearance procedure is ongoing. In any event, remedial actions have already been taken by the Member State for the ovine and caprine measures following the audit.
- For **Slovakia**, an audit carried out in 2015 found weaknesses in the administrative checks to establish the eligibility of the aid and the calculation of the amount of the aid (i.e. incorrect application of force majeure). This situation has created a risk for the EU budget and the conformity clearance procedure is ongoing.
- For **Romania**, an audit carried out in 2015 found weaknesses in the quality of on-the-spot checks. The amount of the financial correction corresponding to the loss for the Fund was communicated to the Member State.

3.2.4 How is all this information used in order to "validate" and adjust the error rate reported in the Member States control statistics?

Adjustments have been made by DG AGRI to the reported error rates calculated on the basis of the Member States' control data. These adjustments or top-ups have been established in line with the criteria set out in Annex 4 to this AAR and have been made where there were indications of error arising notably from the findings of the Certification Bodies, the Court of Auditors and DG AGRI's own audits. Where possible the amount at risk was quantified and where this was not the case a % flat rate was used to express the risk for the budget arising from error in the expenditure which is not reflected in the Member States' control statistics.

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The table below summarises this information for all Paying Agencies:

Paying Agency	Paying Agency Name	Expenditure FY 2015 EUR	reported (residual) error rate	adjusted error rate	amount at risk EUR
AT01	AMA	703,941,404	0.33%	0.33%	2,292,537
BE02	ALV	258,018,216	0.25%	0.25%	638,411
BE03	SPW-DGARNE	292,401,495	0.10%	0.10%	304,820
BG01	DFZ [SFA]	643,791,855	1.87%	2.68%	17,256,192
CY01	KOAP [CAPO]	51,135,162	0.48%	2.11%	1,077,071
CZ01	SZIF [SAIF]	882,457,471	0.34%	1.59%	14,049,934
DE03	Baden-Württemberg MLR	401,764,346	0.34%	0.34%	1,346,084
DE04	Bayern StMLF	1,064,344,954	0.13%	0.13%	1,432,136
DE07	Brandenburg-MLUV	339,572,182	0.20%	0.20%	674,914
DE11	Mecklenburg-Vorpommern MELFF	378,547,295	0.27%	0.27%	1,039,149
DE12	Niedersachsen	863,628,137	0.54%	0.54%	4,645,396
DE15	LWK Nordrhein-Westfalen	500,431,447	0.29%	0.29%	1,463,282
DE17	Rheinland-Pfalz	169,881,148	0.62%	0.62%	1,056,588
DE18	Saarland	20,674,799	0.22%	0.41%	84,213
DE19	Sachsen	276,115,324	0.35%	0.35%	963,302
DE20	Sachsen-Anhalt	350,754,846	0.04%	0.04%	147,618
DE21	Schleswig-Holstein	329,073,215	0.71%	0.71%	2,333,039
DE23	Thüringen	230,343,506	0.05%	0.05%	125,535
DE26	Helaba	214,999,285	0.81%	0.81%	1,739,757
DK02	DAFA	924,393,505	0.49%	1.47%	13,630,162
EE01	PRIA	110,715,641	0.60%	0.60%	660,563
ES01	Andalucía	1,514,299,540	0.14%	0.14%	2,144,681
ES02	Aragón	426,882,254	0.07%	0.07%	307,786
ES03	Asturias	60,844,827	0.72%	0.92%	560,624
ES04	FOGAIBA	24,552,853	0.50%	0.50%	121,894
ES05	Islas Canarias	184,767,843	2.42%	2.42%	4,467,786
ES06	Cantabria	40,082,012	2.10%	3.96%	1,588,897
ES07	Castilla La Mancha	667,359,533	0.30%	0.96%	6,400,958
ES08	Castilla y León	883,648,727	0.15%	0.94%	8,337,864
ES09	Cataluña	263,780,163	0.44%	0.44%	1,154,806
ES10	Extremadura	503,376,269	0.24%	2.17%	10,940,674
ES11	FOGGA	162,445,376	1.09%	1.44%	2,331,752
ES12	Madrid	37,883,488	0.04%	1.68%	635,785
ES13	Murcia	56,099,273	2.53%	2.75%	1,544,957
ES14	Navarra	99,387,974	1.69%	1.69%	1,678,855
ES15	País Vasco	44,675,694	0.60%	0.60%	269,895
ES16	La Rioja	27,922,860	0.14%	1.90%	531,581
ES17	AVFGA	112,688,632	1.23%	1.89%	2,126,128
FI01	MAVI	524,997,084	0.43%	1.99%	10,445,487
FR05	ODEADOM	140,923,134	2.67%	3.70%	5,208,022
FR19	ASP	7,461,775,356	0.33%	2.35%	175,325,396
GB05	DARD	320,992,591	1.41%	1.41%	4,514,246
GB06	SGRPID	533,652,630	0.06%	0.06%	311,530
GB07	WG	268,903,381	0.12%	0.12%	323,849
GB09	RPA	1,987,937,213	0.16%	1.17%	23,187,528
GR01	O.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	2,162,864,217	2.09%	2.14%	46,327,574
HR01	PAAFRD	159,336,578	0.96%	0.96%	1,534,258
HU01	MVH [ARDA]	1,284,544,651	1.22%	1.22%	15,630,109
IE01	DAFM	1,226,962,215	0.69%	0.76%	9,361,026
IT01	AGEA	1,837,998,619	0.68%	1.66%	30,505,337
IT05	AVEPA	392,826,120	0.08%	1.00%	3,940,012
IT07	ARTEA	171,434,170	1.08%	1.27%	2,184,710
IT08	AGREA	358,627,997	0.61%	1.55%	5,563,529
IT10	ARPEA	353,013,724	0.38%	1.31%	4,613,021
IT23	OPR Lombardia	505,837,079	0.67%	1.62%	8,200,799
IT24	OPPAB	21,829,863	7.63%	0.88%	191,142
IT25	APPAG	15,900,925	0.00%	0.92%	145,809
IT26	ARCEA	262,734,314	2.87%	3.86%	10,133,437

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Paying Agency	Paying Agency Name	Expenditure FY 2015 EUR	reported (residual) error rate	adjusted error rate	amount at risk EUR
LT01	NMA [NPA]	393,738,758	0.35%	0.35%	1,378,004
LU01	Ministère de l'Agriculture	33,189,318	0.18%	0.22%	73,113
LV01	RSS	156,519,049	0.68%	0.68%	1,068,310
MT01	MRRRA PA	5,268,416	0.00%	0.00%	0
NL04	RVO	799,640,223	0.13%	0.13%	1,048,004
PL01	ARIMR [ARMA]	3,353,008,917	1.06%	1.06%	35,621,586
PT03	IFAP	645,062,359	0.69%	1.50%	9,683,071
RO02	PIAA	1,418,925,612	2.34%	3.31%	46,996,064
SE01	SJV	687,452,204	0.47%	0.47%	3,246,077
SI01	ARSKTRP	135,982,928	0.73%	0.97%	1,318,595
SK01	APA	431,271,170	1.92%	2.11%	9,121,133
Grand Total	ABB 03	42,170,833,366	0.67%	1.37%	579,306,408
Amounts reimbursed to DG AGRI by Coordinating Bodies		-2,795,333		0.00%	
ABB03		42,168,038,033	0.67%	1.37%	579,306,408

Table: Annex 10 - 3.2.4

In a limited number of cases (Czech Republic, 7 Spanish Paying Agencies (ES01 Andalusia, ES07 Castilla-La Mancha, ES08 Castilla y Leon, ES11 Galicia, ES12 Madrid, ES16 La Rioja and ES17 Valencia), England (GB09 – RPA), Finland and Portugal), top-ups were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation reservation was not considered. All these cases are of course followed up by a conformity clearance procedure and financial corrections shall be applied as appropriate in order to protect the EU budget.

3.2.5 What mitigating factors exist in order to render a reservation unnecessary?

The following table sets out the situation for all cases where the adjusted error rate is above 2%. A brief explanation is given for the top-up applied and any mitigating factors which exist are examined in order to determine if a reservation is required. Both the DG AGRI auditors and the operational unit concerned are involved in this process.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
BG01	2.68%	17.256 m EUR	A 2015 DG AGRI audit found weaknesses in the quality of on-the-spot checks concerning the specific support granted under Article 68 of Reg. 73/2009 for the bovine sector.	Yes	Remedial actions have been already taken by the Member State following the audit therefore an action plan targeting these measures under the Voluntary Coupled Support (VCS) measures introduced by the CAP reform (replacing the support granted under Article 68 of Reg. 73/2009) is not considered necessary. The conformity clearance procedure already on-going in respect of financial year 2015 and onwards will ensure that the financial risk to the EU budget is covered.
CY01	2.11%	1.077 m EUR	A 2015 DG AGRI audit of the specific support granted under Article 68 of Reg. 73/2009 for the ovine and caprine sectors found serious weaknesses in the administrative checks to establish the eligibility of the aid and in the calculation of the aid (including the application of	Yes	An action plan is necessary to address all the deficiencies identified, as they are carried over and therefore affect the Voluntary Coupled Support (VCS) measures introduced by the CAP reform (replacing the support granted under Article 68 of Reg. 73/2009).

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Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
			administrative penalties) as well as a lack of on-the-spot checks.		The conformity clearance procedure already on-going in respect of financial year 2015 and onwards will ensure that the financial risk to the EU budget is covered.
ES06 (Cantabria)	3.96%	.89 m EUR	2013 DG AGRI audits found weaknesses in the controls regarding the eligibility of permanent pasture and its recording in the LPIS.	Yes	The financial risk is covered by an ongoing conformity clearance procedure. A DG AGRI audit mission to ES early March 2016 showed that the already ongoing action plan was implemented according to agreed milestones.
ES10 (Extremadura)	2.17%	10.941 m EUR		Yes	
ES13 (Murcia)	2.75%	1.545 m EUR		Yes	
FR19	2.35%	175.325 m EUR	<p>DG AGRI audits have found the LPIS in FR to be deficient. It does not adequately ensure the correct maximum eligible area which affects payments. An action plan was initiated in 2013 and its implementation has been closely monitored by DG AGRI. However, interim milestones have not been met and the quality of the work done has been insufficient to address the problem in full.</p> <p>In addition, a 2015 audit found the following weaknesses concerning the specific support granted under Article 68 of Reg. 73/2009:</p> <p>Ovine sector: weaknesses in the quality of administrative checks to establish the eligibility of the aid and in the calculation of the aid (including application of administrative penalties).</p> <p>Caprine sector: weakness in the quality of the on-the-spot checks and in the calculation of the aid (including the application of administrative penalties).</p>	Yes	<p>The implementation of the action plan continues to be closely monitored. The EU budget for financial year 2015 is protected via an ongoing conformity clearance procedure.</p> <p>Remedial actions have been already taken by the Member State for the ovine and caprine measures following the audit.</p> <p>The conformity clearance procedure already on-going in respect of financial year 2015 and onwards will ensure that the financial risk to the EU budget is covered.</p>
GR01	2.14%	46.328 m EUR	A 2014 DG AGRI audit found weaknesses in the LPIS. The top-up reflects the actual risk for financial year 2015, thus, taking into account the amount subject to a reduction in claim year 2014.	No	<p>GR has reported the implementation of its action plan.</p> <p>A substantial part of the amount potentially at risk was subject to a reduction in financial year 2015. Any residual financial risk to the EU budget is covered by an ongoing conformity clearance procedure.</p>
IT26 (Calabria)	3.86%	10.133 m EUR	The error rate results from a high error rate reported by the Member State in its control statistics. DG AGRI's auditors have no information which raises doubts as to the completeness and reliability of the Member States' control results, and thus, no top-up was considered necessary. However, the shortcomings detected by the Paying Agency shall be remedied.	Yes	The information contained in the Management declaration of the Paying Agency's director regarding the cause of the level error and actions already engaged will serve as a basis for an action plan.
RO02	3.31%	46.996 m EUR	A 2014 DG AGRI audit established that on-the-spot checks by remote-	Yes	Concerning the area based measures, remedial actions have already been

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Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
			sensing concerning area based measures are not of sufficient quality. In addition, a 2015 audit found weaknesses in the quality of on-the-spot checks concerning the specific support granted under Article 68 of Reg. 73/2009 for the bovine sector.		engaged by the Member State following the LPIS Quality assessment for 2014 and 2015. However, a more formal and substantive action plan addressing all the issues leading to the high error rate is necessary. Concerning the specific support for the bovine sector, remedial actions have been already taken by the Member State following the audit. The financial risk for the EU budget in respect of financial year 2015 is covered by a financial correction already notified to the Member State.
SK01	2.11%	9.121 m EUR	A 2015 DG AGRI audit found weaknesses in the administrative checks to establish the eligibility of the aid and in the calculation of the aid (including the application of administrative penalties) concerning the specific support granted under Article 68 of Reg. 73/2009 for the bovine sector.	No	Remedial actions have already been taken by the Member State following the audit. The conformity clearance procedure already on-going in respect of financial year 2015 and onwards will ensure that the financial risk to the EU budget is covered.
ES05 (Canary Islands) - POSEI	2.42%	4.468 m EUR	In the control statistics for Direct Payments under the POSEI measures, the Paying Agency has reported error of 2.4%. While a previous DG AGRI audits in 2013 (as well as ECA DAS findings for 2012) had found discrepancies in the system for animal identification, a further audit in 2014 confirmed that the remedial action had been taken. A very high error is reported in the statistics for animal premia which likely reflects the impact of the corrective measures. No top-up is considered necessary to the error rate reported.	Yes	A reservation is entered in respect of 2015 expenditure. Since ES has implemented remedial actions with regard to the animal identification system, no action plan is required. DG AGRI will closely monitor the situation.
FR05 (Odeadom) - POSEI	3.70%	5.208 m EUR	In the control statistics for Direct Payments under the POSEI measures, the Paying Agency has reported error of 2.6%. In addition a DG AGRI audit in 2014 found an absence of consignment checks in respect of banana shipments as well as in the checks on deliveries of sugar cane. Top-ups of 10% and 5% are therefore applied in respect of the respective affected populations (c. 10 m EUR for banana aid and c. 10 m EUR for aid for transport of sugar cane).	Yes	A reservation is entered in respect of 2015 expenditure and a remedial action plan is necessary to address the deficiencies leading to the top-up as well as to identify and address where necessary the causes underlying the error rate reported in the control statistics. DG AGRI will closely monitor the situation. The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 - 3.2.8

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The following table gives details of cases for Direct Payments where a reservation made in the 2014 AAR was not carried forward in the 2015 AAR:

Paying Agency	Adjusted error rate	Amount at risk	Justification
ES01: Andalucia ES07: Castilla-La Mancha ES08: Castilla y Leon ES11: Galicia ES12: Madrid ES16: La Rioja ES17: Valencia	0.14% 0.96% 0.94% 1.44% 1.68% 1.90% 1.89%	2.145 m EUR 6.401 m EUR 8.338 m EUR 2.332 m EUR 0.636 m EUR 0.532 m EUR 2.126 m EUR	DG AGRI auditors adjusted the reported error rate for each of the paying agencies for weakness in the LPIS regarding permanent pasture. As a result the reported error rate was above the materiality threshold of 2% and a reservation was issued for financial year 2014. For these paying agencies a top-up was also attributed for financial year 2015. As the adjusted error rate, including this top-up is not exceeding the materiality threshold of 2%, the reservation is not carried forward for 2015
GB09: RPA (England)	1.17%	23.188 m EUR	DG AGRI, based on its audit findings considers that a 2% top-up reflected the error in the statistics. As a result the reported error rate was above the materiality threshold of 2% and a reservation was made for financial year 2014. For claim year 2014, DG AGRI proposed an adjustment of the error rate in line with the proposed financial correction. As the adjusted error rate, including this top-up is not exceeding the materiality threshold of 2%, the reservation is not carried forward for 2015.
GR01: Greece	2.14%	46.328 m EUR	A 2014 DG AGRI audit found weaknesses in the LPIS. Greece has reported the implementation of its action plan. A substantial part of the amount potentially at risk was subject to a reduction in financial year 2015. Any residual financial risk to the EU budget is covered by an ongoing conformity clearance procedure.
HU01: Hungary	1.22%	15.630 m EUR	A 2013 DG AGRI audit found weaknesses in the set-up (risk analysis and control approach) and performance of the on-the-spot checks and in retroactive recoveries and a top-up to the error rate was considered appropriate. Information gained in the course of the clearance procedure revealed that no top up was necessary for financial year 2015. As the reported error rate is not exceeding the materiality threshold of 2%, no reservation is necessary.
PT03: Portugal	1.50%	9.683 m EUR	DG AGRI audits found weaknesses in the consolidation of entitlements following the LPIS update for claim year 2013. As a result a top-up was attributed of 2%. For claim year 2014, the DG AGRI audits established issues, which lead to the application of a 1% top-up for financial year 2015. As the adjusted error rate, including this top-up is not exceeding the materiality threshold of 2%, the reservation is not carried forward for 2015.

Table: Annex 10 - 3.2.9

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3.2.6 Conclusions as regards assurance for ABB03

As a result of the "top-ups" made, an adjusted error rate has been calculated of 1.38% with 12 out of 69 Paying Agencies having an adjusted error rate above 2% (with none above 5%) – see Table: Annex 10- 3.2.8 above. Overall, the reported error rate for ABB03 increased from 0.67% to 1.38% as a result of adjustments made by DG AGRI.

For the 12 Paying Agencies with an error rate between 2 and 5%, an examination was carried out of any risk mitigating factors which indicated that the EU budget was protected for the past (conformity clearance procedure, culminating in an ongoing financial correction) and that it is protected for the future (the deficiencies have been addressed by the Paying Agency). In 2 out of the 12 cases (Greece and Slovakia), it was considered that, given the mitigating factors present (see summary under point 3.2.3), it would not be necessary to make reservations. Table: Annex 10 – 3.2.9 sets out the reasoning in respect of each case.

The overall outcome of this exercise is that 10 reservations are necessary at Paying Agency level:

4 reservations from 2014 are carried over:

- 3 reservations for Spain (Cantabria, Extremadura, Murcia)
- France - ASP

6 new reservations are introduced:

- Bulgaria
- Cyprus
- Italy (Calabria)
- Romania
- Spain and France for POSEI

11 Reservations from 2014 (7 for Spain, Great Britain - England, Hungary and Portugal) are not carried forward in the 2015 AAR due to error rates in 2015 below 2%, and in the case of Greece which had reported its implementation of the action plan and where a substantial part of the amount potentially at risk was subject to a reduction in financial year 2015 with conformity clearance procedure covering the residual financial risk (see Table: Annex 10 – 3.2.9).

The error rate for ABB 03 is 1.37% with an amount at risk of 579.3 million EUR.

It is noted that the average amount of net financial corrections per year for the three-year period 2013-2015 (excluding corrections made for cross-compliance) is 529.4 million EUR for ABB03²⁶.

²⁶ See section 2.4.1.5.1 of the main body of the report on "corrective capacity". No information is given on the corrective capacity which derives from recoveries as this is not split by ABB activity and is available only at Fund level.

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3.2.7 Root causes of the error rate in direct payments – what is DG AGRI doing about it?

In 2013 DG AGRI carried out an assessment of the root causes of errors in the implementation of direct payments and of possible preventive and corrective actions. This assessment was further formalised with the adoption and publication on 26 May 2014 of a Commission staff working document (SWD(2014) 175 final). The main root causes of error identified therein were the following:

- Errors/non-compliances by national administration arising when national administrations do not adapt their system as to ensure compliance with the rules or do not follow their own instructions,
- Insufficient quality and update of the Land Parcel Identification System (LPIS),
- Low quality of the on-the-spot checks,
- Mistakes in the aid applications.

With the implementation of the reformed system of Direct Payments, it is expected that some of the above-mentioned risks will persist while a few additional risks have been identified. In fact, it is notable that the choices in the recent reform of the CAP aim at an improved targeting of support measures and ultimately a more effective and efficient CAP. Better targeting often implies additional eligibility conditions and thus greater complexity of support schemes where Member States are given more flexibility. Moreover, compromise solutions incorporated in the basic acts in the inter-institutional decision-making process sometimes give rise to diverging interpretations when implemented by Member States.

For Direct Payments the main areas of risk in the context of the reformed system are the following:

- Transitional period until 2018 for the creation of the layer for Ecological Focus Areas (EFA) in the LPIS meaning the level of assurance given by the control system may in the meantime be lower. During this transitional period, mitigating actions are expected in terms of either increasing the level of on-the-spot controls by the Paying Agencies or recording in the LPIS, after verification and before payment, the EFA declared by the beneficiaries.
- The fact that the list from which EFA Member States can choose contains EFA that are difficult/costly to control.
- The fact the certification schemes which Member States have notified as equivalent and their functioning are so far unknown. However, it has to be noted that only 3 Member States decided so far to opt for equivalent practices through certification schemes.
- The risk relating to the population of farmers exempted from Greening (i.e. complexity for farmers and administration to manage the various exemption criteria, risk of errors for farmers close to thresholds).
- The low level of the applicable administrative penalties in case of non-compliance with the greening practices with the risk they do not achieve their deterrent effect.
- The risk of error when proceeding to the first allocation of payment entitlements due to the numerous and sometimes complex options for Member States.
- Continued risks of misinterpretation of what is the eligible area for the basic payment scheme.

It has to be noted that claim year 2015 being the first year of implementation of the reformed system of Direct Payments (with payments to be made until 30 June 2016), it is at this stage premature to draw even preliminary conclusions as to whether the above-mentioned risks have materialised.

DG AGRI is nonetheless already addressing the main risks created for the Funds by the existing root causes by means of audit enquiries and action plans already underway in certain Member States. On top of that, and at a more upstream stage, a series of actions covering improvements in monitoring, communication and remedial action are envisaged to mitigate the situation further and prevent issues from arising in the future:

1. The **quality assessment (QA) which Member States must carry out of their LPIS** is actively followed-up by a new unit in DG AGRI ("Implementation support, monitoring, IACS and LPIS") to ensure that Member

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States take the remedial actions required to meet the quality standards DG AGRI considers appropriate. Moreover, the conformity clearance procedure will still include in its process the assessment of the correct application of the LPIS QA method.

2. DG AGRI has reinforced its **actions to inform** in meetings (e.g. meeting with Paying Agencies; or ad hoc expert groups) the responsible bodies in the Member States (Paying Agencies, Ministries) and has also developed guidance documents addressing problematic issues in particular in the following areas:

- principles for the LPIS under the renewed direct payments schemes,
- establishment of the EFA layer in the LPIS,
- on-the-spot checks and area measurement,
- aid applications by farmers,
- the "active farmer" provision and
- the definition and implementation of permanent grassland.

Other technical guidance, established in collaboration with the Commission's Joint Research Centre have followed, on e.g. the implementation of a pro-rata system for permanent grassland or more technical features of on-the-spot controls for greening (e.g. on measurement of EFA or on the control of crop diversification).

DG AGRI has also carried out implementation support activities through visits to Member States (missions to 24 Member States) were either performed in the second half of 2014 or in the course of 2015, and some Member States were visited several times depending on the issues to be addressed), bilateral meetings / replies to written questions on the **implementation** of the Direct Payment schemes and of the Greening, as well as with regard to the Integrated Administration and Control System (IACS).

Finally, a set of workshops/expert groups allowing Member States to exchange experience and good practices for the administration and control of Direct Payments has also been organised in 2015 in the following areas: greening, young farmers' scheme, voluntary coupled support for animal premiums, the provisions related to active farmer, specific area-related aspects and, early 2016, the system of geo-spatial aid application (GSAA).

3. Following conformity clearance audits that detected major deficiencies, specific actions towards deficiencies in certain Member States have been taken and they have proven effective in triggering changes. Based on an analysis of the DAS exercises, of Member States' statistics and of audit results, new specific action plans may need to be implemented by some Member States.

4. DG AGRI provides guidance to the Member States and monitors the effectiveness of the control systems on an on-going basis, in particular through compliance audit missions (including also audits of Paying Agencies' compliance with the accreditation criteria and audits of the Certification Bodies) as well as **conformity clearance procedures**. Whenever weaknesses are found, the Commission protects the Union's financial interests by means of financial corrections imposed on the Member States. The error rate for Direct Payments is also being addressed through DG AGRI's audit activity.

5. The previous legislation provided for the possibility to **reduce or suspend payments** but only in the case of repeated deficiencies having been the reason for at least two financial correction Decisions by the Commission. The Horizontal Regulation now enables the Commission to reduce or suspend payments when a Member State has not addressed the deficiencies via an action plan. This will provide Member States with a stronger incentive to improve their systems where necessary. As an example, this new procedure was implemented in December 2014 through a Commission Implementing decision to reduce monthly payments to Greece under the single payment scheme for issues linked to the management of permanent pasture areas which were not properly addressed by the on-going action plan. The amount suspended over financial year 2015 was around EUR 17 million.

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6. DG AGRI has also proposed a series of rules in the secondary legislation (delegated acts and implementing acts) aiming at mitigating the risks identified above. These mainly concern control provisions. As is already the case, the need to amend secondary legislation in view of specific difficulties encountered in the process of implementation of the reform has been and will be constantly assessed and acted upon.

7. In the framework of the reform, an exhaustive inventory of information regarding the options taken by Member States to implement the new system of direct payments has been obtained by the services of DG AGRI in charge of the management of the policy and has been processed for diffusion to the concerned services in charge of monitoring of the implementation and audit. Based on an enhanced co-operation with Member States, the quality and reliability of the information gathered will allow the monitoring of the implementation of Direct Payment rules and control systems. The information to hand will be used to feed the risk analysis established for planning the usual audits and in the decisional process on the relevance of launching actions plans.

The actions listed above draw upon the Commission services and Member States in equal measure.

Part 3.3: ABB04 – Rural Development

Index for part 3.3 – ABB04: Rural Development

3.3.1 Introduction

3.3.2 ABB04 Expenditure

3.3.3 What assurance does the Director General have regarding the expenditure under ABB04 – Rural Development?

3.3.4 How is all this information used in order to assess the error rate reported in the Member States control statistics?

3.3.5 What mitigating factors exist in order to render a reservation unnecessary?

3.3.6 Conclusions as regards assurance for ABB04

3.3.7 Root causes of the error rate in Rural Development expenditure – what is DG AGRI doing about it?

3.3.1 Introduction

One of DG AGRI's key objectives is to contribute to the sustainable development of rural areas. This is managed via its rural development policy which is funded under the European Agricultural Fund for Rural Development (EAFRD). For the 2007-2013 programming period, the policy operates through 94 regional and national Rural Development programmes which establish a series of measures designed to target specific needs and challenges. In 2015, DG AGRI finalised the process for assessing and approving the Rural Development programmes for the 2014-2020 programming period. In total, 118 national or regional programmes co-funded by the EAFRD were adopted. With the entry into force of Regulation (EU) No 1305/2013²⁷, the scheme of the programmes has changed in its structure (further explanation is given in 2.4.1.1.4 ABB04 Expenditure). There are 3.36 million beneficiaries under the Rural Development programmes in the Member States and their aid claims are processed, checked and controlled.

While the EAFRD bears a lot of similarities to the European Structural and Investment Funds (ESIF) of DGs REGIO and EMPL, there are also a number of differences. In particular, it has been increasingly aligned with the management system for the EAGF which deals with direct payments to farmers. A large part of the EAFRD measures are "area-based" and are managed under the IACS (see Explanatory Box: Annex 10 - 3.2.2). The new CAP reform, which entered into force in 2014 as regards the support for rural development, strengthens that alignment in particular with regard to application, payment dates and maximum eligible area for area-based measures.

One of the main differences between the reporting styles for EAFRD and the ESIF used to be the greater emphasis for the former on the annuality of expenditure, as in accordance with Article 51 of Regulation (EU) No 1306/2013²⁸, expenditure managed under EAFRD is subject to the annual financial clearance procedure.

²⁷ Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) and repealing Council Regulation (EC) No 1698/2005 (OJ L 347 of 20.12.2013)

²⁸ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (OJ L 347 of 20.12.2013)

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However, since the entry into force of the Common Provisions Regulation²⁹, the Commission from 2016 onwards must carry out an examination of the accounts and conclude on its acceptance on an annual basis (Article 139) as regards expenditure managed under the ESIF.

Another difference used to be that the ESIF have so far used interruption and reduction/suspension of interim payments as well as recycled recovery procedures (i.e. the recovered amounts are retained by the Member States for re-use for other projects) in order to protect the EU budget while, in DG AGRI, the main instrument used is the conformity clearance procedure which results in net financial corrections being clawed back to the EU budget. Since the entry into force of the Common Provisions Regulation as well as the Regulation (EU) No 1306/2013³⁰, DG AGRI has reinforced (in addition to the effective mechanism under the conformity clearance procedure) the use of its interruption and reduction/suspension mechanisms. For further information on the use of these mechanisms in 2015, please see Chapter 2.4.2.2 of this report.

3.3.2 ABB04 Expenditure

In the 2007-2013 programming period, the rural development measures were organised into "Title I" (generally IACS-) and "Title II"(generally non-IACS-) measures, the former being area- and animal-based measures and the latter being *investment, flat rate types of measure, Leader and Technical Assistance* as provided in Council Regulation (EC) No 1698/2005³¹.

What are flat rate measures?

Flat rate measures are those with a fixed amount of support for particular actions with a view to simplifying the application and payment procedures.

Explanatory Box: Annex 10 – 3.3.1

The Rural Development legislation for the **2007-2013 programming period** also distinguishes between five thematic priority areas or "Axes":

- Axis 1: competitiveness of the agricultural and forestry sector
- Axis 2: environment and land management
- Axis 3: economic diversity and quality of life
- Axis 4: Leader
- Axis 5: Technical Assistance

Axes 1, 3 and 4 fall mainly within Title II while Axis 2 measures fall within both Titles mixed. Some are purely Title I or Title II but measures 214, 221 and 223 have both an area-based and an investment-based dimension and thus are funded under both Titles. For more details see Table: Annex 10 – 3.3.10.

²⁹ Regulation (EU) No 1303/2013 of the European Parliament and of the Council laying down common provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund, the European Agricultural Fund for Rural Development and the European Maritime and Fisheries Fund and laying down general provisions on the European Regional Development Fund, the European Social Fund, the Cohesion Fund and the European Maritime and Fisheries Fund and repealing Council Regulation (EC) No 1083/2006 (OJ L 347 of 17.12.2013)

³⁰ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (OJ L 347 of 20.12.2013)

³¹ Council Regulation (EC) No 1698/2005 on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 277 of 21.10.2005)

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Rural Development Measures by Axis and by Title

AXIS 1 IMPROVING THE COMPETITIVENESS OF THE AGRICULTURAL AND FORESTRY SECTOR			AXIS 2 IMPROVING THE ENVIRONMENT AND THE COUNTRYSIDE THROUGH LAND MANAGEMENT		
Code	Measure	Title	Code	Measure	Title
111	Vocational training and information actions	II	211	Natural handicap payments to farmers in mountain areas	II
112	Setting up of young farmers	II	212	Payments to farmers in areas with handicaps, other than mountain areas	II
113	Early retirement	II	213	Natura 2000 payments and payments linked to Directive 2000/60/EC (WFD)	II
114	Use of advisory services	II	214	Agri-environment payments	I & II
115	Setting up of management, relief and advisory services	II	215	Animal welfare payments	I
121	Modernisation of agricultural holdings	II	216	Non-productive investments	I
122	Improvement of the economic value of forests	II	221	First afforestation of agricultural land	I & II
123	Adding value to agricultural and forestry products	II	222	First establishment of agroforestry systems on agricultural land	II
124	Cooperation for development of new products, processes and technologies in the agriculture and food sector and the forestry sector	II	223	First afforestation of non-agricultural land	I & II
125	Infrastructure related to the development and adaptation of agriculture and forestry	II	224	Natura 2000 payments	II
126	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention actions	II	225	Forest-environment payments	I & II
131	Meeting standards based on Community legislation	II	226	Restoring forestry potential and introducing prevention actions	I
132	Participation of farmers in food quality schemes	II	227	Non-productive investments	I
133	Information and promotion activities	II			
141	Semi-subsistence farming	II			
142	Producer groups	II			
143	Provision of farm advisory and extension services in Bulgaria and Romania	II			
144	Holdings undergoing restructuring due to a reform of a common market organisation	II			

AXIS 3 IMPROVING THE QUALITY OF LIFE IN RURAL AREAS AND ENCOURAGING DIVERSIFICATION OF ECONOMIC ACTIVITY			AXIS 4 LEADER		
Code	Measure	Title	Code	Measure	Title
311	Diversification into non-agricultural activities	II	411	Implementing local development strategies. Competitiveness	II
312	Business creation and development	II	412	Implementing local development strategies. Environment/land management	I
313	Encouragement of tourism activities	II	413	Implementing local development strategies. Quality of life/diversification	II
321	Basic services for the economy and rural population	II	421	Implementing cooperation projects	II
322	Village renewal and development	II	431	Running the local action group	II
323	Conservation and upgrading of the rural heritage	II			
331	Training and information	II			
341	Skills acquisition, animation and implementation of local development strategies	II			

Table: Annex 10 – 3.3.10

Rural Development – Control results and the DG AGRI assessment thereon

Regarding the **2014-2020 programming period**, the legislation has been amended, and the Member States and Paying Agencies had to base their Rural Development Programmes on at least four of the six common EU priorities:

1. fostering knowledge transfer and innovation in agriculture, forestry and rural areas;
2. enhancing the viability / competitiveness of all types of agriculture, and promoting innovative farm technologies and sustainable forest management;
3. promoting food chain organisation, animal welfare and risk management in agriculture;
4. restoring, preserving and enhancing ecosystems related to agriculture and forestry;
5. promoting resource efficiency and supporting the shift toward a low-carbon and climate-resilient economy in the agriculture, food and forestry sectors;
6. promoting social inclusion, poverty reduction and economic development in rural areas.

Therefore, as the notion of 'Axes' was no longer valid, Member States and Paying Agencies had to base their Rural Development programmes on twenty proposed measures which are either *area- and animal-related measures* or *non-area- and animal-related measures* (see Table: Annex 10 – 3.3.11). The list of measures and sub-measures is described in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014.

In 2015, under specific conditions, Member States and Paying Agencies could implement measures from both programming periods according to the transitional provisions stated in Regulation (EU) No 1310/2013. This meant that expenditure was claimed under the new programming period 2014-2020 for projects to which the rules and commitments for the programming period 2007-2013 applied. The result of these transitional arrangements is that it is not possible to distinguish the effect of the management and controls systems in place on the two programming periods separately.

Rural Development measures	
1	Knowledge transfer and information actions
2	Advisory services, farm management and farm relief services
3	Quality schemes for agricultural products and food stuffs
4	Investments in physical assets
5	Restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention
6	Farm and business development
7	Basic services and village renewal in rural areas
8	Investments in forest area development and improvement of the viability of forests
9	Setting up of producer groups and organisations
10	Agri-environment climate
11	Organic farming
12	Natura 2000 and Water Framework Directive payments
13	Payments to areas facing natural or other specific constraints
14	Animal welfare
15	Forest-environmental and climate services and forest conservation
16	Cooperation
17	Risk management
18	Financing of complementary national direct payments for Croatia
19	Support for Leader local development (CLLD)
20	Technical assistance

Table: Annex 10 – 3.3.11

Rural Development – Control results and the DG AGRI assessment thereon

Expenditure reimbursed by DG AGRI to Member States in 2015 amounted to 11 788 335 585 EUR.

Expenditure paid, financed under programming period 2007-2013, amounted to 6 464 298 560 EUR. Expenditure paid, financed under the programming period 2014-2020, amounted to 5 252 192 422 EUR, whereas 1 945 249 474 EUR thereof were paid as pre-financing and 3 306 942 948 EUR were paid as intermediate payments.

Expenditure reimbursed by DG AGRI to the Member States in 2015				
Chapter	Budget item	Description	Expenditure (EUR)	
0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	- 1,289,466	
	05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	64,192,735	
	05040501	Rural development programmes 2007-2013	6,464,298,560	
	05040502	Operational technical assistance 2007-2013	154,655	
	05046001	Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020		3,306,942,948
		Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020		1,945,249,474
	05046002	Operational technical assistance 2014-2020	8,786,679	
Total			11,788,335,585	

Table: Annex 10 – 3.3.1

3.3.3 What assurance does the Director General have regarding the expenditure under ABB04 – Rural Development?

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. In the first place, the Member States, with 72 accredited Paying Agencies, are responsible for managing and checking the aid applications received from some 3.36 million beneficiaries and for paying them.

3.3.3.1 Control results reported by the Member States

The expenditure declared in financial year 2015 relates to the control statistics of the year 2014 (i.e. claim year). In 2014, Commission Regulation (EU) No 65/2011 was still in force, and Member States were required to perform administrative checks on all aid applications received as well as on-the-spot checks for at least 5% of applications for Title I measures and 4% of the expenditure for Title II measures. In order to provide information on controls and error rates in the area of rural development, Commission Regulation (EU) No 65/2011 provides for detailed and systematic reporting of the results of the Member States' controls and reductions applied.

By 15 July of year N+1, the Paying Agencies are required to send to the Commission data on the outcome of the controls carried out in respect of year N. These control statistics contain information on amounts claimed, errors corrected as a result of administrative checks, risk based on-the-spot checks and random on-the-spot checks and the resulting reductions applied. The result of the random on-the-spot checks, which is considered to be the one which is most representative of the error which the Paying Agency would have detected if it had carried out on-the-spot checks on all holdings, is the reported error rate which is used as the basis for the calculation of the adjusted error rate.

3.3.3.2 DG AGRI validation and adjustment process

The reliability of the statistics communicated by the Paying Agencies depends on the efficiency of their control systems. DG AGRI carries out an extensive review and validation process (explained in detail in its Annex 4 setting out its materiality criteria) in order, if appropriate, to adjust the reported error rate upwards to a level which it considers better reflects the actual level of error. In so doing, it uses its professional judgement on the basis of all available information. The main elements assessed are described in the following paragraphs.

Rural Development – Control results and the DG AGRI assessment thereon

According to the transitional provisions stated in Regulation (EU) No 1310/2013, under specific conditions, measures from the 2007-2013 programming period are eligible for an EAFRD co-financing under the 2014-2020 budget. As DG AGRI considers that the risk to the Fund is the same for both programming periods, DG AGRI assessed the control statistics for both programming periods together.

3.3.3.3 Assessment of the Certification Bodies' opinions on the control statistics

As described in Annex 10 – part 2, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity of the annual accounts of the Paying Agency, on the proper functioning of its internal control system and on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission. That opinion shall also state whether the examination puts in doubt the assertions made in the management declaration. This opinion is received with the annual declarations of the Member State on 15 February of N+1.

Depending on whether a qualified or unqualified opinion was received and any other information available in the opinion, an adjustment (positive) was made to the error rate reported by the Member State. Following is a summary of the impact of the Certification Body findings on the reported error rates of the Member States showing that there was an impact on the adjusted error rate in 9 Paying Agencies:

- Belgium (**SPW-DGARNE - Wallonie**) – for IACS payments a top-up of 5.02% reflects the legality and regularity incompliances found by the Certification Body. For non-IACS measures, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- Germany (**Mecklenburg-Vorpommern**) – a 2% top-up is applied to the entire expenditure as financial clearance information, statements and reports were not provided and therefore there is no sufficient assurance.
- Spain (**Asturias**) – for non-IACS measures, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- Spain (**La Rioja**) – for non-IACS measures, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- France (**ODARC Corsica**) – for IACS, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- France (**ASP**) – for IACS, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- Italy (**ARCEA Calabria**) – For non-IACS, the top-up is based on the amount at risk on the basis of which a disclaimer was made on the opinion.
- **Romania** – for both IACS and non-IACS, the top-up is based on the amount at risk on the basis of which the accounts are qualified.
- **Bulgaria** – for non-IACS measures, the top-up is based on the amount at risk on the basis of which the accounts are qualified.

3.3.3.4 Assessment of findings from the European Court of Auditors

Each year, the European Court of Auditors (ECA) has carried out a limited number of audits of Paying Agencies' management and control systems.

However, in its Annual Report for financial year 2014, the ECA changed the presentation of these system audits. No summary table was provided with the overall assessment giving ratings of "effective", "partially effective" or "not effective" on elements of the supervisory and control systems as the ECA had decided to rely on the DG AGRI audits and not perform systems audits itself for 2015.

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For this years' AAR, the ECA's assessments in its 2012 and 2013 reports are taken into consideration as the method applied has been to take the last three years audits and only two years are available:

Annual Report	Paying Agency		Administrative and control procedures	On-the-spot inspection methodology, selection, execution, quality control and reporting of results	Overall assessment ³²
2012	FR19	France	Partially effective	Partially effective	Partially effective
	SE01	Sweden	Partially effective	Effective	Partially effective
	DE07	Germany (Brandenburg)	Partially effective	Partially effective	Partially effective
	PL01	Poland	Partially effective	Effective	Partially effective
	BG01	Bulgaria	Partially effective	Partially effective	Partially effective
	RO01	Romania	Not effective	Not effective	Not effective
2013	DE15	Germany (North Rhine-Westphalia)	Partially effective	Partially effective	Partially effective
	ES17	Spain (Valencia)	Partially effective	Partially effective	Partially effective
	MT01	Malta	Partially effective	Partially effective	Partially effective
	SI01	Slovenia	Partially effective	Effective	Partially effective
	IT01	Italy (AGEA - Sicily)	Partially effective	Effective	Not effective
	LV01	Latvia	Not effective	Partially effective	Not effective
	PL01	Poland (ARMA)	Effective	Effective	Partially effective
	RO01	Romania (PARDF)	Not effective	Partially effective	Not effective

Table: Annex 10 – 3.3.3

In its 2014 Annual Report, the ECA observed that the system weaknesses were similar to the ones found in previous years. The ECA identified deficiencies in administrative checks related to eligibility conditions, in particular those concerning environmental conditions and the maximum size of companies. Weaknesses were also found in checking public procurement procedures.

When taking into account the assessment of the ECA, DG AGRI makes an adjustment of 2% for one or more "partially effective" ratings, a 5% adjustment for one "not effective" rating and a 10% adjustment if both categories assessed by the ECA were rated as "not effective". However, if DG AGRI has more recent or more precise audit evidence which would indicate a lower level of error, it uses the latter.

3.3.3.5 Assessment of findings from DG AGRI audit missions carried out in 2013-2015

In 2015, 44 on-the-spot audits were carried out; these audits were selected mainly following the DG AGRI's Central Risk Analysis (CRA). Audits were also carried out to those Paying Agencies that had not yet been visited for the 2007-2013 programming period or which had only been visited once. In addition, 7 "desk" audits were performed (a desk audit is an enquiry opened without an audit mission being carried out – the conformity clearance procedure followed is the same as that for audit missions), to follow up transactions audited by the

³² The ECA's overall assessment is based on other aspects of the control systems not reflected in this table.

Rural Development – Control results and the DG AGRI assessment thereon

ECA, cases detected by OLAF, previous financial corrections applied by the Commission or to assess specific items.

3.3.3.5.1 Audit missions for Title I measures

a) Audit plan and coverage

In 2015, based on the Central Risk Analysis and on reservations made in the 2014 AAR, 18 audits on Title I measures were carried out:

1. 14 audit missions concerned IACS-related measures of Axis II, based on the agri-environmental measures (which include organic farming), natural handicaps measures, animal welfare payments and first afforestation of agricultural land and 1 desk-check on IACS-related measures of Axis II. Additionally, the specific support measures adopted under Article 68(1)(a)(v) of Council Regulation (EC) No 73/2009 were also checked, when applicable, as they may overlap with agri-environmental measures.
2. 3 audit missions on IACS-related measures of Axis II were carried out jointly with auditors dealing with the area-based measures of the 1st pillar to focus more on the identification of agricultural parcels under rural development within the IACS database, in conformity with the new EU rules, and particularly with Article 5 of Regulation (EU) No 640/2014.

The audits assessed the management and control systems implemented by Member States in order to ensure that they complied with EU and national rules, that the eligibility criteria had been met and that the commitments were controllable, verifiable, and respected by the beneficiaries. Moreover, these enquiries assessed whether the controls were effectively applied, if appropriate reductions and sanctions were imposed for non-compliance and if the control statistics sent by the Member States were consistent and reliable. In addition, these enquiries also helped to detect the root causes for the high error rate and the implementation of the action plans established to remedy the deficiencies. Finally, these audits allow assessing the implementation of the recommendations made by DG AGRI.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2015 were generally found to be effective, but with scope for improvement in a number of cases. The auditors found improvements in some Paying Agencies where the visit was a follow-up to a previous audit. DG AGRI auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database in order to ensure a timely follow-up.

The audits carried out in 2015 detected scope for improvements for the following issues as far as the audits on IACS measures are concerned:

- continued efforts are required to provide simple and clear eligibility criteria and commitments and to inform beneficiaries about their obligations in a clear manner so they have full understanding of the requirements to be met in order to reduce the high error rate discovered in the Member States;
- additional improvements are required to extend administrative controls of certain agri-environmental commitments which are easy to check administratively (training certificate, organic certificate, state of the crops, etc.), and to better target risk analysis for the 5% sample of beneficiaries to be checked on the spot;
- continued improvements in the on-the-spot checks systems are necessary in order to better assess the farmer's compliance with the commitments made, mainly as far as the respect of the maximum livestock density, to perform checks at the best time of the season for assessing compliance, and to integrate visual checks with other control tools;
- developing more targeted and proportionate sanction systems, as poor targeting may also be one of the causes of high error rate;

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- for organic farming, a lack of control by some Paying Agencies has been observed, and cross-notification between different bodies involved was not sufficiently developed;
- in addition, a better traceability and clear conclusions about the quality of the controls carried out must be achieved by indicating how the checks were performed and how the inspectors came to their conclusions. The control methods used, during the on-the-spot check, to verify compliance with the farmer's commitments, must be indicated in the control report together with measurements, verification of fertilisers and animal counting in order to assess whether the livestock density is correct, whenever appropriate.
- control statistics provided pursuant to Article 31 of Regulation (EU) No 65/2011 must be improved in terms of quality and deadline compliance.

From a general point of view, when serious deficiencies have been found, follow-up audits are carried out in order to assess the implementation of the recommendations made by DG AGRI. The conformity clearance procedure leads to net financial corrections in order to protect the EU budget from irregular spending as a result of the deficiencies found.

3.3.3.5.2 Audit missions for Title II measures

a) Audit plan and coverage

In 2015, 32 on-the-spot audits were carried out on Title II measures, including 13 audit missions on investments measures, 10 audits on Leader, 3 audits on flat rate measures, 3 audits on Technical Assistance and 3 audits on non-IACS-related measures of Axis II (see previous chapter). The audits carried out in 2015 were selected mainly following the Central Risk Analysis of DG AGRI. The audit missions concerning the non-IACS measures of Axis II (measures 216, 226 and 227) were selected on the basis of the level of expenditure.

The audits covered the procedures implemented by Member States to ensure that administrative checks, on-the-spot checks and ex-post checks were carried out in line with EU legislation, paying special attention to correct application of selection criteria and compliance with the eligibility criteria. They also checked that the costs had been correctly evaluated as reasonable, including compliance with procurement rules; that coverage of the risk of double funding was adequate and that reductions and sanctions imposed for non-compliance were adequate.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2015 were generally found to be effective, albeit with scope for improvement in a number of cases. The DG AGRI auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database in order to ensure a timely follow-up.

The audits carried out in 2015 detected scope for improvements for the following issues as far as the audits on non-IACS measures of Axis II:

- more detailed rules and procedure for the administrative selection of the projects, with more stringent rules as far as the evaluation of the reasonableness of the costs, application of public procurement procedures, and audit trail;
- improvements in performing the in situ visits and their traceability;
- more comprehensive risk analysis for the on-the-spot checks by including all the types and sizes of operations;
- continued improvements in the on-the-spot checks systems are necessary in order to better assess the eligibility conditions, the reconciliation of the invoices, and the eligible costs;

Rural Development – Control results and the DG AGRI assessment thereon

- control statistics provided pursuant to Article 31 of Regulation (EU) No 65/2011 must be improved in terms of completeness, quality and deadline compliance.

Respect of Public Procurement rules: key control element

The respect of public procurement EU rules is considered as a key element amongst the controls to be carried out by the Paying Agencies for rural development investment measures where the beneficiaries are public authorities.

In 2015, specific audits focussed on the respect of the public procurement rules and detected irregularities at all stages of this procedure as implemented by the public beneficiaries. These irregularities mainly concern the preparation of the procurement documents (artificial splitting of the work, discriminatory procedure, thresholds not respected), the call for tender itself where time limits were not sufficient enough, the evaluation phase (lack of transparency, discriminatory, unlawful selection), the notification of the outcome of the procedure (lack or delayed publication).

These audits also highlighted problems occurring during the administrative and on-the-spot checks to be carried out by the Paying Agency where not all steps, phases and documents of the procedure were assessed, including the selection of the tender.

• *Explanatory Box: Annex 10 – 3.3.3.5.2*

With regard to investment measures, in nine cases from 2015, the audits revealed management and control deficiencies which would suggest that the systems are ineffective in determining whether claims are eligible and preventing irregularities. The weaknesses found may lead to a financial correction of 10 % or more for the measures audited³³:

- In 2015, an audit was carried out in France on the Measures 121 "Modernisation of agricultural holdings" and 123 "Adding value to agricultural and forestry products". The audit revealed the following shortcomings: deficient assessment of cost reasonableness (recurrent finding) and the check of the payment claim for both measures and the checks of the eligibility of the beneficiary as regards the SME status for Measure 123.
- In 2015, an audit was carried out in Latvia on the Measures 121 "Modernisation of agricultural holdings", 123 "Adding value to agricultural and forestry products" and 312 "Support for the creation and development of microenterprises". The audit revealed following shortcomings: ineffective control in determining the eligibility of the claim (SME status); in-situ verification, missing billboards and explanatory plaques; selection and appraisal of applications deficient; insufficient application of reductions.
- In 2015, two audits were carried out in Greece, one on the Measures 125 "Development and improvement of infrastructure connected with the development and adaptation of agriculture", 321 "Basic services for the economy and rural population" and 322 "Village renewal and development". The mission revealed following shortcomings: inappropriate procedures for the selection of projects; not yet incurred Land expropriation costs; deficient public procurement procedures; deficient checks on SME-criteria. The second one was on the Measures 121 "Modernisation of agricultural holdings" and 123 "Adding value to agricultural and forestry products". The audit revealed the following shortcomings: deficient checks on the eligibility of the applicant and of the investment; deficient checks on the reasonableness of costs; deficient verification of payment claims.
- In 2015, an audit was carried out in Bulgaria on the Measures 121 "Modernisation of agricultural holdings", 123 "Adding value to agricultural and forestry products", 311 "Diversification into non-agricultural

³³ It is underlined that the clearance of accounts procedure is still on-going and that the level of financial correction is only decided once the conformity clearance procedure has been finalised.

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activities" and 312 "Support for the creation and development of microenterprises". The audit revealed the following shortcomings: deficient checks on the eligibility of the investment; deficient checks on the reasonableness of costs; deficient verification of the payment claims; deficient on-the-spot checks.

- In 2015, an audit was carried out in Portugal on the Measures 121 "Modernisation of agricultural holdings" and 123 "Adding value to agricultural and forestry products". The audit revealed the following shortcomings: deficient checks on the eligibility of the applicant and of the investment; deficient checks on the reasonableness of costs; deficient public procurement checks.
- In 2015, an audit was carried out in Hungary on the Measures 321 "Basic services for the economy and rural population" and Measure 322 "Village renewal and development" and revealed deficiencies in the verifiability of eligibility criteria, public procurement, payment claims, in-situ visits, ex-post checks and selection criteria.
- In 2015, DG AGRI initiated a series of audits (Germany, Romania, Spain and Bulgaria) on the respect of public procurement rules. They revealed deficiencies of various levels of seriousness in each of the Member States audited. These enquiries are however at a too early stage to conclude on the irregularity level.

With regard to **Leader**, the two following audits from 2015 revealed management and control deficiencies which may lead to a financial correction of 10%:

- An audit carried out in Portugal on Leader revealed deficiencies in the verification of the eligibility criteria and in the checks on the eligibility and on the reasonableness of the costs (Measure 413).
- An audit carried out in Denmark on Leader revealed deficiencies in the checks on the eligibility of the projects, in the checks on the eligibility of costs, in the verification of the payment claims, in the procedure for the selection and appraisal of projects or applications, in the implementation of the sanction system, in the administrative and on-the-spot checks and in the supervision and checks of the local action groups (Measure 413).

Regarding **flat rate measures**, an audit carried out in 2015 in **Hungary** on Measure 142 "producer groups" revealed shortcomings as regards the eligibility of the beneficiary and of the expenditure claimed. The shortcomings detected may lead to a financial correction of 15% taking into account recurrence.

What is the "N+3 decommitment" rule as provided in Regulation (EU) No 1306/2013?

Article 38 of Regulation (EU) No 1306/2013 provides that the Commission shall automatically decommit any portion of a budget commitment for a rural development programme that has not been used for the purpose of pre-financing or making intermediate payments. The Funds must be used by 31 December of the third year³⁴ (in accordance with Regulation (EU) No 1306/2013) following that of the budget commitment (so called N+3 rule). However, according to Article 41(4)(a) of Regulation (EU) No 907/2014 the references to N+3 in Regulation (EU) No 1306/2013 shall be regarded as references to N+2, as regards the 2007-2013 programmes. The purpose of the N+2/N+3 rule is to speed up execution of programmes and contribute to sound financial management.

Explanatory Box: Annex 10 – 3.3.4

³⁴ For the rural development programmes under the 2007-2013 programming period, the Funds must be used by 31 December of the second year following that of the budget commitment (so called N+2 rule).

Rural Development – Control results and the DG AGRI assessment thereon**3.3.3.5.3 Audits of Financial Instruments**

No audits were carried out in respect of financial instruments in 2015. A number of conformity procedures relating to audits carried out in previous years with regard to financial instruments were finalised.

What are financial instruments?

Financial instruments are measures of financial support provided on a complementary basis from the EU budget in order to address one or more policy objectives. Such instruments may take the form of loans, guarantees, equity or quasi-equity investments, or other risk-sharing instruments and may, where appropriate, be combined with grants.

Explanatory Box: Annex 10 – 3.3.5

3.3.4 How is all this information used in order to assess the error rate reported in the Member States control statistics?

As described in Annex 4 on DG AGRI's materiality criteria, the Audit Directorate of DG AGRI analysed the audit evidence arising notably from the findings of the Certification Bodies, the European Court of Auditors (ECA) and its own audit findings, with a view to assess the risk that errors are not detected by the Paying Agency prior to the payments to beneficiaries. Where possible, the amount at risk was precisely quantified and where this was not the case, a % flat rate was used to express the risk for the budget arising from error in the expenditure which is not reflected in the Member States' control statistics.

The table on the following pages summarises this information for all Paying Agencies:

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Paying Agency	Paying Agency Name	Expenditure FY 2015 EUR	reported (residual) error rate	adjusted error rate	amount at risk EUR
AT01	AMA	381,361,904	1.62%	2.26%	8,610,812
BE02	ALV	22,204,371	1.80%	1.81%	401,349
BE03	SPW-DGARNE	44,111,497	0.85%	4.22%	1,860,157
BG01	DFZ [SFA]	404,510,426	1.64%	8.15%	32,954,634
CY01	KOAN [CAPO]	18,280,429	0.20%	0.20%	36,182
CZ01	SZiF [SAIF]	187,621,864	1.12%	2.31%	4,331,343
DE01	BLE	105,803	0.00%	0.00%	0
DE03	Baden-Württemberg	69,018,224	0.81%	0.81%	562,255
DE04	Bayern StMLF	140,981,169	0.55%	1.36%	1,919,907
DE07	Brandenburg MLUV	23,596,970	0.72%	2.89%	682,688
DE09	Hamburg	1,391,313	1.58%	1.58%	22,037
DE11	Mecklenburg-	97,879,376	0.59%	4.73%	4,631,530
DE12	Niedersachsen	10,648,756	0.82%	2.09%	222,276
DE15	LWK Nordrhein-	11,914,104	1.58%	1.58%	188,133
DE17	Rheinland- Pfalz	21,553,707	3.16%	3.22%	694,647
DE18	Saarland	740,663	0.05%	0.05%	373
DE19	Sachsen	18,369,857	2.76%	4.40%	808,062
DE20	Sachsen-Anhalt	97,472,278	0.27%	1.99%	1,940,115
DE21	Schleswig-Holstein	27,801,521	0.30%	0.33%	90,620
DE23	Thüringen	21,481,239	1.05%	1.05%	225,610
DE26	Helaba	15,453,472	1.75%	1.75%	269,997
DK02	DAFA	62,431,734	3.43%	6.86%	4,285,568
EE01	PRIA	31,042,916	1.09%	1.17%	361,908
ES01	Andalucía	281,931,005	4.06%	10.71%	30,202,486
ES02	Aragón	43,427,143	0.91%	0.91%	396,102
ES03	Asturias	1,762,746	0.14%	3.78%	66,601
ES04	FOGAIBA	5,907,447	5.26%	5.26%	310,477
ES05	Islas Canarias	20,792,918	0.07%	0.07%	15,586
ES06	Cantabria	2,719,290	1.34%	1.34%	36,566
ES07	Castilla La Mancha	193,521,270	0.82%	1.03%	1,989,042
ES08	Castilla y León	83,949,196	1.00%	4.02%	3,373,170
ES09	Cataluña	21,467,754	1.53%	1.53%	329,373
ES10	Extremadura	143,149,526	0.48%	4.62%	6,615,975
ES11	FOGGA	104,651,319	0.68%	6.03%	6,309,753
ES12	Madrid	7,328,005	18.64%	18.66%	1,367,551
ES13	Murcia	30,278,587	0.31%	0.31%	95,183
ES14	Navarra	0	0.48%	0.48%	0
ES15	País Vasco	4,693,259	0.29%	0.29%	13,738
ES16	La Rioja	1,774,525	0.17%	3.03%	53,755
ES17	AVFGA	18,731,563	2.89%	5.49%	1,028,396
ES18	FEGA	0	0.00%	0.00%	0
FI01	MAVI	382,518,728	1.30%	1.36%	5,183,844
FR18	ODARC	6,058,882	0.76%	4.32%	261,925
FR19	ASP	579,168,590	4.89%	15.59%	90,266,633

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Paying Agency	Paying Agency Name	Expenditure FY 2015 EUR	reported (residual) error rate	adjusted error rate	amount at risk EUR
GB05	DARD	14,807,253	1.61%	1.91%	282,112
GB06	SGRPID	145,194,808	1.05%	5.54%	8,044,100
GB07	WG	43,269,312	1.20%	1.28%	553,809
GB09	RPA	319,186,056	1.72%	5.60%	17,881,843
GR01	O.Π.E.K.E.Π.E.	379,109,303	0.65%	5.01%	18,979,270
HR01	PAAFRD	54,335,233	0.00%	0.00%	0
HU01	MVH [ARDA]	382,092,959	1.54%	6.98%	26,671,990
IE01	DAFM	327,135,539	2.76%	2.77%	9,053,666
IT01	AGEA	846,495,938	1.14%	2.89%	24,499,268
IT05	AVEPA	33,119,700	0.20%	0.20%	65,960
IT07	ARTEA	53,529,330	4.13%	4.13%	2,212,044
IT08	AGREA	66,433,098	2.36%	5.97%	3,963,953
IT10	ARPEA	44,702,159	1.15%	1.18%	526,326
IT23	OPR Lombardia	11,853,127	0.21%	0.67%	79,771
IT24	OPPAB	0	0.06%	0.06%	0
IT25	APPAG	4,876,348	1.00%	1.00%	48,536
IT26	ARCEA	89,916,516	1.35%	5.12%	4,599,445
LT01	NMA [NPA]	76,530,207	0.20%	1.78%	1,364,085
LU01	Ministère de	12,209,640	2.23%	2.97%	362,894
LV01	RSS	53,339,164	1.14%	4.05%	2,159,644
MT01	MRRA PA	8,590,730	1.16%	1.16%	99,416
NL04	RVO	38,204,716	1.77%	3.96%	1,512,819
PL01	ARiMR [ARMA]	1,344,959,885	1.62%	1.79%	24,088,467
PT03	IFAP	257,635,831	3.38%	10.49%	27,018,155
RO01	AFIR [RIFA]	1,257,624,319	0.73%	7.41%	93,204,143
SE01	SJV	140,723,643	2.01%	3.88%	5,454,424
SI01	ARSKTRP	29,933,496	0.92%	0.94%	282,309
SK01	APA	91,627,849	1.38%	1.39%	1,276,822
ABB04	Rural Development Programmes	9,771,241,508	1.78%	4.99%	487,301,630

Table: Annex 10 – 3.3.6

3.3.5 What mitigating factors exist in order to render a reservation unnecessary?

The following table "Table: Annex 10 – 3.3.7" sets out the situation for all Paying Agencies for which the error rate is above 2% detailing where reservations are required and the justification where it is considered that risk mitigation factors exist:

Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
AT01 - Austria	2.26%	8.611 m EUR	A 2015 DG AGRI audit detected weaknesses in the control system pertaining to organic farming payments under measure 214.	Yes	A reservation is necessary in respect of 2015 expenditure. For investment measures, the necessary actions initiated in 2014 shall be fully implemented to cover all identified deficiencies. For organic farming measures, the remedial actions undertaken will be closely monitored by DG AGRI. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
BE03 – Belgium Wallonie	4.22%	1.860 m EUR	Based on the Certification Body's opinion, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is necessary in respect of 2015 expenditure. An action plan is necessary to remedy the deficiencies identified by the Certification Body.

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
					DG AGRI will closely monitor the situation.
BG01 - Bulgaria	8.15%	32.955 m EUR	<p>In 2014 and 2015 DG AGRI audits detected serious deficiencies for Title II (including issues related to the reasonableness of costs). A 2015 DG AGRI audit found persistent weaknesses related to public procurement.</p> <p>Furthermore at the end of 2015, DG SANTE identified serious shortcomings in the control system for organic farming.</p>	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>Following audit findings, several suspensions of payments and an interruption of payments deadlines took place related to expenditure on solar panel projects as well as organic farming. The Member State has reported the implementation of remedial actions for Title II measures by the end of 2015. An action plan addressing weaknesses related to public procurement in the framework of ex-ante conditionalities is ongoing.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by a number of on-going conformity clearance procedures for Title II.</p>
CZ01 – Czech Republic	2.31%	4.331 m EUR	<p>A 2015 DG AGRI audit identified weaknesses in the supervision of delegated bodies to which on-the-spot checks of certain commitments has been delegated. The supervision is rather of a formal nature and does not guarantee that the controls are properly done.</p>	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>The Member State shall improve the supervision of the delegated control tasks to get better assurance on the quality of the concerned controls.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p>
DE - Germany	*	9.996 m EUR	<p>An audit on public procurement was carried out in 2015 on one population covering the payments of 5 German Paying Agencies (DE07, DE11, DE12, DE19, DE20), and revealed an error rate of 3.79% for the investment measures dealing with public beneficiaries.</p>	Yes	<p>A reservation is necessary in respect of 2015 expenditure for the audited population. The financial impact of the reservation, i.e. the estimated amount at risk, is quantifiable only for the population of Paying Agencies that was audited.</p> <p>The Member State shall implement an action plan covering the weaknesses detected.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p>
DE07 - Brandenburg	2.89%	0.683 m EUR	<p>A 2015 audit revealed weaknesses in a key control concerning 2013/2014 expenditure relating to investments made by public beneficiaries (see above). The European Court of Auditors deemed the control system in Brandenburg partially effective in 2012.</p>	No	<p>The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria).</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p> <p>No reservation is applied.</p>
DE11 – Mecklenburg-Vorpommern	4.73%	4.632 m EUR	<p>A 2015 audit revealed weaknesses in a key control concerning 2013/2014 expenditure relating to investments made by public beneficiaries (see above). As the Certification Body report was not received a top up was made to the error rate reported by the Member State to reflect the low assurance on the expenditure concerned.</p>	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>The Member State should ensure that all clearance of accounts documents are delivered within the legal deadlines.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p>
DE12 - Niedersachsen	2.09%	0.222 m EUR	<p>A 2015 audit revealed weaknesses in a key control concerning</p>	No	<p>The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in</p>

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			2013/2014 expenditure relating to investments made by public beneficiaries (see above).		Annex 4 (materiality criteria). The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. No reservation is applied.
DE17 – Rheinland-Pfalz	3.22%	0.695 m EUR	The adjusted error rate is only based on the control statistics reported by the Member State, no top-up is applied.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). No reservation is applied.
DE19 - Sachsen	4.40%	0.808 m EUR	A 2014 DG AGRI audit revealed shortcomings in the control system for measure 214 as regards verification of livestock density and traceability of on-the-spot checks. A 2015 audit revealed weaknesses in a key control concerning 2013/2014 expenditure relating to investments made by public beneficiaries (see above).	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The financial risk for the EU budget in respect of financial year 2015 is covered by the on-going conformity clearance procedures. No reservation is applied.
DK02 - Denmark	6.86%	4.286 m EUR	DG AGRI audits in 2014 and 2015 detected weaknesses related to the reasonableness of the costs for measure 121 and severe deficiencies related to Leader. The Member State reported a high error rate for Title I.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State has reported the implementation of an action plan addressing the weaknesses related to the reasonableness of costs for measure 121. The Member State shall continue its efforts. For Leader, remedial actions are necessary to address the identified severe deficiencies. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
ES – Spain	*	28.003 m EUR	An audit on public procurement was carried out in 2015 on one population covering the payments of 4 Spanish Paying Agencies (ES01, ES08, ES10, ES11), and revealed an error rate of 25.21% for the investment measures dealing with public beneficiaries.	Yes	A reservation is necessary in respect of 2015 expenditure for the audited population. The financial impact of the reservation, i.e. the estimated amount at risk, is quantifiable only for the population of Paying Agencies that was audited. The Member State shall implement an action plan covering the weaknesses detected. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
ES01 – Andalucia	10.71%	30.202 m EUR	DG AGRI audits between 2013 and 2015 detected weaknesses concerning, <i>inter alia</i> , selection criteria, the reasonableness of costs assessment, the verification of payment claims and the documentation of an audit trail.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State is currently implementing an action plan that addresses most of the weaknesses detected. The Member State shall continue its efforts, DG AGRI will continue to closely monitor the implementation of the necessary remedial actions. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
ES03 –	3.78%	0.067 m EUR	Based on the Certification Body's opinion, an adjustment was made	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
Asturias			to the error rate reported by the Member State.		Annex 4 (materiality criteria). No reservation is applied.
ES04 – Islas Baleares	5.26%	0.310 m EUR	The adjusted error rate is based only on the control statistics reported by the Member State, no top-up is applied.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The Member State will be requested to increase the size of its random sample for Title I. No reservation is applied.
ES08 – Castilla y Leon	4.02%	3.373 m EUR	The weaknesses concerning some measures under Title I and underlying the reservation in the previous AAR have been addressed, The top-up is only linked to identified deficiencies related to public procurement that justify a reservation for all Spanish paying Agencies (see above).	No	The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. No reservation is applied.
ES10 - Extremadura	4.62%	6.616 m EUR	The top-up is only linked to identified deficiencies related to public procurement that justify a reservation for all Spanish paying Agencies (see above).	No	The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. No reservation is applied.
ES11 - Galicia	6.03%	6.310 m EUR	The top-up is only linked to identified deficiencies related to public procurement that justify a reservation in respect of 2015 expenditure for the audited population (see above).	No	The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. No reservation is applied.
ES12 - Madrid	18.66%	1.368 m EUR	The adjusted error rate is based only on the control statistics reported by the Member State, no top-up is applied.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State is currently implementing an action plan that addresses the weaknesses identified by the Paying Agency itself. DG AGRI will closely monitor the situation.
ES16 – La Rioja	3.03%	0.054 m EUR	Based on the Certification Body's opinion, an adjustment was made to the error rate reported by the Member State.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). No reservation is applied.
ES17 - Valencia	5.49%	1.028 m EUR	A 2012 DG AGRI audit detected weaknesses pertaining to some measures under Title I regarding the follow-up of administrative errors on the spot, the preannouncement of certain inspections, the quality of control reports, and the payment procedure. The Certification Body highlighted the recurrence of one finding in its annual report 2015.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State is currently implementing an action plan that addresses most of the weaknesses detected and shall continue its efforts. DG AGRI will continue to closely monitor the situation.
FR18 – France Corse	4.32%	0.262 m EUR	Based on the Certification Body's opinion, an adjustment was made to the error rate reported by the Member State.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The Member State is currently implementing an action plan and a 2015 DG AGRI audit found that some of the weaknesses underlying the reservation in the 2014 AAR been remedied. DG AGRI will continue

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
					to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. No reservation is applied.
FR19 – France - ASP	15.59%	90.267 m EUR	A 2015 DG AGRI audit found that not all of the previously detected weaknesses in the livestock density controls had been remedied. Moreover, several DG AGRI audits between 2013 and 2015 have found weaknesses in the controls pertaining to Measures 112 (young farmers), 216 (non-productive investments), 121 (modernisation of agricultural holdings) and 123 (adding value to agricultural and forestry products). The Certification Body found a high level of errors in the 2015 expenditure.	Yes	A reservation is necessary in respect of 2015 expenditure. Although the Member State is implementing an action plan, it has to be strongly reinforced to address all weaknesses identified by the recent audits, as well as those detected by the Certification Body. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.
GB06 – United Kingdom - Scotland	5.54%	8.044 m EUR	DG AGRI audits in 2015 concerning measures under both Titles detected weaknesses in the assessment of eligibility criteria, the risk analysis, the quality of on-the-spot checks, the reasonableness of costs assessment and the documentation of an audit trail.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State has devised an action plan addressing most of the weaknesses detected and has communicated a modification of the national rules for the 2014-2020 programming period to address some of the weaknesses detected. However, it is necessary to reinforce the current action plan to address all weakness identified. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
GB09 - United Kingdom - England	5.60%	17.882 m EUR	DG AGRI audits in 2014 and 2015 found shortcomings in the administrative and on-the-spot controls for both Title I and Title II measures.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State has devised an action plan addressing all of the weaknesses detected. In addition and has communicated a modification of the national rules for the 2014-2020 programming period to address some of the weaknesses detected. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.
GR01 - Greece	5.01%	18.979 m EUR	DG AGRI audits in 2015 found weaknesses in the controls for permanent pasture, the selection procedure, the application of sanctions and the controls for different investment measures.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State has devised an action plan addressing all of the weaknesses detected. However, it is necessary to ensure that its actions for Title II (investments measures) address the weaknesses found in an effective way and to reinforce them where needed. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by on-going

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
					conformity clearance procedures.
HU01 - Hungary	6.98%	26.672 m EUR	DG AGRI audits in 2014 and 2015 revealed weaknesses in several key controls under Title II measures.	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>While remedial actions are being implemented, DG AGRI is not yet in a position to confirm the full effect of the measures put in place. For this reason, the reservation already issued in 2014 is carried over.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.</p>
IE01 – Ireland	2.77%	9.054 m EUR	A DG AGRI audit in 2016 detected weaknesses in title II measures concerning Leader. The Member State reported a high error rate for Title I.	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>It is necessary to reinforce the current action plan to address all weaknesses identified by analysing the results of the control statistics, as well as those detected by the recent audit. DG AGRI will continue to closely monitor the situation.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p>
IT01 – Italy - AGEA	2.89%	24.499 m EUR	DG AGRI audits between 2013 and 2015 detected several weaknesses on measures from Title II, including deficiencies in the assessment of the reasonableness of costs. The Member State reported a high error rate for Title I.	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>While remedial actions are being implemented, DG AGRI is not yet in a position to confirm the full effect of the measures put in place. For measure 112, corrective actions have been taken for the future, but the deficiencies still affect 2015 expenditure.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.</p>
IT07 – Italy – ARTEA Toscana	4.13%	2.212 m EUR	The adjusted error rate is based only on the control statistics reported by the Member State. In particular for Title I, the Member State reported a high error rate.	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>The Member State is taking action to address the underlying issue. DG AGRI will closely monitor the situation.</p>
IT08 – Italy – AGREA Emilia-Romagna	5.97%	3.964 m EUR	Two DG AGRI 2015 audits revealed weaknesses concerning cross-checks, timing and traceability of OTSC, supervision of delegated bodies, and reasonableness of costs. A follow-up mission of DG AGRI in 2015 detected that the deficiencies found during a 2013 audit were not remedied.	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>The Member State has reported the implementation of an action plan. However, recent audits found recurrent deficiencies. Therefore, it will be necessary to reinforce the action plan. DG AGRI will closely monitor the situation.</p> <p>The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.</p>
IT26 – Italy – ARCEA Calabria	5.12%	4.599 m EUR	A 2013 DG AGRI audit identified weaknesses regarding double financing, eligibility of beneficiaries, reasonableness of the costs, and control statistics for Title II measures. The Certification Body's report and opinion on the expenditure 2015 contain	Yes	<p>A reservation is necessary in respect of 2015 expenditure.</p> <p>The Member State has reported the implementation of an action plan addressing most of the weaknesses detected in the 2013 audit. It is necessary to reinforce the action plan to remedy the deficiencies identified by the</p>

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
			additional findings.		Certification Body. DG AGRI will closely monitor the situation.
LU01 - Luxembourg	2.97%	0.363 m EUR	A 2013 DG AGRI audit on Title I measures revealed weaknesses in the management and control system. The LU authorities partially amended their system, while some deficiencies continued to affect the expenditure of the financial year 2015.	No	The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). No reservation is applied.
LV01 – Latvia	4.05%	2.160 m EUR	A 2015 DG AGRI audit detected weaknesses in the management of investment measures 121, 123 and 312.	Yes	A reservation is necessary in respect of 2015 expenditure. A 2015 DG AGRI audit concluded that previously found weaknesses pertaining to the controls of certain measures under Title I detected in a previous audit had been remedied. Concerning Title II measures, the Member State has communicated the implementation and completion of an action plan addressing all of the remaining weaknesses. However, expenditure for the financial year 2015 still relates to projects approved before the remedial actions were implemented. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure.
NL04 – The Netherlands	3.96%	1.513 m EUR	DG AGRI audits between 2014 and 2016 revealed several weaknesses in the controls pertaining to investment measures and Leader, including checks on public procurement procedures.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State has reported the implementation of corrective actions addressing some of the weaknesses by end 2015. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.
PT03 - Portugal	10.49%	27.018 m EUR	DG AGRI audits between 2013 and 2015 have revealed weaknesses in the controls pertaining to investment measures for public and private beneficiaries, LEADER, young farmers, and Title I measures.	Yes	A reservation is necessary in respect of 2015 expenditure. The Member State is currently implementing an action plan that addresses most of the weaknesses detected. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by on-going conformity clearance procedures.
RO01 - Romania	7.41%	93.204 m EUR	2014 and 2015 DG AGRI audits on Title II measures revealed weaknesses concerning i.a. eligibility and selection criteria, the reasonableness of the costs assessment, and public procurement procedures. Moreover, a 2015 ECA audit detected ineligible expenditure paid for the animal welfare measure.	Yes	A reservation is necessary in respect of 2015 expenditure. DG AGRI has agreed with the Member State the implementation since 2013 of remedial actions that address the weaknesses related to investment measures. However, the expenditure of the FY 2015 is still affected by deficiencies. DG AGRI will closely monitor the situation. The wrong calculation of the animal welfare payments detected by ECA in October 2015 (PF 7103) led to the interruption of related payments in 3 rd and 4 th quarters 2015 (COM decision in preparation).

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Paying Agency	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/reservation follow-up
					The financial risk for the EU budget in respect of financial year 2015 is covered by several on-going conformity clearance procedures.
SE01 - Sweden	3.88%	5.454 m EUR	<p>A 2014 DG AGRI audit revealed weaknesses related to reasonableness of costs, selection criteria and some elements of the on-the-spot controls for measures 121, 123, 312 and 321.</p> <p>A 2015 DG AGRI audit detected weaknesses in the controls pertaining to the investment part of measures 216 and 227.</p>	Yes	<p>A 2015 DG AGRI audit concluded that previously found weaknesses pertaining to the controls of certain measures under Title I detected in a previous audit had been remedied. Concerning Title II measures, Member State has communicated the implementation and completion of an action plan addressing all of the remaining weaknesses. However, expenditure from the financial year 2015 still relates to projects approved before the remedial actions were implemented.</p> <p>The financial risk for the EU budget is covered by ongoing conformity clearance procedures.</p>

Table: Annex 10-3.3.7

- * The calculation of the top-up is based on the results of the audit and the financial correction proposed for the audited single population at the level of the Paying Agencies concerned

2014 Reservations not carried forward in the 2015 AAR:

PA	Adjusted error rate	Justification
France Corsica	4.32%	Based on the Certification Body's opinion, an adjustment was made to the error rate reported by the Member State. The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The Member State is currently implementing an action plan and a 2015 DG AGRI audit found that some of the weaknesses underlying the reservation in the 2014 AAR been remedied. DG AGRI will continue to closely monitor the situation. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. The reservation for 2014 is therefore not carried forward for 2015.
Germany Brandenburg	2.89%	A 2015 audit revealed weaknesses in a key control concerning 2013/2014 expenditure relating to investments made by public beneficiaries (see above). The European Court of Auditors deemed the control system in Brandenburg partially effective in 2012. The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. The reservation for 2014 is therefore not carried forward for 2015.
Germany Sachsen	4.40%	A 2014 DG AGRI audit revealed shortcomings in the control system for measure 214 as regards verification of livestock density and traceability of on-the-spot checks. A 2015 audit revealed weaknesses in a key control concerning 2013/2014 expenditure relating to investments made by public beneficiaries (see above). The amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The financial risk for the EU budget in respect of financial year 2015 is covered by the on-going conformity clearance procedures. The reservation for 2014 is therefore not carried forward for 2015.
Germany Sachsen-Anhalt	1.99%	A 2013 DG AGRI audit revealed weaknesses in public procurement checks for measures 321 and 322. Although the clearance procedure is ongoing, no reservation is required as the amount at risk is below DG AGRI's de minimis threshold of 1 m EUR as established in Annex 4 (materiality criteria). The reservation for 2014 is therefore not carried forward for 2015.
Spain Castilla la Mancha	1.03%	The reservation in the AAR 2014 was based on weaknesses in the controls for LEADER detected in a 2014 DG AGRI audit and the relatively high error rate for Title I reported by the MS. The MS has reported having implemented an action plan addressing the weaknesses underlying the reservation. This is corroborated by a reduction in the error rate for Title I as reported by the MS. The reservation for 2014 is therefore not carried forward for 2015.
Spain Castilla y Leon	4.02%	The weaknesses concerning some measures under Title I and underlying the reservation in the previous AAR have been addressed, The top-up is only linked to identified deficiencies related to public procurement that justify a reservation for all Spanish paying Agencies. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. The reservation for 2014 is therefore not carried forward for 2015.

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PA	Adjusted error rate	Justification
Spain Galicia	6.03%	The top-up is only linked to identified deficiencies related to public procurement that justify a reservation for all Spanish paying Agencies (see above). The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. The reservation for 2014 is therefore not carried forward for 2015.
Spain Murcia	0.31%	A clearance procedure concluded that the weaknesses concerning some measures under Title I detected in a 2014 DG AGRI audit have been remedied for claim year 2014. The reservation for 2014 is therefore not carried forward for 2015.
Italy – Lombardia	0.67%	A 2015 DG AGRI follow-up audit confirmed the implementation of the remedial actions for Title I measures from the 2014 Action Plan. Moreover, the amount at risk is below DG AGRI's materiality threshold of 1 m EUR as established in Annex 4. The reservation for 2014 is therefore not carried forward for 2015.
Lithuania	1.78%	Two 2014 DG AGRI audits identified weaknesses for investment measures and Leader, concerning i.a. eligibility checks, verification of cost reasonableness, scope of the OTSC, and inadequate use of contributions in kind. DG AGRI has agreed with the MS an action plan addressing the weaknesses as from the beginning of 2015. The Leader expenditure for the whole financial year 2015 was reduced by the contribution in kind amounts. The financial risk for the EU budget in respect of financial year 2015 is covered by an on-going conformity clearance procedure. The reservation for 2014 is therefore not carried forward for 2015.
Poland	1.79%	DG AGRI audits of 2014 and 2015 detected weaknesses relating to the verification of voting rights for producer groups and to eligibility criteria for Technical assistance operations. The Member State has reported the implementation of an action plan addressing most of the weaknesses underlying the reservation in the 2014 AAR. A 2014 audit confirmed the effectiveness of the actions and was closed without financial correction. Moreover, the Polish authorities have withdrawn all ineligible amounts from quarterly declarations for one measure at stake (113 'Early retirement'). The reservation for 2014 is therefore not carried forward for 2015.

Table: Annex 10 – 3.3.8

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programmes

For the Rural Development Programmes, total expenditure in 2015 amounted to 9 771 241 508 EUR of which 6 464 298 560 EUR were financed under the budget for programming period 2007-2013 (budget item 05 04 05 01), and 3 306 942 948 EUR were financed under the budget for programming period 2014-2020 (budget item 05 04 60 01). The assessment carried out by DG AGRI results in an adjusted error rate for that expenditure of 4.99%³⁵.

36 out of 72 Paying Agencies have an adjusted error rate above 2% (of which 16 were above 5% – Bulgaria, Denmark, Spain (Andalucía, Balearic Islands, Galicia, Madrid and Valencia), France (ASP), UK (Scotland, England), Greece, Hungary, Italy (Emilia Romagna, Calabria), Portugal and Romania). Overall, the reported error rate for ABB04 increased from 1.78% to 4.99% as a result of adjustments made by DG AGRI.

In line with its materiality criteria in Annex 4, 14 cases where the error rate is above 5% (Bulgaria, Denmark, Spain (Andalucía, Madrid and Valencia), France (ASP), UK (Scotland, England), Greece, Hungary, Italy (Emilia Romagna, Calabria), Portugal and Romania) were automatically subject to reservation. In all of these cases, the high adjusted error rate was determined further to assessment and adjustment of the error rate by DG AGRI or due to the system assessment given by the ECA. In one case (Balearic Islands), the amount at risk is below DG AGRI's de-minimis threshold of 1 million EUR as established in Annex 4 (materiality criteria) therefore no reservation was necessary. In the case of Galicia, the top-up is only linked to identified deficiencies related to public procurement that justify a reservation for all Spanish Paying Agencies (see above).

³⁵ The adjusted error rates (based on the control statistics following a validation and adjustment process) do not apply to the pre-financing. The assessment of the risk for the entire chapter 05 04 is assessed in the following section.

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For Paying Agencies with an error rate between 2% and 5%, DG AGRI examined the situation for each Paying Agency concerned to determine if risk mitigation conditions existed rendering it unnecessary to make a reservation.

In 11 cases (France (Corsica), Poland, Italy (Lombardy), Spain (Castilla la Mancha, Castilla y Leon, Galicia, Murcia), Germany (Brandenburg, Sachsen, Sachsen Anhalt), Lithuania it was considered that it was not necessary to carry over reservations from the 2014 AAR with regard to 2015 expenditure. The reasons for each decision are detailed in Annex 10 – 3.3.

Reservations were issued for 24 Paying Agencies. For two Member States reservations for deficiencies in public procurement have been established for the audited population.

- 17 reservations from 2014 are repeated for 2015 as the remedial action plans are still underway while 9 new reservations are introduced (Austria, BE Wallonia, Czech Republic, Ireland, Italy (Toscana), Spain for public procurement and one Paying Agency (Madrid), Germany for public procurement and one Paying Agency (Mecklenburg-Vorpommern).

The overall outcome of this exercise is that 24 reservations are necessary at Paying Agency level. For two Member States reservations for deficiencies in public procurement have been established for the audited population:

- Austria
- Czech Republic
- Belgium (Wallonia)
- Bulgaria
- Germany – public procurement in audited population and one Paying Agency (Mecklenburg-Vorpommern)
- Denmark
- Spain – public procurement in audited population and 3 Paying Agencies (Andalucía, Valencia, Madrid)
- France (ASP – the national Paying Agency)
- Hungary
- Greece
- Ireland
- Italy – 4 Paying Agencies (AGEA, Emilia Romagna, Calabria, Toscana)
- Latvia
- Netherlands
- Portugal
- Romania
- Sweden
- UK (Scotland and England)

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3.3.6.2 Risk assessment for other budget items within ABB04

While budget item 05 04 05 01 and 05 04 60 01 which are dealt with above concerns the rural Rural development Development programmes for 2007-2013 and 2014-2020 and thus accounts for the majority of the expenditure for ABB04, it is also necessary to assess the risk for a further EUR 2 017 094 077 million EUR expenditure under the chapter 05 04. The following table sets out the budget items in question and the error rates which have been used to assess the amounts at risk.

Chapter	Budget item	Description	Expenditure (EUR)	Error rate (%)	Amount at risk (EUR)
0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	- 1,289,466	0.00%	-
	05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	64,192,735	4.99%	3,201,356
	05040501	Rural development programmes 2007-2013	6,464,298,560	4.99%	322,381,063
	05040502	Operational technical assistance 2007-2013	154,655	1.00%	1,547
	05046001	Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	3,306,942,948	4.99%	164,920,567
		Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	1,945,249,474	0.00%	-
	05046002	Operational technical assistance 2014-2020	8,786,679	1.00%	87,867
Total			11,788,335,585	4.16%	490,592,399

The adjusted error rate for ABB04 is 4.16% and the total amount at risk is 490.6 million EUR³⁶.

The assessment of the risk for the entire chapter 05 04 covers all intermediate payments to Member States in 2015 including pre-financing. It is to be noted that the adjusted error rates for amounts reimbursed to Member States for payments to beneficiaries is 4.99%.

It is noted that the average amount of net financial corrections per year for the three-year period 2013-2015 (excluding corrections made for cross-compliance) is 178.0 million EUR for ABB04³⁷ while recoveries from Member States from beneficiaries amounted to 115.0 million EUR.

3.3.7 Root causes of the error rate in Rural Development – what is DG AGRI doing about it?

Since its AAR for 2007 and apart from 2010, DG AGRI has made a reservation in respect of part or all of expenditure covering Rural Development.

Because of the specific nature of the Rural Development measures, in particular the conditions and eligibility criteria that have to be met, it has proven very difficult to keep the level of error below a materiality threshold of 2%. Since 2011, when it first began reporting separately on the error rate for Rural Development, the European Court of Auditors (ECA) found levels of error close to 8% up to the year 2013, and of 6% in 2014. In 2011 and 2012 however, the error rates calculated by DG AGRI on the basis of the Member States' control data were around the materiality threshold of 2%. As a result of this considerable divergence between the ECA's and DG AGRI's error rates, as well as growing concerns within the Commission as to the reliability of Member States' control statistics, in the 2012 AAR a general reservation was placed on rural development expenditure as a whole. For the 2013 and 2014 AARs, DG AGRI adjusted Member States' control statistics to reflect

³⁶ The amount at risk is calculated on the amounts of intermediate payments made in 2015. In addition, as an amount of EUR 2 609 million EUR was cleared in 2015 for the EAFRD 2007-2013 Rural Development programmes, DG AGRI has also estimated the amount at risk related with the cleared amount. This was done using the same methodology applied for the intermediate payments. The amount at risk calculated amounts to 130.8 million EUR (respective 5.01%).

³⁷ See section 2.4.1.5.1 of the main body of the report on "corrective capacity".

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undetected and thus unreported error and estimated an adjusted error rate of 5.19%. As this work was carried out at Paying Agency level, a targeted approach was possible with regard to reservations and this resulted in the Director General being able to issue specific reservations for 31 Paying Agencies in the 2013 AAR and for 28 Paying Agencies in the 2014 AAR, instead of for the whole of Rural Development expenditure.

At the same time, in 2015, DG AGRI further reinforced the existing action plans to address the reservations included in the 2014 AAR, on the basis of improved cooperation and analysis within Commission services and intensive dialogue with Member States. Following this approach, an improved system of reporting by all Member States on their national or regional action plans for the reduction of error rates was put in place. This includes a reinforced focus on regular follow-up on audit findings, as well as improved indicators and milestones for monitoring purposes. A specific IT tool was developed by DG AGRI in 2014, and became fully operational in 2015, to collect and handle the information extracted from the national or regional action plans in an efficient and consistent manner, providing an overview and facilitating appropriate follow-up.

Since 2013 five seminars on error rate have been organised, one of which took place in 2015, to present the state of play in the implementation of the action plans, share good practices and provide guidance. These seminars are organised jointly in the framework of the Rural Development Committee and the Agricultural Funds Committee, in order to ensure the involvement of both Managing Authorities and Paying Agencies. In the meantime, the geographical desks ensure regular monitoring of the action plans and the follow up of the issue with Member States in annual and ad-hoc meetings, monitoring committees and if relevant in the context of programme amendments.

In parallel, the audit capacity of DG AGRI has been reinforced. The number of audit missions has been increasing from the level in 2013 and the audits target specific issues related to error rates.

Furthermore, the legal framework allows for interruption and reduction/suspension of payments in case of serious deficiencies in the management and control systems for the expenditure committed under EAFRD during the 2007-2013 and the 2014-2020 programming periods. In 2015, 31 quarterly declarations of expenditure by Member States had been subject to interruption and/or reduction/suspension (see section 2.4.1.5.2 Interruption, reductions and suspensions). The new legal framework for Rural Development required that both Managing Authorities and Paying Agencies undertook an ex-ante assessment of each programme proposal to certify that the measures programmed are verifiable and controllable. The Commission services thoroughly analysed this assessment during the approval process and, where relevant, issued specific comments. This process also permitted identification of relevant issues to be followed up during the programme implementation.

The European Network for Rural Development is playing an enhanced role in disseminating good practices and guidance related to the reduction of errors. In 2015, training for Managing Authorities and Paying Agencies has been carried out in relation to the following topics: simplified cost options, reasonableness of costs, public procurement and result-oriented agri-environment payments.

Finally, DG AGRI is encouraging cross-regional cooperation and promoting training on specific topics related to better implementation of programmes and reduction of errors. A workshop involving Scandinavian and Baltic States was organised in Riga in May 2015 to discuss the potential of Simplified Cost Options in the reduction of error rates. A Seminar on Error Rates was also organised for all the Spanish Managing Authorities and Paying Agencies in December 2015 in Madrid. Apart from representatives of the Commission, including audit, policy and operational units, the European Court of Auditors also attended these events. For the first half of 2016, similar workshops have been planned in London for British and Irish Managing Authorities and Paying Agencies, and in Paris, for French regional and national administrations. The overall goal of such events is to facilitate a constructive and open dialogue between relevant actors, in view of exchanging good practices and establishing clear guidelines.

In summary, a number of initiatives have been developed simultaneously both from the side of the Commission and from the side of the Member States to reduce irregularities in the new generation of programmes. However, as only a limited amount of expenditure for the 2014-2020 Rural Development Programmes has been declared by Member States so far, the benefits of these initiatives in terms of tackling the root cause of irregularities are expected to materialise from 2016 onwards.

The conformity clearance procedure and net financial corrections

4. The Conformity Clearance Procedure and net financial corrections

4.1 What is "Clearance of Accounts"?

While it is the Member States which have the responsibility for managing and controlling the various aid schemes provided for by the CAP legislation, there must be a mechanism in place which enables the Commission to ensure that they carry out their work properly and, if they fail to do so, draw the necessary financial consequences. This mechanism consists of the clearance of accounts procedures operated by the Commission, which include an annual financial clearance of the accounts of each Paying Agency and a multi-annual conformity clearance covering the conformity of the transactions with EU rules, and as regards the EAFRD in conformity with the applicable EU and national rules.

The legal basis for the Clearance of Accounts procedures in place is provided by Regulation (EU) No 1306/2013³⁸, Commission Delegated Regulation (EU) No 907/2014³⁹ and Commission Implementing Regulation (EU) No 908/2014⁴⁰.

4.1.1 Financial clearance – Completeness, accuracy and veracity of the annual accounts

The financial clearance is based on an examination by the Certification Body, an audit body which is independent from the Paying Agency. This body draws up a certificate stating whether it has reasonable assurance that the accounts of the Paying Agency are true, complete and accurate, that the internal control procedures have operated satisfactorily and whether the expenditure for which reimbursement has been requested from the Commission have been in conformity with the applicable rules (see above Part 2). They also give an opinion on the management declaration signed by the head of the Paying Agency, i.e. stating whether the examination puts in doubt the assertions made in the management declaration.

The financial clearance covers the annual accounts of each Paying Agency and the control systems set up by these. Within this framework, particular attention is paid to the Certification Bodies' conclusions and recommendations (where weaknesses are found), following their reviews of the Paying Agencies' management and control systems. This review also covers aspects relating to the accreditation criteria for the Paying Agencies. Commission's audits under the annual financial clearance procedure may lead to opening a conformity clearance procedure when errors are found in the annual accounts and and/or findings from certification/accreditation missions require that a financial correction is proposed.

The Commission adopts an annual clearance of accounts decision, by which it conveys that it accepts the Paying Agencies annual accounts on the basis of the certificates and reports from the Certification Bodies, but without prejudicing any subsequent decisions to recover expenditure which proves not to have been effected in conformity with the applicable rules (this is reserved for the conformity clearance). The Commission must adopt this decision by 31 May of the year following the financial year in question (for agricultural expenditure a financial year starts on 16 October of one year and ends on 15 October of the next year).

³⁸ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy (OJ L 347 of 20.12.2013)

³⁹ Commission Delegated Regulation (EU) No. 907/2014 of 11 March 2014 supplementing Regulation (EU) No. 1306/2013 with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of euro (OJ L 255 of 28.08.2014).

⁴⁰ Commission Implementing Regulation (EU) No 908/2014 of 6 August 2014 laying down rules for the application of Regulation (EU) No 1306/2013 with regard to paying agencies and other bodies, financial management, clearance of accounts, rules on checks, securities and transparency (OJ L 255 of 28.08.2014).

The conformity clearance procedure and net financial corrections

4.1.2 Conformity clearance – checking the system

In contrast to the financial clearance, the conformity clearance is designed to exclude expenditure from EU financing which has not been paid in conformity with EU rules, thus shielding the EU budget from expenditure that should not be charged to it. These "net financial corrections" are recovered from the Member States. The conformity clearance is, therefore, not a mechanism by which irregular payments are recovered from the final beneficiaries, which according to the principle of shared management is the sole responsibility of the Member States.

However, net financial corrections are a strong incentive for the Member States to improve their management and control systems and thus to prevent or detect and recover irregular payments to final beneficiaries. The conformity clearance thereby contributes to the legality and regularity of the transactions at the level of the final beneficiaries.

Financial corrections

Financial corrections relate to expenditure which as regards the EAGF has not been spent by the Member States in conformity with EU rules or as regards the EAFRD has not been spent in conformity with the applicable EU and national rules, and which are therefore recovered to the EU budget. Please note that financial corrections cannot be qualified as "penalties" or "fines". A penalty or fine implies a sanction over and above the undue expenditure which is not the case for DG AGRI's financial corrections.

Explanatory Box: Annex 10 - 4.1

While the financial clearance is an annual exercise, conformity clearance does not follow an annual cycle. It covers expenditure incurred in more than one financial year, with the exception of expenditure made more than 24 months before the Commission officially notifies the Member State of its audit findings.

Every year, the Commission's Directorate General for Agriculture and Rural Development carries out over 250 audits, about half of which include on-the-spot missions to the Paying Agencies in the Member States. The Paying Agencies to be visited are selected on the basis of a detailed risk analysis, and the audit work normally concentrates on the functioning of the Paying Agencies' management and control systems (see explanatory box 1.1 in Annex 10 – part 1 for more information on the Central Risk Analysis (CRA)).

The conformity clearance procedure and net financial corrections

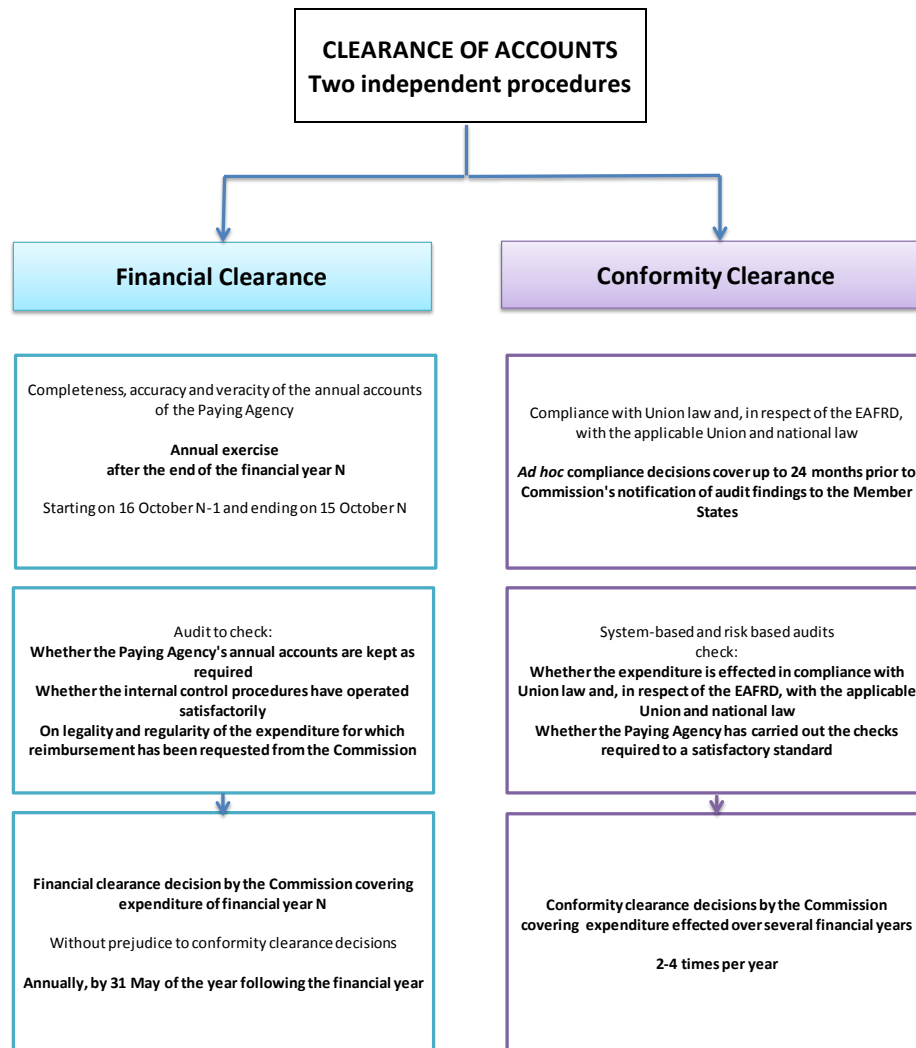


Diagram: Annex 10-4.1

4.1.3 How does the conformity procedure work in practice?

If an audit reveals deficiencies in the functioning of the national systems, the Commission initiates a conformity clearance procedure with a view to determining whether to impose a net financial correction on the Member State in question and, if so, what the amount of that correction that needs to be excluded from Union financing should be. Such a procedure comprises the following steps:

- **The Commission officially notifies the Member State of its audit findings** and indicates the corrective measures which the Member State should take to remedy the deficiencies found. The Member State then has two months to reply to the Commission's findings.
- **The Commission arranges a bilateral meeting with the Member State** where both parties shall endeavour to reach an agreement on the corrective measures to be taken as well as on the gravity of the infringement and the financial damage caused to the EU budget. The Member State has fifteen working days after having received the minutes of the meeting to react and provide further information.
- **The Commission formally communicates its conclusions to the Member State**, including the financial correction which it envisages to impose on the Member State.

The conformity clearance procedure and net financial corrections

- Within 30 working days following receipt of these conclusions, **the Member State may submit the case for conciliation** to the "Conciliation Body"(see Explanatory Box below). The Conciliation Body has four months to try to reconcile the positions of the Commission and the Member State and, at the end of this period, to draw up a report on the results of its efforts and any recommendations it may wish to make to the parties.
- After having examined the Conciliation Body's report, **the Commission notifies the Member State of its final conclusions.**

What is the role of the Conciliation Body?

The conciliation procedure was set up in order to reconcile the divergent positions of the Commission and the Member State, occurring during the conformity clearance procedure.

The Conciliation Body is composed of five members, who are highly qualified in matters regarding the financing of the CAP or in the practice of financial audit and originate from different Member States. The chairman and the four other members are nominated by the Commission, after having consulted the Committee on the Agricultural Funds. They are appointed for three years (renewable for a year at a time only). The secretariat of the Body is provided by the Commission.

Only reasoned requests from the Member States are accepted by the Conciliation Body. A request for conciliation is only admissible when the correction proposed by the Commission services either exceeds 1 million EUR or accounts for more than 25 % of the Member State's total annual expenditure under the budget headings concerned or, if these thresholds are not reached, if the request concerns a matter of principle relating to the application of EU rules.

The Conciliation Body has four months to reconcile the positions of the Commission and the Member State. At the end of its work – which takes place as informal and rapid as possible – the results are to be reported to the Member State concerned, to the Commission and to the other Member States through the Committee on the Agricultural Funds.

The Conciliation Body is completely independent; it carries out its duties neither seeking nor accepting any instructions from Member States or other body.

Explanatory Box: Annex 10 - 4.2

Once this procedure has been completed, any resulting financial correction is included in a formal decision adopted by the Commission (referred to as *ad-hoc* decision) after having consulted the Member States through the Committee on the Agricultural Funds. Such a conformity decision can then be challenged by the Member States before the Court of Justice of the European Union. Because Member States have this right (which they regularly exercise) to challenge conformity decisions in the Court of Justice of the European Union, the Commission has to be very vigilant that it fully respects the Member States' rights under the conformity procedure. Failure to do so would expose the EU budget to the risk that financial corrections would have to be reimbursed to the Member States.

4.1.4 Shortening the conformity clearance procedure

Carrying out a contradictory procedure is legally indispensable before making financial corrections. Prior to implementing any net financial correction, the Commission must therefore offer the Member States the opportunity to provide evidence and arguments that may contradict its initial findings. Indeed both Regulation 1290/2005 (in application up to end of 2014) and the new CAP Horizontal Regulation, Regulation No 1306/2013, provide that "Member States shall be given the opportunity to demonstrate that the actual extent of the non-compliance is less than the Commission's assessment". The principle of a contradictory process between the auditor and the auditee is also an essential element of audit quality standards.

In addition to the contradictory procedure, the legislation (Art 52(3) of the CAP Horizontal Regulation) provides for a "procedure aimed at reconciling each party's position" if an agreement is not reached at the end of the contradictory procedure. The duration of the conciliation as such is limited to four months. But the whole

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process from the request of the Member State concerned to the final result of the analysis by the Commission of the recommendations of the Conciliation Body takes at least six months⁴¹.

The Commission has streamlined the procedure to the extent possible. Firstly, the Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, provisions in the delegated act (method and criteria for calculating the financial correction) and implementing act (details of the conformity procedure, with deadlines for each step of the procedure) are intended to further streamline the legal framework and limit the risk of unnecessary delays. Thirdly, on that stronger basis, DG AGRI intensified its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines. Furthermore, for conformity procedures dating from earlier years, particular action was taken with regard to the procedures open from before 2012 to ensure a close follow-up with clear indicators with a view to clearing the vast majority of such files by end of 2015 (in certain identified cases the files will be closed by end of 2016). So far this work is on track and interim targets have been met.

The following diagram describes the successive steps of a conformity clearance procedure leading to a net financial correction carried out under the new implementing act . As indicated in the Commission's answer to paragraph 4.31⁴² of the European Court of Auditors' 2012 Annual Report on the excessive length of the conformity procedure, there is scope for significantly speeding up the conformity procedure so that *in standard cases* the financial corrections can be decided two years after the initial audit took place.

⁴¹ It can take even longer if the whole case has to be re-examined.

⁴² ECA Annual report 2012 paragraph 4.31 Commission reply: "Notably in the framework of the preparation for the implementation of the CAP reform, the Commission will continue in its efforts to improve and speed up the process, bearing in mind the need to maintain quality standards and the Member State's right of reply."

The conformity clearance procedure and net financial corrections

Conformity Clearance Procedure					
DG AGRI Conformity Clearance Procedure for Net Financial Corrections					
Example of the timing of the procedure for an audit mission carried out on-the-spot at the end of September 2014 (standard procedure)					
Year	Month	Procedural steps	Procedural Phase	Coverage of the financial correction	
		Preparatory Phase			
2014	S	Audit Mission		Financial correction may cover expenditure incurred for 24 months prior to notification	
	O	Mission report & preparation of the Letter of Findings			
	N				
START OF CONFORMITY PROCEDURE					
2015	J	Notification of audit finding to MS	Contradictory phase with MS	Financial correction may cover expenditure incurred for 24 months prior to notification	
	F				
	M	MS reply to the Letter of Findings			
	A				
	M				
	J	Bilateral meeting with MS to discuss the deficiencies identified, action to be taken and the risk to the EU Budget			Financial correction may cover expenditure incurred for the period after notification of finding until MS can show that remedial action has been taken.
	J	Minutes of Bilateral Meeting			
A	Member State's reply to the minutes of bilateral meeting				
S					
2016	J		Conciliation phase for MS		
	F	Notification of financial correction to MS			
	M	MS submission of reasoned request for conciliation - optional to MS -			
	A	Conciliation procedure (if requested by MS) The Conciliation Body is independent from the COM and the MS. Its role is to conciliate the positions of both parties. Its conclusions are not binding on the COM.			
	M				
2017	J	Final Letter to MS with definitive financial correction			
END OF PROCEDURE					
	F		Comitology & COM decision procedure		
	M				
	A	Commission decision on financial corrections			
	M				
	J	Actual reimbursement to EU Budget by MS			

Diagram: Annex 10 – 4.3

The conformity clearance procedure and net financial corrections

4.2 Net financial corrections

4.2.1 How does the Commission calculate net financial corrections?

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU budget. Where possible, the amount is **calculated on the basis of the loss actually caused** (Article 12(2) of Commission Delegated Regulation (EU) No 907/2014⁴³) **or** on the **basis of an extrapolation** (Article 12(3) of Commission Delegated Regulation (EU) No 907/2014).

Where this is not possible, **flat-rates** (Article 12(6) of Commission Delegated Regulation (EU) No 907/2014) are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU budget. In order to ensure equal treatment of all cases of this kind, the Commission has adopted guidelines⁴⁴ which provide for standard correction rates of 2%, 3%, 5%, 7%, 10% or 25% of the expenditure at risk, depending on whether the deficiencies concern key or ancillary control requirements which are determined for each aid schemes.

What are key and ancillary controls?

- Key controls are the physical and administrative checks which are required to verify substantive elements and in particular the existence of the subject of the claim, the quantity and the qualitative conditions including the respect of time limits, harvesting requirements, etc. They are performed on the spot and by cross-checks of independent databases such as land registers. physical and administrative checks required to verify substantive elements, in particular the existence of the subject of the claim, identification of duplicate claims for the same subject, the quantity, the qualitative conditions including the respect of time limits, harvesting requirements, retention periods, etc. in order to ensure the accurate calculation of the amount due to the beneficiary. They are performed on-the-spot, and by administrative cross-checks with independent data (such as a land parcel identification system).

- Ancillary controls involve all other administrative operations required to correctly process claims, such as a risk analysis and appropriate supervision of the procedures. the administrative operations required to process claims correctly and include verifying the respect of time limits for the submission of claims, identifying duplicate claims, risk analysis, the application of sanctions and the appropriate supervision of the procedures.

Explanatory Box: Annex 10 - 4.4

On this basis, the guidelines provide that:

- When a Member State has adequately performed the key controls, but completely failed to operate one or two ancillary controls then a correction of 2% is justified in view of the lower risk of financial damage to the Union's budget, and in view of the lesser gravity of the infringement;
- When one or two key controls are not applied, in the number, frequency, or depth required by the regulations, then a correction of 5% is justified, as it can reasonably be concluded they do not provide sufficient level of assurance of the regularity of claims, and that the risk to the Funds was significant;
- When one or more key controls are not applied or applied so poorly or so infrequently that they are completely ineffective in determining the eligibility of the claim or preventing irregularities, then a correction of 10% is justified, as it can reasonably be concluded that there was a high risk of wide-spread financial damage to the Union's budget;
- When three or more deficiencies are detected with respect to the same control system, a financial

⁴³ Commission Delegated Regulation (EU) No. 907/2014 of 11 March 2014 supplementing Regulation (EU) No. 1306/2013 with regard to paying agencies and other bodies, financial management, clearance of accounts, securities and use of euro (OJ L 255 of 28.08.2014).

⁴⁴ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final

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correction of 3% is justified if the deficiencies concern only ancillary controls which have completely failed;

- When three or more deficiencies are detected with respect to the same control system, a financial correction of 7% is justified if these deficiencies include maximum two key controls not being carried out in the number, frequency, or depth required by the regulations;
- When a Member State's application of a control system is found to be absent or gravely deficient, and there is evidence of wide-spread irregularity and negligence in countering irregular or fraudulent practices", then a correction of 25% is justified as it can reasonably be assumed that the freedom to submit irregular claims with impunity will occasion exceptionally high financial damages to the Union's budget.

The rate of correction may be fixed at an even higher rate to exclude all expenditure when weaknesses are so serious that they constitute a complete failure to comply with EU rules.

4.2.2 Net financial corrections in 2015

Table Annex 10 – 4.2.2-1 below sets out the net financial corrections (excluding cross-compliance corrections) reimbursed to the EU budget for ABB02, ABB03 and ABB04 over the past three years and its average (i.e. corrective capacity from net financial corrections):

DG AGRI corrective capacity from financial corrections executed 2013 - 2015				
	ABB02	ABB03	ABB04	Total
2013	100.425	297.861	227.639	625.925
2014	102.245	533.356	62.342	697.943
2015	205.255	756.932	243.985	1,206.172
Total	407.925	1,588.149	533.966	2,530.040
3-year average	135.975	529.383	177.989	843.347

Table Annex 10 – 4.2.2-1

In its calculation of corrective capacity for net financial corrections, DG AGRI excludes corrections in respect of cross-compliance infringements as these are not considered to be "errors" as regards eligibility and therefore are not included in the estimates of the error rates. These amounts are, however significant, and are therefore disclosed separately in the table below:

Cross-compliance executed in 2015 and 3-year average				
	ABB02	ABB03	ABB04	Total
2015	0.052	53.741	6.902	60.695
3-year average	0.027	102.828	5.943	108.798

Table Annex 10 – 4.2.2-2

4.2.3 Instalments and Deferrals

Net financial corrections do put a real strain on the national budgets of Member States. Therefore, an option was introduced according to which corrections of a certain volume can be executed in three **annual instalments** on request of the Member State concerned. Execution in instalments was so far accepted for Bulgaria, Greece, Portugal, Romania, Spain, Lithuania, Slovenia and France.

The following table (Annex 10- 4.5) sets out the financial impact of the instalment decisions, showing when they were adopted and when the various instalments are actually reimbursed by the Member States.

The conformity clearance procedure and net financial corrections

Corrections adopted for which payment was postponed via instalment decision (in million EUR)

Ad-hoc decision	Decision adoption year	Amount paid in instalments	Year of reimbursement							
			2011	2012	2013	2014	2015	2016	2017	2018
AD-HOC 34	2010	446.623	148.874	148.874	148.874					
deferral					-129.561					
AD-HOC 35	2011	358.836	119.612	119.612	119.612					
deferral				-86.465	-86.465					
AD-HOC 38	2012	131.300		43.766	43.767	43.767				
AD-HOC 40	2013	19.955			6.651	6.652	6.652			
AD-HOC 41	2013	3.449			1.149	1.150	1.150			
AD-HOC 43	2013	92.489				30.829	30.830	30.830		
AD-HOC 44	2014	16.560				5.520	5.520	5.520		
AD-HOC 46	2014	96.829					32.276	32.277	32.277	
AD-HOC 47	2015	1,279.173					426.391	426.391	426.391	
AD-HOC 48	2015	177.366					59.122	59.122	59.122	
AD-HOC 49	2015	7.099						2.366	2.366	2.366
Total		2,327.186	268.486	225.787	104.027	87.918	561.940	556.506	520.156	2.366

Note: The amounts highlighted above were included in the deferral decision for the Member States in question. These amount can be found below in the deferral summary tables for Greece and Portugal.

Table : Annex 10 – 4.5

In addition, Member States under EU financial assistance could request the Commission to defer the execution of financial corrections for a period of up to 18 months subject to the implementation of targeted remedial action plans. After the expiry of the deferral period the corrections were required to be executed in three annual instalments. Deferrals were granted to Portugal and Greece. The deferrals granted expired on 31 December 2013 for Greece and on 31 May 2014 for Portugal.

The following tables (Annex 10 – 4.6 and 4.7) set out respectively for Greece and Portugal financial corrections by conformity clearance decisions which were included in the deferral decision and, the schedule for reimbursement by instalment at the expiry of the deferral period.

Greece		m EUR			
Ad hoc decision	Year adopted	Amount deferred	Reimbursement schedule		
			2014	2015	2016
ad hoc 34 3rd instalment	2010	114,564			
ad hoc 35 2nd instalment	2011	86,465			
ad hoc 35 3rd instalment	2011	86,465			
ad hoc 38	2012	104,935			
ad hoc 39	2012	0,016			
ad hoc 40	2013	8,936			
ad hoc 41	2013	122,571			
ad hoc 42	2013	5,191			
Total Deferred		529,143			
Less amounts for which deferral was revoked		25,151			
Deferred amount to be reimbursed		503,992	167,997	167,997	167,998

Table: Annex 10 – 4.6

The conformity clearance procedure and net financial corrections

Portugal			m EUR		
Ad hoc decision	Year adopted	Amount deferred	Reimbursement schedule		
			2014	2015	2016
ad hoc 34 3rd instalment	2010	14,997			
ad hoc 39	2012	93,528			
ad hoc 41	2013	0,031			
Deferred amount to be reimbursed		108,556	36,185	36,185	36,186

Table: Annex 10 – 4.7

In 2015 a new deferral decision under Reg. 908/2014 Art. 34(8a) was adopted for Greece. This decision allows deferring the execution date for financial corrections for a period of 24 months from the date of the adoption. After the expiry of the deferral period the corrections are required to be executed in five annual instalments. The deferral granted to Greece will expire on 22 of June 2017. So far the following amounts were deferred:

	Ad-hoc 48	Ad-hoc 49
Decision number	2015/1119/EU	2015/2098/EU
Adoption date	22/06/2015	13/11/2015
EAGF	321,119,141.03	12,647,843.53
EAFRD	1,028,485.21	0.00
TOTAL	322,147,626.24	12,647,843.53

4.2.4 Amounts of financial corrections decided each year

Section 2.1.1.3 of this report provides further information on financial impact of financial corrections and how they protect the EU budget. Three conformity clearance decisions were adopted by the Commission in 2015:

Commission Conformity Clearance Decisions		EAGF	EAFRD	Total
ad-hoc 47	2015/103/EU	1,243.108	165.997	1,409.105
ad-hoc 48	2015/1119/EU	699.265	167.631	866.896
ad-hoc 49	2015/2098/EU	238.421	37.282	275.703
Total (mil. EUR)		2,180.794	370.910	2,551.704

Table: Annex 10 -4.8

Impact of net financial corrections on Member States

In all Member States the national and regional authorities responsible for implementing the CAP are directly affected by EU net financial corrections. Such corrections which relate to expenditure made by Member States in previous budget years lead to a reduction of EU financing in the current budget year. This requires Member States in many cases to find the financial means necessary to fill the gap by making budget transfers or amending budgets. Against this background net financial corrections have led to concrete budgetary and administrative reactions. For instance:

- in Germany the Constitution was amended in 2006 following repeated disputes between the federal level and the Länder to clarify the burden-sharing with regard to financial corrections;
- in Denmark following a significant financial correction in 2009 a specific burden-sharing mechanism between the Ministry of Finance and the Ministry of Agriculture was recently put in place.

Explanatory Box: Annex 10 - 4.9

The conformity clearance procedure and net financial corrections

4.2.5 Legal Mechanisms for net financial corrections have been strengthened from 2015

4.2.5.1 Focus on more risky expenditure

DG AGRI audit activities are driven by risk analysis, i.e. more audits focus on Member States, measures and programmes affected by higher risks. Formerly, DG AGRI conducted an annual Central Risk Analysis (CRA) covering all CAP expenditure in all Member States in order to produce an annual audit work programme. In mid-2014, in line with its audit strategy, DG AGRI developed a rolling three-year audit programme. (Explanatory boxes 1.1 and 1.2 in Annex 10 - part 1 set out the elements which comprise the risk analysis.) The CRA for this multi-annual plan is similar to that for the previous annual plans but it was decided to carry it out mid-year in order to exploit the opinions of the Certification Bodies (which are available in March) and to take into account any follow up work resulting from the AAR (in particular action plans which have to be followed up with the Member States). This new approach will ensure sufficient audit coverage of the overall expenditure while taking into account DG AGRI's audit capacity. Where the risk is considered to be high, the Paying Agency concerned will continue to be subject to intense audit supervision by DG AGRI in order to ensure that remedial actions are undertaken in line with an agreed schedule of work.

Example of intense supervision

DG AGRI audits of the Integrated Administrative and Control System (IACS) in 2008 and 2009 revealed and confirmed serious deficiencies: on-the-spot controls were late and the Land Parcel Identification System (LPIS) was outdated and not precise enough. An audit mission in March 2011 concluded that the initial action plan requested by the Commission to remedy these deficiencies by 2011 had been only partially implemented. The failure to timely implement the remedial actions triggered a reservation in DG AGRI's 2010 Annual Activity Report (AAR), accompanied by a new action plan to remedy the deficiencies by 2013. In its 2012 AAR DG AGRI reported that an audit mission in March 2013 had confirmed that the action plan could be considered as finalised; but DG AGRI maintained the reservation because solid evidence that the updated LPIS is correctly used would not be available before a first cycle of claims/controls/payments. In the meantime, financial corrections were imposed in relation to 2008 and 2009 related expenditure, while corrections for 2010-2012 are included in a conformity clearance decision to be adopted in June 2015 (ad hoc 48). The conformity clearance procedure for 2013 and 2014 financial years are underway.

Explanatory box annex 10 – 4.10

4.2.5.2 The Commission is legally bound to correct

Any identified risk to the EU budget systematically triggers a net financial correction. The Commission has no discretion to not correct as it is legally bound to exclude any identified illegal expenditure from EU financing. For both EAGF and EAFRD financial corrections for audit enquiries launched up from 2015 onwards are governed by the legislation referred to in section 4.1 above⁴⁵.

This new legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections now set out in the delegated act. In the case of flat-rate corrections, it is specified how the severity of deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk of errors is likely to be higher when there are several deficiencies). The ECA findings in its 2012 Annual Report, paragraph 4.30⁴⁶ will thus be addressed, notably for cases where several

⁴⁵ Up until the end of 2014, the clearance of accounts procedures were governed by Council Regulation (EC) No 1290/2005 and Commission Regulation (EC) No 885/2006.

⁴⁶ ECA Annual report 2012 paragraph 4.30: "The use of flat-rate corrections does not sufficiently take into account the nature and gravity of the infringement, as the same flat-rate correction of 5% is applied, regardless of whether weaknesses were found for a single key control or for many such controls."

The conformity clearance procedure and net financial corrections

deficiencies are present for the same population. The Commission new guidelines⁴⁷ on how it determines financial corrections have been updated to fully reflect the changes. The new implementing act sets out mandatory legal deadlines for both Member State and Commission for the various steps of the conformity clearance procedure.

4.2.5.3 Less recourse to flat-rate corrections

Both the Financial Regulation and the new CAP Horizontal Regulation provide for a ranking of types of financial corrections where flat-rate corrections may only be used if calculated or extrapolated corrections cannot be established with proportionate efforts.

Calculated and extrapolated corrections are currently based on DG AGRI auditors' findings and information provided by Member States during the contradictory procedure. In the future, DG AGRI will have more information to feed into the process from the yearly opinions to be delivered as from early 2016 (in respect of expenditure made on financial year 2015) by the Certification Bodies carrying out the new task assigned to them (see Part 2 of Annex 10).

⁴⁷ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final

5. Debt management by the Member States

5.1 Legal Framework

Regulation (EU) No 1306/2013 on the financing of the CAP requires the Member States to recover sums lost as a result of detected irregular payments. However, the recovery procedures, in accordance with the principle of subsidiarity, are wholly the responsibility of the Member States concerned and, thus, subject to their individual administrative and judicial procedures. Therefore, while some procedures deliver rapid results, others take more time.

In order to address delays by some Member States in recovering undue payments, the legislator introduced an automatic clearing mechanism under which 50% of any undue payments which the Member States have not recovered from the beneficiaries within 4 years or, in the case of legal proceedings, 8 years, would be charged to their national budgets (50/50 rule).

Even after the application of this mechanism, Member States are, however, obliged to pursue their recovery procedures and, if they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member States concerned. Moreover, pursuant to Article 28 of regulation 908/2014, Member States are required to off-set any outstanding debts against future payments to the debtor (compulsory compensation).

With the entry into force of the new legal framework, the 50/50 rule now has to be applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, as from financial year 2014, the Member States are required to indicate amounts to be charged under the 50/50 rule also for EAFRD 2007-2013 as well as for EAFRD 2014-2020 programmes⁴⁸.

Undue payments that are the result of administrative errors committed by the national authorities also have to be deducted from the annual accounts of the Paying Agencies concerned and, thus, excluded from EU financing.

⁴⁸ Article 54(2) of Regulation (EU) No 1306/2013.

Debt management by the Member States

5.2 Amounts recovered by the Member States in financial year 2015 for the EAGF

Table Annex 10 – 5.1 below sets out the amounts recovered in 2015 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF⁴⁹.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	5,518,038	805,914	6,323,952
BE	377,100	903,334	1,280,434
BG	1,033	1,584,416	1,585,450
CY	145,926	1,731,234	1,877,160
CZ	63,827	624,735	688,563
DE	4,860,844	3,909,551	8,770,394
DK	941,683	568,027	1,509,710
EE	47,091	1,700,390	1,747,481
ES	11,546,201	6,847,798	18,393,999
FI	599,103	665,832	1,264,935
FR	22,701,442	9,470,728	32,172,170
GB	3,092,738	312,042	3,404,780
GR	7,561,087	3,759,588	11,320,675
HR	177,924	267,209	445,133
HU	1,358,975	4,330,046	5,689,021
IE	1,394,288	2,744,036	4,138,324
IT	13,648,584	39,880,104	53,528,688
LT	178,119	144,669	322,788
LU	27,535	90,802	118,337
LV	214,489	1,715,984	1,930,473
MT	20,156	24,657	44,813
NL	2,216,651	1,000,695	3,217,346
PL	3,049,867	444,643	3,494,510
PT	3,718,514	978,305	4,696,819
RO	6,048,768	5,594,342	11,643,111
SE	1,314,987	396,414	1,711,402
SI	3,118,513	181,919	3,300,432
SK	334,799	1,015,030	1,349,828
Total	94,278,283	91,692,446	185,970,728

Table Annex 10 – 5.1

⁴⁹ Until the entry into force of Regulation 908/2014 (implementing Regulation for Regulation 1306/2013), Paying Agencies were not required to record the budget code of the amounts recovered and it is not, therefore, possible to provide a breakdown of recovered amounts between ABB02 (Market Measures) and ABB03 (Direct Payments) for the EAGF. From financial year 2016, the Paying Agencies are required to record the budget code of the expenditure of origin and thus will be able to provide the data on recoveries at ABB level.

Debt management by the Member States

For the purpose of calculating corrective capacity (see Table Annex 10 – 5.2 below and section 2.4.2.1 of the main body of the report), amounts recovered from the beneficiaries by the Member States and reimbursed to the Commission as assigned revenue (67 02) for the EAGF in 2015 are taken into account. These amounts slightly differ from the debtors' ledgers as reported by the Member State as it accounts for recovered amounts subject to the retention of a 20% flat rate recovery cost, as well as recovered amounts of recovery cases that were subject to the 50/50 rule in the financial clearance of accounts for financial year 2014 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

The total amount recovered and reimbursed to the EU budget is 155.5 million EUR. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2015. Amounts recovered in respect of cross-compliance infringements (i.e. 58.7 million EUR) are indicated separately and deducted to show the amount of recoveries for 2015 which DG AGRI considers to be relevant for its corrective capacity, i.e. 96.7 million EUR for 2015.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	5,215,087	499,497	5,714,584
BE	1,275,380	1,530,553	2,805,933
BG	1,465,372	119,821	1,585,193
CY	271,496	34,427	305,923
CZ	151,407	442,138	593,545
DE	4,573,261	6,756,157	11,329,419
DK	383,552	1,969,011	2,352,564
EE	65,761	379,135	444,896
ES	16,472,029	2,482,942	18,954,971
FI	552,938	565,454	1,118,392
FR	18,045,377	4,866,207	22,911,584
GB	5,587,489	3,403,961	8,991,450
GR	1,756,781	1,018,571	2,775,352
HR	176,793	97,157	273,950
HU	3,033,821	600,443	3,634,264
IE	1,329,681	4,222,150	5,551,831
IT	17,717,798	2,260,474	19,978,272
LT	180,644	14,690,518	14,871,162
LU	27,535	227,241	254,777
LV	386,643	1,158,021	1,544,664
MT	23,125	14,648	37,773
NL	1,892,579	661,900	2,554,478
PL	3,547,297	4,587,462	8,134,759
PT	4,370,366	551,904	4,922,271
RO	6,316,288	3,634,609	9,950,897
SE	1,028,789	922,148	1,950,937
SI	383,970	177,249	561,219
SK	501,187	847,563	1,348,750
Total	96,732,449	58,721,362	155,453,811

Table Annex 10 – 5.2

Debt management by the Member States

5.3 Amounts recovered by the Member States in financial year 2015 for the EAFRD

Table Annex 10 – 5.3 below sets out the amounts recovered in 2015 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAFRD.

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	8,108,766	57,442	8,166,208
BE	298,995	283,515	582,510
BG	1,065,447	2,005,655	3,071,102
CY	6,431	29,422	35,853
CZ	756,131	283,376	1,039,507
DE	11,118,885	566,698	11,685,584
DK	3,171,918	74,130	3,246,048
EE	1,088,489	187,373	1,275,862
ES	6,292,173	272,732	6,564,905
FI	1,230,830	272,279	1,503,110
FR	3,336,260	583,775	3,920,036
GB	6,655,918	288,027	6,943,945
GR	1,170,723	1,797,810	2,968,533
HR	0	40,542	40,542
HU	7,814,700	1,252,302	9,067,002
IE	2,488,014	343,024	2,831,038
IT	4,928,165	16,199,290	21,127,455
LT	917,592	411,378	1,328,970
LU	22,723	203,044	225,767
LV	532,976	421,060	954,036
MT	94,384	19,015	113,399
NL	674,798	277,289	952,087
PL	19,235,806	163,003	19,398,809
PT	11,391,340	348,889	11,740,229
RO	28,640,727	2,840,715	31,481,442
SE	1,448,271	35,116	1,483,388
SI	810,764	107,359	918,123
SK	838,603	315,815	1,154,417
Total	124,139,830	29,680,077	153,819,907

Table: Annex 10 – 5.3

For the purpose of calculating the corrective capacity (see section 2.4.2.1 of the main body of the report), recoveries in respect of SAPARD and TRDI are excluded as they are not relevant to EAFRD. Recovered amounts in respect of cross-compliance infringements are also deducted. The resulting amount of recoveries for 2015 which DG AGRI considers relevant for its corrective capacity is 124.1 million EUR.

Debt management by the Member States

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2011 (4 year deadline for recovery) or 2007 (8 year deadline in case of legal proceedings) will be determined for 2015 in accordance with the 50/50 rule mentioned above by charging approximately 22.1 million EUR to the Member States concerned⁵⁰. Moreover, around 35.2 million EUR will be borne by the EU budget for cases reported irrecoverable during financial year 2015⁵¹. The final figures will be established in May 2016 when the financial clearance decision for financial year 2014 will be adopted. Due to the application of the 50/50 rule, important non-recovered sums have already been charged to the Member States for EAGF expenditure.

The overall outstanding amount still to be recovered from the beneficiaries at the end of that financial year was 1 428.6 million EUR (1 374.8 million EUR of old cases and 54.8 million EUR for new cases). Of this amount, 1 295.6 million EUR is outstanding to the EU budget (the difference having already been charged to the Member States via the 50/50 mechanism).

The clearance mechanism (50/50 rule), referred to above, provides a strong incentive for Member States to recover undue payments from the beneficiaries as quickly as possible. As a result, by the end of financial year 2015, 54% of the new EAGF debts from 2007 and thereafter had already been recovered, which is a significant improvement compared to the past. The detailed breakdown of this recovery rate has developed as follows:

Rate of recovery from beneficiaries of irregularities detected since 2007 - EAGF:

		Recovery rate								
		until end of 2007	until end of 2008	until end of 2009	until end of 2010	until end of 2011	until end of 2012	until end of 2013	until end of 2014	until end of 2015
year of discovery of the irregularity	2007	33%	47%	50%	53%	60%	68%	69%	69%	69%
	2008	-	24%	40%	47%	49%	58%	59%	60%	61%
	2009	-	-	24%	33%	42%	44%	46%	49%	50%
	2010	-	-	-	29%	39%	44%	45%	47%	47%
	2011	-	-	-	-	23%	34%	39%	43%	49%
	2012	-	-	-	-	-	34%	60%	64%	67%
	2013	-	-	-	-	-	-	23%	30%	34%
	2014	-	-	-	-	-	-	-	14%	28%
	2015	-	-	-	-	-	-	-	-	44%
	2007-2015	-	-	-	-	-	-	-	-	-

Table: Annex 10 – 5.5

⁵⁰ Please note that these amounts relate to EAGF, EAFRD and TRDI.

⁵¹ For EAFRD, based on the new legal regime, from financial year 2014 the Member States have to report as well the irrecoverable cases established during financial year in question.

Debt management by the Member States

It is worth noting that some of these new debt amounts were already written off by Member States in the period 2007-2015 (142 million EUR) and therefore they will most likely not be recovered. For more details on the recovery rates at Member State level, see Table Annex 10 – 5.6 below.

Recoveries (EUR) from beneficiaries for cases detected since 2007 – EAGF

MS	New cases since 2007	Adjustments	Recoveries	Recovery rate ⁵²
AT	48.737.428,97	-1.167.333,56	-59.562.472,63	125%
BE	80.738.910,22	-29.391.321,76	-28.221.733,78	55%
BG	2.095.075,27	387.858,11	-78.246,49	3%
CY	3.033.299,94	-82.280,24	-2.199.129,76	75%
CZ	2.544.521,46	-140.657,91	-2.427.367,88	101%
DE	81.399.707,58	-3.078.893,77	-70.338.823,24	90%
DK	33.776.513,75	8.566.170,46	-26.392.817,23	62%
EE	2.458.226,00	-1.022.900,87	-1.310.184,61	91%
ES	251.016.563,78	-35.154.365,75	-149.404.868,82	69%
FI	10.611.243,41	221.202,84	-10.435.068,38	96%
FR	382.541.332,60	-79.565.851,59	-83.548.329,53	28%
GB	54.241.633,33	-9.367.467,75	-42.492.520,47	95%
GR	125.555.298,81	-37.126.240,92	-23.106.914,14	26%
HR	305.834,57	5.889,15	-178.376,82	57%
HU	84.107.305,77	-59.599.398,68	-17.347.316,50	71%
IE	29.269.827,13	-2.762.347,22	-25.853.264,32	98%
IT	291.133.866,51	50.177.288,21	-132.902.073,46	39%
LT	6.514.715,84	-2.628.590,07	-3.902.365,57	100%
LU	1.090.686,45	-496.572,92	-343.734,15	58%
LV	2.006.070,29	-29.700,47	-1.611.995,27	82%
MT	1.115.430,64	94.318,76	-648.461,13	54%
NL	71.150.886,93	2.865.356,81	-25.159.830,16	34%
PL	86.198.996,50	-80.181.250,51	-24.058.475,49	400%
PT	75.299.729,93	-18.651.624,03	-35.316.435,19	62%
RO	50.303.929,74	-170.137,12	-19.992.821,01	40%
SE	27.622.833,38	-4.199.092,23	-20.034.684,23	86%
SI	16.910.596,13	-2.374.940,49	-5.602.834,03	39%
SK	3.215.529,13	-737.148,40	-1.005.775,64	41%
Totals	1.824.995.994,07	-305.610.031,93	-813.476.919,92	53,5%

Table: Annex 10 – 5.6

⁵² The recovery rates quoted in this column are mentioned for information since for several cases (i.e. AT, CZ and PL) the calculated rate may be biased because the amount of the adjustments might be overstated since they might include irrecoverable debts' amounts.

Debt management by the Member States**5.5 DG AGRI Audits**

During the period 2008-2015, DG AGRI audited the correct application of the new clearance mechanism through 33 audit missions in 20 Member States (including all EU-15 Member States with a low recovery rate for the cases detected since 2007). Except for two cases (IT and IE), in general the Member States' authorities have adequate procedures in place to protect the financial interest of the European Union. Deficiencies found during these audits are being followed in the context of conformity clearance procedures.

The diligence of the Member States' authorities in the recovery of the most significant individual irregularity cases is assessed in the context of a further seven on-going conformity clearance procedures (desk audits).

In 2012, an OLAF investigation revealed for the Italian Paying Agency some serious issues regarding the completeness of the debtors' ledger, the prescription of certain debts, and some national schemes allegedly funded by the EU budget.

In addition, the European Court of Auditors, in the framework of the DAS 2013 exercise, also raised serious concerns regarding the debt management systems implemented in IT (AGEA), and IE (DAFF). DG AGRI took this into account in its risk analysis and carried out an audit mission in Italy in September 2014 while an audit to Ireland will take place in the 2016 audit year.

Concerning the audit of the debt management system implemented by the Italian Paying Agency AGEA (IT01), the audit confirmed the serious concerns regarding the management of irregularities and other debts for financial year 2010 and earlier, and more generally all irregularities and debts for which the payment of origin was made in financial year 2007 or before. A number of weaknesses concerning the accreditation criteria for debts were noted (improper internal environment; insufficient control activities and monitoring mechanisms). Based on its findings, DG AGRI considered that the non-recovery of the debts in financial year 2010 and earlier was attributable to the negligence of the Italian authorities in the recovery procedure and therefore intends to propose financial corrections for these financial years.

6. Cross Compliance

Cross-compliance is a mechanism by which farmers are penalised when they do not respect a series of rules which stem in general from policies other than the CAP and apply to EU citizens independently of the CAP.

The respect of cross-compliance obligations does not constitute an eligibility criterion for CAP payments and, therefore, the controls of these requirements do not pertain to the legality and regularity of the underlying transactions. Thus, penalties imposed for violations of cross-compliance requirements are not taken into account for the calculation of the error rates for the CAP.

The control statistics referred to below do not therefore correspond to errors in underlying transactions. See also part 2.3.3 European Court of Auditors reports, under "2014 Annual Report".

The results of the controls on cross-compliance are shown in Table: Annex 10 – 6.1 for claim year 2014 (financial year 2015). It shows that 2.31% of all claimants were controlled on cross-compliance requirements in claim year 2014, and thereby the minimum control rate of 1% was globally respected. The rate of farmers checked on-the-spot and subject to a subsequent sanction for cross-compliance was 29.1% of all farmers checked for claim year in 2014.

According to the control statistics, total cross-compliance sanctions in respect of 2014 claim year amounted to 67.5 million EUR, (56.9 million EUR for EAGF and 10.7 million EUR for EAFRD). Sanctions following regulatory on-the-spot-checks amounted to 34.5 million EUR in total (29.1 million EUR for EAGF and 5.4 million EUR for EAFRD).

A further analysis reveals the sanctions applied in case of negligence of the farmer, i.e. excluding the sanctions for repetition and intentional non-compliance. Those sanctions amount to 27.2 million EUR (2.57% of the aid covered by OTSC) and 5.3 million EUR (2.38% of the aid covered by OTSC) for the EAGF and the EAFRD respectively. An additional 33.8 million EUR was applied as sanctions following repetition and intentional non-compliance.

Financial/claim year 2015/2014

Member State	Population	Subject to on-the-spot checks		Results of on-the-spot checks	
	Total number of beneficiaries	Number of beneficiaries	As share of total number of beneficiaries	Beneficiaries sanctioned for non-compliances	As share of total number of on-the-spot-checks
	number	number	%	number	%
	A	B	C=B/A	D	E=D/B
AT	121,335	2,701	2.23%	627	23.21%
BE	38,502	5,484	14.24%	498	9.08%
DE	327,681	10,765	3.29%	3,525	32.75%
DK	43,005	1,220	2.84%	124	10.16%
EL	740,622	9,397	1.27%	2,597	27.64%
ES	891,563	12,140	1.36%	2,919	24.04%
FI	55,925	2,607	4.66%	440	16.88%
FR	354,316	16,784	4.74%	4,255	25.35%
IE	127,795	1,345	1.05%	677	50.33%
IT	1,170,846	42,601	3.64%	3,346	7.85%
LU	1,957	296	15.13%	111	37.50%
NL	50,867	803	1.58%	233	29.02%
PT	185,913	3,292	1.77%	1,023	31.08%
SE	64,725	979	1.51%	301	30.75%
UK	172,701	6,458	3.74%	1,252	19.39%
EU-15 2014	4,347,753	116,872	2.69%	21,928	18.76%
EU-15 2013	4,477,952	119,284	2.66%	21,724	18.21%
CY	33,539	354	1.06%	191	53.95%
CZ	30,935	2,256	7.29%	93	4.12%
EE	21,201	694	3.27%	107	15.42%
HU	180,755	8,290	4.59%	1,201	14.49%
LV	61,252	1,507	2.46%	1,063	70.54%
LT	142,335	4,059	2.85%	2,288	56.37%
MT	7,175	143	1.99%	71	49.65%
PL	1,351,633	18,736	1.39%	9,497	50.69%
SK	17,855	412	2.31%	165	40.05%
SI	59,174	979	1.65%	267	27.27%
EU-10 2014	1,905,854	37,430	1.96%	14,943	39.92%
EU-10 2013	1,917,598	38,321	2.00%	15,016	39.18%
BG	100,130	1,332	1.33%	310	23.27%
RO	1,056,752	15,960	1.51%	11,903	74.58%
EU-2 2014	1,156,882	17,292	1.49%	12,213	70.63%
EU-2 2013	1,195,881	18,839	1.58%	6,598	35.02%
HR	95,862	1,450	1.51%	1,200	82.76%
EU-1 2014	95,862	1,450	2%	1,200	82.76%
EU-1 2013	99,043	1,011	1.02%	338	33.43%
EU-28 2014	7,506,351	173,044	2.31%	50,284	29.06%
EU-28 2013	7,690,474	177,455	2.31%	43,676	24.61%

Table: Annex 10 – 6.1

ANNEX 11: Performance tables

General objectives

General objective: To promote a viable food production <input checked="" type="checkbox"/> Spending programme: EAGF and EAFRD <input type="checkbox"/> Non-spending		
Impact indicator ⁵³ : Agricultural factor income ⁵⁴ Definition: Real net value added at factor cost per annual work unit (AWU) ⁵⁵ Source: Eurostat – Economic Accounts for Agriculture		
Baseline 2012 (EU-28) ⁵⁶	Current situation	Target
14 617€/AWU (in real prices)	2015 – 14 481 EUR/AWU (first estimates, December 2015)	To increase <i>Article 39 (1)(b) TFEU</i>

Agricultural factor income per full-time worker, EU-28

Year	Value (EUR/AWU)
2005	11101,459
2006	11496,792
2007	12712,290
2008	12393,884
2009	11219,683
2010	13487,563
2011	14999,032
2012	14617,004
2013	15375,605
2014	15087,596
2015	14480,813

⁵³ Further details related to the measurement of the impact indicators are available in the following document: http://ec.europa.eu/agriculture/cap-post-2013/monitoring-evaluation/documents/impact-indicators_en.pdf.

⁵⁴ Key Performance Indicator 1 presented in the Executive summary.

⁵⁵ The annual work unit (AWU) is the unit of measurement of the quantity of human work supplied on each farm. This unit is equivalent to the work of one person, full time, for one year.

⁵⁶ Change in baseline necessary in order to align the definition with the agreed method for the underlying CAP impact indicator.

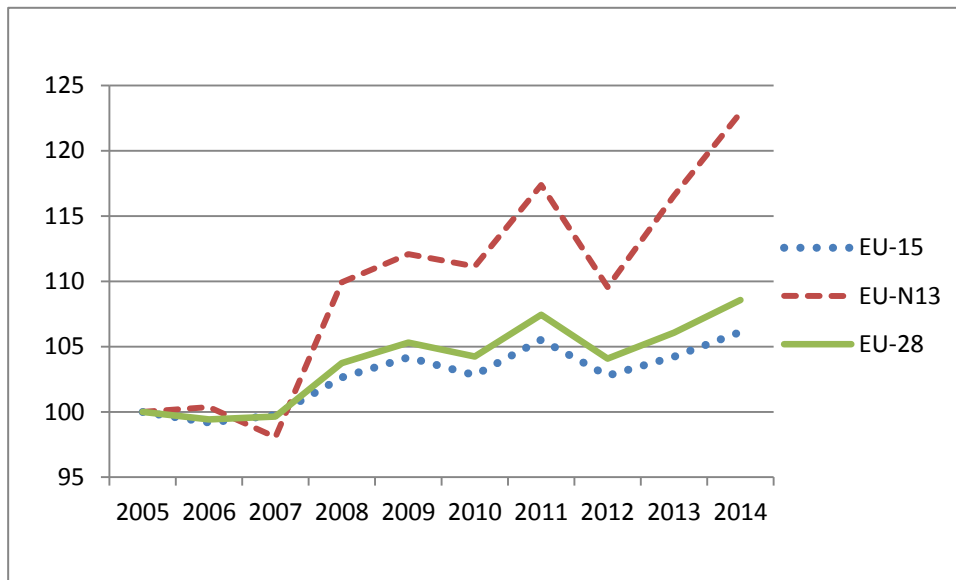
Impact indicator: **Total factor productivity in agriculture**

Definition: Total factor productivity (TFP) compares total outputs relative to the total inputs used in production of the output (both output and inputs are expressed in term of volumes)

Source: DG AGRI calculation based on Eurostat data

Baseline (2009-2011, average)	Current situation	Target
105.7 (index 2005 = 100)	106.2 (2012-2014, average; index 2005 = 100)	To increase <i>Article 39 (1)(a) TFEU</i>

EU agricultural total factor productivity index (2005=100)



General objective: To promote a sustainable management of natural resources and climate action

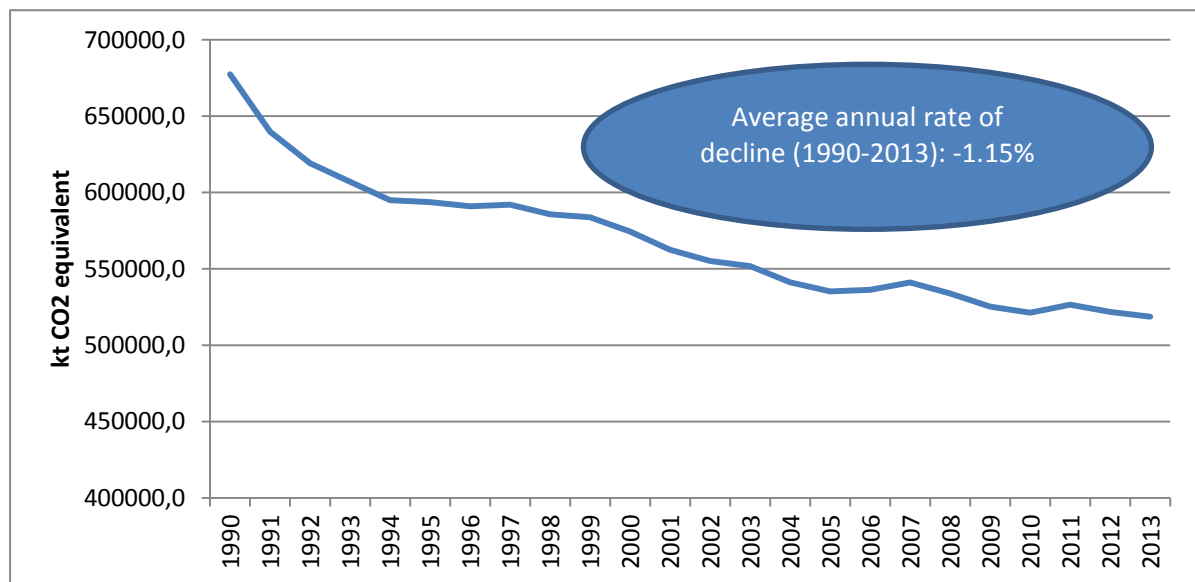
Spending programme: EAGF and EAFRD
 Non-spending

Impact indicator: **Greenhouse gas emissions from agriculture**

Definition: The indicator measures net GHG emissions from agriculture including agricultural soils.

Source: Annual European Union GHG inventory. The inventory is based on national submissions to the UNFCCC and to the EU Monitoring Mechanism of CO₂ and other GHG emissions. It is compiled and held by the European Environment Agency (EEA) and the European Topic Centre on Air and Climate Change (ETC/ACC)

Baseline 2012	Current situation	Target
521 799	518 693	To reduce <i>EU2020</i>



Average annual rate of decline (1990-2013): -1.15%

Indicator: **Nitrate levels in freshwater (water quality)**⁵⁷

Definition: Nitrates in freshwater (Context indicator.40 – Water quality) consists of:

- a) Groundwater quality: % of monitoring sites in 3 water quality classes (high, moderate and poor);
- b) Surface water quality: % of monitoring sites in 3 water quality classes (high, moderate and poor).

The three water quality classes are defined as follows:

- High quality: concentration close to natural values or within the threshold indicated in the legislation for low-polluted water.
- Moderate quality: concentration above natural standard but still below hazardous level.
- Poor quality: concentration above hazardous level.

The actual concentration classes are the following.

Groundwater

- High (" $<10 \text{ mg/l NO}_3$ " + " $\geq 10 \text{ mg/l NO}_3$ and $<25 \text{ mg/l NO}_3$ ")⁵⁸
- Moderate (" $\geq 25 \text{ mg/l NO}_3$ and $<50 \text{ mg/l NO}_3$ ")
- Poor (" $\geq 50 \text{ mg/l NO}_3$ ").

Surface water

- High (" $<0.8 \text{ mg/l N}$ " + " $\geq 0.8 \text{ mg/l N}$ and $<2.0 \text{ mg/l N}$ ")⁵⁹
- Moderate (" $\geq 2.0 \text{ mg/l N}$ and $<3.6 \text{ mg/l N}$ " + " $\geq 3.6 \text{ mg/l N}$ and $>5.6 \text{ mg/l N}$ ")
- Poor (" $\geq 5.6 \text{ mg/l N}$ and $<11.3 \text{ mg/l N}$ " + " $\geq 11.3 \text{ mg/l N}$ ")

Source: European Environmental Agency (EEA) – Nutrients in freshwater: Data voluntary reported by MSs via the WISE/SOE data flow annually.

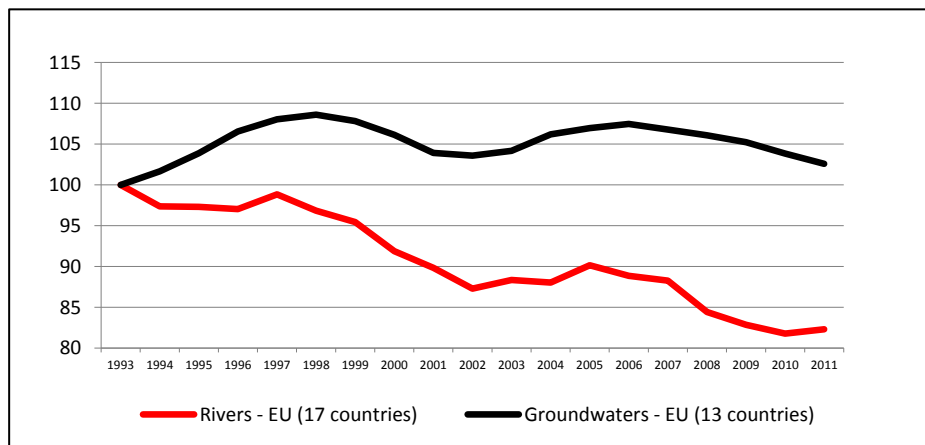
Baseline (year & value)	Current situation (year & value)	Target (year & value)
EU-28, 2012 Freshwater: - High: 56.9 % - Moderate: 31.7% - Poor: 11.4% Groundwater: - High: 74.1% - Moderate: 14.2% - Poor: 11.7%	No more recent data available	To improve

⁵⁷ Indicator not present in 2015 Management Plan.

⁵⁸ Although the natural concentration of NO_3 in groundwater is below 10 mg/l, in the Nitrate Directive for water bodies that show concentrations below 25 mg/l the monitoring programme should be repeated every eight years instead of four, in this line this threshold can be taken into account to design high quality or low-polluted water bodies.

⁵⁹ While natural concentration of nitrates in freshwater is about 1 mg/l, concentrations over 10 mg/l (2 mg-N/l) are those at which eutrophication and other negative effects on aquatic ecosystems appear. Therefore, this limit could be taken into account to design high quality or low-polluted water bodies.

Nitrate levels in freshwater⁶⁰



Source: European Environment Agency (EEA)

Impact indicator: **Water abstraction in agriculture**

Definition: Volume of water applied to soils for irrigation purposes

Source: Eurostat – Survey on agricultural production methods (SAPM)

Baseline 2010 ⁶¹	Current situation	Target
39 833 622 (in 1000 m ³)	No new data available	To decrease <i>Regulations n° 1305, 1306 and 1307/2013</i>

⁶⁰ Trends of concentration of nitrates in rivers and groundwater (3-year moving average, base 1992-1994 = 100), 1992-2012.

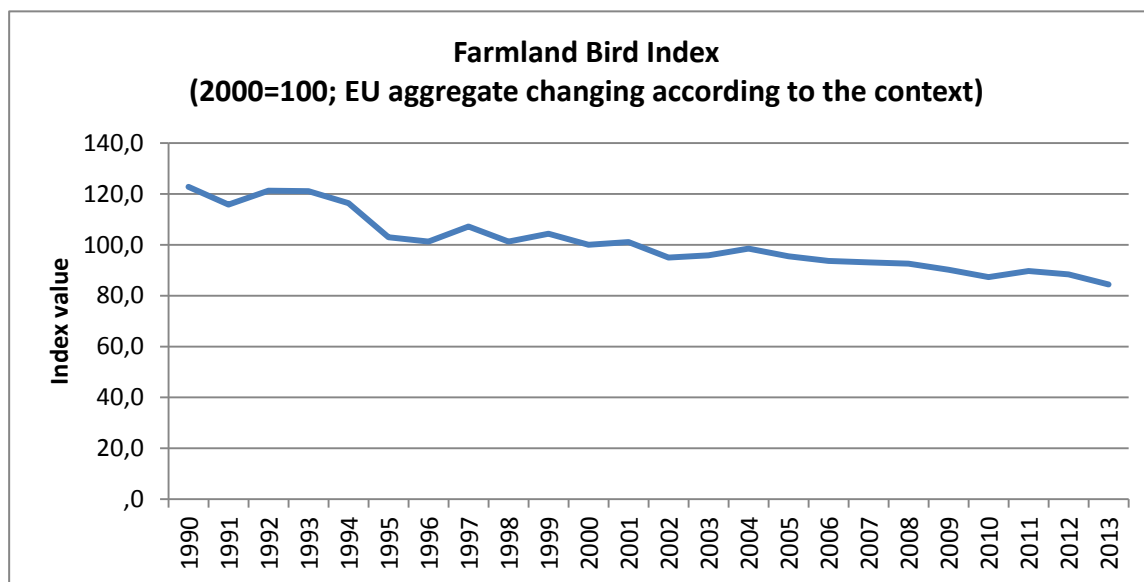
⁶¹ Data available for EU 28 excluding BE and LU in 1000 m³ (Source: Eurostat – SAPM 2010).

Indicator: Farmland bird index⁶²

Definition: The indicator is a composite index that measures the rate of change in the relative abundance of common bird species at selected sites: trends of index of population of farmland birds (base year 2000 = 100).

Source: EBCC/RSPB/BirdLife/Statistics Netherlands: the European Bird Census Council (EBCC) and its Pan-European Common Bird Monitoring Scheme (PECBMS); data are published on Eurostat database

Baseline	Current situation	Target
2012: 88.4 (index 2000=100)	2013: 84.4 (index 2000=100)	To increase

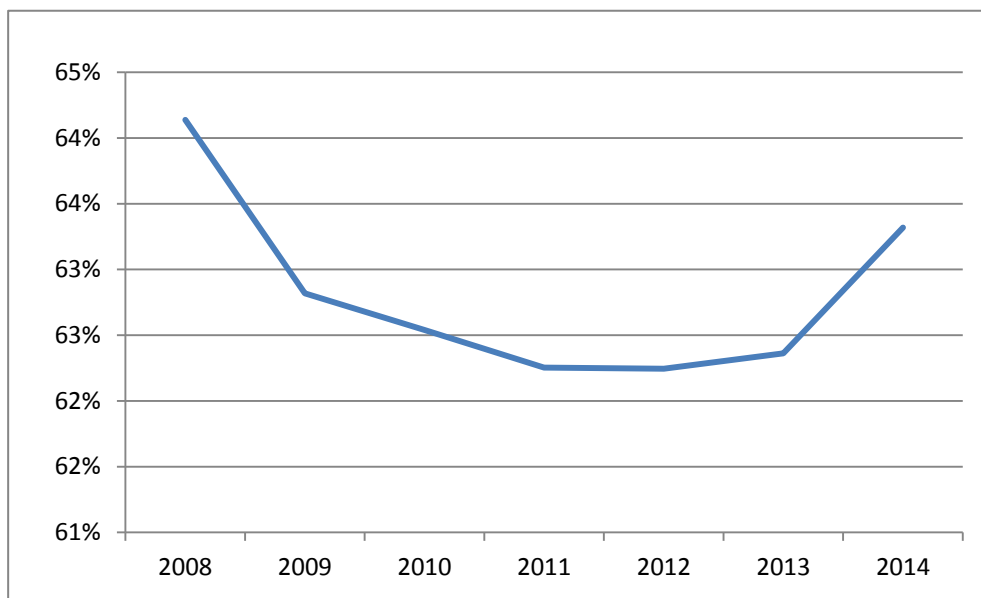


⁶² Indicator not present in 2015 Management Plan.

General objective: To promote a balanced territorial development Spending programme: EAGF and EAFRD Non-spending

Impact indicator: **Rural employment rate**⁶³
 Definition: Employment rate for the population aged 15-64 in thinly-populated areas
 Source: Eurostat – Labour Force Survey

Baseline 2012 (EU-28)	Current situation (2014)	Target
62.2% ⁶⁴	63.3%	To increase <i>Article 110 (2)(c) of Regulation n° 1306/2013</i>



⁶³ Key Performance Indicator 4 presented in the Executive summary.

⁶⁴ A change in the methodology to classify local areas from year 2012 has produced a break in Eurostat series by type of area. In order to show the evolution of the employment rates, 2012 and 2013 rates have been recalculated using the previous classification.

ABB 02 Interventions on the agricultural markets

Relevant general objective: Viable food production																																
Specific objective 1: To improve the competitiveness of the agricultural sector and enhance its value share in the food chain		<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending																														
Result indicator: Share of EU agricultural exports in world market Definition: Agricultural primary products: value of annual exports in agricultural primary products (source Eurostat, Comext) as a percentage share of total value of production in agricultural products (source: Eurostat, agricultural accounts) Processed food products: value of annual exports in processed food products as a percentage of total value of production by the food industry (source: Eurostat, Prodcom)																																
Baseline (2011)	Current situation (2014)	Target 2015																														
Primary products: 9.8% Processed food products: 8.9%	Primary products: 11.1% (2014) Processed food products: 9.7% (2014)	To maintain <i>Regulation n° 1308/2013</i>																														
<table border="1"> <caption>Share of EU agricultural exports in world market (2006-2014)</caption> <thead> <tr> <th>Year</th> <th>Agri primary products (%)</th> <th>Food industry (%)</th> </tr> </thead> <tbody> <tr><td>2006</td><td>6.6</td><td>7.4</td></tr> <tr><td>2007</td><td>6.5</td><td>7.3</td></tr> <tr><td>2008</td><td>7.7</td><td>6.7</td></tr> <tr><td>2009</td><td>7.6</td><td>6.8</td></tr> <tr><td>2010</td><td>9.1</td><td>8.0</td></tr> <tr><td>2011</td><td>9.8</td><td>8.9</td></tr> <tr><td>2012</td><td>10.3</td><td>9.5</td></tr> <tr><td>2013</td><td>10.8</td><td>9.4</td></tr> <tr><td>2014</td><td>11.1</td><td>9.7</td></tr> </tbody> </table>			Year	Agri primary products (%)	Food industry (%)	2006	6.6	7.4	2007	6.5	7.3	2008	7.7	6.7	2009	7.6	6.8	2010	9.1	8.0	2011	9.8	8.9	2012	10.3	9.5	2013	10.8	9.4	2014	11.1	9.7
Year	Agri primary products (%)	Food industry (%)																														
2006	6.6	7.4																														
2007	6.5	7.3																														
2008	7.7	6.7																														
2009	7.6	6.8																														
2010	9.1	8.0																														
2011	9.8	8.9																														
2012	10.3	9.5																														
2013	10.8	9.4																														
2014	11.1	9.7																														
Source: COMEXT and EUROSTAT																																

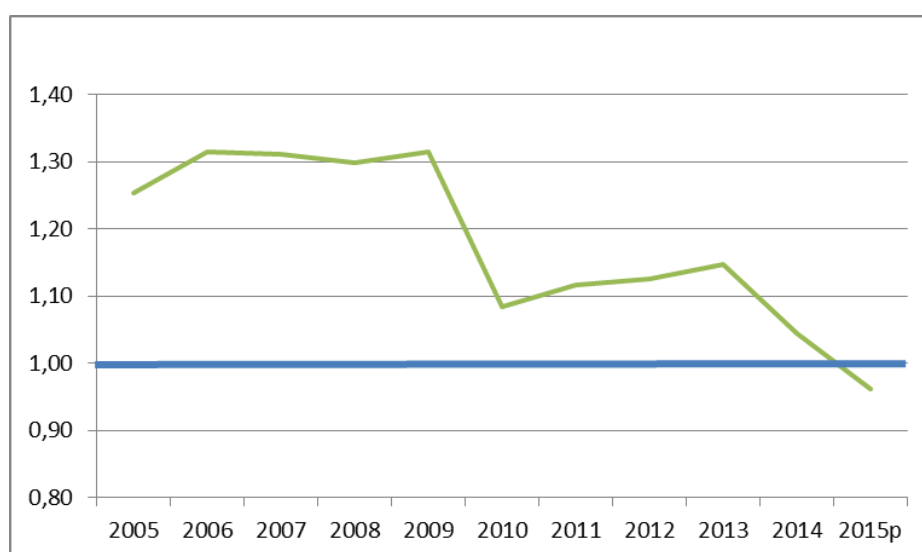
Result indicator: Share of value added for primary products in the food chain
 Definition: The indicator looks at the value added of the primary production in comparison to other stages of the food chain (mainly food manufacturing, food distribution and food service activities).
 Source: Eurostat – National Accounts, Structural Business Statistics

Baseline (2010)		Current situation (2011)	Target 2015
EU-28	Value added (in billion €)⁶⁵	Value added (in billion €)	Higher share of value added for primary products in the food chain <i>Regulation n° 1308/2013</i>
Primary	196	211	
Processing	213	214	
Retail*	379	402	
** EU-27 data for 2009 and 2010; food retail data for 2010 estimated			

Result indicator: EU commodity prices compared to world prices⁶⁶

Source: EUROSTAT and related specific statistics

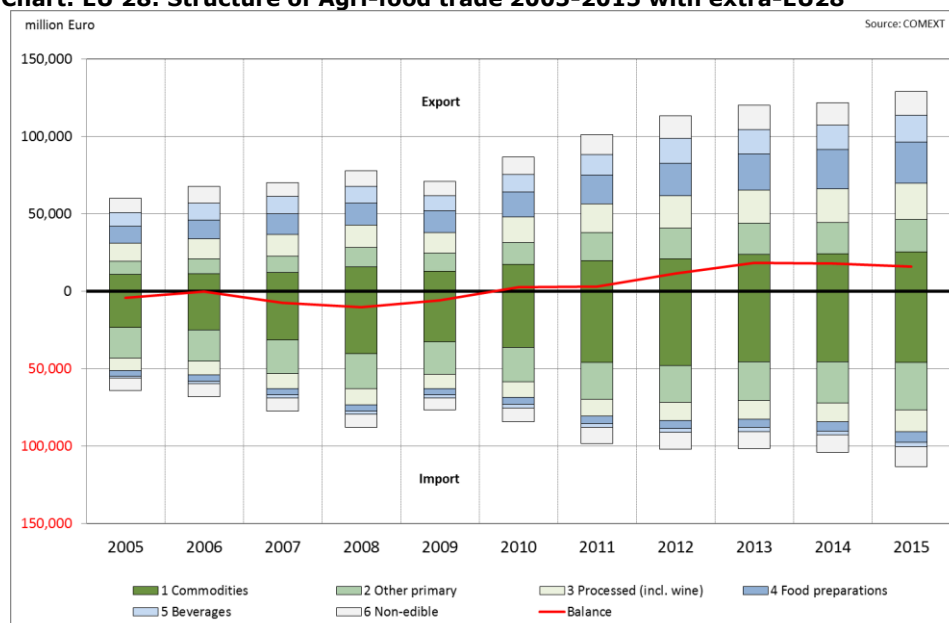
Baseline (2012)		Current situation (2015)	Target 2015
Beef	1.19	0.92	Prices brought closer to the world prices <i>Regulation n° 1308/ 2013</i>
Pig meat	1.19	1.00	
Poultry	1.18	0.83	
Soft wheat	0.98	0.94	
Maize	0.95	1.02	
Barley	0.97	0.93	
Sugar	1.55	1.27	
Butter	1.19	1.05	
Cheddar	1.14	1.04	
WMP	1.09	1.10	
SMP	0.95	0.96	
Weighted average	1.13	0.96	



⁶⁵ Baseline updated following the change of data source.

⁶⁶ Key Performance Indicator 2 presented in the Executive summary.

Chart: EU 28: Structure of Agri-food trade 2005-2015 with extra-EU28



Source: COMEXT and EUROSTAT

Main outputs in 2015			
Description	Indicator	Current situation	Target
Delegated and Implementing acts on the alignment and simplification of the rules concerning the Wine and the Fruit & Vegetables support programmes	Adoption by the Commission	Fruit School Scheme: Approved & waiting for scrutiny; Wine National programmes: Ready to be adopted by the Commission; Fruit & vegetables: CIS imminent On Wine authorisations, replacing the existing Planting Right system, the delegated and implementing acts have been published in time. The new system, allowing an increase of surface up to 1%, will enter in force in 2016.	4 th quarter 2015
Data on price difference between internal market and world market	Price comparison for the main sectors: cereals, beef, poultry, pig meat, milk		2015

Relevant general objective: Viable food production		
Specific objective 2: To maintain market stability		<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending
Result indicator: Export refunds Definition: Ratio of the volume of the products exported with export refunds and the total EU production per given period. Source: DG AGRI		
Baseline (December 2013)	December 2014	Target 2015
Beef: 0% Pigmeat: 0% Poultry: 0%	Beef: 0% Pigmeat: 0% Poultry: 0%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>
Result indicator: Public intervention Definition: Ratio of volume of the products bought in the intervention storage and the total EU production of those respective products Source: DG AGRI		
Baseline (2012)	2015	Target 2015
0%	SMP: 2.7%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>
Result indicator: Private storage Definition: Ratio of volume of the products placed into the publicly aided private storage and the total EU production of those respective products Source: Market monitoring data DG AGRI		
Baseline (2013)	2015	Target 2015
Butter: 4% Olive oil: 0%	Butter: 6.1 % SMP: 3.4 % Cheese: 0.3 % Pigmeat: 0.3 % For Olive oil No Private Storage Aid in 2013 & 2014	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i> For Olive oil No Private Storage Aid in 2015

Main outputs in 2015			
Description	Indicator	Current situation	Target
Market measures	Regulatory adoptions	<p>Commission Implementing Regulation (EU) 2015/1164 of 15 July 2015 fixing the quantitative limit for exports of out-of-quota sugar and isoglucose until the end of the 2015/2016 marketing year</p> <p>Commission Implementing Regulation (EU) 2015/1407 of 19 August 2015 amending Implementing Regulation (EU) No 170/2013 laying down transitional measures in the sugar sector by reason of the accession of Croatia</p> <p>Commission Delegated Regulation (EU) 2015/1538 of 23 June 2015 supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council with regard to import licence applications,</p>	2015

		<p>release for free circulation and proof of refining of sugar products of CN code 1701 under preferential agreements, for the marketing years 2015/16 and 2016/17 and amending Commission Regulations (EC) No 376/2008 and (EC) No 891/2009</p> <p>Commission Implementing Regulation (EU) 2015/1550 of 17 September 2015 laying down rules for the application of Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the import and refining of sugar products of CN code 1701 under preferential agreements, for the marketing years 2015/2016 and 2016/2017</p> <p>Commission Implementing Regulation (EU) 2015/2081 of 18 November 2015 opening and providing for the administration of import tariff quotas for certain cereals originating in Ukraine</p> <p>Commission Implementing Regulation (EU) 2015/2000 of 9 November 2015 amending Regulations (EC) No 546/2003, (EC) No 1342/2003, (EC) No 952/2006, (EC) No 826/2008, (EC) No 1295/2008, (EC) No 1296/2008, (EU) No 1272/2009, (EU) No 738/2010 and Implementing Regulations (EU) No 543/2011 and (EU) No 511/2012 as regards the notification obligations within the common organisation of agricultural markets.</p> <p>Regulation (EU) 2015/2296 amending Implementing Regulation 1366/2014 publishing for 2015 the agricultural product nomenclature for export refunds.</p> <p>Commission Decision (EU) 2015/1352 on the payment in euro by the United Kingdom of certain expenditure resulting from sectoral agricultural legislation;</p> <p>Commission Decision (EU) 2015/2300 on the payment in euro by the United Kingdom of certain expenditure resulting from sectoral agricultural legislation</p>	
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<p>Règlement dit "jours fériés". Ce règlement prévoit des dérogations aux obligations de notification des EM, en particulier, lorsque la Commission ne peut pas, suite aux congés, prendre les mesures éventuellement nécessaires pour la bonne gestion des contingents.</p>	<p>Yearly publications</p>	<p>Last Regulation published in December 2015: Règlement d'Exécution (UE) 2015/2379 de la Commission du 16 décembre 2015 dérogeant aux règlements (CE) no 2305/2003, (CE) no 969/2006, (CE) no 1067/2008 et au règlement d'exécution (UE) 2015/2081, au règlement (CE) no 1964/2006 et au règlement d'exécution (UE) no 480/2012, et au règlement (CE) no 1918/2006, en ce qui concerne les dates pour le dépôt des demandes et la délivrance des certificats d'importation en 2016 dans le cadre de contingents tarifaires concernant les céréales, le riz et l'huile d'olive, et dérogeant au règlement (CE) no 951/2006 en ce qui concerne les dates de délivrance des certificats d'exportation en 2016 dans les secteurs du sucre et de l'isoglucose hors quota</p>	<p>2015</p>
<p>Exceptional measures with a particular emphasis on the follow-up of the Russian embargo. In particular, with the opening of intervention for butter and SMP on 1 January, it is possible that some quantities of these products are brought in. In such a case, the necessary measures will have to be put in place to secure the smooth release of these quantities back into the market when the situation would make this advisable.</p>	<p>Quick reaction whenever necessary</p>	<p>Regulation EU 2015/1369 published in time to extend exceptional support measures for Fruit & Vegetables responding to the prolongation of the Russian embargo. During 2015 nearly 320 000 Tons of Fruit & Vegetables have been withdrawn from the EU market, compensated by € 116 Million EU aid.</p>	<p>2015</p>
<p>Exceptional measures with a particular emphasis on the follow-up of the Russian embargo. In particular, with the opening of intervention for butter and SMP on 1 January, it is possible that some quantities of these products are brought in. In such a case, the necessary measures will have to be put in place to secure the smooth release of these</p>	<p>Quick reaction whenever necessary</p>	<p><u>MILK SECTOR</u></p> <p><u>Safety net extension:</u></p> <p>Commission Implementing Regulation (EU) 2015/303 of 25 February 2015 amending Implementing Regulations (EU) No 947/2014 and (EU) No 948/2014 as regards the last day for submission of applications for private storage aid for butter and skimmed milk powder</p> <p>Commission Implementing Regulation (EU) 2015/1548 of 17</p>	

<p>quantities back into the market when the situation would make this advisable.</p>		<p>September 2015 amending Implementing Regulations (EU) No 947/2014 and (EU) No 948/2014 as regards the last day for submission of applications for private storage aid for butter and skimmed milk powder</p> <p>Commission Delegated Regulation (EU) 2015/1549 of 17 September 2015 laying down temporary exceptional measures for the milk and milk product sector in the form of extending the public intervention period for butter and skimmed milk powder in 2015 and advancing the public intervention period for butter and skimmed milk powder in 2016.</p> <p><u>Solidarity package:</u></p> <p>Commission Implementing Regulation (EU) 2015/1851 of 15 October 2015 amending Implementing Regulation (EU) No 948/2014 as regards the contractual storage period and the amount of aid to be granted for the private storage of skimmed milk powder</p> <p>Commission Delegated Regulation (EU) 2015/1852 of 15 October 2015 opening a temporary exceptional private storage aid scheme for certain cheeses and fixing in advance the amount of aid</p> <p>Commission Delegated Regulation (EU) 2015/1853 of 15 October 2015 providing for temporary exceptional aid to farmers in the livestock sectors</p> <p><u>Milk quotas / surplus levy:</u></p> <p>Commission Implementing Regulation (EU) 2015/447 of 17 March 2015 on the division between deliveries and direct sales of national milk quotas fixed for 2014/2015 in Annex IX to Council Regulation (EC) No 1234/2007.</p> <p>Commission Implementing Regulation (EU) 2015/517 of 26 March 2015 amending Regulation (EC) No 595/2004 laying down detailed rules for applying Council Regulation (EC) No 1788/2003</p>	
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		<p>establishing a levy in the milk and milk products sector</p> <p><u>Trade:</u></p> <p>Commission Implementing Regulation (EU) 2015/2080 of 18 November 2015 amending Regulation (EC) No 2535/2001 as regards the management of import tariff quotas for dairy products originating in Ukraine and the removal of an import tariff quota for dairy products originating in Moldova. (O.J. L 302, 19.11.2015, p. 77)</p> <p><u>Marketing Standards:</u></p> <p>Directive (EU) 2015/2203 of the European parliament and of the Council of 25 November 2015 on the approximation of the laws of the Member States relating to caseins and caseinates intended for human consumption and repealing Council Directive 83/417/EEC</p> <p><u>MEAT SECTOR</u></p> <p>Commission Implementing Regulation (EU) 2015/2080 of 18 November 2015 amending Regulation (EC) No 2535/2001 as regards the management of import tariff quotas for dairy products originating in Ukraine and the removal of an import tariff quota for dairy products originating in Moldova</p> <p>Commission Implementing Regulation (EU) 2015/2076 of 18 November 2015 opening and providing for the administration of Union import tariff quotas for fresh and frozen pigmeat originating in Ukraine</p> <p>Commission Implementing Regulation (EU) 2015/2079 of 18 November 2015 opening and providing for the administration of a Union import tariff quota for fresh and frozen beef and veal originating in Ukraine</p> <p>Commission Implementing Regulation (EU) 2015/2077 of 18</p>	
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		<p>November 2015 opening and providing for the administration of Union import tariff quotas for eggs, egg products and albumins originating in Ukraine</p> <p>Commission Implementing Regulation (EU) 2015/2078 of 18 November 2015 opening and providing for the administration of Union import tariff quotas for poultrymeat originating in Ukraine</p> <p>Commission Implementing Regulation (EU) 2015/2334 of 14 December 2015 opening private storage for pigmeat and fixing in advance the amount of aid</p> <p>Commission Implementing Regulation (EU) 2015/360 of 5 March 2015 opening private storage for pigmeat and fixing in advance the amount of aid</p> <p>Commission Implementing Regulation (EU) 2015/679 of 29 April 2015 suspending the submission of applications for the private storage aid for pigmeat provided for in Implementing Regulation (EU) 2015/360</p> <p>Commission Implementing Regulation (EU) 2015/725 of 5 May 2015 fixing the closing date for the submission of applications for private storage aid for pigmeat under Implementing Regulation (EU) 2015/360</p>	
<p>Additional duties for representative prices of poultrymeat, eggs and albumins</p> <p>These additional duties are paid by importers when representative prices of poultry meat, eggs and albumins are too low compared to EU prices. This concerns imports from TH, BR, CL and AR.</p>	<p>Monthly publications except in August</p>	<p>11 Commission Regulations published</p> <p>Last Regulation published in December 2015</p> <p>Commission Implementing Regulation (EU) 2015/2380 of 16 December 2015 amending Regulation (EC) No 1484/95 as regards fixing representative prices in the poultrymeat and egg sectors and for egg albumin</p>	<p>2015</p>

Relevant general objective: Sustainable management of natural resources and climate action			
Specific objective 3: To meet consumer expectations		<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending	
Result indicator: See Result indicator EU commodity prices compared to world prices above			
Main outputs in 2015			
Description	Indicator	Current situation	Target
Reports to EP and Council on the feasibility of origin labelling for <ul style="list-style-type: none"> • Unprocessed foods (except fruit and vegetables, and meat which are already covered) • Single ingredient products (except wine, olive oil, and honey which are already covered) • Ingredients representing more than 50% of a food (co-production with DG SANCO) • milk, and milk used as an ingredient in dairy products • fresh and frozen meats other than beef, pig, sheep, goats and poultry. 	Adoption by the Commission		2015
Adoption of revised and updated legislation on marketing standards in the poultry, wine, olive oil and fruit & vegetables sector	Adoption by the Commission	Adjustments to marketing standards for wine, olive oil and fruit & vegetables have been adopted in 2015.	2015
Implementation of the measures concerning the apiculture	Adoption of delegated and implementing acts		2015
Development of the market situation in the milk and milk products sector			
Report to EP and Council on the feasibility of origin labelling for milk, and milk used as an ingredient in dairy products fresh and frozen meats other than beef, pig, sheep, goats and poultry.	Adoption of the report	COM(2015) 205 final Report from the Commission to the European Parliament and the Council regarding the mandatory indication of the country of origin or place of provenance for milk, milk used as an ingredient in dairy products and types of meat other than beef, swine, sheep, goat and poultry meat	2015
Implementation of the measures concerning the apiculture programmes	Adoption of delegated and implementing acts	Commission Delegated Regulation (EU) 2015/1366 supplementing Regulation (EU) No	2015

		1308/2013 with regard to aid to the apiculture sector and Commission Implementing Regulation (EU) 2015/1368 with regard to aid in the apiculture sector	
Directive (EU) 2015/2203 of the European parliament and of the Council of 25 November 2015 on the approximation of the laws of the Member States relating to caseins and caseinates intended for human consumption and repealing Council Directive 83/417/EEC	Adoption of the Directive	Since the entry into force of Council Directive 83/417/EEC, several changes have taken place, in particular the development of a comprehensive legal framework in the area of food law and the adoption of an international standard for edible casein products by the Codex Alimentarius Commission ('Codex standard for edible casein products'), which need to be taken into account in the new Directive.	2015

ABB 03 Direct Aid

Relevant general objective: Viable food production		
Specific objective 1: To sustain farmers' income stability by providing direct income support		
<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending		
Result indicator: Share of direct support in agricultural entrepreneurial income (family farm income) Definition: The indicator gives the share of direct support (coupled and de-coupled payments) in entrepreneurial income. Source: EAGF Financial Report and EEA - EUROSTAT		
Baseline (2012)	Current situation	Target 2015
44%	2014 - 45%	To maintain the ratio <i>Regulation n° 1310/2013</i>

Share of direct payments in agricultural entrepreneurial income, EU-27

Year	Share (%)
2005	44%
2006	46%
2007	41%
2008	46%
2009	59%
2010	48%
2011	42%
2012	44%
2013	41%
2014	45%

Relevant general objective: Viable food production		
Specific objective 2: To promote a market oriented agriculture by ensuring a significant level of decoupled income support⁶⁷		
<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending		
Result indicator: Percentage of total direct payments which is decoupled Source: Budget 2013 + Budget 2014 + Budget 2015		
Baseline (Calendar year 2012 / Budget year 2013)	Current situation	Target 2015 (Calendar year 2014 / Budget year 2015)
93.24% ⁶⁸	92.69% ⁶⁹	92.62% <i>Amending letter</i>

Relevant general objective: To promote a sustainable management of natural resources and climate action		
Specific objective 3: Contribute to the enhancement of the environmental performance of the CAP through the greening component of the direct payments. Contribute to the development of sustainable agriculture and to making the CAP more compatible with the expectations of the society, through the cross compliance system. Contribute to preventing soil erosion, maintaining soil organic matter and soil structure, ensuring a minimum level of maintenance and avoiding the deterioration of habitats, protecting and managing water through the standards of good agricultural and environmental condition of land.⁷⁰		
<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending		
Result indicator: Share of area under greening practices⁷¹ Source: DG AGRI		
Baseline (2015)	Current situation	Target 2015: establishment of the baseline Target following years: Maintain at least the share
76 % ⁷²	76 %	Maintain the share (the share is to be established in 2015)
Result indicator: Percentage of CAP payments covered by cross compliance Source: DG AGRI		
Baseline (2013)	Current situation	Target 2015
82,36% ⁷³	82.7% ⁷⁴ <i>(Source: DG AGRI)</i>	Maintain the % <i>Regulation n° 1306/2013</i>

⁶⁷ The wording of this objective was adapted to take into account the provisions of the Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009, as regards their application as of 2015.

⁶⁸ Execution for the Budget 2013 (calendar year 2012)

⁶⁹ Execution of the Budget 2015 provisional figures

⁷⁰ The wording of this objective was updated to reflect the phasing in of certain measures of the 2014-2020 CAP.

⁷¹ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary. Key Performance Indicator 3 relates to environmental commitments/practices covered by various strands of CAP support – not only the *Agri-environment-climate* rural development measure.

⁷² The deadline for this notification was 15 December 2015. DG AGRI has received so far the notification from 26 MS, so the indicated share is provisional. The share is calculated as total agricultural area for farms with at least one greening obligation on total agricultural area from Farm Statistics Survey 2013.

⁷³ The calculation of the 2013 baseline indicator in the Management plan 2014 was adapted.

⁷⁴ Execution of the Budget 2015 (calendar year 2014) provisional figures

Result indicator: Opinion expressed by the public on cross compliance		
Definition: Aggregate figures on the opinion by the public on cross compliance		
Source: Eurobarometer		
Baseline (2007)	Current situation	Target 2015
83% support the reduction of direct payments to farmers not complying with environmental rules 84% support the reduction for non-compliance of animal welfare rules 86% support the reduction of direct payment to farmers not respecting food safety rules	87% support the reduction of direct payments to farmers not complying with environmental rules 87% support the reduction for non-compliance of animal welfare rules 87% support the reduction of direct payment to farmers not respecting food safety rules ⁷⁵	Maintain the positive opinion <i>With the cross compliance the CAP is more sustainable and more compatible with the society's expectations. Therefore, if cross compliance shows an important support by the public opinion, its impact will be significant.</i>
Result indicator: Control rate for GAEC (Standards of Good Agricultural and Environmental Condition)		
Definition: GAECs form part of the requirements under Cross Compliance and apply to anyone who receives payments under Single Payment Scheme and certain rural development schemes		
Source: IACS statistics		
Baseline (2013)	Current situation	Target 2015
100 % implementation of the minimum regulatory control rate in all Member States	In 2014, all paying agencies fulfilled the mandatory control rate except Ireland regarding holdings receiving RD payments.	100% implementation of the minimum regulatory control rate <i>Regulation n° 1306/2013</i>
Result indicator: The ratio of permanent pasture within a Member State in relation to the total agricultural area		
Source: MS annual notification (ISAMM – Information System for Agricultural Market Management and Monitoring)		
Baseline (2005)	Current situation	Target 2015
Ratio has not decreased beyond the limit of 10% in any Member State except Lithuania.	The decrease of the ratio is below 5% for all MS ⁷⁶	Maintain the ratio within the limit of 5% in relation to a reference ratio <i>Regulation n° 1310/2013</i>

⁷⁵ Results of the latest Special Eurobarometer "Europeans, Agriculture and the Common Agricultural Policy" published in 2015.

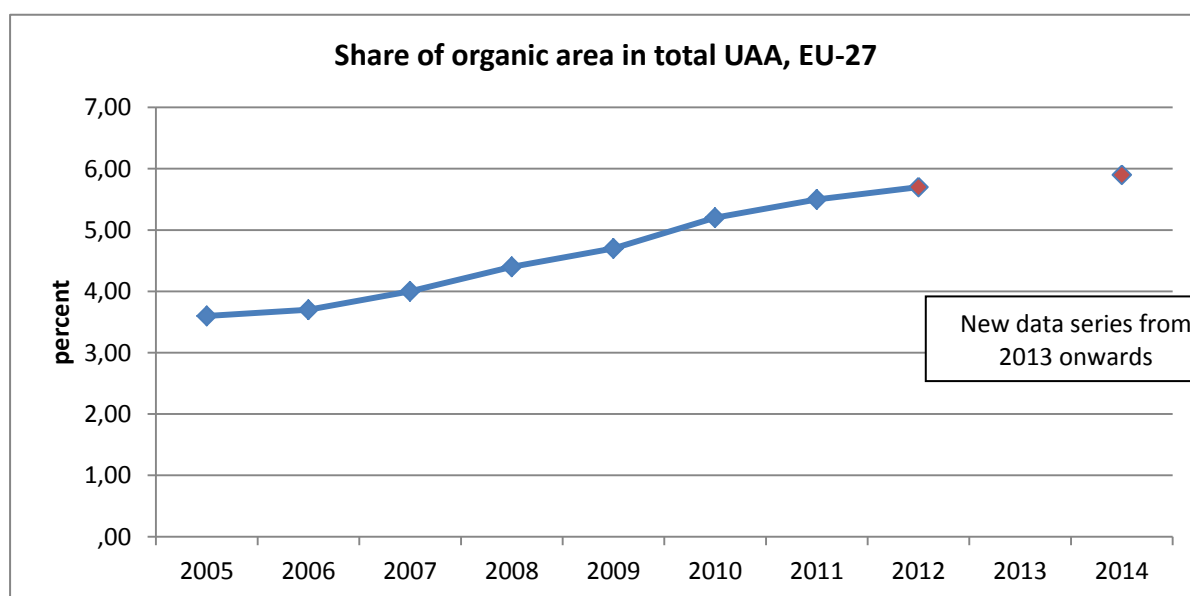
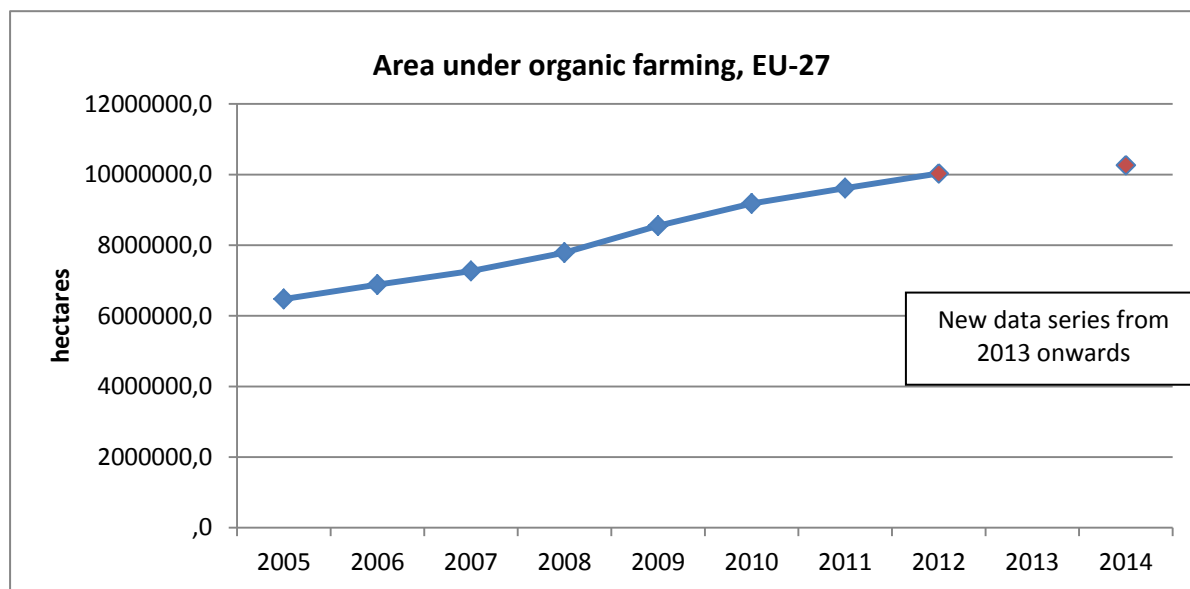
⁷⁶ The deadline for this notification was 15 December 2015. So far the notification from 15 MS and two UK regions have been received. Assessment of the data received which has to be checked with the ration 2007-2014 is currently undertaken. For the moment no MS communicated to have triggered a reconversion obligation. It is expected to receive the other forms by mid-February.

Indicator: **Area under organic farming**⁷⁷

Definition: The number of hectares under organic farming and the share of area under organic farming in the total utilised agricultural area (UAA).
The area under organic farming is the sum of the fully converted area and the area in conversion.

Source: Eurostat

Baseline (2012)	Current situation	Target
10 064 351 ha; 5.7% of total UAA	2014 – 10 315 170 ha; 5.9% of total UAA	To increase



⁷⁷ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary. Key Performance Indicator 3 relates to environmental commitments/practices covered by various strands of CAP support – not only the *Agri-environment-climate* rural development measure..

Main outputs in 2015 ⁷⁸			
Description	Indicator	Current situation	Target
Guidance documents for the implementation of Direct Aids	Number of guidelines	- 3 in 2015 regarding interpretation of direct payments ⁷⁹ - the 4 IACS guidelines ⁸⁰ established end of 2014 / beginning of 2015 were also revised in May 2015 in the context of the simplification exercise. In addition, DG AGRI contributed to the drafting by the JRC of 5 further technical guidance ⁸¹ - 1 regarding interpretation of greening - Update of 1 Guideline for cross compliance	Continuous process until 31/12/2015
Replies to questions from MS regarding regulatory aspects of Direct Aids	Number of replies to written questions from MS	- 220 letters to Member States in 2015 regarding regulatory aspects of direct payments - around 100 letters regarding implementation aspects and IACS - 90 letters on greening - 25 letters for cross compliance	Continuous process until 31/12/2015
Bilateral meetings to ensure a proper implementation of the CAP reform regulations by MS, specifically regarding direct support, greening and cross compliance	Number of bilateral meetings with MS	- 46 bilateral meetings with MS for direct support - 22 meetings in the field of IACS/implementation - 25 meetings in the field of greening - 10 meetings in the field of cross compliance	Continuous process until 31/12/2015
Meeting of the (Management) Committee for Direct Payments and of the Experts Group for Direct Payments	Total number of Committees/expert groups organised at Directorate D: 46 In addition, 7 workshops aiming at facilitating MS exchange of good practices were also organised ⁸² Participation in 3 conferences of the directors of paying agencies, 2 Panta Rhei conferences (IT services of the paying agencies), workshops and conferences organised together with the		Continuous process until 31/12/2015

⁷⁸ Valid for the three specific objectives mentioned above

⁷⁹ For 2015, these concern: 1- Internal convergence – tunnel max. 30%; 2- Active Farmer; 3- Observations from the notifications of 31/01/2015.

⁸⁰ On 1-the Land Parcel Identification System (LPIS), 2-the EFA layer in the LPIS, 3- on-the-spot controls and 4- aid applications

⁸¹ On 1- the control of crop diversification, 2- measurement of EFA, 3-prorata system for permanent grassland, 4-LPIS upkeep, 5- data interoperability

⁸² Regarding the young farmers' scheme, the voluntary coupled support for animal premia, the active farmer requirements as well as specific area-related issues and the greening.

	JRC (LPIS workshops, GAEC and Geo-CAP conferences) was also ensured.	
Monitoring missions to MS	14 missions/visits to MS ⁸³ in the field of direct payments implementation and IACS, including for three of them specific review of the payments entitlements (Italy, Greece, Croatia) and 2 missions for cross compliance (Portugal, Austria)	Continuous process until 31/12/2015

Relevant general objective: Balanced territorial development		
Specific objective 4: To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the Outermost Regions of the EU and in the Aegean Islands		
<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending		
Result indicator: Support to the Local Production to maintain/develop the agricultural production Definition: Utilised agricultural area (variation with respect to the previous year) Source: MS Annual Reports		
Baseline (Calendar year 2012 / Budget year 2013)	Current situation ^{84 85}	Target 2015
POSEIDOM: Mainland France: 26 792 692 ha Guadeloupe: 29 675 ha ⁸⁶ Martinique: 23 769 ha Guyane: 25 803 ha Réunion: 42 641 ha POSEICAN: Mainland Spain: 23 868 700 (2010 data) Canaries: 83 221 ha POSEIMA⁸⁷: Mainland Portugal 3 668 145 (2009 data)	POSEIDOM: Guadeloupe: 30 965 ha (-1,4%) (+4,3%) Martinique: 23 822 ha (-2,5%) (+0,2%) Guyane: 29 425 ha (+2,8%) (+14%) Réunion: 43 411 ha (-0,9%) (+1,8%) POSEICAN: Canaries: 83 221 ha ⁸⁸ POSEIMA⁸⁹: Madeira: 5 262 ha (-3,1%: 2009 data) (-3,1%)	To at least maintain local agricultural production <i>Objective of the regulation 228/2013, Article 2 (1c)</i>

⁸³ EL (3), LV, NL, CY, FR (2), LU, HU, SK, BE-Wallonia, IT, HR

⁸⁴ In their annual implementation reports for 2014, the Member States have communicated data related to the common performance indicators as requested by the Commission services. However, the provided data may not be fully in line with the requirements of the Commission services and thus not mutually comparable. Therefore, these indicators shall be evaluated with due caution.

⁸⁵ The figure in the first bracket shows the variation with respect to the previous year. The figure in the second bracket is the variation with respect to the baseline.

⁸⁶ The data provided by the French authorities on the SAU in 2012 was only provisional. It was corrected in the annual report for the year 2013. This explains the differences among the data for 2012 and 2013. The variation shown in the present document is calculated on the latest data provided by the French authorities for 2012.

⁸⁷ In the annual reports for 2010, 2011, 2012 and 2013 the Portuguese authorities have only communicated data concerning 2009 related to this indicator.

⁸⁸ Data for 2012, data for 2014 (budget year 2015) not yet available.

⁸⁹ Latest data available from the Portuguese farm structure survey in for 2013. The variation is calculated with respect to the previous data available, which is from 2009. Data for 2014 (budget year 2015) is not yet available.

Madeira: 5 428 ha (2009 data) Azores: 120 412 ha (2009 data)	Azores: 118 589 ha (-1,5%: 2009 data) (-1,5%)	
Smaller AEGEAN ISLANDS: 287 094 ha	Smaller Aegean Islands ⁹⁰ : 321 455 ha (-3,5%) (+11,9%)	

Relevant general objective: Balanced territorial development		
Specific objective 5: Specific Supply Arrangements (SSA) to ensure the supply of essential products: SSA coverage rate (relation between quantities of products benefiting from SSA support and total quantities of the same products introduced in the respective outermost region)		
<input checked="" type="checkbox"/> Spending programme: EAGF <input type="checkbox"/> Non-spending		
Result indicator: Percentage of SSA products coverage of local needs Source: MS Annual Reports		
Baseline (2012 – variations with respect to 2011)	Current situation ⁹¹⁹²	Target 2015
POSEIDOM ⁹³ (all products): 46% (-1%) POSEICAN: (cereals only): 99.04% (-0.64%) POSEIMA: Madeira (cereals only): 95.0% (-3,6%) Azores (cereals only): 88.1% (EU) (Variation not available) Smaller Aegean Islands (animal feed): 90.61%	POSEIDOM ⁹⁴ (all products): 39%(-2%) (-7%) POSEICAN (cereals only): 98,3% -1,3%%) (-0,7%) POSEIMA: Madeira (cereals only): 99,5% (+0,9%) (+4,5%) Azores (cereals only): 85,7% (+0,4%) (-2,4%) Smaller Aegean Islands: (animal feed stuff only): 100% reached (100% reached) (+9,4%)	100% <i>The objective included in Article 2 (1a) of regulation 228/2013 and 229/2013 is the "guaranteed supply to the outermost regions of products essential for human consumption (...)". This target contributes to achieving this objective.</i>

⁹⁰ The data provided by the Greek authorities (in their 2013 annual implementing Report of SAI) on the utilised agricultural area in 2013 was only provisional. It was corrected in the annual report for the year 2014 (budget year 2015). This explains the differences between the data for 2013 and 2014. The variation shown in the present document is calculated on the latest data provided by the Greek authorities for 2013 (budget 2014)

⁹¹ In their annual implementation reports for 2013, the Member States concerned (except Greece and Portugal-Madeira) have communicated data related to the common performance indicators as requested by the Commission services. However, the provided data may not be fully in line with the requirements of the Commission services and thus not mutually comparable. Therefore, these indicators shall be evaluated with due caution.

⁹² The figure in the first bracket shows the variation with respect to the previous year. The figure in the second bracket is the variation with respect to the baseline.

⁹³ The French authorities used in their annual report for 2011, 2012 and 2013 a different methodology and data source to calculate this indicator (calculation based on value and not quantities, data taken from customs sources and not from SSA operators).

⁹⁴ The French authorities used in their annual report for 2013 and 2014 a different methodology and data source to calculate this indicator (calculation based on value and not quantities, data taken from customs sources and not from SSA operators). The data provided by the French authorities for this indicator in 2013 (in their 2013 annual implementing Report of POSEI) was only provisional. It was corrected in the annual report for the year 2014 (budget year 2015). This explains the differences among the data for 2013 and 2014.

Main outputs for the specific objectives 4 and 5 in 2015			
Description	Indicator	Current situation	Target
(if needed) Modification of Commission implementing Regulation	Adoption by the College and published in EUOJ	Nil	2015
Commission decisions and DG letters for amendments approvals (according to kind of modifications)	Date of notification to the MS	<ul style="list-style-type: none"> - Commission decision of 11.12.2015 approving the modification of the FR programme (C(2015)8798) - DG <i>lettre de confort</i>⁹⁵ of 21.12.2015 regarding the modification of the ES 2016 programme (Ares(2015)5979376) - DG <i>lettre de confort</i> of the 11.12.2015 regarding the modification of the PT 2016 programme (Ares(2015)5764839)) - DG <i>lettre de confort</i> of 18.12.2015 regarding the modification of the EL 2016 programme (Ares(2015)5954578)) - DG <i>lettre de confort</i> of 18.12.2015 regarding the modification of the FR 2016 programme (Ares(2015)5948101)) 	2015
General report to be presented to the EP and Council showing the impact of the action taken under Regulation (EU) No 228/2013 (art.32 of this Regulation). This report will be partially based on the results of the external evaluation to be launched at the end of 2014 and executed in 2015.	Transmission from the Commission to EP and Council of the Report	Under preparation (postponed to end 2016 – waiting for the results of external evaluation launched in June 2015; duration 15 months)	December 2015/1 st quarter 2016

⁹⁵ *Lettre de confort* refers to the letter sent to the Member State concerned, signed by the Director General, whereby the Commission raises no objections to the proposed amendments to the programme.

ABB 04 Rural Development

2014-2020 programming period

NB:

Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

No milestones are defined at the level of focus areas.

Targets:

- For the new generation of spending programmes, targets are set for 2020 in programming and for 2023 in implementing terms.
- Aggregated value from those of the 118 programmes which have programmed the relevant Focus Area.

Relevant general objectives: This specific objective contributes to achieving all three general objectives of the CAP.

Specific objective 1: Fostering knowledge transfer and innovation in agriculture, forestry and rural areas (Priority 1) Spending programme: EAFRD Non-spending

Result indicator: **Percentage of expenditure for the three measures *Knowledge transfer & information action, advisory services and cooperation* in relation to the total expenditure for the RDP** (Focus area 1A: Fostering innovation and the knowledge base in rural areas)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	109 programmes include this Focus Area	3.9%

Result indicator: **Number of cooperation operations planned under the cooperation measure (groups, networks/clusters, pilot projects)** (Focus area 1B: strengthening the links between agriculture and forestry and research and innovation)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	106 programmes include this Focus Area	15 219

Result indicator: **Total number of participants trained (across all focus areas)** (Focus area 1C: fostering lifelong learning and vocational training in agriculture and forestry sectors)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	104 programmes include this Focus Area	3 848 363

Relevant general objectives: Viable food production

Specific objective 2: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2) Spending programme: EAFRD Non-spending

Result indicator: **Percentage of agricultural holdings with RDP support for investment in restructuring** (Focus area 2A: improving the economic performance of all farms and facilitating farm restructuring and modernisation notably with a view to increase market participation and orientation, as well as agricultural diversification)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	110 programmes include this Focus Area	2.8 %

Result indicator: **% of agricultural holdings with RDP supported business development plan/investments for young farmers** (Focus area 2B: facilitating entry of adequately skilled farmers into the agricultural sector and in particular generational renewal)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	93 programmes include this Focus Area	1.5 %

Relevant general objectives: Viable food production

Specific objective 3: Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture (Priority 3) Spending programme: EAFRD Non-spending

Result indicator: **Percentage of agricultural holdings supported under quality schemes, local markets and short supply circuits, and producer groups** (Focus area 3A: improving competitiveness of primary producers by better integrating them into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations)

Source: Rural development programmes

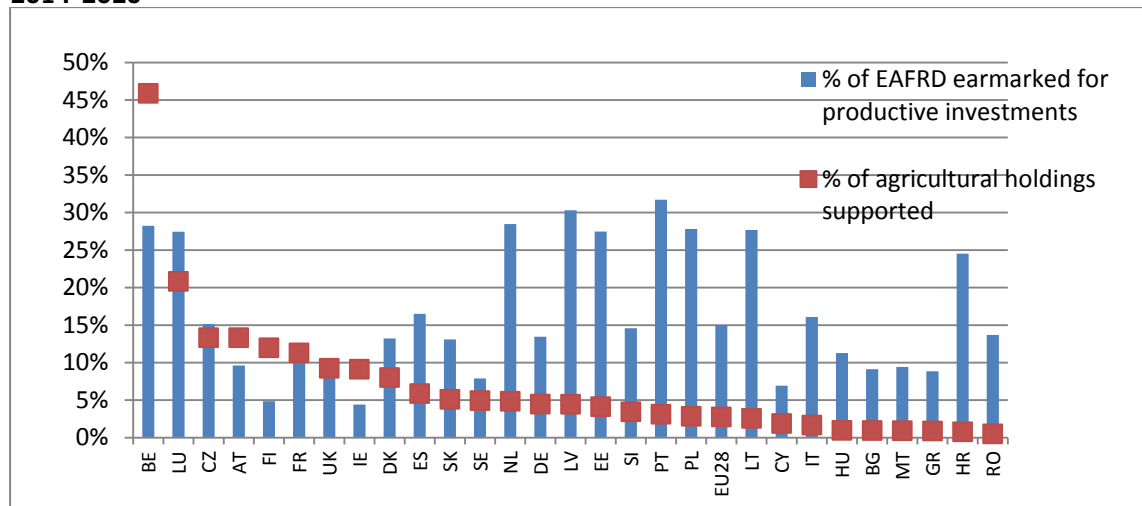
Baseline (2013)	Current situation	Target 2023
0	101 programmes include this Focus Area	2.6 %

Result indicator: **Percentage of agricultural holdings participating in risk management schemes** (Focus area 3B: supporting farm risk management)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	61 programmes include this Focus Area	7.6 %

Chart: Share of total agricultural holdings supported for productive investments through RDPs, 2014-2020



Source: Data submitted by Member States for the 2014-2020 Rural Development Programmes

Relevant general objectives: Sustainable management of natural resources and climate action		
Specific objective 4: Restoring, preserving and enhancing ecosystems related to agriculture and forestry (Priority 4)		
<input checked="" type="checkbox"/> Spending programme EAFRD <input type="checkbox"/> Non-spending		
Result indicator ⁹⁶ : a) Percentage of agricultural land under management contracts contributing to biodiversity b) Percentage of forest area under management contracts contributing to biodiversity (Focus area 4A: Restoring and preserving and enhancing biodiversity, including in Natura 2000 area, areas facing natural constraints and high nature value farming and the state of European landscapes) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	109 RDP are concerned for sub-indicator a) and 75 for sub-indicator b)	a) 17.7 % b) 3.5 %
Result indicator ⁹⁷ : a) Percentage of agricultural land under management contracts improving water management b) Percentage of forest area under management contracts improving water management (Focus area 4B: improving water management including fertiliser and pesticide management) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	108 RDP are concerned for sub-indicator a) and 36 for sub-indicator b)	a) 15.1 % b) 4.3 %
Result indicator ⁹⁸ : a) % of agricultural land under management contracts preventing soil erosion and improving soil management b) % of forest area under management contracts preventing soil erosion and improving soil management (Focus area 4C: preventing soil erosion and improving soil management) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	108 RDP are concerned for sub-indicator a) and 54 for sub-indicator b)	a) 14.3 % b) 3.6 %

Relevant general objectives: Sustainable management of natural resources and climate action		
Specific objective 5: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors (Priority 5)		
<input checked="" type="checkbox"/> Spending programme: EAFRD <input type="checkbox"/> Non-spending		
Result indicator: Percentage of irrigated land switching to more efficient irrigation systems (Focus area 5A: increasing efficiency in water use by agriculture) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	54 programmes include this Focus Area	15.3 %

⁹⁶ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary. Key Performance Indicator 3 relates to environmental commitments/practices covered by various strands of CAP support – not only the *Agri-environment-climate* rural development measure.

⁹⁷ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary.

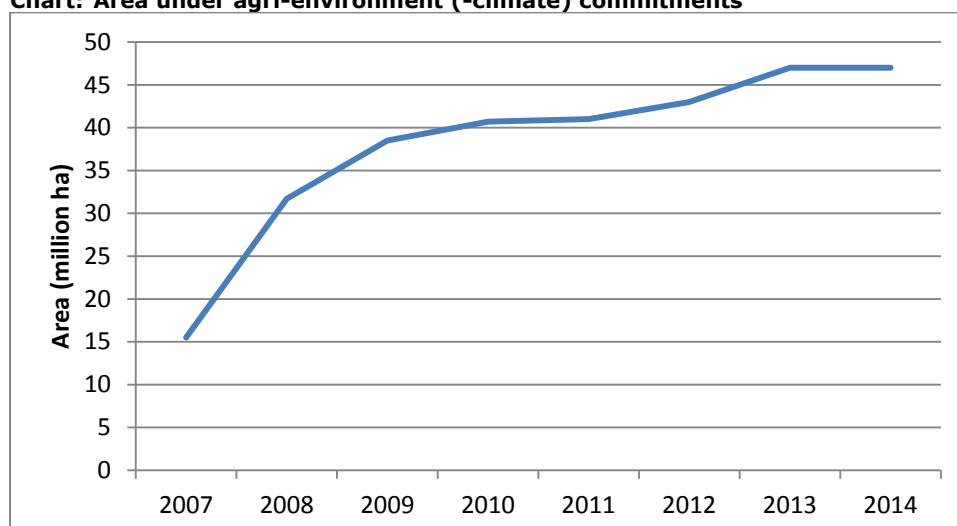
⁹⁸ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary.

Result indicator: Total investment in energy savings and efficiency (Focus area 5B: increasing efficiency in energy use in agriculture and food processing) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	51 programmes include this Focus Area	2 819 268 106
Result indicator: Total investment in renewable energy production (Focus area 5C: Facilitating the supply and use of renewable sources of energy, of by products, wastes, residues and other non food raw material for purposes of the bio-economy) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	76 programmes include this Focus Area	2 710 791 582
Result indicator ⁹⁹ : a) Percentage of LU concerned by investments in livestock management in view of reducing the GHG and ammonia emissions b) Percentage of agricultural land under management contracts targeting reduction of GHG and ammonia emissions (Focus area 5D: Reducing GHG and ammonia emissions from agriculture) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	26 RDP are concerned for sub-indicator a) and 33 for sub-indicator b)	a) 2 % b) 7.7 %
Result indicator ¹⁰⁰ : Percentage of agricultural and forest area under management contracts contributing to carbon sequestration and conservation (Focus area 5E: Fostering carbon sequestration in agriculture and forestry) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	88 programmes include this Focus Area	1.8 %

⁹⁹ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary. Key Performance Indicator 3 relates to environmental commitments/practices covered by various strands of CAP support – not only the *Agri-environment-climate* rural development measure.

¹⁰⁰ This indicator contributes to the Key Performance Indicator 3 presented in the Executive summary.

Chart: Area under agri-environment (-climate) commitments¹⁰¹



Source: 2007-2013 CMEF data submitted by Member States in annual progress reports.

Relevant general objectives: Balanced territorial development		
Specific objective 6: Promoting social inclusion, poverty reduction and economic development in rural areas (Priority 6)		<input checked="" type="checkbox"/> Spending programme: EAFRD <input type="checkbox"/> Non-spending
Result indicator: Number of jobs created through supported projects (not LEADER) (Focus area 6A: Facilitating diversification, creation of new small enterprises and job creation) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	77 programmes include this Focus Area	73 023
Result indicator: a) Percentage of rural population covered by local development strategies b) Number of jobs created through supported projects (LEADER) c) Percentage of rural population benefiting from new or improved services / infrastructures (Focus area 6B: Fostering local development in rural areas) Source: Rural development programmes		
Baseline (2013)	Current situation	Target 2023
0	Number of RDPs concerned: a) 109 b) 109 c) 76	a) 54.3 % b) 44 396 c) 22.6 %

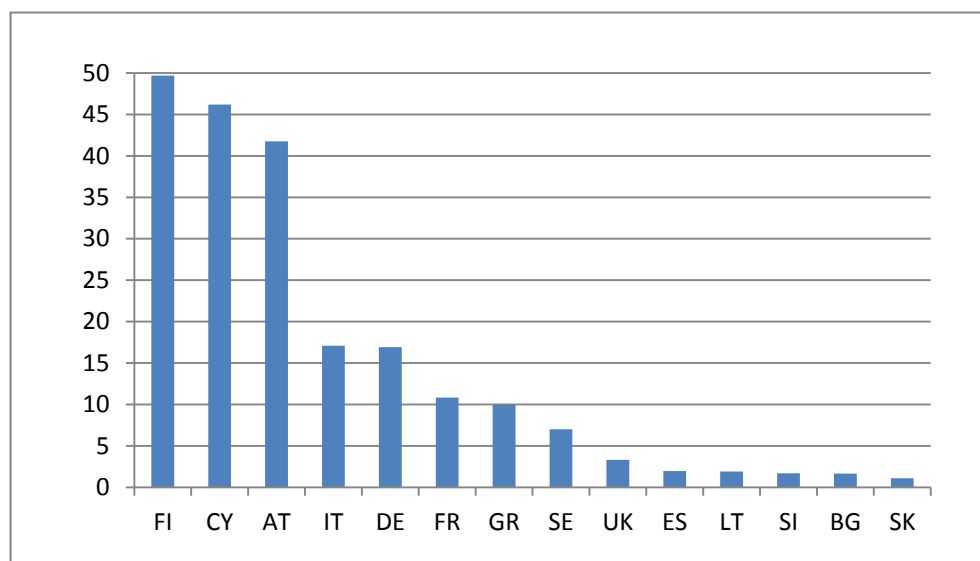
¹⁰¹ Key Performance Indicator 3 relates to environmental commitments/practices covered by various strands of CAP support – not only the *Agri-environment-climate* rural development measure. However, as adequate data are not yet available on the coverage of the "greening" layer of direct payments, for AAR 2015 the graph on the *Agri-environment-climate* measure has been chosen. It depicts a substantial proportion of the relevant support over a timespan of reasonable length.

Result indicator: **Percentage of rural population benefiting from new or improved IT infrastructures** (Focus area 6C: Enhancing accessibility to use and quality of information and communication technologies (ICT) in rural areas)

Source: Rural development programmes

Baseline (2013)	Current situation	Target 2023
0	54 programmes include this Focus Area	13.6 %

RDP targets for 2020 under focus area 6C:

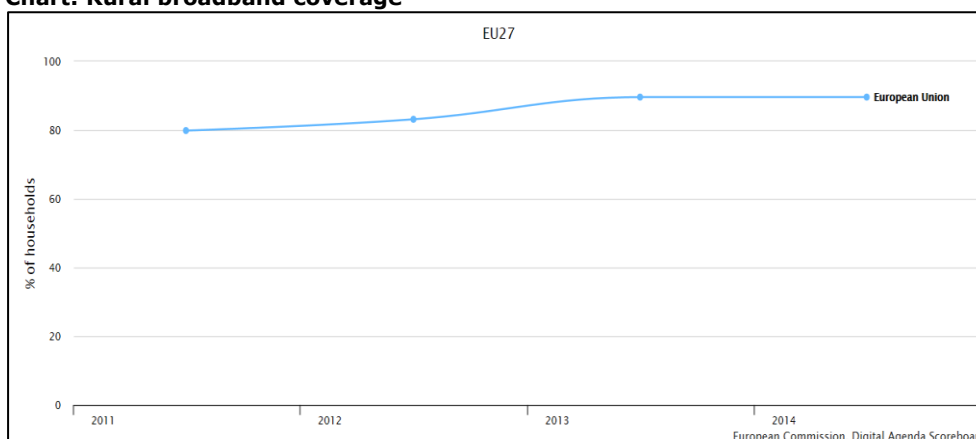


This chart gives an overview of the percentage of the rural population which will benefit from EAFRD-funded improved access to ICT services and/or infrastructures (broadband) in the 14 Member States which have programmed this focus area. Member States which have not programmed this focus area may support action in this field through other EU funds or national funds.

Main outputs in 2015

Description	Current situation	Target
2014-2020 ENRD fully effective	done	2015

Chart: Rural broadband coverage



Source: Broadband coverage in Europe, studies for the EC by Point Topic (2011-2012 figures, SMART 2011/0027 and 2012/0035) and IHS and Valdani, Vicari & Associati (2013 figures, SMART 2013/0054).

ABB 05 Instrument for Pre-Accession Assistance for Rural Development Programmes under the Agriculture and Rural Development Policy Area

Relevant general objective: The specific objective contributes to all three general objectives of the CAP and to IPA general objective "support candidate countries and potential candidates ('beneficiary countries') in implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to Union rules, standards, policies and practices with a view to Union membership."		
Specific objective 1: To contribute to the sustainable adaptation of the agricultural sector and rural areas in the three countries (Bulgaria, Romania and Croatia) eligible for Sapard support until 2009.		
<input checked="" type="checkbox"/> Spending programme: SAPARD <input type="checkbox"/> Non-spending		
Result indicator: All Sapard programmes closed in accordance with the Multi-Annual Financing Agreement (MAFA) concluded with the three countries.		
Source: MAFA		
Baseline (2013)	Current situation	Target
Final amounts calculated. They still need to be confirmed by a final "clearance of accounts" decision	Decisions still not finalised, subject to examination by the auditors	2015, subject to progress on clearance of accounts

Main outputs in 2015			
Description	Indicator	Current situation	Target
Sapard programmes of HR, RO and BG closed	Final balance settled for the Sapard programmes of HR, RO and BG	Decisions not yet finalised, final amounts not yet settled due to clearance of accounts not being finalised	2015

Relevant general objectives: The specific objective contributes to all three general objectives of the CAP and to IPA general objective "support candidate countries and potential candidates ('beneficiary countries') in implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to Union rules, standards, policies and practices with a view to Union membership."

Specific objective 2: To contribute to the sustainable adaptation of the agricultural sector and rural areas and to the new Member State Croatia's and Candidate Countries' preparation for the implementation of the *acquis communautaire* concerning the CAP and related policies under IPARD 2007-2013 (IPARD I) by:

1. improving market efficiency and implementation of Union standards,
2. preparatory actions for the implementation of the agri-environmental measures and local rural development strategies,
3. development of the rural economy.

Programme-based: IPARD 2007-2013 (IPARD I)
 Non-programme-based

1. Improving market efficiency and implementation of Union standards (AXIS 1)

Result indicator: Number of applications received

Source: IPARD programmes 2007-2013, annual¹⁰² and bi-monthly¹⁰³ reports

Baseline (2013)	Current situation	Target ¹⁰⁴
HR: 640 applications fYRoM: 794 applications TR: 3393 applications	HR: 640 applications ¹⁰⁵ fYRoM: 2727 applications TR: 4764 applications	833 in HR 2890 in fYRoM 3995 in TR

Result indicator: Number of applications approved

Source: IPARD programmes 2007 - 2013, annual and bi-monthly reports

Baseline (2013)	Current situation	Target
HR: 323 applications fYRoM: 169 applications TR: 1166 applications	HR: 398 applications fYRoM: 782 applications TR: 2761 applications	514 in HR 2330 in fYRoM 2048 in TR

Result indicator: Number of farms/enterprises supported (paid by the IPARD Agency)

Source: IPARD programmes 2007 - 2013, annual and bi-monthly reports

Baseline (2013)	Current situation	Target
143 projects in HR 101 projects in fYRoM 547 projects in TR	HR: 289 applications fYRoM: 449 TR: 1842 projects	414 in HR 2330 in fYRoM 2448 in TR

¹⁰² Throughout this specific objective: baseline – end of 2014 – based on the respective annual reports.

¹⁰³ Throughout this specific objective: current – end of 2015 – based on the bi-monthly reports, data still provisional.

¹⁰⁴ Targets as established in 2015 Management Plan, updated for 2016-2020 Strategic Plan.

¹⁰⁵ When the number is smaller than the baseline, some applications have been withdrawn.

Result indicator: Total volume of investment (paid) Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2013)	Current situation	Target
EUR 31 m in HR (EU contribution) EUR 3.6 m in fYRoM EUR 127 m in Turkey (EU contribution)	HR: EUR 50 m ¹⁰⁶ fYRoM: EUR 4.7 m TR: EUR 565 m (public only)	EUR 164 m in fYRoM EUR 304 m in HR Target in TR ¹⁰⁷
Result indicator: Increase on gross value added (GVA) in supported holdings Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2013)	Current situation	Target
For the time being information not available in HR, fYRoM and TR	For the time being information not available in HR, fYRoM and TR	5% in HR 5-8% in fYRoM Target in TR ¹⁰⁸
Result indicator: Number of farms/enterprises introducing Union standards Source: IPARD programs 2007-2013 and annual reports		
Baseline (2013)	Current situation	Target
For the time being information not available in HR, fYRoM and TR	HR: 89 fYRoM: 120 TR: 1479	290 in HR Target in fYRoM ¹⁰⁹ Target in TR ¹¹⁰ : 2203
Result indicator: Economic growth in agriculture – net additional added value in PPS (Purchase Power Standards = purchasing power of the same goods with different currencies) Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2013)	Current situation	Target
For the time being information not available for any of the countries	For the time being information not available for any of the countries	5% in HR
Result indicator: Labour productivity in agriculture – change in gross value added (GVA) Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2013)	Current situation	Target
For the time being information not available in HR, fYRoM and TR	For the time being information not available for HR and fYRoM	To increase

¹⁰⁶ Current situation figure is lower than the baseline because the baseline indicates the total investment (EU, national and private combined) and current situation reports EU contribution only.

¹⁰⁷ No target agreed at the time when programme was set up.

¹⁰⁸ No target agreed at the time when programme was set up.

¹⁰⁹ No target agreed at the time when programme was set up.

¹¹⁰ No target agreed at the time when programme was set up.

2. Preparatory actions for the implementation of the agri-environmental measures and local rural development strategies (AXIS 2)

Result indicator: **Local rural development strategies**

- A) Number of applications received
- B) Number of applications approved
- C) Number of recognised LAGs
- D) Total population of LAGs

Source: IPARD programmes 2007 – 2013 and annual and bi-monthly reports

Baseline (2013)	Current situation	Target
In HR A) 71 applications received B) 42 LAGs contracted C) 42 LAGs D) 1.059.004 Contracting under axis 2 has not started in TR and fYRoM, as the accreditation and conferral processes in the countries are not yet initiated.	In HR A) 71 B) 42 C) 41 D) 2 578 000	In HR A) 40 B) 25 C) 25 D) 1 055 000

3. Development of the rural economy (AXIS 3)

Result indicator: **Improvement of rural infrastructure**

- A) Number of applications received
- B) Number of applications approved
- C) Number of beneficiaries
- D) Total volume of investment (data by 10/11/2014 – Monitoring Tables)

Source: IPARD programmes 2007-2013 and annual and bi-monthly reports

Baseline (2014)	Current situation	Target
A) TR: n.a. (see comment below) HR: 199 B) HR: 83 C) HR: 24 D) HR: EUR 6.2 m (EU contribution) No projects have been contracted yet by fYRoM under this measure. TR does not intend to programme this measure.	A) HR 199 B) HR: 106 C) HR: 66 D) HR: EUR 13.9 m (EU contribution only)	A) 2580 in TR 205 in HR B) 174 in HR C) 148 in HR D) 59 m in HR

Result indicator: **Diversification of rural economy**

- E) Number of applications received
- F) Number of applications approved
- G) Number of beneficiaries supported and paid
- H) Total volume of investment (data by 10/11/2014 – Monitoring Tables)

Source: IPARD programmes 2007-2013 and annual and bi-monthly reports

Baseline (2013)	Current situation	Target
E) HR: 326 fYRoM: 276 TR: 8321	E) HR: 326 fYRoM: 360 TR: 11810	E) 380 in HR 229 in fYRoM 5697 in TR
F) HR: 168 fYRoM: 9 TR: 4585	F) HR: 167 fYRoM: 28 TR: 8210	F) 350 in HR 155 in fYRoM 5121 in TR
G) HR: 29 fYRoM: 0 TR: 3437	G) HR: 64 fYRoM: 3 TR: 7630	G) 329 in HR 155 in fYRoM 5121 in TR
H) HR: EUR 1.2 m	H) HR: EUR 3.4 m (EU	H) EUR 39 m in HR

paid (EU contribution) fYRoM: EUR 0 m (projects were cancelled) TR: EUR 43 m (EU contribution)	contribution only) fYRoM: EUR 0.08 m TR: EUR 113 m (EU contribution only)	EUR 7.2 m in fYRoM EUR 205.9 m in TR
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Main outputs in 2015			
Description	Indicator	Current situation	Target
Management of the implementation of 3 IPARD programmes 2007-2013 (including their amendments)	Percentage of EU-money paid annually to the beneficiary countries	The commitments for all the years of the programming period 2007-2013 have been made. De-commitments for the years 2008, 2009, 2010, and 2011 for HR and fYRoM have been made; Turkey – only 2009.	All programmes can implement one annual allocation in a year

Relevant general objectives: The specific objective contributes to all three general objectives of the CAP and to IPA general objective "support the beneficiaries in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to the Union rules, standards, policies and practices with a view to Union membership."		
Specific objective 3: Supporting the development of management and control systems which are compliant with good governance standards of a modern public administration and where the relevant country structures apply standards equivalent to those in similar organisations in the Member States of the European Union.		
<input checked="" type="checkbox"/> Programme-based: IPARD 2014-2020 (IPARD II) <input type="checkbox"/> Non-programme-based		
Result indicator: Signature of Sectorial Agreements between the Commission and the IPA II Beneficiaries (except for Bosnia and Herzegovina and Kosovo) Source: Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11/03/2014 establishing an Instrument for Pre-accession Assistance (IPA II)		
Baseline (2013)	Current situation	Target
No SA signed.	Achieved	Sectorial Agreements for Turkey, the former Yugoslav Republic of Macedonia, Serbia, Albania and Montenegro signed in 2015.
Result indicator: Number of IPARD programmes submitted by the IPA II beneficiaries and approved by the Commission. Source: Regulation (EU) No 231/2014 of the European Parliament and of the Council of 11/03/2014 establishing an Instrument for Pre-accession Assistance (IPA II)		
Baseline (2014)	Current situation	Target
Turkey, the former Yugoslav Republic of Macedonia and Serbia have presented IPARD II programmes. Albania and Montenegro will have to submit IPARD II Programmes.	Achieved	IPARD II Programmes submitted by IPA II Beneficiaries and approved by the Commission in 2015 for Turkey, the former Yugoslav Republic of Macedonia, Serbia, Albania and Montenegro

Result indicator: Number of measures for which entrustment of budget implementation tasks granted to the IPA II Beneficiaries under rural development programmes			
Source: Estimate, based on experience gained under Sapard and IPARD I			
Baseline (2013)	Current situation	Target 2020	
0	Applications received from Montenegro, FYRoM, Serbia and Turkey; expected from Albania in the course of 2016	32	
Result indicator ¹¹¹ : Financing Agreements (FA) concluded			
Source: DG AGRI			
Baseline (2014)	Current situation	Target (mid-term)	
No FA signed.	Model Financing Agreement for IPARD II has passed the internal Commission consultation	Financing Agreements are to be concluded once and will be updated in order to reflect new budgetary allocations and entrustments of budget implementation tasks for new measures	
Main outputs in 2015			
Description	Indicator	Current situation	Target
Smooth transition between IPARD I and IPARD II programmes in Turkey and former Yugoslav Republic of Macedonia	Contracting under IPARD I continues and TK and FYROM ready to start contracting under IPARD II.	Countries are phasing-in into IPARD II. The legal and regulatory base has been finalised and procedures of concluding agreements are well advanced.	2015

¹¹¹ New indicator; new types of Financing Agreements must be prepared and concluded reflecting the new IPA 2014-2020 legal base.

<p>Relevant general objectives: The specific objective contributes to all three general objectives of the CAP and to IPA general objective "support the beneficiaries candidate countries and potential candidates ('beneficiary countries') in adopting and implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to the Union rules, standards, policies and practices with a view to Union membership."</p>		
<p>Specific objective 4: IPARD II 2014-2020 To increase the food-safety of the IPA II beneficiary and the ability of their agri-food sector to cope with competitive pressure as well as to progressively align the sector with Union standards, in particular those concerning hygiene and environment, while pursuing balanced territorial development of rural areas.</p>		
<p><input checked="" type="checkbox"/> Programme-based: IPARD 2014-2020 (IPARD II) <input type="checkbox"/> Non-programme-based</p>		
<p>Result indicator: Number of economic entities performing modernisation projects in agri-food sector Source: IPARD programmes 2014-2020 and annual and bi-monthly reports</p>		
Baseline (2013)	Current situation	Target 2020 ¹¹²
0	Implementation of programmes has not yet started	8100 Estimate, based on experience gained under Sapard and IPARD I
<p>Result indicator: Number of economic entities developing additional or diversified sources of income in rural areas Source: IPARD programmes 2014-2020 and annual and bi-monthly reports</p>		
Baseline (2013)	Current situation	Target 2020
0	Implementation of programmes has not yet started	4250 Estimate, based on experience gained under Sapard and IPARD I
<p>Result indicator: Overall investment in physical capital in agri-food and rural development (EUR) Definition: Overall investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas Source: IPARD programmes 2014-2020 and annual and bi-monthly reports</p>		
Baseline (2013)	Current situation	Target 2020
0	Implementation of programmes has not yet started	2.58 billion € Estimate, based on experience gained under Sapard and IPARD I
<p>Result indicator: Number of economic entities progressively upgrading towards EU standards Definition: Number of farmers and food processing and marketing enterprises progressively upgrading to EU environmental, food safety and hygiene, occupational standards Source: IPARD programmes 2014-2020 and annual and bi-monthly reports</p>		
Baseline (2013)	Current situation	Target 2020
0	Implementation of programmes has not yet started	5550 Estimate, based on experience gained under Sapard and IPARD I

¹¹² Throughout this specific objective – In view of the N+3 rule, the deadline for meeting the target in 2023.

ABB 06 External Relations

Relevant general objective: The activity contributes to achieving all three general objectives of the CAP.		
Specific objective 1: To promote the EU agricultural sector by contributing to successful negotiation and cooperation within the World Trade Organisation (WTO) and other multilateral organisations such as the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation (FAO).		<input type="checkbox"/> Programme-based <input checked="" type="checkbox"/> Non-programme-based
Result indicator: Timely contribution to negotiations and other ongoing processes in multilateral fora Source: DG AGRI		
Baseline (2015)	Current situation (2015)	Target (mid-term)
100% of contributions in time. Examples: Provision of negotiating lines to take in the context of WTO DDA negotiations following the 9 th Ministerial Conference (Bali, December 2013). Relevant input to agriculture-related FAO activities.	All contributions prepared in time and to the required quality.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>

Main outputs in 2015		
Description	Indicator	Target
WTO Agricultural negotiations under the Doha Development Agenda (DDA) running up to and at the 10 th WTO Ministerial Conference scheduled for late 2015	Contributions made to the work post-Bali running up to and at the 10 th Ministerial Conference	Throughout 2015
Negotiations in the WTO on compensatory adjustments for other WTO Members in respect of Croatia's accession to the EU (Article XXIV:6 GATT)	Contributions made to negotiations	Throughout 2015
Negotiations on the proposed revision of the WIPO Lisbon Agreement for the protection of appellations of origin	Contributions made to the negotiations running up to and at the Diplomatic Conference to amend the Lisbon Agreement, scheduled for May 2015	Throughout Jan-May 2015
Promotion of EU agenda on agriculture and food security in the FAO, G20 and other international fora, including completion of Agenda 2030 as well as in Expo Milano 2015	Extent to which agriculture and food and nutrition policy is reflected in the outcomes of the principal multilateral processes in 2015 and beyond	EU agenda and objectives on agriculture and its contribution to food security reflected in the outcomes of all major multilateral processes and events in 2015
Develop, promote and defend the EU agricultural and rural development	Identification of priority topics with timely preparation and effective delivery of positions in	Five priority topics identified and follow-up ensured

agenda in the OECD	meetings	
Promotion of agricultural products on the internal market and in third countries	<p>Following the Russian embargo and the drive for identifying alternative market outlets, the number of programme proposals assessed and number of programmes selected for EU co-financing</p> <p>Ensure the smooth transition to the new promotion policy governed by Regulation (EU) no 1144/2014 including the delegation of tasks to the executive agency.</p>	<p>- 70 proposals examined</p> <p>- 42 programmes selected for EU co-financing</p> <p>To publish the first call for proposals under the new regime in the beginning of 2016.</p>

Relevant general objective: The activity contributes to achieving all three general objectives.		
<p>Specific objective 2: Improve market access for agricultural products by contributing to negotiating, revising bilateral agreements, by resolving trade irritants, ensuring protection for EU geographical indications in third countries by negotiating relevant provisions within Free Trade or Associations Agreements or stand-alone agreements, carrying out dialogues in agriculture and cooperation activities and contributing to sustainable economic development in particular in developing countries.</p>		
<p><input type="checkbox"/> Programme-based <input checked="" type="checkbox"/> Non-programme-based</p>		
<p>Result indicator: Timely preparation of and contribution to bilateral negotiations leading to the objectives given. Source: DG AGRI</p>		
Baseline (2015)	Current situation (2015)	Target (mid-term)
<p>100% of timely contributions. Examples: Contributing to negotiations with WTO partners in the framework of Art XXIV.6 GATT; Contributing to negotiations with Mercosur and the United States (Trans-Atlantic Trade and Investment Partnership); contributing to the scoping exercises preceding the modernisation of existing agreements with Mexico and Chile; Contributing to ratification and implementation of Economic Partnership Agreements including built-in agendas on GIS and wines and spirits; facilitating responsible private sector agri-business investments in ACP; Contributing to negotiations with Viet Nam</p>	<p>All contributions prepared and delivered on time, leading in many cases to successful conclusion of work (eg. Iceland and Viet Nam negotiations completed). Autonomous trade Measures for Ukraine brought into force between April 2014 and December 2015; and initiatives launched in response to Russia's ban on EU agricultural exports.</p> <p>All dialogues took place as scheduled, except some postponed at request of</p>	<p>100% of contributions in time</p> <p><i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i></p>

<p>and Japan on the agricultural aspects of the respective Free Trade Agreements; Negotiating a stand-alone agreement with China on cooperation on, and protection of, geographical indications</p> <p>Steering the process leading to the protection of EU geographical indications in Central America, in the framework of the agreement with these countries</p> <p>Carrying out dialogues on agricultural issues with some third countries (China, Brazil, India, EPAs) and cooperation activities in the agricultural field</p>	<p>partners (e.g. Dialogue with Japan), to take place instead in 2016.</p> <p>Agriculture sub-committee for CARIFORUM at proposal stage.</p>		
<p>Main outputs in 2015</p>			
Description	Indicator	Current situation	Target
<p>Inclusion of agriculture in bilateral negotiations</p>	<p>Extent to which EU objectives for agricultural market access are included in EU bilateral negotiations in line with Council negotiating directives</p>	<p>Following the conclusion of FTA negotiations, expected enhanced access to market of Viet Nam and Iceland. On-going negotiations in view of improving market access of EU agricultural products to the United States, Japan, Norway, Tunisia. Proposal by COM to grant additional duty free quota of olive oil for Tunisia. DCFTAs in Moldova and Georgia implemented.</p>	<p>Secure EU market access objectives in agriculture (as defined by our negotiating mandates) in all FTA and other bilateral negotiations</p>
<p>Protection of EU geographical indications in bilateral trade agreements</p>	<p>Extent to which EU objectives for the protection of GIs are secured in bilateral agreements</p>	<p>169 EU GIs to be protected in Viet Nam at a level equivalent to the EU one, subject to entry into force of the future FTA. 251 EU GIs protected by Protocol in South Africa, subject to entry into force of the SADC-EPA. Finalisation of negotiations on a GI agreement with Iceland and Morocco. Ongoing negotiations on a GI agreement with Norway.</p>	<p>Obtain a high level of protection of EU GIs in all bilateral free trade agreements being negotiated, as well as in GI-specific agreements.</p>
<p>Reduction of trade irritants and obstacles in third country markets</p>	<p>Extent to which obstacles are reduced or removed</p>	<p>Continuation of efforts in addressing longstanding and recent bans imposed by Russia (based on SPS and/or political grounds) and Turkey. Addressing safeguard</p>	<p>Reduce obstacles to export for major agricultural commodities and products in key overseas markets, including north and Latin</p>

		measures imposed by Serbia, Egypt and Lebanon and other trade irritants by Israel. Continuation of efforts to addressing existing import restrictions in other third countries. Concrete results were obtained in Vietnam for French exports (lifting of embargo for beef products linked to BSE and access for apples). Canada and US reduced restrictions on beef, Turkey resumed imports of live cattle and beef; Brazil removed a series of SPS restrictions on imports from the EU.	America, E Asia and the European neighbourhood.
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Relevant general objectives: The activity contributes to achieving all three general objectives.

Specific objective 3: To promote the EU interests and positions on agriculture and rural development in the relations with enlargement countries and to assist the enlargement countries in their alignment to the CAP Spending programme: EAGF and EAFRD Non-spending

Result indicator: **Timely contribution to the Commission's work in the area of enlargement**
Source: DG AGRI

Baseline (2013)	Target (mid-term)
100% of timely contributions Example: Preparation of screening report for Montenegro.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>

Main outputs in 2015			
Description	Indicator	Current situation	Target
Assisting candidate countries to align themselves to the Common Agricultural Policy in the framework of accession negotiations and preparatory processes	Extent to which candidate countries align themselves to the acquis in the field of agriculture and rural development	Drafting of chapter agriculture in Progress reports completed. Finalisation of negotiations with Kosovo* on agricultural part of the Stabilisation and Association Agreement. Advising Montenegro and Serbia in fulfilling the opening benchmarks for chapter agriculture. Advising on relevant projects for financial support under EU instruments.	All candidate countries to make measurable progress in aligning to the CAP

Description	Indicator	Current situation	Target
Register PDO/PGI/TSG names and publish in the OJ single documents and product specifications, ensure public accurate information concerning registered PDOs and PGIs and TSGs	Legal compliance of examination procedures New PDO/PGI/TSG registered	Done: Internal procedures aligned with the new legislative framework. Number of adopted Commission Implementing Regulations: 110, out of which 62 new PDO/PGI/TSG registered and 48 amendments to product specifications approved.	2016
Draft implementing and delegated acts for wine PDO/PGI		Drafting on-going. First presentation to Member States in December 2015	End 2016
Proposal for aligning rules for geographical indications for spirit drinks with the Lisbon Treaty		Drafting on-going.	End 2016
Contribute to a coherent control system for PDO/PGI/TSG (follow-up of the FVO audit program and related activities)	Contributions to control system	Participation in FVO audits in three Member States (Spain, France, Finland). Contribution to two trainings in the framework of Better Training for Safer Food on controls of specific quality schemes. Seminar for Member States on 1.10.2015 aiming at creation of common control culture.	2015

As regards Regulation on quality schemes for agricultural products and foodstuffs², the Commission registered 110 new names under the new legal framework for registration and protection of PDO/PGI/TSG. Work has started on preparing implementing and delegated acts for wine PDO/PGI. As regards spirit drinks GIs, preparation of rules aligning the legislation with the Lisbon Treaty is under way. The Commission enhanced its efforts to improve the enforcement of the quality policy and of the control systems in the Member States by contributing to trainings on official, by organising a seminar for the Member States on control of PDO/PGI/TSG in the market place, and by participating in FVO audits in the Member States.

Main outputs in 2015			
Description	Indicator	Current situation	Target
Proposal for a new legislative framework on organic production.	Adoption of the Council General approach and EP report.	Ongoing discussion with the two co-legislators. Two trilogues took place in 2015.	2016

Contribute to a coherent control system for organic farming, including imports (follow-up of the FVO audit program and related activities, supervision activities).	Contributions to control system.	Audits in Member States, Third Countries and recognised control bodies carried out in 2015 ¹¹³ .	Ongoing process
Mutual equivalence agreement with third countries	Progress of the negotiations	Finalisation of the bilateral agreement with Korea, conclusion of bilateral agreement with Chile, scope extension with Canada and launch of negotiations with Mexico and Colombia.	Obtain a high level of bilateral recognition.
Recognition of equivalent Control Bodies for the purpose of imports of organic products, including requests for scope extensions, analysis of yearly reports and supervision of already recognised control bodies.	Output delivery	Several reports are analysed and assessed each year.	Ongoing process
Action Plan for the future of organic production in the European Union.	Half of the activities completed.	Activities developed in 2015 among which ¹¹⁴ : conference at EXPO Milano, e-certification development conference on fraud control in Milan, plurilateral agreement negotiation, intensified collaboration with Eurostat.	2020
Electronic certification e-COI for an enhancement of the import control.	Development of the IT system.	The IT part has been finalised, implementing regulation should enter into force in 2016.	Entry into application in 2016
"Organic Farming Information System" aimed in particular at enhancing information flows and the follow-up of irregularities, with Member States, Control Bodies and Third Countries.	IT development of new functionalities.	New Ares classification and e-Domec compliancy of information contained in the EU Irregularities module Module created to link irregularity notifications to Traces.	Throughout 2015

¹¹³ Denmark, Sweden, Lithuania, and Bulgaria. Moreover audits were also carried on in Third countries (3) and on recognised control bodies in third countries (3).

¹¹⁴ Further activities Tender for a study on the added value along the organic food supply chain, launched and concluded,

ABB 07 Audit

Relevant general objective: The activity contributes to achieving all three general objectives.		
Specific objective 1: To provide the Commission with reasonable assurance that Member States have put in place management and control systems in conformity with EU rules designed to ensure the legality and regularity of the underlying transactions financed by the EAGF, EAFRD, SAPARD and IPARD and, where this is not the case, to exclude the expenditure concerned from EU financing so as to protect the EU's financial interests.		
<input type="checkbox"/> Spending programme <input checked="" type="checkbox"/> Non-spending		
Result indicator: Percentage of planned audit missions carried out Source: Multiannual audit work programme for DG AGRI-J for 2015-2018 (2015/2016 programme to be completed by end June 2016)		
Baseline (2013)	Current situation	Target 2015/2016
95.2%	44.8% (as of end of 2015)	100 % of number of audit missions planned for 2015/2016 work programme by mid-2016 <i>The number of audit missions is part of the multi-annual audit work programme of the Directorate for the period 2015-2018.</i>
Result indicator: Timely completion of audit reports and observation letters to Member States Source: DG AGRI		
Baseline (2014)	Current situation	Target 2015/2016
Average of around 47 days to finalise audit reports, and around 73 days for observation letter in national language	Average of around 52.2 calendar days to finalise audit reports, and around 87.9 calendar days for observation letter in national language (as of end 2015)	Deliver according to deadlines ¹¹⁵ : - audit reports to below 60 calendar days - observation letters in national language to below 90 calendar days <i>The targets were agreed via management discussion within Directorate J.</i>
Result indicator: Closure of "backlog": audits carried out in 2012 and before Source: DG AGRI		
Baseline	Current situation	Target 2015/2016
A target of 285 such audits were identified in Directorate J's multi-annual work plan	158 audits have been closed (in 2015)	The target is to close all the 285 audits before end 2016. Milestones: 69 audits to be closed in 2014 (by 12/12/2014 90 audits had been closed) 146 audits to be closed in 2015 70 audits to be closed by end 2016 <i>The target has been set in Directorate J's Multiannual Work Programme (2014-2017) of 11/09/2014</i>

¹¹⁵ Without prejudice to possible changes in the context of the reform of the clearance of accounts procedure.

Result indicator: **Review of the clearance of accounts system** (see also result indicator below on *Timely contribution to CAP towards 2020 legislation*)
 Definition: Review of the rules for the clearance of accounts system and adoption of the implementing and delegated acts
 Source: DG AGRI

Baseline (2014)	Current situation	Target 2015
Commission Implementing Regulation (EU) No 908/2014 and Commission Delegated Regulation (EU) No 907/2014 for the horizontal regulation on the financing, management and monitoring of the CAP were adopted on 06 August and 11 March 2014, respectively.	<i>Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures</i> (C(2015)3675 final) adopted by the Commission 08 June 2015	New guidelines on financial corrections (including identification of key and ancillary controls) to be adopted by the Commission.

ABB 09 Framework Programme for Research and Innovation (Horizon 2020) – Research and innovation related to Agriculture

Relevant general objectives: The activity contributes to achieving all three general objectives and to H2020 general objective "To build an economy based on knowledge and innovation across the whole Union, while contributing to sustainable development."			
Specific objective: Societal challenges - to secure sufficient supplies of safe and high quality food and other bio-based products, by developing productive and resource-efficient primary production systems, fostering related ecosystem services, alongside competitive and low carbon supply chains		<input checked="" type="checkbox"/> Spending programme Horizon 2020 <input type="checkbox"/> Non-spending	
Result indicator: Publications in peer-reviewed high impact journals in the area of SC2 Definition: This indicator measures the number of publications in peer-reviewed high impact journals in a specific societal challenge per €10m of EC-funding¹¹⁶. High impact journals are defined to be the top 10% (in terms of Scimago Journal Ranking (SJR) index) of all journals within a given scientific category. Source: Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline 2013¹¹⁷	Milestone 2019	Current situation	Target 2020
22.7 publications per 10 million € funding (baseline FP7, January 2015)	On average, 20	Programme just started, no publications yet	On average, 20 publications per 10 million € funding On the basis of FP7 results
Result indicator 2: Patent applications in the area of food security¹¹⁸ Definition: This indicator measures the number of patent applications in a specific societal challenge per €10m funding¹¹⁹. Source: Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline 2013	Milestone 2019	Current situation	Target 2020
For FP7 Cooperation projects finished by January 2015: 1.2 patent applications per 10 million € funding	On average, 2	Programme just started, no patent yet	On average, 2 patent applications per 10 million € funding On the basis of FP7 results

¹¹⁶ From the launch of the programme and until a critical mass of finished projects (ca. 10 % of all funded projects) has been reached, information about the two indicators below will be provided in the form of absolute number by the funded projects. On the basis of FP7 data it is considered that this critical mass of finished projects should be reached by 2019.

¹¹⁷ The reference for all the targets is the year when the last actions financed under H2020 will be finished, i.e. several years after the formal end of the programming period.

¹¹⁸ The result indicator was aligned with the respective indicator provided for in the Management Plan 2014 of DG RTD, i.e. reporting on *patent applications* only but not on *patents awarded* (as stated in the Programme Statement DB2014) since no meaningful information (or none at all) can be expected before 2019-2020.

¹¹⁹ No sufficient amount of meaningful data are expected for "patents awarded" before 2020 because of the time that is needed for a patent to be awarded.

ABB 08 Policy Strategy and coordination

Specific objective 1: To inform and increase awareness of the CAP by maintaining an effective and regular dialogue with stakeholders, civil society, and specific target audiences based on two key messages below:

(1) The CAP has provided 50 years of service to European citizens, going beyond food production into public goods delivery.

(2) The CAP is a living policy, evolving with society's needs and expectations:

- meeting the challenges of food security, climate change, sustainable use of natural resources and balanced territorial development,
- increasing the competitiveness of the farming sector, both economic and ecologically,
- contribute to smart, sustainable and inclusive growth in rural Europe in line with "Europe 2020" strategy.

Indicator: **Public awareness of CAP**

Source: Eurobarometer

Baseline	Current situation	Target
<p>The Latest Eurobarometer survey (EB 410 published in March 2014, field research November-December 2013) shows that 92% of Europeans believe that agriculture and rural areas play an important role for their future and that 64% have heard about the support that the EU gives farmers through its CAP. There is a broad consensus that agriculture plays a beneficial role.</p> <p>2009: 41% of those surveyed have heard about the CAP</p>	<p>The Latest Eurobarometer survey (field research October 2015, results published on 6 January 2016) shows that 94% of Europeans believe that agriculture and rural areas play an important role for their future (+ 2 percentage points since the last survey in 2013) and that 69% have heard about the support that the EU gives farmers through its CAP (+ 5 percentage points since the last survey in 2013). There is a broad consensus on the key priorities of the CAP and its contribution to the strategic priorities of the Commission.</p> <p>The next Eurobarometer survey will be conducted in the last quarter of 2017. The results will be published in first quarter of 2018</p>	<p>Maintain and if possible increase awareness of the CAP</p>

Specific objective 2: To facilitate decision-making on strategic choices for the CAP and to support other activities of the DG by means of economic and policy analyses and studies

Indicator: **Timely contribution to the decision-making process for the CAP towards 2020**

Source: Registered documents

Baseline (2013)	Current situation	Target
<ul style="list-style-type: none"> - complementary analyses during negotiations for the CAP 2014-2020, as necessary - publications (among which on internet: short- and medium-term outlook, briefs, market monitoring, statistics) 	<p>100 %</p>	<p>100 % timely deliveries:</p> <ul style="list-style-type: none"> - supporting policy and economic analysis - publication of key documents on the CAP

Indicator: Representativeness of information about the EU farm economic situation collected by the Farm Accountancy Data Network (FADN) Source: EU FADN		
Baseline (2014)	Current situation	Target (2015)
Observed coverage of EU agricultural production in the accounting year 2012: - 94 % coverage of the Standard Output - 93 % coverage of the Utilised Agricultural Area - Farm returns collected: 83 699	Observed coverage of EU agricultural production in the accounting year 2013: - 95 % coverage of the Standard Output - 94 % coverage of the Utilised Agricultural Area - Farm returns collected: 86 840	Observed coverage of EU agricultural production in the accounting year 2013: - 90 % coverage of the EU agricultural production as expressed in Standard Output - 90 % coverage of the Utilised Agricultural Area - Farm returns to be delivered (Reg. 1291/2009 and successive amendments): 86 936
Indicator: Adequate knowledge of Farm structure Source: Eurostat – Farm Structure Survey		
Baseline (2014)	Current situation	Target (2015)
Data of Farm Structure Survey 2013 are expected to be delivered by Member States to Eurostat by December 2014 and made available by Eurostat to users as from first quarter 2015	Data from the 2013 Farm Structure Survey are extensively used in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020	First use of the 2013 Farm Structure Survey data in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020

Specific objective 3: To ensure smart regulation through simplification, impact assessment and evaluation, and analytical support to policy conception and to international negotiations		
Indicator: Common monitoring and evaluation framework for the CAP towards 2020 Source: DG AGRI task Force on Monitoring and Evaluation		
Baseline (2014)	Current situation	Target (2015)
Comprehensive framework for the monitoring and evaluation of the whole CAP	Common Monitoring and evaluation Framework in place. Meetings of the expert group on M&E (17.3.2015-25.6.2015-12.11.2015) CMEF discussed in agri management meeting+2 meetings task force M&E Documentation for MS available.	Comprehensive framework for the monitoring and evaluation of the whole CAP in place - 4 meetings with the expert group on M&E; - 2 meetings of DG AGRI task force on M&E; -Starting the compilation of data

Indicator: Degree of implementation of the annual evaluation plan			
Source: Data collected by DG AGRI			
Baseline (2014)	Current situation	Target (mid-term) ¹²⁰	
100 % complete	100 % completed ¹²¹	100 % of evaluations completed/launched according to the initially set timetable - Number of new evaluations launched: 3 - Number of evaluations completed: 4 The evaluations to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated yearly - Launch of 4 framework contracts for evaluating the CAP	
Indicator: Degree of implementation of the annual studies plan set in the evaluation and studies plan			
Source: Data collected by DG AGRI			
Baseline	Current situation	Target (mid-term)	
100 %	completed 100% ¹²²	100 % of studies completed/launched according to the initially set timetable - Number of new studies launched: 6 - Number of studies completed: 5 <i>The studies to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated yearly.</i>	
Indicator: Contribution to the Commission Regulatory Fitness initiative (REFIT)			
Source: DG AGRI files on simplification			
Baseline	Current situation	Target (mid-term)	
Outcome of the mapping of the CAP acquis reported on 17.4.2013 and Commission Communication adopted on 2.10.2013	Contribution and exchanges with SecGen on REFIT initiatives. Timely contribution to the REFIT platform screening exercise: periodical contribution to the "assessment fiches" prepared by SecGen following requests received by the REFIT Platform	Timely contribution to the REFIT initiative including follow-up of the Administrative Burden Reduction programme (ABRplus) upon request of the Secretariat General	
Main output in 2015			
Description	Indicator	Current situation	Target
Reviewing the potential for further simplification in the CAP	Screening of the CAP legislation	Commission internal screening carried out during the first part of 2015. Proposals from MS, EP and stakeholders also screened. Over 1500 proposal	2015

¹²⁰ To be confirmed as the figures presented reflect the situation on 31.12.2013.

¹²¹ Following the better regulation guidelines, two evaluations have afterwards been relabelled as studies

¹²² While all procedures for new studies were launched, for one no contract was attributed

		received (though containing some repeated requests). This exercise resulted in amendments to two set of guidelines to MS and in the modification to 4 Commission level regulations in 2015 (more to come in 2016).	
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Specific objective 4: To support DG AGRI by providing sound legal services and consolidated legal texts thus ensuring that its policies and their implementation are in compliance with the legal framework of the EU

Indicator: **Proportion of positive opinions from the LS in inter-service consultations launched by DG AGRI**

Source: Statistics tool provided by CIS-Net

Baseline (2013)	Current situation	Target (mid-term)
100 %	100%	>90 % of consultations <i>Target was fixed taking into account a minimal margin of manoeuvre for legal disagreements/need to pursuit proposal for policy issues</i>

Indicator: **Rapidity of response on signataires submitted for paraphe on legal issues and on notes submitted asking for legal advice**

Source: Internal Follow-up within Unit I1 (échancier based on Ares)

Baseline (2013)	Current situation	Target (mid-term)
96.01 % of respected deadlines	91.39%	>85 % dealt with within deadlines laid down in the vademecum fixing the rules for legal consultation <i>The vademecum provides for a standard deadline fixed to satisfy Agri services need for quick replies, but at the same time a certain margin of manoeuvre to divert from deadlines is needed to take into account: more difficult/demanding legal problems; exceptional work overload requiring prioritisation of tasks</i>

Specific objective 5: To ensure correct application and enforcement of Common Agricultural Policy law thus contributing to the smooth functioning of the internal market (state aid and infringement procedures).

Indicator: **Timeliness of treatment of all notifications of state aid cases received**

Source:

Baseline (2013)	Current situation	Target (mid-term)
100 % (between 200 and 300 cases each year)	100 %	100 % <i>Legal requirement</i>

Indicator: **Appropriate administrative treatment of all new complaint cases notified (information of complainant)¹²³**

Source: CHAP-EU Pilot Data base

Baseline (2013)	Current situation	Target (mid-term)
100 %	100%	100 % <i>Procedural rules established by the College</i>

¹²³ Refers to both – sound legal analysis and observation of procedures.

Indicator: Timeliness of treatment of all new draft technical standards received Source: TRIS data basis		
Baseline (2013)	Current situation	Target (mid-term)
100 %	100 %	100 % <i>Legal obligation by virtue of Directive (UE) 2015/1535</i>
Indicator: Proportion of agreements from the LS to proposals launched by DG AGRI in the context of the consultation process foreseen by the monthly infringement decision taking-procedure Source: NIF data base		
Baseline (2013)	Current situation	Target (mid-term)
100 %	100%	90 % of consultation Procedural requirement <i>Guidelines on the monthly cycle (04/2013)</i>

Specific objective 6: To implement the Commission planning and programming process and provide full assistance to the Directorate-General in the decision making processes so that it delivers its policy objectives contributing to the overall Commission strategy in an effective, timed, efficient and accountable manner.

Indicator: **Percentage of elements of the Strategic Planning and Programming (SPP) cycle delivered on time**

Source: DG AGRI

Baseline (2013)	Current situation	Target (mid-term)
100%	75% ¹²⁴	100% <i>A timely delivery is crucial for an adequate Commission decision-making process.</i>

Indicator: **Delivery rate (adoption by the College):**

- CWP

- Other Agenda Planning (AP) proposals

Source: Agenda Planning database

Baseline (2013)	Current situation	Target (mid-term)
- 2012 CWP: 0% ¹²⁵ - Other AP proposals: Cancelled: 15% Postponed: 32.5% Adopted: 52.5%	- CWP initiatives: NA - Other AP proposals: Cancelled: 7.48% Postponed: 29.90% Adopted: 62.62%	100% <i>The target is set at 100% in order to foster adequate planning within the DG.</i>

Indicator: **Number of delays in DG AGRI replies to Interservice Consultations (ISC)**

Source: CIS-Net

Baseline (2014)	Current situation	Target (mid-term)
329 out of 3082 (10.6%)	101 out of 2055 (4.91%)	Steady reduction <i>The target is a permanent goal of DG AGRI</i>

¹²⁴ The late delivery of 2015 Management Plan was due to the late availability of certain figures following the delay in the adoption of 2015 Budget.

¹²⁵ All AGRI CWP initiatives 2013 have been postponed (Organic, School schemes) or cancelled (POSEI, Fruit & Vegetables).

Specific objective 7: To maintain continuous dialogue and cooperation with EU institutions, national parliaments, other institutional stakeholders and civil society, including the participation in meetings of the Council, the SCA and working parties, European Parliament, COMAGRI and other committees, as well as attendance to trilogues (accompany & follow-up on the ordinary legislative procedure).

Indicator: **Questions/requests from other Institutions, including Parliamentary Questions, replied to within the deadline**

Source: BASIL and PETITIONS2 (electronic management systems for resp. EP questions and petitions) and data collected by Unit R.4

Baseline (2013)	Current situation	Target (mid-term)
From 1.01.2013 to 31.12.2013, 1354 EP questions (448 lead /906 associated), 3 requests from national parliaments, 64 MEP letters to the Commissioner and 9 letters from MEPs signed by DG and 38 Petitions (20 lead/18 assoc.) were dealt with > 99% replies within deadline	From 1.01.2015 to 31.12.2015, 1932 EP questions (1109 lead /823 associated): 101 MEP letters to the Commissioner, 6 MEP R.4 coordinated letters to the DG: 3 Petitions AGRI CF: 11 Petitions AGRI ASOC: 18 Opinions National Parliaments: 7 99% replies within deadline	Maintain the present high rate of replies within deadline. <i>Target based on historical performance rate.</i>

Indicator: **Participation of the Commissioner and DG AGRI's officials in high level meetings with other EU institutions and advisory groups (civil dialogue groups)**

Source: Data collected by Unit R.4

Baseline (2013)	Current situation	Target
Commissioner's participation in 2013: - 5 times in EP plenary and 4 time in COMAGRI. DG AGRI's participation in 12 plenaries and in 21 meetings of COMAGRI - EESC: in 2013 the Commissioner attended 1 EESC meeting with Chairman Campli. - CoR: in 2013 the Commissioner has attended 1 CoR meeting. Participation of DG AGRI in 10 EESC meetings and 3 CoR meetings - Council meetings: 11 times DG AGRI's participation in 2013: - Council: 11 times - SCA: 28 times - WPs: 42 times - trilogue meetings: 51 DG AGRI participation in pre-GRI: 23 DG AGRI participation in advisory/working groups: 76	Commissioner's participation in 2015: - 5 times in EP plenary and 4 in COMAGRI. DG AGRI's participation in 8 plenaries and in all meetings of COMAGRI EESC: in 2015 the Commissioner attended 1 EESC meeting Participation of DG AGRI in: Section meetings NAT: 6 Plenary: 4 COR: in 2015 the Commissioner attended 1 COR meeting Participation of DG AGRI in: Section meeting NAT: 5 Plenary: 3 DG AGRI's participation in 2015: - Council: 12 times - SCA: 24 times - WPs: 18 times - trilogue meetings: 7 (5 for School Schemes and 2 for organics) DG AGRI participation in pre-GRI: 23 DG AGRI participation in Civil Dialogue Groups /working groups/: 61 - FWG 13 - CDG 48	The Commissioner represents the Commission in the most important meetings Target based on historical figures.

Indicator: Number of overdue recommendations in RAD addressed to AGRI as chef de file Source: RAD ¹²⁶		
Baseline (2013)	Current situation	Target (mid-term)
0	8 overdue (as of 22.01.2016) ¹²⁷	0 <i>Timely implementation of actions is crucial for an effective implementation of discharge recommendations.</i>

¹²⁶ RAD ("Recommendations/Actions/Discharge") is a DG BUDG database to monitor the implementation of European Court of Auditors, Council and European Parliament recommendations.

¹²⁷ All of the overdue recommendations are at DG BUDG's level of "Visa Discharge". They can only be updated when DG BUDG has given its visa discharge.

AWBL 01 Management of the DG

Specific objective 1: To establish, perform, monitor and report on the financing of the CAP and Rural Development so that sound and regular financial management of these policies is assured.		
Indicator: % of budget execution (commitments) with respect to budget appropriations Source: DG BUDG budgetary execution reports/ABAC		
Baseline (2013)	Current situation (2015 provisional figures)	Target (mid-term)
99.9%	99.4% ¹²⁸	99% <i>Whereas ideally the result would be 100% of the size of the agricultural budget and taking into account that MS are responsible for paying out the largest part of the budget and the number of budget lines involved, it is realistic to foresee some under execution. However, based on previous experience and in view of procedures in place, a very high degree of execution has been obtained, so a target only allowing for 1 % deviation has been foreseen (no over execution is possible) which is sound budgetary management</i>
Indicator: % of budget execution (payments) with respect to budget appropriations Source: DG BUDG budgetary execution reports/ABAC		
Baseline (2013)	Current situation (2015 provisional figures)	Target (mid-term)
99.8%	99.9% ¹²⁹	99% <i>Whereas ideally the result would be 100% of the size of the agricultural budget and taking into account that MS are responsible for paying out the largest part of the budget and the number of budget lines involved, it is realistic to foresee some under execution. However, based on previous experience and in view of procedures in place, a very high degree of execution has been obtained, so a target only allowing for 1 % deviation has been foreseen (no over execution is possible) which is sound budgetary management</i>

¹²⁸ Provisional figures taking account of the initial 2015 budget, subsequent transfers and amending budgets. Moreover, the calculation takes into account the Commission decision on carry-over of 2015 commitments to 2016.

¹²⁹ Provisional figures taking account of initial 2015 budget, subsequent transfers and amending budgets and the Commission decision on carry-over of 2015 payments to 2016

Specific objective 2: To define, plan, set-up, maintain and develop high quality Information Technology (IT) infrastructures, tools and services so that (i) the staff is adequately supported in their operation, with the appropriate levels of training and security, and so that (ii) a high quality information system life cycle is assured in support of DG AGRI's activities.

Indicator: **Implementation of the relevant parts of the Schéma Directeur (ICT Investment Plan of DG AGRI)**

Source: Financial execution

Baseline (2013)	Current situation (end 2015)	Target
100%	100%	95%

Indicator: **Servers' availability (averaged over one year)**

Source: IT Infrastructure team

Baseline (2013)	Current situation (end 2015)	Target
>99%	>99%	≥99%

Indicator: **Information Systems User Satisfaction (positive assessment)**

Source: Survey DG AGRI

Baseline (April 2013)	Current situation (end 2015)	Target
83%	88%	>80%

Indicator: **Number of security breaches (new indicator)**

Source: LISO reports

Baseline	Current situation (end 2015)	Target
(New indicator)	7 (no major ones)	No major security breaches

Specific objective 3: To attract, deploy, develop and retain highly qualified staff and provide them with working conditions that support them in the accomplishment of their tasks

Indicator: **Average vacancy rate of available permanent posts**

Source: HR Dashboard

Baseline (2013)	01/01/2015-01/12/2015	Target (mid-term)
7.3%	5.6%	Vacancy rate < or = Commission average (Jan 15-Dec 15: 5.3 %) <i>Target agreed at level of resource director</i>

Indicator: **HR capacity utilisation**¹³⁰

Source: HR Dashboard

Baseline (December 2012-November 2013)	December 2014-November 2015	Target (mid-term)
89.3%	90.3%	Utilisation > or = Commission average (Dec.14-Nov 15: 90.1 %) <i>Target agreed at level of resource director</i>

¹³⁰ Staff time available for allocation to activities after deducting absences (except annual leaves and flexitime Recuperation) and use of flexible working arrangements from the total number of available working days.

Indicator: Management positions held by women ¹³¹ Source: HR Dashboard			
Baseline (01 December 2013)	01/12/2015		Target (mid-term)
24,5 % MM 21.4 % SM	22.9 % MM 20.0 % SM		Reach targets set by DG HR MM AGRI target 2014: 29.6 % SM Commission target 2014: 25 % SM Commission average 01/12/2015: 29.2 % <i>(target agreed at level of resource director)</i>
Indicator: Staff satisfaction with: - job - private/ professional life balance Source: DG HR staff survey 2013			
Baseline (2013)	31/12/2015		Target (mid-term)
Results for very satisfied & satisfied Job satisfaction: 75,6 % Life balance: 66 %	Job satisfaction: 70.5 % Life balance: 53.3 %		Equal or better results than Commission average <i>(target agreed at level of resource director)</i> COM average: Job satisfaction: 68.5 % Life balance: 53.7 %
Indicator: Local Overheads Source: HR Dashboard			
Baseline (2013)	Milestone (2014)	23/01/2015	Target (2016)
18 January 2013 12 %	Equal or below family average: 10.0 %	7.8%	Commission average: 7.7 % <i>(target agreed at level of resource director)</i>

¹³¹ Calculation of targets according to the Commission's Equal Opportunities Strategy 2010-2014: DG specific targets for middle management (MM) baseline is 2010 (in AGRI: 14 female MM=25.9 %; 8 MM retirements expected until end 2014 (2F+6M), target of 50/50 replacement => recruitment of 4 female MM; end value would be 16 female MM=29.6 %). Senior management (SM) targets are for the Commission as a whole. The targets have been adapted to the Commission's Equal Opportunities Strategy 2010-2014.

Specific objective 4: To maintain effective document management system; ensure compliance with personal data protection rules in force, and ensure a high level of transparency and security in DG AGRI.

Indicators:

1. Percentage of filing of documents in DG AGRI

2. % percentage of files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)¹³²

Source: ARES, Composite Indicator

Baseline (2013)	Current situation (2015)	Target (mid-term)
1. 99.85%	98.42%	1. 100% of documents ARES filed
2. 7.25 % files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)	7.7%	2. 0% files in NOMCOM where no documents are filed within the last 12 months <i>e-Domec rules, Composite Indicator, ARES. NOMCOM</i>

Indicator: Respect of deadlines in answering requests for documents

Source: Gestdem (application for managing access to documents requests)

Baseline (2014)	Current situation (2015)	Target (mid-term)
100% (310 requests dealt with within established deadlines)	100% of 267 requests dealt with within established deadlines ¹³³	100% of request for documents answered within established deadlines <i>Regulation (EC) 1049/2001; Gestdem</i>

Indicator: Notification of identified personal data processings in DG AGRI

Source: DPO register

Baseline (2014)	Current situation (2015)	e-Target (mid-term)
97% (32 identified personal data processings, of which 29 are in the register)	97% (36 identified personal data processings, of which 35 are in the register)	100% of identified processings included in the register of the DPO <i>DPO register</i>

¹³² New indicator proposed further to the recommendation included in the IAC Audit report on document management.

¹³³ Prolongations based on Art. 6 (2 and 3) and Art. 7(3) of Regulation 1049/2001 were needed for some complicated requests in order to complete the search for the documents in cooperation with different services of the Commission involved. Those requests require an extensive search and verification of the documents and in most cases numerous consultations with third parties.

Specific objective 5: To implement, maintain and report on an effective and reliable internal control system so that: <ul style="list-style-type: none"> ○ the control procedures put in place give the necessary guarantee concerning the legality and the regularity of the underlying operations; ○ risk of errors in operations is minimised and; ○ reasonable assurance can be given that resources assigned are used according to the principles of sound financial management. 		
Internal Control		
Indicator: Formal compliance with internal control standards- Degree of compliance Source: Yearly assessment of ICS compliance (ICS n° 15)		
Baseline (2013)	Current situation	Target (mid-term)
100%	100%	100% (Internal Control objective)
Indicator: Effective implementation of the internal control standards Source: Yearly assessment of ICS compliance (ICS n° 15)		
Baseline (2013)	Current situation	Target (mid-term)
100% (December 2013)	89%	100% (Internal Control Objective)
Indicator: Support and coordination of the risk management process: Establishment and maintenance of a DG Risk Register with the critical and significant risks Source: Risk Register exercise		
Baseline (2013)	Current situation	Target (mid-term)
Risk Register finalized	2016 Risk register finalised (December 2015)	Keep up-to-date DG Risk Register
Assistance and Central Financial Control, Executive Agencies		
Indicator: Respect of deadline put in the vademecum of Direct management for analysing and giving/refusing visa to incoming dossiers related to financial transactions, financial issues, public procurement and grants Source: DG AGRI		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2015	Target (mid-term)
427 entries (292 for second level ex-ante control and 135 for compliance control) Within 2 days to check the file	- 976 entries* for second level ex-ante control - on average within less than 2 working days to check the file * A file/transaction may be required to several entries if it has been returned to the AOSD for corrections.	within 5 working days for financial issues (for second level ex-ante control) within 10 working days for public procurements and grants (for second level ex-ante control) <i>Target defined in conformity with the rules of the vademecum on Direct management of DG AGRI</i>
Indicator: Respect of deadline put in the vademecum of Direct management for the launching, coordination and adoption of financing decisions Source: DG AGRI		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2015	Target (mid-term)
Ad hoc financing decisions: 4 for operational lines and 2 for administrative lines Adoption within set delays	<ul style="list-style-type: none"> • 4 Financing Decisions for operational lines (1 global for 2016; 1 Ad hoc for 2016 and 2 ad hoc for 2015) 	2 months maximum <i>Target fixed for the preparation of the consolidated documents and the launching of the</i>

	<ul style="list-style-type: none"> and 6 Financing Decisions for administrative lines (1 global 2016 and 5 ad hoc 2014) Adoption within set delays	<i>procedure for the adoption of the financing decisions</i>
Indicator: Respect of deadline put in the vademecum of Direct management for the attribution of designations and sub delegations in the financial circuits		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2015	Target (mid-term)
Within 2 days	Within an average of 2 days	5 working days maximum <i>Target fixed taking into account the necessary time to deal with such files</i>
Indicator: Timely adoption of the documents necessary for the delegation to CHAFEA executive agency¹³⁴ Source : DG AGRI		
Baseline	Data available as of 31/12/2015	Target
<i>New indicator</i>	In 2015, Unit R2 contributed to the preparation of the legislative documents of the Promotion Programme which were adopted in the course of 2015. It also provided legal and financial advice on the rules applicable to the multi-programmes and simple programmes and contributed to the preparation of the Memorandum of Understanding of CHAFEA with the parent DGs, the Promotion Work Programme and the call documents for the Promotion 1 st call of proposals. The handover to CHAFEA is expected to be finalised at the beginning of 2016.	01/01/2016 (for CHAFEA) <i>Indication by the Director of the External Agency during the Steering Committee</i>
Indicator: Respect of the deadline in the preparation of the briefing(s) for the participation of DG AGRI representative in the Steering Committees (in charge of the monitoring of the activities of the Agency)¹³⁵ Source: DG AGRI		
Baseline	Data available as of 31/12/2015	Target
<i>New indicator</i>	For REA: 4 Steering Committees were held in 2015: 25/02; 10/07; 23/10 and 15/12. For each of them	31/12/2015 The Steering Committee meetings are organised at least four times a year

¹³⁴ Indicator updated.

¹³⁵ Indicator replacing the previous one "Establishment of the internal structure for the management and follow up of the administrative and financial issues related to the implementation of the DG AGRI research activities".

	briefings were prepared in due time after analysis of the meeting documents, in collaboration with Unit H5.	
Indicator: Number of trained staff on financial issues Source: DG AGRI		
Baseline (01/01/2014-31/05/2014)	Data available as of 31/12/2015	Target (mid-term)
0	71 (1 workshop on public procurement, 1 on e-tendering and 3 on the expenditure lifecycle in DG AGRI). The discrepancy with the target is due to the cancellation of 3 trainings (2 on public procurement and 1 on the introduction of the expenditure lifecycle in DG AGRI) due to the low rate of registrations form participants. In addition, since November 2015, Unit R2 does not participate anymore to the trainings for the newcomers.	100 <i>Target fixed in order to decrease the risk of errors in financial files due to a lack of training</i>
Key indicators on legality and regularity		
Indicator¹³⁶: Adjusted Error Rate and corrective capacity¹³⁷ Source: DG AGRI AAR 2015		
Baseline (Financial year 2014)	Current situation	<i>Target (Financial year 2015)¹³⁸</i>
EAGF Residual Error Rate: 2.61% Corrective capacity: 1.48%	EAGF Adjusted Error Rate: 1.47% Corrective capacity: 1.72%	Improve the accuracy and transparency of reporting The level of error is not under the control of DG AGRI as the CAP is implemented in shared management by the Member States.
EAFRD Residual Error Rate: 5.09% Corrective capacity: 1.87%	EAFRD Adjusted Error Rate: 4.16% Corrective capacity: 2.49%	
Indicator: Reception of certificates and reports of certification bodies on functioning of paying agencies' internal control systems Source: DG AGRI AAR 2015		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2015)</i>
100 % for financial year 2014	100% ¹³⁹	100 % received to be able to be taken into account for

¹³⁶ Key Performance Indicator 5 presented in the Executive summary.

¹³⁷ Terminology for "adjusted Error Rate" (previously called "Residual Error Rate") and "corrective capacity" as defined by DG AGRI in 2014 AAR.

¹³⁸ The AAR signed in the year N+1 reports on the financial year N.

¹³⁹ CB report of one paying agency was received well after the deadline. Please refer to Annex 10 Part 2 for more details. This is valid also for the 2 following indicators.

		the AAR <i>Required by Regulations 1306/2013 & 885/2006</i>
Indicator: Reception of management declarations¹⁴⁰ signed by the directors of paying agencies Source: DG AGRI AAR		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2015)</i>
100 % for financial year 2014	100%	100 % received to be able to be taken into account for the AAR <i>Required by Regulations 1306/2013 & 885/2006</i>
Indicator: Reception of opinions of certification bodies on statements of assurance Source :DG AGRI AAR 2015		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2015)</i>
100 % for financial year 2014	100%	100 % received to be able to be taken into account for the AAR <i>Required by Regulations 1306/2013 & 885/2006</i>
Indicator: Percentage of expenditure (EAGF + EAFRD) with statistics or 100 % check Source: DG AGRI AAR 2015		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2015)</i>
90.5% for financial year 2014	94%	95 %
Indicator: Reception of opinion of certification bodies on the quality of the on-the-spot controls¹⁴¹ Source: DG AGRI AAR 2014		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2014)</i>
For financial year 2014 (and 2013): EAGF – IACS 97% (100%) EAGF – non IACS 90% (84%) EAFRD – IACS 92% (97%) EAFRD – non IACS 98% (96 %)	N/A	100 % received to be able to be taken into account for the AAR <i>Required by DG AGRI guidelines.</i>
Indicator: Reception of opinions of certification bodies on the accuracy of the control statistics¹⁴² Source: DG AGRI AAR 2014		
Baseline (Financial year 2014)	Current situation	<i>Target 2015 (financial year 2014)</i>
For financial year 2014 and (2013):	N/A	100 % received to be able to be taken into account for

¹⁴⁰ Previously "statements of assurance."

¹⁴¹ This indicator and the following one is not applicable from financial year 2015 onwards as the legal requirements on reporting by the Certification Bodies have changed. Please refer to Annex 10 Part 2 for detailed information.

¹⁴² The indicator "Reception of annual summaries from the coordinating bodies" has been deleted.

EAGF – IACS 95% (97%) EAFRD 97% (95%)		the AAR <i>Required by DG AGRI guidelines.</i>
Sound financial management		
<i>Indicator: Level of financial corrections</i> <i>Source: Conformity clearance decisions (EUR-Lex)</i>		
Baseline (2014)	Current situation	Target (mid-term)
Conformity clearance decisions adopted for € 443.12million - Decision 44: 2014/191/EU of 04/04/2014 for € 314.98 million - Decision 45: 2014/458/EU of 09/07/2014 for € 51.59 million - Decision 46: 2014/950/EU of 19/12/2014 for € 76.55 million	Conformity clearance decisions adopted for € 2,553.16 million - Decision 47: 2015/103/EU of 16/01/2015 for € 1,409.11 million - Decision 48: 2015/1119/EU of 22/06/2015 for € 868.35 million - Decision 49: 2015/2098/EU of 13/11/2015 for € 275.70 million	700 mio € N.B. While around 700 mio € is clawed back to the EU budget each year via conformity clearance decisions, the attainment of a certain level of financial correction is not an objective per se – rather, the aim is to ensure that management and control systems function correctly and that EU funds are thus spent correctly. 700 mio € is the best available estimate of financial correction based on historic averages.

Specific objective 6: To implement and develop the DG AGRI Anti-fraud Strategy by		
<ul style="list-style-type: none"> - Raising awareness for fraud against the CAP budget and sharing intelligence on fraud cases, their detection and among staff of the DG, - Sharing intelligence on fraud cases, their detection and prevention with the relevant authorities in Member States, - Maintaining operational contacts with the European Anti-fraud Office (OLAF) and disseminate the relevant reports within DG AGRI as appropriate. 		
<i>Indicator: Development and implementation of DG AGRI's anti-fraud strategy</i> <i>Source: DG AGRI Anti-fraud Strategy</i>		
Baseline (2012)	Current situation	Target (mid-term)
Continued development of the DG AGRI Anti-fraud Strategy (AFS)	In 2015, the AGRI AFS has been revised once following an IAS audit on the effectiveness and adequacy of the implementation of the Commission's AFS by DGs (adopted by the Director-General on 18 January 2016): It states that the Anti-fraud Adviser shall also report yearly to Directorate J information related to fraud and irregularities that could be considered in the central risk assessment prior to adopting the audit plan. It now considers the fact that the implementation of	<ul style="list-style-type: none"> • Revise the DG AGRI Anti-fraud Strategy and its action plan and – if a revision proves necessary – present the revised version for adoption (target date: 30 June 2015) • Revise and complete the internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases, and – if a revision proves necessary – present the revised version for adoption

	<p>promotion actions has been entrusted to CHAFEA.</p> <p>It also foresees offering dedicated seminars on irregularities and fraud in IPARD investment projects to the competent bodies in Montenegro, Serbia and Albania once decentralised management has been conferred to them.</p> <p>It has aligned the objectives and indicators to those contained in the Annual Management Plan and has updated the action points.</p> <p>The internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases has not been updated in 2015.</p>	<p>(target date: 30 June 2015)</p> <p><i>These targets are laid down in the DG AGRI Anti-fraud Strategy and its action plan</i></p>
<p>Indicator: Prevention of fraud <i>Source: DG AGRI Anti-fraud Strategy</i></p>		
<p><i>Baseline (2012)</i></p>	<p>Current situation</p>	<p><i>Target (mid-term)</i></p>
<p>Continued implementation of the DG AGRI Anti-fraud Strategy</p>	<p>On 17/06/2015, dedicated training has been provided to desk officers in RD geographical units. Together with the events of 2014, some 100 desk officers in total have attended this training</p> <p>On 06/07/2015, awareness training has been held on fraud in public procurement. Primary addressees: Middle management involved in such procedures.</p> <p>Throughout 2015, 19 seminars on fraud detection and prevention have been delivered to operational staff of Paying Agencies/Managing Authorities in 12 Member States (Belgium (Wallonia), Netherlands, Hungary, United Kingdom, Luxemburg, France, Lithuania, Spain, Italy, Malta, Poland, Croatia). These seminars have concluded the initiative launched in late 2013. All in all, 46 such seminars have been delivered to all MS with</p>	<ul style="list-style-type: none"> • Deploy further training to raise fraud awareness among general staff of DG AGRI. Target: 1 SYSLOG training by the end of 2015 • Deploy specific training to raise fraud awareness among desk officers of geographical units for Rural Development of DG AGRI. Target: 1 SYSLOG training by 30 June 2015. • Develop an interactive IT platform for Paying Agencies for fraud awareness and the exchange of fraud-related information. Target date: end of 2015. • Continue deploying specific fraud detection and prevention training to operational staff of Paying Agencies in the Member States.

	an overall attendance of close to 3.800 participants. The development of an interactive IT platform for Paying Agencies for fraud awareness and the exchange of fraud-related information (one of the 2015 targets) has been discontinued in view of the excessive resource requirements.	Target: Cover all Member States by the end of June 2015. <ul style="list-style-type: none"> Disseminate OLAF reports to the relevant units inside DG AGRI and record the follow-up actions undertaken. These targets are (without quantification) laid down in the DG AGRI Anti-fraud Strategy and its action plan.
Indicator: Timely referral of denunciations to OLAF for investigation		
<i>Source: DG AGRI Anti-fraud Strategy</i>		
<i>Baseline (2013)</i>	<i>Current situation</i>	<i>Target (mid-term)</i>
100% (33 cases referred)	In 2015, 14 denunciations were referred to OLAF (100% timely referral).	100 % <i>Regulation (EU, Euratom) No 883/2013 of the European Parliament and of the Council of 11 September 2013 concerning investigations conducted by the European Anti-Fraud Office (OLAF)</i>

Specific objective 7: To establish, perform, monitor and report on the accounting execution of the CAP and Rural Development so that reliable and timely production of the accounts of DG AGRI is assured.		
Indicator: % of accounting execution (charges 1 year) with respect to cut-off EAGF + EAFRD – entitlements		
<i>Baseline (2014)</i>	<i>Current situation (2015)</i>	<i>Target (mid-term)</i>
EAGF:98.44% EAFRD: 86.6%	EAGF:92.23% EAFRD: 87.7%	80-120 %
Indicator: % of accounting execution (charges 6 months) with respect to cut-off EAFRD - investments		
<i>Baseline (2014)</i>	<i>Current situation (2015)</i>	<i>Target (mid-term)</i>
116%	90.12%	80-120 %

ANNEX 12: Court of Auditors' special reports

1) Special Report 23/2014: Errors in rural development spending: what are the causes, and how are they being addressed?

The Special Report 23/2014 "*Errors in rural development spending: what are the causes, and how are they being addressed?*" published on 17 February 2015 concluded that the complexity of rural development policy and Member States' weak control systems are the chief causes of the high error rate in spending. Most of the errors could and should have been detected and corrected. The Member States' control systems are deficient because checks were not exhaustive enough and were based on insufficient information. The auditors found that the Commission is moving in the right direction in addressing the causes of error through action plans. In Court's opinion, the Commission's review and approval of rural development programmes and the Member States' implementation of national regulatory frameworks have the greatest potential for reducing errors in rural development spending.

In order to address the shortcomings, the Court recommended to the Commission and the Member States to:

- complete the corrective actions by continuing to focus on the root causes of error for rural development spending. In this regard, preventive and corrective actions should be taken by the Member States concerning public procurement, the intentional circumvention of rules and agri-environment payments;
- monitor the implementation of rural development programmes. Commission's conformity audits should take account of the applicable rules, including those adopted at national level in order to reduce the risk of repeating weaknesses and errors.

In its response to the Court's findings and recommendations, the Commission made the following observations:

- Rural development is managed under shared management: the Member States are primarily accountable for the implementation and control systems while the Commission assumes the supervisory role. Indeed, the vast majority of irregularities (84%) are related to non-compliance with national or regional implementing rules.
- A high error rate (8.2%) in rural development expenditure does not mean that the misstated amounts have been misused or that policy objectives have not been attained.
- The Commission disposes of and applies corrective mechanisms. Financial corrections have been imposed on the Member States concerned in order to protect the EU budget. Furthermore, where the shortcomings are found, Member States concerned are required to take remedial actions.
- The Commission ensures regular exchanges with the Member States on error-rate related issues and has provided a comprehensive set of guidance documents on rural development measures and other relevant horizontal topics (e.g. simplified cost options, public procurement rules).
- The new legal framework for 2014-2020 CAP contains factors which may address the causes of errors (e.g. limited number of detailed requirements, lump sum payments, flat rates or standard costs). The ex-ante analysis of the rural development programmes has been reinforced with the managing authorities and paying agencies undertaking an ex-ante assessment of the verifiability and controllability of the measures programmed. Moreover, the Commission disposes now of preventive tools such as suspensions and interruptions, which should have a deterrent effect on errors.

- The Commission will keep on monitoring the implementation of the action plans, both from the audit and operational perspectives, through bilateral meetings, monitoring committees, annual review meetings and dedicated seminars.
- The Commission will continue providing the Member States with the recommendations and guidelines, as well as disseminating best practices to improve the control systems in order to avoid errors. The European Network for Rural Development is already playing a major role in the training and dissemination of good practices in the Member States.
- However, to achieve the policy goals of the rural development policy a certain degree of complexity in the implementation of the policy is unavoidable. In this context, it has to be recognised that it will be very difficult to reach a 2% or lower error rate without deploying unreasonable control resources at a prohibitive cost.

2) Special Report 24/2014: Is EU support for preventing and restoring damage to forests caused by fire and natural disasters well managed?

The Special Report 24/2014 "*Is EU support for preventing and restoring damage to forests caused by fire and natural disasters well managed?*" published on 24 February 2015 revealed that EU funding for preventing forest fires and restoring forests damaged by natural disasters and fire was not sufficiently well-managed and it was not possible to demonstrate that the intended results of the funding were achieved in a cost-effective way. In addition, the environmental objectives were given insufficient priority during the selection of actions and were sometimes overlooked at the implementation stage.

In order to address the shortcomings, the Court recommended to the Commission and the Member States to:

- enhance the environmental protective impact of the support by prioritising the most environmentally valuable forests, such as Natura 2000 forest areas;
- ensure that only actions linked to natural disasters or fire are supported;
- report back on the reductions achieved in the damage caused by fires and/or natural disasters as a result of the actions funded;
- set out common criteria for forest areas to be classified as being at low, medium or high fire risk;
- verify that the Member States have established an appropriate control system;
- improve its monitoring to ensure that Member States spend the funding appropriately.

In its response to the Court's findings and recommendations, the Commission made the following observations:

- In the 2014-2020 programming period, a revised measure for forest protection and restoration is available which can provide support to deal with forest fires, natural disasters, catastrophic events, pests and diseases under the condition that the risk of a relevant disaster occurrence is supported by scientific evidence and acknowledged by scientific public organisations.
- Lessons learnt from the previous programming periods will be applied to the new measure (e.g. guidance fiches have been prepared in order to ensure that the Member States use the measure correctly and Member States will have to better specify their needs for support).
- The Commission will examine with national authorities the possibility of the appropriate level of action in the field of common basic criteria to differentiate forest areas to be classified as low, medium and high fire risk.

- In order to get valuable evaluation results earlier, an enhanced Annual Implementation Report will be introduced in 2019. This enhanced AIR will provide an assessment of programme results and, when possible, an assessment of impacts.
- In the framework of its conformity audits the Commission will continue to verify that the expenditure paid is in compliance with the rules and apply financial corrections where weaknesses are found.

3) Technical assistance: what contribution has it made to agriculture and rural development?

The special report 4/2015 "*Technical assistance: what contribution has it made to agriculture and rural development?*" published on 24 April 2015 criticises the Commission and the Member States for not being able to demonstrate how well the use of technical assistance in agriculture and rural development has contributed to the objectives of the CAP. The Court found that the financing of rural networking activities offered the best potential for the use of the technical assistance such as rural networks, which aim to increase cooperation, knowledge-sharing and innovation in the agricultural sector.

In order to address the shortcomings identified by the Court, the following recommendations have been made to the Commission and the Member States:

- The Commission should clarify the scope and application of technical assistance of Member States. In particular, it should clarify the distinction between operational/"capacity-building" expenditure and eligible administrative/"budget support" costs, notably in the case of payroll. Such clarification would improve transparency about the ways funding can be used. The Commission should closely monitor the Member States' implementation of technical assistance.
- The Commission should take appropriate measures to ensure that general administrative expenditure such as regular IT maintenance is not charged to technical assistance budget lines.
- The Commission, in future, should require Member States to report administrative "budget support" costs for rural development separately so as to make it more transparent that part of technical assistance funding is spent on such support.
- The Commission and the Member States should establish a suitable performance framework for technical assistance funding.

In its response to the Court's findings and recommendations, the Commission made the following observations:

- The legislator adopted a flexible and wide approach for the use of technical assistance by the Member States. The freedom of choice resulting from the regulatory flexibility is needed to cope with the large variety of needs encountered by national and regional authorities.
- The implementation of the ambitious rural development policy objectives and a sound financial management of EU funding require solid administrative capacity in the Member States. To this end, an increased use of technical assistance was made available in order to ensure an accurate implementation of the RDPs.
- Technical assistance supports the implementation of the key objectives of the policy, which would not be achieved in the absence of such funding. Therefore, technical assistance expenditure does not divert substantial resources from the objectives of the policy, but on the contrary, reinforces the implementation of the RDPs.
- The Commission encourages the Member States to ensure that the administrative

costs financed through technical assistance, including staff costs, are clearly determined. As regards the 2014-2020 programming period, the Commission has issued guidance to the Member States with specific information on how to finance administrative costs.

- Administrative costs supported by technical assistance must be clearly linked to the implementation of the RDPs. Under shared management, Member States must ensure that the EU budget is spent in accordance with the principles of economy, efficiency and effectiveness.
- IT maintenance is an operational activity linked to the update and development of the systems. In accordance with Commission's budgetary guidelines for the shared management programmes on the use of the operational and the non-operational (administrative) technical assistance, all types of IT costs, whether related to IT development or IT maintenance, should always be charged in the same budget line as their respective IT development costs. This approach strengthens the budgetary discipline and consistency in all shared management areas of the Commission's budget.
- The monitoring and evaluation of technical assistance spending is embedded in the monitoring and evaluation of the RDPs. Given the wide variety of needs covered by technical assistance, separating its monitoring and evaluation from the RDPs would require a costly framework to follow up a relatively low expenditure.
- As regards the 2014-2014 programming period, the Commission will encourage the Member States to use adequate indicators for the monitoring of the technical assistance expenditure, although it will not make it compulsory. In the medium/long-term, the Commission will adapt the current set of output indicators established under Regulation 808/2014 in order to better reflect the actual contribution of technical assistance to the overall implementation of the RDPs.

4) Are financial instruments a successful and promising tool in the rural development area?

The special report 5/2015 "*Are financial instruments a successful and promising tool in the rural development area?*" published on 28 April 2015 concluded that financial instruments (loan and guarantee funds) have so far been unsuccessful in the field of rural development. This is mainly because they were overcapitalised and did not fulfil their potential in terms of the desired leverage and revolving effects. The framework for 2014-2020 has the potential to improve these instruments, but obstacles to their more extensive use remain.

The following recommendations have been made to the Commission and the Member States:

- In order to increase incentives for Member States to set up financial instruments for rural development, the Commission should identify the challenges, specific characteristics and obstacles faced in this field and actively encourage Member States to use such instruments where appropriate. In order to stimulate demand, an option for Member States could be to set a certain share of the available EAFRD budget aside for financial instruments and make those instruments more attractive than grants in clearly defined circumstances.
- The Commission should provide guidance and actively promote the quality of the mandatory ex ante assessments for financial instruments, which are intended to serve as key tools to avoid overcapitalisation. In addition, the risk exposure ratio used should be validated by Member States by appropriate technical expertise.
- In order to increase the effectiveness of the financial instruments for the programming period 2014-2020, the Commission should set appropriate standards and targets for leverage and revolving effects.

- In order to promote the long-term effects of financial instruments, the Commission and the Member States should decide on clear transitional rules between programming periods. The Member States should implement the new legal provisions in such a way as to ensure the greatest level of flexibility. In this context, the Commission could encourage Member States to establish a single financial instrument which is able to provide both loans and guarantees, thus increasing its activity and critical mass.
- Member States should pay particular attention to potential deadweight or displacement effects when assessing applications for funding. In order to do so, they should apply appropriate indicators, such as return on investment and projected cash flow statements. For eligible activities, where the risk of deadweight/displacement effects is particularly high, financial instruments could become the preferred option. Member States should examine how grants and financial instruments can be combined to provide the best value for money, by optimizing leverage/revolving effects.
- The Commission should provide in due time in 2015 precise operational implementing rules before the closure of the 2007-2013 programming period, including the exit policy.

The Commission accepted all the recommendations and made the following comments in its response to the Court's findings and observations:

- In accordance with the principles of subsidiarity and shared management, the setting up of financial instruments, their implementation and the evaluation of the demand are the responsibility of the Member States.
- The Commission acknowledges that the implementation of financial instruments under the EAFRD in 2007-2013 was a relatively new concept for some Member States which required a learning process and had an impact on the use of financial instruments. Assessing the overall impact of the financial instruments in 2007-2013 can only be done after sufficient time has passed. More detailed results are expected in the context of the ex-post evaluations which will be carried out by the Member States in 2017. Moreover, the assessment of the financial instruments should be made in the context of the financial crisis affecting the access to finance in some Member States.
- In order to encourage a more intensive use of the financial instruments and the achievement of the expected benefits, a number of changes has been also made in the 2014-2020 legislation:
 - Additional incentives have been provided to the Member States to stimulate the use of the financial instruments such as a higher co-financing rate, pre-financing of investments, different eligibility of VAT, eligibility of working capital and the possibility to use ready-to-implement models such as the off-the-shelf models.
 - The issue of overcapitalisation has been addressed by the provisions of Article 41 of Regulation (EU) No 1303/2013 where phased-in payments, based on achievement of concrete disbursement results, have been introduced as a general rule for all the financial instruments.
 - An ex-ante assessment has been made obligatory for any operation including the FI co-financed by the EAFRD. Such ex-ante assessments shall take into account the current market practices for similar operations.
 - The key performance issues have been addressed in the monitoring of the financial instruments, as defined in Article 46 of Regulation (EU) No 1303/2013.

- Overall, it is considered that rural development specificities are well addressed by various investment measures defined in Regulation (EU) No 1305/2013 and the general rules on the financial instruments common to all ESIF.
- Moreover, the Commission has deployed intensive promotion and information activities on the use of financial instruments in the framework of rural development committees, networks and bilateral meetings with the Member States, by organising trainings and awareness raising activities and adopting comprehensive guidelines.

5) Special Report 12/2015: The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures

The Special Report 12/2015 *"The EU priority of promoting a knowledge-based rural economy has been affected by poor management of knowledge-transfer and advisory measures"* published on 20 October 2015 identified inadequate management procedures by the Member States and insufficient supervision by the European Commission. Member States relied too much on trainers' proposals and considered any type of training as 'good' and eligible for public funding. Insufficient analysis of the proposals risked financing irrelevant activities and duplicating training activities readily available.

The Court recommended to:

- select training activities that respond to skills needs identified through a recurrent analysis, and should avoid the risk of the selection process becoming provider-driven;
- improve their assessment of the qualifications and experience of training providers;
- assess the need to support activities that are readily available on the market at a reasonable price.

In its response to the Court's findings and recommendations, the Commission made the following observations:

- Knowledge-transfer and advisory measures supported by the EAFRD and co-funded by the Member States are subject to shared management by the Commission and the Member States. The Member States are responsible for the implementation of the programmes and for the selection of the projects to which funding is allocated.
- The role of the Commission is to support the Member States in the implementation of the measures and in this context the Commission has always assumed its supervisory obligations.
- The systems in place for ensuring that the costs of the projects are reasonable are assessed in the framework of conformity audits. In cases of non-compliance, financial corrections are applied.
- As regards the issue of complementarity among the existing EU funding, the legislative framework for the 2014-2020 programming period reinforces complementarity and coordination with a view to avoiding overlapping activities at EU and Member State level, notably through Partnership Agreements. Moreover, the Monitoring Committees in the Member States are in charge of ensuring the correct implementation of the programmes and supervise the complementarity between all EU funds for instance by the setting up of joint monitoring committees.

ANNEX 13: Abbreviations

Abbreviation	Full text
A	
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
AMIS	Agricultural Market Information System
ARES	Advanced Records System
AT	Austria
AWBM	Activity Without Budgetary Measure
AWU	Annual Work Unit
B	
BE	Belgium
BG	Bulgaria
BiH	Bosnia-Herzegovina
C	
CAP	Common Agricultural Policy
CB	Certification Body
CETA	EU-Canada Free Trade Agreement
CNDPs	Complementary National Direct Payments
COAM	Common Organisation of Agricultural Markets
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
CWP	Commission Work Programme
CY	Cyprus
CZ	Czech Republic
D	
DDA	Doha Development Agenda
DE	Germany
DG	Directorate-General
DG AGRI	Directorate-General for Agriculture and rural development
DG DEVCO	Directorate-General for Development and cooperation – EuropeAid
DG ECFIN	Directorate-General for Economic and Financial Affairs
DG ELARG	Directorate-General for Enlargement
DG EMPL	Directorate-General for Employment, Social Affairs and Inclusion
DG ENTR	Directorate-General for Enterprise and Industry
DG ESTAT	Eurostat
DG JUST	Directorate-General for Justice
DG REGIO	Directorate-General for Regional and Urban Policy
DG SANCO	Directorate-General for Health and Consumers
DG TRADE	Directorate-General for Trade
DK	Denmark
E	
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
ECA	European Court of Auditors
EE	Estonia
EFA	Environmental Focus Area
EIP	European Innovation Partnership
EL	Greece
ENRD	European Network for Rural Development
EP	European Parliament

Abbreviation	Full text
ES	Spain
ESIF	European Structural and Investment Funds
EU	European Union
EUR (€)	Euro
F	
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FI	Finland
FTA	Free Trade Agreement
FR	France
FVO	Food and Veterinary Office
FYRoM	Former Yugoslav Republic of Macedonia
G	
GAEC	Good Agricultural and Environmental Conditions
GI	Geographical Indications
GR	Greece
GVA	Gross Value Added
H	
HNV	High Nature Value
HR	Croatia
HR	Human Resources
HU	Hungary
I	
IACS	Integrated Administration and Control System
IAC	Internal Audit Capability
IAS	Internal Audit Service
ICT	Information and Communication Technology
IE	Ireland
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IT	Italy
IT	Information Technology
J	
JRC	Joint Research Centre
L	
LAG	Local Action Group
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LPIS	Land Parcel Identification System
LT	Lithuania
LU	Luxemburg
LV	Latvia
M	
MAFA	Multi Annual Financing Agreement (SAPARD)
ME	Montenegro
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework
MoU	Memorandum of Understanding
MS	Member State
MT	Malta

Abbreviation	Full text
N	
NAO	National Authorizing Officer
NIPAC	National 'Instrument for Pre-accession Assistance' Coordinator
NL	Netherlands
NRN	National Rural Networks
O	
OJ	Official Journal
OLAF	Office de Lutte Antifraude
P	
PA	Paying Agency
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMO	Office for Administration and Payment of Individual Entitlements
POSEI	Programme d'Options Spécifiques à l'Éloignement et l'Insularité
PPS	Purchase Power Standards
PT	Portugal
R	
RD	Rural Development
RDP	Rural Development Programme
RO	Romania
S	
SAPARD	Special Accession Programme for Agriculture and Rural Development
SAPS	Single Area Payment Scheme
SC	Societal Challenge (Horizon 2020)
SE	Sweden
SI	Slovenia
SK	Slovakia
SPS	Single Payment Scheme
SR	Special Report
T	
TFEU	Treaty on the Functioning of the European Union
ToR	Terms of Reference
TR	Turkey
TSG	Traditional Specialities Guaranteed
U	
UK	United Kingdom
W	
WTO	World Trade Organization