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European Commission

2019

Annual Activity Report

Annexes

Directorate-General for Agriculture and Rural Development

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ANNEX 1: Statement of the Deputy Director-General in charge of Risk Management and Internal Control[1]

I declare that in accordance with the Commission's communication on the internal control framework[2], I have reported my advice and recommendations on the overall state of internal control in the DG to the Director-General.

I hereby certify that the information provided in the present Annual Activity Report and in its annexes is, to the best of my knowledge, accurate and complete.

23 April 2020

(e-signed)

[Michael Scannell]
Acting Deputy Director-General in charge of Risk Management and Internal Control

[1] *In DG AGRI, the Deputy-Director-General in charge of Directorates G, H and I is entrusted with the Risk Management and Internal Control (RMIC) function.*
[2] C(2017)2373 of 19.04.2017.

ANNEX 2: Reporting – Human Resources, Better Regulation, Information Management and External Communication

This annex is the annex of section 2.2 "Other organisational management dimensions".

2.2.1 Human Resource Management

Objective (mandatory): The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
Indicator 1 (mandatory): Percentage of female representation in middle management **Source of data:** - SEC(2015)336: targets for female representation in management functions in the Commission for the years 2015-2019. - SEC(2017)359: quantitative targets of first female appointments to be made per Directorate-General and service at middle management level by 1 November 2019		
Baseline (01/01/2016)	Target (2019)	Latest known results (2019)
26.5%	35% *Targets for each Directorate-General adopted by the Commission on 15/07/15 – SEC(2015)336* 57% (4 out of 7) = DG AGRI's quantitative target for first appointments to middle management 2017-2019 (*adopted by the Commission on 19/07/17 – SEC(2017)359)*	42.2 % (Commission: 41.6 %) 75% (9 out of 12)
Indicator 2 (mandatory): Percentage of staff who feel that the Commission cares about their well-being **Source of data:** Commission staff survey		
Baseline (2014)	Target	Latest known results (2019)
31%	Reach a result above Commission average (35% in 2014)	50% (Commission: 52%)
Indicator 3 (mandatory): Staff engagement index **Source of data:** Commission staff survey		
Baseline (2014)	Target	Latest known results (2019)
65.3	Maintain a result above Commission average (65% in 2014)	71% (Commission: 69%)

Main outputs in 2019:			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Efficient and effective staff allocation	Vacancy rate	= or < Commission average	7.21% (Commission 7.64%)
Strategic, forward planning HR management	Posts returned to DG HR (i.e. surcharges)	Within deadlines	All posts were returned within deadlines.

Women in management positions in close cooperation with DG HR	First female appointments at middle management level	Target reached by 1.11.2019	Four female managers were appointed in 2018, meaning that the target was met. Five more 'first' female managers were appointed in 2019.
Staff allocation according to interest and competences	Overall job satisfaction	= or > Commission average results in next staff survey	81% (Commission: 81%)
Staff health	Sick leave rate	= or < Commission average for the same period	4.5% (Commission: 4.2%)
Staff well-being in cooperation with DG HR/Medical Service.	Well-being indicator in Commission staff survey	= or > Commission average results in next staff survey	50% (Commission: 52%)
Management of administrative budget	Budget execution (commitments)	> 97% by end of the year	100%
Internal communication	Staff has appropriate and timely information to perform well at work	= or > Commission average results in next staff survey	68% (Commission: 63%)
Action plan as follow-up of staff opinion survey 2018	Approval of action plan by Director-General	By end of Q2 2019 subject to results available in January 2019	Results of the staff survey were made available in March 2019. Senior management endorsed the final action plan in December 2019.

2.2.2 Better Regulation

Objective (mandatory): Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.			
Indicator 1 (mandatory – monitored by the DGs concerned): Percentage of Impact assessments submitted by DG AGRI to the Regulatory Scrutiny Board that received a favourable opinion on first submission. **Explanation:** The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices. **Source of data: -**			
Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2019)
68% = Commission average in 2014 N/A for DG AGRI (no Impact assessment in 2015)	*Positive trend compared to DG's 2014 situation.*	*Positive trend compared to DG's 2018 situation.*	N/A

Indicator 2 (mandatory – monitored by the DGs concerned): Percentage of the DG's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years. **Explanation:** Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose. **Relevance of Indicator 2:** The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase. **Source of data: -**			
Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2019)
64%[3]		70%	71%
Indicator: Common monitoring and evaluation framework for the CAP towards 2020 **Source:** DG AGRI task Force on Monitoring and Evaluation			
Baseline (2015)	Target (2015)		Latest known results (2019)
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 of the 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		4 meetings of the expert group on M&E held in 2019. All the CMEF data was published end 2018 and updated in 2019. The work focused in 2019 on the new Performance Monitoring and Evaluation Framework (PMEF). The PMEF WG met 13 times to draft all new indicator fiches.
Indicator: Degree of implementation of the annual evaluation plan **Source:** Data collected by DG AGRI			
Baseline (2015)	Target (mid-term)		Latest known results (2019)
100 %	100 % of evaluations completed / launched according to the initially set timetable 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 at least yearly.		80% of evaluations foreseen for launch in 2019 launched[4]; 100% of support studies finalised. Staff working documents linked to evaluations still to be finalised.

[3] This figure excludes spending-related acquis, individual and temporary measures.
[4] The "Synthesis and cross-thematic evaluations" under Framework contract 4 was not launched, because no need of Synthesis of input from public consultations was identified.

Indicator: Degree of implementation of the annual studies plan set in the evaluation and studies plan **Source:** Data collected by DG AGRI		
Baseline (2015)	Target (mid-term)	Latest known results (2019)
100 %	100 % of studies completed/launched according to the initially set timetable *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.*	100%
Indicator: Contribution to the Commission Regulatory Fitness initiative (REFIT) **Source: DG AGRI files on simplification**		
Baseline (2015)	Target	Latest known results (2019)
Contribution and exchanges with SG on REFIT initiatives. Timely contribution to the REFIT platform screening exercise: periodical contribution to the "assessment fiches" prepared by SG 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	100% (8 contributions to REFIT platform in 2019)

Objective: To provide sound legal services and to ensure correct application and enforcement of the CAP law		
Indicator: Proportion of positive opinions from the Legal service in Inter-service consultations launched by DG AGRI **Source of data:** Decide		
Baseline (2015)	Target	Latest known results (2019)
100%	>90 % of consultations *Target was fixed taking into account a minimal margin of manoeuvre for legal disagreements/need to pursuit proposal for policy issues.*	1 Negative opinion from the LS was received in 2019 (on a GI registration – Blanc-Bleu-Belge)
Indicator: Timeliness of treatment of notifications of state aid cases **Source of data:** ISIS database		
Baseline (2015)	Target	Latest known results (2019)
100%	100% *Legal requirement*	100%

Indicator: Proportion of agreements from the Legal service to proposals launched by DG AGRI in the context of the infringement procedure **Source of data:** NIF data base		
Baseline (2017)	Target	Latest known results (2019)
100%	90% of consultation *Procedural requirement* *Internal Guideline "Monitoring the application of EU Law (C(2017)4973final)*	100%

Objective: To ensure an effective and efficient planning and programming process and to support the preparation and adoption of agricultural legislation		
Indicator: Implementation of the performance culture in DG AGRI **Source of data:**		
Baseline (2015)	Target	Latest known results (2019)
Active involvement in Budget Focused On Results initiative, including the participation of Commissioner Hogan at the BFOR conference Development of a more focused performance reporting in the AAR Creation of a network of performance correspondents	Continuous improvement	DG AGRI contributes actively to the Inter-Service Group on the EU Budget Performance Indicators. In June 2018, the Commission presented its proposal for the CAP for the period post 2020, underlining the commitment to move away from a compliance based to a new performance and results based CAP delivery model. Discussions with the co-legislators are on-going. New section of "performance information" in Programme Statements providing input for the (first) annual performance report of the European Court of auditors.
Indicator: Timely attribution of incoming Inter-service consultations to DG AGRI units **Source of data: Decide Consultation**		
Baseline (2015)	Target	Latest known results (2019)
101 out of 2055 (4.91%) delayed	*100%*	100% of the 2340 ISCs received by DG AGRI in 2019

2.2.3 Information management aspects

Objective (mandatory): Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator (mandatory): Percentage of registered documents that are not filed (ratio) **Source of data:** Hermes-Ares-NomCom (HAN) statistics		
Baseline	Target	Latest known results (2019)
2014: 482 docs = 0.15% 2015: 924 docs = 0.24%	0%	1.243 docs = 0.19%
Indicator (mandatory): Percentage of HAN files readable/accessible by all units in the DG **Source of data:** HAN statistics		
Baseline	Target	Latest known results (2019)
2015: 82.58%	75%	79.53%
Indicator (mandatory): Percentage of HAN files shared with other DGs **Source of data:** HAN statistics		
Baseline	Target	Latest known results (2019)
2015: 0.5%	50%*	1.07%

Main outputs in 2019:			
Output	Indicator	Target	Latest known results (situation 31/12/19)
Document management	% of filing of documents in DG AGRI	100 % of documents ARES filed	99,81%
	% 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)	0% files in NOMCOM where no documents are filed within the last 12 months	5.136 files = 12.74% *(large amount of inactive files relates to Geographical Indications files which have long retention and low annual activity)*
	Percentage of HAN files readable / accessible by all units in the DG	>75 %	79.53%
	Percentage of HAN files shared with other DGs	5 %*	1.07%

** In line with the principle of sharing information within the Commission, DG AGRI set a long-term target of 50% to be achieved in the period 2016-2020 with a view to improve transparency and avoid duplications in filing at Commission level. However, progress is rather slow: Opening of files in HAN to the whole Commission implies a new way of working and to a certain extent also a 'mentality shift' as colleagues have to apply security markings to documents instead of limiting file access. Furthermore, it has only been possible after the deployment of new security markings in Ares-NomCom in September 2019.*

2.2.4 External communication activities

Objective (mandatory): Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.		
Indicator: Percentage of EU citizens having a positive image of the EU **Definition:** Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution. **Source of data:** Standard Eurobarometer [*monitored by DG COMM here*]		
Baseline: November 2014	Target: 2020	Latest known result (2019)
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU ≥ 50%	Total "Positive": 42% Neutral: 37 % Total "Negative": 20%

Specific objective: To build trust within the EU and among all citizens, farmers and non-farmers, alike. The key issues of food security, climate change and environment protection as well as the maintenance of sustainable rural areas are consistent features of the messaging and with the Commission's legal requirement to carry out information measures on the CAP. **For the general public, the objective is to raise awareness on the relevance of EU support to agriculture and rural development through the CAP.** **For the stakeholders, the objective is to engage with stakeholders (mainly farmers and other parties in rural areas) in order to further communicate about the CAP to their constituencies and to the wider public.**		
Indicator: Public awareness of CAP **Source:** Eurobarometer		
Baseline (2015)	Target	Latest known results (2019)
The Latest Special Eurobarometer survey on agriculture and the CAP (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	Maintain and if possible increase awareness of the CAP	The Latest Special Eurobarometer survey on agriculture and the CAP (field research Nov – Dec 2017) shows that 92% of Europeans believe that agriculture and rural areas play an important role for their future (-2 percentage points since the last survey in 2015) and that 67% have heard about the support that the EU gives farmers through its CAP (-2 percentage points since the last survey). There is a broad consensus and strong support on the key priorities of the CAP and its contribution to the strategic priorities of the Commission. The next "special" EB survey on agriculture and the CAP will be conducted in the first half of 2020.

strategic priorities of the Commission. The next Eurobarometer survey will be conducted in the last quarter of 2017. The results will be published in first quarter of 2018		

Main outputs in 2019:			
Output	Indicator	Target	Latest known results (situation 31/12/19)
Main communication actions: Media and Web	7 AG-Press study trips/seminars (positive evaluation feedback), AG-Press e-platform (maintain members as active users) Europa web digital transformation Social media and web based campaigns	2019	03/19 Seminar on the outcome of the task force for rural Africa (2018 budget). Study trip to France (2018 budget) cancelled. 05/19 Study trip to Romania (2018 budget). 10/19 study trip to Finland Planned actions: • 3-4/20 seminar • 5/20 study trip Ag-Press e-platform: weekly targeted information campaigns to journalists; 9 recruitment campaigns for new potential member journalists. Members have increased by 10% (plus 101 members): best increase since 2014. The average percentage of journalists releasing one or more media pieces further to a press trip or seminar has reached 94%, the highest value since the creation of the network. A total of 67 media pieces were published/broadcasted. The traffic of the platform increased a further 5% reaching an increase of page views of 46% over the last 2 years

			Digital transformation exercise of the DG AGRI website finalised: • # of pages reduced by 57%; • # of documents reduced by 69%; Overall visits have increased by 9% and overall actions by 7%.
Conferences, fairs and events	Up to 5 Conferences, including the EU Agricultural outlook one Satisfaction feedback from participants	2019	25-26/4/2019 – Conference "Our Forests, our Future" 21/6/2019 – 3rd AU EU Agriculture Ministerial Conference in Rome 10-11/12/2019: The agricultural Outlook Conference 9-10/10/2019: NGO Roundtable on the "green architecture" of the CAP
	Participation in up to 7 events, including the Agricultural fairs in Berlin, Paris and the EU Open Days in Brussels (number of visitors and degree of satisfaction with the activities proposed)	2019	1. January 2019 – IGW (Germany) 2. February 2019 – SIA (France) 3. April 2019 – Agraria (Romania) 4. April 2019 – Maamess (Estonia) 5. May 2019 – EU Open Days 6. June 2019 – Santarem (Portugal) 7. September 2019 - Agro show Poland 8. July 2019 - Libramont (Belgium) 9. July 2019 - OKKRA Fair (Finland)
Various communication activities to raise awareness on the relevance and the future of the CAP Communication campaign to raise awareness on EU GIs Outreach exercise in MS to present and explain Commission legal package on the future CAP Communication activities if timely and appropriate to present	(check whether the level of awareness of the CAP has increased in the next EB survey end of 2019)	2019, early 2020	In the Jan-June period, up to 100 outreach events were organised by DG AGRI in cooperation with DG COMM and stakeholders principally in the context of the Commission legal proposals on the future CAP and including in relation to the EP elections
	(check whether the level of awareness / recognition of the CAP has increased in the next EB survey end of 2019)	End of 2019	2020

the forthcoming decisions by co-legislators on the Commissions legal package on the future CAP including in relation to the EP elections.	Events with media coverage	2019	76 news items on CAP related topics have been published on the web site
Grants	Co-financing up to 20 "information measures on the CAP" following the call for proposals 2018	Information measures on the CAP to be implemented by the beneficiaries during one year after the signature of the grant agreement.	18 Information measures on the CAP implemented by the beneficiaries within one year (mid-2019 until mid-2020).
Corporate communication	Campaigns to be conducted by DG COMM – timely input to DG COMM	2019-2020	Rural pilot rural campaign covering 7 MS started in 2019 and will continue in 2020

Annual communication spending (based on estimated commitments):			
Baseline (Year n-1):	Target (Year n): Initial budget	Total amount spent Amended budget	Total of FTEs working on external communication
EUR 8 million	EUR 8 milion: -**Direct actions** (Media and web, fairs, events and communication material): EUR4 million **Grants**: EUR 4 million	EUR 8 million - **Direct actions:** 3,850 EUR million **Grants**: EUR 4,150 million	11
	AGRI's contribution to Corporate communication by DG COMM: EUR5,655 million co-delegated to DG COMM, of which EUR4,275 from EAGF (B1's budget line 050806/marches) and EUR1,380 million from EAFRD	EUR5,655 million co-delegated to DG COMM, of which EUR4,275 from EAGF (B1's budget line 050806/marches) and EUR1,380 million from EAFRD	1

ANNEX 3: Draft annual accounts and financial reports

1. FINANCIAL REPORTS

1.1 Commitments and payments (tables 1 and 2)

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2019 (in Mio €) for DG AGRI			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	10.60	9.66	91.20 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,418.04	2,371.91	98.09 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,131.58	41,335.66	98.11 %
	05 04	Rural development	16,024.20	14,707.02	91.78 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	189.24	118.00	62.35 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.23	4.23	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	60.14	59.99	99.75 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	34.30	33.68	98.18 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	4.62	0.00	0.00 %
Total Title 05			**60,876.94**	**58,640.14**	**96.33 %**

BLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2019 (in Mio €) for DG A(			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	18.59	9.10	48.97 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,430.60	2,371.91	97.59 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,306.98	41,335.66	97.70 %
	05 04	Rural development	14,832.00	14,179.98	95.60 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	136.95	73.96	54.00 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.23	4.23	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	60.14	60.14	100.00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	42.73	27.56	64.49 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	17.21	0.00	0.00 %
Total Title 05			**59,849.43**	**58,062.53**	**97.01%**

Overall, in 2019, the execution rate of commitment appropriations of DG AGRI remained at the same high level as last year reaching 96,33% in 2019 (96,92% in 2018). The execution rate of payment appropriations has also globally remained unchanged reaching 97,01% in 2019 (97,21% in 2018). The total amount **committed** in 2019 amounts to **EUR 58.640,12** million and the total amount **paid** in 2019 amounts to **EUR 58.062,53** million. Some detailed information on the implementation of the main budget lines can be found below.

– **05 02 Improving the competitiveness of the agricultural sector** These appropriations intend to finance various programs for the promotion of agricultural products and to cover costs linked in particular with the financial depreciation or the sale of stocks of agricultural products. The amounts are more or less stable compared to last year. An amount of EUR 2.371,91 million was committed in 2019 (2.620,85 million in 2018) representing 98,09% of the available credits. The amount paid in 2019 was EUR 2.371,91 million (compared to EUR 2.620,32 million in 2018), representing 97,59% of the available appropriations. The decrease is due partly to the fact that 100% of the original skimmed milk powder stocks have been sold in 2019.

– **05 03 Direct payments to farmers:** As regards EAGF expenditure for direct payments to EU farmers, the amount committed in 2019 was EUR 41.335,66 million (EUR 41.496,52 million in 2018) representing 98,11% of the available appropriations. The amount paid in 2019 was EUR 41.335,66 million (compared to EUR 41.496,52 million in 2018), representing 97,70% of the available appropriations.

– **05 04 Rural Development**: This appropriation is intended to cover the financing of the 2014 to 2020 rural development programmes funded by the European Agricultural Fund for Rural Development (EAFRD). The amount committed in 2019 was EUR 14.707,02 million (EUR 14.409,50 million in 2018), representing 91,78 % of the available commitment appropriations. The committed amount is rather stable as compared to last year. But the amount paid in 2019 raised to EUR 14.179,98 million (compared to EUR 12.456,85 million in 2018), as the implementation of rural development programs is in full swing and representing 95,60% of the available appropriations.

– **05 05 Pre Accession Assistance:** This appropriation is for funding the Instrument for Pre-accession Assistance related to rural development. An amount of EUR 118 million was committed in 2019 (190 million in 2018) representing 62,35% of the available appropriations. EUR 73,96 million was paid in 2019 (compared to 98,30 in 2018), representing 54,00% of the available appropriations. The implementation of IPA II programs is taking longer than anticipated and this result in a decrease in the total payments. Furthermore, in 2019 there are no more payments for the IPA I programs since the eligibility period is over and now these programs are awaiting for the final closure.

1.2 Unused balance of Commitments (table 3)

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI										
			Commitments to be settled				Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
Chapter			Commitments	Payments	RAL	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	9.66	3.07	6.59	68.23%	0.00	6.59	6.23
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,471.82	2,471.08	0.73	0.03%	9.69	10.43	12.56
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	45,311.24	45,135.84	175.40	0.39%	0.00	175.40	175.40
	05 04	Rural development	14,707.47	477.76	14,229.72	96.75%	20,830.64	35,060.35	34,570.71
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	118.00	0.00	118.00	100.00%	462.78	580.78	536.73
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.23	4.23	0.00	0.00%	0.00	0.00	0.00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	64.89	64.89	0.00	0.00%	0.63	0.63	0.78
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	33.68	10.48	23.19	68.87%	14.01	37.20	33.50
	05 09	Horizon 2020 - Research and innovation related to agriculture							
Total Title 05			**62,720.99**	**48,167.35**	**14,553.64**	**23.20%**	**21,317.75**	**35,871.39**	**35,335.92**

The unused balance on commitments, commonly known as budgetary RAL (Reste à Liquider), was approximatively **EUR 35.871,39 million** at the end of 2019 (EUR 35.335,92 million in 2018), of which EUR 35.060,35 million relates to rural development and EUR 580,78 million to pre-accession assistance. The unused balance of EUR 175,40 million relates to suspended EAGF direct payments; EUR 10,43 million relates to programs for the promotion and/or to costs linked with the financial depreciation or sale of stocks of agricultural products.

1.3 Payment time limits (table 6a/b)

As far as payment time limits are concerned, the progress made during last years remained stable:

– For "direct management expenditure" (see table 6a), the average delay has decreased to 7 days in 2019 (compared to 8 days in 2018). Only seven payments exceeded the legal payment deadline (8 payments in 2018), which represents 0,8% of the total number of payments (0,9% in 2018).

– For "rural development" (see table 6b), the average payment delay has also decreased to 24 days (31 days in 2018). All payments were made on time, within the legal payment deadline, as it was the case also in 2018.

1.4 Revenue and income

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2019 for DG AGRI								
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	1,163,786.09	-	1,163,786.09	1,163,786.09	-	1,163,786.09	-
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4,659,319.52	4,659,319.52	-	-	-	4,659,319.52
65	FINANCIAL CORRECTIONS	9,940,091.37	72,366,762.16	82,306,853.53	9,940,091.37	66,930,519.84	76,870,611.21	5,436,242.32
67	**REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT**	**2,134,224,097.32**	**230,670,105.73**	2,364,894,203.05	1,492,187,848.95	95,515,437.23	1,587,703,286.18	777,190,916.87
Total DG AGRI		**2,145,327,974.78**	**307,696,187.41**	**2,453,024,162.19**	**1,503,291,726.41**	**162,445,957.07**	**1,665,737,683.48**	**787,286,478.71**

The total income/revenue recognised for DG AGRI in 2019 corresponds to **EUR 2.453,02 million**, while the amount cashed is **EUR 1.665,74 million**.

The income/revenue generated in 2019 concerning the EAGF and EAFRD funds amounts to EUR 2.134,22 million (2018 EUR 1.618,29 million). Out of this amount, EUR 1.271,81 million relates to EAGF and EUR 862,41 million relates to EAFRD. Regarding EAFRD, it should be noted that EUR 553,02 million relates to recovery of pre-financing paid for the 2007-2013 programming period. The budgetary regularised income for EAGF corresponds to a total amount of EUR 1.271,81 million in 2019 (EUR 997,36 million in 2018) of assigned revenue linked to conformity clearance, irregularities and milk levies[5].

At the end of 2019, **EUR 787,28 million** is still owed to DG AGRI (EUR 307,70 million in 2018).

This increase in the amount not cashed is explained mainly by the fact that, as from 2019, DG AGRI issues - also for EAGF - the recovery orders for the full amount of the conformity decisions as soon as adopted, independently of the date of effective recovery. The amounts at year-end, for which the cashing is deferred, correspond to EUR 565,7 million for EAGF and EUR 146,2 million for EAFRD.

An additional amount of EUR 65,1 million has still to be recovered for EAGF.

For direct management, the balance of EUR 10,1 million at 31.12.2019 reflects the remaining balances of 11 recovery orders linked to Article 8 of Regulation 4256/88, whose cashing dates have expired. There is a slight decrease of 1,82% in 2019 as compared to -21,43% in 2018[6] when some waivers took place.

<u>Annexes</u>:
Table 1: Commitments
Table 2: Payments
Table 3 : Commitments to be settled (RAL)
Table 4: Balance sheet
Table 5/5bis: Economic Outturn Account
Table 6 6a/6b: Average Payment Time Limits (Rural development and Direct expenses)
Table 7: Income
Table 8/8bis: Recovery context
Table 9/9bis: Ageing balance of Recovery Orders
Table 10: Waivers of Recovery Orders
Table 11: Negotiated Procedures
Table 12/12bis: Summary of Contracts
Table 13: Building Contracts
Table 14: Secret Contracts
Table 15: FPA > 4 yrs

[5] This amount includes EUR 1.114,05 million for income line 6701 (clearance), EUR 155.8 million for income line 6702 (irregularities), EUR 1,9 million for income line 6703 (milk).
[6] -6.8% in 2017; -3,8% in 2016; -1,2% in 2014; -0,2% in 2013; 3% in 2012; -5% in 2011

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 the Directorate-General 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:

- 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. Thus, 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 for DG AGRI

BALANCE SHEET	2019	2018
A.I. NON CURRENT ASSETS	3,882,999,865.96	3,995,104,565.04
A.I.1. Intangible Assets	13,550,101.69	11,345,730.64
A.I.5. Non-Current Pre-Financing	3,591,123,775.55	3,586,729,889.30
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	278,325,988.72	397,028,945.10
A.II. CURRENT ASSETS	2,968,615,371.51	3,344,437,822.88
A.II.2. Current Pre-Financing	1,416,029,771.10	1,759,199,719.02
A.II.3. Curr Exch Receiv &Non-Ex Recoverables	1,552,585,600.41	1,585,238,103.86
ASSETS	**6,851,615,237.47**	**7,339,542,387.92**
P.I. NON CURRENT LIABILITIES	-440,395,312.97	-269,720,449.76
P.I.2. Non-Current Provisions	-440,395,312.97	-269,720,449.76
P.II. CURRENT LIABILITIES	-63,147,727,416.81	-63,149,988,644.74
P.II.4. Current Payables	-16,307,333,143.80	-15,050,205,020.22
P.II.5. Current Accrued Charges &Defrd Income	-46,840,394,273.01	-48,099,783,624.52
LIABILITIES	**-63,588,122,729.78**	**-63,419,709,094.50**
NET ASSETS (ASSETS less LIABILITIES)	**-56,736,507,492.31**	**-56,080,166,706.58**
P.III.2. Accumulated Surplus/Deficit	338,677,199,049.23	282,406,060,366.06
Non-allocated central (surplus)/deficit*	-281,940,691,556.92	-226,325,893,659.48
TOTAL DG AGRI	**0.00**	**0.00**

Assets

Non-current assets

Non-Current pre-financing: it concerns mainly pre-financing paid for rural development programs but also for pre-accession assistance programs. The amount of EUR 3.193.046.453,44 corresponds to the total pre-financing paid to Member States for the programming period 2014-2020 (EAFRD) for which the period of settlement exceeds one year. It also includes EUR 248.737.322,11 advances paid by Member States to beneficiaries and reimbursed from EAGF funds. In addition, the amount of EUR 149.340.000,00 of pre-financing paid to third countries for IPA II program (2014-2020 period) is included.

Non-Current exchange receivables and non-exchange recoverable: it concerns clearance decisions under shared management for which the period of settlement exceeds one year. An amount of EUR 226.073.433,38 concerns EAGF and an amount of EUR 52.252.555,34 is for EAFRD; both concern conformity clearance decisions to be cashed beyond 12 months of the balance sheet date of 31/12/2019.

Current assets

Current pre-financing: The balance of EUR 1.416.029.771,1 in this heading comprises mainly:

- the advances paid by Member States to beneficiaries (EUR 1.340.542.499,24) and unspent amounts reimbursed to Financial Instruments (EUR 54.323.297,39). These amounts have already been paid to the Member States from EAFRD and EAGF funds and should be used by the final beneficiaries within the following year,

- an amount of EUR 12.452.895,48 for two (2) SAPARD programs (2000-2006 period) that should also be recovered after the closure and an open pre-financing of EUR 7.212.399,06 related to two IPA I programmes that should also be recovered at closure,

- an open pre-financing of EUR 1.498.679,92 related to direct management contracts.

The decrease between 2019 and 2018 reflects the recovery of the remaining open pre-financing (EUR 553.022.063,04) following the closure of the last six (6) programmes of the 2007-2013 period.

Exchange and Non-Exchange recoverables: The balance of EUR 1.552.585.660,41 in this heading is composed of non-exchange recoverables of EUR 1.536.238.741,10 and exchange recoverables of EUR 16.346.859,26.

The non-exchange amount of EUR 1.536.238.741,10 owed by Member States to DG AGRI concerns:

- Transactions that derive from their debtors' ledgers – amounts that the final beneficiaries owe to Member States. It is composed of amounts to be recovered under EAGF (EUR 1.034.456.006,85), EAFRD (EUR 639.893.484,82), IPA (EUR 32.602.753,27), TRDI[7] (EUR 12.163.642,27) and SAPARD (EUR 82.484.947,66) for irregularities committed by final beneficiaries and detected by the Member States. A value reduction of a total value of EUR 821.706.711,11 has been applied to these receivables.

- An amount of EUR 462.314.807,53 owed directly by the Member States to DG AGRI in relation to EAGF that is comprised of

  - EUR 339.667.801,70 corresponding to short term deferred payment of recovery orders issued for conformity clearance decisions;
  - EUR 65.167.316,59 concerning remaining amounts of partially recovered recovery orders, and
  - EUR 57.479.689,24 relating to recoveries covering the declaration of November and December 2019 that have not been reimbursed yet.

- An amount of EUR 94.029.809,92 owed directly by the Member States to DG AGRI in relation to EAFRD that is comprised of

  - EUR 85.553.507?66 corresponding to short term deferred payment of recovery orders issued for conformity clearance decisions, and
  - EUR 8.476.302,20 relating to remaining amounts of partially recovered recovery orders.

[7] Transitional Rural Development Instrument

The exchange amount of EUR 16.346.859,26 concerns:

- An amount of EUR 10.095.561,84 owed to DG AGRI by various entities of the private sector because of the old recovery orders mentioned above (point 1.4).
- An amount of EUR 6.251.297,47 that is interest on pre-financing from one SAPARD and two IPA I programmes that should be paid back to DG AGRI, since the end of the programming period has been reached.

Liabilities

Non-current liabilities

Long-term provisions: This item for EUR 440.395.312,97 relates to the estimate of potential future expenses resulting from court cases awaiting judgement for which the risk of losing is considered high. It includes the Court case C-252/18P (EAGF) for EUR 268.617.952,22, which the Commission has lost on 13/02/2020; It also includes, as a way of consequence, the Court case C-797/18P for EUR 166.797.866,22 (EAGF) and EUR 3.880.460,50 (EAFRD). It also includes Court case C-742/18P (appeal to T-627/16) for EUR 1.099.034,03.

Current liabilities

Accounts payable: this item for EUR 16.307.333.143,80 concerns mainly amounts payable to Member States.

The bulk of this amount relates to EAGF and it can be broken down as follows:

- EUR 15.888.129.328,06 concerns the declarations of EAGF expenditure for November 2019.
- EUR 188.292.975,14 reflects suspended payments for EAGF.
- EUR 176.614.692,84 is a reimbursement due to a Member State of a financial correction previously deducted.

An amount of EUR 25.247.799,78 reflects suspended payments for EAFRD programmes (period 2014-2020).

An amount of EUR 31.241.947,70 reflects suspended payments for IPA programmes (period 2014-2020).

Finally, the amount of EUR 2.193.599,72 concerns various adjustments to the payables accounts.

Accrued charges: this item (for EUR 46.840.394.273,01) includes an estimate of the amounts, which Member States and other beneficiaries have already incurred or have right to receive and thus, are entitled to claim. However, the invoices / cost claims have not been received yet at year-end. It comprises mainly:

- EUR 28.181.313.826,1 relating to EAGF: costs incurred in December 2019, the other rights of farmers for direct support and related to market measures that originate in 2019, and some amounts still due back to Member States as a result of decisions of the Court of Justice,
- EUR 18.580.966.308,35 relating to EAFRD 2014-2020 programming period.
- EUR 63.983.844,60 relating to IPA 2014-2020 programming period.
- EUR 14.130.293,96 for expenses under direct management.

The total short-term liabilities remain roughly the same as in the previous year.

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2019	2018
II.1 REVENUES	-1,078,961,827.18	-829,877,446.32
II.1.1. NON-EXCHANGE REVENUES	-1,081,341,487.78	-832,802,987.09
II.1.1.5. RECOVERY OF EXPENSES	-1,057,268,490.73	-788,831,530.90
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-24,072,997.05	-43,971,456.19
II.1.2. EXCHANGE REVENUES	2,379,660.60	2,925,540.77
II.1.2.1. FINANCIAL INCOME	-554,385.94	-133,120.33
II.1.2.2. OTHER EXCHANGE REVENUE	2,934,046.54	3,058,661.10
II.2. EXPENSES	58,135,054,290.89	57,101,016,129.49
II.2. EXPENSES	58,135,054,290.89	57,101,016,129.49
II.2.10.OTHER EXPENSES	452,779,266.37	285,868,199.00
II.2.1. EXP IMPLEM BY MEMBER STATES (SHARED	57,491,982,955.89	56,675,917,043.60
II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM)	47,004,004.26	38,360,203.10
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	89,065,043.55	79,594,657.98
II.2.6. STAFF AND PENSION COSTS	-1,873,991.00	-838,810.00
II.2.8. FINANCE COSTS	56,097,011.82	22,114,835.81
STATEMENT OF FINANCIAL PERFORMANCE	**57,056,092,463.71**	**56,271,138,683.17**

Surplus/Deficit from activities

Exchange and Non-Exchange Revenue:

Almost the entirety of the revenue results from non-exchange transactions (EUR 1.081,34 million); it corresponds essentially to recovery of expenses due to financial and conformity clearance decisions or irregularities. The revenue from other non-exchange transactions amounts up to EUR 24,07 million and corresponds mainly to restoring to profit old provisions for bad or doubtful debts that have been previously made but are no longer required.

Expenses:

A portion of 99,89% 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 43.738,64 million and the EAFRD amount corresponds to EUR 13.753,33 million.

Annex Financial Reports - DG AGRI - Financial Year 2019

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2019 (in Mio €) for DG AGRI					
			Commitment appropriations authorised	Commitments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,42	0,42	100,00 %
Total Title 04			**0,42**	**0,42**	**100,00 %**
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	10,60	9,66	91,20 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.418,04	2.371,91	98,09 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.131,58	41.335,66	98,11 %
	05 04	Rural development	16.024,20	14.707,02	91,78 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	189,24	118,00	62,35 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,23	4,23	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	60,14	59,99	99,75 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	34,30	33,68	98,18 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	4,62	0,00	0,00 %
Total Title 05			**60.876,94**	**58.640,14**	**96,33 %**
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,29	0,29	100,00 %
Total Title 09			**0,29**	**0,29**	**100,00 %**
Title 13 Regional and urban policy					
13	13 03	European Regional Development Fund and other regional operations	0,21	0,21	100,00 %
	13 04	Cohesion Fund (CF)	0,09	0,09	100,00 %
Total Title 13			**0,29**	**0,29**	**100,00 %**
Title 17 Health and food safety					
17	17 04	Food and feed safety, animal health, animal welfare and plant health	0,21	0,21	100,00 %
Total Title 17			**0,21**	**0,21**	**100,00 %**
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,36	0,36	99,79 %
Total Title 18			**0,36**	**0,36**	**99,79 %**
Total DG AGRI			**60.878,52**	**58.641,72**	**96,33 %**

** 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).*

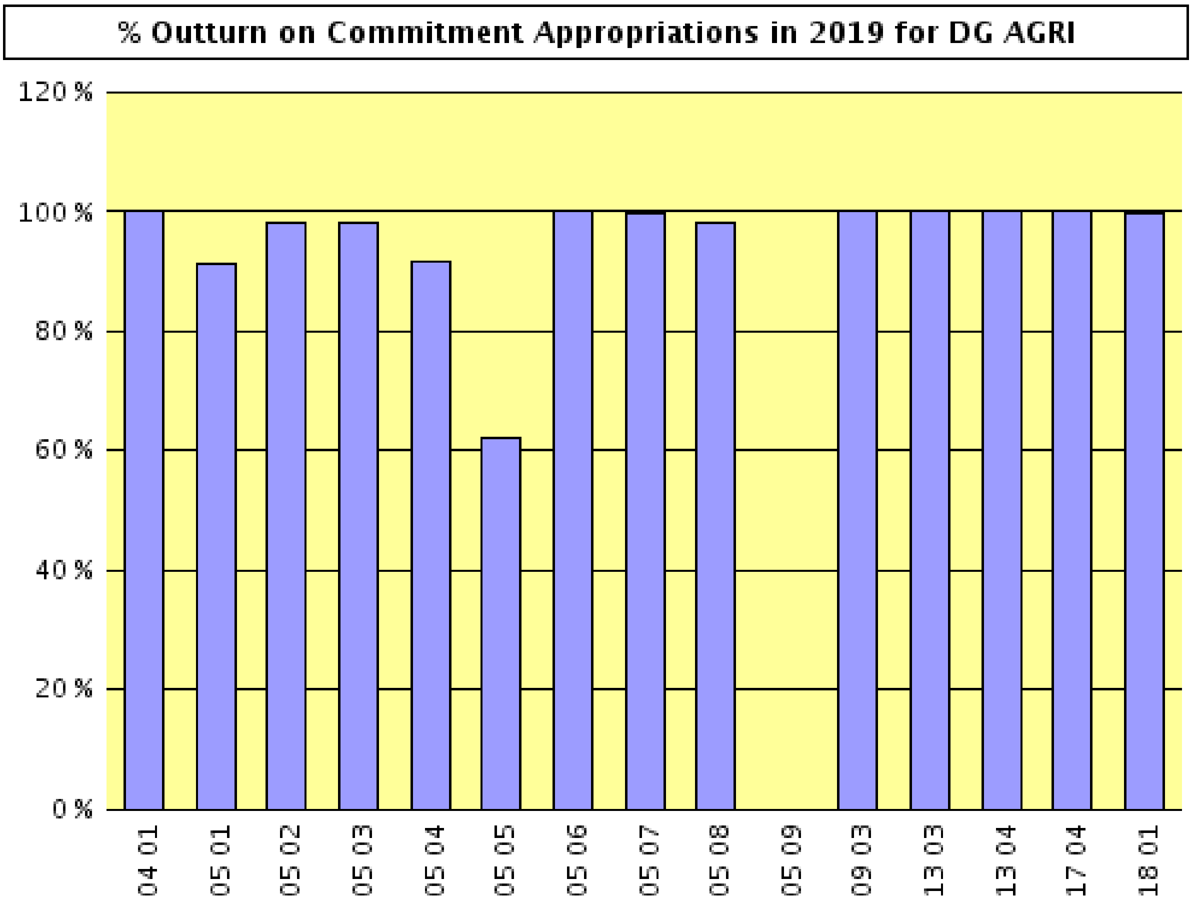
% Outturn on Commitment Appropriations in 2019 for DG AGRI
120 %
100 %
80 %
60 %
40 %
20 %
0 %
04 01
05 01
05 02
05 03
05 04
05 05
05 06
05 07
05 08
05 09
09 03
13 03
13 04
17 04
18 01

TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2019 (in Mio €) for DG AGRI					
			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,42	0,36	86,44 %
Total Title 04			**0,42**	**0,36**	**86,44%**
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	18,59	9,10	48,97 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.430,60	2.371,91	97,59 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.306,98	41.335,66	97,70 %
	05 04	Rural development	14.832,00	14.179,98	95,60 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	136,95	73,96	54,00 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,23	4,23	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	60,14	60,14	100,00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	42,73	27,56	64,49 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	17,21	0,00	0,00 %
Total Title 05			**59.849,43**	**58.062,53**	**97,01%**
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,25	0,25	100,00 %
Total Title 09			**0,25**	**0,25**	**100,00%**
Title 13 Regional and urban policy					
13	13 03	European Regional Development Fund and other regional operations	0,18	0,18	100,00 %
	13 04	Cohesion Fund (CF)	0,08	0,08	100,00 %
Total Title 13			**0,25**	**0,25**	**100,00%**
Title 17 Health and food safety					
17	17 04	Food and feed safety, animal health, animal welfare and plant health	0,21	0,21	100,00 %
Total Title 17			**0,21**	**0,21**	**100,00%**
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,36	0,28	77,48 %
Total Title 18			**0,36**	**0,28**	**77,48%**
Total DG AGRI			**59.850,93**	**58.063,88**	**97,01 %**

** 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).*

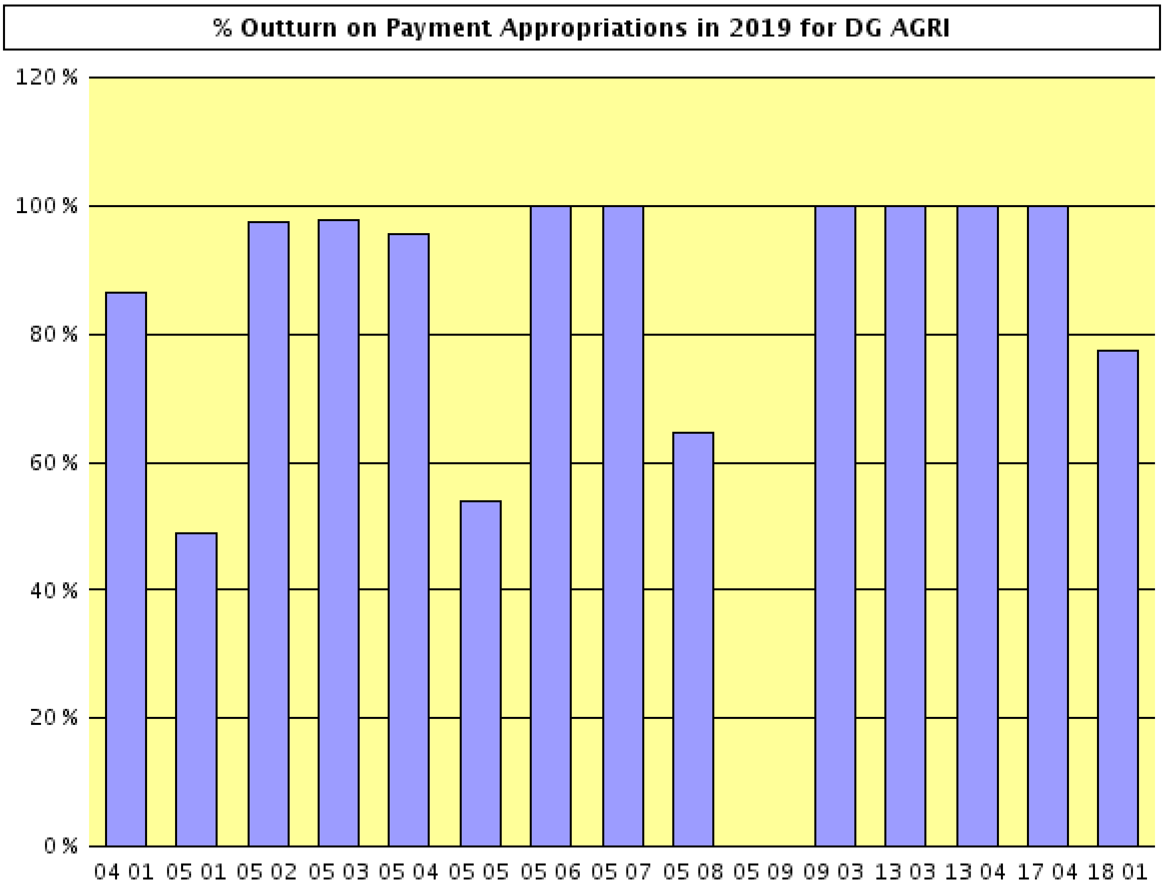
% Outturn on Payment Appropriations in 2019 for DG AGRI
120 %
100 %
80 %
60 %
40 %
20 %
0 %
04 01
05 01
05 02
05 03
05 04
05 05
05 06
05 07
05 08
05 09
09 03
13 03
13 04
17 04
18 01

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,42	0,35	0,07	16,41%	0,00	0,07	0,01
Total Title 04			**0,42**	**0,35**	**0,07**	**16,41%**	**0,00**	**0,07**	**0,01**

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	9,66	3,07	6,59	68,23%	0,00	6,59	6,23
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.471,82	2.471,08	0,73	0,03%	9,69	10,43	12,56
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	45.311,24	45.135,84	175,40	0,39%	0,00	175,40	175,40
	05 04	Rural development	14.707,47	477,76	14.229,72	96,75%	20.830,64	35.060,35	34.570,71
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	118,00	0,00	118,00	100,00%	462,78	580,78	536,73
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,23	4,23	0,00	0,00%	0,00	0,00	0,00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	64,89	64,89	0,00	0,00%	0,63	0,63	0,78
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	33,68	10,48	23,19	68,87%	14,01	37,20	33,50
	05 09	Horizon 2020 - Research and innovation related to agriculture							
Total Title 05			**62.720,99**	**48.167,35**	**14.553,64**	**23,20%**	**21.317,75**	**35.871,39**	**35.335,92**

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,29	0,00	0,29	100,00%	0,11	0,40	0,40
Total Title 09			**0,29**	**0,00**	**0,29**	**100,00%**	**0,11**	**0,40**	**0,40**

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
13	13 03	European Regional Development Fund and other regional operations	0,21	0,00	0,21	100,00%	0,07	0,28	0,28
	13 04	Cohesion Fund (CF)	0,09	0,00	0,09	100,00%	0,03	0,12	0,12
Total Title 13			**0,29**	**0,00**	**0,29**	**100,00%**	**0,11**	**0,40**	**0,40**

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
17	17 04	Food and feed safety, animal health, animal welfare and plant health	0,21	0,01	0,20	95,24%	0,00	0,20	0,20
Total Title 17			**0,21**	**0,01**	**0,20**	**95,24%**	**0,00**	**0,20**	**0,20**

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2019 (in Mio €) for DG AGRI

Chapter			Commitments to be settled: Commitments	Commitments to be settled: Payments	Commitments to be settled: RAL	Commitments to be settled: %to be settled	Commitments to be settled from financial years previous to 2018	Total of commitments to be settled at end of financial year 2019	Total of commitments to be settled at end of financial year 2018
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,36	0,27	0,09	25,41%	0,00	0,09	0,01
Total Title 18			**0,36**	**0,27**	**0,09**	**25,41%**	**0,00**	**0,09**	**0,01**
Total for DG AGRI			**62722,57068**	**48167,98**	**14554,58795**	**23,20 %**	**21317,95914**	**35872,54709**	**35336,94889**

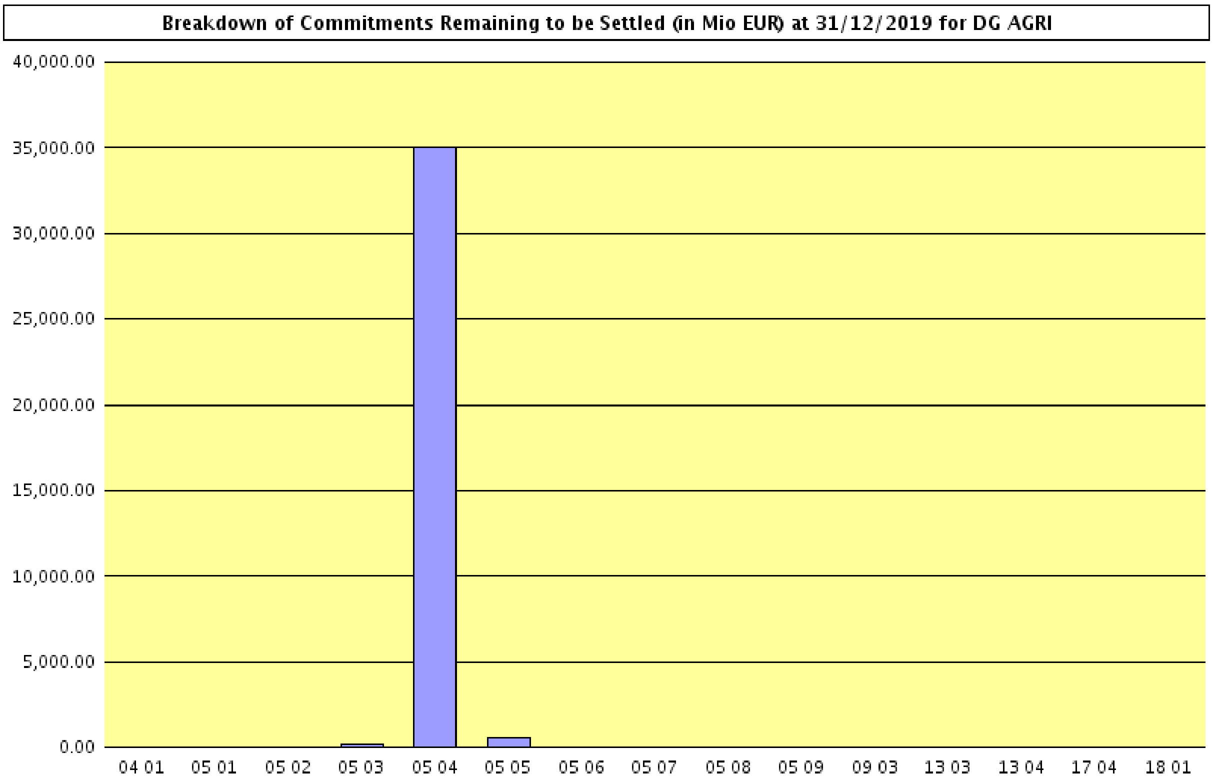
Breakdown of Commitments Remaining to be Settled (in Mio EUR) at 31/12/2019 for DG AGRI
40,000.00
35,000.00
30,000.00
25,000.00
20,000.00
15,000.00
10,000.00
5,000.00
0.00
04 01
05 01
05 02
05 03
05 04
05 05
05 06
05 07
05 08
05 09
09 03
13 03
13 04
17 04
18 01

TABLE 4 : BALANCE SHEET for DG AGRI

BALANCE SHEET	2019	2018
A.I. NON CURRENT ASSETS	3.882.999.865,96	3.995.104.565,04
A.I.1. Intangible Assets	13.550.101,69	11.345.730,64
A.I.5. Non-Current Pre-Financing	3.591.123.775,55	3.586.729.889,30
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	278.325.988,72	397.028.945,10
A.II. CURRENT ASSETS	2.968.615.371,51	3.344.437.822,88
A.II.2. Current Pre-Financing	1.416.029.771,10	1.759.199.719,02
A.II.3. Curr Exch Receiv &Non-Ex Recoverables	1.552.585.600,41	1.585.238.103,86
ASSETS	**6.851.615.237,47**	**7.339.542.387,92**
P.I. NON CURRENT LIABILITIES	-440.395.312,97	-269.720.449,76
P.I.2. Non-Current Provisions	-440.395.312,97	-269.720.449,76
P.II. CURRENT LIABILITIES	-63.147.727.416,81	-63.149.988.644,74
P.II.4. Current Payables	-16.307.333.143,80	-15.050.205.020,22
P.II.5. Current Accrued Charges &Defrd Income	-46.840.394.273,01	-48.099.783.624,52
LIABILITIES	**-63.588.122.729,78**	**-63.419.709.094,50**
NET ASSETS (ASSETS less LIABILITIES)	**-56.736.507.492,31**	**-56.080.166.706,58**
P.III.2. Accumulated Surplus/Deficit	338.677.199.049,23	282.406.060.366,06
Non-allocated central (surplus)/deficit*	-281.940.691.556,92	-226.325.893.659,48
TOTAL DG AGRI	**0,00**	**0,00**

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 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2019	2018
II.1 REVENUES	-1.078.961.827,18	-829.877.446,32
II.1.1. NON-EXCHANGE REVENUES	-1.081.341.487,78	-832.802.987,09
II.1.1.5. RECOVERY OF EXPENSES	-1.057.268.490,73	-788.831.530,90
II.1.1.6. OTHER NON-EXCHANGE REVENUES	-24.072.997,05	-43.971.456,19
II.1.2. EXCHANGE REVENUES	2.379.660,60	2.925.540,77
II.1.2.1. FINANCIAL INCOME	-554.385,94	-133.120,33
II.1.2.2. OTHER EXCHANGE REVENUE	2.934.046,54	3.058.661,10
II.2. EXPENSES	58.135.054.290,89	57.101.016.129,49
II.2. EXPENSES	58.135.054.290,89	57.101.016.129,49
II.2.10.OTHER EXPENSES	452.779.266,37	285.868.199,00
II.2.1. EXP IMPLEM BY MEMBER STATES (SHARED)	57.491.982.955,89	56.675.917.043,60
II.2.2. EXP IMPLEM BY COMMISS&EX.AGENC. (DM)	47.004.004,26	38.360.203,10
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	89.065.043,55	79.594.657,98
II.2.6. STAFF AND PENSION COSTS	-1.873.991,00	-838.810,00
II.2.8. FINANCE COSTS	56.097.011,82	22.114.835,81
STATEMENT OF FINANCIAL PERFORMANCE	**57.056.092.463,71**	**56.271.138.683,17**

Explanatory Notes (facultative):
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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 5bis : OFF BALANCE SHEET for DG AGRI		
OFF BALANCE	**2019**	**2018**
OB.1. Contingent Assets	28.413,80	0,00
GR for pre-financing	28.413,80	0,00
OB.2. Contingent Liabilities	-199.294.685,92	-653.335.271,69
OB.2.3. CL legal cases AGRI	-199.294.685,92	-653.335.271,69
OB.3. Other Significant Disclosures	-31.878.986.555,25	-45.659.858.230,26
OB.3.2. Comm against app. not yet consumed	-17.203.734.758,25	-16.328.506.296,26
OB.3.3.1 Structural operations	-14.675.251.797,00	-29.331.351.934,00
OB.4. Balancing Accounts	32.078.252.827,37	46.313.193.501,95
OB.4. Balancing Accounts	32.078.252.827,37	46.313.193.501,95
OFF BALANCE	**0,00**	**0,00**

Explanatory Notes (facultative):
Please enter the text directly (no copy/paste of formatted text which would then disappear when saving the document in pdf), use \\\"ctrl+enter\\\" to go to the next line and \\\"enter\\\" to validate your typing.

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 in 2019 for AGRI

Legal Times

Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	764	758	99,21 %	9,29	6	0,79 %	42,83
45	468	466	99,57 %	26,74	2	0,43 %	60,00
60	91	90	98,90 %	18,31	1	1,10 %	72,00
90	63	63	100,00 %	33,57			

Total Number of Payments	**1386**	**1377**	**99,35 %**		**9**	**0,65 %**	
Average Net Payment Time	**17,11**			**16,90**			**49,89**
Average Gross Payment Time	**19,51**			**19,27**			**55,44**

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	69	48	3,46 %	1386	2.054.886.788,04	14,68 %	13.993.622.604,59

DG	GL Account	Description	Amount (Eur)

Table 6a - Exercice 2019

Délais de paiement au 31/12/2019								
Ligne budgétaire	Libellé	Unité	NB paiements	Workfl. SI2	Délai AGRI	Délai total Commission.	Nombre trans. > délai autor.	% sur total trans.
05.010211.00.02.40	Conférences	40 AGRI-H1	1	3	22	27		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-B1	8	0	4	9		
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 MAR	97	2	10	15	3	3,1 %
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 SUB	27	3	31	35		
05.010503	Other management expenditure for research and innovation programmes - Horizon 2020	AGRI-B2	15	2	10	15		
05.046002	Operational technical assistance	AGRI-B2	8	4	18	22		
05.046002	Operational technical assistance	AGRI-B3	1	2	29	34	1	100,0 %
05.046002	Operational technical assistance	AGRI-B4	2	5	10	14		
05.080300	Restructuring of systems for agricultural surveys	AGRI-C2	2	2	5	10		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C3	4	2	11	16		
05.080100	Farm Accountancy Data Network (FADN)	AGRI-C3	80	2	8	12	2	2,5 %
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C4	37	3	11	15		
05.010404.11	autres cr.adm.siege	AGRI-C4	5	2	20	25		
05.046002	Operational technical assistance	AGRI-C4	4	1	35	39		
05.087709	Preparatory action - Union plant and animal genetic resources	AGRI-C4	1	1	38	43		
05.087710	Pilot project - Agropol: development of a European cross-border Agribusiness Model Region	AGRI-C4	1	0	46	51		
05.087712	Pilot project - Social eco-village	AGRI-C4	1	0	54	59		
05.087713	Pilot project - Improving crisis prevention and management criteria and strategies in the agricultural sector	AGRI-C4	1	4	49	52		
05.087714	Pilot project - Restructuring the honey bee chain and Varroa resistance breeding and selection programme	AGRI-C4	2	2	27	33		
05.087715	Pilot project - Analysis of the best ways for producer organisations (POs) to be formed, carry out their activities and be supported	AGRI-C4	1	16	30	35		
05.070102	Monitoring and preventive measures - Direct payments by the Union	AGRI-D3	1	0	1	6		
05.046002	Operational technical assistance	AGRI-E2	26	2	14	19		
05.046002	Operational technical assistance	AGRI-E4	8	5	13	18		
09.030100	Preparing broadband projects for public and/or private financing	AGRI-E4	1	3	21	26		
05.060200	International agricultural organisations	AGRI-G2	1	45	69	72	1	100,0 %
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-G2	2	12	13	16		
05.060100	International agricultural agreements	AGRI-G4	3	1	10	15		
05.046002	Operational technical assistance	AGRI-H1	5	1	6	10		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1	4	0	6	11		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 MAR	4	1	3	8		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 SUB	1	1	6	11		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-ORCO	36	1	3	7		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R3	197	2	4	8		
05.010404.11	autres cr.adm.siege	AGRI-R3	42	2	4	8		
05.046002	Operational technical assistance	AGRI-R3	88	1	4	8		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-R3	105	1	4	8		
05.010211.00.01.30	Réceptions	AGRI-R5	10	1	6	10		
05.010211.00.02.40	Conférences	AGRI-R5	48	2	4	9		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R5	1	0	0	3		
DG AGRI			881	2	7	12	7	0,8 %

Table 6b - Exercice 2019	
Délais de paiement et suspensions au 31/12/2019	
	2019
EAFRD average time to pay*	24
EAGF average time to pay**	NA
EAFRD % of payments made on time	100
EAGf % of payments made on time	100

* deadline is 45 days

** According to the legislation in force, the payments are executed on the 3rd working day of each month.

TABLE 7 : SITUATION ON REVENUE AND INCOME in 2019 for DG AGRI								
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	1.163.786,09	-	1.163.786,09	1.163.786,09	-	1.163.786,09	-
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4.659.319,52	4.659.319,52	-	-	-	4.659.319,52
65	FINANCIAL CORRECTIONS	9.940.091,37	72.366.762,16	82.306.853,53	9.940.091,37	66.930.519,84	76.870.611,21	5.436.242,32
67	**REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT**	**2.134.224.097,32**	**230.670.105,73**	2.364.894.203,05	1.492.187.848,95	95.515.437,23	1.587.703.286,18	777.190.916,87
Total DG AGRI		**2.145.327.974,78**	**307.696.187,41**	**2.453.024.162,19**	**1.503.291.726,41**	**162.445.957,07**	**1.665.737.683,48**	**787.286.478,71**

TABLE 8 : RECOVERY OF PAYMENTS in 2019 for DG AGRI
(Number of Recovery Contexts and corresponding Transaction Amount)

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2006			1	5548771,48		
2007			1	915459,1		
2008			11	552104098,2		
No Link			294	924468522,7		
Sub-Total			**307**	**1483036852**		

EXPENSES BUDGET	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
INCOME LINES IN INVOICES							439	74.802.926,01		
NON ELIGIBLE IN COST CLAIMS	7	79160,92			**7**	**79160,92**	10	3.722.334,93	70,00%	2,13%
CREDIT NOTES	49	1363788,14			**49**	**1363788,14**	79	1.643.424,19	62,03%	82,98%
Sub-Total	**56**	**1442949,06**			**56**	**1442949,06**	**528**	**80168685,13**	**10,61%**	**1,80%**

GRAND TOTAL	**56**	**1442949,06**			**56**	**1442949,06**	**835**	**1563205537**	**6,71%**	**0,09%**

TABLE 8 : RECOVERY OF PAYMENTS in 2019 for DG AGRI
(Number of Recovery Contexts and corresponding Transaction Amount)

DIRECT PAYMENT CIRCUIT ONLY

Year of Origin (commitment)	Total undue payments recovered		Total transactions in recovery context(incl. non-qualified)		% Qualified/Total RC	
	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
2006						
2007						
2008						
No Link						
Sub-Total						

EXPENSES BUDGET	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
INCOME LINES IN INVOICES							6	152.064,00		
NON ELIGIBLE IN COST CLAIMS	6	24.689,52			**6**	**24.689,52**	7	24.691,23	85,71%	99,99%
CREDIT NOTES	49	1.363.788,14			**49**	**1.363.788,14**	79	1.643.424,19	62,03%	82,98%
Sub-Total	**55**	**1.388.477,66**			**55**	**1.442.949,06**	**92**	**1.820.179,42**	**59,78%**	**79,28%**

GRAND TOTAL	**55**	**1.388.477,66**			**55**	**1.442.949,06**	**92**	**1.820.179,42**	**59,78%**	**79,28%**

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2019 for DG AGRI							
	Number at 01/01/2019	Number at 31/12/2019	Evolution	Open Amount (Eur) at 01/01/2019	Open Amount (Eur) at 31/12/2019	Evolution	
1998	1	1	0,00 %	74.379,83	72.045,00	-3,14 %	Direct management - See table 9b for details
1999	7	7	0,00 %	4.059.276,10	4.028.164,73	-0,77 %	Direct management - See table 9b for details
2000	1	1	0,00 %	1.486.032,59	1.336.032,59	-10,09 %	Direct management - See table 9b for details
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %	Direct management - See table 9b for details
2004	1	1	0,00 %	984.454,00	984.454,00	0,00 %	Direct management - See table 9b for details
2018	91	25	-72,53 %	248.698.067,06	69.987.351,91	-71,86 %	
2019		69			642.036.248,37		
	102	**105**	**2,94 %**	**258.977.075,10**	**722.119.162,12**	**178,84 %**	

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 1/1/2019 1 for DG AGRI						
DIRECT PAYMENT CIRCUIT ONLY						
	Number at 12/31/2019	Number at 1/1/2019 1	Evolution	Open Amount (Eur) at 12/31/2019	Open Amount (Eur) at 1/1/2019 1	Evolution
1998	1	1	0,00 %	72.045,00	74.379,83	-3,24 %
1999	7	7	0,00 %	4.028.164,73	4.059.276,10	-0,77 %
2000	1	1	0,00 %	1.336.032,59	1.486.032,59	-11,23 %
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 %
	11	**11**	**0,00 %**	**10.095.561,84**	**10.279.008,04**	**-1,82 %**

TABLE 10 : Recovery Order Waivers >= 60 000 € in 2019 for DG AGRI						
	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments

Total DG AGRI	**N/A**

Number of RO waivers	

Justifications:
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TABLE 11 :Negociated Procedures in 2019 for DG AGRI

Internal Procedures > € 60,000

Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Annex 1 - 11.1 (b) - Artistic/technical reasons or exclusive rights or technical monopoly/captive market	1	86.340,00
Total	**1**	**86.340,00**

TABLE 12 : Summary of Procedures in 2019 for DG AGRI

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	86.340,00
Open procedure (FR 164 (1)(a))	4	3.911.935,00
Total	**5**	**3.998.275,00**

Additional Comments:

TABLE 13 : BUILDING CONTRACTS in 2019 for DG AGRI

Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 14 : CONTRACTS DECLARED SECRET in 2019 for DG AGRI

LC Responsible Organisation DG Code	LC Contract/Grant Type	LC Date	Legal base	Contract Number	Contractor Name	Description	Amount (€)

TABLE 15 : FPA duration exceeds 4 years - DG AGRI

None of your FPA (if any) exceeds 4 years

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	**Administrative structure set up at Member States level**: management, control and payment of the expenditure are 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 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.
	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 ***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). Member States are required to send detailed information on the checks carried out and their results on a yearly basis to the Commission (control data and statistics).
	Audits by Certification Bodies and controls after payment by the Paying Agencies: The ***Certification Bodies*** deliver each year an opinion 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. They also verify compliance of the Paying Agencies with accreditation criteria and the Management Declarations. In addition all aid measures other than those covered by IACS are also 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).
Assurance from the Commission's checks	**DG AGRI audits**: The audits carried out by DG AGRI serve a number of purposes. 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 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>. 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. Thirdly, DG AGRI's audits are also used to provide assurance to the Director-General on the Member States' management and control systems.

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 <u>functioning</u> of management and control systems in the Paying Agencies. This is carried out by DG AGRI's assurance and 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, by the Competent Authority, of those Paying Agencies with serious deficiencies in their application of the accreditation criteria.

- 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 **<u>result of the controls</u> carried out by the Member States on the final beneficiaries and their certification**.

- For most of the agriculture budget, each year Member States are required to send detailed information to the Commission in relation to the more than 900 000 on-the-spot checks carried out. For the large part[8], these results relate to the financial year covered by the AAR in question. These data provide detailed information 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.

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

The third assurance element is comprised of **the Commission's own <u>conformity audits</u>** 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 and up to the moment the identified deficiencies are remedied. Around 125 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.

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 (Certification Bodies, Commission and European Court of Auditors), 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 assurance and 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 adjusted and validated 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 corrections 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 five 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 ("estimated overall risk at closure", presented for DG AGRI as "Estimated final amount at risk" in table under sub-section 2.1.1).

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 applications/payment claims which have not been controlled on-the-spot by the Paying Agencies). This **reported error rate** is used for calculating a first estimate of the amount at risk. 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's 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's 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
    - o the Anti-Fraud Correspondent of DG AGRI;
    - o 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"[9]. 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. All available information, including the input of the operational units, is integrated to complete the assessment process. 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 the calculation of an **adjusted error rate** and the corresponding amount at risk.

- For ABB 02, the same approach is followed but per measure instead of per Paying Agency.

- Coordination is carried out at the level of DG AGRI's assurance and 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 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 74(9) of the Financial Regulation provides that

"The authorising officer by delegation shall report to his or her Union 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 reservations 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**

[9] 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.

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 ± EUR 55 billion, a *de minimis* threshold of EUR 1 million 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 EUR 1 million 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 as regards the mitigating factors examined when deciding 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.

As from 2019[10], a 'de minimis' threshold for financial reservations is introduced. Quantified AAR reservations, related to residual error rates above the 2% materiality threshold, are deemed not substantial for segments representing less than 5% of a DG's total payments and with a financial impact below EUR 5 million. In such cases, quantified reservations are no longer needed. The implementation of this 'de minimis' threshold applies at the level of the AAR reservations, i.e. not at all affecting the detailed reservations at the level of the Paying Agency/aid scheme. It is not likely that this threshold will have an impact on AAR reservations of DG AGRI.

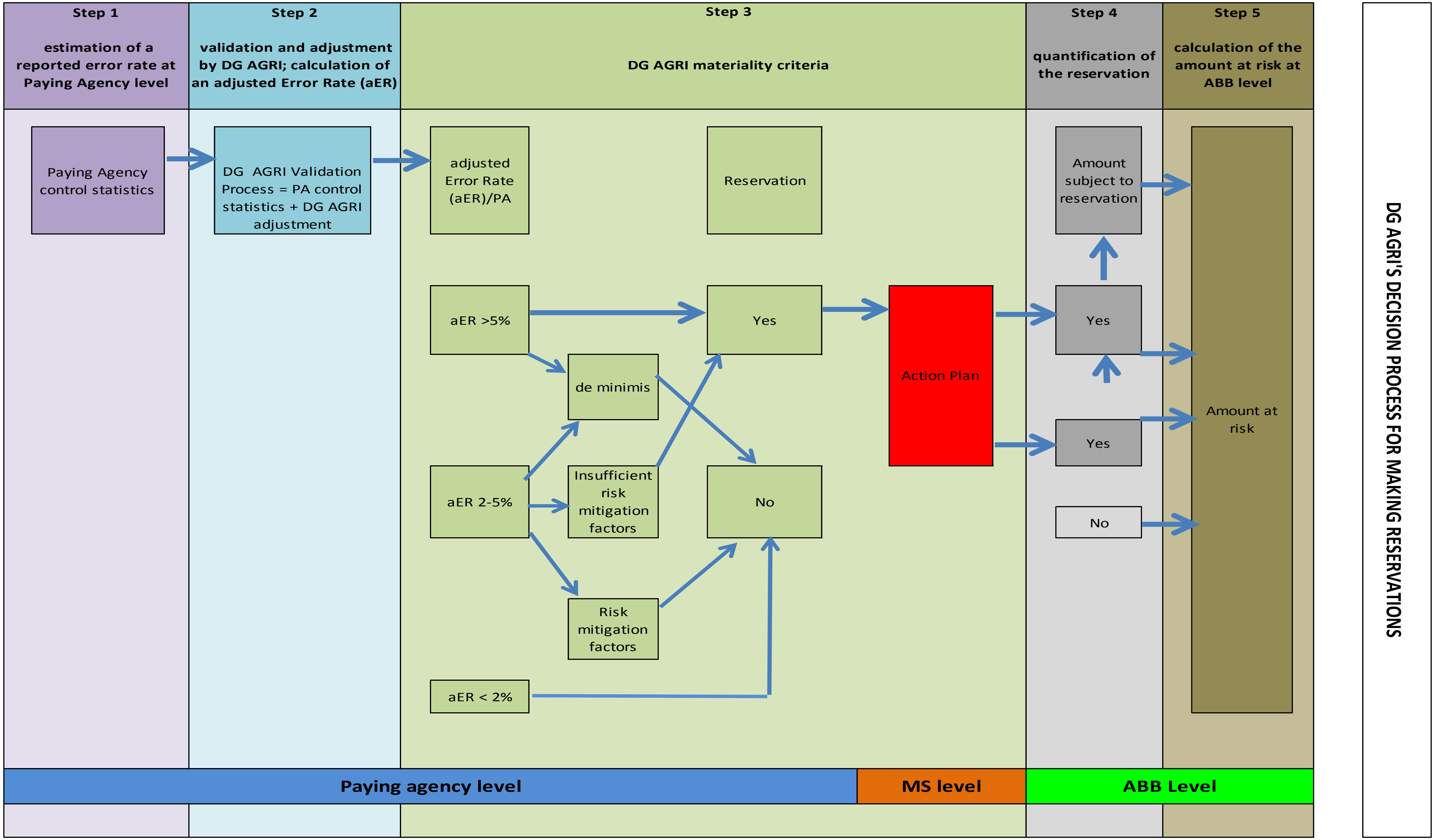
[10] Agreement of the Corporate Management Board of 30/4/2019.

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 aggregated at ABB level** 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.


Step 1
estimation of a reported error rate at Paying Agency level
Step 2
validation and adjustment by DG AGRI; calculation of an adjusted Error Rate (aER)
Step 3
DG AGRI materiality criteria
Step 4
quantification of the reservation
Step 5
calculation of the amount at risk at ABB level
Paying Agency control statistics
DG AGRI Validation Process = PA control statistics + DG AGRI adjustment
adjusted Error Rate (aER)/PA
Reservation
Amount subject to reservation
aER >5%
Yes
Action Plan
Yes
de minimis
Amount at risk
Yes
aER 2-5%
Insufficient risk mitigation factors
No
No
Risk mitigation factors
aER < 2%
Paying agency level
MS level
ABB Level
DG AGRI'S DECISION PROCESS FOR MAKING RESERVATIONS

ANNEX 5: Relevant Control System(s) for budget implementation (RCSs)

EXPENDITURE IN SHARED MANAGEMENT[11]

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

Main internal 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	Coverage frequency and depth of controls	Possible Cost-effectiveness indicators (3Es)
The actions financed[12] 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.	**Effectiveness**: % of actions adopted/ approved*, % of financial allocation approved* Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [non-quantifiable individually] **Efficiency**: average cost of analysis and adoption/approval of an action, average time to adopt / approve an action* **Economy** (costs): estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2020).

[11] DG AGRI uses the Internal Control Template for shared management covering 99.1 % of its total expenditure and other management modes fall under the 'de minimis' threshold.
[12] For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural development pillars (EAGF and EARDF).

<u>Stage 2 – Implementation of operations (Member States):</u>

A. Setting up of the systems

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

Main risks **It may happen (again) that…**	**Mitigating controls**	**Coverage frequency and depth of controls**	**Possible Cost-effectiveness indicators (3Es)**
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.	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]	**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	For 2014-2020: **Effectiveness**: % of authorities designated/accredited, number of authorities for which serious system weaknesses were found following accreditation reviews/audits Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2020) [not quantifiable] **Efficiency**: time needed to address the deficiencies detected [where applicable], number of authorities for which serious weaknesses found by accreditation reviews/audits (% of total checked) **Economy** (costs): estimation of cost of COM staff involved in the audits of samples of national designations/ accreditations (for 2014-2020)

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

Main internal 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**	**Coverage frequency and depth of controls**	**Possible Cost-effectiveness indicators (3Es)**
Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or noncompliant with EU and/or national eligibility rules and legislation.	**Management verifications**: first level checks by designated / accredited programme authorities or bodies.[13] **Certification, audit opinion and annual report** by the relevant authorities or bodies designated / accredited.[14] MS **recoveries** from final beneficiaries (CAP)	**Coverage**: fixed in sector-specific rules **Depth**: - <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-thespot), 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	**Effectiveness**: error rates as reported by the Member States., annual audit opinions (or certificate opinions) of the Member States, MS recoveries (if applicable) **Efficiency**: time to lift interruption of payments (where applicable)

[13] For CAP: Paying Agencies (PA)
[14] For CAP: Certifying Bodies (CB)

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

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

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage frequency and depth of controls**	**Possible Cost-effectiveness indicators (3Es)**
The management verifications and subsequent audits/controls by the Member States have failed to detect **and correct ineligible costs or calculation errors**. The **audit work carried out by the audit / certifying authorities is not sufficient** to obtain adequate assurance on the submitted declarations. The Commission services have **failed to take appropriate measures** to safeguard EU funds, based on the information it received.	**Commission checks** of periodic MS expenditure declarations. **Commission assessment of management and control systems in the Member States**, in particular of work done and/or reported by the AA/PA/CB, namely: - assessment of annual control/audit/certificat ion 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 applicable) - own Commission audits - technical and bilateral meetings with MS **Interruptions and suspensions of payments**	**Coverage**: verification of information provided in the annual (audit/control /certification) report and annual audit opinions. **Depth**: desk checks and/or onthe-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); *[at closure: where applicable scrutiny of closure report and closure opinion, if needed with audits on sample of OPS]*	**Effectiveness**: 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 % (with respect to total commitment) of interruptions/suspensions of payments, corrections made resulting from Commission audit work, % of the expenditure for which the Commission can rely on the work of the AA (where applicable) Benefits: errors prevented [unquantifiable], errors detected or corrected (amount of financial corrections); alternatively, the impact of the Commission's adjustments made on the error rates reported by the MS following its own audit work and the total amount of expenditure for which the Commission has assurance **Efficiency**: cost of control/financial management of the Commission checks and assessment (% of total appropriations), Time-to-payment (or % of payments within delays), Time to notify interruption to MS [where

Main risks It may happen (again) that…	**Mitigating controls**	**Coverage frequency and depth of controls**	**Possible Cost-effectiveness indicators (3Es)**
	Financial corrections (implemented by Commission) Annual **financial clearance procedure** and multi-annual **conformity clearance procedure** (CAP)		applicable] **Economy** (costs): 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 work4,and drafting of interruption letters

ANNEX 6: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 7: EAMR of the Union Delegations (not applicable)

ANNEX 8: Decentralised agencies and/or EU Trust Funds (not applicable)

ANNEX 9: Evaluations and other studies finalised or cancelled during the year

Study project ID	Title of the study	Study internal ID	Study overview	Study reason	Associated services	Study cost (EUR)	Note	Title of the deliverable
Evaluations finalised in 2019								
6644	Evaluation of the forestry measures under the rural development policy	L/MFF	Forestry measures under RD regulation (Reg. (EU) No 1305/2013) such as afforestation, investments, agroforestry systems…	Evaluation	CLIMA, RTD, ENV, REGIO, DEVCO, ESTAT, JRC, SG	426 634		SWD (2019) 389 SWD (2019) 391[15]
Studies finalised in 2019								
8105	Nutrient management tool	O	Options for the implementation of a digital system providing advice in the use of nutrients in agriculture	General study		299 740		
6683	Conformity checks of MS in olives	O	Implementation of conformity checks in the olive oil sector to ensure that ensure that marketing standards specifically designed	General study		271 000		

15 https://op.europa.eu/en/publication-detail/-/publication/c3ab0c4b-2d84-11e8-b5fe-01aa75ed71a1/language-en/format-PDF/source-112354750

Study project ID	Title of the study	Study internal ID	Study overview	Study reason	Associated services	Study cost (EUR)	Note	Title of the deliverable
6685	Quality schemes	O	Economic value for EU quality schemes Geographical Indications (GI) and Traditional Specialities Guaranteed (TSG)	General study		355 387		
6686	CDGs in policy making	O	Civil Dialogue Groups	General study		409 400		
Pilot projects finalised in 2019								
7637	Crisis prevention	O	Improving crisis prevention and management criteria and strategies in the agricultural sector	Pilot project		297 740		
8092	Producer organisations	O	Best ways for producer organisations to be formed, carry out their activities and be supported	Pilot project		298 500		
8091	Smart villages	O	Smart eco-social villages, best practices to build future development strategies	Pilot project		360 000		

L = Legislative; O = Other

Main findings of the Staff Working Document, evaluation support studies and studies finalised in 2019.

The **Staff Working Document on the evaluation of forestry measures under the rural development policy** (SWD(2019)389) provides an overview of forestry measures for the programming period 2014-2020, as they are part of Regulation (EU) 1305/2013 on the European Agricultural Fund for Rural Development (EAFRD). The evaluation provides evidence that the forestry measures as currently implemented have contributed to the objectives attached to them, in particular with a view to the EU Forest Strategy 2014-2020. The European policy on rural development under the EAFRD is a suitable place for these measures; it allows a tailored design of measures, acknowledging the important role of sustainable forest management for the rural economic and social fabric and its essential contribution for the preservation of sustainable environmental resources (water, soil, biodiversity, etc.) and climate action. The CAP proposals of the European Commission for the period post-2020 (COM(2018) 392/393/394 final of 1.6.2018) duly took into account the findings and conclusions of the evaluation study, in particular as regards targeting towards environmental objectives, flexibility for Member States and simplification.

The **support study of the evaluation of the impact of the CAP on habitats, landscapes and biodiversity** concluded that the presence of the CAP has raised Member States' ambition towards addressing biodiversity objectives as well as the level of funding. Among the key instruments and measures that contribute most to the protection of habitats, landscapes and biodiversity, the CAP's Agri-environment-climate measures (AECMs) under the rural development framework show positive results, especially for tailored and targeted schemes. This includes the support to High Nature Value (HNV) farming systems, to wild pollinator habitats and landscape features, and to organic farming. In addition, greening measures also contribute to the protection of biodiversity through the maintenance of permanent grassland, by avoiding ploughing of land, and ecological focus areas by dedicating agricultural land. However, the CAP's contribution and benefits are highly dependent on Member States' implementation choices and priorities. For certain Member States, their biodiversity priorities are not well reflected in their CAP decisions. In addition, not all semi-natural habitats that have the potential to be farmed are eligible for direct payments and thus these habitats are not protected by the cross-compliance requirements. The design and funding of AECM support has been insufficiently attractive for intensive cropping farms to improve their biodiversity performance. An overall assessment of CAP impact has not been possible due to the absence of suitable monitoring data. The support study was published in March 2020. The outcome of this evaluation study will feed into a single Staff Working Document for Water, Biodiversity and Soil envisaged for the first quarter of 2021.

The **support study of the evaluation of the impact of the CAP on water** found that the CAP framework can be considered effective for maintaining minimum practices beneficial for water quality, but its effects on the quantitative aspects of water are rather contrasted. The study acknowledged the positive contributions of standards for good agricultural and environmental conditions of land (strengthening the controls of requirements established outside the CAP, such as the Nitrates Directive) and of good agricultural and environmental condition of land (providing minimum mandatory standards) regarding e.g. buffer strips along watercourses. In addition, the greening measures, as implemented by Member States, are guaranteeing the maintenance of minimum beneficial practices by farmers. The measures under rural development, such as organic farming and AECMs, for instance, improve the chemical status of waterbodies and are the most effective in reducing agricultural pressures on water. However, the analysis highlighted the importance of implementation choices by Member States, as only a few measures were actually supporting operations directly targeting water quality and quantity issues. Nevertheless, the CAP has been identified as the most important EU policy to provide funding for implementing the objectives of the Water Framework Directive. The support study was published in March 2020. The outcome of this evaluation study will feed into a single Staff Working Document for Water, Biodiversity and Soil envisaged for the first quarter of 2021.

The **support study for the evaluation of the impact of the CAP on generational renewal in the agricultural sector** found that the relevant measures of the CAP have a positive impact on generational renewal in agriculture and employment, despite the difficulty to isolate the effects of individual CAP measures and the strong influence of external factors. The generational renewal measures support the performance of farm businesses, their resilience and the secure transfer of farms from an older to a younger generation. Rather than encouraging farm succession, these measures are more likely to increase the socio-economic sustainability of farm businesses after young farmers have set up their holding. Particularly in marginal or remote areas, the impact of young farmers measures may be dwarfed by negative influences including socio-cultural and wider economic disincentives to farm or live in rural areas. Differences in the magnitude of impact were determined by a combination of the underlying socio-economic and cultural context, CAP instruments selection and measures design, as well as delivery choices and financial provisions. In addition, the measures are often insufficient, on their own, to address two main barriers to generational renewal: access to land and capital. Facilitating this access may require improving the coherence of national legal, social and fiscal policies with CAP generational renewal goals. In fostering social capital, infrastructure and good governance in rural areas, the evidence from the case studies suggest that CAP generational renewal measures have a limited, mainly positive direct and indirect impact. The evaluation found varied evidence of the coherence of CAP measures with each other. The support study was published in the last quarter of 2019[16]. The finalisation of this evaluation, after scrutiny by the Regulatory Scrutiny Board, is foreseen for the third quarter of 2020.

The **support study for the evaluation of marketing standards (contained in the CMO Regulation, the "breakfast directives" and CMO secondary legislation)** found that EU marketing standards have generally been effective in achieving their intended objectives, and have not caused significant unintended/unexpected effects, including deadweight. The assessment identified a number of clear success stories in terms of effectiveness, while it acknowledged a few limitations affecting specific sectors and related to specific aspects. A specific issue was identified regarding the improper use of protected dairy terms (e.g. milk, butter, cheese, yoghurt) for marketing plant-based substitutes for dairy products. The assessment also revealed that consumer organisations, and even more so consumers, have limited awareness of EU marketing standards. The evaluation study found that the potential for simplification of EU marketing standards is generally limited. The findings provided a positive judgement on the coherence of EU marketing standards. However, the combination in EU marketing standards on requirements that are related to (i) product quality, (ii) food safety and (iii) the provision of food information to consumers might result in some overlaps and inconsistencies, and may pose challenges for enforcement and controlling activities. Finally, the study found that EU marketing standards provide significant added value vis-à-vis international and private marketing standards, mainly stemming from their mandatory nature across the EU and requirements tailored to the specific operational and market situation of the EU. The publication of the support study is envisaged in March 2020. The outcome of this evaluation study will feed into a Staff Working Document to be published in the third quarter of 2020.

[16] https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/evaluation-policy-measures-agriculture/impact-common-agricultural-policy-generational-renewal-local-development-and-jobs-rural-areas_en

The **feasibility study for the technical design of a Nutrient Management tool** concluded with the feasibility of such a system. The usefulness of nutrients management based on digital services has been demonstrated through existing initiatives, and the information generated by its services can serve a variety of stakeholders (farmers, Paying Agencies, advisors, data-driven users). The study indicated the benefits of a cloud-based platform, as an application available from a computer or a mobile device (for on-field decisions and recording). The scope includes minimum elements and functionalities that are defined and these functionalities should be able to evolve and integrate new modules (i.e. water and pesticides management).

The **study on the implementation of the conformity checks of the marketing standard in the olive oil sector throughout the EU** found that the overall provisions on working mechanisms of the conformity checks on olive oils are judged positively by most of the operators and competent authorities. Stakeholders of the olive oil sector generally value the organisation of conformity checks and recognise that their implementation at national level has improved over time ensuring a better quality of the product. The study identified risk analysis as the core activity for targeting the controls on products that have the higher risk of non-compliances. It found that the minimum number of checks foreseen in the relevant provisions are not sufficiently representative. The most problematic aspect of the EU system of conformity checks emerged in relation to the organoleptic assessment and the tasting panels, which seem to produce inconsistent results across different panels. The study also found a lack of certainty to identify the actor of the supply chain who is responsible for a non-compliance or a suspected fraudulent practice and observed that the majority of Member States do not have in place a specific system of penalties for non-conformities on olive oil. The contractor provided a number of recommendations to overcome certain shortcomings.

The **study on EU quality schemes** provides an update and comparison of the volume, value and trade of products registered as a protected designation of origin (PDO), protected geographical indication (PGI), geographical indication (GI) or traditional speciality guaranteed (TSG). The study provides a comparative analysis of these parameters against standard products and an assessment of EU-27 trade (in view of the UK withdrawal from the Union). The study presents a rich set of data on the state of play and evolution between 2011-2017, such as the:

(i) *42% growth in the sales value of GI/TSG products since 2010, estimated at EUR 77.15 billion in EU-28, which is 7% of all food and drinks in EU-28 (7.3% in EU-27), of which 51% generated by wine, 87% gathered by France, Italy, Germany, the UK and Spain, and with 5% of the most valuable designations (over EUR 100 million sales value) accounting for 73% of total sales value;*
(ii) *estimated export value of GIs/TSGs at EUR 17.03 billion, representing 15.5% of the total EU exports of food and drinks to non-EU countries (of which 50% wine);*
(iii) *38% increase in the value premium of GIs since 2010, despite a marginal decline in the premium rate (from 2.14 to 2.07 over the same period).*

The contractor concludes with some recommendations on improving the quality of data collection regarding products under the EU quality schemes. This study will be published in March/April 2020.

The **study on Civil Dialogue Groups (CDG) in policy making** concluded that, compared to other Better Regulation consultation tools, CDGs offer the highest overall information potential and can bring added value with a high level of interactivity and transparency. However, this potential did not appear to be fully realised. It is not possible to establish a direct, causal link between the output of the CDG meetings and policy development and monitoring, given that (i) the format appeared to prevent Member Organisations from developing agreed suggestions and requests; (ii) the timing of the consultation of the CDGs might be too late. CDGs seemed to fulfil their tasks to hold a regular dialogue and to monitor policy developments, but their role to bring about an exchange of experience and good practice and to deliver an opinion on specific matters is not accomplished in full. The study found that Chairs (and Vice-Chairs) have a large impact on the ability of the CDGs to fulfil their tasks. In addition, CDGs lacked a sufficiently clear definition of balanced representation of all interests and the selection procedure for Member Organisations was not fully transparent, notably on the criteria for the allocation of seats.

The pilot project on **Crisis prevention** concluded that crisis prevention and management systems need to be flexible to cope with a wide variety of crises cases, and have to be integrated across farm, national and European levels. Effective coordination across all levels is essential. Crisis management often requires interactions at EU level, but national actors are key in implementing crisis management actions. Risk management tools constitute the first line of defence during a crisis as they provide the necessary liquidity support to affected producers and reduce the need for ad-hoc public aid. The slow uptake of insurance, mutual funds and income stabilisation tools across the sector is identified as a potential gap in effective crisis management responses. These risk management tools are key elements in an overall strategy to cope with extreme events, but are challenging to implement. Increased market orientation and globalisation may have rendered some crisis management instruments less efficient. Gains could be achieved by exploring new instruments and/or improving the implementation of existing ones. Crisis loans and flexible financial products could provide emergency liquidity and relief, and could complement or substitute volume management measures. Effective communication is a key dimension of crisis management as established communication channels and strategies can reduce the length of time required to bring full resolution of a crisis. In particular, market stabilisation requires timely and accurate production data notification from Member States (bottom up), as well as effective market observatories (top down).

The pilot project on **Producer organisations** aimed at fulfilling specific data needs at EU level in terms of recognised Producer Organisations (POs) and Associations of Producer Organisations (APOs) as well as of other forms of cooperation that operate on the various EU agricultural markets. By mid-2017, a total of 3 434 POs and 71 APOs had been recognised by national authorities across 25 Member States (there were no recognised POs/APOs in EE, LT and LU). The total number of recognised POs/APOs continues to grow in the EU (it increased by 33% since the last Common Market Organisations reform). More than half the recognised POs/APOs operate in the fruits and vegetables sector (1 851), followed by milk and milk products (334), olive oil and table olives (254), wine (222), beef and veal (210), cereals (177), other products (107), and pig meat (101). A total of 249 entities are distributed across the remaining 12 agricultural sectors. DE, ES and FR are the Member States with most recognised entities (759, 658 and 588 recognised POs/APOs, respectively). Together, these three Member States harbour about 60% of all recognised POs/APOs. About 50% of all currently recognised POs/APOs are cooperatives. The main three objectives pursued by recognised POs and APOs are: production planning and adjustment to the demand (e.g. in terms of quality); concentration of supply; placing of products on the market (incl. direct marketing). The three main activities reflect these objectives and consist in 'joint contractual negotiations', 'joint commercialisation strategies', and 'joint planning of quantity'. Overall, the incentives that drive EU farmers to set up or join POs may be of economic, technical or social and human nature. Amongst the disadvantages, some downstream operators consider POs a threat to their bargaining power, and for this reason prefer to deal with individual farmers. In terms of advantages, doing business with POs allows downstream operators to plan supplies more efficiently, avoiding, for instance, shortages or delays in deliveries; it also contributes to maintaining food prices relatively stable, while reducing transaction and logistics costs, as opposed to what would normally happen with multiple suppliers. Moreover, buying from POs provides additional guarantees regarding the safety, quality and origin of the agricultural products supplied. Finally, in various Member States, recognition stands out as an element that contributes to the credibility of POs as business partners, although in Member States where recognitions are limited, other specific business models enjoy equally good reputation.

The results of the pilot project on **Smart eco-social villages, best practices to build future development strategies** are a contribution to the development of Smart Villages in the EU. A definition has been proposed as follows: Smart Villages are *communities in rural areas* that use innovative solutions to improve their resilience, building on local strengths and opportunities. They rely on a *participatory approach* to develop and implement their strategy to improve their economic, social and/or environmental conditions, in particular by mobilising solutions offered by *digital technologies*. Smart Villages benefit from cooperation and alliances with other communities and actors in rural and urban areas. The initiation and the implementation of *Smart Village strategies* may build on existing initiatives and can be funded by a variety of public and private sources. The three main lessons that can be drawn are as follows: there is already a wide range of such initiatives in the EU rural areas; many smart villages share common features; and that there is room for improvement in the policy framework and financial support for their development.

ANNEX 10: Specific annexes related to "Financial Management"

This Annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development and the 28 Member States (comprising 76 Paying Agencies at the end of financial year 2019).

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 sound administration, controls by the Paying Agencies and other bodies ensuring the management and control system of the CAP, and audit by the Certification Bodies at Member States' level. On the other hand, under the single audit approach, it allows the Commission to audit the work of the Certification Bodies and the proper functioning of Member States' 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 controls before payments and dissuasive penalties
Level 3: Audits by Certification Bodies and controls after payment
Level 4: Commission audits and Clearance of accounts

Part 2: Functioning of the Paying Agencies

2. Financial clearance exercise for financial year 2019
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: 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
3.4: Root causes of the error rate

Part 4: Conformity Clearance Procedure and Net Financial corrections

Part 5: Debt management by the Member States

Part 6: Cross-compliance

Part 7: Overview of the estimated cost of controls at European Commission (EC) level

Part 8: Assessment of the amount at risk for indirect management

Part 9: Budget implementation tasks entrusted to other DGs and Agencies

Part 10: Minimisation of the risk of fraud

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 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. 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 (see Part 2), constitutes, by definition, the annual summary referred to in point (b) of Article 63(5) of the Financial Regulation[17].

Level 2: Detailed systems for controls before payments and dissuasive penalties

For each aid support scheme financed by the EAGF or EAFRD, there is a system of administrative and on-the-spot checks to be performed before payments to beneficiaries, with dissuasive penalties in case of serious 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 administrative controls of 100% of the aid applications, cross-checks with other databases where this is considered appropriate as well as 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 2019 covered 94.2% of EAGF expenditure (93.7% in financial year 2018). To the extent possible, the IACS is also used to manage and control Rural Development area and animal-related measures, which in financial year 2019 accounted for 51.2% of payments under the EAFRD (52.0% in financial year 2018). For both Funds together, the IACS covered 83.9% (84.5% in financial year 2018) of total expenditure[18].

A detailed reporting from the Member States to the Commission on the individual results of the checks they carried out 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 data reported by the Paying Agencies and the quality of the underlying controls are also to be verified and confirmed by the Certification Bodies.

[17] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

[18] Situation for 2018 was updated after the publication of the 2018 AAR. Figures currently presented are the final ones.

Level 3: Audits by Certification Bodies and controls after payment

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 to be verified and certified by the Certification Bodies. The report of the Certification Bodies also includes a detailed review of the Paying Agencies' compliance with the accreditation criteria and key and ancillary control requirements as well as a verification of the error rates reported in the Management Declarations. In addition, all aid measures under EAGF other than direct payments covered by the IACS are subject to ex-post controls under Articles 79 to 88 of Regulation (EU) No 1306/2013[19]. As regards EAFRD, ex-post checks are carried out for investment operations according to Article 52 of Commission Implementing Regulation (EU) No 809/2014[20].

Level 4: Commission audits and clearance of accounts

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

The **financial clearance of accounts** covers the completeness, accuracy and veracity of the Paying Agencies' accounts, and is without prejudice to decisions subsequently adopted pursuant to the conformity 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** audits, for their part, relate to the legality and regularity of the expenditure. The conformity clearance 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 (net financial corrections). In contrast, it is not a mechanism by which irregular payments to beneficiaries are recovered from beneficiaries, 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 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

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

[20] Commission Implementing Regulation (EU) No 809/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross-compliance.

financial risk for the EU. Where undue payments are or can be identified as a result of the conformity 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 procedure 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, in accordance with the audit strategy, a comprehensive risk assessment, which includes both quantitative and qualitative analysis of risks. In the preparation of the audit work programme, the Member States, related Paying Agencies, Certification Bodies and the specific part of the control system to be audited in a 3-year time period are selected on the basis of risk mapping using all available information and the following main elements:

- ***Central Risk Analysis (CRA)***
- ***Sector-specific risk analysis***
- ***Risk mapping based on the Annual Activity Report and Certification Bodies opinion on legality and regularity***
- ***Risk mapping with information from the implementation of new measures and external factors.***

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, and aims to ensure that the work of DG AGRI Assurance and audit Directorate is oriented 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),
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.

DG AGRI has a three-year audit work programme. The CRA is carried out after the financial clearance exercise in order to use information resulting from the analysis of the opinions of the Certification Bodies, including not carrying out audit missions where the subject has already been covered by a reliable Certification Body, and also to include in the audit work programme any audits 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

In 2014 the DG AGRI Assurance and audit Directorate adopted an audit strategy with a multi-annual perspective for the period 2014-2020, which was updated in 2019 and will apply until a new CAP legislative framework enters into force.

DG AGRI audit strategy for 2014-2021

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 anticipated the impact of the extended role given by the CAP Horizontal Regulation on the financing, management and monitoring of the Common Agricultural Policy (Regulation (EU) No 1306/2013) to the Certification Bodies. From the beginning of 2016 (in respect of financial year 2015), Certification Bodies give an opinion 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 regulatory frameworks. Not only the information thus gathered have to be assessed and input to DG AGRI's own risk analysis, but its impact on the focus and scopes of DG AGRI audit activities are to be fully taken into account. When done in accordance with applicable rules and guidelines, the audit work of the Certification Bodies becomes the key element for assurance on the legality and regularity of the CAP expenditure. Therefore, DG AGRI is progressively rebalancing its audit activities towards checking the reliability of the opinion of the Certification Bodies. Conformity clearance procedures continue to be used in cases where insufficient assurance, for instance because the work of the Certification Body is not in accordance with guidelines, creates a risk to the EU budget.

As from autumn 2018, with a view to enhance the reliance on the work of the Certification Bodies under the single audit approach, full coverage of the Certification Body's work is ensured during the conformity audits.

DG AGRI's audit work, in the first instance, reviews the work of the Certification Body for the administrative checks and the on-the-spot checks. Where the Certification Body's work can be relied upon i.e. conclusions can be confirmed, no further work is carried out by DG AGRI. Audit work is only carried out for topics that are not covered by the Certification Body or where its work has been found unsatisfactory.

After the conformity audit mission the results are communicated to the Member State to enable addressing the issues identified and requesting appropriate reporting in the Certification Body report to be received during the subsequent annual clearance.

The audit strategy was subject to a three-yearly review in 2019, in which main developments and experiences gained were integrated into the audit strategy. The main developments taken into account were related to audit approach as DG AGRI in its audit can base more and more of its assurance on the work of the Certification Bodies, updates in audit coverage and updates of cross-cutting risks.

Explanatory Box: Annex 10-1-2

Part 2: Functioning of the Paying Agencies

2. Financial clearance exercise for financial year 2019

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 (with possible extension to 1 March) 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. The annual accounts should be accompanied by an audit opinion from the Certification Body of each Paying Agency, stating whether it has obtained reasonable assurance that the accounts are complete, accurate and true, that the agency's internal control procedures have operated satisfactorily and, since 2015, 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 Paying Agencies concerned.

The financial year 2019 for the EAGF and EAFRD Funds runs from 16 October 2018 to 15 October 2019. By 1 March 2020, all the accounts of the 76 Paying Agencies, operating during financial year 2019, were submitted.

From financial year 2019 accounts onwards, the approach to be followed by the Certification Bodies allows that misstatements in the accounts are reported separately from the findings established as regards the legality and regularity of the expenditure. Thus, the financial clearance mechanism has been further streamlined, as it can be separated from the conformity audits that are to be undertaken in case weaknesses and errors are reported for legality and regularity of expenditure.

Contrary to previous financial clearance exercises, the accounts of all Paying Agencies will probably be cleared by the 31 May deadline as the level of error in the accounts was below the materiality threshold (2% of expenditure) for the Funds in all cases.

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 15 October 2019, the 28 Member States had 76 operating accredited Paying Agencies. There was no change in the number of operating Paying Agencies during the financial year.

The status of the Paying Agencies’ accreditation at the beginning and at the end of the financial year was as follows:

Status of Paying Agencies' accreditation	At the beginning of financial year 2019	At the end of financial year 2019
Fully accredited Accreditation under probation	76	74 2[21]
Total Member States: 28	76	76

Table: Annex 10 – 2.1.1-1

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 2019, 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, 145 opinions (69 Paying Agencies dealing with both Funds and 7 Paying Agencies dealing only with one Fund – 5 dealing exclusively with EAGF and 2 exclusively with EAFRD) covering the internal control systems, should be received.

13 Paying Agencies requested permission[22] to submit the accounts or audit opinions and related reports after the deadline of 15 February 2020[23]. Except 1, all requests were accepted. All audit opinions and reports were received by the ultimate deadline 1 March 2020.

By 31 March, all audit opinions received had been assessed. In all cases, the Certification Body concluded that the internal control system of the Paying Agencies operated at least satisfactorily at overall system level (i.e. IACS, non-IACS)[24]. Despite this assessment, in a few cases the Certification Body established severe non-compliance with a specific accreditation criterion. In other cases, the deficiencies found relate to more than one accreditation criterion.

As regards **EAGF,** there were no qualified opinions for the accounts of the Paying Agencies for financial year 2019. There was one qualified opinion relating to the debt management of Paying Agency DE17 - Rheinland-Pfalz. This opinion also included an emphasis of matter for unjustified payment entitlements. Furthermore, two opinions were qualified for legality and regularity for Paying Agency DK02 – DAFA due to errors in the calculation of payment entitlements and ES17 – C. Valenciana due to errors detected in wine promotion resulting in a material financial impact in the related expenditure.

In addition, for BG01 – SFA an emphasis of matter is raised in the opinion for a material error found for legality and regularity in the EAGF Non-IACS population. As regards Paying Agency ES09 – Cataluña, the Certification Body mentions a limitation of scope for the verification of control statistics for the measure of vineyard restructuring and

[21] DE17 - Rheinland-Pfalz and IT26 - ARCEA.
[22] According to the provisions of Article 63(7) of the Financial Regulation (EU, Euratom) 2018/1046 (previously Article 59(5) of 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) and Article 7(3) of Regulation (EU) No 1306/2013, the deadline of 15 February may exceptionally be extended by the Commission to 1 March.
[23] BG01 – State Fund Agriculture, ES01- Andalucía, GR01 – OPEKEPE, SK01 – APA, NL04 – RVO, DK02 – Danish Agriculture Agency, PT03 – IFAP.
[24] Ratings of "works well", "works" or "works partially".

conversion. For FR05 – ODEADOM and for FR20 – France Agrimer, an emphasis of matter in the audit opinion raised the incompleteness of Annex III. For FR19 – ASP, there is an emphasis of matter in the audit opinion due to lack of access to documents, lack of access to the ISIS system and testing of IT controls and information on the implementation of action plans. For Paying Agency IT01 – AGEA, material error for legality and regularity of expenditure for the EAGF Non-IACS population was mentioned in an emphasis of matter paragraph in the audit opinion. As regards RO02 – PIAA, in the audit opinion the CB emphasized that errors were detected in the Annex III table as regards sanctions without qualifying the opinion.

In three cases, the Certification Body qualified its opinion on the **EAFRD** accounts. However, in all of these cases the issues reported relate to material errors as regards legality and regularity of expenditure in the specific population (ES03 – Asturias in the EAFRD Non-IACS population, ES05 – Islas Canarias in the EAFRD Non-IACS population, LU01 – Ministry of Agriculture in the EAFRD IACS population). There was one opinion qualified for the debt management (DE17 - Rheinland-Pfalz).

Furthermore, in another 6 cases the Certification Body qualified its opinion for material errors found in the legality and regularity of expenditure for the specific populations, as follows: ES06 – Cantabria: EAFRD Non-IACS, GB06 – DARD: EAFRD Non-IACS, GB07 – WAG: EAFRD Non-IACS, HU02 – HST: EAFRD IACS, RO01 – RIFA: both EAFRD IACS and Non-IACS populations, including a scope limitation for Annex III, and SK01 – APA: EAFRD IACS.

In addition, as regards the Paying Agency ES09 – Cataluña, without a qualified opinion the Certification Body emphasises the need for actions or an action plan under both populations EAFRD IACS and Non-IACS that is to be followed-up in the next financial year. As regards FR18 – ODARC, the Certification Body in an emphasis of matter paragraph draws attention to the errors detected as regards advances and the incompleteness of Annex III. As regards HR01 – PAAFRD, the material total error found for legality and regularity of the EAFRD IACS population is raised in an emphasis of matter paragraph in the opinion. Concerning the Paying Agency NL04 – RVO, the Certification Body mentions in its opinion an irregular project under EAFRD Non-IACS that leads to a material extrapolated error at population level without reservation.

In addition, for the Paying Agency IT26 – ARCEA, weaknesses in the internal control system as regards human resources and delegated bodies are pointed out in an emphasis of matter paragraph. For the Paying Agency BE03 – Région Wallonne, the Certification Body refers to ongoing DG AGRI audits as an emphasis of matter for both Funds. For SE01 – SJV, significant delays in recovery decisions have been detected and mentioned in the audit opinion without reservation.

2.1.3 The Commission's accreditation audits

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 accreditation criteria are checked by the Certification Bodies, DG AGRI only conducted two dedicated accreditation missions during the year to Paying Agency ES15 – Pais Vasco and to IT01 - AGEA.

The significant issues found in both audits will be followed up as regards the Paying Agency's compliance with the accreditation criteria. Related action plans and improvement plans are already being implemented and will be closely monitored by DG AGRI through regular progress reports.

2.1.4 The Certification Bodies' main findings on accreditation for financial year 2019

In the opinion of the Certification Bodies, only the Paying Agencies IT26 - ARCEA, and DE17 - Rheinland-Pfalz have deficiencies that are still serious enough to maintain the accreditation under probation in relation to human resources, procedures for debts and delegation (IT26) and procedures for debts (DE17)[25].

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 implemented a separate action plan, which covered various accreditation criteria. After several delays in its implementation, the deadline was subsequently extended to 15 October 2016. A follow-up mission carried out by DG AGRI in November 2016 found that the action plan had not yet been fully implemented by the extended deadline. DG AGRI has been following the developments since then and a financial correction has been applied[26] to cover the risk to the EU Funds. The Certification Body, in its audit report concerning the financial year 2018, reported on some deficiencies of intermediate level in the accreditation criteria, but did not identify major deficiencies. However, in its comments on the action plan, the Certification Body concluded that, despite the clear progress made by the Italian Paying Agency AGEA in the implementation of the action plan, various problems remain in relation to supervision of delegated tasks and the organisational structure. DG AGRI has been following the implementation of the Paying Agency's Action Plan. An audit mission focusing on the state of play of the implementation of the action plan and on the Paying Agency's compliance with the accreditation criteria was carried out as mentioned in section 2.1.3 above. The deficiencies as regards debt management, human resources and delegation were also pointed out in the certification report for financial year 2019. The related DG AGRI accreditation findings will be followed-up in the context of the conformity clearance procedure and the need for further actions assessed with the Italian authorities.

For SK01 - APA, the Certification Body qualified its opinion on the accounts and on the Management declaration in the financial year 2018 because of the deficient control procedures as regards fight against fraud, as well as due to the high residual risk and non-confirmation of the control statistics as a material incompliance rate was established for EAGF IACS and EAFRD Non-IACS.

For the financial year 2019, the Certification Body concluded that the relevant procedures as regards fight against fraud had been adopted or updated. Therefore, the audit opinion was not qualified in this respect for the financial year 2019, although the risk partially persists in 2019 especially as regards human resource standards (filling in key positions). DG AGRI will follow this up in the context of annual clearance exercise.

[25] The Competent Authority of Rheinland-Pfalz was able to restore the accreditation of the Paying Agency by letter of 14 November 2019. However, not all the measures in the Paying Agency's action plan were implemented. DG AGRI is following up the implementation of the ongoing points of the action plan.
[26] Commission Implementing Decision (EU) 2018/873 of 13 June 2018.

2.1.5 Conclusion on the opinion on the Internal Control System

The opinions of the Certification Bodies' reports received are that the Internal Control Systems of all the Paying Agencies function at least satisfactorily at overall system level (i.e. IACS, non-IACS). Specific concerns are outlined in sub-sections 2.1.2 - 2.1.4.

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 2019, the Directors of all 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 control systems and on the legality and regularity of the underlying transactions.

For BG01 – SFA a reservation was made by the Head of the Paying Agency as several conformity clearance enquiries, an ECA enquiry and an enquiry by the Court of Auditors of Bulgaria are ongoing.

According to the guidelines 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 the Management Declaration or in a document attached to it.

The declaration of 10 Paying Agencies: BE03 – Région Wallonne, DE18 - Saarland, ES17 – C. Valenciana, FR19 - ASP, FR20- France AG, GB06 – SGRPID, GB07 – WAG, GB09 – RPA, IE01 – DAFM, PT03 – IFAP and SE01 – SJV, included such a document or observations, for the reasons summarised below:

For BE03 – Région Wallonne: issues related to the necessary reform of the structure of the Paying Agency; the persistently high error rate in EAFRD IACS; the follow-up to DG AGRI’s findings on the management of the coupled support scheme and the management of certain public contracts.

For DE18 - Saarland: issues related to the control statistics. The declaration mentions that as from 2020 all on-the-spot checks carried out in respect of the concerned claim year are reported on an accrual basis in the control statistics, even if a payment has not been made yet.

For ES17 – C. Valenciana: a deficiency has been detected in the operation aid for the improvement in the transformation, commercialization and / or development of agricultural products (EAFRD Non-IACS population) the calculation of the exact financial error is underway, as well as other remedial actions to restore the proper approval procedures.

For FR19 – ASP: as regards direct aids the specific control risk is followed-up for Corsica. Regarding EAFRD the action plan implementation was still underway in 2019 addressing the relevant DG AGRI findings.

For FR20 – France AGRIMER: it is mentioned that under the measure promoting the common organization of the wine market, improvements in the procedure are underway; for restructuring of vineyards an action plan was to be implemented by March 2020.

For GB06 – DARD: as regards the compilation of the control statistics for claim year 2018 there are concerns about the accuracy of the data and the error rates reported; the Rural Development Audit Action Plan has been closed (Income forgone in the forestry sector); Entitlements and area aids; the Paying Agency undertook full budget review, and the process is still ongoing; Internal Audit - limited assurance (the revision of anti-fraud processes is ongoing).

For GB07 – WAG: there are still concerns about the direct applications, namely the selection of operations in respect of EAFRD Socio-Economic Schemes; as regards simplified costs and administrative checks an exercise is still ongoing to establish if there is any error in historic claims and to correct those errors. Furthermore, conflicts of interest weaknesses in the declaration process for the Welsh Government are highlighted by the Certification Body.

For GB09 – RPA: the payment process for environmental stewardship and countryside stewardship – new approach adopted from 2018 and all related checks were completed in 2019 before final payments. For nationally funded payments and for countryside stewardship and environmental stewardship schemes: all outstanding payments were performed. In addition the Paying Agency experienced delays in processing EAFRD claims that impacted completeness of control statistics submitted in July 2019. Final version was sent on 30 December 2019.

For IE01 - DAFM: Analysis of EAFRD control statistics action plan identified over-stating of error-rate in some schemes. A suitable revised Action Plan for 2019 Control Report process will be implemented.

For PT01 – IFAP: for the EAGF direct payments the action plan drawn up to correct deficiencies identified in enquiry AA/2015/015/PT is ongoing; EAFRD Control error rates above 2% for certain types of EAFRD aids (corrective measures are underway); EAGF and EAFRD Debtors: the Paying Agency is enforcing its monitoring on initiation of procedures for recovering funds and notification of the corresponding final decisions.

For SE01 – SJV: it is mentioned that the work on recovery management is ongoing; as regards the control statistics, improvement is underway for the timely submission of complete control statistics.

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	BE02	ALV	Y	Y	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Y	Y	Observations for: Issues related to the necessary reform of the structure of the Paying Agency; the persistently high error rate in EAFRD IACS; the follow-up to DG AGRI's findings on the management of the coupled support scheme and the management of certain public contracts.
4	BG01	State Fund Agriculture	N	N	N	N	The reservations are related to several conformity clearance enquiries, as well as an ECA enquiry and an enquiry of the Court of Auditors of the Republic of Bulgaria are ongoing for the related sectors.
5	CY01	CAPO	Y	Y	Y	Y	
6	CZ01	SAIF	Y	Y	Y	Y	
7	DE01	BLE	Y	Y	Y	Y	
8	DE02	Hamburg-Jonas	Y	Y	Y	Y	
9	DE03	Baden-Württemberg I	Y	Y	Y	Y	
10	DE04	Bayern StMLF	Y	Y	Y	Y	
11	DE07	Brandenburg MLUV	Y	Y	Y	Y	
12	DE11	Mecklenburg-Vorpom	Y	Y	Y	Y	
13	DE12	Niedersachsen	Y	Y	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
15	DE17	Rheinland-Pfalz	Y	Y	Y	Y	
16	DE18	Saarland AAL	Y	Y	Y	Y	Observations for: Issues related to the control statistics. It is also mentioned that as from 2020 all on-the-spot checks carried out in respect of the concerned claim year are reported on an accrual basis in the control statistics, even if a payment has not been made yet.
17	DE19	Sachsen	Y	Y	Y	Y	
18	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
19	DE21	Schleswig-Holstein	Y	Y	Y	Y	
20	DE23	Thüringen	Y	Y	Y	Y	
21	DE26	Hessen	Y	Y	Y	Y	
22	DK02	DAFA	Y	Y	Y	Y	
23	EE01	PRIA	Y	Y	Y	Y	
24	ES01	Andalucia	Y	Y	Y	Y	
25	ES02	Aragón	Y	Y	Y	Y	
26	ES03	Asturias	Y	Y	Y	Y	
27	ES04	Islas Baleares	Y	Y	Y	Y	
28	ES05	Islas Canarias	Y	Y	Y	Y	
29	ES06	Cantabria	Y	Y	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Y	Y	
31	ES08	Castilla y Léon	Y	Y	Y	Y	
32	ES09	Cataluña	Y	Y	Y	Y	
33	ES10	Extremadura	Y	Y	Y	Y	
34	ES11	Galicia	Y	Y	Y	Y	
35	ES12	Madrid	Y	Y	Y	Y	
36	ES13	Murcia	Y	Y	Y	Y	
37	ES14	Navarra	Y	Y	Y	Y	
38	ES15	País Vasco	Y	Y	Y	Y	
39	ES16	La Rioja	Y	Y	Y	Y	
40	ES17	C. Valenciana	Y	Y	Y	Y	Observations for: a deficiency detected in the operation 4.2.1 aid for the improvement in the transformation, commercialization and / or development of agricultural products (EAFRD Non-IACS population) the calculation of the exact financial error is underway, as well as other remedial actions to restore the proper approval procedures.
41	ES18	FEGA	Y	Y	Y	Y	
42	FI01	MAVI	Y	Y	Y	Y	
43	FR05	ODEADOM	Y	Y	Y	Y	
44	FR18	ODARC	Y	Y	Y	Y	
45	FR19	ASP	Y	Y	Y	Y	Observations for: EAGF - direct aids - the specific control risk that is followed up for Corsica; EAFRD - the action plan implementation which was still underway in 2019 addressing the relevant DG AGRI findings.
46	FR20	France Agrimer	Y	Y	Y	Y	Observations for: measure promoting the common organization of the wine market - improvements in the procedure are underway; Restructuring of vineyards - an action plan was to be implemented by March 2020.
47	GB05	DARD	Y	Y	Y	Y	
48	GB06	SGRPID	Y	Y	Y	Y	Observations for: Compilation of the control statistics for CY2018 - there are concerns about the accuracy of the data and so the error rates reported; Rural Development: Audit Action Plan has been closed (Income forgone in the forestry sector); Entitlements and area aids; the Paying Agency undertook full budget review, and the process is still ongoing; Internal Audit - limited assurance (the revision of anti-fraud processes is ongoing).

49	GB07	WAG	Y	Y	Y	Y	Observations for: Direct applications - namely the selection of operations in respect of EAFRD Socio-Economic Schemes; Simplified costs & administrative checks - An exercise is still ongoing to establish if there is any error in historic claims and to correct those errors; Conflicts of interest - weaknesses in the declaration process for the Welsh Government.
50	GB09	RPA	Y	Y	Y	Y	Observations for: The payments process for environmental stewardship and countryside stewardship – new approach adopted from 2018 and all related checks were completed in 2019 before final payments; Nationally funded payments and for countryside stewardship and environmental stewardship schemes - all outstanding payments were performed; EAFRD claims - the Paying Agency experienced delays in processing the claims that impacted completeness of control statistics submitted in July 2019; the final version was sent on 30 December 2019.
51	GR01	OPEKEPE	Y	Y	Y	Y	
52	HR01	PAAFRD	Y	Y	Y	Y	
53	HU02	HST	Y	Y	Y	Y	
54	IE01	DAFM	Y	Y	Y	Y	Observations for (EAFRD): Control statistics action plan identified over-stating of error-rate in some schemes. A suitable revised Action Plan for 2019 Control Report process will be implemented.
55	IT01	AGEA	Y	Y	Y	Y	
56	IT02	SAISA	Y	Y	Y	Y	
57	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
58	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
59	IT08	Emilia-Romagna (AGR	Y	Y	Y	Y	
60	IT10	ARPEA	Y	Y	Y	Y	
61	IT23	OPR Lombardia	Y	Y	Y	Y	
62	IT24	OPPAB	Y	Y	Y	Y	
63	IT25	APPAG	Y	Y	Y	Y	
64	IT26	ARCEA	Y	Y	Y	Y	
65	LT01	NMA	Y	Y	Y	Y	
66	LU01	Min. Agric.	Y	Y	Y	Y	
67	LV01	RSS	Y	Y	Y	Y	
68	MT01	MRRA PA	Y	Y	Y	Y	
69	NL04	RVO	Y	Y	Y	Y	
70	PL01	ARMA	Y	Y	Y	Y	
71	PT03	IFAP	Y	Y	Y	Y	Observations for: EAGF direct payments: the Action plan drawn to correct deficiencies identified in enquiry AA/2015/015/PT is ongoing; EAFRD Control error rates above 2% for certain types of EAFRD aids (corrective measures are underway); EAGF and EAFRD Debtors: the Paying Agency is enforcing its monitoring on initiation of procedures for recovering funds and notification of the corresponding final decisions.
72	RO01	RIFA	Y	Y	Y	Y	
73	RO02	PIAA	Y	Y	Y	Y	
74	SE01	SJV	Y	Y	Y	Y	Observations for: Debt management - the work on recovery management, which is ongoing; Control statistics - improvement is underway for the timely submission of complete control statistics.
75	SI01	AAMRD	Y	Y	Y	Y	
76	SK01	APA	Y	Y	Y	Y	

2.2.2 Opinion of the Certification Bodies on the Management Declaration

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

2.5/TABLE 2		CERTIFICATION BODIES' OPINION ON THE PAs' MANAGEMENT DECLARATION					
Paying Agency			Is the Management Declaration confirmed by the Audit Opinion?				Reservation/Remarks
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	BE02	ALV	Y	Y	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Y	Y	
4	BG01	State Fund Agriculture	Y	Y	Y	Y	Unqualified, however emphasis of matter as regards the high error rate for EAGF IACS in Annex II of MD; incorrect report of control statistics for EAFRD IACS regarding Measure 11 Organic Farming.
5	CY01	CAPO	Y	N	N	Y	Qualified as regards: Error rates for measures in the wine sector due to errors in the data used to calculate the error for the Measure National Support Programme for the Wine Sector couldn't not be confirmed (EAGF NON-IACS); Error rates for EAFRD IACS (could not be confirmed).
6	CZ01	SAIF	Y	Y	Y	Y	
7	DE01	BLE	N/A	Y	N/A	Y	
8	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
9	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
10	DE04	Bayern StMLF	Y	Y	Y	Y	
11	DE07	Brandenburg MLUV	Y	Y	Y	Y	
12	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	
13	DE12	Niedersachsen	Y	Y	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
15	DE17	Rheinland-Pfalz	N	N	N	N	Qualified opinion: For debt management. Emphasis of matter (EAGF): For unjustified payment entitlements.
16	DE18	Saarland AAL	Y	Y	N	Y	Qualified as regards EAFRD IACS control statistics for 2018. The control data, control statistics – and therefore also the management declaration, could not be confirmed.
17	DE19	Sachsen	Y	Y	Y	Y	
18	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
19	DE21	Schleswig-Holstein	Y	Y	Y	Y	
20	DE26	Hessen	Y	Y	Y	Y	Unqualified, however emphasis of matter as information on control statistics in Annex I excluded from opinion on MD
21	DE27	Thüringen	Y	Y	Y	Y	
22	DK02	DAFA	N	y	Y	Y	Qualified opinion as regards errors in the calculation of payment entitlements.
23	EE01	PRIA	Y	Y	Y	Y	
24	ES01	Andalucia	Y	Y	Y	Y	
25	ES02	Aragón	N	Y	Y	Y	Unqualified, however emphasis of matter as it is not possible to confirm in all material respects the data contained in the MD as regards EAGF IACS error rates.
26	ES03	Asturias	Y	Y	Y	N	Qualified as regards discrepancies between the control data and the control statistics and the books and the records of the PA (In relation with EAFRD Non-IACS)
27	ES04	Islas Baleares	Y	Y	Y	Y	
28	ES05	Islas Canarias	Y	Y	Y	N	Qualified
29	ES06	Cantabria	Y	Y	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Y	Y	
31	ES08	Castilla y Léon	Y	Y	Y	Y	
32	ES09	Cataluña	Y	Y	Y	Y	
33	ES10	Extremadura	Y	Y	Y	Y	
34	ES11	Galicia	Y	N	Y	Y	Unqualified, however emphasis of matter as CB does not confirm the PA error rate for EAGF Non-IACS in Annex 2 of the MD
35	ES12	Madrid	Y	Y	Y	Y	Unqualified, however emphasis of matter as the error rate in the area "afforestation of agricultural land" is above 2%

Murcia	Y	Y	Y	Y	Unqualified, however emphasis of matter as EAFRD IACS error rate is above 2% mainly due to Measure 10 Agri-environment and Climate
Navarra	Y	Y	Y	Y	
País Vasco	N	Y	Y	Y	Unqualified, however emphasis of matter as mismatch between PA (1.42%) and CB (2.60%) error rate for EAGF IACS in Annex 2 of MD
La Rioja	Y	Y	Y	Y	
C. Valenciana	Y	N	Y	Y	Unqualified, however emphasis of matter as maximum level of risk for EAGF Non-IACS is above 2%
FEGA	N/A	Y	N/A	Y	
MAVI	Y	Y	Y	Y	
ODEADOM	Y	Y	N/A	N/A	
ODARC	N/A	N/A	Y	Y	Unqualified, however emphasis of matter regarding IACS control system, which remains weak
ASP	Y	N/A	N/A	N/A	Unqualified, however emphasis of matter as opinion does not cover EAFRD
France Agrimer	N/A	Y	N/A	N/A	Unqualified, however emphasis of matter as regards: Difficulties on the implementation of the annual control plan for the promotion of the common organization of the wine market; Cross-compliance penalties for the restructuring of vineyard; Payment delays observed in previous years (have been reduced).
DARD	Y	Y	Y	Y	
SGRPID	Y	Y	Y	Y	
WAG	Y	Y	N	N	Qualified opinion for EAFRD: applicants had been invited to apply for EAFRD funding without their applications being subject to open competition.
RPA	Y	Y	Y	Y	
OPEKEPE	Y	Y	Y	Y	
PAAFRD	Y	Y	Y	Y	
ARDA	Y	Y	N	Y	Qualified opinion for EAFRD IACS (measure VP4-10.1,1-15 Agri-environmental): material errors as regards legality and regularity of expenditure in specific population
DAFM	Y	Y	Y	Y	
AGEA	Y	Y	Y	Y	
SAISA	N/A	Y	N/A	N/A	
Veneto (AVEPA)	Y	Y	Y	Y	
Toscana (ARTEA)	Y	Y	Y	Y	
Emilia-Romagna (AGREA)	Y	Y	Y	Y	
ARPEA	Y	N/A	Y	Y	
OPR Lombardia	Y	Y	Y	Y	Unqualified, however emphasis of matter as regards: EAFRD IACS - Error rate resulting from the control statistics showed a significant increase for 2019 compared to the previous year; the increase is due to the reductions applied by the Paying Agency; the residual risk at Fund level is not considered significant.
OPPAB	Y	N/A	Y	Y	
APPAG	Y	N/A	Y	Y	
ARCEA	Y	N/A	Y	Y	
NMA	Y	Y	Y	Y	
Min. Agric.	Y	Y	Y	Y	
RSS	Y	Y	Y	Y	
MRRA PA	Y	Y	Y	Y	
RVO	Y	Y	Y	Y	
ARMA	Y	Y	Y	Y	

IFAP	Y	Y	Y	Y	Unqualified, however emphasis of matter as regards: EAGF (IACS) - The deficiencies identified in Inq. AA/2015/015/PT, the ongoing action plan, the reporting procedures and the information provided by the MD; EAFRD - Error rates above 2 % for certain measures, the justifications and the actions taken, as declared in the MD; Debt management - The reinforcement of the monitoring actions to check compliance with the deadlines laid down in the procedures: the reinforcement, in 2020, of internal control measures will be maintained in order to ensure compliance with the deadlines and the completeness of the debtors ledger.
RIFA	N/A	N/A	Y	N	Qualified opinion for EAFRD Non IACS population the error rates presented in the management declaration are not confirmed.
PIAA	Y	N	N/A	N/A	Unqualified, however emphasis of matter as regards: • EAGF non-IACS - the error rates presented in Annexes I and II to the Management Declaration cannot be confirmed (since the highest projected incompliance rate (UPI) and the consolidated incompliance rate are above the materiality threshold); • EAGF-IACS - there is a need for correct preparation of the financial reports in Table X and the annual declaration of expenditure; • School scheme - there is a need to strengthen the internal control as regards the evaluation of the public procurement process carried out by the beneficiaries.
SJV	Y	Y	Y	Y	
AAMRD	Y	Y	Y	Y	
APA	Y	Y	Y	Y	

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

There was a reservation included in the Management Declaration for the previous financial year for BG01 because of 2 on-going conformity clearance enquiries under EAFRD. The Director of the Paying Agency expressed a reservation in its Management Declaration also this year for 1 of those enquiries that is still ongoing for EAFRD IACS. He also referred to other 4 enquiries related to EAGF Non-IACS measures and cross-compliance as well as enquiries of the European Court of Auditors and the national Court of Auditors.

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 work on the legality and regularity of the expenditure and the calculated incompliance rate. A detailed assessment is included in sub-section 2.3.3.

Based on the new guidelines (see Explanatory box: Annex 10 – 2.3.1-1), this year the Certification Bodies assessed comprehensively the Management Declaration, including the control statistics, and delivered more substantiated audit opinions in this respect. In the vast majority of the cases, the Certification Bodies issued a qualified opinion on the

Management Declaration when there was a qualified opinion on the legality and regularity of the expenditure. However, there were still four cases where the Management Declarations and the related error rates of the Paying Agencies were confirmed in the Audit Opinion despite the material risk established during the certification work.

2.3 Legality and regularity of the expenditure

2.3.1 Opinion of the Certification Bodies' work on legality and regularity of expenditure

In accordance with Article 9 of Regulation (EU) No 1306/2013, the Certification Bodies are requested to give an **opinion on the legality and regularity** of expenditure for which reimbursement has been requested. The Certification Bodies shall also provide an opinion on the completeness, accuracy and veracity of the accounts and the functioning of the internal control system.

The opinion on legality and regularity should certify whether the expenditure effected in the Member States during the financial year is legal and regular. Moreover, through their audit work on legality and regularity, the Certification Bodies should confirm the level of errors in the management and control systems of the Paying Agencies in their opinion on the Management Declaration. This is done through a review of the control results, which include 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.

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).

To deliver an audit opinion, the Certification Bodies should test the annual accounts (audit objective 1) through a statistical sample and should test the legality and regularity of expenditure declared (including the administrative and on-the-spot eligibility checks – audit objective 2) through another statistical sample[27]. The audit starts with the review and assessment of the internal control system of the Paying Agency, including compliance testing. The second and key part of the audit work is the substantive testing on legality and regularity: through testing of transactions, the Certification Bodies 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.

Taking into account the experience from the first two exercises (for financial years 2015 and 2016), DG AGRI presented to the Member States and finalised on 19 January 2017 new guidelines for the Certification Bodies with voluntary application from financial year 2018 (mandatory as of financial year 2019). These new guidelines clearly separate the audit work to be done per audit objective, providing the possibility to use dual-purpose testing:

[27] Dual-purpose testing between the two audit objectives is possible.

- for audit objective 1, verification of the annual accounts, for the purpose of the annual financial clearance of accounts;
- for audit objective 2, testing the legality and regularity of expenditure, for confirming the control statistics and the Management Declaration, for the purpose of assessing the reliability of the Paying Agencies' reported error rates for taking into account in the overall assurance of DG AGRI in the Annual Activity Report.

Following the revision of the guidelines, the Certification Body must provide two distinct rates to assess the level of error in the checks of the Paying Agency:

- As regards audit objective 1: 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, which will support the basis for the Certification Body's' opinion on the annual accounts of the Paying Agencies (see sub-section 2.1.2).
- And for audit objective 2: an *incompliance rate* related to the errors found based on the re-verified eligibility checks (including administrative and on-the-spot controls), namely verification of legality and regularity. The maximum level of risk is assessed taking account of this incompliance rate. The Certification Body's opinion on the Paying Agency's Management Declaration (see section 2.2) is also based on this result (see section 2.3).

For the purpose of assessing the reliability of the Paying Agencies' reported error rates stemming from their control results and for **estimating an adjusted error rate**, the general approach is that DG AGRI considers the incompliance rate (projected incompliance rate and known errors) established by the Certification Bodies. In accordance with Art.127 of the Financial Regulation[28], it should be considered whether the Certification Body has performed, in the professional judgement of DG AGRI auditors, its work to the necessary standard and whether reliance (and to what extent) can be placed on its work. The above does not exclude the application of adjustments based on DG AGRI audits, for example, where DG AGRI auditors have found deficiencies not detected by the CB, in particular if such deficiencies could not have been identified by the Certification Body due to the nature and extent of their work. The level of reliance that could be placed on the Certification Body's work will also be taken into account when proposing adjustments. In some limited cases if relevant, DG AGRI auditors may also use the error rate for audit objective 1 (most likely error) established by the Certification Body when determining the extent of the adjustment (top-up) to be made to the error rate reported by the Paying Agency.

Explanatory box: Annex 10 – 2.3.1-1

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.

The reliability of the Certification Bodies' work has been assessed through dedicated audit missions and in the framework of the 2019 financial clearance exercise, as well as through conformity audit missions, which, in view of the single audit approach, have as a starting point the work carried out by the Certification Bodies. These conformity audits cover the Certification Bodies' work on legality and regularity and on the internal control

[28] Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council on the financial rules applicable to the general budget of the Union.

system. Where assurance cannot be obtained from the Certification Bodies' work on certain areas/issues, the checks are extended to the work of the Paying Agency.

The results are outlined in the subsequent sub-sections.

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

By this fifth year of the Certification Body work on legality and regularity, DG AGRI visited all Certification Bodies for all Paying Agencies. Whilst the audit programme for 2019 gave priority to those Certification Bodies which were not visited in the previous years, specific Certification Body's risk were also covered (i.e. a newly appointed Certification Body). The Certification Bodies were subject to dedicated audit missions on the work on legality (including audit strategy) and regularity or a conformity audit mission.

Mission programme implemented in 2019

In 2019, the 16 missions listed in Table 2.3.1-1 below were carried out, 2 of which were carried out before the start of the annual clearance of accounts for 2018 and were reported in the AAR for 2018. The missions covered the audit strategy of the Certification Bodies and the re-verifications of on-the-spot and administrative controls depending on the state of play of the Certification Body's work at the time of the mission.

Over the past five years, DG AGRI has carried out 79 legality and regularity missions covering the Certification Bodies, which have delivered an opinion on the legality and regularity of the expenditure for all Paying Agencies[29]. In addition, DG AGRI's conformity audit units also reviewed the work of the Certification Bodies' work on legality and regularity. The results of those missions are indicated under sub-section 2.3.5.

This means that 100% of the 55 different appointed Certification Bodies in the 28 Member States have now been audited by DG AGRI.

[29] For 7 Paying Agencies, a second mission was carried out. The work of the Certification Bodies for Paying Agencies with no expenditure (IT02 and DE02) has not been audited for legality and regularity.

List of Paying Agencies and related Certification Bodies audited on audit strategy and sampling in 2019		
Paying Agency		Certification Body
IT07	ARTEA	Deloitte Italy
MT01	ARPA	Internal Audit and Investigations Department, Cabinet office of the Prime Minister
ES12 ES18	Madrid FEGA	Intervención General de la Comunidad de Madrid Intervención Delegada en el Fondo Español de Garantía Agraria
FR18	ODARC	Commission de Certification des Comptes des Organismes Payeurs
IT10	AGREA	Deloitte Italy
LV01	RSS	KPMG
DE26	Hessen	Hessisches Ministerium für Umwelt, Energie, Landwirtschaft und Verbraucherschutz, Geschäftsbereich Bescheinigende Stelle
ES11	Galicia	Intervención General de la Comunidad Autónoma de Galicia
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	ICAP
ES05	Canarias	Intervención General, Comunidad Autónoma de Canarias
IT05 IT23 IT24	AVEPA OPR Lombardia OPPAB	Deloitte Italy
IE01	DAFM	EY Ireland
ES06	Cantabria	Intervención General de Economia y Hacienda del Cobierno de Cantabria
DE18	Saarland	Deloitte GmBH
DE01*	BLE	Bundesministerium für Ernährung, Landwirtschaft und Ernahrung
DE19*	Sachsen	Sächsisches Staatsministerium der Finanzen, Referat 17 - Kontrolle EU-Fonds
* Missions carried out in January-February 2019 and reported already in AAR2019.		

Table: Annex 10 – 2.3.1-1

Summary of the main findings of these audits and monitoring activities

Based on the observations from the above-listed missions, the majority of the Certification Bodies' established the audit strategy in line with the approach outlined in the guidelines. Improvement was noted in the Certification Bodies' work in terms of audit strategy and quality of the re-verifications for the legality and regularity of expenditure.

One Certification Body has completely misunderstood the new guidelines. As a result, its audit strategy and sampling was largely based on the previous guidelines.

There was an improvement in the timing of the Certification Bodies' re-verification controls but there are still some cases where the re-verifications of the Paying Agencies' controls were not performed at the optimal time due to delays in obtaining the information from the Paying Agency.

Concerning the re-verifications, it was noted that 4 Certification Bodies accompany the Paying Agency’s control even though a re-verification at a later stage is feasible.

Where possible the Certification Bodies' work on the control statistics was reviewed. The majority of the Certification Bodies have detailed working papers and make substantial checks in this respect. In numerous cases this year, the Member State corrected and re-submitted the control statistics based on the Certification Body's findings.

A significant improvement in the Certification Bodies' audit work and documentation was again noted in comparison to the previous years and the Certification Bodies were concluding correctly on the eligibility. The majority of the Certification Bodies use the lists of Key and Ancillary controls as a benchmark in their testing. Due to the huge volume of work, not all measures and not all key controls can be tested in one financial year. As a result, a considerable number of the Certification Bodies have developed rotation plans to make sure they audit all measures/all key controls over a period of 3-5 years.

Nonetheless, in 10 out of the 18 missions (10 out of 18 missions in 2018) it was observed that the Certification Bodies' check on the eligibility criteria in their substantive testing was not always sufficient (i.e. it did not cover all eligibility requirements). Recommendations were issued and corrective measures had been taken in most cases. This led to further improvement in the audit work of some Certification Bodies, which was noted also in the financial clearance exercise where again an increased number of findings were reported by the Certification Bodies.

For the 2019 legality and regularity missions, it was concluded that full or partial reliance could be placed on 17 out of the 18 Certification Bodies for their work on the audited population in the scope of the mission. Following the assessment of the certification reports during the financial clearance exercise, this level of reliance is increased for some of these Certification Bodies, based on the corrective measures implemented and the progress reported already in the certification report for financial year 2019.

2.3.3 Summary of the opinions of the Certification Bodies' work on legality and regularity of the expenditure

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 2019 financial clearance assessment, which started in February 2020.

The results of the work on legality and regularity are expressed through an incompliance rate. The conclusion of the assessment is reflected in the Certification Body's opinion on the legality and regularity of the expenditure and in the opinion on the Paying Agency's Management Declaration.

EAGF IACS population

69 out of the 76 Paying Agencies declared expenditure under EAGF IACS schemes.

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified Qualified opinion Opinion with an emphasis of matter	67 1 1	- DK02 FR19
Total Member States: 28	69	
Opinion on the Paying Agency's Management declaration	**Number of Paying Agencies**	**Related Paying Agencies**
Unqualified Qualified opinion Opinion with an emphasis of matter	64 1 3	- DK02 ES02, ES15, PT03
Total Member States: 28	69	

Table: Annex 10 – 2.3.1-2

For DK02 - DAFA, the Certification Body qualified its opinion on the legality and regularity of expenditure for EAGF IACS and on the Management declaration due to an ongoing conformity enquiry on payment entitlements.

For FR19 - ASP, the Certification Body issued an emphasis of matter due to lack of audit trail in the Paying Agency's systems for EAGF IACS.

For ES02 - Aragon, the Certification Body issued an emphasis of matter in the opinion on the Management declaration as, based on its audit work, it could not confirm the control statistics for EAGF IACS.

For ES15 - Pais Vasco, the Certification Body issued an emphasis of matter in the opinion on the Management declaration as, based on its audit work, it could not confirm the control statistics for EAGF IACS.

For PT03 - IFAP, the Certification Body issued an emphasis of matter in the opinion on the Management declaration due to an ongoing action plan on EAGF IACS.

EAGF Non-IACS population[30]

69 out of the 76 Paying Agencies declared expenditure under EAGF non-IACS schemes.

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified Qualified opinion Opinion with an emphasis of matter	66 1 2	- ES17 BG01, IT01
Total Member States: 28	69	
Opinion on the Paying Agency's Management declaration	**Number of Paying Agencies**	**Related Paying Agencies**
Unqualified Qualified opinion Opinion with an emphasis of matter	62 - 7	- - DE26, ES11, ES11, ES17, FR05, FR20, RO02,
Total Member States: 28	69	

Table: Annex 10 – 2.3.1-3

For ES17 - Comunidad Valenciana, the Certification Body qualified its opinion on the legality and regularity of Wine promotion measure.

For BG01 - SFA and IT01 - AGEA, the Certification Bodies issued an emphasis of matter on the legality and regularity of the EAGF Non-IACS expenditure due to material errors found in this population.

In 15 cases[31], there was no separate testing for the EAGF Non-IACS population, as the Certification Body treated this population as a *de minimis* population.

[30] EAGF non-IACS measures are essentially the market measures.
[31] DE04, DE11, DE19, DE20, DE21, DE27; ES03, ES08, FI01, GB05, GB06, GB07, IE01, SE01 and SK01.

EAFRD IACS population

69 out of the 76 Paying Agencies declared expenditure under EAFRD IACS measures.

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified Qualified opinion Opinion with an emphasis of matter	64 3 2	- GB05, HU02, SK01 BE03, HR01
Total Member States: 28	69	
Opinion on the Paying Agency's Management declaration	**Number of Paying Agencies**	**Related Paying Agencies**
Unqualified Qualified opinion Opinion with an emphasis of matter	61 2 6	- DE18, HU02 BG01, ES12, ES13, FR19, IT23, PT03,
Total Member States: 28	69	

Table: Annex 10 -2.3.1-4

For GB05 - DAEFA, HU02 - Hungarian State Treasury and SK01 - APA, the Certification Bodies qualified the opinion on the legality and regularity of the expenditure due to material errors found.

For HU02 - Hungarian State Treasury, the opinion on the Management Declaration was qualified due to the material error in the legality and regularity of the expenditure.

For DE18 - Saarland, the Certification Body did not confirm the control statistics for EAFRD IACS and thus qualified the Management Declaration of this population.

In 2 cases[32], there was no separate testing for the EAFRD IACS population, as the Certification Body treated this population as a *de minimis* population.

[32] ES05 and ES17.

EAFRD Non-IACS

69 of the 76 Paying Agencies have expenditure declared under EAFRD Non-IACS measures.

Opinion on the legality and regularity of the expenditure	Number of Paying Agencies	Related Paying Agencies
Unqualified Qualified opinion Opinion with an emphasis of matter	63 5 1	- ES05, ES06, FR19, GB07, RO01 NL04
Total Member States: 28	69	
Opinion on the Paying Agency's Management declaration	**Number of Paying Agencies**	**Related Paying Agencies**
Unqualified Qualified opinion Opinion with an emphasis of matter	64 4 1	- ES03, ES05, GB07, RO01 FR18
Total Member States: 28	69	

Table: Annex 10 – 2.3.1-5

The Certification Bodies for ES05 - Canary Islands, ES06 - Cantabria, FR19 - ASP, GB07-Wales and RO01 - RIFA qualified the opinion on the legality and regularity of the expenditure for EAFRD Non-IACS due to material errors.

Due to the material errors mentioned above, the Certification Bodies for ES05- Canary Islands, GB07 - Wales and RO01 - RIFA also qualified the opinion on the Management Declaration.

The Certification Body for ES03-Asturias qualified the opinion on the Management Declaration and thus, did not confirm the control statistics for EAFRD Non-IACS.

General assessment of the Certification Bodies' opinions on legality and regularity of the expenditure

In a majority of cases, it was confirmed by the Certification Bodies that, where applicable, the Paying Agencies had established the necessary action plans to remedy the weaknesses detected and leading to reservations in the 2018 Annual Activity Report of DG AGRI. The state of play and potential delays in implementation were indicated by the Certification Bodies. In very few cases, the deficiencies, which had led to the implementation of an action plan, when still persisting in the audited financial year, were not reflected in the incompliance rate established by the Certification Bodies.

In this fifth year of delivering an opinion on legality and regularity of expenditure, the Certification Bodies' reports contain substantial and valuable information on the legality and regularity of expenditure that has been examined in detail by DG AGRI auditors and taken into account for their assessment of the adjustments to be made to the error rates reported by the Paying Agencies. Annex 10.3 indicates where the audit work of the Certification Bodies is used to adjust the error rates. The Certification Bodies' findings increased substantially compared to previous years, were well-founded and where necessary were linked to weaknesses in key controls. The incompliance rates per population, where established correctly in line with the new guidelines, were considered reliable by DG AGRI.

In general, the Certification Bodies took into account the results of their own tests at population level, especially when a material incompliance rate was determined, when drawing conclusions on the Management declaration and the control statistics.

In line with the single audit approach, DG AGRI will continue to work closely with the Certification Bodies in order to ensure continued implementation of the audit methodology on legality and regularity and in particular to assist those Certification Bodies where improvement of their work is still necessary.

2.3.4 Assessment of the Certification Bodies' work on legality and regularity

The Certification Bodies' work on legality and regularity was assessed taking into account the following components:

- Timing of the re-verification of the on-the-spot controls, in particular whether the on-the-spot controls carried out by the Paying Agency in claim year -2018 were verified by the Certification Body in the same year, to minimise the risk that the situation of the land parcels or animals concerned might have changed in the meantime.

- 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, and in particular the technical skills and expertise that are necessary to be able, for instance, to precisely assess the eligibility of land or to check in detail that a given procurement procedure respects all applicable rules.

- Adequacy of the Certification Body's audit strategy[33], in particular correct sampling approach, proper monitoring of external bodies performing the on-the-spot re-verifications, evaluation of the representativeness of the Paying Agency random on-the-spot check sample and sufficient testing for one or both audit objectives.
- And reported results (see previous sections).

Main observations per population:

EAGF IACS

For this population, the Certification Bodies could provide substantial results on legality and regularity in financial year 2019. The situation with regard to the timing of re-verifications has improved, although there were still some Certification Bodies which could not start the re-verification of on-the-spot controls on time, with the result that their re-verifications on claim year 2018 were done rather late, resulting in lower reliance

[33] Under the revised guidelines.

on the work of the specific Certification Bodies' concerned. This was mainly due to late appointment of the Certification Body or late contracting of the body performing the re-verifications, in the cases those were outsourced.

In general, the Certification Bodies' work on this population is of a good standard and has further improved in comparison to previous years. The main issue persisting in some cases but at a lower scale is the incorrect/incomplete assessment of the eligibility of the transaction.

EAGF Non-IACS

With the revision of the guidelines and the increase in the sample sizes in most cases, the Certification Bodies had substantial findings for this population in financial year 2019. In the majority of the cases in financial year 2019, the audit work for this population and especially for the Certification Bodies of Paying Agencies dealing mainly with market measures, was to a higher standard compared to previous years.

Due to the heterogeneity of the market measures, some Certification Bodies stratified their samples and targeted risky measures. Thus, they could establish the risk to the Fund for a particular measure that had a high error rate.

EAFRD IACS

For this population, like for EAGF IACS, the Certification Bodies could provide results on legality and regularity. The Certification Bodies' work on legality and regularity can be relied upon to a lesser extent than in the case of the EAGF IACS population. Apart from the reasons mentioned under the EAGF IACS population, especially the timing issue, it was observed again this year during the DG AGRI audits, that for some Certification Bodies, there were weaknesses in the re-verifications of the Paying Agencies' on-the-spot controls (i.e. all commitments linked to the respective measures are not always appropriately re-verified by the Certification Bodies At the same time, there were cases where the work of the Certification Body was of a very high standard and all commitments and checks were performed.

EAFRD Non-IACS

The Certification Bodies' audit work for this population improved further compared to previous years in terms of quality of re-verifications. This improvement is also reflected by the number of well-founded findings and by the magnitude of these findings.

Some Certification Bodies had issues with their sampling for this population under the revised guidelines. However, increased samples were tested and the findings were well substantiated and in the majority of cases satisfactory. There were still few Certification Bodies that needed to improve their eligibility re-verifications for some measures, for example on public procurement.

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

In the fifth year of application of the new approach, a significant improvement was achieved as the Certification Bodies delivered sound and substantial results from auditing the legality and regularity of the expenditure on all populations compared to previous years. Based on the substantial Certification Bodies' work performed and the increased number of findings, the overall reliance on the results of the Certification Bodies' work on legality and regularity has increased compared to financial year 2018. In addition, based on the revised guidelines where the Certification Bodies incompliance rate could be directly compared to the Paying Agencies' control statistics, the Certification Bodies' results could be taken into account to a much larger extent in the calculation of DG AGRI's adjusted error rate for financial year 2019. For the majority of the Certification Bodies that have calculated an incompliance rate, an analysis was carried out and in case the incompliance rate was accepted, an adjustment (the projected incompliance rate and any corresponding known errors) was applied to the reported error rate.

There are some limitations of the reliability of the results of the work due to the fact that some Certification Bodies still limited the effectiveness of their checks (resulting for example from the late timing or insufficient eligibility checks). Furthermore, it was noted that the sample tested did not always allow the detection of conformity issues identified by other auditors (Commission and/or the European Court of Auditors).

2.3.5 Summary of findings from DG AGRI's conformity audits with regard to the Certification Bodies' work on legality and regularity

In 2019, the vast majority of DG AGRI's conformity audits were conducted in line with the single audit approach, where the starting point was the work of the Certification Body. The audits covered the Certification Body's work on legality and regularity (re-verification of Paying Agency's administrative checks and on-the-spot checks) and internal control system. Where assurance could not be obtained from the Certification Body's work on certain areas/issues or where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI complemented the Certification Body work in this area in order to gain the necessary assurance based on its own work. In addition to the summary below, details are provided in Part 3.

- **Fruit and Vegetables, Wine and Interventions**

  The audits carried out for EAGF non-IACS (ABB02) included a review of the work of the Certification Body on legality and regularity of the expenditure for the schemes included in the scope of the audit. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency. This integrated approach was followed in all the enquiries, however in some of them, due to the limitation of the Certification Body's work, the audit focused on the work of the Paying Agency.

  Recommendations for improvements were made where deficiencies were found regarding the scope or depth of the Certification Body work. The deficiencies found were related to a lack of depth in the Certification Bodies checks on the recognition of producer organisations and on the approval of the operational programmes. The Certification Bodies limited their work to confirm the existence of the administrative decisions, without assessing the underlying verifications that the Paying Agency should have carried out before granting such decisions.

- **Area Aids**

  For area aids (ABB03) the starting point for the 14 conformity audits carried out was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2018 to 2020. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

  Where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI completed the Certification Body work in this area in order to gain the necessary assurance on the basis of its own work.

Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations, so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work (often carried before Certification Bodies finalised their work, Certification Bodies were in a position to remedy any shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2019. DG AGRI auditors have, in their audits for direct payments, noted a continued quality of the work of the Certification Bodies, when compared with previous years, particularly with regard to the work carried out on administrative controls and the on-the-spot checks for the Basic payment scheme.

- **Payment Entitlements and Voluntary Coupled Support**

A similar approach as for area aids was applied for the audits concerning the allocation and management of Payments Entitlements under the Basic payment scheme and the Voluntary Coupled Support (VCS) for farm animals carried out by DG AGRI in the financial years 2018 to 2020. In that sense, altogether 11 audits, 5 for VCS and 6 for PEs (2 audits joined with AA missions), were carried out all starting from the work done by the Certification Bodies.

The quality of the work of the Certification Bodies concerning the VCS for animals was found by the DG AGRI auditors to be of satisfactory quality but with variability, in particular regarding on-the-spot checks calling for DG AGRI auditors to complement the Certification Bodies’ work to gain the necessary assurance.

Concerning the allocation and management of Payment Entitlements under Basic payment scheme, DG AGRI auditors noticed again variability in the scope and quality of the work carried out by different Certification Bodies. This being an area which was not always covered by the Certification Bodies' work and hence DG AGRI auditors complemented the work of the Certification Bodies to gain the necessary assurance on the basis of its own work.

- **Rural Development**

For both IACS and non-IACS Rural Development expenditure (ABB04), the starting point for most of the conformity audits was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2018 and 2019. Therefore, the DG AGRI audit work, in the first instance, reviewed the audit work of the Certification Bodies.

- Where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI completed the Certification Body work in this area in order to gain the necessary assurance on the basis of its own work.

- Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations in order to enable the Certification Bodies to remedy any shortcomings in the work carried out or complement the work to be done so as to improve reliance in respect of the financial year 2019.

For Rural Development the auditors have reviewed a certain number of Certification Body reverifications. Compared to the previous year, the reliance that can be put on the work of the Certification Bodies has increased but, for some Certification Bodies, the reliance remains low because of weaknesses in checking measure specific commitments and late timing of the on-the-spot verifications. Improvements are still needed also for Non-IACS measures regarding the reverification of eligibility criteria, reasonableness of costs and public procurement procedures.

2.4 Overall conclusion on the Certification Bodies' work

When carried out in accordance with the applicable regulations and guidelines, DG AGRI considers the Certification Bodies' work on legality and regularity of expenditure, the key element in DG AGRI's assurance building model (cf. the pyramid of controls). Each upper layer of the pyramid builds its work on the results of the previous layer and each lower layer may use the results of the layers above it to improve its own controls.

This is the fifth year of application of the reporting requirements on legality and regularity and the first year of application by all Certification Bodies of the revised guidelines. Due to the increased number of findings and due to the quality work submitted by the majority of the Certification Bodies, increased assurance can be obtained from the Certification Bodies' opinions on legality and regularity on all four populations, as compared to the previous years. DG AGRI also stresses the significant progress towards the full implementation of the single audit approach, with the Certification Bodies' work as the starting point for obtaining assurance. Where assurance could not be obtained from the Certification Body's work on certain areas/issues or where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI complemented the Certification Body work in this area in order to gain the necessary assurance based on its own work.

As in previous years, there were some cases where the Certification Bodies' work on legality and regularity was affected by the weaknesses described above detected during the financial year. A number of Certification Bodies addressed the weaknesses in the certification reporting for financial year 2019. In financial year 2019, in most cases, the Certification Bodies' work on legality and regularity was of a higher standard compared to the years before. This was the case even for EAGF Non-IACS and EAFRD Non-IACS, which is a complex population with a variety of measures and complex rules. In general, the Certification Bodies identified a significant number of conformity issues and took into consideration the findings coming from DG AGRI/ECA's audits.

The work of the Certification Bodies has been taken into account to a very large extent for the adjusted error rate as described in the following Part 3.

DG AGRI will continue to work closely with the Certification Bodies in order to further progress and improve their work on legality and regularity and thus maximise the level of assurance that can be obtained from their work in the future. For financial year 2020, it will be important to continue to support the Certification Bodies in the implementation of the revised guidelines.

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 broken down 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

Part 3.4: Root causes of the error rate

Part 3.1. ABB02 – Market Measures

Index for Part 3.1 – ABB02: Market Measures

3.1.1 Introduction

This ABB activity deals 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. With the 2013 CAP reform, 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

The following section sets out the elements, which DG AGRI uses in order to give assurance on expenditure reimbursed to Member States in 2019.

The total expenditure for market measures under Title 0502 in 2019 amounts to **EUR 2 371 906 493**.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2019 for the various market sectors:

Expenditure reimbursed by DG AGRI to the Member States in 2019			
Chapter	**Article**	**Sector/measure**	**Expenditure (EUR)**
0502	050201	Cereals	-1 292
	050202	Rice	0
	050203	Refunds on non-Annex I products	0
	050204	Food programmes	0
	050205	Sugar	0
	050206	Olive oil	36 659 051
	050207	Textile plants	0
	050208	Fruit and vegetables	865 678 260
	050209	Products of the wine-growing sector	987 503 626
	050210	Promotion	77 638 036
	050211	Other plant products/measures	230 284 512
	050212	Milk and milk products	-60 286 069
	050213	Beef and veal	1 055 764
	050214	Sheepmeat and goatmeat	0
	050215	Pigmeat, eggs and poultry, bee-keeping and other animal products	41 881 301
	050218	School schemes	191 493 305
Subtotal			**2 371 906 493**
		Suspension of payments	
ABB 02 Total Shared Management			**2 371 906 493**
ABB 02 Total Direct Management	05 02 10 02	**Promotion measures - Direct payments by the Union**	**0**
ABB 02 Grand Total			**2 371 906 493**

Table: Annex 10 – 3.1.2-1

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. Control statistics now exist for around 97.37[34]% of expenditure, but market measures are implemented at national level in Member States. There is therefore not enough data at Paying Agency level of a sufficiently broad, comprehensive and representative nature to allow the calculation of an adjusted error rate at individual Paying Agency level. DG AGRI therefore continues to deviate from the methodology used for ABB03 and ABB04 as set out in its Materiality Criteria in Annex 4 of this report. 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. Where statistics exist, an adjusted error rate has been calculated for the measure concerned.

The approach taken by DG AGRI, therefore, was to examine the situation for the largest spending measures and for all measures for which it had statistical data. A qualitative approach was taken on a measure-by-measure basis for the main expenditure items. 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.

[34] Share of the gross expenditure, not taking into consideration the negative amounts of EUR 60.963 million reimbursed under the exceptional temporary measure in the milk and milk products and EUR 0.001 million under the measure "Cereals".

With regard to using the opinion of the Certification Bodies, the situation is more complex for market measures than for ABB03 and ABB04 in view of the relatively low expenditure in ABB02 and at the same time the number, range and heterogeneity of the market measures. DG AGRI's assurance assessment is carried out at the level of individual measures, and generally not for those measures with low financial incidence, whereas the Certification Bodies give an opinion based on the entire population (EAGF Non-IACS).

DG AGRI has taken account of the Incompliance Rate (IRR) and any known error established by the Certification Bodies and analysed the findings of the Certification Body to establish which measures the findings could affect and used professional judgement to adjust the reported error rate.

(ii) Where it was not possible to adjust the error rate based on audit opinions, DG AGRI examined the control environment for each scheme, as reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from ECA and from the Certification Bodies. The professional audit 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.

(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 2019, this was necessary in respect of around 0.17% of expenditure for the ABB.

This approach has resulted in a clear conclusion being drawn for each of the measures concerned 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.

3.1.4 Fruit and Vegetables Sector

The EU funding for the fruit and vegetables 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 vegetables regime supports operational programmes implemented by recognised POs, by making a funding contribution to the programmes' operational funds. National authorities "recognise" groups of producers that meet the requirements of 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 by the EU financial assistance.

In certain regions, transitional support was also given to encourage producers, who wished to acquire the status of recognised POs, to form **producer groups** (PGs), to cover administration costs and the investments needed to attain recognition as POs, partially reimbursed by the EU. For the programming period 2014-2020, new producer groups in the fruit and vegetables sectors are financed only under the EAFRD programmes. Under the EAGF, there is only residual expenditure in 2019.

Since school year 2017/2018 (i.e. as from 01/08/2017) the EU school scheme under Regulations (EU) 2017/39 and 2017/40 is operational. Further details on this scheme are provided under sub-section 3.1.7 of this Annex.

Expenditure by Measure in 2019 - Fruit and Vegetables			
Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	Total Fruit & Vegetables
AT	6 782 535		6 782 535
BE	55 274 431		55 274 431
BG	125 823	654 016	779 839
CY	404 286		404 286
CZ	3 894 803		3 894 803
DE	43 273 253		43 273 253
DK	5 062 146		5 062 146
EE			-
ES	282 549 572		282 549 572
FI	2 990 825		2 990 825
FR	128 811 924		128 811 924
GB	37 327 584		37 327 584
GR	11 439 677		11 439 677
HR			-
HU	5 355 310		5 355 310
IE	4 207 444		4 207 444
IT	239 934 017		239 934 017
LT			-
LU			-
LV	722 196		722 196
MT			-
NL	16 711 586		16 711 586
PL	3 691 834	734 141	4 425 976
PT	9 309 494		9 309 494
RO	640 579		640 579
SE	2 862 572		2 862 572
SI			-
SK	2 357 996		2 357 996
Grand Total	**863 729 887**	**1 388 157**	**865 118 044**

Table: Annex 10- 3.1.4-1

3.1.4.1 Operational programmes of producer organisations

In 2019, the expenditure under this measure amounted to EUR 863.7million.

Article 54(b) of Regulation (EU) 2017/891 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.

The statistical reports received concern operational programme (OP) expenditure incurred in financial year 2019 in respect of operational year 2018. The level of error detected by the Member States was 1.3% with rates above 2% reported by a number of Member States.

It should be noted that this measure is subject to a very high degree of scrutiny by the national authorities. Every producer organisation (PO) 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 OP. Due therefore, to the 100% (or close to 100%) control coverage in several of these Member States, there is little or no error remaining in the uncontrolled population for those Member States on the basis of their "reported" error rates.

DG AGRI audits on OPs of producer organisations carried out between 2017 and 2019 identified both recognition criteria issues and control deficiencies for a number of Member States. The auditors considered that the error rates reported by some of these Member States did not fully reflect the irregular spending as the management and control systems would not have detected them. In order, therefore, 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 and (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 4 to this AAR), have adjusted the error rates concerned.

DG AGRI audits carried out in 2019 in Austria, Germany (DE15 - Nordrhein-Westfalen), Spain (ES09 - Generalidad de Cataluña), Italy (IT23 – Lombardia and IT05 - Veneto) verified the work of the Certification Body and resulted in observations for the Certification Bodies and recommendations as regards the Paying Agencies.

In 2019, two desk audits were also launched (The Netherlands and Sweden).

The Certification Bodies have also found errors in respect of certain Member States (Germany, Spain, France, Greece, Italy and Portugal).

In the cases of Hungary, Portugal, the United Kingdom as well as for one Paying Agency in Spain where both DG AGRI and the Certification Body had detected the same deficiencies, the estimated amount at risk of the DG AGRI has been used as it was deemed to be a more targeted estimation than the Certification Body overall assessment for the EAGF Non-IACS population.

DG AGRI's adjustments (Austria, Hungary, Italy, The Netherlands, Portugal, Spain, Sweden and the United Kingdom) to the reported error rates (resulting from the assessments of the Certification Bodies and/or its own audit findings) and their impact on the amounts at risk are summarised in the following table:

Fruit and Vegetables - Operational Programmes for Producer Organisations

Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid for OPs in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)
AT	6 782 535	42.5%	1.70%	7.00%	66 267	474 777	7.98%	541 045
BE	55 274 431	41.4%	0.43%	-	139 938	-	0.25%	139 938
BG	125 823	100.0%	1.58%	-	-	-	-	-
CY	404 286	100.0%	1.04%	-	-	-	-	-
CZ	3 894 803	100.0%	13.54%	-	-	-	-	-
DE	43 273 253	91.0%	4.22%	0.10%	164 201	43 273	0.48%	207 475
DK	5 062 146	28.2%	0.00%	-	44	-	0.00%	44
EE	-	-	-	-	-	-	-	-
ES	282 549 572	37.0%	0.91%	0.10%	1 627 995	282 550	0.68%	1 910 545
FI	2 990 825	59.4%	0.00%	-	12	-	0.00%	12
FR	128 811 924	42.1%	0.98%	0.60%	728 860	802 759	1.19%	1 531 619
GB	37 327 584	46.3%	0.15%	5.00%	30 601	1 866 379	5.08%	1 896 981
GR	11 439 677	100.0%	-	0.20%	-	22 879	0.20%	22 879
HR	-	-	-	-	-	-	-	-
HU	5 355 310	100.0%	5.62%	5.00%	-	267 765	5.00%	267 765
IE	4 207 444	94.1%	1.54%	-	3 816	-	0.09%	3 816
IT	239 934 017	45.0%	0.64%	2.90%	846 372	6 958 086	3.25%	7 804 459
LT	-	-	-	-	-	-	-	-
LU	-	-	-	-	-	-	-	-
LV	722 196	100.0%	-	-	-	-	-	-
MT	-	-	-	-	-	-	-	-
NL	16 711 586	40.5%	0.79%	0.20%	78 737	33 423	0.67%	112 160
PL	3 691 834	100.0%	0.72%	-	-	-	-	-
PT	9 309 494	33.8%	10.30%	10.00%	634 232	930 949	16.81%	1 565 182
RO	640 579	100.0%	1.60%	-	-	-	-	-
SE	2 862 572	100.0%	57.50%	3.00%	-	85 877	3.00%	85 877
SI	-	-	-	-	-	-	-	-
SK	2 357 996	100.0%	1.95%	-	-	-	-	-
Grand Total	**863 729 887**	**46.0%**	**1.3%**		**4 321 076**	**11 768 720**	**1.86%**	**16 089 796**

Table: Annex 10 – 3.1.4.1.-1

The following summary sets out for the **Operational Programmes for Producer Organisations**, for all cases 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. It is noted that the error rates reported by all Member States are inflated to an unknown extent by the results of the administrative checks, which are carried out on all files.

Member State	Adjusted error rate	Amount at risk	Reasons for top-up (by audit unit)	Reservation 2019	Mitigating factors/reservation follow up
AT	7.98%	EUR 0.541 million	A DG AGRI audit in 2019 found deficiencies in the checks to establish the approval of operational programmes, studies for specific costs and on-the-spot checks of sufficient quality.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HU	5%	EUR 0.268 million	A DG AGRI audit in 2018 found deficiencies in the checks to establish access to the aid and to approve the amendments of the operational programmes.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	3.25%	EUR 7.804 million	DG AGRI audits in 2019 found deficiencies in the checks to establish the eligibility and the approval of the operational programmes in Lombardy (IT23) and AVEPA Veneto (IT05). In addition, the same audits found deficiencies in the calculation of specific costs and maximum costs affecting the operational programmes 2016/2017 for all Italy. Some of the deficiencies detected are also present in the new Ministerial Circular applying from the operational programmes 2018 affecting all Italy.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI. The corrective measures will be monitored by DG AGRI.
PT	16.81%	EUR 1.565 million	A DG AGRI audit in 2018 found deficiencies in the checks to establish the access to the aid claimed and on-the-spot checks of sufficient quality.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan addressing the deficiencies identified by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

SE	3%	EUR 0.086 million	A DG AGRI audit in 2019 found deficiencies in the checks to establish the eligibility of the operational programmes and on-the-spot checks of sufficient quality.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB	5.08%	EUR 1.897 million	A DG AGRI audit in 2018 found deficiencies in the checks to establish the eligibility of the operational programmes and on-the-spot checks of sufficient quality.	Yes	A reservation is entered in respect of 2019 expenditure. Remedial actions addressing the deficiencies identified by DG AGRI are needed, but in light of the withdrawal of UK from the Union an action plan will not be requested.[35] The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.1.-2

3.1.4.2 Pre-recognition of producer groups

In 2019, the expenditure under this measure had decreased to EUR 1.388 million (compared to EUR 4.84 million in 2018). As stated above under sub-section 3.1.4, once producer groups (PGs) have attained the producer organisation status, they no longer receive aid under the producer group scheme. Expenditure has reduced significantly under this measure over recent years as PGs reach maturity and become recognised as producer organisations and new PGs can only be financed under EAFRD.

Article 97(b) of Commission 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 was 5.54%, with Bulgaria and Poland reporting a material error rate (respectively 3.04% and 7.77%). However, due to the 100% control rate in these Member States, there is no residual error.

DG AGRI audits on recognition plans of producer groups carried out in 2017 and 2019 identified serious control deficiencies.

The Certification Body have also found errors in respect of recognition plans of producer groups in Poland.

This led to an adjustment for the aid paid under this scheme in Poland (see table below):

[35] Following the withdrawal of the UK from the Union, future corrective action will not be requested since the UK is not expected to have expenditure for EU market measures as of financial year 2021.

Fruit and Vegetables -Precognition of Producer Groups Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid in 2019 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	654 016	100.0%	3.04%	-	-	-	-	-
PL	734 141	100.0%	7.77%	68.6%	-	503 437	68.57%	503 437
Grand Total	**1 388 157**	**100.0%**	**5.54%**		**0**	**503 437**		**503 437**

Table: Annex 10 – 3.1.4.2-1

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
PL	68.57%	EUR 0.503 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State. The adjustment is also supported by deficiencies in the checks to establish the access to the aid claimed and on-the-spot checks of sufficient quality founded by DG AGRI audit in 2019.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.2-2

3.1.4.3 Conclusions for the Fruit and Vegetables sector

For the fruit and vegetables sector, there is a limited number of Member States for which serious problems have been detected by DG AGRI and the Certification Bodies in recent years. The errors, which such deficiencies would produce, were not indicated in the results of control carried out and reported by those Member States. The resulting adjusted error rate and reservations are summarised below.

The table below summarises the data, which are set out in detail above, and indicates that four reservations are required in respect of three Member States for a total amount of EUR 11.267 million. The total amount at risk in the 2019 expenditure is estimated at EUR 16.593million.

Summary of reservations and amounts at risk for Fruit & Vegetables Sector					
Measure	**Expenditure EUR**	**Adjusted error rate**	**MS with reservation**	**Amount under reservation EUR**	**Total amount at risk EUR**
Operational programmes for Producer Organisation	863 729 887	1.86%	GB (UK)	1 896 981	
			IT	7 804 459	
			PT	1 565 182	
			Total OPPO	**11 266 621**	16 089 796
Pre-Recognition of Producer Groups	1 388 157	5.54%		-	
			Total PRPG	**-**	503 437
Grand Total	**865 118 044**	**1.92%**		**11 266 621**	**16 593 232**

Table: Annex 10 – 3.1.4.3-1

The 2018 reservations for **operational programmes for producer organisations** for Italy, Portugal and the United Kingdom are carried over. For Austria, Hungary and Sweden as the amount at risk is below the *de minimis* threshold, there is no reservation.

As the amount at risk is below the *de minimis* threshold for Poland, there is no reservation indicated for **pre-recognition of producer groups**.

Furthermore, tt is emphasised that in the case of the amounts under reservation, the conformity clearance procedure shall ensure that the undue expenditure is recovered from the Member States concerned.

3.1.5 Wine sector

The common organisation of the wine market is aimed essentially at improving the competitiveness of EU wine producers and balancing supply and demand in the wine sector. The main financial instruments of the 2013 CAP reform include 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 and information within the EU; by-product distillation and harvest insurance. Regulation (EU) No 1308/2013 added further support measures to the existing ones. These are: promotion; restructuring and conversion of vineyards; green harvesting; mutual funds; harvest insurance; investments; innovation in the wine sector and by-product distillation. Regulations (EU) No 1149/2016 and (EU) No 1150/2016 have extended the obligation for the Member States to report on the controls carried out for all wine measures (with the exception of the very small amounts under other measures for the wine-growing sector).

In 2019, the expenditure under this measure for which control statistics were available amounted to EUR 986 million:

Expenditure by Measure in 2019 - Wine measure with control statistics

Member State	Restructuring and Conversion of Vineyards	Investment	Promotion in Third Countries and Information in EU	By-product distillation	Harvest Insurance	Green harvesting	Innovation	Others	Total Wine
AT	4 214 882	6 377 799	1 603 665						12 196 346
BE	-	-	-	-	-	-	-	-	-
BG	9 872 511	4 363 890	99 943						14 336 343
CY	2 108 765	2 260 137	6 500		258 598				4 634 000
CZ	3 555 888	1 546 490							5 102 378
DE	16 744 580	18 252 581	2 638 460		137 411				37 773 032
DK	-	-		-	-	-	-	-	-
EE	-	-		-	-	-	-	-	-
ES	75 566 861	49 479 215	36 358 635	34 681 362					196 086 073
FI	-	-		-	-	-	-	-	-
FR	109 469 630	90 229 519	29 036 726	36 558 406					265 294 281
GB	-	-		-	-	-	-	-	-
GR	8 788 768	2 343 256	682 700						11 814 724
HR	1 860 313	3 499 959	540 074						5 900 346
HU	15 132 688			1 725 803		6 627 645			23 486 136
IE	-			-	-	-	-	-	-
IT	111 756 050	94 221 692	87 652 844	18 727 509	- 181 191	- 1 926			312 174 978
LT	-	-	12 758	-	-	-	-	-	12 758
LU	-			-	-	-	-	-	-
LV	-			-	-	-	-	-	-
MT	-			-	-	-	-	-	-
NL	-			-	-	-	-	-	-
PL	-	-		-	-	-	-	-	-
PT	58 643 440	-	3 895 626	552 276	2 115 334				65 206 676
RO	14 750 315	6 659 637	236 766		404 450				22 051 168
SE	-	-		-	-	-	-	-	-
SI	4 620 415	-	424 585						5 045 000
SK	4 058 950	627 851	72 851		316 054				5 075 705
Grand Total	**441 144 055**	**279 862 025**	**163 262 135**	**92 245 356**	**3 050 655**	**6 625 718**	**-**	**-**	**986 189 944**

Table: Annex 10 – 3.1.5-1

A total of EUR 1.3 million was paid for wine measures[36] for which no control statistics were available: Italy (EUR 1 291 590) and Spain (EUR 22 091).

Restructuring and conversion of vineyards

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.

DG AGRI has carried out 8 audits on the measure in the period 2017-to 2019 in Bulgaria, Cyprus, Germany (DE03 - Baden-Württemberg), Greece, Hungary, Spain (ES 17 – Valencia), Romania and Slovenia. The most significant issue detected was related to the system of maximum costs/reference prices for the restructuring operations.

Investment measures

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). The aid is

[36] Aid paid under budget item 05020999.

paid for 40% to 75% of the investment depending on the region. Investment measures require a 100% control on-the-spot prior to payment. In the period 2017-2019, DG AGRI carried out 6 audits in Cyprus, Croatia, Germany (DE17 - Rheinland-Pfalz), Italy and Spain (2 Paying Agencies: ES07 - Castilla-La Mancha and ES08 - Castilla -León). The most significant issue detected related to the soundness of estimates for the investment operations.

Promotion on third country markets

A 100% administrative check is carried out by the Member States in order to detect ineligible costs. In the period 2017 to 2019, DG AGRI audited 6 Member States: Bulgaria, Germany (DE17 - Rheinland-Pfalz), France, Greece, Italy and Spain (ES 17 – Valencia). The most significant issue detected related to the verification of the implementation of the promotional activities.

Green harvesting

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 2019, two Member States (Italy and Hungary) implemented this measure.

By-product distillation

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 considers that distillation measures are low risk as the interest of the Member States, to keep every drop of alcohol produced under control, is very high.

In 2018, DG AGRI audited the French Paying Agency (France AGRIMER) and one Italian Paying Agency (IT01 - AGEA): no deficiencies were identified.

Harvest Insurance

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 a maximum insurance premium and a maximum insured value of the harvest.

DG AGRI audit missions took place between 2012 and 2015 in Italy and Romania. Based on both the evaluation on-the-spot as well as the structure of the control system, the auditors concluded that there was no, or very low, risk in this measure.

Other wine measures

The amounts related to these measures are extremely marginal and the risk is considered to be zero. No audit has yet been performed for this expenditure.

3.1.5.1 Conclusion for the wine sector

For the wine sector, based on the audits carried out, DG AGRI found that there was some risk with regard to restructuring and conversion measures in Bulgaria and Spain, deficiencies in the checks for investment measures for wine in Cyprus and Germany as well as deficiencies in the checks for promotion measures in Germany, Spain and Greece. The DG AGRI auditors have therefore used their professional audit judgment to propose adjustments to the error rates reported (i.e. restructuring and conversion, investment measures). Please see table 3.1.5.1-2 below.

DG AGRI audits carried out in 2019 in Bulgaria, Germany and Greece verified the work of the Certification Body and resulted in observations and recommendations for Germany and Greece.

The Certification Bodies have also found errors in respect of certain Member States (Austria, Bulgaria, Cyprus, Croatia, Germany, Hungary, France, Italy, Spain and Romania).

Wine - 2019 Expenditure :

Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2019 EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if 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)
AT	12 196 346	59.4%	3.52%	2.31%	366 026	281 659	5.31%	647 685
BG	14 336 343	99.3%	0.70%	15.73%	-	2 255 554	15.73%	2 255 554
CY	4 634 000	73.4%	3.57%	2.93%	79 985	135 862	4.66%	215 847
CZ	5 102 378	100.0%	3.26%	-	-	-	-	-
DE	37 773 032	96.7%	1.06%	1.99%	568	751 940	1.99%	752 508
ES	196 108 164	55.4%	1.91%	0.79%	1 952 599	1 553 522	1.79%	3 506 121
FR	265 294 281	88.5%	6.18%	0.21%	479 283	567 977	0.39%	1 047 260
GR	11 814 724	73.8%	0.60%	0.58%	160	68 270	0.58%	68 430
HR	5 900 346	61.9%	0.17%	0.39%	3 346	23 093	0.45%	26 439
HU	23 486 136	100.0%	8.81%	0.88%	-	206 930	0.88%	206 930
IT	313 466 568	25.4%	3.11%	7.05%	8 145 055	22 085 055	9.64%	30 230 109
LT	12 758.24	-	-	-	-	-	-	-
PT	65 206 676	86.7%	7.79%	-	315 743	-	0.48%	315 743
RO	22 051 168	87.7%	1.08%	0.47%	111 695	103 674	0.98%	215 369
SI	5 045 000	94.0%	1.43%	-	2 693	-	0.05%	2 693
SK	5 075 705	92.3%	-	-	-	-	-	-
Grand Total	987 503 626	61.9%	3.92%		11 457 152	28 033 536	4.00%	39 490 688

Table: Annex 10 – 3.1.5.1-1

The above table indicates that the adjusted error rate for the wine sector is 4.00%, which represents a total amount at risk in the 2019 expenditure of EUR 39.490 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2% and 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	Reser-vation	Mitigating factors/Reservation follow-up
AT	5.31%	EUR 0647 million	The Member State reported a high error rate for Wine restructuring and conversion of vineyards and for Wine promotion, combined with a low rate of the on-the-spot checks. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required.
BG	15.73%	EUR 2.256 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the Wine restructuring and conversion of vineyards. The adjustment is also supported by deficiencies in Wine restructuring and conversion of vineyards concerning the performance of administrative checks found by a DG AGRI audit in 2019.	Yes	A reservation is entered in respect of 2019 expenditure. The Bulgarian authorities have taken corrective measures following DG AGRI audit in 2019. The corrective measures will be monitored by DG AGRI. The Member State should implement an action plan for Wine restructuring and conversion of vineyards, addressing the deficiencies identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
CY	4.66%	EUR 0.647 million	A DG AGRI audit in 2018 found deficiencies in Wine investment. The deficiencies identified concern the calculation of specific costs. Based on the Certification Body's assessment, an adjustment was made to the deficiencies founded in Wine restructuring and conversion of vineyards, Wine investment and Wine promotion.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies found by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	9.64%	EUR 30.230 million	The Member State has reported a high error rate for Wine restructuring and conversion of vineyards, combined with a low rate of on-the-spot checks. The error rate has been further adjusted taking into account the findings reported by Certification Body for the Wine restructuring and conversion of vineyards and for Wine investment.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan addressing the underlying causes for the high error rate reported for Wine restructuring and conversion of vineyards, inconsistencies in the reporting of the control statistics and the deficiencies identified by the Certification Body.

Table: Annex 10 – 3.1.5.1-2

3.1.6 Olive oil

In 2019, the expenditure under this scheme, which is implemented only by three Member States (France, Italy and Greece) amounted to EUR 36.659 million.

DG AGRI audit carried out in 2019 identified control deficiencies for Greece and has led to adjustments for this Member State.

The table below indicates that the adjusted error rate for the olive oil sector is 3.00%, which represents a total amount at risk in the 2019 expenditure of EUR 1 083 million.

Olive oil
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)
FR	548 268	100.0%	0.57%		-	-	-	-
GR	10 825 341	100.0%	2.28%	10.00%	-	1 082 534	10.00%	1 082 534
IT	25 285 442	100.0%	0.41%		-	-	-	-
Grand Total	**36 659 051**	**-**			**-**	**1 082 534**	**3.0%**	**1 082 534**

Table: Annex 10 – 3.1.6-1

The following table sets out the situation for all the cases where the adjusted error rate is above 2%. It indicates if reservations are required and details mitigating factors.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
GR	10%	EUR 1.082 million	A 2019 DG AGRI audit found deficiencies as regards the checks to establish the approval and eligibility of work programmes affecting the work programmes for 2015-2018.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has informed DG AGRI on the remedial actions already planned. The implementation of the corrective measures will be monitored by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.6-2

3.1.7 EU School Scheme

Since school year 2017/2018, the EU School Scheme replaced the school fruit and school milk schemes, which were merged into a single school scheme under Regulations (EU) 2017/39 and 2017/40.

Article 9 of Regulation (EU) 2017/40 requires Member States to report on the School Scheme control statistics. The first batch of control statistics was due on 31/10/2019.

DG AGRI audits carried out in 2019 identified control deficiencies for Germany (DE03 Baden-Württemberg) and Spain (ES09 - Generalidad de Cataluña) and has led to adjustments for these two Member States while a further adjustment was based on an audit enquiry in Poland carried out in 2018.

For Belgium, Germany, Denmark and Romania, errors have been reported by the respective Certification Bodies for 2019 and DG AGRI has included the estimated amount of error in the amount at risk.

Based on these audit findings, DG AGRI auditors have therefore used their professional audit judgment to propose adjustments to the error rates reported.

School Scheme
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)*(	(g)= (b)*(e)	h) = (f+g)/	(i) = (f) +((g)
AT	3 296 700	27.72%	0.00%		-	-	-	-
BE	2 381 353	13.44%	0.08%	18.45%	1 723	439 417	18.52%	441 140
BG	2 866 673	41.77%	0.04%		677		0.02%	677
CY	686 463	6.15%	0.00%		-		-	-
CZ	6 106 931	16.42%	0.00%		-		-	-
DE	33 733 371	33.48%	0.04%	0.68%	8 604	229 560	0.71%	238 164
DK	3 423 826	34.99%	0.01%	0.01%	241	190	0.0%	431
EE	1 293 620	31.24%	0.17%		1 539		0.12%	1 539
ES	19 162 304	71.90%	0.01%	14.55%	608	2 788 925	14.6%	2 789 533
FI	3 469 977	48.51%	0.19%		3 334		0.1%	3 334
FR	3 899 770	11.07%	0.38%		13 215		0.34%	13 215
GB	3 649 005	42.60%	1.10%		23 136		0.6%	23 136
GR	3 104 061	10.10%	0.00%		-		-	-
HR	2 320 437	9.74%	0.01%		310		0.01%	310
HU	5 977 964	15.57%	0.01%		346		0.0%	346
IE	2 960 400	17.91%	0.02%		402		0.0%	402
IT	24 950 997	100.00%	0.17%		-		-	-
LT	2 332 558	44.87%	0.01%		191		0.01%	191
LU	508 312	73.52%	0.00%		-		-	-
LV	1 586 445	6.37%	0.00%		-		-	-
MT	603 020	79.23%	4.59%	3.52%	5 753	21 220	4.5%	26 973
NL	7 813 847	99.94%	0.00%		-		-	-
PL	24 014 525	15.25%	0.03%	2.91%	5 325	699 595	2.9%	704 920
PT	2 551 839	6.18%	0.00%		-		-	-
RO	15 815 601	98.20%	0.03%	5.22%	83	826 216	5.22%	826 299
SE	9 660 071	15.32%	0.15%		12 041	-	0.1%	12 041
SI	953 937	16.18%	0.00%		-	-	-	-
SK	3 281 572	42.85%	0.04%		704	-	0.0%	704
Grand Total	**192 405 579**	**48.3%**			**78 233**	**5 005 123**	**2.64%**	**5 083 356**

Table: Annex 10 – 3.1.7-1

The above table indicates that the adjusted error rate for the EU school scheme is 2.64%, which represents a total amount at risk in the 2019 expenditure of EUR 5 083 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2% and 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	Reser-vation	Mitigating factors/Reservation follow-up
BE	18.52%	EUR 0.441million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies found by the Certification Body.
ES	14.57%	EUR 2.789 million	A DG AGRI audit in 2019 identified deficiencies in the checks to establish the access to the aid.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement as action plan addressing the deficiencies identified by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
MT	4.5%	EUR 0.027 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies found by the Certification Body.
PL	2.94%	EUR 0.704 million	A DG AGRI audit in 2018 found deficiencies as regards the checks to establish the eligibility of the aid.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO	5.22%	EUR 0.826 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State. A DG AGRI audit in 2020 also found the public procurement issues reported by the Certification Body and additional deficiencies related to public procurement.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies found by the Certification Body as well as the additional deficiencies, which have also been found by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.7-2

3.1.8 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 the geographical and economic handicaps of these regions, such as remoteness, insularity, small size, difficult topography and climate as well as economic dependence on a few products.

The outermost regions, as identified in Article 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 (even if under a different legal basis than the "real" POSEI regions).

The POSEI measures are funded both under ABB02 and ABB03. This 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.

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.

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

A DG AGRI audit carried out in 2019 in Spain verified the work of the Certification Body and made numerous important observations as regards the work of the Certification Body.

The Certification Body for France has also found errors with regard to POSEI market measures and this was also taken into account in the calculation of the adjusted error rate.

POSEI Market measures Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2019 EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if 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)
ES	73 955 175	15.0%	0.13%		78 816	-	0.11%	78 816
FR	124 544 827	100.0%	3.76%	0.23%	46	284 768	0.23%	284 814
GR	5 414 850		-		-		-	-
PT	23 829 392	57.5%	0.09%		9 095	-	0.04%	9 095
Grand Total	**227 744 243**	**65.6%**	**2.11%**		**87 958**	**284 768**	**0.16%**	**372 726**

Table: Annex 10 – 3.1.8-1

The table above indicates that the adjusted error rate for the market measures under POSEI is 0.16%, which represents a total amount at risk in the 2019 expenditure of EUR 0.373 million.

3.1.9 Pig meat, eggs, poultry, beekeeping

Temporary exceptional aid for the pig meat, eggs and poultry sector

The Commission, when needed, adopts Regulations providing for temporary exceptional aid to farmers in the pig meat, eggs and poultry sector.

Given the temporary nature of the measures, there are no control statistics available.

In financial year 2019 for the aid paid under Regulation (EU) 2018/1507 and Regulation (EU) 2018/1506, expenditure amounted to EUR 7.624 million.

For Poland, an error was reported by the Certification Body in its report for 2019 and DG AGRI has included it in the amount at risk.

Pigmeat, eggs and poultry Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)
IT	6 851 115	NA	NA	-	-	-	-	-
NL	- 538 929	NA	NA	-	-	-	-	-
PL	1 311 836	NA	NA	19.95%	-	261 649	19.95%	261 649
Grand Total	**7 624 021**	**-**			**-**	**261 649**	**3.4%**	**261 649**

Table: Annex 10 – 3.1.9-1

The table above indicates that the adjusted error rate for the temporary exceptional aid for pigmeat, eggs and poultry is 3.4%, which represents a total amount at risk in the 2019 expenditure of EUR 0.262million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2%. It indicates if reservations are required and details mitigating factors.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
PL	19.95%	EUR 0.262 million	For this market measure the Certification Body's assessment has been used to estimate the amount at risk since there are no control statistics.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the deficiencies found by the Certification Body.

Table: Annex 10 – 3.1.9-2

Beekeeping

The EU support for beekeeping is provided through the national apiculture programmes, which aim at improving the general conditions for the production and marketing of honey and other apiculture products in the EU. The programmes run for three years. The Commission Implementing Regulation (EU) 2015/1368 and Commission delegated Regulation (EU) 2015/1366 sets out the detailed rules for the application of the national apiculture programmes and the Union contribution to the programmes.

The allocation of EU funding for these programmes is based on the number of beehives in each Member State and is fixed by Commission Implementing Decision (EU) 2016/1102.

In financial year 2019, the expenditure amounted to EUR 34.257 million. In the period 2017-2019, DG AGRI carried out 5 audits on this measure in Austria, Hungary, Latvia, Romania and Sweden.

During these audits, where possible, DG AGRI verified the work of the Certification Body and no observations were made.

For Austria, Germany and France, an error was reported by the Certification Body in its report for 2019 and DG AGRI has included it in the amount at risk.

Beekeeping Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)
AT	870 267	NA	NA	0.12%	-	1 078	0.12%	1 078
BE	249 313	NA	NA	-	-		-	-
BG	944 214	NA	NA	-	-	-	-	-
CY	94 491	NA	NA	-	-	-	-	-
CZ	1 249 910	NA	NA	-	-	-	-	-
DE	1 646 152	NA	NA	0.00%	-	8 183	0.50%	8 183
DK	120 746	NA	NA	-	-	-	-	-
EE	82 711	NA	NA	-	-	-	-	-
ES	5 113 351	NA	NA	-	-	-	-	-
FI	100 129	NA	NA	-	-	-	-	-
FR	3 536 417	NA	NA	0.46%	-	16 187	0.46%	16 187
GB	453 179	NA	NA	-	-	-	-	-
GR	3 456 027	NA	NA	-	-	-	-	-
HR	1 128 609	NA	NA	-	-	-	-	-
HU	2 407 748	NA	NA		-	-	-	-
IE	36 330	NA	NA	-	-	-	-	-
IT	2 909 968	NA	NA	-	-	-	-	-
LT	270 228	NA	NA	-	-	-	-	-
LU	16 278	NA	NA	-	-	-	-	-
LV	192 614	NA	NA	-	-	-	-	-
MT	8 333	NA	NA	-	-	-	-	-
NL	174 000	NA	NA	-	-	-	-	-
PL	2 876 107	NA	NA	-	-	-	-	-
PT	1 509 890	NA	NA		-	-	-	-
RO	3 593 209	NA	NA		-		-	-
SE	286 434	NA	NA	-	-	-	-	-
SI	346 283	NA	NA	-	-	-	-	-
SK	584 342	NA	NA	-	-	-	-	-
Grand Total	**34 257 279**	**-**			**-**	**25 448**	**0.1%**	**25 448**

Table: Annex 10 – 3.1.9- 3

The table above indicates that the adjusted error rate for aid for beekeeping is 0.1%, which represents a total amount at risk in the 2019 expenditure of EUR 0.025 million.

Temporary exceptional measures in the livestock sectors

From October 2015, the Commission has adopted a number of Regulations providing for temporary exceptional aid to farmers in the milk and livestock sectors. This was in order to address market disturbances since 2014 in the milk products.

Given the temporary nature of the measures, there are no control statistics available.

While for the temporary exceptional measures in the milk and milk product sectors in financial year 2019 the Member States had no expenditure (only reimbursement), Poland had EUR 1.056 million expenditure for the support to the beef and veal livestock sector[37].

For Poland, an error was reported by the Certification Body in its report for 2019 and DG AGRI has included it as amount at risk.

[37] Aid paid under Commission Delegated Regulation (EU) 2016/1613.

Beef and veal Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2019 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if 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)
PL	1 055 764	NA	NA	52.22%		551 284	52.22%	551 284
Grand Total	**1 055 764**	-			-	**551 284**	**52.2%**	**551 284**

Table: Annex 10 – 3.1.9-4

The table above indicates that the adjusted error rate for the support to the beef and veal livestock sector is 52.2%, which represents a total amount at risk in the 2019 expenditure of EUR 0.551 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2%. It indicates if reservations are required and details mitigating factors.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
PL	52.22%	EUR 0.551 million	For this market measure the Certification Body's assessment has been used to estimate the amount at risk since there are no control statistics.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The Member State should address the deficiencies found by the Certification Body.

Table: Annex 10 – 3.1.9-5

3.1.10 Promotion measures

Control statistics are not available in respect of promotion measures under the previous regime (Regulation (EC) No 501/2008), for which EUR 16.935 million has been paid as interim and balance payments in financial year 2019. Under the current regime (Regulation (EU) 2015/1831), which entered into force on 1/12/2015 and for which in financial year 2019, EUR 60.702 has been paid, the Member States are required to provide control statistics.

In the period 2017 to 2019, DG AGRI audit carried out 11 audits on this measure (Austria, Bulgaria, Czech Republic, Germany, France, Greece, Ireland, Italy, Lithuania, Spain and the United Kingdom), identifying deficiencies mainly related to the procurement procedures (selection criteria, equality of treatment, transparency). The findings concerned mainly expenditure under the previous promotion regime and adjustments have been applied for the Member States concerned.

For the aid paid under Regulation (EC) No 501/2008, the Certification Body for Cyprus has reported an error and DG AGRI has included the estimated amount of error as an amount at risk.

Member State	Expenditure EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if 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)
AT	-	NA	NA		-	-	-	-
BE	551 746	NA	NA		-	-	-	-
BG	1 153 726	NA	NA	5.00%	-	57 686	5.00%	57 686
CY	674 554	NA	NA	2.52%	-	17 025	2.52%	17 025
CZ	197 279	NA	NA	68.36%	-	134 851	68.36%	134 851
DE	102 875	NA	NA	5.00%	-	5 144	5.00%	5 144
DK	870 388	NA	NA		-	-	-	-
EE	29 962	NA	NA		-	-	-	-
ES	292 671	NA	NA		-	-	-	-
FR	1 508 481	NA	NA		-	-	-	-
GB	383 595	NA	NA		-	-	-	-
GR	6 087 369	NA	NA	2.82%	-	171 472	2.82%	171 472
IE	56 689	NA	NA	14.33%	-	8 126	14.33%	8 126
IT	2 232 610	NA	NA	25.00%	-	558 153	25.00%	558 153
LT	787 915	NA	NA		-	-	-	-
LV					-	-	-	-
NL	196 896	NA	NA		-	-	-	-
PL	1 264 217	NA	NA		-	-	-	-
PT	171 765	NA	NA		-	-	-	-
RO	187 485	NA	NA		-	-	-	-
SI	185 312	NA	NA		-	-	-	-
Grand Total	**16 935 534**	**-**	**-**		**-**	**952 457**	**5.62%**	**952 457**

Table: Annex 10 – 3.1.10-1

The table above indicates that the adjusted error rate for promotion under Regulation (EC) No 501/2008 is 5.62%, which represents a total amount at risk in the 2019 expenditure of EUR 0.952 million.

For the promotion aid paid under Regulation (EC) No 501/2008, the following table sets out the situation for all the cases where the adjusted error rate is above 2% and the reasons which led to DG AGRI making adjustments 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	Reser-vation	Mitigating factors/Reservation follow-up
BG	5%	EUR 0.058 million	A DG AGRI audit in 2017 identified deficiencies in the controls on the selection procedures of implementing bodies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI’s materiality threshold (see Annex 4), no reservation is required.
CY	2.52%	EUR 0.017 million	For this market measure the Certification Body's assessment has been used to estimate the amount at risk since there are no control statistics.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The Member State should address the deficiencies found by the Certification Body.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
CZ	68.36%	EUR 0.135 million	A DG AGRI audit in 2018 identified ineligible expenditure.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DE	5%	EUR 0.005 million	A DG AGRI audit in 2019 identified deficiencies in the controls on the selection procedures of implementing bodies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered
GR	2.82%	EUR 0.171 million	A DG AGRI audit in 2015 identified deficiencies in the controls on selection procedures of implementing bodies. In 2018, DG AGRI launched a follow-up audit in order to recover expenditure that continued to be affected by the deficiencies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required.
IE	14.33%	EUR 0.008 million	A DG AGRI audit in 2019 identified deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	25%	EUR 0.558 million	A DG AGRI audit in 2015 identified serious deficiencies in the controls on selection procedures of implementing bodies. In 2019, DG AGRI launched a follow-up audit in order to recover expenditure that continued to be affected by the deficiencies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

For the aid paid under Regulation (EU) 2015/1831, the Certification Bodies for France, Spain and the United Kingdom have reported errors and DG AGRI has included the estimated amount of error as an amount at risk

Promotion Measures - Expenditure in 2019 - Aid paid under Regulation (EU) 2015/1831 Calculation of amount at risk								
Member State	Expenditure EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk for top-up EUR	Adjusted error rate	Total amount at risk EUR
AT	1 321 419	51.6%	-	5.00%	-	66 071	5.00%	66 071
BE	3 249 164	11.9%	-		-	-	-	-
CZ	-	-	-		-	-	-	-
DE	1 129 427	44.0%	0.08%	5.00%	493	56 471	5.04%	56 964
DK	1 511 192	80.4%	-		-	-	-	-
ES	12 959 563	10.3%	-	0.59%	-	76 652	0.59%	76 652
FR	11 321 167	-	-	2.69%	-	304 097	2.69%	304 097
GB	739 018	100.0%	-	0.54%	-	4 026	0.54%	4 026
GR	4 383 449	-	-		-	-	-	-
HU	62 787	100.0%	-		-	-	-	-
IE	2 014 869	-	-	6.91%	-	139 279	6.91%	139 279
IT	14 866 180	-	-		-	-	-	-
LT	1 277 147	-	-		-	-	-	-
LV	463 027	48.8%	-		-	-	-	-
NL	1 789 826	-	-		-	-	-	-
PL	2 688 302	41.9%	0.00%		47	-	0.00%	47
PT	-	-	-		-	-	-	-
RO	94 134	100.0%	-		-	-	-	-
SI	831 828	52.8%	-		-	-	-	-
Grand Total	**60 702 502**	**11.2%**			**541**	**646 596**	**1.07%**	**647 137**

Table: Annex 10 – 3.1.10-2

The table above indicates that the adjusted error rate for promotion under Regulation (EU) 2015/1831 is 1.07%, which represents a total amount at risk in the 2019 expenditure of EUR 0.647 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2% and the reasons which led to DG AGRI making adjustments 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	Reser-vation	Mitigating factors/Reservation follow-up
AT	5%	EUR 0.066 million	A DG AGRI audit in 2019 identified deficiencies in the controls on selection procedures of implementing bodies, in the checks to establish the eligibility of support and in the performance of on-the-spot checks of sufficient quality.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Anne 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered
DE	5.04%	EUR 0.057 million	A DG AGRI audit in 2019 identified deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser-vation	Mitigating factors/Reservation follow-up
FR	2.69%	EUR 0.304 million	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The Member State should address the deficiencies found by the Certification Body.
IE	6.91%	EUR 0.139 million	A DG AGRI audit in 2019 identified deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered

Table: Annex 10 – 3.1.10-32

3.1.11 Conclusions as regards assurance for ABB02

As a result of the adjustments made by DG AGRI to the error rates reported by the Member States, an adjusted error rate of 2.75% has been calculated for shared management. As there was no direct expenditure for promotion measures in 2019, for ABB02 as a whole, the adjusted error rate is also 2.75%.

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 2018 AAR which are not carried over in respect of 2019.

5 reservations from 2018 can be lifted:

Spain for operational programmes of producer organisations;
Portugal for wine measures;
Poland for the EU school scheme;
Italy for promotion measures;
General reservation for France including the measure specific reservations for wine measures and poultry.

3 reservations from 2018 are carried over as the remedial action plans are still underway and the error is material:

Italy, Portugal and the United Kingdom for operational programmes of producer organisations.

4 new reservations are introduced:

Italy and Bulgaria for wine measures;
Greece for olive oil;
Spain for the EU school scheme.

The following table gives details of the case where a reservation made in the 2018 AAR was not carried over in the 2019 AAR:

Member State/ measure	Adjusted error rate	Amount at risk	Justification
ES for operational programmes of producer organisations	0.68%	EUR 1.911 million	The Member State has taken the necessary action with the regard to deficiencies found in the part and which were subject to the reservation in previous year.
PT for wine measures	0.48%	EUR 0.316 million	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The necessary remedial action for the deficiencies found is being closely followed by DG AGRI.
PL for EU school scheme	2.91%	EUR 0.704 million	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT for promotion	25%	EUR 0.558 million	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.11-1

Member State/ measure	Adjusted error rate	Amount at risk	Justification
General reservation for FR, including wine measures and poultry	See table below for the adjusted error rate split by measure 0.73%	See table below for the amount at risk split by measure EUR 2.896 million	The overall error rate for France Agrimer is below 2% for 2019, a contributing reason being that errors relating to late payments found by the Certification Body has significantly decreased. As for Olive oil, Fruit and vegetables, Wine and the EU school scheme, the adjusted error rate is below 2%, no reservation for these measures is required. As for Promotion measures, the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Certification Body for France AGRIMER found amounts at error across several aid schemes managed by that Paying Agency and those amounts have been used to adjust the error rate at measure level.

Table: Annex 10 – 3.1.11-2

Budget Article	Measure	Sector Level		Error rate
		Expenditure	Amount at risk	
050206	Olive Oil	548 268	-	
050208	Fruit & Vegetables	128 811 924	1 531 619	1.19%
050209	Wine	265 294 281	1 047 260	0.39%
050210	Promotion measures	12 829 648	304 097	2.37%
050212	Milk and milk products	-19 674 963		
050215	Pigmeat, eggs, poultry & apiculture	3 536 417		
050218	School scheme	3 899 770	13 215	0.00%
FR20	**France AGRIMER**	**395 245 346**	**2 896 191**	**0.73%**

Table: Annex 10 – 3.1.11-3

The following table shows the portion of ABB02 expenditure covered by Member States' control statistics and the amounts at risk, which results from DG AGRI's validation and adjustment process. Control statistics are available in respect of 97.37%[38] of the expenditure covering EUR 2.369 million.

For a further EUR 59.873 million 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 EUR 4.179 million the aggregate error rate for the other measures (2.75%) was extrapolated to the expenditure concerned.

Overall assessment of risk for ABB02 - Market Measures

Budget item	Sector	Expenditure [1] EUR	Expenditure covered by statistics		Expenditure for which no control statistics are available				
			Expenditure[1] EUR	Risk EUR	No statistics available EUR	Measures risk assessed by auditors		ABB02 error rate applied* 2.75%	
						Expenditure[1]	Risk	Expenditure[1]	Risk
050201	Cereals	- 1 292			- 1 292	- 1 292	-	-	-
050202	Rice	-			-		-	-	-
050203	Non-annex I products	-			-		-	-	-
050204	Food Aid	-			-			-	-
050205	Sugar	-			-			-	-
050206	Olive Oil	36 659 051	36 659 051	1 082 534	-			-	-
050207	Textile Plants	-			-			-	-
050208	Fruit and Vegetables	865 442 925	865 118 044	16 593 232	324 881			324 881	8 927
050209	Wine [2]	987 503 626	986 189 944	39 490 688	1 313 682			1 313 682	36 097
050210	Promotion (shared management only)	77 638 036	60 702 502	647 137	16 935 534	16 935 534	952 457	-	-
050211	Other plant products and POSEI	230 284 512	227 744 243	372 726	2 540 269			2 540 269	69 802
050212	Milk and Milk Products	- 60 963 007			-60 963 007	-60 963 007		-	-
050213	Beef and Veal	1 055 764			1 055 764	1 055 764	551 284	-	-
050214	Sheepmeat and goatmeat	-			0			-	-
050215	Pigmeat, eggs, poultry & apiculture	41 881 301			41 881 301	41 881 301	287 097	-	-
050218	School scheme	192 405 579	192 405 579	5 083 356	-			-	-
	Total	**2 371 906 493**	**2 368 819 362**	**63 269 673**	**3 087 130**	**-1 091 701**	**1 790 837**	**4 178 831**	**114 826**
						Expenditure	Amount at risk	% coverage	Error rate
Expenditure covered by control statistics [3]						2 368 819 362	63 269 673	97.37%	
Expenditure for which there are no statistics but for which risk assessment carried out [3]						59 872 599	1 790 837	2.46%	
Risk for expenditure covered by statistics and by risk assessment [3] *Error rate used on expenditure covered by statisitcs and risk assessed						2 428 691 961	65 060 509	99.83%	2.75%
Extrapolated risk for non-risk assessed expenditure						4 178 831	114 826		
ABB02 - shared management - monthly declaration						2 371 906 493	65 175 335		
Suspension of payments						0	-		
ABB02 - shared management - payments made						**2 371 906 493**	**65 175 335**		**2.75%**
ABB02 - direct management - payments made on *Promotion measures - direct payments by the Union*							-		
Total ABB 02 - payments made						**2 371 906 493**	**65 175 335**		**2.75%**

Footnote: [1] Monthly declaration of expenditure affected by Paying Agencies.

[2] There are still payments and reimbursements made to Member States for measures from previous claim years. No control statistcs are available on these measures, hence the average error rate is applied only on payments made but not on reinbursements.

[3] Share of the gross expenditure, not taking into consideration the negative amounts of EUR 60.963 million reimbursed under the exceptional temporary measure in the milk and milk products and EUR 0.001 million under the measure "Cereals".

Table: Annex 10 – 3.1.11-4

Overall, the adjustments made resulted in the reported error rate of 0.67% increasing to 2.75% for ABB02. The adjusted error rate has slightly increased from the error rate of 2.53% for 2018.

The total amount at risk for ABB02 is EUR 65.175 million with an error rate of 2.75%.

It is noted that the average amount of net financial corrections per year for the three-year period 2017-2019 (excluding corrections made for cross-compliance and no longer existing schemes) is EUR 76.43 million for ABB02.

[38] Share of the gross expenditure, not taking into consideration the negative amounts of EUR 60.963 million reimbursed under the exceptional temporary measure in the milk and milk products and EUR 0.001 million under the measure "Cereals".

3.2 ABB03 – Direct Payments

Index for Part 3.2 – ABB03: Direct Payments

3.2.1 Introduction

With a yearly budget of more than EUR 41 billion, Direct payments (also called direct aids, direct support, area aids and animal premia) represent the most significant part of the CAP budget and a substantial part of the EU budget.

Direct payments benefited approximately 6.4 million farms throughout the European Union in financial year 2018[39]. They often represent an important share of their agricultural income (on average, nearly half of farmers' income in the last ten years came from this direct support).

The direct payment system (applied as from 2015 and paid-out as from 2016) moved towards a fairer, greener and more targeted distribution of support. As from 2015, active farmers in the EU have access to compulsory schemes applicable in all EU countries, as well as to voluntary schemes if established at the national level.

Direct payments are granted to farmers in the form of a basic income support based on the number of hectares farmed. This so-called **'basic payment'** is complemented by a series of other support schemes targeting specific objectives or types of farmers:

- a **'green' direct payment** for agricultural practices beneficial for the climate and the environment, which conditions the payment of 30% Member States' annual allocation to meeting three categories of generalised, non-contractual and annual obligations beneficial for the environment and climate: **crop diversification, maintenance of permanent grassland,** and the dedication of five per cent of arable land to ecologically beneficial areas ("**ecological focus areas**"). 79% of the total EU agricultural area is subject to at least one "greening" obligation[40].

- a payment to **young farmers**, a top-up payment added to the basic payment – which is also obligatory in every Member State. It is granted for a maximum of five years from the moment a young farmer takes over as the head of a farm holding. This payment can account for up to 2% of total direct payment national allocations.

[39] https://ec.europa.eu/agriculture/cap-funding/beneficiaries/direct-aid_en
[40] Data source: 2018 notifications from Member States.

- ⇨ (where applied) **a redistributive payment** to provide improved support to small and middle-size farms. Under this scheme, Member States may allocate up to 30% of their national budget to a top-up payment for the first eligible hectares. The number of hectares for which this payment can be allocated is limited to a threshold set by national authorities (30 hectares or the average farm size in member states if the latter is more than 30 hectares). The amount per hectare is the same for all farmers in the country where it is applied, and cannot exceed 65% of the average payment per hectare.
- ⇨ (where applied) **payments for areas with natural constraints** (ANC), where farming conditions are particularly difficult, such as mountain areas. Under this scheme, up to 5% of the national allocation for direct payments can be used for top-up payments to farmers in areas with natural constrains – an option applied at present only by Denmark as from 2015, and Slovenia as from 2017.
- ⇨ (where applied) **a small farmers' scheme**, a simplified scheme for small farmers replacing the other schemes. It is a simplified direct payment scheme granting a one-off payment to farmers who choose to participate. The maximum level of the payment is decided at the national level, but in any case may not exceed EUR 1 250. The small farmers' scheme includes simplified administrative procedures, and participating farmers are exempt from greening obligations and cross-compliance sanctions and controls.
- ⇨ and (where applied) **voluntary support coupled to production** (VCS) to help certain sectors undergoing difficulties. Under this scheme, Member States may continue to link (or couple) a limited amount of direct payments to certain products. VCS is a production-limiting scheme, which aims at supporting regions or sectors where specific types of farming or specific agricultural sectors, that are particularly important for economic, social or environmental reasons, undergo difficulties. This option was applied by 27 Member States (not Germany) out of the 28 Member States in 2019.

In addition, a crop specific payment to cotton is also available to cotton production.

Active farmer

In order to be eligible to receive direct payments, applicants have to be active farmers.

In the 2013 CAP reform, the co-legislators adopted the active farmer provision which aims at preventing individuals and companies from receiving support from the CAP when their business is not agricultural or is only marginally so.

The key element of the active farmer provision is a negative list of businesses/activities, which includes persons operating airports, waterworks, real estate services, railway services and permanent sport and recreational grounds. Generally speaking, entities with activities on the negative list are not usually farms. They just happen to have some farmland. Entities operating an activity on the "negative list" are not considered active farmers unless they can prove that their farming activity is not marginal, using one of the 3 possibilities to rebut the negative presumption.

If Member States want to, they can apply a stricter definition of active farmer:

- they can enlarge this negative list to include other similar activities;
- they can apply a test on all claimants, so that claimants with a marginal agricultural activity are excluded (even if they do not perform an activity of the negative list).

However, those who received less than a certain amount of direct payments in the previous year are considered *de facto* active farmer. This amount is set by Member State but may not be higher than EUR 5 000.

Finally, those farmers who have mainly areas which do not need any intervention to remain in a state suitable for grazing or cultivation and who do not perform a minimum activity on those areas, whatever the level of direct payments they were granted in the previous year, are considered non-active and may not receive support.

From claim year 2018 and onwards (i.e. payments from financial year 2019), the Omnibus amendment[41] of Regulation (EU) No 1307/2013 published on 29/12/2017 gives the Member States the option to decide not to apply anymore the "negative list" or (in case they decide to keep the "negative list") to reduce the number of rebuttal tests to two or one.

Member States had to notify by 31 March 2018 their decisions regarding the possible implementation from claim year 2018 of the new rules of the active farmer clause. The information notified to the Commission reveals that:

- More than half of Member States, namely: Austria, Cyprus, Czech Republic, Denmark, France, Germany, Greece, Hungary, Italy, Latvia, Lithuania, Luxembourg, the Netherlands, Poland, Portugal, Slovakia, Sweden, UK-England, UK-Northern Ireland and UK-Scotland decided to stop implementing the negative list from claim year 2018. Moreover, Estonia and Finland discontinued applying it from claim year 2019.
- Belgium, Bulgaria, Croatia, Ireland, Malta, Romania, Spain, Slovenia and UK-Wales will continue applying the principle of the negative list (to be noted that such decision may also be reviewed after 2018). However, Slovenia and Belgium-Wallonia decided to reduce the number of criteria available to farmers falling under the negative list to demonstrate that they are active farmers.
- Greece and the Netherlands, despite having decided to stop applying the negative list, will continue applying the option to consider active farmers only those farmers whose agricultural activity is not insignificant or whose principal activity or company objective consists of exercising an agricultural activity.
- Finally, two Member States, namely Italy and Romania, decided to apply the option to consider inactive those farmers who are not registered for their agricultural activity in a national fiscal or social security register.

Explanatory box: Annex 10 – 3.2.1-1

Member States can combine different direct payment schemes to ensure efficient support to farmers, adapted to their national context. Some are compulsory and some are optional. For example, all eligible farmers receive the basic payment and greening payments (subject to respect of the greening requirements), while some farmers may also qualify for a further payment under the compulsory young farmers scheme, and, depending on Member States' choices, a possible additional payment under one or more of the voluntary schemes.

The relevance of the flexibility introduced by the 2013 CAP reform is also illustrated by the range of implementation decisions made by Member States, e.g. the modalities of implementation of the young farmers' scheme, the application of the Small farmers' scheme, or the range of measures implementing the VCS.

[41] Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

As a result of the current system:

- The distribution of payments is more balanced due to external and internal convergence: DG AGRI data show that the average direct payments per hectare are converging (at Member State and farmer levels).

- The payments are better targeted, addressing the particular needs of young farmers, smaller farmers and specific sectors or regions with certain difficulties.

Payment Entitlements

The basic payment is applied either as the Basic Payment Scheme (BPS) or as a transitional simplified scheme, the Single area payment scheme (SAPS).

The BPS works on the basis of Payment Entitlements distributed to farmers.

In 2015, the first year of implementation of the BPS, eligible farmers were allocated Payment Entitlements. The general rule was that each eligible hectare gave right to one entitlement (although some Member States applied limitations on the total number of entitlements that could be allocated). All entitlements allocated to a farmer have the same value, but differences in the value of entitlements may exist between regions, if a Member State opted for such a regionalised approach. Furthermore, differences in the value of entitlements may exist between farmers, if a Member State opted for taking into account historical factors. In that case, the past level of direct payments to individual farmers was taken into account (or the value of the entitlements they possessed under the previous direct payments regime) in order to avoid too abrupt disruptions in their level of support. However, since one of the objectives of the 2013 CAP reform was to move away from these historical references, the Member States that take this approach have agreed to progressively reduce the differences in the values of entitlements and bring these values to (or closer to) the average by 2019 applicable to their whole territory.

Also after 2015, young farmers and new entrants are allocated Payment Entitlements from the so-called national reserve.

The actual payment is made to active farmers based on the activation of Payment Entitlements they hold and calculated in relation to the eligible land they declare. If Payment Entitlements are not activated (used) for two consecutive years, an equal number of Payment Entitlements replenish the national reserve.

Explanatory box: Annex 10 – 3.2.1-2

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2019 was as follows:

Budget item	Measure	Expenditure (EUR)	Totals (EUR)
Expenditure reimbursed by DG AGRI to the Member States in 2019			
050301	**Decoupled direct payments**		**35 328 602 280**
05030102	Single area payment scheme (SAPS)	4 299 210 874	
05030107	Redistributive payment	1 654 052 464	
05030110	Basic payment scheme (BPS)	17 074 874 516	
05030111	Payment for agricultural practices beneficial for the climate and the environment	11 750 930 140	
05030112	Payment for farmers in areas with natural constraints	4 762 294	
05030113	Payment for young farmers	542 444 594	
05030199	Other (decoupled direct payments)	2 327 398	
050302	**Other direct payments**		**5 568 887 950**
05030240	Crop-specific payment for cotton	244 961 138	
05030244	Specific support (Article 68 of Regulation (EC) No 73/2009) — Coupled direct payments	0	
05030250	POSEI — European Union support programmes	420 947 896	
05030252	POSEI — Smaller Aegean islands	16 128 259	
05030260	Voluntary coupled support scheme	3 989 983 453	
05030261	Small farmers scheme	897 414 772	
05030299	Other (direct payments)	-547 568	
05030900	**Reimbursement of direct payments to farmers from appropriations carried-over in relation to financial discipline**	438 165 249	**438 165 249**
ABB 03 Total			**41 335 655 479**

Table: Annex 10 – 3.2.2-1

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 76 accredited Paying Agencies (69 of which manage direct payments), are responsible for managing and checking the aid applications received from approximately 6.4 million beneficiaries under direct support schemes and for paying them.

All direct aid payments to farmers are dealt with within the framework of the **Integrated Administration and Control System (IACS)** including the Land Parcel Identification System (LPIS). This system enables the processing of the aid claims received by the Paying Agencies and provides for several eligibility checks including cross-checks between databases and on-the-spot checks.

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 the most representative of the error, which the Member State would have detected if it had carried out on-the-spot checks on all farmers, and thus is the one which is used as the basis for the calculation of the reported error rate.

3.2.3.2 DG AGRI validation and adjustment process

The reliability of the statistics, as regards delivering the actual error rate, 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

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.

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.

Where the work carried out by the Certification Bodies resulted in an Incompliance Rate (IRR) and/or know errors being established this was considered for the error rate adjustment. Depending on whether the deficiencies detected by the Certification Body and DG AGRI's auditors were similar and/or covered the same population, the adjustment applied ensured that the risk to the Fund is covered. The IRR was used as adjustment (either to all schemes or to some schemes) to the reported error rates for Belgium-Wallonie, Bulgaria, Cyprus, Germany (11 Paying Agencies), Estonia, Spain (7 Paying Agencies), Finland, France, United Kingdom (3 Paying Agencies), Croatia, Luxemburg, The Netherlands, Romania, Sweden, Slovenia and Slovakia.

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

The annual reports of the European Court of Auditors (ECA) and important findings of the ECA in the context of its Special Report on the Basic payment scheme were also taken into account in the final assessment of the adjustments to be made.

C. Assessment of findings from DG AGRI audit missions carried out in 2017-2019

(i) Direct Decoupled Aids

In 2019, 14 Paying Agencies in 10 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2017-2019, 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 2019.

The general objective of the audits performed was to review if Member States carry out the administration and control of the area based decoupled direct payments to farmers 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 implementation of the LPIS-GIS (Land Parcel Identification System – Geographical information system), the Geospatial Aid Application (GSAA), the functioning of cross-checks, the quality of the on-the-spot checks, the correct payment and application of administrative penalties. In all these cases, the starting point for the audits was the work carried out by the Certification Body as part of its opinion on legality and regularity for financial years 2019 and 2020. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

Where Certification Bodies did not address or envisage addressing a particular issue, under the principle of single audit, DG AGRI carried out checks in order to gain the necessary assurance on the basis of its own work.

Where the work of the Certification Bodies was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work, often before the Certification Body had finalised its work, Certification Bodies were in a position to remedy shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2019.

DG AGRI auditors have, in their audits for direct payments, noted a continued improvement of the quality and documentation of the work of the Certification Bodies, when compared with the first two years, particularly with regard to the work carried out on administrative controls and the on-the-spot checks for the basic payment scheme.

The audit missions in 2019 show that the implementation by the Member States of the measures was generally satisfactory. However, some Member States have not remedied deficiencies that were noted in audit missions carried out in 2015-2018. These deficiencies caused a material risk for the Fund within a subpopulation of farmers. It concerned:

- The correct interpretation of permanent grassland following the new definition and the effect on the correct allocation of entitlements.
- The distinction of permanent versus temporary grassland and the Land Laying Fallow combined with the inappropriate choice of the crop diversification period.
- The inappropriate timing of on-the-spot checks in relation to greening and area based voluntary coupled support measures.
- An absence of a sufficient increase in the level of on-the-spot checks in case of high level of irregularities in the previous year.

In many cases where audits revealed findings, as part of the clearance procedure applicable as of 1 January 2015, for Area Aids audits the Member State took remedial action and calculated the risk for the Fund. In addition to the enabling of a better assessment of the risk for the Fund, it also induced effective recovery from the farmers that were overpaid.

For the Slovak Paying Agency SK01, DG AGRI audits in 2017 and 2019 detected weaknesses in the functioning of the LPIS, the GSAA[42], the quality of the on-the-spot checks, as well as excessive delays in the processing of payments, in particular for overlapping claims. These deficiencies in the management and control systems of the Paying Agency are being addressed in an action plan requested by DG AGRI and reinforced in 2019, and the potential risk for the Fund is covered by the ongoing conformity clearance procedures. Moreover, in August 2019 the Slovak authorities informed the Commission about the legislative measures they are taking to improve the completeness, correctness and transparency of the "Land Registry" (cadastre). Although taken outside the CAP context, these measures could also potentially have a positive

[42] Geospatial Aid Application

impact on the disbursement of direct payments. Together with other Commission services, DG AGRI is closely monitoring the situation in Slovakia.

In 2019, the management and control systems concerning the allocation of **Payment Entitlements** implemented by 6 Paying Agencies in 5 Member States that implemented the Basic Payment Scheme were also subject to a conformity audit. The Paying Agencies audited were selected on the basis of a risk analysis.

In these audits, particular attention is paid to the existence and functioning of the following key elements: the administrative controls concerning the establishment of the correct number and value of Payment Entitlements, the administrative controls concerning the establishment and management of the national (regional) reserve, the correct allocation of Payment Entitlements to young farmers/new entrants, the management of the transfer of Payment Entitlements and the recovery of undue Payment Entitlements.

These audits showed that the allocation of Payment Entitlements was generally satisfactory. However, certain deficiencies were noted causing a material risk to the Fund for certain Paying Agencies.

An overview of the findings for the Paying Agencies with an adjusted error rate above 2% is provided in the table under sub-section 3.2.5.

(ii) Voluntary Coupled Support measures

27 Member States have decided to make use of the Voluntary Coupled Support (VCS), and farmers applied for this aid for the first time in claim year 2015 (financial year 2016). The Member States' decisions on VCS measures were not subject to prior approval by the Commission. However, DG AGRI ensured an extensive review of the notifications.

An essential point of this review was the compliance with Article 52(3) of Regulation (EU) No 1307/2013, which provides for the legal condition that such coupled support can be granted to sectors or regions where specific types of farming or specific agricultural sectors that are particularly important for economic, social or environmental reasons, undergo certain difficulties. However, following the Omnibus amendment, applicable as of claim year 2015, the VCS condition limiting its granting to the extent necessary to create an incentive to maintain current levels of production was replaced by the principle that VCS should be a production-limiting scheme based on fixed areas and yields or on a fixed number of animals and the respect of the financial ceilings at measure level. Furthermore, Member States may now perform an annual review of their VCS measures chosen with the first of such annual review taking affect as of claim year 2019.

In 2019, 5 Paying Agencies in 5 Member States were audited. The Paying Agencies audited were selected, based on a risk analysis. Over the period 2017-2019, 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 2019.

The general objective of these audits was to review if Member States carry out the administration and control of the Voluntary Coupled Support to farmers in accordance with EU legislation. In these audits, particular attention was paid to the existence and functioning of the following key elements of the IACS: the implementation of the administrative (cross-) checks with the computerised database for the identification and registration of animals, the quality of the on-the-spot checks, the correct payment and application of administrative penalties. These audits showed that the implementation of

VCS measures was generally satisfactory with the exception of a few Member States, where deficiencies were noted.

An overview of the findings in the case of those Paying Agencies with an adjusted error rate above 2% is provided in the table under sub-section 3.2.5.

Voluntary Coupled Support

Chapter 1 of Title IV of Regulation of the European Parliament and the Council (EU) No 1307/2013 provides for the possibility for Member States to use up to a maximum percentage of their annual national ceiling for direct payments to finance Voluntary Coupled Support (VCS).

Such support can only be granted to a list of sectors and productions (cereals, oilseeds, protein crops, grain legumes, flax, hemp, rice, nuts, starch potato, milk and milk products, seeds, sheep meat and goat meat, beef and veal, olive oil, silkworms, dried fodder, hops, sugar beet, cane and chicory, fruit and vegetables and short rotation coppice).

With retroactive effect as from claim year 2015, the Omnibus amendment[43] of Regulation (EU) No 1307/2013, published on 29/12/2017, clarified the Member States' responsibilities with regard to VCS. Accordingly, it replaced the condition that VCS may only be granted to the extent necessary to create an incentive to maintain the current levels of production in the sectors or regions concerned. Instead, it introduced the principle that VCS is a production-limiting scheme based on fixed areas and yields or on a fixed number of animals and the respect of the financial ceilings at measure level.

Coupled support is granted as an annual payment per hectare or head. Accordingly, and based upon its granting based on fixed areas and yields or on a fixed number of animals, or each measure, the corresponding areas/yields or number of animals has been determined by Member States. This reflects the production levels in the targeted region or sector in at least one year in the period of 5 years preceding the year of the decision about VCS (for the 27 Member States that decided to apply the VCS from 2015, this period is 2009-2013).

In 2014, 27 Member States decided to apply VCS between 2015 and 2020. From the EUR 41-42 billion per year available to direct payments (EU-28), they earmarked EUR 4.1-4.2 billion per year to this purpose. Overall, this represented more than 250 different measures. These amounts/numbers remained roughly stable over the years.

Member States had the possibility to revise their VCS decisions by 1 August 2016 so that the intended changes could apply as from 2017. Altogether, 19 Member States reviewed their decisions affecting more than 150 measures.

Further Omnibus amendments that applied as from 2018:

- With effect from claim year 2018, the Omnibus amendment empowered the Commission to adopt delegated acts allowing Member States to continue paying VCS until 2020 on the basis of historical production units in sectors suffering from structural market imbalances.
- The Omnibus amendment introduced the possibility of annual reviews by Member States of their VCS decisions, the first possible review being effective in claim year 2019.

Explanatory box: Annex 10 – 3.2.3.2-1

[43] Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

Do all the adjustments made mean that the Member States' control statistics are unreliable?

The adjustments of the error rate by the Commission do NOT mean that the control statistics of the Member States are unreliable. Checks are carried out by the Commission on how they are compiled and reported. They are generally a reliable and accurate reporting of the results of the controls carried out by the Member States' control authorities.

The results from the 900 000 on-the-spot checks carried out by those control authorities are too important and relevant an element of data for the Commission to ignore. If the Commission decided to ignore these data from its assurance model, it would be criticised for wasting a valuable data source.

However, weaknesses in control systems may mean that Member States may not have detected *all* the errors. Therefore, if the audits of the Certification Bodies or the Commission have identified that there is a weakness in a Member States' control system then it considered that there is some expenditure at risk, which has not been detected by that Member States' on-the-spot checks and therefore, not reflected in the control statistics.

That is why the Commission makes adjustments to the error rates resulting from Member States' control statistics – to reflect what the Member States are not detecting in their controls.

Explanatory box: Annex 10 – 3.2.3.2-2

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 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.

Paying Agency	Paying Agency Name	Relevant Expenditure [1] in Financial Year 2019 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
AT01	AMA	691 113 307	0.20%	5.20%	35 957 413
BE02	ALV	215 686 329	0.33%	0.33%	701 955
BE03	SPW-DGARNE	272 728 992	0.38%	0.93%	2 535 553
BG01	DFZ [SFA]	785 323 742	1.29%	1.40%	10 975 750
CY01	KOAΠ [CAPO]	48 549 901	3.01%	3.65%	1 772 844
CZ01	SZiF [SAIF]	854 325 870	0.39%	2.08%	17 808 356
DE03	Baden-Württemberg MLR	412 495 045	0.35%	0.66%	2 716 163
DE04	Bayern StMLF	967 077 479	0.22%	0.27%	2 648 395
DE07	Brandenburg MLUV	344 520 612	0.26%	0.26%	899 055
DE11	Mecklenburg-Vorpommern MELFF	355 069 472	0.24%	0.61%	2 160 506
DE12	Niedersachsen	763 500 429	0.33%	0.34%	2 606 142

Paying Agency	Paying Agency Name	Relevant Expenditure [(1)] in Financial Year 2019 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
DE15	LWK Nordrhein-Westfalen	448 365 407	0.29%	0.44%	1 986 899
DE17	Rheinland- Pfalz	196 162 509	0.50%	1.47%	2 892 175
DE18	Saarland	21 432 679	0.24%	0.24%	51 142
DE19	Sachsen	244 980 655	0.13%	0.14%	338 490
DE20	Sachsen-Anhalt	312 290 791	0.09%	0.09%	283 873
DE21	Schleswig-Holstein	295 884 800	0.63%	0.67%	1 980 071
DE27	Thüringen	208 710 008	0.22%	1.61%	3 350 271
DE26	Helaba	223 857 950	0.37%	0.63%	1 410 188
DK02	DAFA	822 261 577	0.85%	3.76%	30 940 355
EE01	PRIA	133 043 733	0.91%	0.91%	1 206 581
ES01	Andalucía	1 451 778 932	0.54%	0.55%	8 020 850
ES02	Aragón	428 832 948	0.67%	1.00%	4 279 068
ES03	Asturias	64 317 061	0.23%	0.23%	146 668
ES04	FOGAIBA	28 204 212	1.15%	1.16%	326 054
ES05	Islas Canarias	190 931 195	0.63%	1.05%	2 001 344
ES06	Cantabria	44 113 624	0.51%	2.34%	1 033 072
ES07	Castilla La Mancha	656 868 496	1.29%	1.40%	9 190 709
ES08	Castilla y Léon	906 219 223	0.90%	0.90%	8 163 767
ES09	Cataluña	268 389 276	1.01%	2.79%	7 492 860
ES10	Extremadura	521 342 543	1.54%	1.54%	8 045 944
ES11	FOGGA	173 380 268	0.55%	0.55%	954 855
ES12	Madrid	37 777 366	1.07%	1.07%	404 232
ES13	Murcia	57 622 115	1.11%	1.25%	718 734
ES14	Navarra	101 792 772	0.33%	0.35%	351 927
ES15	País Vasco	43 521 940	1.17%	2.75%	1 196 190
ES16	La Rioja	28 388 643	0.79%	0.79%	224 068
ES17	AVFGA	100 996 212	1.11%	1.58%	1 596 175
FI01	MAVI	523 063 094	0.66%	0.82%	4 267 119
FR05	ODEADOM	138 888 855	0.06%	0.06%	80 952
FR19	ASP	6 796 083 179	0.65%	1.85%	125 845 981
GB05	DARD	324 038 173	0.54%	0.70%	2 262 746
GB06	SGRPID	539 652 307	0.72%	0.93%	4 997 764
GB07	WG	264 591 785	0.22%	0.54%	1 430 189
GB09	RPA	2 057 926 645	0.05%	0.67%	13 699 470
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	1 982 270 702	1.21%	2.28%	45 260 216
HR01	PAAFRD	278 861 082	1.09%	1.24%	3 471 058
HU02	HST	1 266 509 801	1.40%	1.63%	20 627 554
IE01	DAFM	1 200 388 737	0.44%	0.57%	6 848 495
IT01	AGEA	1 788 131 057	0.54%	2.37%	42 308 798
IT05	AVEPA	330 525 645	0.88%	2.60%	8 596 464
IT07	ARTEA	162 336 455	0.25%	2.06%	3 351 820

Paying Agency	Paying Agency Name	Relevant Expenditure [1] in Financial Year 2019 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
IT08	AGREA	334 695 374	0.54%	2.30%	7 692 892
IT10	ARPEA	329 084 185	0.98%	2.67%	8 788 208
IT23	OPR Lombardia	427 169 480	0.43%	2.14%	9 120 800
IT24	OPPAB	39 940 231	0.08%	1.66%	663 979
IT25	APPAG	20 116 454	0.66%	2.39%	479 850
IT26	ARCEA	209 928 784	0.95%	2.73%	5 735 799
LT01	NMA [NPA]	468 921 252	1.00%	1.04%	4 887 705
LU01	Ministère de l'Agriculture	32 867 735	0.92%	0.96%	315 857
LV01	RSS	252 595 964	0.95%	1.44%	3 634 166
MT01	MRRA PA	5 123 538	0.72%	0.72%	36 851
NL04	RVO	679 511 638	0.51%	0.78%	5 302 557
PL01	ARiMR [ARMA]	3 387 285 922	0.65%	1.03%	34 938 102
PT03	IFAP	671 458 196	1.34%	4.01%	26 924 718
RO02	PIAA	1 847 700 958	1.12%	2.87%	52 938 504
SE01	SJV	687 650 826	0.68%	2.69%	18 469 727
SI01	ARSKTRP	134 688 867	0.67%	1.69%	2 276 095
SK01	APA	445 097 479	0.70%	0.73%	3 270 908
Grand Total	**ABB 03**	**41 348 962 512**			
Amounts reimbursed to DG AGRI by Coordinating Bodies		**-13 307 033**			
ABB03 - Payments made		**41 335 655 479**	**0.68%**	**1.57%**	**647 894 036**

Footnote: **(1) Monthly declaration of expenditure affected by Paying Agencies.**

Table: Annex 10 – 3.2.4-1

In a number of cases – Belgium-Wallonia, Bulgaria, Germany (11 Paying Agencies), Estonia, Spain (12 Paying Agencies), Finland, France (FR19), the United Kingdom (all Paying Agencies), Croatia, Hungary, Ireland, Italy (1 Paying Agency), Latvia, Lithuania, Luxembourg, The Netherlands, Poland, Slovakia and Slovenia, top-ups, based on DG AGRI audits or the Certification Bodies' work, 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 was not considered.

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-ups applied and any mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
AT01	5.20%	EUR 35.957 million	DG AGRI audits in 2016 and 2018 identified weaknesses in the allocation of payment entitlements. A DG AGRI audit in 2019 identified weaknesses in the administrative checks for animal-based voluntary coupled support measures. The adjustment made to the error-rate is also supported by the findings reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has been requested to take the necessary remedial action for the findings in 2018 In the absence of remedial action the ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
CY01	3.65%	EUR 1.773 million	The Member State reported a high error rate above the materiality level. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should take the necessary remedial actions to address the causes of the high error rate and the Certification Body findings in the context of an action plan.
CZ01	2.08%	EUR 17.808 million	A DG AGRI audit in 2017 identified weaknesses in the control system.	No	A reservation is not considered necessary The Member State has been requested to take the necessary remedial actions for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered. DG AGRI will follow up on the situation as part of the audit work.
DK02	3.76%	EUR 30.940 million	A DG AGRI audit in 2018 identified weaknesses in the administrative checks on payment entitlements when setting up the BPS, the establishment and management of the national reserve and recovery of payment entitlements. The adjustment made to the error-rate is also supported by the	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has been requested to and is taking the necessary remedial action as regards the findings of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			findings reported by the Certification Body.		
ES06 Cantabria	2.34%	EUR 1.033 million	Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2019 expenditure. The Certification Body has committed to follow-up on the issue.
ES09 Cataluña	2.79%	EUR 7.493 million	A DG AGRI audit in 2018 identified weaknesses in performance of on-the-spot checks of sufficient quality.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has been requested to take the necessary remedial action for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES15 País Vasco	2.75%	EUR 1.196 million	A DG AGRI audit in 2018 identified weaknesses in performance of on-the-spot checks of sufficient quality. The adjustment made to the error-rate is also supported by the findings reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has been requested to take the necessary remedial action for the findings in the framework of the ongoing conformity clearance procedure. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR01	2.28%	EUR 45.260 million	A DG AGRI audit in 2019 identified weaknesses in performance of on-the-spot checks of sufficient quality for pastureland. A DG AGRI audit in 2018 identified weaknesses in the administrative checks and in performance of on-the-spot checks of sufficient quality for animal-based voluntary coupled support measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should take the necessary remedial actions to address the weaknesses identified in 2018 and 2019 in the context of an action plan. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT01 AGEA	2.37%	EUR 42.309 million	As in 2016 and 2017, DG AGRI audits in 2018 identified weaknesses affecting all Paying Agencies and mainly concerning the LPIS (correct recording of	Yes	A reservation is entered in respect of 2019 expenditure. As there is a centralised management system for IACS measures, an action plan to remedy the

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			permanent grassland) and the fixing of payment entitlements.		deficiencies identified in 2016 and 2017 was elaborated in 2018 covering all Italian Paying Agencies, and reinforced to include the weaknesses identified in claim year 2018 (for financial year 2019). The ongoing action plan should continue to be implemented. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT05 Veneto	2.60%	EUR 8.596 million			
IT07 Toscana	2.06%	EUR 3.351 million			
IT08 Emilia Romagna	2.30%	EUR 7.693 million			
IT10 Piemonte	2.67%	EUR 8.788 million			
IT23 Lombardia	2.14%	EUR 9.121 million			
IT26 Calabria	2.73%	EUR 5.736 million			
IT25 Trento	2.39%	EUR 0.480 million	As in 2016 and 2017, DG AGRI audits in 2018 identified weaknesses affecting all Paying Agencies and mainly concerning the LPIS (correct recoding of permanent grassland) in the fixing of entitlements and the verification of the active farmer status. The related top-ups are applied for all the Italian Paying Agencies. As in 2016 and 2017, DG AGRI audits in 2018 identified weaknesses affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements.	No	As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered. As the amount at risk is below the *de minimis* threshold established in DG AGRI's materiality threshold (see Annex 4), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
PT03	4.01%	EUR 26.925 million	DG AGRI audits in 2018 and 2019 identified weaknesses in the performance of on-the-spot checks of sufficient quality, administrative checks on payment entitlements when setting up BPS and establishment and management of the national reserve. The adjustment made to the error-rate is also supported by the findings reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should extend the ongoing action plan with additional necessary remedial actions to address weaknesses identified in 2018. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO02	2.87%	EUR 52.939million	DG AGRI audits in 2018 identified weaknesses in the definition of land laying fallow, as well as weaknesses in the administrative checks, risk analysis and in the performance of on-the-spot checks of sufficient quality for animal-based voluntary coupled support measures. The adjustment made to the error-rate is also supported by the findings reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should take the necessary remedial actions to address the weaknesses identified in 2018 for animal-based voluntary coupled support measures in an action plan. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE01	2.69%	EUR 18.470 million	A DG AGRI audit in 2019 identified weaknesses in the definition of land laying fallow versus grassland and weaknesses in the performance of on-the-spot checks (follow-up) of sufficient quality. A DG AGRI audit in 2017 identified weaknesses in the administrative checks concerning the allocation of payment entitlements when setting up the BPS. The adjustment made to the error-rate is also supported by the findings reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The ongoing action plan covers the identified weaknesses and should continue to be implemented. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.2.5-1

The following table gives details of cases for Direct Payments where a reservation made in the 2018 AAR was not carried forward in the 2019 AAR:

Paying Agency	Adjusted error rate	Amount at risk	Justification
FR05 ODEADOM	0.06%	EUR 0.081 million	The Member State has taken the necessary actions to remedy the deficiencies that were identified by DG AGRI and that led to reservation in the 2018 AAR.
GB06 Scotland	0.93%	EUR 4.998 million	The necessary remedial actions for the weaknesses are taken as agreed in the framework of the ongoing conformity clearance procedure which is now about to be finalised.
PL01	1.03%	EUR 34.938 million	The necessary remedial actions for the weaknesses are taken in the context of an Action Plan and as agreed in the framework of the ongoing conformity clearance procedure which is now about to be finalised.
SK01	0.73%	EUR 3.271 million	The necessary remedial actions for the weaknesses are taken in the context of an Action Plan and as agreed in the framework of the ongoing conformity clearance procedure which is now about to be finalised.

Table: Annex 10 - 3.2.5-2

3.2.6 Conclusions as regards assurance for ABB03

As a result of the adjustments made, an adjusted error rate has been calculated of 1.57% with 18 out of 69 Paying Agencies having an adjusted error rate above 2% and 1 above 5% – see Table: Annex 10 - 3.2.5-1. Overall, the reported error rate for ABB03 increased from 0.68% to 1.57%, as a result of the adjustments made by DG AGRI.

For the 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 1 case (Czech Republic), it was considered that, given the mitigating factors present (see summary under sub-section 3.2.3), it would not be necessary to make reservations.

In a further 1 case (IT25 Trento), as the amount at risk was below DG AGRI's *de minimis* threshold, no reservation is required. Table: Annex 10 – 3.2.5-1 sets out the reasoning in respect of each case.

The overall outcome of this exercise is that 17 reservations are necessary at Paying Agency level:

- Austria
- Cyprus
- Denmark
- Spain (3 Paying Agencies)
- Greece
- Italy (7 Paying Agencies)
- Portugal
- Romania
- Sweden.

Four reservations from 2018 AAR (France ODEADOM, United Kingdom- Scotland, Poland and Slovakia) are not carried forward in the 2019 AAR due to error rates in 2019 below 2% and remedial actions taken.

New reservations are introduced for Spain (1 additional Paying Agency), Greece, Portugal and Romania.

For direct payments, the adjusted error rate of 1.57% is slightly lower than that of 2018 (1.83%) while the number of Paying Agencies under reservation is the same (17). The overall result with an error rate below materiality continues to confirm that the Integrated Administration and Control System (IACS), when implemented in accordance with applicable rules and guidelines, limits effectively the risk of irregular expenditure.

The error rate for ABB03 is 1.57% with an amount at risk of EUR 647.89 million.

It is noted that the average amount of net financial corrections per year for the three-year period 2017-2019 (excluding corrections made for cross-compliance) is EUR 524.11 million for ABB03[44].

[44] See sub-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 Funds level.

Part 3.3: ABB04 – Rural Development

Index for Part 3.3 – ABB04: Rural Development

3.3.1 Introduction

One of DG AGRI's key objectives is to contribute to the sustainable development of rural areas. DG AGRI does this through its rural development policy which is funded under the European Agricultural Fund for Rural Development (EAFRD). In total, 118 national and regional programmes co-funded by the EAFRD are being implemented, with around 3.3 million beneficiaries (in financial year 2019) of Rural Development programmes in the Member States where their aid claims are processed, checked and monitored.

While the EAFRD bears many similarities to the European Structural and Investment Funds (ESIF) of DGs REGIO, EMPL and MARE, there are also a number of differences.

- In particular, the EAFRD has been increasingly aligned with the EAGF management system dealing with Direct Payments to farmers. Many of the EAFRD measures are '**area and animal-based**' and are managed under the IACS, with alignment in particular to application, payment dates, penalties and the maximum eligible area for area-based measures.

Maximum eligible area

Since claim year 2015, Member States have had to define a maximum eligible area for all rural development area-based measures, in line with IACS and the Land Parcel Identification System (LPIS). Practically, this means that Member States have had to implement a specific layer in the LPIS indicating the maximum eligible area for rural development measures.

Explanatory Box: Annex 10 – 3.3.1-2

- Another difference is that, to protect the EU budget, the other ESIF use interruption and reduction/suspension (of interim payments) mechanisms, as well as recycled recovery procedures (i.e. the recovered amounts are retained by the Member States to re-use for other projects). However, the main instrument used by DG AGRI is the conformity clearance procedure, which resulted in net financial corrections being clawed back to the EU budget. Since the Common Provisions

Regulation (EU) No 1303/2013[45] as well as the CAP Horizontal Regulation (EU) No 1306/2013[46] entered into force, DG AGRI has, in addition to the effective mechanism under the conformity clearance procedure, tightened up the use of its interruption and reduction/suspension mechanisms. For further information on the use of these mechanisms in 2019, see sub-section 2.1.1.3.2 and Annex 13 of this report.

3.3.2 ABB04 expenditure

Member States and regions draw up their Rural Development Programmes (RDPs) based on the needs of their territories and addressing at least four of the following 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.

The rural development priorities are broken down into “focus areas”. For example, the priority on resource efficiency includes focus areas “reducing greenhouse gas and ammonia emissions from agriculture” and “fostering carbon conservation and sequestration in agriculture and forestry”.

Within their RDPs, Member States or regions set quantified targets against these focus areas. They then set out which of the 20 measures they will use to achieve these targets and how much funding they will allocate to each measure.

At least 30% of funding for each RDP must be dedicated to measures relevant for the environment and climate change and at least 5% to Leader.

The 20 proposed measures are either area- and animal-related measures or non-area- and non-animal-related measures (see Table: Annex 10 – 3.3.2-1). The list of measures and sub-measures is included in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014[47].

[45] Regulation (EU) No 1303/2013 of the European Parliament and of the Council of 17 December 2013 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 20.12.2013).
[46] 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).
[47] Commission Implementing Regulation (EU) No 808/2014 of 17 July 2014 laying down rules for the application of 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) (OJ L 227 of 31.7.2014).

Rural Development measures – 2014-2020 programming period	
01	Knowledge transfer and information actions
02	Advisory services, farm management and farm relief services
03	Quality schemes for agricultural products and food stuffs
04	Investments in physical assets
05	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention
06	Farm and business development
07	Basic services and village renewal in rural areas
08	Investments in forest area development and improvement of the viability of forests
09	Setting up 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 – 3.3.2-1

In the 2014-2020 programming period, Member States have the opportunity to implement simplified cost options ('SCO') for investment measures of their RDPs.

Why implementing a simplified cost option ('SCO') for investment measures?

Using simplified costs means that the human resources and administrative effort involved in management of the Funds can be focused on achieving policy objectives rather than being concentrated on collecting and verifying financial documents. It also gives small beneficiaries easier access to the funds thanks to the simplified management process.

Explanatory Box: Annex 10 – 3.3.2-1

To speed up execution of programmes and contribute to sound financial management, the Commission makes automatic de-commitments for RDPs.

What are automatic de-commitments?

Article 38 of Regulation (EU) No 1306/2013 provides that the Commission must automatically de-commit 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 year[48] (in accordance with Regulation (EU) No 1306/2013) following that of the budget commitment (the so-called N+3 rule).

Explanatory Box: Annex 10 – 3.3.2-2

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

Expenditure reimbursed by DG AGRI to Member States in 2019 amounted to EUR 14 179 978 201. Expenditure paid and financed under the 2007-2013 programming period amounted to EUR 257 692 857[49]. Expenditure paid and financed under the 2014-2020 programming period, amounted to EUR 13 839 996 951. Of this, EUR 2 714 793 was paid as pre-financing, EUR 13 837 282 157 was paid as interim payments and an amount of EUR 10 635 228 paid in respect of technical assistance.

In addition, a reimbursement of EUR 452 428 has been made by Member States to the Commission in respect of the previous programming period 2000-2006 (budget item 05040114).

Management type	Chapter	Budget item	Description	Payments (EUR)
Shared Management	0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-452 428
		050452	Completion of rural development financed by the EAGGF Guidance section and the transitional instrument for rural development for the new Member States financed by the EAGGF Guarantee Section - Programming period 200 to 2006	72 105 592
		05040501	**Rural development programmes 2007-2013**	**257 692 857**
			Reimbursements following Court cases	
			Final balance 2007-2013	257 692 857
		05046001	**Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector**	**13 839 996 951**
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	13 837 282 157
			Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	2 714 793
		Sub-Total Shared Management		14 169 342 972
Direct Management		05040206	Completion of Leader (2000 to 2006)	-
		05040502	Operational technical assistance 2007-2013	-
		05046002	Operational technical assistance 2014-2020	10 635 228
		Sub-Total Direct Management		10 635 228
Grand Total 0504				**14 179 978 201**

Table: Annex 10 – 3.3.2-2

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

The assurance of the Director-General derives from the various levels of management and controls that are in place, and the results that can be obtained from them. In the first place, the Member States, through 71 accredited Paying Agencies for Rural Development, are responsible for managing and checking the aid applications received from around 3.3 million beneficiaries and for paying them.

3.3.3.1 Control results reported by the Member States

In order to provide information on controls and error rates for rural development, Commission Implementing Regulation (EU) No 809/2014[50] provides for detailed and systematic reporting of the results of the controls and reductions applied by the Member States.

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 for year N. These control data contain information on amounts claimed, errors corrected as a result of administrative checks,

[49] Which constituted the closure balance paid to the last two programmes to be closed for the programming period 2007-2013.
[50] Commission Implementing Regulation (EU) No 809/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross-compliance (OJ L 227 of 31.7.2014).

risk and random on-the-spot checks and the resulting reductions applied. The result of the random on-the-spot checks is considered to be the most representative of the likely error that the Paying Agency would have detected if it had carried out on-the-spot checks on all holdings. This result is the reported error rate that is used as the basis for calculating the adjusted error rate.

The control statistics (aggregated figures at Paying Agency level) and control data (at claimant level) received in 2019 by DG AGRI correspond to the claims introduced by the claimants in 2018 for IACS measures (claim year 2018), and to the payments made in 2018 for non-IACS measures.

Checks to be carried out by each Member State

The checks are composed of three separate sets:

– **administrative checks** on all applications that must cover all elements that can be checked by administrative means, including:
  - cross-checks with the IACS databases for the IACS-related measures, and
  - one visit to the operation to verify the realisation of the investment for the non-IACS-related measures;
– **on-the-spot checks** (OTSC) that were tightened up in 2015 by the Commission Implementing Regulation (EU) No 809/2014, where:
  – for the IACS-related measures, a minimum of 5% of all claimants have to be assessed on the spot, including 5% of claimants for measures 10 and 11;
  – for the non-IACS-related measures, a minimum of 5% of the whole expenditure has to be assessed on the spot, including 5% of the expenditure under Leader measures.
- **ex-post checks** on investment operations that must, in each calendar year, cover at least 1% of EAFRD expenditure for investment operations that are still subject to commitment.

Explanatory Box: Annex 10 – 3.3.3.1-1

3.3.3.2 DG AGRI validation and adjustment process

The reliability of the control data, as regards the level of error, provided 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 Annex 4 setting out its materiality criteria) in order to adjust, if appropriate, 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 the information available. The main elements assessed are described in the following paragraphs.

In 2019, according to the transitional provisions in Regulation (EU) No 1310/2013, measures from the 2007-2013 programming period are, under certain conditions, eligible for EAFRD co-financing under the 2014-2020 budget.

What is considered as 'transitional expenditure'?

In 2019, Member States could still, under certain conditions, implement measures from both programming periods in line with the transitional provisions of Regulation (EU) No 1310/2013. This means that expenditure was claimed under the 2014-2020 programming period for projects to which the commitments for the 2007-2013 programming period applied. This is called 'transitional expenditure'.

Explanatory Box: Annex 10 – 3.3.3.2-1

A. Assessment of the opinions of the Certification Bodies on the control data

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 from the Commission has been requested. This opinion must also specify whether the examination puts in doubt the assertions made in the management declaration. This opinion is received with the annual declaration of the Member State on 15 February of N+1.

Based on the opinion received and on any other information provided, an adjustment is made to the error rate reported by the Member State.

In all cases where the work carried out by the Certification Bodies resulted in an Incompliance Rate (IRR) and/or known errors being established, this was considered for the error rate adjustment. Depending on whether the deficiencies detected by the Certification Body and DG AGRI's auditors were similar and/or covered the same population, the adjustment applied ensured that the risk to the Fund is covered.

Below is a summary of the impact of the Certification Body findings on the reported error rates of Paying Agencies:

- Cases where the IRR was used to adjust all or part of the IACS and non-IACS expenditure:
  Austria (AT01), Belgium (BE02 Flanders and BE03 Wallonia), Bulgaria (BG01), Germany (DE03 Baden-Württemberg, DE04 Bayern, DE07 Brandenburg, DE12 Niedersachsen, DE15 Nordrhein-Westfalen, DE17 Rheinland-Pfalz and DE27 Thüringen), Finland (FI01), United Kingdom (GB07 Wales and GB09 England), Malta (MT01), Sweden (SE01).
- Cases where the IRR was used to adjust all or part of the IACS expenditure:
  Cyprus (CY01), Germany (DE19 Sachsen), Spain (ES06 Cantabria), United Kingdom (GB05 Northern Ireland and GB06 Scotland), Greece (GR01), Croatia (HR01), Hungary (HU02), Luxembourg (LU01), Romania (RO01), Slovenia (SI01), Slovakia (SK01).
- Cases where the IRR was used to adjust all or part of the non-IACS expenditure: Germany (DE11 Mecklenburg-Vorpommern, DE18 Saarland, DE20 Sachsen- Anhalt, DE21 Schleswig-Holstein and DE26 Hessen – Helaba), Spain (ES03 Asturias, ES04 Islas Baleares, ES05 Islas Canarias, ES06 Cantabria, ES11 Galicia, ES12 Madrid, ES13 Murcia, ES14 Navarra, ES16 La Rioja, ES17 Valencia and ES18 FEGA, France (FR18 Corsica and FR19 ASP), Italy (IT26 Calabria), The Netherlands (NL04).

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

The DAS 2019 cases are still under analysis and are therefore not considered for the 2019 AAR. Where DAS 2018 cases have led to compliance audits, any adjustment has been done as a result of the DG AGRI audits below.

C. Assessment of findings from DG AGRI audits carried out in 2017-2019

A. Audit fields

DG AGRI has decided to carry out audits on measures with similar control systems or targets, and has then grouped measures within so-called “audit fields”. Since 2016, all on-the-spot audits have integrated all measures within a specific audit field. These groupings are the following:

Audit field		Measures of the programming period 2014-2020	
Name	Code	Name	Code
Investment - private beneficiaries	RD-INVEST-PRIVATE	Investments in physical assets	04
		131 — Meeting standards based on Union legislation	98
Investment - public beneficiaries	RD-INVEST-PUBLIC	Basic services and village renewal in rural areas	07
		Technical assistance	20
Measures with flat rate support	RD-FLAT-RATE	Farm and business development	06
		Setting up of producer groups and organisations	09
		113 — Early retirement	97
Leader	RD-LEADER	Support for Leader local development (CLLD)	19
Knowledge and innovation	RD-KNOW-INNOV	Knowledge transfer and information actions	01
		Advisory services, farm management and farm relief services	02
		Quality schemes for agricultural products and food stuffs	03
		Cooperation	16
		341 — Skills acquisition, animation and implementation of local development strategies	99
Risk management	RD-RISK-MANAGE	Restoring agricultural production potential damaged by natural disasters and introduction of appropriate prevention	05
		Risk management	17
IACS	RD-IACS	Agri-environment climate	10
		Organic farming	11
		Natura 2000 and Water Framework Directive payments	12
		Payments to areas facing natural or other specific constraints	13
		Animal welfare	14
		Financing of complementary national direct payments for Croatia	18
Forestry	RD-FORESTRY	Investments in forest area development and improvement of the viability of forests	08
		Forest-environmental and climate services and forest conservation	15

Table: Annex 10 – 3.3.2-1

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 – 3.3.2-2

B. Audits carried out

In 2019, 32 on-the-spot audits were carried out, including three so-called umbrella missions[51]; these audits were selected mainly on the basis of DG AGRI's central risk analysis. In addition, six desk audits were performed.

[51] Missions involving more than one audit unit and covering measures from more than one ABB.

What is a desk audit?

A desk audit is an enquiry launched without an on-the-spot audit being carried out, and focussing on a specific issue. It follows all steps of the conformity clearance procedure in the same way as on-the-spot audits.

Explanatory Box: Annex 10 – 3.3.2-3

Under the single audit approach and in line with DG AGRI audit strategy for 2014-2020 (see Explanatory box: Annex 10-1-2), from September 2018, on-the-spot audits have been based on the audit work carried out by the Certification Bodies on legality and regularity. DG AGRI audits only complement the Certification Body work to cover Paying Agencies in cases where the work of the Certification Body is not in accordance with guidelines and so cannot provide sufficient assurance or areas which the Certification Body has not covered in its audit. Where weaknesses have been detected, which create a risk to the EU budget, a conformity clearance procedure is launched.

3.3.3.5.1. Audits carried out on IACS and Forestry measures

a) Audit plan and coverage

In 2019, based on the results of the central risk analysis and on reservations made in the 2018 annual activity report (AAR), 12 single audit approach on IACS-related measures and/or on Forestry measures were carried out:

1. two on-the-spot umbrella audits focussed on IACS and Forestry measures in Spain (ES09-Cataluña) and Italy (IT10-Piemond);
2. ten single audit approach on the work carried out by the Certification Bodies on legality and regularity.

Desk audits (4) were also performed:

1. three desk audits were opened to get assurance whether some Member States were respecting the rules in relation to weaknesses detected by ECA in a DAS 2018 Case (GR), for IACS measures for LPIS (PT), and IACS measure Organic Farming (AT);
2. one desk audit was opened to follow up conformity issues regarding agri-environment and organic farming measures in Belgium.

All on-the-spot audits have started by assessing the audit work carried out by the Certification Bodies on legality and regularity. Where assurance could not be obtained from the Certification Body’s work on certain areas/issues, the checks have been extended to the work of the Paying Agency.

The audits assessed the management and control systems set up by Member States to ensure that they complied with EU and national rules and that the eligibility criteria have been met and the commitments were controllable, verifiable and respected by the beneficiaries. They covered the assessment of the obligation to have specific layers defined in the LPIS for each IACS measure, as stated in Article 5(2)(b) of Regulation (EU) No 640/2014. Their objective was also to assess whether the controls were effectively applied, if appropriate reductions and penalties have been imposed for non-compliance and if the control data sent by the Member States were consistent and reliable. These enquiries also helped to detect the root causes for the high error rate communicated by the Member States by 15 July in their control data under Article 9 of Regulation (EU) No 809/2014 as well as possible actions to remedy the deficiencies. In addition, the audits enabled the assessment of the implementation of the recommendations made by DG AGRI during the previous audits.

Many of the improvements noted in the Certification Body's work on EAGF IACS are also valid for EAFRD IACS although, for additional elements, and in particular commitments, less reliance can be placed on the work mainly due to late re-verification of on-the-spot checks and audit trail of the checks carried out.

In conclusion the audits carried out in 2019 indicate an improvement in the Certification Bodies work on legality and regularity. Notwithstanding, there are some areas that still have to be improved by some Certification Bodies namely the timing of the on-the-spot checks and the audit trail.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2019 were not always found to be effective, and there was scope for significant improvement in a number of cases. In some Paying Agencies, important delays were found in implementing the control systems due to difficulties in the development of new IT systems. DG AGRI recommended actions to increase the robustness of the control system for some specific issues and in most cases requested the Certification Bodies to report on these issues in the subsequent annual reports or in some cases ensured the monitoring of the implementation in subsequent DG AGRI audits.

The audits carried out in 2019 revealed scope for improving the following issues in relation to audits on IACS-related measures (similar to those found in 2018):

- for organic farming, there were still significant inconsistencies in the system which required additional work from the Paying Agency. In addition, cross-notification between the different bodies involved was not sufficiently developed or formalised;
- for organic farming, additional improvements for the quality of the control procedures of the Control Body for organic farming are deemed necessary;
- administrative checks did not include verification of some commitments that could be checked administratively (certificates, results of soil or leaf analysis);
- continued efforts are required to reduce the high error rate found in some Paying Agencies on the basis of simple and clear eligibility criteria and commitments that must be respected by the farmers and more information to the farmers;
- continued improvements in the on-the-spot check systems are necessary to better assess farmers' compliance with the commitments made, mainly concerning respect for the minimum/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 wherever possible as well as to respect in case of multiple checks the pre-notification rule (max. 48 hours for animal related measures and max. 14 days for area related measures);
- additional procedures need to be put in place to assess and prevent the risk of double financing between the agri-environment-climate measures (AECM) payment and the greening payment;
- better traceability and clear conclusions as to 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, to assess whether the livestock density is correct, wherever appropriate;
- control data provided under Article 9 of Regulation (EU) No 809/2014 must be improved in terms of quality and deadline compliance;

- control system to avoid double financing of afforested areas that receive the annual premium to cover the loss of income under the afforestation measure of rural development and are, at the same time, declared as Ecological focus areas (EFA) in order to receive the greening payment;
- additional improvements in assessing the maximum eligible area for IACS measures to ensure that payments are only made for land falling within the delimited area in order to be fully in line with the EU rules and in the updates of the LPIS.

Control to avoid double-funding under afforestation measure

In order to avoid double financing of afforested areas that receive the annual premium to cover the loss of income under the afforestation measure of rural development and are, at the same time, declared as Ecological focus areas (EFA) in order to receive the greening payment, the income foregone for afforestation has to be deducted from the greening payment.

Explanatory Box: Annex 10 – 3.3.3.5.1-1

From a general point of view, when serious deficiencies are found, follow-up audits are carried out to assess the implementation of the recommendations made by DG AGRI if this follow up cannot be ensured by the Certification Bodies. The conformity clearance procedure leads to net financial corrections so as to protect the EU budget from irregular spending resulting from the deficiencies found.

3.3.3.5.2 Audits carried out on non-IACS-related measures

a) Audit plan and coverage

In 2019, based mainly on the results of DG AGRI's central risk analysis, 20 on-the-spot audits were carried out on non-IACS-related measures, comprising twelve audits of investments measures, two audits of Leader, four audits of the audit field RD-FLAT-RATE, one audit on knowledge and innovation measures, and four audits of the audit field risk management (the same on-the-spot audit may cover more than one audit-field). As part of the single audit approach, additional measures/audit fields than those selected by the central risk analysis it has been possible to add to the on-the-spot audits, on a case by case, based on the audit work of the Certification Bodies.

1. In addition, three so-called umbrella audits were carried out in the Czech Republic, Spain (Cataluña) and Italy (Piedmont) covering EAGF and EAFRD measures for IACS and non-IACS measures;
2. two desk audits were opened for Hungary (measures concerned by Public procurement procedures) and for Portugal (to assess the risk linked to the non-respect of the minimum control rate for OTSC for LEADER).

It has to be underlined that, under the single audit approach, almost all 2019 on-the-spot audits have been based on the audit work carried out by the Certification Bodies on legality and regularity. Areas where reliance can be placed on the work of the Certification Body were identified, while recommendations for improvements were made where deficiencies had been found. Where assurance could not be obtained from the Certification Body’s work on certain areas/issues, the checks have been extended to the work of the Paying Agency.

The audits carried out under the single audit approach in 2019 indicate improvement in the Certification’ Bodies work on legality and regularity. Nevertheless, there are some areas that still have to be improved for some Certification Bodies, namely as regards the re-verification of the eligibility conditions, assessment of the control of reasonableness of costs, and re-verification of public procurement procedures.

Identification of links between applicants and other stakeholders

The identification of links between applicants and other stakeholders can play an important role in establishing the eligibility of the beneficiary or the eligibility of the operation.

Article 48(2) of Regulation (EU) No 809/2014 states that administrative checks should be made to check (among others) the eligibility of the beneficiary and of the operation following applicable obligations established by Union law or by the Rural Development Programme.

Member States have, in their Rural Development Programmes, opted for several measures to restrict the eligibility, to give more priority points in the project selection process, or to give higher aid intensity to applicants of a certain size (e.g. small and medium enterprises – SMEs, semi-large enterprises – SLEs). The way in which the Member States check compliance with the size criteria (in particular the existence of linked and partner enterprises) differs significantly. For example, some Member States rely on a self-declaration by the applicant; others check the companies' shareholdings on the basis of extracts from chambers of commerce, consolidated accounts, etc. (non-exhaustive list).

Commission Recommendation 2003/361/EC of 06/05/2003, concerning the definition of micro, small and medium sized enterprises, highlights that linked and partner enterprises should be taken into account when determining the size of the applicant. Therefore, Member States should include the linked and partner enterprises (in their country and abroad) in their checks, also in cases where shareholders are natural persons. Member States should therefore set up a system allowing them to assess these obligations and to keep an audit trail of these checks.

In other cases, Member States decided to impose ceilings for the size of the project. In such situations they have to implement appropriate controls to detect the creation of artificial situations to receive the support, including checking the links between the applicants and other stakeholders.

Since the detection of such links proves to be difficult, DG AGRI provides guidances and plans to disseminate best practices among national authorities and makes the use of Arachne IT tool available for the Structural Funds.

Explanatory Box: Annex 10 – 3.3.3.5.2-1

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2019 were generally found to be effective, albeit with scope for improvement in several cases. DG AGRI recommended actions to increase the robustness of the control system for some specific issues and in most cases requested the Certification Bodies to report on these issues in the subsequent annual reports or in some cases ensured the monitoring of the implementation in subsequent DG AGRI audits.

Creation of artificial conditions

Article 60 of Regulation (EU) No 1306/2013 of the European Parliament and of the Council states that "Without prejudice to specific provisions, no advantage provided for under sectoral agricultural legislation shall be granted in favour of a natural or legal person in respect of whom it is established that the conditions required for obtaining such advantages were created artificially, contrary to the objectives of that legislation".

Paying Agencies are recommended to have a system of "red flags" for the possible creation of artificial situations to receive the aid. Red flags are indicators (not evidence) of fraud / irregularity, meaning elements that indicate something unusual, create suspicion and generate the necessity of making further checks. The more red flags - the greater the suspicion.

Several audits carried out in 2019 identified shortcomings in the procedures to detect and deal with potential creation of artificial situations to receive the aid. In some cases, an adequate system of red flags was missing, in other cases the red flags were not used properly (did not trigger more in-depth checks).

Explanatory Box: Annex 10 – 3.3.3.5.2-2

The audits carried out in 2019 found scope for improving the following elements of the management and control system for investment and/or flat-rate measures and/or for risk management measure, including when they were implemented under Leader (non-exhaustive list) (similar to those found in 2018):

- checks on the eligibility of the applicant/application/project/investment:
  - additional improvements are required to include verification of the linked and partner enterprises when assessing the SME status and to keep an audit trail of these checks;
  - implementation of appropriate procedures to detect and deal with the creation of artificial situations to receive the aid (see explanatory box);
  - implementation of appropriate checks to verify the correctness and reliability of the data provided by the insurance companies (Risk management measure);
  - implementation of appropriate checks to verify the 30% loss of potential agricultural production (Investments for the restoration of agricultural land).
- selection and appraisal of applications – lack of selection criteria allowing to select the best projects;
- assessment of cost reasonableness: additional improvements are required to effectively assess the reasonableness of costs including checks on the independence and authenticity of the offers received, on the transparency of the decisions taken by the experts committees and to keep an audit trail of these checks;
- public procurement verifications – (see explanatory box Annex 10 – 3.3.3.5.2-3);
- lack of in-situ visits to verify the realisation of some types of investments;
- quality of the on-the-spot checks, including verifications to establish that no artificial situations were created;

- quality (check on the durability of the investment) and quantity of ex-post checks on investment measures (non-compliance with the 1% minimum control requirement);
- checks of the payment claims to verify that the completed operation corresponds with the operation for which support was granted;
- verifiability of the methodology and calculation of the Simplified Cost Options (SCOs), as the data underlying the SCOs calculation were not available;
- lack of an adequate audit trail of the checks carried-out.

Respect of Public Procurement rules: key control elements

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 2019, some audits focussed on the respect of public procurement rules and detected non-compliances at all stages of this procedure as implemented by the public beneficiaries. These non-compliances 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, 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 – 3.3.3.5.2-3

For the Czech Paying Agency CZ01, following allegations of conflict of interests, DG AGRI carried out a coordinated audit with DG REGIO and DG EMPL in January-February 2019. DG AGRI audited the investment measures under EAFRD. While the conformity procedure is ongoing, as a precautionary measure to protect the EU budget, DG AGRI is not reimbursing to the Czech authorities the amounts related to EAFRD projects that could be potentially affected by the alleged conflict of interests. As the potential financial risk calculated by DG AGRI for the Paying Agency's EAFRD expenditure for the financial year 2019 is below the materiality threshold described in Annex 4 (Materiality criteria) of the present AAR, and given the abovementioned precautionary measures, DG AGRI considers that a reservation is not necessary. In case a non-compliance with the applicable rules is established, appropriate measures to protect the EU budget will be taken, including financial corrections.

3.3.3.5.3 Audits of Financial Instruments

No audit was carried out in respect of Financial Instruments in 2019 in view of the still limited expenditure in this area.

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 – 3.3.3.5.3-1

3.3.4 How is this information used to assess the error rate reported in Member States' control data?

As described in Annex 4 on DG AGRI's materiality criteria, DG AGRI Assurance and audit Directorate analysed the audit evidence arising from, in particular, the findings of the Certification Bodies, the ECA and its own audit findings. This was with a view to assessing the risk that errors were not detected by the Paying Agency before payments were made to beneficiaries. Where possible, the amount at risk was precisely quantified. Where this was not the case, a flat-rate percentage was applied to express the risk to the budget arising from error in the expenditure that is not reflected in the Member States' control data.

The following table summarises this information for all Paying Agencies for relevant expenditure in financial year 2019 for the 2014-2020 rural development programmes:

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2019 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
AT01	AMA	538 171 765	1.36%	2.65%	14 283 428
BE02	ALV	40 746 273	1.14%	1.58%	642 326
BE03	SPW-DGARNE	38 126 155	1.21%	1.58%	603 361
BG01	DFZ [SFA]	308 634 763	0.65%	1.30%	3 997 861
CY01	ΚΟΑΠ [CAPO]	20 952 824	5.03%	7.63%	1 598 773
CZ01	SZiF [SAIF]	393 828 050	1.55%	1.71%	6 743 514
DE01	BLE	635 764	0.00%	0.00%	0
DE03	Baden-Württemberg MLR	92 445 380	1.60%	2.03%	1 879 014
DE04	Bayern StMLF	203 932 539	0.72%	0.81%	1 654 674
DE07	Brandenburg MLUV	125 628 960	0.84%	0.92%	1 157 657
DE11	Mecklenburg-Vorpommern MELFF	121 234 745	1.01%	1.41%	1 708 632
DE12	Niedersachsen	167 830 524	1.79%	1.83%	3 064 113
DE15	LWK Nordrhein-Westfalen	96 255 808	1.01%	1.52%	1 461 306
DE17	Rheinland- Pfalz	33 412 863	0.89%	1.22%	408 763
DE18	Saarland	5 414 579	0.51%	0.63%	33 967
DE19	Sachsen	122 128 048	3.13%	5.75%	7 027 753
DE20	Sachsen-Anhalt	103 115 967	0.49%	0.54%	558 870
DE21	Schleswig-Holstein	57 657 946	0.38%	0.49%	283 830
DE27	Thüringen	97 911 473	0.74%	1.06%	1 037 098
DE26	Helaba	45 991 707	0.46%	1.40%	642 397
DK02	DAFA	101 066 664	3.35%	4.27%	4 312 386
EE01	PRIA	124 908 745	5.08%	5.08%	6 342 092
ES01	Andalucía	228 811 833	1.51%	1.53%	3 492 357
ES02	Aragón	71 114 018	1.25%	2.37%	1 686 748
ES03	Asturias	39 072 447	0.59%	0.91%	356 540
ES04	FOGAIBA	10 293 837	1.05%	1.31%	134 413
ES05	Islas Canarias	17 176 789	0.12%	0.57%	97 557
ES06	Cantabria	16 861 127	1.31%	3.32%	560 253
ES07	Castilla La Mancha	201 940 959	0.55%	1.18%	2 375 085
ES08	Castilla y Léon	110 683 757	1.29%	1.76%	1 952 831
ES09	Cataluña	52 412 273	1.84%	5.54%	2 902 550

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2019 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
ES10	Extremadura	106 110 727	1.14%	1.71%	1 816 146
ES11	FOGGA	158 306 735	0.77%	2.07%	3 275 104
ES12	Madrid	15 582 267	0.90%	0.91%	141 549
ES13	Murcia	37 493 233	1.27%	1.42%	530 558
ES14	Navarra	14 512 961	1.95%	2.03%	295 126
ES15	País Vasco	11 885 166	0.12%	0.92%	109 379
ES16	La Rioja	9 176 485	0.44%	0.55%	50 692
ES17	AVFGA	34 529 634	1.55%	2.36%	814 493
ES18	FEGA	29 655 522	1.03%	1.17%	348 031
FI01	MAVI	351 173 513	1.68%	2.33%	8 180 271
FR18	ODARC	18 669 044	3.47%	10.07%	1 879 876
FR19	ASP	2 042 150 538	2.72%	4.57%	93 287 798
GB05	DARD	22 164 828	0.31%	2.14%	474 714
GB06	SGRPID	157 391 301	0.42%	0.49%	767 473
GB07	WG	92 557 111	0.58%	6.63%	6 138 883
GB09	RPA	501 812 232	0.30%	0.97%	4 849 375
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	411 413 602	0.81%	2.16%	8 879 262
HR01	PAAFRD	299 635 531	2.54%	3.29%	9 862 264
HU02	HST	511 369 533	0.53%	3.36%	17 190 677
IE01	DAFM	324 022 439	2.17%	3.60%	11 671 361
IT01	AGEA	916 483 283	0.25%	0.99%	9 027 518
IT05	AVEPA	70 456 744	0.27%	0.78%	551 467
IT07	ARTEA	57 267 283	0.40%	1.01%	580 219
IT08	AGREA	93 009 939	0.55%	1.28%	1 187 261
IT10	ARPEA	97 615 781	0.89%	3.49%	3 404 637
IT23	OPR Lombardia	73 967 491	0.72%	1.47%	1 087 436
IT24	OPPAB	18 326 973	0.51%	1.20%	219 125
IT25	APPAG	19 783 913	0.49%	1.49%	294 191
IT26	ARCEA	102 169 714	0.66%	2.24%	2 287 304
LT01	NMA [NPA]	181 240 364	0.89%	2.94%	5 323 986
LU01	Ministère de l'Agriculture	14 481 595	2.21%	3.03%	438 573
LV01	RSS	206 475 667	0.70%	0.70%	1 449 240
MT01	MRRA PA	19 429 947	0.07%	3.16%	614 173
NL04	ELFPO	90 398 504	0.30%	1.87%	1 686 899
PL01	ARiMR [ARMA]	1 092 284 985	0.80%	1.98%	21 628 026
PT03	IFAP	523 049 233	4.95%	5.94%	31 086 570
RO01	PARDF	967 073 048	0.11%	2.83%	27 341 728
SE01	SJV	226 298 189	1.41%	3.43%	7 750 949
SI01	ARSKTRP	120 096 847	0.99%	1.29%	1 550 748
SK01	APA	209 361 675	0.63%	10.31%	21 595 539
ABB04	**Rural Development Programmes**	**13 837 282 157**	**1.38%**	**2.77%**	**382 668 767**

Table: Annex 10 – 3.3.4-1

Two closure balances were also paid in financial year 2019 for the last two 2007–2013 programmes which were closed in 2018. For these two operational programmes, extensive audit work has been carried out prior to their closure and financial corrections applied and executed in 2019 (ad-hoc decision 60) a condition for the clearance of the last accounts for these programmes and before the closure. As a result, the expenditure paid can be considered risk-free and as such, the corresponding amount at risk is zero. As these programmes have been closed, no remedial actions by Member States are needed.

The following table summarises this information for the concerned Paying Agencies as regards the closure balance:

Paying Agency	Paying Agency Name	Closure balance paid (EUR)	Adjusted error rate	Amount at Risk (EUR)
BG01	DFZ [SFA]	97 225 956.48	0%	0
FR19	ASP	160 466 900.98	0%	0
ABB04	**Rural Development Programmes closure balances**	**257 692 857.46**	**0%**	**0**

Table: Annex 10 – 3.3.4-2

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

The following table sets out the situation for all Paying Agencies where the adjusted error rate is above 2% for relevant expenditure for the 2014-2020 rural development programmes. It indicates if reservations are required and mitigating factors are examined in order to determine if a reservation is required and if so, an indication is given of the follow-up action required.

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
AT01	2.65%	EUR 14.283 million	A 2019 audit by DG AGRI detected deficiencies in organic farming measure. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS and non-IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. DG AGRI has initiated exchanges with the Member State as regards organic farming in an EU-Pilot procedure and activated payment interruptions and suspension. Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure additional remedial actions to address the deficiencies detected in the implementation of organic farming will be agreed during the conformity audit. The Member State will also need to address the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
CY01	7.63%	EUR 1.599 million	The MS has reported high error rates under IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS measures. A DG AGRI audit in 2018 identified deficiencies in the eligibility of costs, verification of payment claims and quality of on the spot checks for several non-IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan addressing the underlying causes of the high error rates under IACS measures, the deficiencies identified by DG AGRI in the non-IACS measures and the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered
DE03	2.03%	EUR 1.879 million	The Member State reported an error rate above materiality for IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS and non-IACS measures.	No	A reservation is not considered necessary. The Member State should address the underlying causes of the error rate above materiality reported for the IACS measures and the issues identified by the Certification Body
DE19	5.75%	EUR 7.028 million	A 2018 audit by DG AGRI identified deficiencies for Leader and Private Investment non IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the Member state should implement an action plan to address the deficiencies identified by DG AGRI in 2018, the underlying causes of the high error rate and the issues identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DK02	4.27%	EUR 4.312 million	The Member State has reported a high error rate for non IACS measures. A 2019 DG AGRI audit identified deficiencies in the on-the-spot checks for an IACS sub-	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should take remedial actions to address the underlying causes of high error rates reported under non-IACS measures and the deficiencies identified by DG AGRI and the

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			measure. The adjustment made to the error-rate also includes the findings reported by the Certification Body.		Certification Body in the on-the-spot checks for an IACS sub-measure 10.1.b. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
EE01	5.08%	EUR 6.342 million	The Member State reported a high error rate for IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The MS should implement an action plan addressing the deficiencies underlying the causes of the high error rates for IACS M10.
ES02	2.37%	EUR 1.686 million	The Member State has reported a high error rate for IACS measures. A DG AGRI audit in 2017 detected deficiencies under afforestation (double financing). The Certification Body and a DG AGRI audit in 2018 identified deficiencies for several non IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures and to implement a control system to avoid the double financing in the afforestation measure. The Member State should address the deficiencies detected under non-IACS measures by the Certification Body and DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES06	3.32%	EUR 0.0.560 million	The Member State has reported a high error rate for IACS measures. Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the non-IACS measures.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should nonetheless address the underlying causes of the high error rate for IACS measures and the issues identified by the Certification Body.
ES09	5.54%	EUR 2.903 million	The Member State has reported a high error rate for IACS measures. A DG AGRI audit in 2018 detected deficiencies for several IACS measures concerning the LPIS crosschecks. Based on	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an Action Plan to address the underlying causes of high error rates reported under IACS measures and the deficiencies detected by DG AGRI

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS measures. A 2019 DG AGRI audit detected deficiencies in the checks on the reasonableness of costs and eligibility of the applicant for several non IACS measures.		and the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES11	2.07%	EUR 3.275 million	A 2017 DG AGRI audit identified deficiencies in a forestry measure (double financing). Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the non-IACS measures.	No	A reservation is not considered necessary. The Member State should implement a control system to avoid the double financing in the afforestation measure and address the issues identified by the Certification Body for non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
ES14	2.03%	EUR 0.295 million	The Member State has reported a high error rate for non-IACS measures. A DG AGRI audit in 2017 detected deficiencies under afforestation (double financing). Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the non-IACS measures.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should implement a control system to avoid the double financing in the afforestation measure and continue the implementation of the Action Plan and address the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
ES17	2.36%	EUR 0.815 million	The Member State has reported a high error rate for non IACS measure. A DG AGRI audit in 2017 detected deficiencies under afforestation (double financing). Based on the Certification Body assessment, a further	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should implement a control system to avoid the double financing in the afforestation measure and address the underlying causes for high error rates for non-IACS measures and the issues

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			adjustment was made to the error rate reported by the Member State for the non-IACS measures.		identified by the Certification Body on non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
FI01	2.33%	EUR 8.180 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS and non-IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan to address the deficiencies identified by the Certification Body on IACS measures.
FR18	10.07%	EUR 1.880 million	The MS has reported a high error rate for IACS measures. For two IACS measures, no control data were reported and the last reported error rate has been considered as a top up. For IACS measures, a DG AGRI audit in 2018 identified deficiencies, including late on-the-spot checks. A DG AGRI audit in 2019 identified further deficiencies, including also the late on the spot checks previously detected. For the IACS measures, the adjustment made to the error-rate is also supported by the findings reported by the Certification Body. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the non-IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures and the non-compliance with the reporting requirements for the control statistics. The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI in 2018 and 2019 and by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered
FR19	4.57%	EUR 93.288 million	The MS has reported a high error rate for non-IACS measures. DG AGRI audits in 2017 and 2018 identified deficiencies, including late on-the-spot checks in IACS measures. A DG AGRI audit in 2017	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures. The ongoing action plan should be continued and reinforced to address the deficiencies identified

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			detected deficiencies in public procurement in non-IACS measures. In 2019, a DG AGRI audit identified deficiencies relating to the checks on reasonableness of costs affecting the investment measures of private beneficiaries in non-IACS measures. Another 2019 DG AGRI audit identified deficiencies relating to cost reasonableness, checks on the eligibility of the project and verification of payment claims, quality of on the spot controls and in situ visits in non-IACS measures. For the non-IACS measures, the error-rate was adjusted based on the quantification reported by the Certification Body.		by DG AGRI in 2018 and 2019 and by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
GB05	2.14%	EUR 0.475 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS measures.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should nonetheless address the issues identified by the Certification Body for the IACS measures.
GB07	6.63%	EUR 6.139 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS measures. A DG AGRI audit of 2019 identified deficiencies in the administrative checks on active farmer for non-IACS measures. The Certification Body identified deficiencies in the non-IACS measures relating to the selection of projects, verification of payment claims and checks on the cost eligibility. A further	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan to address the deficiencies identified by DG AGRI and by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			adjustment was made to the error rate based on the Certification Body assessment.		
GR01	2.16%	EUR 8.879 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS measures. A DG AGRI audit in 2017 identified deficiencies in non IACS measures.	No	A reservation is not considered necessary. The Member State has reported the implementation of the existing Action Plan for IACS and non-IACS measures.
HR01	3.29%	EUR 9.862 million	The MS has reported a high error rate for IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for IACS measures. A 2018 audit by DG AGRI identified deficiencies for the non-IACS investment measure 4.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should address the underlying causes of high error rates reported under IACS measures and the issues identified by the Certification Body. The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered
HU02	3.36%	EUR 17.191 million	DG AGRI audits in 2017 and 2019 detected deficiencies in forestry measures, agri - environmental commitments and organic farming, for the setting up of producer groups, risk management and public procurement. For the IACS measures, the error-rate was adjusted based on the quantification reported by the Certification Body.	Yes	A reservation is entered in respect of 2019 expenditure. The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI in 2017 for forestry and in 2019 for organic farming and agri-environmental measures and additional actions have to be added for the audits carried out in 2019 on forestry measure (IACS) and on risk management measures (non-IACS). The Member State will also need to address the issues identified by the Certification Body. Concerning non-IACS public procurement issues, DG REGIO confirmed that corrective actions are already in place. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
					covered.
IE01	3.60%	EUR 11.671 million	The MS has reported a high error rate in non-IACS measures. Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS measures. A DG AGRI audit in 2019 identified deficiencies in the functioning of controls in several non IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should implement an action plan to address the deficiencies identified in the DG AGRI audit of 2019, the underlying causes of high error rates reported under non-IACS measures and the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered
IT10	3.49%	EUR 3.405 million	DG AGRI audits in in 2017 and 2019 detected weaknesses in the quality of the on-the-spot controls and the supervision procedures in M8, M11, M12 and M13. A 2019 DG AGRI audit detected deficiencies on the quality of the on the spot controls for several non IACS measures. *Common issue for IACS expenditure in Italy:* *DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of MEA in LPIS for IACS measures.* *The related top-ups are applied for all affected Italian Paying Agencies.*	Yes	A reservation is entered in respect of 2019 expenditure. Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the necessary remedial actions will be agreed with the Member State. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT26	2.24%	EUR 2.287 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the non-IACS measures. *Common issue for IACS expenditure in Italy:* *DG AGRI audits in 2018 and 2019 detected deficiencies regarding*	Yes	A reservation is entered in respect of 2019 expenditure. The ongoing Action Plan should be continued and reinforced to address the deficiencies identified by DG AGRI for the IACS measures on LPIS and the issues detected by the Certification Body on non-IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			the correct recording of MEA in LPIS for IACS measures. The related top-ups are applied for all affected Italian Paying Agencies.		covered.
LT01	2.94%	EUR 5.324 million	The Member State has reported a high error rate for IACS measures. A DG AGRI audit in 2019 identified deficiencies in NIACS measures for private investments.	Yes	A reservation is entered in respect of 2019 expenditure. Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the necessary remedial actions will be agreed with the Member State. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
LU01	3.03%	EUR 0.439 million	The MS reported a high error rate under IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for the IACS measures.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality criteria (see Annex 4), no reservation is required. The Member State should address the underlying causes of high error rates reported under IACS measures and the issues identified by the Certification Body.
MT01	3.16%	EUR 0.614 million	Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State for the IACS and non-IACS measures.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality criteria (see Annex 4), no reservation is required. The Member State should nonetheless address the issues identified by the Certification Body.
PT03	5.94%	EUR 31.087 million	The Member State has reported high error rates for IACS and non-IACS measures. A DG AGRI audit in 2017 has identified deficiencies under afforestation (double financing). DG AGRI audits in 2018 and 2019 have also identified deficiencies in the functioning of controls under IACS and non-IACS measures. However, the IACS-	Yes	A reservation is entered in respect of 2019 expenditure. The Member State should continue and reinforce the ongoing Action Plan to address the underlying causes of high error rates reported under non-IACS measures, in particular, and the deficiencies detected by the DG AGRI audits and by the Certification Body. The ongoing conformity clearance procedure will ensure that the

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			related deficiencies concern only a small population in the Madeira region. The error-rate was adjusted based on the quantification reported by the Certification Body for the IACS and non-IACS measures.		financial risk to the EU budget is covered.
RO01	2.83%	EUR 27.342 million	A DG AGRI audit in 2019 detected deficiencies in cross-checks with areas covered by support measure, to avoid unjustified payments in relation to the definition of maximum eligible area, for IACS measures. Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State for IACS measures. A DG AGRI audit in 2019 detected deficiencies in public procurement and eligibility checks for several non-IACS measures. The adjustment made to the error-rate also includes the findings reported by the Certification Body for the non-IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the necessary remedial actions will be agreed with the Member State. The Member State will also need to address the issues identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE01	3.43%%	EUR 7.751 million	The Certification Body and a DG AGRI audit in 2017 identified deficiencies for IACS measures.	Yes	A reservation is entered in respect of 2019 expenditure. The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI and by the Certification Body for IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
SK01	10.31%	EUR 21.596 million	A DG AGRI audit in 2019 detected deficiencies in cross-checks and on-the-spot checks for several IACS measures. The error-rate was adjusted based on the	Yes	A reservation is entered in respect of 2019 expenditure. The Member State has reported implementation of the action plan addressing the deficiencies identified by DG AGRI in 2017 and 2018, under IACS and

Paying Agency/ Member State	Adjus-ted error rate	Amount at risk	Reasons for top-up	Reser-vation	Mitigating factors/Reservation follow-up
			quantification reported by the Certification Body for the IACS measures. DG AGRI audits in 2017 and 2018 have identified deficiencies in the eligibility checks and public procurement procedures for several non-IACS measures.		NIACS. The action plan should be continued and reinforced as additional actions for IACS are necessary to address the deficiencies identified by DG AGRI for 2019 and the issues identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.3.5-1

The following table gives details of cases for Rural Development where a reservation made in the 2018 AAR was not carried forward in the 2019 AAR:

Member State/ Paying Agency	Adjusted error rate	Amount at risk	Justification
BE02 FL	1.58%	EUR 0.642 million	The Member State is well on track in implementing an Action Plan regarding the deficiencies identified by the Certification Body in public procurement and should continue its implementation. The Member State should also address the findings identified by the Certification Body for FY2019. DG AGRI will closely monitor the situation.
BE03 W	1.58%	EUR 0.603 million	The Member State has reported the implementation of an Action Plan, which has been confirmed by the Certification Body. The effect of some actions will only be visible on the expenditure of the next financial year. The Member State should also address the findings identified by the Certification Body for FY2019. DG AGRI will closely monitor the situation.
DE-15	1.52%	EUR 1.461 million	The Certification Body reported that, at the time of publication of the 2018 AAR, the Member State had already started improvements for the measures affected in the past by high error rates. DG AGRI will closely monitor the situation. The Member State should address the issues identified by the Certification Body.
ES03	0.91%	EUR 0.357 million	The Member State is implementing an Action Plan to address deficiencies identified in the past. DG AGRI will closely monitor the situation. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
ES07	1.18%	EUR 2.375 million	The Member State is implementing an Action Plan to address deficiencies identified in the past. DG AGRI will closely monitor the situation. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
ES10	1.71%	EUR 1.816 million	The Member State has reported the implementation of the Action Plan. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
GB06	0.49%	EUR 0.767 million	The Certification Body reported that the implementation of the action plan is on track. The Member State should continue the implementation of the Action Plan and address the issues identified by the Certification Body. DG AGRI will closely monitor the situation.

Member State/ Paying Agency	Adjusted error rate	Amount at risk	Justification
GB09	0.97%	EUR 4.849 million	The Member State has implemented the Action Plan following the reservation issued in the 2018 AAR. The Member State should address the issues identified by the Certification Body. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
NL04	1.87%	EUR 1.687 million	The Member State should finalise all the actions agreed during the conformity clearance procedure and DG AGRI will closely monitor the results. The Member State should also address the findings identified by the Certification Body for financial year 2019. The financial risk to the EU budget is covered by ongoing conformity clearance procedures.

Table: Annex 10 – 3.3.5-2

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programme

Total expenditure for the Rural Development Programmes in 2019 amounted to EUR 14 179 978 201 of which EUR 257 692 857 were financed by the budget for the 2007-2013 programming period (budget item 05040501), and EUR 13 839 996 951 were financed by the budget for the 2014-2020 programming period (budget item 05046001). DG AGRI's assessment results in an adjusted error rate for the total relevant expenditure of 2.76%.

30 out of the 71 Paying Agencies have an adjusted error rate above 2% (of which 8 were above 5%: Cyprus, Germany (one Paying Agency), Estonia, Spain (one Paying Agency), France (one Paying Agency), United Kingdom (one Paying Agency), Portugal, , Slovakia.

In line with its materiality criteria in Annex 4, all 8 cases where the error rate is above 5% were automatically subject to a reservation. In 7 of these cases, the high adjusted error rate was determined by further adjustment of the error rate by DG AGRI, based on the assessment of the Certification Bodies and DG AGRI own audits. For one case (Estonia), the high error rate stems solely from the control statistics reported by the Member State.

For the remaining 22 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 3 cases, it was considered that, given the mitigating factors present, it would not be necessary to make reservations: Germany (one Paying Agency), Spain (one Paying Agency) and Greece. For 6 Paying Agencies (Luxembourg, Germany (one Paying Agency), Malta, Spain (three Paying Agencies), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 4 (materiality criteria), therefore no reservation was necessary. For the remaining 13 Paying Agencies, a reservation was deemed necessary.

The overall outcome of this exercise is that 21 reservations are necessary at Paying Agency level:

- Austria
- Cyprus
- Germany (1 Paying Agency)
- Denmark
- Estonia
- Spain (2 Paying Agencies)
- Finland
- France (2 Paying Agencies)
- United Kingdom (1 Paying Agency)
- Croatia
- Hungary
- Ireland
- Italy (2 Paying Agencies)
- Lithuania
- Portugal
- Romania
- Sweden
- Slovakia

3.3.6.2 Conclusion on risk assessment for all budget items within ABB04

While budget items 05040501 and 05046001 concern the Rural Development programmes for 2007-2013 and 2014-2020 and thus account for the large majority of the expenditure for ABB04, it is also necessary to assess the risk for the entire expenditure under Chapter 0504. The following table sets out the budget items and the error rates, which have been used to assess the amounts at risk. The adjusted error rate of 2.70% represents a decrease compared to 2018 and confirms the stable downward trend.

Payments reimbursed by DG AGRI to the Member States in 2019

Management type	Chapter	Budget item	Description	Payments (EUR)	Error rate (%)	Amount at risk (EUR)
Shared Management	0504	05040114	Completion of rural development financed by the EAGGF Guarantee Section - Programming period 2000 to 2006	-452 428	0.00%	-
		050452	Completion of rural development financed by the EAGGF Guidance section and the transitional instrument for rural development for the new Member States financed by the EAGGF Guarantee Section - Programming period 200 to 2006	72 105 592	-	-
		05040501	**Rural development programmes 2007-2013**	**257 692 857**	**0.00%**	**-**
			Reimbursements following Court cases			
			Final balance 2007-2013	257 692 857	0.00%	-
		05046001	**Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector**	**13 839 996 951**	**2.76%**	**382 668 767**
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	13 837 282 157	2.77%	382 668 767
			Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	2 714 793	0.00%	-
		Sub-Total Shared Management		14 169 342 972.33	2.70%	382 668 767
Direct Management		05040206	Completion of Leader (2000 to 2006)	-	-	-
		05040502	Operational technical assistance 2007-2013	-	-	-
		05046002	Operational technical assistance 2014-2020	10 635 228	1.00%	106 352
		Sub-Total Direct Management		10 635 228	1.00%	106 352
Grand Total 0504				**14 179 978 201**	**2.70%**	**382 775 119**

Table: Annex 10 – 3.3.6.2-1

The adjusted error rate for payments made for ABB04 is 2.70% and the total amount at risk is EUR 382.78 million.

The assessment of the risk for the entire chapter 0504 covers all payments to Member States in 2019 including pre-financing.

The average amount of net financial corrections per year for the five year period 2015-2019 (excluding corrections made for cross-compliance) is EUR 216.91 million for ABB04[52] while recoveries from Member States from beneficiaries amounted to EUR 109.30 million.

[52] See sub-section 2.4.1.5.1 of the main body of the report on "corrective capacity".

Part 3.4: Root causes of the error rates in the CAP – what is DG AGRI doing about it?

Communication on the root causes of errors and actions taken

In February 2017, the Commission published a Communication to the Council and the European Parliament on the root causes of errors and actions taken (COM (2017) 124 final), following Article 32(5) of the Financial Regulation, including several spending policies.

As regard the CAP, the Communication explains the main root causes of errors under the EAGF and EAFRD, acknowledging the relatively low level and stability of the former and the decreasing although still high level of the latter.

The actions taken during the past years are also described in the Communication.

In the following years, the error rate level both for EAGF and EAFRD has further decreased.

Simplification and Omnibus

During 2016 and 2017 several legal simplification initiatives were proposed by DG AGRI, affecting a number of implementing and delegated acts. Thanks to these amendments, the management and control system was simplified and new possibilities were introduced, such as the "yellow card" system for penalties or simplification of controls for financial instruments.

But the major simplification initiative was proposed though the Omnibus Regulation, including the four CAP Regulations, the Common Provisions Regulation together for the ESI Funds and the Financial Regulation. The agricultural part of the Omnibus Regulation was adopted in 2017 introducing some simplification and technical improvements to the four basic Regulations of the CAP.

The changes introduced for the **risk management tools** give farmers a better protection in case of production risks. A sector-specific income stabilization tool covering drops in farmer's income exceeding 20% has been introduced. Furthermore, the threshold for insurance has been reduced from 30% to 20% of the value of average annual production, making these instruments more accessible to farmers. The support rate for Crop, animal, and plant insurance, mutual funds and income stabilisation tools has been increased from 65% to 70%.

Under the Omnibus Regulation, the rules introduced further flexibility for Member States in the definition of **active farmers**. Member States can implement only one or two of the criteria for being regarded as active farmer or may choose to discontinue altogether, the application of the negative list.

Some simplification provisions were introduced in the package by the co-legislators. The **permanent grassland** definition contains elements that are optional for Member States such as the ploughing-up or the extension of the definition to land that has so far not been eligible such as areas covered with shrubs or trees that produce animal feed but are not directly grazed by animals.

Amendments to the **Voluntary Coupled Support** have been also introduced by the co-legislators. Notably these introduce clarifications of the applicable rules, while also fully aligning them to the terms of the Blue Box Agreement on Agriculture.

Finally, a set of changes has been introduced in the **competition provisions** of the Common Market Organisation (CMO) Regulation. The position of producer organisations is strengthened: an explicit competition derogation is possible for sales and production planning activities of POs and Associations of POs, which genuinely integrate activities of their members while sector specific provisions have been deleted. Furthermore, the farmers have the right to ask for a written contract, unless their trading partner is a SME. These provisions entered into force on 1 January 2018.

Conferences, workshops and networking

In 2019 DG AGRI participated in 2 Conferences with the Heads of the Paying Agencies in Bucharest (Romania), Helsinki (Finland). The conference organised annually in Brussels by DG AGRI took place early 2020. These Conferences allow for the sharing of good practices in the implementation of the CAP and inform about strategic issues as regards assurance and audit. Meetings are also regularly organised with representatives of the Leaning Network of the Paying Agencies, in which strategic issues and implementation challenges are discussed. Furthermore, since 2013 nine seminars on error rate in Rural Development have been organised, of which the latest took place in June 2019. The seminars aim at presenting the lessons learnt from the audit work, sharing good practices in Member States' experience with the implementation of the programmes and provide guidance on various aspects of the policy. 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" (DG AGRI’s units responsible for the Member States' Rural Development Programmes) ensure regular monitoring of the remedial action plans and carry out follow-up activities in annual and ad-hoc meetings with Member States, monitoring committees and, if relevant, in the context of programme amendments.

The European Network for Rural Development also has an enhanced role in disseminating good practices and guidance related to the reduction of errors, and improving the RDP implementation. In 2019, different workshops and other events for Managing Authorities and Paying Agencies have been carried out and supported through the ENRD activities. These covered topics such as: LEADER simplification and simplified cost options (SCOs), RDP measures aimed at improving the attractiveness of rural areas for young people and fostering generational renewal, pathways to farm competitiveness through the CAP, stakeholder involvement in the preparation of CAP strategic plans. Other events were also organised, aiming to unlock the potential and improve overall implementation of RDPs.

DG AGRI has reinforced its actions to inform the responsible bodies in the Member States about applicable rules under Direct payments and their implementation and has also developed guidance documents addressing problematic issues, in particular in the following areas:

- principles of the LPIS and the layer identifying the Ecological focus areas (EFA),
- 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 co-operation with the Commission’s Joint Research Centre (JRC) 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), the LPIS upkeep and the LPIS QA methodology execution.

Finally, several expert group meetings on simplification have taken place in 2018, in the framework of the "Refit" initiative of the Commission leading to some of the legal amendments mentioned above.

Action plans

As from 2015, DG AGRI has further improved the system of action plans reporting by Member States concerned by, including a reinforcing focus on audit findings as well as improving indicators and milestones for monitoring purposes. The request for action plans is normally triggered by serious deficiencies identified in the framework of conformity procedures. Once approved, the action plans are expected to address the identified deficiencies by describing, for each of them, the corrective actions to be taken and the established benchmarks and timetable for implementing their actions.

For Direct payments, DG AGRI monitors the implementation progress of each established action plan based on the progress reports that are sent regularly (at least every 3 months) by the Member States and reacts in case of inconsistencies or delays in the implementation of the necessary remedial measures.

For Rural Development, action plans are normally requested when there are serious deficiencies: 1) in the management and control system or 2) in the implementation of the RDPs identified by audit findings and which cannot or should not be resolved by a modification of the programmes. The concerned Member States are asked to report on the progress of their established action plans on a regular basis, normally twice a year, in September and in January; however, the frequency may be adapted depending on the gravity of the audit findings and urgency of the actions to be taken.

The regulatory quality assessment (QA) which Member States must carry out of their LPIS is actively followed-up by DG AGRI to ensure that Member States take the remedial actions required to meet the quality standards that are considered appropriate, in view of the fundamental role played by the LPIS in ensuring correct claims and payments. With the help of the JRC, DG AGRI carries out a number of LPIS QA advisory missions every year to support Member States with their quality assessments. An assessment of the correct application of the LPIS QA method is included in the conformity clearance procedure.

Part 4: Conformity Clearance Procedure and Net Financial Corrections

4.1 What is "Clearance"?

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 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 expenditure 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 1306/2013[53], Commission Delegated Regulation (EU) No 907/2014[54] and Commission Implementing Regulation (EU) No 908/2014[55].

4.1.1 Financial clearance of accounts – 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 per Fund, 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 these decisions by 31 May of the year following the financial

[53] 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).
[54] 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).
[55] 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).

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).

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 - 4.1.2-1

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 more than 200 audits, more than half of which include on-the-spot missions to the Paying Agencies and/or Certification Bodies in the Member States. The Paying Agencies and Certification Bodies to be visited are selected on the basis of a detailed risk analysis, and the audit work normally concentrates on the work of the Certification Bodies on legality and regularity and 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)).

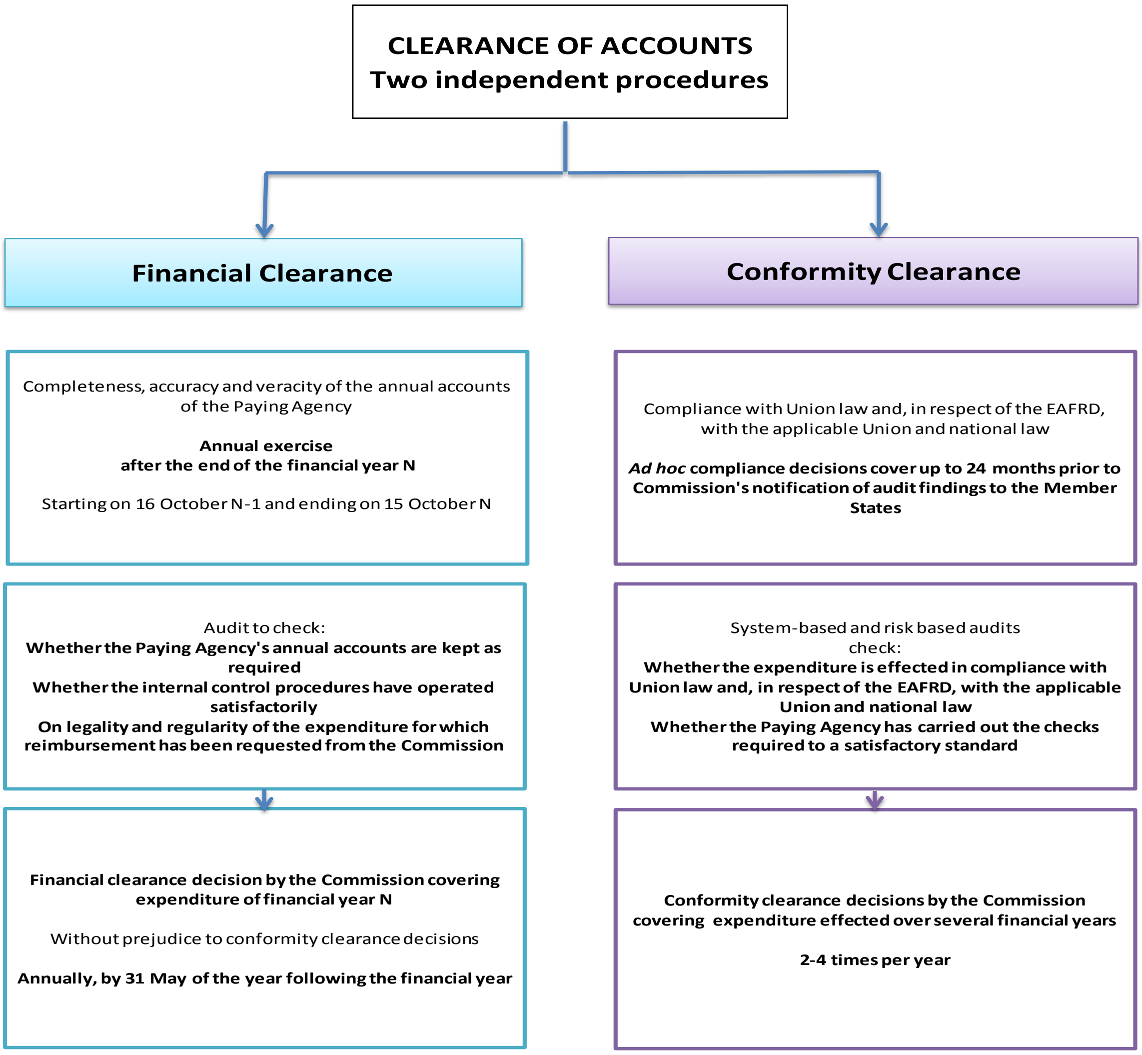


Diagram: Annex 10-4.1.2-1

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 (see diagram Annex 10 – 4.4):

- **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 2 months to provide further.

- **The Commission formally communicates its conclusions to the Member State**, including the financial correction, which it envisages to impose on the Member State.
- 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 EUR 1 million 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 - 4.1.3-1

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.

Throughout the procedure Member States have the right to a fair contradictory procedure. Also because Member States have the right (which they regularly exercise) to challenge the conformity decisions in the Court of Justice of the European Union, the Commission is 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. The CAP Horizontal Regulation, Regulation (EU) No 1306/2013, provides 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, Article 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 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 months[56].

The Commission has streamlined the procedure to the extent possible. Firstly, the CAP Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, the legal provisions of 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.

The following diagram describes the successive steps of a conformity clearance procedure leading to a net financial correction carried out under the Implementing Regulation (Article 34 of Commission Implementing Regulation (EU) No 908/2014).

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

Comformity Clearance Procedure

DG AGRI Conformity 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 2016 (standard procedure)

YEAR	Month	Procedural steps	Procedural Phase	Coverage of the financial correction
		Preparatory Phase		Financial correction may cover expenditure incured for 24 months prior to notification
2016	S	**Audit Mission**		
	O	Mission report & preparation of the Letter of findings		
	N			
	D			
		START OF CONFORMITY PROCEDURE		
2017	J	**Notification of audit finding to MS**	**Contradictory phase with MS**	
	F			
	M	MS reply to the Letter of Findings		
	A			
	M			
	J			
	J			
	A	**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
	S			
	O	Minutes of Bilateral Meeting		
	N	Member State's reply to the minutes of bilateral meeting		
	D			
2018	J			
	F			
	M	**Notification of financial correction to MS**	**Conciliation phase for MS**	
	A	MS submission of reasoned request for conciliation -optional to MS-		
	M			
	J	Conciliation procedure (if requested bu 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.		
	J			
	A			
	S			
	O	Preparation of the Final Letter		
	N			
	D			
2019	J			
	F			
	M	**Final Letter to MS with definitive financial correction**		
		END OF CONFORMITY PROCEDURE		
	A		**Comitology & Commission decision procedure**	
	M			
	J	Commission decision on financial corrections		
	J			
	A			
	S	**Actual reimbursement to EU Budget by MS**		

Diagram: Annex 10 – 4.1.4-1

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 907/2014) **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 guidelines[57], 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 administrative and on-the-spot checks necessary to determine the eligibility of the aid and the relevant application of reductions and penalties. It concerns those 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.

When assessing the internal control systems in the Paying Agencies - administrative and on-the-spot checks (OTSC) for a given population, the Certification Body's assessment should be based on the key and ancillary controls. The Certification Bodies are also using the key and ancillary controls when they assess the legality and regularity of the expenditure (under their compliance and substantive testing).

Explanatory Box: Annex 10 - 4.2.1-1

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;

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

- 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 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.

Is the amount executed in a given year the same as the amount adopted in the same year?

For EAGF, financial corrections are executed by deducting the amounts concerned from the monthly payments made by the Commission in the second month following the Commission decision on a financial correction to the Member State concerned. For EAFRD, the financial corrections are executed through a recovery order requesting the Member State concerned to reimburse these amounts to the EU budget, mostly executed by set-off in the reimbursement in the following quarter. It therefore occurs that decisions adopted at the end of year N are only executed at the beginning of year N+1.

Furthermore, the execution of the decision may be delayed due to instalment and deferral decisions.

This is particularly the case since 2010 when, due to the financial and economic crisis, Member States requested more frequently the benefit of an existing provision in the legislation allowing reimbursement of financial corrections via annual instalments (rather than a one-off payment): if the amount to be reimbursed by the Member State is more than 0.01% of its GDP, it may request that the deductions are made in annual instalments (maximum 3) instead of all at once. **In 2019, instalment decisions have been adopted in respect of EUR 145.6 million of financial corrections** (see Annex 10 – 4.2.3-1 for details).

In 2017, the deferral decision under Commission Implementing Regulation (EU) No 908/2014, Article 34(8)(a), adopted in 2015 for Greece, was extended by one year. This decision allows the deferral of the execution date for financial corrections for a further period of 12 months from the date of adoption. After the expiry of the deferral period the corrections are required to be executed in five annual instalments. The deferral granted to Greece expired on 22 June 2018. So far, and including the ad hoc decisions adopted in 2018 before 22 June 2018, EUR 550.9 million were deferred (see Annex 10 –4.2.3-2 for details).

In order to ensure comparability with previous years, DG AGRI continues to use the **executed amounts,** and not those decided, in the calculation of the corrective capacity as the executed amounts are those best reflecting the actual protection of the EU budget.

Tables giving details of the various instalments and their repayment schedules as well as the deferral decisions (see Annex 10 – 4.2.3-1 and 4.2.3-2 for details) can be found in Annex 10 – Part 4 which gives more information on net financial corrections and explains the clearance of accounts system.

4.2.2 Net financial corrections in 2019

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 five years and its average:

All corrections except cross-compliance, reimbursements following judgments, late payments and overshooting of ceilings

million EUR

	ABB02	ABB03	ABB04	Total
2015	205.255	756.932	243.985	1 206.172
2016	213.272	1 191.485	226.396	1 631.153
2017	363.533	517.097	303.807	1 184.437
2018	166.597	548.407	139.456	854.460
2019	95.461	506.832	217.292	819.585
Total	1 044.118	3 520.753	1 130.936	5 695.807
5-year average	**208.824**	**704.151**	**226.187**	**1 139.161**

Table: Annex 10 – 4.2.2-1

As mentioned in the main body of the report (under sub-section 2.1.1.3.1), DG AGRI uses a historical average of the net financial corrections executed for calculating its corrective capacity. To take into account that 2015, 2016 and 2017 amounts of financial corrections included significant amounts related to backlog cases[58] and to avoid overestimating the corrective capacity, DG AGRI since 2016 used an average of the five previous years instead of the three previous years used in 2014 and 2015, as it was considered to give a better assessment of what financial corrections can be expected to be made in respect of the reporting year of the AAR (i.e. 2019 expenditure). In the 2019 AAR, DG AGRI goes back to the method established in 2014 for EAGF, i.e using a three year average since the complete exclusion of the years with backlog cases (i.e. 2015 and 2016) will give a better and more prudent estimate of future financial corrections. For EAFRD a 5 year average continues to be used in view of the multi-annual programming for EAFRD and since the amount of financial corrections is more stable over time and in any event better reflects the evolution over a programming period.

[58] Backlog cases refer to conformity clearance enquiries, which had been opened before 1 January 2014 and had been pending for a considerable period and therefore also covered several financial years and thus resulted in substantial financial corrections being decided during the period where DG AGRI made an effort to close all such old cases.

For EAFRD financial corrections applied to 2 programmes relating to EAFRD 2007-2013 prior to their closure in 2019 have been deducted as the corrections were made as a condition for clearing the accounts and subsequent closure of the programmes[59].

As for 2017 and 2018 corrective capacity, DG AGRI carefully reviewed the individual corrections for market measures ABB02 and has excluded factors from the past years, that would no longer be relevant for current measures, in order to come to the best but conservative estimate of the expected corrective capacity average to be applied to the reporting year's relevant expenditure, so as to get the related estimated future corrections. The corrections excluded refer exclusively to ABB02 (market measures) and are those concerning aid schemes which no longer exist, notably, export refunds, food for the most deprived, sugar restructuring, historic wine plantation right, certain irregularities and aid for fruit and vegetables producer groups with historically high financial corrections as the measure is now under EAFRD and with limited expenditure.

As in previous years, 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 corrections executed in 2019 and 5-year average				
				million EUR
	ABB02	**ABB03**	**ABB04**	**Total**
2019	0.438	61.001	6.298	67.737
5-year average	**0.271**	**68.209**	**6.354**	**74.834**

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, Czech Republic, France, Greece, Hungary, Lithuania, Poland, Portugal, Romania, Spain and Slovenia.

The following table Annex 10 - 4.2.3-1 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.

[59] At the time of payment of the closure balance to these programmes no amount was considered at risk and therefore the corrections are not to be included in the corrective capacity.

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

Ad-hoc decision	Adopted	Amount in instalments(*)	Year of reimbursement until 2014	2015	2016	2017	2018	2019	2020	2021
34-41	2010-2013	657.671	649.869	7.802						
43	2013	92.489	30.830	30.830	30.830					
44	2014	16.560	5.520	5.520	5.520					
46	2014	96.829		32.276	32.276	32.276				
47	2015	1279.173		426.391	426.391	426.391				
48	2015	177.366		59.122	59.122	59.122				
49	2015	7.099			2.366	2.366	2.366			
50	2016	103.476			34.492	34.492	34.492			
51	2016	340.069			113.356	113.356	113.356			
52	2016	219.177				73.059	73.059	73.059		
54	2017	275.195				91732	91732	91732		
55	2017	11303					3.768	3.768	3.768	
56	2018	15.299					5.100	5.100	5.100	
57	2018	126.333					42.111	42.111	42.111	
58	2018	28.277						9.426	9.426	9.426
59	2019	132.112						44.037	44.037	44.037
60	2019	13.523						4.508	4.508	4.508
Total		3.591951	686.219	561941	704.353	832.794	365.984	273.741	108.950	57.971

(*) not including 302.491M in instalments due by Greece (following ad-hoc decisions 34 and 35) that were subsequently deferred

Table: Annex 10 – 4.2.3.-1

In 2015, a deferral decision under Article 34(8)(a) of Regulation No 908/2014 was adopted for Greece. This type of 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 was due to expire on 22 June 2017 but on 8 June 2017 the Commission adopted Decision C(2017)3780 extending the deferral period to 22 June 2018. The following amounts (in EUR million) were deferred with ad hoc 57 being the last ad hoc decision with deferral possible:

	Ad-hoc 48	**Ad-hoc 49**	**Ad-hoc 50**	**Ad-hoc 53**	**Ad-hoc 54**	**Ad-hoc 56**	**Ad-hoc 57**
Decision number	2015/1119/EU	2015/2098/EU	2016/417/EU	2017/264/EU	2017/1144/EU	2018/304/EU	(EU)2018/873
Adoption date	22/06/2015	13/11/2015	17/03/2016	14/02/2017	26/06/2017	27/02/2018	13/06/2018
EAGF	321.119	12.648	167.957	0.143	0.895	0.588	4.350
EAFRD	1.028	0	3.88	23.037	0.287	14.857	0.099
TOTAL	**322.148**	**12.648**	**171.837**	**23.181**	**1.182**	**15.445**	**4.449**

Table: Annex 10 – 4.2.3.-2

4.2.4 Amounts of financial corrections decided each year

Sub-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 2019:

Net financial corrections decided in 2019 and (net financial impact)

million EUR

Commission Conformity Decisions		EAGF	EAFRD	Total
ad-hoc 59	(EU)2019/265	82.687 (71.333)	103.404 (103.404)	186.092 (174.738)
ad-hoc 60	(EU)2019/949	61.533 (37.181)	65.871 (-6.235)	127.404 (30.946)
ad-hoc 61	(EU)2019/1835	209.429 (32.814)	11.743 (11.743)	221.171 (44.557)
Total		**353.649 (141.328)**	**181.018 (108.912)**	**534.667 (250.240)**

Table: Annex 10 – 4.2.4-1

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.

Explanatory Box: Annex 10 - 4.2.4-1

4.2.5 Legal Mechanisms for net financial corrections were 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 risk assessment for this multi-annual plan was complemented by risk mapping (see Part 1 of this Annex) and has been carried out 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 approach ensures 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.

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 above.

This legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections 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 Commission guidelines[60] on how it determines financial corrections fully reflect these provisions. The 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 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.

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

Part 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 irregular payments detected. However, the recovery procedures, in accordance with the principle of subsidiarity, are the whole 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 still 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 (EU) No 908/2014, Member States are required to off-set any outstanding debts against future payments to the debtor (compulsory compensation).

From financial year 2014, the 50/50 rule is applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, 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 programmes[61].

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.

[61] Article 54(2) of Regulation (EU) No 1306/2013.

5.2 Amounts recovered by the Member States in financial year 2019 for the EAGF

Table Annex 10 – 5.2-1 below sets out the amounts recovered in 2019 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF[62].

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	1 657 420	470 014	2 127 435
BE	268 154	1 430 184	1 698 337
BG	446 365	2 443 859	2 890 224
CY	13 000	304 063	317 063
CZ	308 418	1 228 112	1 536 530
DE	3 997 130	6 245 104	10 242 234
DK	472 614	791 535	1 264 149
EE	41 013	391 657	432 670
ES	12 055 781	3 413 465	15 469 247
FI	506 894	504 521	1 011 415
FR	21 319 056	14 041 182	35 360 238
GB	2 008 197	525 304	2 533 502
GR	3 313 726	2 705 225	6 018 952
HR	686 103	1 016 438	1 702 541
HU	659 057	3 295 872	3 954 929
IE	1 625 878	1 284 608	2 910 486
IT	13 792 406	18 056 369	31 848 775
LT	1 662 998	973 369	2 636 367
LU	28 096	182 093	210 188
LV	183 851	178 322	362 172
MT	33 104	27 110	60 215
NL	598 545	3 073 830	3 672 375
PL	3 994 718	1 333 563	5 328 280
PT	3 104 660	1 789 322	4 893 983
RO	3 628 534	9 155 471	12 784 005
SE	50 868	22 712	73 580
SI	246 066	235 431	481 496
SK	232 387	886 620	1 119 007
Total	**76 935 039**	**76 005 357**	**152 940 396**

Table: Annex 10 – 5.2-1

For the purpose of calculating corrective capacity (see Table Annex 10 – 5.2-2 below and sub-section 2.1.1.3 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 2019 are taken into account. These amounts slightly

[62] Since the entry into force of the Commission Implementing Regulation (EU) No 908/2014 laying down rules for the application of Regulation (EU) No 1306/2013), Paying Agencies are required to record the budget code of the amounts recovered. However, this requirement is only applicable to new debt cases (as per Article 41(5) of Regulation (EU) No 907/2014). Consequently, since Paying Agencies are still presently reporting old debts cases, it is still not possible to provide a breakdown of recovered amounts at ABB level and this is why the corrective capacity is still reported at Fund level.

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 2019 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

The total amount recovered and reimbursed to the EU budget is EUR 155.8 million. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2019. Amounts recovered in respect of cross-compliance infringements (i.e. EUR 34.7 million) are indicated separately and deducted to show the amount of recoveries for 2019 which DG AGRI considers to be relevant for its corrective capacity, i.e. EUR 121.1 million for 2019.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	1 415 729	414 898	1 830 627
BE	561 432	1 076 408	1 637 840
BG	3 235 235	318 382	3 553 617
CY	218 593	85 470	304 063
CZ	508 779	815 373	1 324 152
DE	3 829 074	7 713 238	11 542 312
DK	740 354	458 873	1 199 227
EE	62 052	268 433	330 484
ES	10 213 135	2 304 755	12 517 890
FI	680 530	378 841	1 059 371
FR	27 759 504	3 904 946	31 664 450
GB	1 742 197	2 995 084	4 737 281
GR	5 921 549	690 758	6 612 308
HR	1 061 208	603 865	1 665 073
HU	3 574 734	187 861	3 762 595
IE	1 523 177	2 717 352	4 240 529
IT	38 647 417	2 353 514	41 000 931
LT	1 421 608	574 411	1 996 019
LU	31 029	229 039	260 068
LV	267 568	47 767	315 336
MT	15 790	16 372	32 162
NL	1 228 722	1 137 095	2 365 817
PL	4 473 073	1 309 543	5 782 616
PT	4 332 220	1 582 060	5 914 281
RO	6 771 309	1 619 476	8 390 785
SE	47 456	202 499	249 955
SI	294 297	141 351	435 648
SK	553 929	520 751	1 074 679
Total	121 131 699	34 668 415	155 800 114

Table: Annex 10 – 5.2-2

5.3 Amounts recovered by the Member States in financial year 2019 for the EAFRD

Table Annex 10 – 5.3-1 below sets out the amounts recovered in 2019 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAFRD[63].

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	3 005 205	82 834	3 088 039
BE	793 536	98 083	891 620
BG	4 956 771	1 028 893	5 985 664
CY	6 040	27 619	33 660
CZ	2 179 844	846 495	3 026 338
DE	8 523 040	497 376	9 020 416
DK	733 179	5 657	738 837
EE	1 668 812	212 233	1 881 045
ES	5 338 371	542 281	5 880 653
FI	906 728	186 034	1 092 762
FR	4 523 765	601 847	5 125 612
GB	6 309 011	359 198	6 668 209
GR	1 968 252	1 020 448	2 988 700
HR	792 576	1 486 282	2 278 858
HU	1 089 058	3 253 377	4 342 435
IE	1 744 836	315 631	2 060 467
IT	23 248 780	18 385 821	41 634 600
LT	1 208 422	405 398	1 613 820
LU	56 521	186 009	242 530
LV	414 664	104 289	518 953
MT	74 346	20 477	94 823
NL	116 215	10 163	126 378
PL	9 794 293	523 571	10 317 864
PT	9 989 515	508 487	10 498 002
RO	15 016 393	2 447 910	17 464 303
SE	136 081	7 918	143 999
SI	588 870	149 011	737 880
SK	1 311 679	291 753	1 603 432
Total	**106 494 802**	**33 605 096**	**140 099 898**

Table: Annex 10 – 5.3-1

For the purpose of calculating the corrective capacity, (see sub-section 2.1.1.3 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 2019 which DG AGRI considers relevant for its corrective capacity is EUR 106.5 million.

[63] Including other penalties and sanctions.

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2015 (4 year deadline for recovery) or 2011 (8 year deadline in case of legal proceedings) will be determined for 2019 in accordance with the 50/50 rule mentioned above by charging approximately EUR 17.3 million to the Member States concerned[64]. On the other hand, around EUR 19.7 million represents cases reported as fully irrecoverable during financial year 2019[65]. The final figures will be established in May 2019 when the financial clearance decision for financial year 2019 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, EAFRD and TRDI expenditure.

The overall outstanding amount still to be recovered from the beneficiaries at the end of 2019 was EUR 1 752.6 million for all the Funds. Of this amount, EUR 1 606.9 million is outstanding to the EU budget (the difference, EUR 145.7 million, having already been charged to the Member States via the 50/50 mechanism in previous years or amounts recovered and returned to the Funds).

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. Even after the application of the 50/50 rule, Member States are still obliged to pursue their recovery procedures in order to recover, in full, the unduly paid amount and to return this to the EU budget. As a result, by the end of financial year 2019, 58% of the new EAGF debts, registered as from 2007, had already been recovered, which is the same percentage rate as in previous financial year, i.e. financial year 2018. The detailed breakdown of this recovery rate has developed as follows:

		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	until end of 2016	until end of 2017	until end of 2018	until end of 2019
year of discovery of the irregularity	2007	33%	47%	50%	54%	60%	60%	63%	64%	68%	71%	75%	75%	75%
	2008	-	24%	39%	46%	48%	56%	58%	59%	66%	67%	94%	95%	96%
	2009	-	-	24%	33%	42%	44%	46%	49%	52%	63%	84%	84%	85%
	2010	-	-	-	29%	39%	44%	45%	47%	49%	53%	66%	66%	66%
	2011	-	-	-	-	23%	35%	41%	45%	51%	53%	62%	62%	63%
	2012	-	-	-	-	-	34%	61%	66%	69%	72%	73%	77%	78%
	2013	-	-	-	-	-	-	23%	30%	36%	39%	41%	42%	46%
	2014	-	-	-	-	-	-	-	14%	28%	32%	33%	34%	38%
	2015	-	-	-	-	-	-	-	-	45%	61%	64%	67%	72%
	2016	-	-	-	-	-	-	-	-	-	39%	38%	41%	45%
	2017	-	-	-	-	-	-	-	-	-	-	21%	32%	35%
	2018	-	-	-	-	-	-	-	-	-	-	-	50%	60%
	2019	-	-	-	-	-	-	-	-	-	-	-	-	26%
	2007-2019													**58%**

Table: Annex 10 – 5.4-1

64 Please note that these amounts relate to EAGF, EAFRD and TRDI.

65 For EAFRD, from financial year 2014 the Member States have to report as well the irrecoverable cases established during the financial year in question.

The recovery rates quoted in this table are based on the data communicated by the Paying Agencies in their annual accounts and only present a snapshot of the situation as at 15 October 2019 of the recovery rate of the Paying Agencies in relation to the unduly paid amounts for EAGF. This should not be confused with the financial exposure of the Fund since parts of these amounts have already been returned to the fund through the 50/50 mechanism. The recovery rate in the table above only gives an indication of the Paying Agencies' average recovery rate, over time, of the undue amounts from the beneficiaries. For most of the debt cases outstanding, national legal proceedings are on-going, the length of which varies between Member States and explains, to a large extent, the average speed of recovery. It is also noted that more recent years include new debts which have not yet been subject to the 50/50 mechanism.

Moreover, it should be noted that some of these debt amounts were already written off as unrecoverable by Member States in the period 2007-2019 (EUR 155 million) and therefore, in the vast majority of cases, they will not be recovered from the beneficiaries.

For more details on the recovery rates at Member State level, see table Annex 10–5.4-2 below.

Recoveries (EUR) from beneficiaries for cases detected since 2007 – EAGF

Member State	New cases since FY2007	Adjustments since FY2007	Recoveries since FY2007	Non-recoverable since FY2007	Recovery rate
AT	59,104,944.89	2,804,240.73	-58,718,960.54	-252,213.97	95%
BE	82,076,665.37	-17,759,679.51	-39,189,391.72	-11,530,376.83	74%
BG	4,639,525.92	674,134.40	-1,382,464.97	-266,496.00	27%
CY	3,053,138.56	-29,644.94	-2,385,388.61	-11,675.93	79%
CZ	3,709,352.86	-111,489.07	-3,213,996.99	-1,185.44	89%
DE	109,416,440.49	-6,120,473.06	-87,628,568.87	-3,647,894.82	88%
DK	37,180,775.47	18,892,195.02	-29,197,419.11	-25,506,773.20	96%
EE	2,921,856.31	-1,007,608.08	-1,527,569.54	-57,414.90	82%
ES	307,686,139.23	-49,489,447.97	-185,004,474.04	-39,998,011.49	85%
FI	13,396,112.56	-8,974.10	-11,873,628.07	-267,382.52	91%
FR	455,011,299.95	-99,100,576.89	-130,063,427.60	-14,950,846.45	38%
GB	92,818,157.17	-10,352,273.06	-47,993,393.18	-908,102.61	59%
GR	155,451,685.44	-40,488,280.14	-39,193,762.63	-37,584.40	34%
HR	4,413,739.90	-597,610.97	-2,609,743.27	0.00	68%
HU	105,823,525.37	-58,832,283.66	-19,538,276.52	-11,073,821.44	54%
IE	33,576,938.17	-3,248,213.55	-27,727,743.84	-593,644.14	93%
IT	388,538,489.13	-53,391,008.52	-189,927,936.83	-35,185,767.94	63%
LT	13,371,765.23	-3,041,033.69	-9,165,520.04	-85,705.34	89%
LU	1,214,922.07	-630,754.48	-412,337.70	-2,230.52	71%
LV	2,850,571.19	-25,311.90	-2,210,779.56	-86,678.56	81%
MT	1,527,994.28	193,059.57	-691,604.05	-31,404.26	41%
NL	79,035,165.29	3,432,067.88	-29,837,348.90	-63,913.23	36%
PL	745,647,058.53	-588,001,546.35	-37,305,023.04	-7,901,846.60	25%
PT	86,093,122.12	-22,852,549.87	-48,068,822.88	-2,135,913.10	79%
RO	117,509,390.74	-5,140,510.08	-34,481,515.51	-121,900.07	31%
SE	30,049,441.44	-5,842,545.10	-21,243,842.13	-181,753.33	88%
SI	19,172,786.35	-8,778,136.05	-9,354,502.45	-828.09	90%
SK	5,775,771.29	-1,042,611.14	-2,102,894.77	-461,853.51	49%
Total	**2,961,066,775.31**	**-949,896,864.59**	**-1,072,050,337.36**	**-155,363,218.70**	**58%**

Table: Annex 10 – 5.4-2

The recovery rates quoted in this table are based on the data communicated by the Paying Agencies in their annual accounts. Similarly to the previous table, this table presents a snapshot of the situation of recoveries as at 15 October 2019.

5.5 DG AGRI Enquiries

Based on the annual accounts of financial year 2019, the global amount subject to debt management is approximately **EUR 1.75 billion**.

Based on the results of the audit work carried out by DG AGRI (desk audits and missions) as well as on the audit work of external audit bodies (Certification Bodies, European Court of Auditors, OLAF), the consolidated assessment of DG AGRI, at the end of 2019, as regards the effectiveness of irregularities and debt management and control systems (IDMCS) can be described as follows:

- the IDMCS implemented in the following Paying Agencies is partially effective and some substantial improvements are necessary: BG01, DE17, DE26, FR05, FR19, FR20, GB05, GB06, GB09, IT01, IT26, MT01, PL01, RO01 and RO02.

*C*oncerning the Italian Paying Agency AGEA (IT01), despite the clear progress made in the implementation of the ongoing action plan, various problems remain in particular in relation to debt management, supervision of delegated tasks and the organisational structure (see also sub-section 2.1.4), as mentioned in the Certification Body audit report for financial year 2019. These deficiencies as well as the findings identified in DG AGRI audit mission on the Paying Agency's compliance with the accreditation criteria, carried out in 2019, will be followed up in the corresponding conformity audits.

Part 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 which 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 checks of these requirements do not pertain to the legality and regularity of the underlying transactions. Penalties imposed for non-compliance with cross-compliance requirements are therefore 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.

The results of the checks on cross-compliance are shown in table Annex 10 – 6-1 for claim year 2018 (financial year 2019). That table shows that 2.48% of all claimants were checked as regards their compliance with cross-compliance requirements in claim year 2018, and thereby the minimum control rate of 1% was globally respected. The claim year 2018 rate of farmers checked on the spot and subsequently subject to a cross-compliance sanction was 24.54%.

According to the control statistics, total cross-compliance sanctions in respect of claim year 2018 amounted to EUR 55.6 million. Sanctions following regulatory on-the-spot checks amounted to EUR 34.6 million in total.

A further analysis allows identifying 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 EUR 28.3 million (2.60% of the aid covered by on-the-spot checks). Additional EUR 26.4 million of sanctions was applied following repetition and intentional non-compliance.

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	102 206	2 137	2.09%	374	17.50%
BE	35 624	3 513	9.86%	507	14.43%
DE	293 677	8 553	2.91%	3 017	35.27%
DK	38 237	401	1.05%	171	42.64%
EL	492 678	5 018	1.02%	2 163	43.10%
ES	577 566	8 297	1.44%	2 553	30.77%
FI	49 708	1 479	2.98%	208	14.06%
FR	321 684	12 927	4.02%	2 693	20.83%
IE	127 431	1 466	1.15%	568	38.74%
IT	681 224	22 572	3.31%	2 896	12.83%
LU	1 772	297	16.76%	121	40.74%
NL	48 008	484	1.01%	43	8.88%
PT	134 860	2 742	2.03%	1 392	50.77%
SE	59 117	608	1.03%	257	42.27%
UK	146 126	3 769	2.58%	773	20.51%
EU-15 2018	**3 109 918**	**74 263**	**2.39%**	**17 736**	**23.88%**
EU-15 2017	*2 716 218*	*64 601*	2.38%	*13 081*	20 25%
CY	32 408	490	1.51%	106	21.63%
CZ	31 140	2 728	8.76%	145	5.32%
EE	18 870	506	2.68%	23	4.55%
HU	149 253	7 256	4.86%	994	13.70%
LV	46 482	1 044	2.25%	142	13.60%
LT	127 787	2 205	1.73%	417	18.91%
MT	1 020	296	29.02%	179	60.47%
PL	700 134	16 117	2.30%	2 834	17.58%
SK	18 959	565	2.98%	173	30.62%
SI	57 135	927	1.62%	374	40.35%
EU-10 2018	**1 183 188**	**32 134**	**2.72%**	**7 669**	**23.87%**
EU-10 2017	1 163 200	32 171	2.77%	5 502	20.21%
BG	68 087	1 487	2.18%	526	35.37%
RO	582 649	14 544	2.50%	3 401	23.38%
EU-2 2018	**650 736**	**16 031**	**2.46%**	**3 927**	**24.50%**
EU-2 2017	*636 611*	*6 595*	1.04%	*2 255*	34.19%
HR	107 565	2 632	2.45%	1 359	51.63%
EU-1 2018	**107 565**	**2 632**	**2.45%**	**1 359**	**51.63%**
EU-1 2017	105 774	2 563	2.00%	1 471	57 39%
EU-28 2018	**5 051 407**	**125 060**	**2.48%**	**30 691**	**24.54%**
EU-28 2017	*4 621 803*	*105 930*	2.29%	*23 309*	22.00%

Table: Annex 10 – 6-1

Table 7.1 Overview of the estimated cost of controls at European Commission (EC) level

Relevant control system for shared management*							
Ex ante controls			Ex post controls			Total	
(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
EC total costs (in EUR)	funds managed (in EUR)[66]	Ratio (%) *(a)/(b)*	EC total costs (in EUR)	total value verified and/or audited (in EUR)	Ratio (%) *(d)/(e)*	EC total estimated cost of controls (in EUR) *(a)+(d)*	Ratio (%)* *(g)/(b)*
39 620 320	**58.063.881.881,75**	**0.07%**	**17 053 800**	**N/A**	**N/A**	**56 674 120**	**0.1%**

***** *DG AGRI operates under shared management. It does not collect the data for ex ante and ex post controls separately. The figures for the EC total estimated cost of control relate, for nearly one third, to the staff involved in audit activities. The remaining costs relate to staff in the operational directorates and to staff involved in the financial management of the funds. In addition, staff responsible for evaluation, legal affairs, IT systems and general management overheads are also included in the calculation.*

[66] Funds managed = payments made, revenues and/or other significant non-spending items such as e.g. assets, liabilities, etc.

Part 8: Assessment of the amount at risk for indirect management

SAPARD (Special Accession Programme for Agriculture and Rural Development) and IPARD (Instrument for Pre-Accession Assistance in Rural Development) expenditure are managed by DG AGRI under the decentralised or indirect management mode[67].

Description of the management and control system

For both SAPARD and IPARD funds, assurance is obtained based on a management and control system for programmes established in line with both the principles of the agricultural funds and the relevant external aid provisions of the Financial Regulation.

In particular, for both SAPARD and IPARD, the management and control system has a structure similar to the one applicable under EAGF and EAFRD, with however some more stringent conditions. The main ones are the following:

- The accreditation of the structures at national level only, is not sufficient to enable the management and control systems in the beneficiary countries to start operating. In accordance with the rules established in the Financial Regulation for indirect management, following the setup of the management and control system by the national authorities, the Commission needs to formally entrust the budget implementation tasks to the beneficiary countries, after having verified their level of preparedness;
- Once budget implementation tasks have been entrusted, substantial changes to the management and control procedures need the prior approval of DG AGRI before they can be put into operation;
- More extensive control procedures and stricter conditions for payments to the recipients apply, compared to the same measures in EAFRD.

Audit work by DG AGRI

The Framework and Sectoral Agreements for IPARD provide for financial and conformity audits. Following the above agreements, principles and procedures similar to EAGF and EAFRD apply with however some important differences as described above.

For both SAPARD and IPARD funds, the audit work by DG AGRI focuses on the verification of compliance with the conditions laid down in the legal framework, as set out in the applicable regulations and agreements signed between each beneficiary country and the Commission.

As regards IPARD, the audit work is about assessing the procedures and structures of the entities in charge of the implementation of the IPARD policy area/component prior to entrustment/conferral of management (entrustment audits)[68], ex-post audits (conformity audits) and the audit work conducted by independent Audit Authorities[69] at national level (whose results are used in the financial clearance) as well as audit work to verify the proper functioning of the said Audit Authorities (Verifications audits).

Explanatory box 2.1.1.2.3-1

[67] Chapter 2, Section 1 of Regulation (EU, Euratom) 2018/1046 of the European Parliament and of the Council of 30 July 2018 on the financial rules applicable to the general budget of the Union.
[68] The "conferral of management powers" in IPARD 2007-2013 corresponds to the "Entrustment of budget implementation tasks" in IPARD 2014-2020.
[69] The Audit Authorities in IPARD correspond to the Certification Bodies in EAGF/EAFRD.

SAPARD

SAPARD helped countries of Central and Eastern Europe deal with the problems of the structural adjustment in their agricultural sectors and rural areas, as well as in the implementation of the acquis communautaire concerning the Common Agricultural Policy (CAP) and related legislation.

The last payments under the SAPARD Programme for Bulgaria, Croatia and Romania were made in December 2009. The expenditure effected in 2009 had been subject to a number of audits carried out between 2010 and 2015 in order to ensure that during the five years after the final payment the projects did not undergo a substantial modification and that a debtors' ledger continued to be used until the end of 2016. In 2019, part of the pre-financing paid out for the SAPARD programmes has been cleared (EUR 1.877.062,56 for Croatia and EUR 5.548.771,48 for Bulgaria) through recovery orders.

By the end of 2017, the SAPARD accounts, for all countries and all years, were cleared. Further work was carried out to clear the debts. In 2019, the final balance for Bulgaria was calculated and the programme was closed. The final balance and the closure of the program for Romania will be done in 2020.

IPARD I (2007-2013)

IPARD is a pre-accession Programme of the EU for the period 2007-2013, the implementation of which is still on-going. It is an integral part of the IPA (Instrument for Pre-accession Assistance), of which the main objectives are to assist candidate and potential candidate countries in their harmonisation and implementation of the EU acquis, as well as preparation for the management of the future EU funds. The objectives of IPARD are to provide assistance for the implementation of the acquis concerning the Common Agricultural Policy and to contribute to the sustainable adaptation of the agricultural sector and rural areas in the candidate country.

IPARD continues to operate **without ex-ante controls by the Commission**. This approach was deliberately chosen by the Commission in view of the potentially large number of small projects to be implemented under the programmes, which would require a considerable number of additional staff in the EU delegations. This form of management is also considered to be the best preparation for candidate countries for the implementation of rural development funds after accession.

The IACS (Integrated Administration and Control System) is not yet operational in the IPARD countries, because it is not a legal requirement for pre-accession countries and because area and animal based measures are still being subsidised with national funds. Turkey has set up a system to implement, on a very small scale, an area support measure (measure 4 agri-environment-climate and organic farming), and a call for applications was launched in January 2019 (under IPARD II).

In 2019, there were no reimbursements by the Commission to the beneficiary countries for IPARD I.

In 2017, a conformity enquiry was carried out in North Macedonia, which resulted in findings regarding a weakness in the key control "*Appropriate checks to ensure that the applicant fulfils all eligibility criteria of the aid scheme and/or support measure*" and especially the verification of whether the beneficiary is a Small or Medium Enterprise. Furthermore, weaknesses in a key control as regards the reference price list and the three offer system were detected. For these weaknesses, no financial correction was proposed; however, the authorities were recommended to improve the management and control system.

In 2018, a conformity enquiry was carried out in the Republic of Turkey covering both IPARD I and IPARD II, which resulted in findings regarding weaknesses in 3 key controls "*Appropriate checks to ensure that the applicant fulfils all eligibility criteria of the aid scheme and/or support measure*", "*Sufficient quality of ex-post controls on investment operations*", "*Appropriate checks to ensure that investment/project/ application fulfils all eligibility criteria as laid down in the regulatory framework and the eligibility criteria as laid down in the IPARD II programme*". For these weaknesses at the end of the bilateral procedure for the enquiry a financial correction has been proposed for 2 measures and 2 Key controls: 1) key control: Appropriate checks to ensure that the applicant fulfils all eligibility criteria of the aid scheme and/or support measure (Article 7(1) of the Framework Agreement (FA) and Articles 11(2)(a), 13(1), 17(1)(a) 18(2) and 41 of the Sectorial Agreement (SA)) – for M302 (Diversification and development of rural economic activities); and 2) key control: Sufficient quality of ex-post controls on investment operations (Articles 14 and 21 of SA) - M101 (Investments in agricultural holdings to restructure and to upgrade to Community standards)*.*

For both weaknesses, Turkish authorities have already put in place corrective measures. An adjustment for financial year 2019 is therefore not required. In addition, due to an inconsistency identified as the source of non-compliance between the IPARD programme and the Sectoral Agreement, the Turkish authorities will modify the provisions about the common eligibility criteria of beneficiaries as defined in the IPARD Programme and will bring them in line with the Sectoral Agreement for the future.

Audit work as regards financial clearance for IPARD I

Under IPARD I, the beneficiary countries have to send the **Accounts**, the Statement of Assurance (**Management Declaration**) and the **Audit Authority opinion and report** on the management and control system as well as on the expenditure declared to the Commission. DG AGRI assesses the above documents and, by 15 July N+1, has to inform the countries on the result of the clearance of accounts exercise. In case the conditions to clear the accounts are met, the Commission adopts a decision by 30 September N+1. In 2019, there was no expenditure declared under IPARD I.

The 2017 accounts of **North Macedonia**, that were not cleared due to the presence of material errors in the expenditure, will be proposed for clearance in 2020, following the closure of the relevant conformity enquiry.

Conclusion for IPARD I (2007-2013)

There was no expenditure under IPARD I for indirect management (ABB05).

The decisions for closure of the IPARD I programmes for the 3 beneficiary countries are planned for 2020-2021.

IPARD II (2014-2020)

Albania received pre-financing of EUR 6.75 million. Albania had expenditure of EUR 883 484.43.

Additional pre-financing of EUR 0.9 million was paid to Montenegro in 2019. The country had expenditure of EUR 1 367 201.03 in 2019.

North Macedonia effected in 2019 IPARD II expenditure of EUR 9 018 831.84.

In the first half of 2018, entrustment under IPARD II was granted to Serbia. The country received pre-financing in 2019 equal to EUR 6 million and declared EUR 4 577 520.35 of expenditure.

Turkey received pre-financing EUR 9 531 350 and effected expenditure in 2019 of EUR 49 238 243.72.

Reference is made to the conformity enquiry in Turkey mentioned under IPARD I, as it also covered IPARD II expenditure. The Turkish authorities have already put in place corrective measures for the weaknesses identified. Top up for financial year 2019 is therefore not required (further details are presented in IPARD I section).

Audit work as regards financial clearance for IPARD II

Under IPARD II, the beneficiary countries have to send the **Accounts** and the **Management Declaration** by 15 February N+1 and the **Audit Authority opinion and Annual Audit Activity Report** on the management and control system as well as on the expenditure declared to the Commission by 15 March N+1.

DG AGRI assesses the above documents and, by 15 July N+1, has to inform the countries on the result of the clearance of accounts exercise. In case the conditions to clear the accounts are met, the Commission adopts a decision by the end of N+1.

In 2019, DG AGRI cleared the 2018 accounts for **Albania, Montenegro, North Macedonia, Serbia and Turkey**. DG AGRI launched a conformity enquiry for Turkey due to financial errors found by the Audit Authority.

Conclusion for IPARD II (2014-2020)

As regards expenditure implemented under indirect management (ABB05), taking into account the results of previous DG AGRI audits and the corrective measures implemented by the audited candidate countries, DG AGRI does not have any element to consider a certain part of the expenditure at risk. Consequently, DG AGRI estimates that the overall adjusted error rate for IPARD II is 0.00%.

The table below shows the amount at risk for IPARD II.

Therefore, it is not necessary to issue a reservation for IPARD II expenditure (ABB05) for financial year 2019.

Overall adjusted error rate as regards IPARD II expenditure and cleared pre-financing (ABB 05) in 2019						
Country	**Payments made (EUR)**	**Pre-financing paid (EUR)**	**Cleared pre-financing (EUR)**	**TOTAL relevant expenditure (EUR) (payments made - pre-financing + cleared amounts)**	**Adjusted error rate**	**Amount at risk (EUR)**
AL	6 750 000	6 750 000	0	0	0%	0
ME	1 139 791.08	900 000	0	239 791.08	0%	0
MK	6 176 038.38	0	0	6 176 038.38	0%	0
RS	8 097 623.51	6 000 000	0	2 097 623.51	0%	0
TR	51 793 536.40	9 531 350.00	0	42 262 186.40	0%	0
Total ABB 05	**73 956 989.37**	**23 181 350.00**	**0**	**50 775 639.37**	**0%**	**0**

Table: 2.1.1.2.3-4

Annex 10 – Part 8 – Assessment of the amount at risk for indirect management

Conclusion for Indirect management

Title 05	Agriculture and rural development	Payments made (EUR)	Prefinancing paid (EUR)	Cleared prefinancing (EUR)	Relevant expenditure (EUR)	Adjusted error rate	Amount at risk (EUR)
0505	Instrument for Pre-accession Assistance	73 956 989	23 181 350	-	50 775 639	0.00%	-
Total		**73 956 989**				**0.00%**	**-**

Table: 2.1.1.2.3-5

Taking IPARD I and IPARD II together, for the EUR 73.96 million in indirect management under the pre-accession programmes, **the maximum amount at risk is estimated at EUR 0 indicating an estimated adjusted error rate for relevant expenditure of 0.00%**.

Part 9: Budget implementation tasks entrusted to other DGs and Agencies

Budget implementation tasks entrusted to other DGs and Agencies

The **Commission supervises the implementation of the EU programmes entrusted to Executive Agencies** in line with the requirements of Council Regulation (EC) No 58/2003. The framework of such supervision is defined in the Act of Delegation and further detailed in the Memorandum of understanding and in the supervision strategies agreed upon at Director level.

Details regarding the budget implementation tasks entrusted to other DGs and Agencies can be found in Annex 10 - Part.

Research activities (REA)

REA implements DG AGRI's Horizon 2020 activity under Societal Challenge 2 (SC2)[70] since the handover on 1 November 2014. DG AGRI defined a supervision strategy for REA in 2015. The main elements are the preparation and participation in the Steering Committee meetings, the regular coordination meetings both at Director and at working levels, the annual planning and reporting cycle from the AWP to the AAR - including the interim reporting - and the budget cycle and management reporting.

REA's Steering Committee (of which DG AGRI is a member as parent DG) constitutes the main supervision mechanism allowing for the appropriate monitoring of the Agency's activities. DG AGRI participated in the four Steering Committees chaired by DG RTD in 2019. The analysis of meeting documents and outcome did not raise major concerns or particular comments, nor called for further specific actions.

Furthermore, in the framework of the **annual planning and reporting cycle**, the programming documents such as the annual work programme (AWP) and the AAR - including the 2019 Interim report covering the first six months - were scrutinised, summarised and commented upon. There are no major difficulties to be reported, and some elements worth following-up have been fed into the supervision cycle.

In addition, DG AGRI participated to three **SC2 operational coordination meetings** at Director and Unit levels in 2019. These meetings between REA and its parent DGs (DG AGRI and DG RTD) ensure a proper monitoring and follow-up of delegated activities.

Likewise, **within the frame of activities of DG AGRI as parent DG of the Research and Innovation family**, DG AGRI attended several inter-service groups:

- The Client in Audit research (CLAR)
- The research Budget Network (RBN)
- The legal Mechanism issue Group (LMIG)
- The Coordination of research family Parent DGs on supervision and governance.

No major issues arose from the discussions within those inter-service groups that need to be raised in this report.

[70] 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 and the recovery of biological diversity, alongside competitive and low carbon supply, processing and marketing chains.

According to Council Regulation (EC) No 58/2003, the European Commission is required to carry out an **external study** of the operation of each of the Executive Agencies every three years. This study supporting the evaluation of the operation of REA, covering the period 2015-2018, was finalised in 2019. The overall conclusion was very positive on REA's performance and efficiency.

Finally, through close collaboration with REA, **full execution of the relevant part of the 2019 operational budget** under its responsibility was ensured both in commitments (CA) and in payments(CP): CA: EUR 271.629.471 (100%) – PA: EUR 206.416.734 (100%).

The flash report of the REA Steering Committee of 19 February 2020 indicated that the "**Committee endorsed the draft Annual Activity Report 2019** (…). REA **will not make a reservation**".

Agricultural Promotion (CHAFEA)

DG AGRI defined in 2017 its **supervision strategy for** CHAFEA, which manages since the handover on 15/03/2016 specific tasks related to the information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries. The main elements are the preparation and participation in the Steering Committee meetings, the regular coordination meetings both at Director and at working level, and the annual planning and reporting cycle from the AWP to the AAR (including the interim reporting).

DG AGRI participates in **CHAFEA's Steering Committee** as parent DG which constitutes the main supervision mechanism allowing for the appropriate monitoring of the Agency's activities. DG AGRI participated in the four Steering Committees chaired by DG SANTE held in 2019. The analysis of meeting documents and outcome did not raise major concerns or particular comments.

Furthermore, the programming documents such as the AWP and the AAR, as well as the 2019 quarterly reports, were scrutinised, summarised and commented upon from a supervision point of view in the framework of the **annual planning and reporting cycle**. There are no major difficulties to be reported from a supervision point of view and some elements worth following-up have been fed into the supervision cycle.

Finally, the meetings related to the **task force on simplification** (CHAFEA/Parent DGs) set up in 2018 were continued in 2019, in the view to pursue the simplification and the harmonisation of the reporting and to address the recommendation made in the context of the CHAFEA evaluation.

At CHAFEA's Steering Committee meeting of 20 February 2020, the Director presented the Agency's draft Annual Activity Report 2019. She mentioned that there were **no reservations**, and **no critical risk was identified** for internal control.

Based on the (draft) AARs presented by both Executive Agencies REA and CHAFEA at their respective Steering Committee meetings as well as the draft minutes of these, it would therefore appear that there are no identified reservations or critical risks.

Cross sub-delegations

When the Authorising Officer by Delegation cross sub-delegates 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 sub-delegation shall report to the Authorising Officer by Delegation on the implementation of the amounts cross sub-delegated. 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 2019 budget, DG AGRI cross sub-delegated the management of some actions to other Directorates-General/Offices (DG GROW and PMO).

For each report provided by the respective DG/Office, the Heads of Unit of DG AGRI in charge of the cross sub-delegated activities and budget lines have been consulted. None of the reports contains any issues or anomalies.

The cross sub-delegations are summarised in the table below:

Cross sub-delegations

In 2019, DG AGRI has cross-subdelegated activities to the PMO (only for payment operations) and to DG GROW.

B2019 credits transferred by DG AGRI (receiver ABAC appropriations BGUE-B2019-05.XXXXXX-C1-AGRI/XXX):

Cross subdelegation to :	**PMO**	**GROW**
Budget Line (Differentiated Credits):		
Transferred Commitment Credit		
Transferred Payment Credit		
Consumed Commitment Credit		
Consumed Payment Credit		
Budget Line (Non-Differentiated Credit)	**05.010401**	**05.080900**
Transferred Non-Differentiated Credit	0,00	400.000,00
Consumed Non-Differentiated Credit	0,00	400.000,00

Table 10.1 - Minimisation of the risk of fraud

Objective: Minimisation of the risk of fraud through application of effective anti-fraud measures, integrated in all activities of the DG, based on the DG's anti-fraud strategy (AFS) aimed at the prevention, detection and reparation of fraud.			
Main outputs in 2019:			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Update of DG AGRI's anti-fraud strategy	Revise DG AGRI Anti-fraud Strategy, action plan and the internal rules in DG AGRI on the handling of allegations of fraud, and of OLAF cases; if a revision proves necessary, present the revised version for adoption	End of 2019	New target: End June 2020
Implementation of action points planned for 2018 in DG AGRI's anti-fraud strategy	Implemented action points planned for 2019	100% until end of 2019	100% achieved
Prevention of fraud	Deploy further training to raise fraud awareness among general staff of DG AGRI.	1 EU Learn training by the end of 2019	No additional training required
	Continue deploying specific fraud detection and prevention training to operational staff of Paying Agencies in the Member States at their request	Cover 100 % of requests as appropriate.	No requests received in 2019
Investigations conducted by OLAF	Timely referral of denunciations to OLAF for investigation	100%	100% achieved
	Cooperation with OLAF in establishing financial recommendations and their follow-up.		

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (not applicable)

ANNEX 12: Performance tables[71]

General objective: **A New Boost for Jobs, Growth and Investment**		
Impact indicator: Percentage of EU GDP invested in R&D (combined public and private investment) **Source of the data**: *Eurostat[72]. Eurostat table rd_e_gerdtot*		
Baseline (2012)	**Latest known value** (2018)	**Target** (2020)
2.00%	2.12% (provisional)	3.00%
Impact indicator: Employment rate population, age group 20-64 **Source of the data**: Eurostat. Eurostat table lfsi_emp_a		
Baseline (2014)	**Latest known value** (2018)	**Target** (2020)
69.2%	73.2%	At least 75%
General objective: **A Connected Digital Single Market**		
Impact indicator: Aggregate score in Digital Economy and Society Index (DESI) EU-28 ([73]) **Source of the data:** Digital Economy and Society Index		
Baseline (DESI 2015)	**Latest known value** (DESI-2019)	**Target** (2020)
41.8	52.5	Increase
General objective: **A Resilient Energy Union with a Forward-Looking Climate Change Policy**		
Impact indicator: Greenhouse gas emissions (index 1990=100) **Source of the data**: European Environmental Agency		
Baseline (2013)	**Latest known value** (2018 prox. estimates by EEA)	**Target** (2020)
80.5%	76.81%	At least 20% GHG emission reduction (index ≤ 80% of 1990 emissions)

[71] The performance indicators reported in this annex reflect the set of indicators of DG AGRI's Strategic Plan 2016-2020, and are reported upon with a view to ensure coherence with other reporting documents such as the Programme Statements which accompagny the Draft Budget for a given year (http://ec.europa.eu/budget/biblio/documents/index_en.cfm).

[72] Eurostat periodically revises its published data (including corrections of baselines retrospectively) to reflect new or improved information, also for previous years. The latest published data are available by clicking on 'bookmark'. The 'latest known value' column reflects the data that were available at the time of the preparation of the *Annual activity report 2019* and is the reference point for the annual activity reports of Commission services.

[73] The Digital Economy and Society Index is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The closer the value is to 1 the better. The DESI index is calculated as the weighted average of the five main DESI dimensions: (1) connectivity (25%), (2) human capital (25%), (3) use of internet (15%), (4) integration of digital technology (20%), and (5) digital public services (15%). The DESI index is updated once a year.

General objective: **A balanced and progressive trade policy to harness globalisation**[74]			
Impact indicator: Percentage of EU trade in goods and services as well as investment covered by applied EU preferential trade and investment agreements **Source of the data**: Eurostat for the raw indicators (1,2,3) and DG Trade for the list of countries covered by trade and investments agreements (4)			
Baseline Goods average for 2014-2016, average of services and of foreign direct investment (FDI) for 2013-2015	**Latest known value** Goods and services average 2016-2018, average of foreign direct investment for 2015-2017, FTA status: 2019	**Milestone*** (2018)	**Target*** (2020)
Goods: Imports 27% Exports 32% Total 29% **Services**: Imports 10% Exports 9% Total 9% **FDI stocks**: Imports 4% Exports 7% Total 6%	**Goods**: Imports 34% Exports 39% Total 37% **Services**: Imports 18% Exports 20% Total 19% **FDI stocks**: Imports 15% Exports 16% Total 16%	**Goods**: Imports 32% Exports 37% Total 34% **Services**: Imports 15% Exports 15% Total 15% **FDI stocks**: Imports 9% Exports 13% Total 11%	**Goods**: Imports 51% Exports 61% Total 56% **Services**: Imports 54% Exports 52% Total 53% **FDI stocks**: Imports 55% Exports 59% Total 57%
Source of goods: (1) Goods bookmark to the denominator and goods per partner country in the nominator. *Source of services*: (2) Services bookmark to the denominator and services per partner country in the nominator. *Source of foreign direct investment stocks:* (3) *foreign direct investment* stocks bookmark to the denominator and *foreign direct investment* stocks per partner country in the nominator. *Source of trade*: (4) DG Trade: trade and investments agreements (see agreements under 'In place' and 'Agreements partly in place'). * The milestone and target figures are based on expectations of provisional application/entry into force of agreements that are currently under negotiation (see also result indicator 1.1: "Number of on-going EU trade and investment negotiations and number of applied EU trade and investment agreements" of DG TRADE's Strategic Plan 2016-2020).			

[74] The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S") and introducing a new impact indicator replacing the old one "Share US in total EU FDI stocks".

CAP reform proposals

The CAP reform proposals are cross-cutting and relate to all specific objectives. The key objective for DG AGRI is to ensure progress in the negotiations of these proposals.

Commission General Objective 1. A New Boost for Jobs, Growth and Investment **Commission General Objective 2. A Connected Digital Single Market** **Commission General Objective 3. A Resilient Energy Union with a Forward-Looking Climate Change Policy** **Commission General Objective 6: A balanced and progressive trade policy to harness globalisation**			
CAP common objective: Viable food production **CAP common objective: Sustainable management of natural resources and climate action** **CAP common objective: Balanced territorial development**			
Linked to all specific DG AGRI objectives outlined in this section			Related to spending programmes: EAGF / EAFRD
Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) (COM(2018) 392)	Political agreement	2019 / 2020	Progress report from the Finnish Presidency, included a revised set of drafting suggestions. EP report adopted by COMAGRI in April 2019. COMAGRI mandated the rapporteurs and shadows to continue work to find a consensus as broad as possible on a limited list of articles with a view to Political Groups tabling amendments to Plenary for adoption mid-2020
Financing, management and monitoring of the common agricultural policy (COM(2018) 393)	Political agreement	2019 / 2020	Progress report from the Finnish Presidency, included a revised set of drafting suggestions. EP report adopted by COMAGRI in April 2019.COMAGRI mandated the rapporteurs and shadows to continue work to find a consensus as broad as possible on a limited list of articles with a view to Political Groups tabling amendments to Plenary for adoption mid-2020
Common organisation of the markets in agricultural products (COM(2018) 394)	Political agreement	2019 / 2020	Progress report from the Finnish Presidency, included a revised set of drafting suggestions. EP report adopted by COMAGRI in April 2019. COMAGRI mandated the rapporteurs and shadows to continue work to find a consensus as broad as possible on a limited list of articles with a view to Political Groups tabling amendments to Plenary for adoption mid-2020

Transitional regulation

In order to ensure the continuity of the CAP in 2021, due to the delayed negotiation of the CAP reform proposals, the Commission adopted two proposals for transitional regulations allowing for the current (2014-2020) legal framework to cover the "2021 gap year".

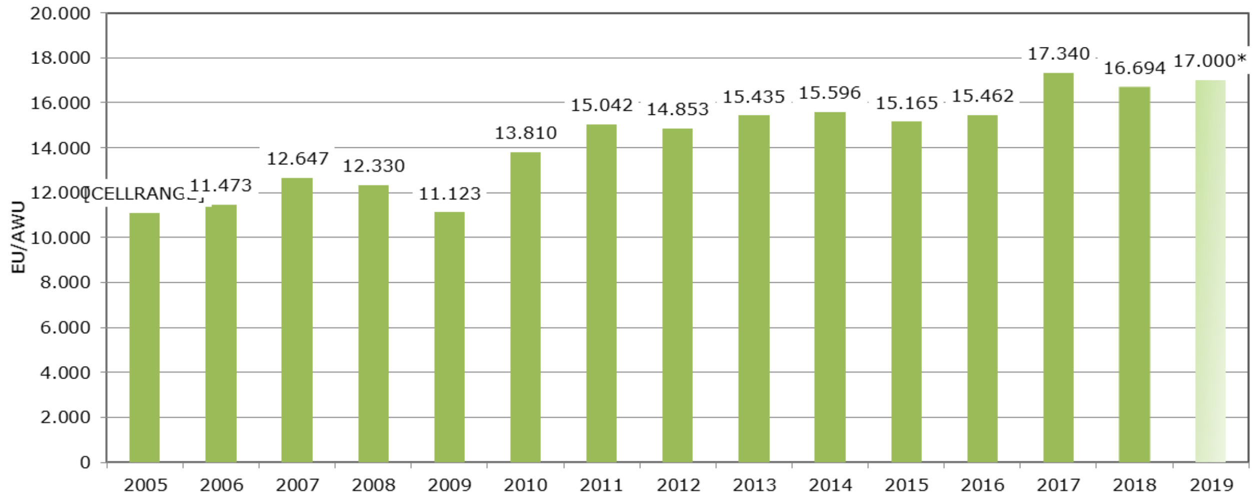
Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Commission proposal for a transitional regulation	Adoption	2019	Adoption of two transitional proposals on 31.10.2019 (COM/2019/580 final[75] and COM/2019/581 final[76]).

[75] Proposal for a Regulation of the European Parliament and of the Council amending Regulation (EU) No 1306/2013 as regards financial discipline as from financial year 2021 and Regulation (EU) No 1307/2013 as regards flexibility between pillars in respect of calendar year 2020.

[76] Proposal for a Regulation of the European Parliament and of the Council laying down certain transitional provisions for the support by the European Agricultural Fund for Rural Development (EAFRD) and by the European Agricultural Guarantee Fund (EAGF) in the year 2021 and amending Regulations (EU) No 228/2013, (EU) No 229/2013 and (EU) No 1308/2013 as regards resources and their distribution in respect of the year 2021 and amending Regulations (EU) No 1305/2013, (EU) No 1306/2013 and (EU) No 1307/2013 as regards their resources and application in the year 2021.

Common CAP objective 1: Viable food production

Common CAP objective 1: Viable food production		
CAP Impact indicator: Agricultural factor income[77] **Definition**: Agricultural factor income (net value added at factor costs) per annual work unit (AWU) (in real terms)[78] **Source of the data**: Eurostat – Economic Accounts for Agriculture (calculations by DG AGRI) This indicator is also used in the Programme Statements.		
Baseline (2012 - EU-28)	**Target**	**Latest known results** (2018 – EU-28)
14 865 EUR/AWU[79] (in real prices)	To increase *Article 39 (1)(b) TFEU*	17 000 EUR/AWU

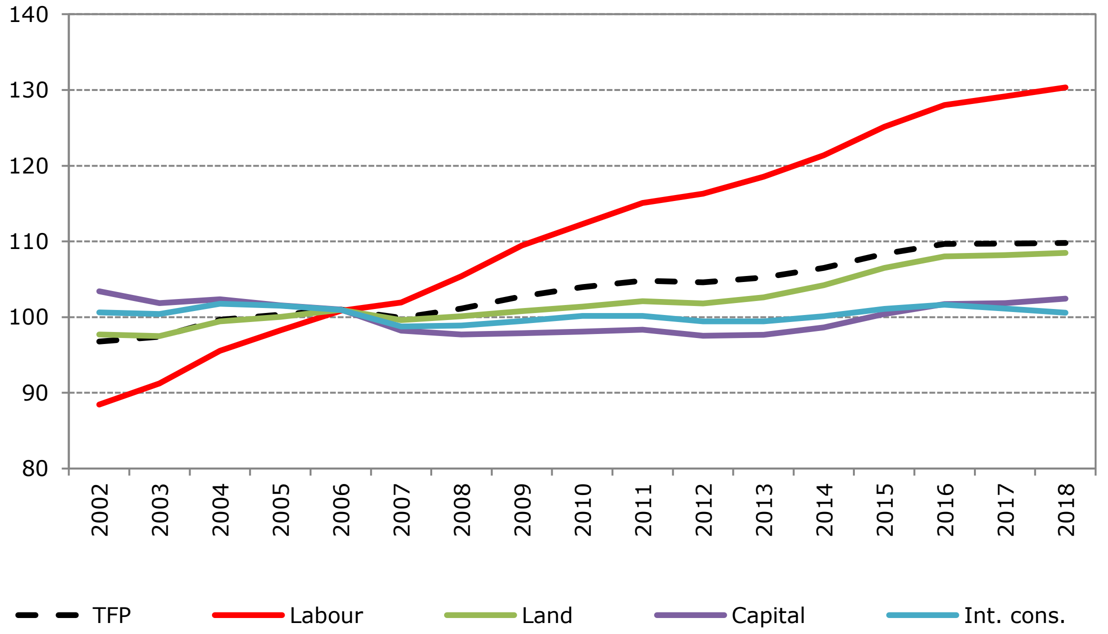


* 2019: first estimates

[77] In 2015, Eurostat changed the base year for the economic accounts for agriculture from 2005 to 2010, which has retroactive effects on values published previously. Eurostat has also updated values for previous years.
[78] Agricultural factor income is defined as the net value added at factor costs, calculated according to the following equation:
Value of agricultural production
- variable input costs (fertilisers, pesticides, feed, etc.)
- depreciation
- total taxes (on products and production)
+ total subsidies (on products and production)
= factor income (net value added at factor costs)
An annual work unit is the work performed by one person who is occupied on an agricultural holding on a full-time basis.
[79] Eurostat regularly updates values for previous years when new data become available. This explains slight changes in the baseline value.

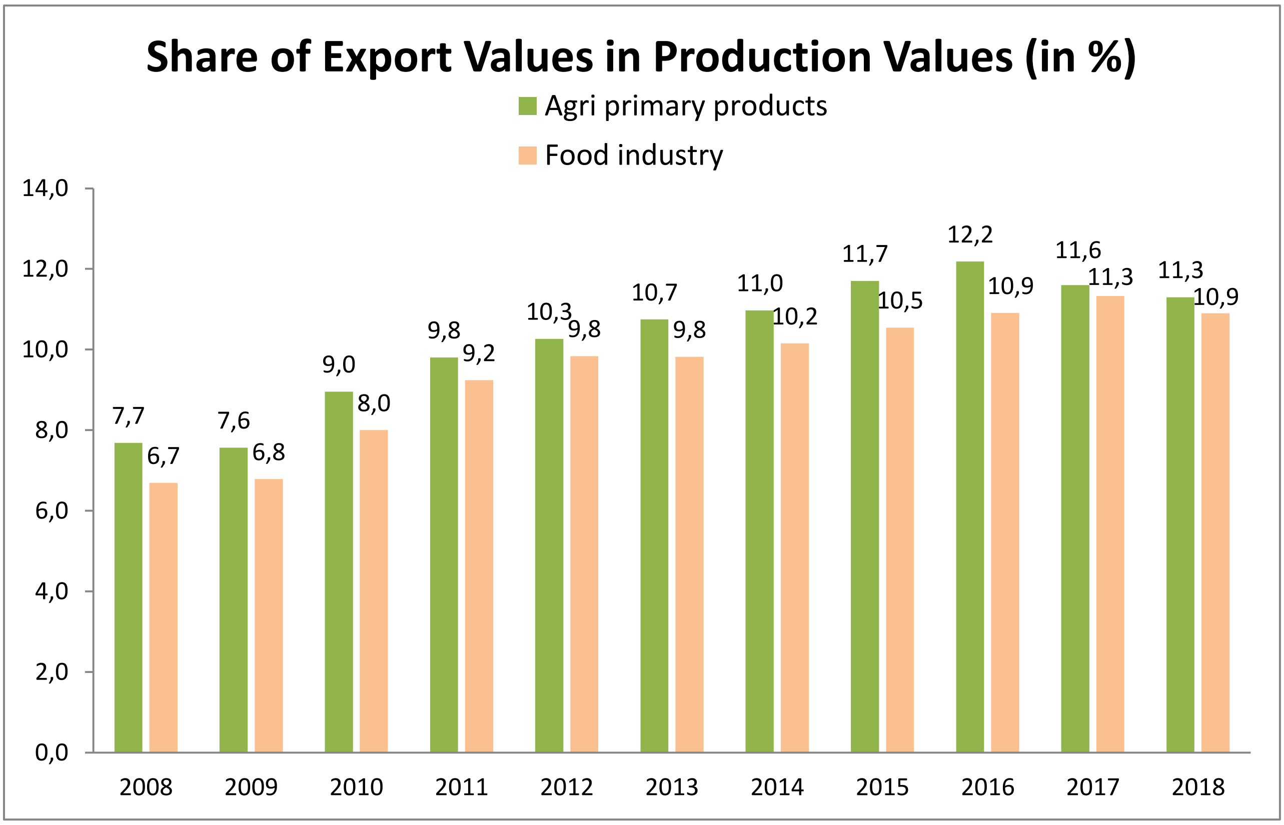
CAP Impact indicator: Total factor productivity in agriculture **Definition**: Total factor productivity (TFP) compares total outputs relative to the total inputs used in production of the output (both output and inputs are expressed in term of volumes) **Source of the data**: DG AGRI calculation based on Eurostat data This indicator is also used in the Programme Statements.		
Baseline (2012-2014, average)	**Target**	**Latest known results** (2018)
106.2 (index 2005 = 100)	To increase *Article 39 (1)(a) TFEU*	110

Total Factor Productivity and partial productivity growth in the EU-28 (3-year moving average)



"TFP" means Total Factor Productivity
"Int. cons." Means "Intermediate Consumption". It measures the value of the goods and services consumed as inputs by a process of production.
Source: DG AGRI, https://ec.europa.eu/agriculture/cap-indicators/context_en

Specific objective: To improve the competitiveness of the agricultural sector and enhance its value share in the food chain		Related to spending programme: EAGF
Result indicator: Share of EU agricultural exports in total value of production **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 of data**: 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 of data**: Eurostat[80], Prodcom[81]		
Baseline (2011)	**Target** (2020)	**Latest known results (2018)**
Agricultural primary products: 9.8% Processed food products: 8.9%	Agricultural Primary products: 14% Processed food products: 11.5%	Agricultural Primary products: 11.3% Processed food products: 10.9%



[80] Eurostat has updated values for previous years.
[81] Eurostat / Prodcom - Statistics by product (http://ec.europa.eu/eurostat/web/prodcom)

<table>
<tr><td colspan="3">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 processing, food distribution and food service activities).
Source of data: Eurostat – National Accounts, Structural Business Statistics
This indicator is also used in the Programme Statements.</td></tr>
<tr><td>(2011)[82]</td><td>Target</td><td>Latest known results (2017)</td></tr>
<tr><td>
<table>
<tr><th>EU-28</th><th>Value added (in billion EUR)</th><th>%</th></tr>
<tr><td>Primary production</td><td>213</td><td>26</td></tr>
<tr><td>Processing</td><td>214</td><td>26</td></tr>
<tr><td>Retail and wholesale</td><td>256</td><td>31</td></tr>
<tr><td>Food services</td><td>142</td><td>17</td></tr>
</table>
</td><td>Higher share of value added for primary products in the food chain
Regulation n°1308/2013</td><td>
<table>
<tr><th>EU-28</th><th>Value added (in billion EUR)</th><th>%</th></tr>
<tr><td>Primary production</td><td>234</td><td>24</td></tr>
<tr><td>Processing</td><td>252</td><td>26</td></tr>
<tr><td>Retail and wholesale</td><td>309</td><td>32</td></tr>
<tr><td>Food services</td><td>184</td><td>19</td></tr>
</table>
</td></tr>
<tr><td colspan="3">Result indicator: Ratio between EU and World agricultural commodity prices
See below under the specific objective "To better reflect consumer expectations"</td></tr>
</table>

<table>
<tr><td colspan="4">Main outputs in 2019:</td></tr>
<tr><td colspan="4">Delivery on legislative proposals pending with the legislator</td></tr>
<tr><td>Description</td><td>Indicator</td><td>Target</td><td>Latest known results (situation on 31/12/19)</td></tr>
<tr><td>Unfair trading practices in business-to-business relationships in the food supply chain (COM(2018)173)</td><td>Adoption of the proposed Directive by the co-legislators</td><td>2019</td><td>Entry into force of Directive (EU) 2019/633 of the European Parliament and of the Council on unfair trading practices in business-to-business relationships in the agricultural and food supply chain on 30 April 2019 (OJ L 111 of 25 April 2019, p.59)</td></tr>
<tr><td colspan="4">Important items from work programmes/financing decisions/operational programmes
For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.</td></tr>
<tr><td>Output</td><td>Indicator</td><td>Target</td><td>Latest known results (situation on 31/12/19)</td></tr>
<tr><td>Improving market transparency along the food supply chain (Implementing Act) (PLAN/2018)3260)</td><td>Adoption of a review of Implementing Regulation (EU) 2017/1185</td><td>2019</td><td>Adoption of Commission Implementing Regulation (EU) 2019/1746 on 01/10/19 (OJ L 268 of 22 October 2019, p. 6)</td></tr>
</table>

[82] Change of baseline year to 2011 to account for more detailed information available on distribution and services.

Evaluation of Marketing Standards	Commission Staff Working Document	2019 / 2020	Publication is foreseen for January/February 2020
Evaluation of the CAP measures applicable to the wine sector	Commission Staff Working Document	2019	Support study published. SWD under preparation
Evaluation of the instruments applicable to State aid in the agricultural and forestry sectors and in rural areas	Commission Staff Working Document	2019	Support study published. SWD under preparation
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Commission implementing decision on the definitive allocation of Union aid to Member States under the EU school fruit, vegetables and milk scheme for the period 01/08/19 to 31/07/20 (PLAN/2018/4388)	Adoption	1st quarter 2019	Adopted (C(2019)2249 final of 27/03/2019)
Monitoring of Member States implementation of the EU school fruit, vegetables and milk scheme	Member States' annual reports on the 2017/2018 school year analysed and made available on Europa webpage	2nd / 3rd quarter 2019	Assessed and published by March 2019
	Monitoring results at EU level discussed with the Member States, presented to stakeholders and made available on the Europa webpage		Summary and factsheet – June 2019
Report by the Commission to the European Parliament and the Council on the voluntary beef labelling provisions according to Regulation (EC) No 1760/2000 (PLAN/2018/4668)	Submission to the EP and the Council	3rd quarter 2019	Adopted (COM(2019)625 of 13/12/2019)
Commission implementing decision approving the national programmes to improve the production and marketing of apiculture products (PLAN/2018/4391)	Adoption	2nd quarter 2019	Adopted (C (2019) 4177 of 12/06/2019)

Report from the Commission to the Council and the European Parliament on the development of plant protein in Europe	Follow-up of report	2019	- Organising an expert group with Members States on 1-2 July 2019 to help identify measures beneficial for protein crops under strategic plans foreseen by new CAP - Co-organising with Finnish stakeholders a two-day plant protein seminar (18-19 November 2019) - Improving market transparency for protein crops (under the scope of the Commission Regulation (EU) 2019/1746)
Report from the Commission on the implementation of the measures concerning the apiculture sector (PLAN/2018/4651)	Adoption	2019	Adopted (COM(2019)635 of 17/12/2019)
Regulation amending Regulation (EEC) 2568/91 – revision of the analytical methods following changes adopted by the IOC (PLAN/2018/4299)	Adoption	End 2019	Adoption of Commission Implementing Regulation (EU) 2019/1604 of 27 September 2019 amending Regulation (EEC) No 2568/91 on the characteristics of olive oil and olive-residue oil and on the relevant methods of analysis
Study on the implementation of conformity checks in the olive sector	Final report	End 2019	Final report of the study delivered on 20/11/2019, publication envisaged for beginning 2020.
Regulation on trade provisions in agriculture – FCFS management (delegated and implementing rules) (2016/AGRI/003 and 2016/AGRI/004)	Adoption	2019 / 2020	Adoption scheduled for end 2020

Delegated and Implementing regulations supplementing Regulation (EU) No 1308/2013 of the EP and of the Council as regards the rules for the administration of import and export tariff quotas subject to licences and supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards the lodging of securities in the administration of tariff quotas	Adoption of DA and IA, and submission of DA to the EP and the Council	Last quarter 2019	Adopted C(2019) 8956 final (DA) and C(2019) 8957 (IA)

Specific objective: To maintain market stability		Related to spending programme: EAGF
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 of data:** DG AGRI This indicator is also used in the Programme Statements.		
Baseline 2012	**Target**	**Latest known results (2019)**
0%	Used only in case of need (seen against market developments) *Regulation n° 1308/2013*	SMP: 0 % (2019)
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 of data:** Market monitoring data DG AGRI This indicator is also used in the Programme Statements.		
Baseline 2013	**Target**	**Latest known results (2019)**
Butter: 4% Olive oil: 0%	Used only in case of need (seen against market developments) *Regulation n° 1308/2013*	Butter: 0% (2019) SMP: 0% (2019) Cheese: 0% (2019) Pigmeat: 0% (2019) Olive oil: Because of a difficult market situation during marketing year 2018/19, adoption of Commission Implementing Regulation (EU) 2019/1882 of 8 November 2019 opening tendering procedures for the amount of aid for private storage of olive oil (4 tendering sub-periods). First tendering sub-period: of Commission Implementing Regulation (EU) 2019/1984 of 28 November 2019 fixing the maximum amount of aid for

		private storage of olive oil within the tendering procedure opened by Implementing Regulation (EU) 2019/1882. Second tendering sub-period: Adoption of Commission Implementing Regulation (EU) 2019/2187 of 19 December 2019 fixing the maximum amount of aid for private storage of olive oil within the tendering procedure opened by Implementing Regulation (EU) 2019/1882.

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* Draft Budget for 2019.			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Implementing Regulations fixing minimum selling prices for skimmed milk powder held in public stocks	Adoption	Throughout the year and next years until stocks are fully disposed of	Throughout the year until stocks were fully disposed of (June 2019).
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Smooth functioning of the sugar market in the first post quota year through intensive monitoring, among others supported by the Sugar Market Observatory	Price evolution	Monitoring through the year Report of High-Level Group on Sugar	Meetings of the High-Level Group on Sugar took place on 29/01, 19/03 and 12/06/19. Final report of the Group published on 05/07/19 and discussed in Council on 15/07/19. The conclusions of the report are addressed to the European Commission, MS and stakeholders.
To ensure sound and efficient financial management of the European Agricultural Guarantee Fund (EAGF)	Correct and timely monthly payments (12 payments + 1 complementary)	3rd working day of every month	All payments made in time
	Public Storage expenditure management (12 monthly declarations + 1 annual declaration from Member States holding stocks)	Declarations received by the 12th each month. Continuous follow up required	Public Storage expenditure declarations timely received and reimbursed.

Follow up of the implementation of Council Regulation (EU) 2018/264 of 19 February 2018 fixing the production levies and the coefficient for calculating the additional levy in the sugar sector for the 1999/2000 marketing year and fixing the production levies in the sugar sector for the 2000/2001 marketing year	Total amounts reimbursed from EU budget for Marketing years 1999/2000 2000/ 2001: EUR 205 Million, of which: EUR 110 million of principal and EUR 95 million of interest.	The amounts reimbursed from the EU budget are legal and regular.	On-going assessment of the control systems put in place by the Member States to ensure the legality and regularity of the amounts reimbursed from the EU budget.
Implementing Regulation on exceptional market support measure for the eggs and poultry meat sector in Italy	Adoption		Commission Implementing Regulation (EU) 2019/1323 of 2 August 2019
Implementing Regulation on providing temporary exceptional adjustment aid to farmers in the beef and veal sector in Ireland	Adoption		Commission Implementing Regulation (EU) 2019/1132 of 2 July 2019

Specific objective: To sustain farmers' income stability by providing direct income support		Related to spending programme: EAGF
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 agricultural entrepreneurial income. **Source of data:** EAGF Financial Report and EUROSTAT - Economic Accounts for Agriculture (online data code aact_eaa01) This indicator is also used in the Programme Statements.		
Baseline 2013	**Target**	**Latest known results (2018)**
41%	To maintain the ratio *Regulation n° 1307/2013*	40%

Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Proposal for a Regulation amending Regulations (EU) No 1305/2013 and (EU) No 1307/2013 as regards certain rules on direct payments and support for rural development in respect of the years 2019 and 2020 (COM(2018)817)[83]	Adoption by the co-legislators	2019	Claim Year 2020 Regulation signed into law on Wednesday 13/02/19 (Regulation (EU) 2019/288)
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* *Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Draft proposal for a transition regulation	Timely contribution to these acts as regards direct payments and farmers' income support Timely support to the procedure	2019	Commission proposals adopted on 31/10/2019. Legislative procedure ongoing
Preparation of implementing acts subject to the adoption of the future CAP Regulations	Timely contributions as regards direct payments / farmers' income support	2019 / 2020	Draft secondary regulations to be prepared immediately after agreement on the basic act. Due to delay in the legislative process the activity is delayed also by one year
Preparation of delegated acts subject to the adoption of the future CAP Regulations	Timely contributions as regards direct payments / future CAP strategic Plans	2019 / 2020	Draft secondary regulations prepared immediately after agreement on the basic act. Due to delay in the legislative process the activity is delayed also by one year

[83] See also Objective 1.2.3.

Evaluation of the impact of CAP measures towards the general objective "viable food production", with a focus on income, competitiveness and price stability	Commission Staff Working Document	2019	SWD under preparation
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Bringing support to Council and EP (and also to stakeholders) on the draft regulations for the future CAP as regards direct payments (preparation of and participation in most meetings, provision of written documents, presentations…)	Timely adoption of the legal acts	2019 / 2020	Progress report from Finnish Presidency, included a revised set of drafting suggestions in December 2019. EP draft report adopted by COMAGRI in April 2019
Continuing follow-up of the implementation of Direct Payments in the different MS (new decisions following Omnibus regulation; update of notifications; regular exchanges with MS, including by the organisation of workshops on policy issues; legal interpretations and guidance)	– Organisation of Expert groups and Committees – Replies to letters to MS – Bilateral meetings with MS – Assessment of notifications	All along the year	7 meetings of the Committee on Direct Payments and 6 meetings of the Group of Experts on Direct Payments and on Cross Compliance organised. New notifications were received and assessed; in particular as regards Voluntary Coupled Support (10 MS modified their decision) and transfer of funds for 2020 claim year (7 MS notified transfer to Rural Developments). Replies to multiple letters were delivered in due time
Reporting and communication activities, as regards the different schemes and their implementation, and as regards the CAP post-2020	– Finalisation and dissemination of monitoring reports for 2017 – Preparation of the monitoring reports for 2018 – Update of the overview of MS decisions as regards direct payments, following the Omnibus	Mid 2019 for 2017 reports Second semester for 2018 reports	The 2017 monitoring report published online in June 2019. The 2018 monitoring report in preparation. Update of the overview of MS decisions published online on Europa in February 2019.

Contribution to policy analysis / provision of an expertise on Direct Payments in various exercises in particular for the preparation of the future CAP strategic Plans	- Internal analytical notes - Participation in working groups – Support to Member States	All along the year	Participation in all Working Parties of the Council dealing with the future CAP Plans (and direct payments in particular) Presentation and explanations to MS/EP/stakeholders in various meetings as regards the reform. Numerous contributions to briefings (47 in 2019)
Modernisation of IACS by supporting and promoting MS take-up of 'checks by monitoring' (use of Sentinels satellite data)	– Assessment of the monitoring approach of MS and giving feedback and approval – Participate in missions, conferences and workshops to promote the monitoring approach and to develop and share networking practices - Development of guideline on how to modify the IACS workflow when implementing 'checks by monitoring'	All along the year Guideline by 2nd quarter	Comfort letters sent to 5 MS that are implementing "Checks by monitoring" first half of 2019. Missions to MS and participation in relevant conferences and workshops on-going. The updated Q&A presented on 26 June 2019 and finalised in the second half of the year
Providing interpretation to MS with regard to the implementation of direct payments, in particular from an IACS perspective, and ensure exchange of experiences and good practices	– Replies to MS/stakeholders' questions in a timely manner – Organisation of workshops/expert groups facilitating MS's exchange of experience and of good practices	All along the year	Ongoing
Monitoring the implementation of direct payments and ensuring that action is taken when implementation is lacking/failing.	– Support to and monitoring of MS setting up and implementation of action plans to remedy weaknesses – Other follow-up actions such as proposing reduction/ suspension of payments	All along the year	Ongoing Letters following the 2018 AAR sent beginning of July 2019. Assessment of the ongoing action plans to be presented in the first quarter of 2020.

Analyse and follow up in cooperation with JRC on MS's quality assessment of their Land Parcel Identification Scheme (LPIS-QA)	– Assessing the MS's LPIS QA reports/scoreboards and reporting through the direct payments committee / LPIS workshops. – Giving feedback to MS in writing as to potential weaknesses identified in the exercise. Follow up visits to MS according to priority criteria.	All along the year By 30 April for QA reports and scoreboards	Assessment letters sent out first half 2019. Support missions carried out in 2019 and beginning 2020.
Strengthen the spatial data management in the Commission and ensure availability of MS's IACS data for environment, climate and other purposes by developing data sharing processes	– Organising and participating in workshops/expert groups and other events, to facilitate discussion of needs and exchange of experiences and good practices – Providing analyses, presentations	All along the year	Implementation of the pilot initiated in April 2019 continued. Dedicated workshop for the pilot participants organised in November 2019. Advice all year long, ongoing.
Contribute to present and explain the proposed CAP post-2020 as regards elements related to governance systems and IACS	Organise and participate in outreach towards MS and other stakeholders	All along the year	Ongoing
Geo Hubs on the future CAP Strategic Plans	Participation in bilateral meetings with MS and internal preparatory meetings	All year	Ongoing
To ensure sound and efficient financial management of the European Agricultural Guarantee Fund (EAGF)[84]	Correct and timely monthly payments (12 payments + 1 complementary)	3rd working day of every month	3rd working day of every month

[84] This output is applicable to all DG AGRI objectives related to the EAGF spending programme.

Specific objective: To promote a more market oriented agriculture by ensuring a significant level of decoupled income support[85]		Related to spending programme: EAGF
Result indicator: % of total direct payments which is decoupled **Source of data:** Budget This indicator is also used in the Programme Statements.		
Baseline (Calendar year 2013 / Budget year 2014)	**Target**	**Latest known results**
93.54%	To maintain *Regulation n° 1307/2013*	Calendar year 2015/budget year 2016: 88.9% Calendar year 2016/budget year 2017: 88.9% Calendar year 2017/budget year 2018: 88.5%[86] Calendar year 2018/budget year 2019: 88.5%[87] As of calendar year 2015, the figures take into account that in accordance with the methodology for implementation of the small farmers scheme, as chosen by the Member States, part of the expenditure under that scheme is "decoupled".

[85] 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.
[86] Execution of the Budget 2016-2018
[87] Execution of the Budget 2019 – provisional figures .

Specific objective: 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)		Related to spending programme: EAFRD
Result indicator: % of agricultural holdings with RDP support for investment in restructuring or modernisation (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 This indicator is also used in the Programme Statements.		
Baseline[88]	**Target** (2023)	**Latest known results**[89]
0	2.7%	1.15% (which represents 42% of achievements of the target set in the RDPs)
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 This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[90]
0	1.5%	0.87% (which represents 60% of achievements of the target set in the RDPs)

Main outputs in 2019:			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Events of the European Network for Rural Development (Number of events)	Number of events	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 2 Thematic work themes completed 10 Workshops 2 Seminars 1 Conference	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 2 Thematic working Groups completed 9 Workshops 2 Seminars 1 Conference

[88] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[89] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[90] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.

Publications and communication of the European Network for Rural Development (Number), in cooperation with other relevant DGs	Number	2 EU Rural Reviews 2 Rural Connections magazines 2 Project Brochures 12 ENRD newsletters ENRD website (page views per month) 120 000 Social media presence: • Twitter followers: 3600 • Facebook page likes: 5600 • LinkedIn Group members: 720	2 EU Rural Reviews 1 Rural Connections magazines 2 Project Brochures 1 Promotional Brochure on 'Rural Networking in Action' 12 ENRD newsletters ENRD website (page views per month) 120 000 Social media presence: • Twitter followers: 4494 (until 30/09) • Facebook page likes: 3271 (until 30/09) • LinkedIn Group members: 796 (until 30/09) • Instagram likes: 6002 (15/7-30/09)
Timely assessment of Annual Implementation Reports in close cooperation with ESIF and other relevant DGs	Number of reports assessed	118	117 interservice consultations on annual implementation reports performed
Timely assessment, in cooperation with other relevant DGs, of proposals for programmes amendments	Number of programme amendments assessed (estimate)	160 (estimate)	160 consultations on amendment adoption performed
Meetings with Member States (Monitoring Committees, Annual Review Meetings, etc.) including in the context of Geo Hubs	Number of meetings (estimate)	300 (estimate)	343, including the Geo Hub meetings
To ensure sound and efficient financial management of the European Agricultural Fund for Rural Development (EAFRD)[91]	Correct and timely quarterly payments	40 days after the reception of the declaration of expenditure	All payments made within the legal deadline Average payment time in 2019 – 24 days[92]

[91] This output is applicable to all DG AGRI objectives related to the EAFRD spending programme.
[92] The average payment time has been calculated considering DG BUDG bank execution date and the fact that the final validation by DG AGRI usually takes place some days before such date.

Coordinated preparation of declaration on 'A smart and sustainable digital future for European agriculture and rural areas'. Inputs provided to the development of an 'Action Plan on Food and Farming 4.0'. Digital research projects programmed and its implementation monitored.	Number of AGRI actions coordinated; inputs to initiatives provided; research projects programmed and monitored	2 actions coordinated/inputs to initiatives provided 7 projects monitored 1 call programmed	Ongoing

The output indicators and related targets referred to above are also relevant for the next specific objective.

Specific objective: Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture (Priority 3)		Related to spending programme: EAFRD
Result indicator: % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations (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 This indicator is also used in the Programme Statements.		
Baseline[93]	**Target** (2023)	**Latest known results**[94]
0	1.8%[95]	0.56% (which represents 31% of achievements of the target set in the RDPs)
Result indicator: % of agricultural holdings participating in risk management schemes (Focus area 3B: supporting farm risk management) **Source:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[96]
0	4.9%[97]	1.38% (which represents 28% of achievements of the target set in the RDPs)

[93] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[94] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[95] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[96] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[97] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

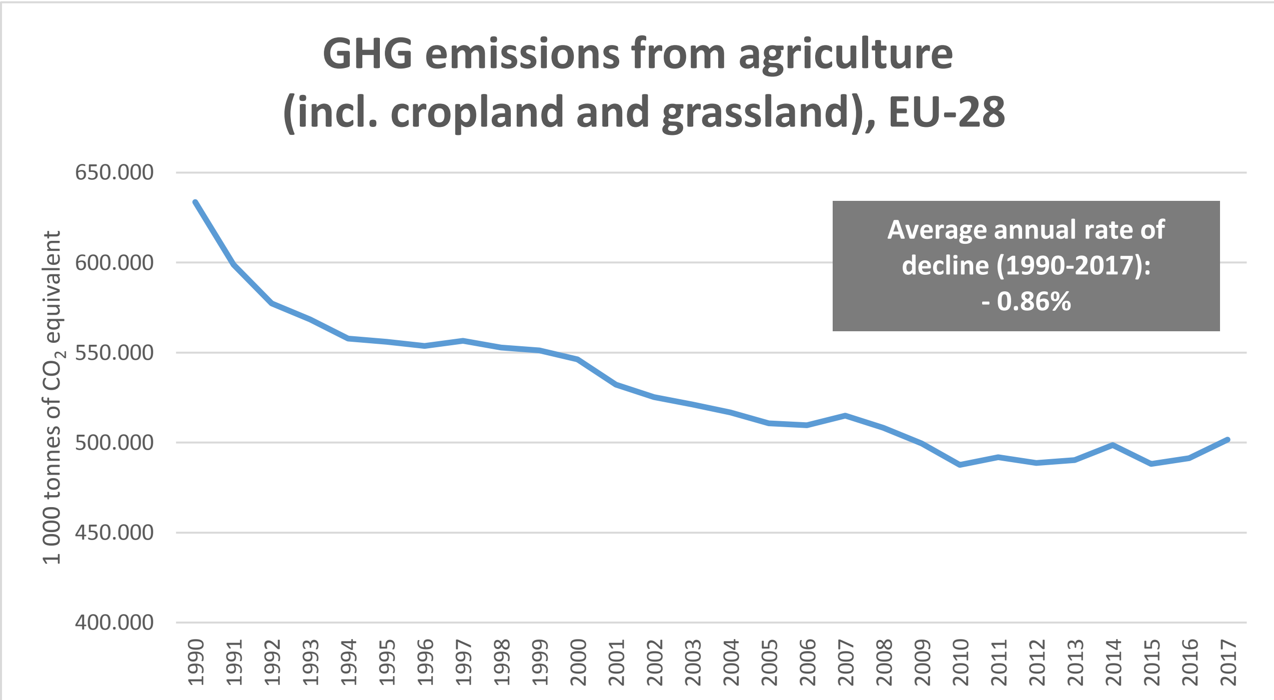
Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* Draft Budget for 2019.			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Delegated and implementing acts concerning geographical indications, following adoption of the new spirit drinks Regulation	Discussions in the committee and the expert group	Within a year from adoption of the main Act	Discussions in the committee and in the expert group took place on 17 May and 24 October 2019.
Evaluation of Geographical Indications and Traditional Specialities Guaranteed protected in the EU	Signature of contract for support study	2019	Ongoing evaluation support study.
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Improved enforcement of GIs	Facilitation of creation of a database, 'GI portal', providing access to metadata on all GIs as protected in the EU (project managed by EUIPO)	First phase end 2019	An Administrative Agreement between EUIPO and DG AGRI signed on 17 December 2019, containing the final version of the Project brief document for the web portal 'GI View'.
Registration of names as PDO/PGI/TSG/GI following scrutiny of applications from EU Member States and from third countries.	Number of applications examined (dependent on submissions made to the Commission)	Within 6 months for agricultural products and foodstuffs; within 12 months for wine, spirit drinks, aromatised wine	152 applications were examined.
Management of the Community registers and lists of PDO/PGI/TSG/GI.	Registers kept updated	On-going	Registers updated regularly. A single geographical register for foodstuffs and agricultural products, wine and spirit drinks created.

In co-operation notably with SANTE, monitor supervision of the control systems put in place by the Member States for registered PDO/PGI/TSG/GI and exchange best practice	Participation in Commission audits performed by SANTE Completion of seminars in co-operation with EUIPO Contribution to trainings in the framework of BTSF (lead service SANTE)	Three per year and on-going Two seminars by end 2019 On-going	Participation in three audits (Cyprus, Ireland, Sweden). Participation in three BTSF trainings and contribution to training material.
Contribute to negotiations on international agreements as regards geographical indications	Third countries' specifications of geographical indications examined Lists and specifications of EU geographical indications provided	On-going	Contributions provided on time.

See also the outputs of the previous Specific objective.

Common CAP objective 2: To promote a sustainable management of natural resources and climate action

Common CAP objective 2: To promote a sustainable management of natural resources and climate action		
CAP Impact indicator: Greenhouse gas emissions from agriculture **Definition**: The indicator measures GHG emissions from agriculture including from cropland and grassland. **Source of the data**: Annual European Union GHG inventory (sectors 3.a, 3.b, 3.c, 3.d, 4.c and 4.d). 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) and data are published in the Eurostat database. This indicator is also used in the Programme Statements.		
Baseline (2012)	**Target**	**Latest known results (2017)**[98]
488 628[99] (in 1000 t of CO_2 equivalent)	To decrease *EU2020*	501 636



[98] The European Union (EU) as a party to the United Nations Framework Convention on Climate Change (UNFCCC) reports annually its greenhouse gas inventory for the year t-2 and within the area covered by its Member States. The EEA publishes the validated GHG inventory data in June. Eurostat re-publishes the data shortly after.

[99] Figures are different from previous years due to corrections made in the database.

CAP Impact indicator: Nitrate levels in freshwater

Definition: Nitrates in freshwater (Context indicator.40 – Water quality) consists of:
2.a) Groundwater quality: % of monitoring sites in 3 water quality classes (high, moderate and poor);
2.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

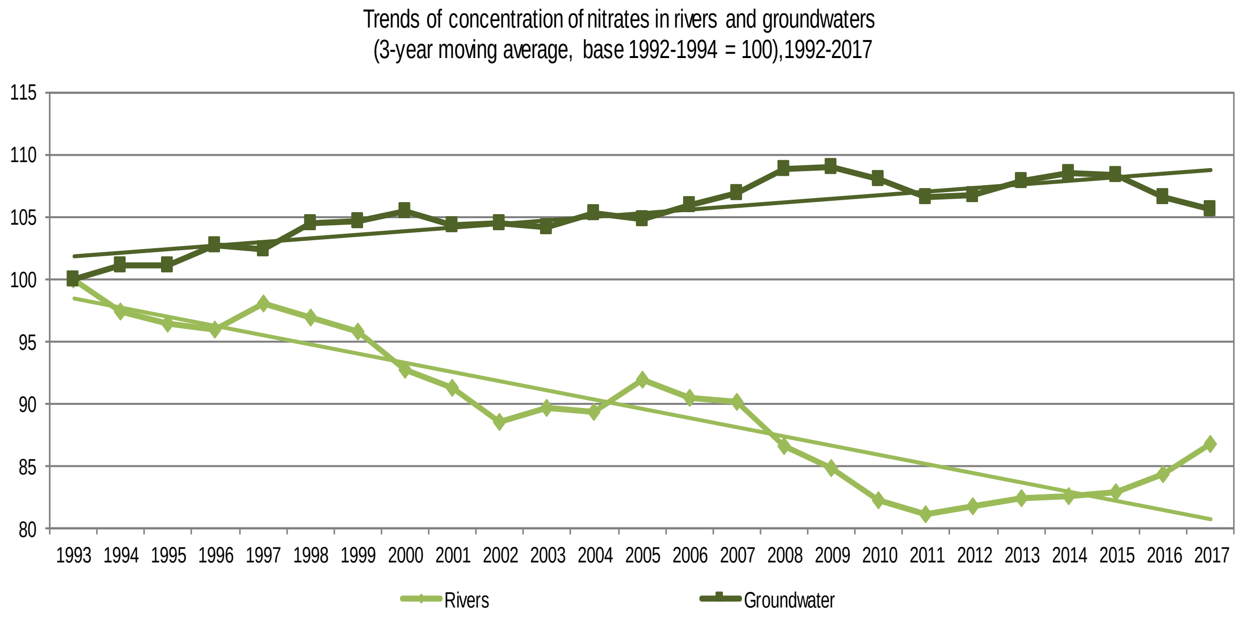
- ***High ("<10 mg/l NO3" + ">=10 mg/l NO3 and <25 mg/l NO3")[1]***
- ***Moderate (">=25 mg/l NO3 and <50 mg/l NO3")***
- ***Poor (">=50 mg/l NO3").***

Surface water

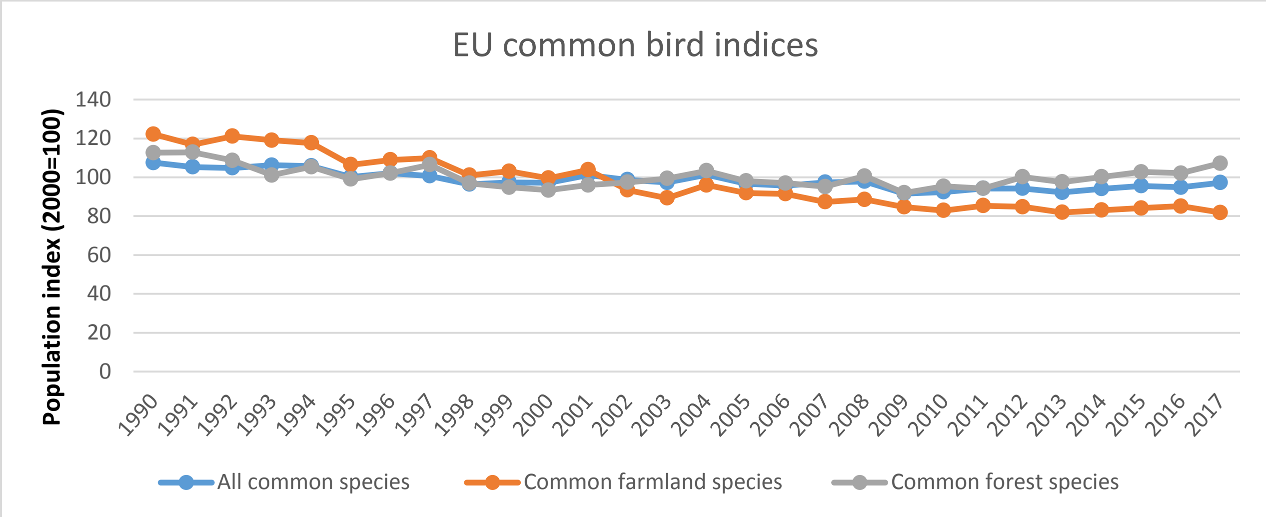
- ***High ("<0.8 mg/l N" + ">=0.8 mg/l N and <2.0 mg/l N")[2]***
- ***Moderate (">=2.0 mg/l N and <3.6 mg/l N" + ">=3.6 mg/l N and >5.6 mg/l N")***
- ***Poor (">=5.6 mg/l N and <11.3 mg/l N" + ">=11.3 mg/l N")***

Source of the data: European Environment Agency (EEA) – Nutrients in freshwater: Data voluntary reported by MSs via the WISE/SOE data flow annually.

Baseline EU-28, 2012	**Target**	**Latest known results** **EU-28, 2015-2017 (average)**
Surface water: - *High: 56.9 %* - *Moderate: 31.7%* - *Poor: 11.4%* Groundwater: - *High: 74.1%* - *Moderate: 14.2%* - *Poor: 11.7%*	To decrease *Regulations n° 1305, 1306 and 1307/2013*	Surface water: • *High: 58.3%* • *Moderate: 30.9%* • *Poor: 10.8%* Groundwater • *High: 73.7%* • *Moderate: 18.4%* • *Poor: 7.9%*



Impact indicator: Farmland bird index		
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 (year & value)	Target	**Latest known results**[100]
2012: 84.84 (index 2000=100)[101]	To increase	2017: 81.84



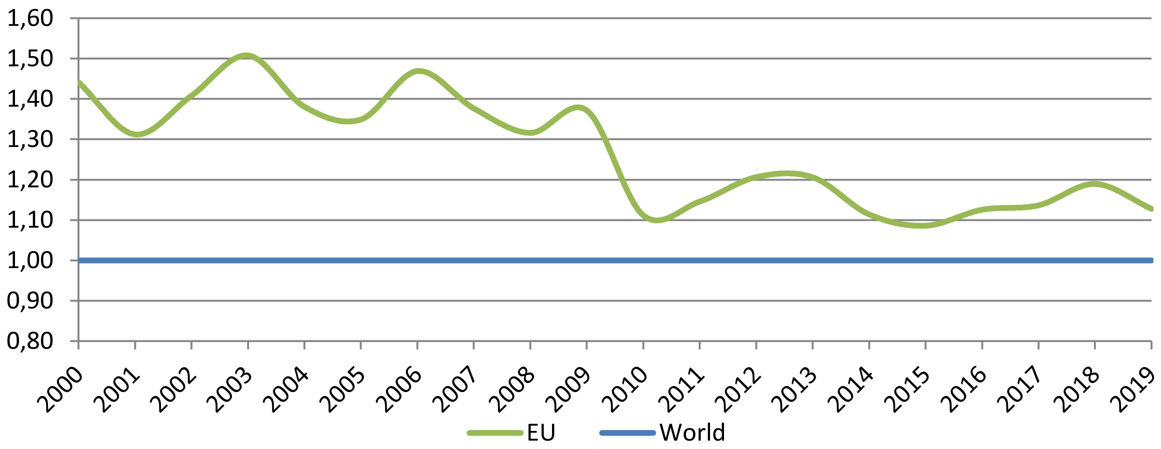
Specific objective: To better reflect consumer expectations	Related to spending programme: EAGF-EAFRD
Result indicator: Ratio between EU and World agricultural commodity prices **Definition**: Weighted average, covering beef, pig meat, poultry, soft wheat, maize, barley, sugar, butter, cheddar, WMP and SMP. World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Brazil), Barley (Black Sea) and Sugar (London white sugar 05)[102]. **Source of data:** DG Agriculture and Rural Development, based on European Commission, USDA, World Bank, IGC, London International Financial Futures and Options Exchange, National sources. This indicator is also used in the Programme Statements.	
Baseline	**Target** (annual)
In 2013, the EU prices were on average 21% above world prices (ratio 1.21)[103]	Prices brought closer to the world prices (ratio 1.00) *Regulation n° 1308/2013*

[100] New data will become available in Q3/2018.
[101] The baseline has been updated in 2019 due to the change in the reference year in the Eurostat database (2000=100 instead of 1980=100). Furthermore, Eurostat has updated values for previous years.
[102] Compared to Pacific prices (US and Australia), EU prices were very competitive in 2015 because of the exchange rate effect but also because US demand drove significant price increases. If the comparison would be made with Brazil for meat especially, the increase in EU competitiveness would be less pronounced.
[103] The baseline for the ratio between EU and World agricultural commodity prices has changed from the data in 2017 AAR due to a change of the reference price for pigmeat (US).

Latest known results:

	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Beef (Australia)	1.24	1.20	1.17	1.23	0.96	0.92	1.00	0.98	1.07	0.85
Beef (Brazil)	1.36	1.33	1.61	1.72	1.46	1.50	1.49	1.56	1.79	1.58
Pigmeat (US)	1.16	1.11	1.21	1.23	0.93	1.06	1.22	1.25	1.29	1.42
Pigmeat (Brazil)	1.00	1.13	1.37	1.25	1.02	1.10	1.24	1.18	1.45	1.32
Poultry	1.29	1.63	1.38	1.23	1.14	1.08	1.12	1.05	1.10	1.15
Soft wheat	0.99	1.07	1.04	1.04	1.02	0.94	0.99	1.04	1.06	0.97
Maize	1.19	1.04	0.98	1.04	1.13	1.03	1.11	1.16	1.20	1.14
Barley	0.97	0.99	1.00	0.98	0.98	0.99	0.95	0.96	0.98	0.98
Sugar	1.04	1.10	1.55	1.90	1.62	1.24	0.99	1.22	1.20	1.08
Butter	1.09	1.17	1.19	1.27	1.23	1.06	1.09	1.07	1.22	0.98
Cheddar	0.95	1.03	1.14	1.10	1.12	1.03	1.02	1.00	1.05	0.90
WMP	1.02	1.07	1.09	0.98	1.11	1.10	1.06	1.07	1.07	1.04
SMP	0.93	0.90	0.95	0.90	0.97	0.96	0.99	0.98	0.88	0.89
Weighted average	**1.11**	**1.15**	**1.21**	**1.21**	**1.11**	**1.09**	**1.13**	**1.14**	**1.19**	**1.13**

Note: World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Australia, Brazil), Pigmeat (Brazil), Barley (Black Sea) and Sugar (London white sugar 05). For the weighted average, the beef price in Brazil is used and the pig price in the US. The reference price for Pigmeat (US) has changed from the data of 2017 (previously: USDA prices - US lean hog carcass 167-187 lb Iowa MN; now: USDA national negotiated swine, weighted average price, negotiated carcass).



The EU/world price relationship improved in 2019, driven by improving competitiveness for most commodities.
In 2019, thanks to an increased availability of milk fat, butter supply increased. EU and Oceania price converged, and as a result EU exports have become more competitive compared to last years during which the EU butter price reached record heights. At the same time, the EU SMP price started to recover from low levels in a context of public intervention stocks being sold out and EU exports being record high.
EU beef exports are expected to increase by 8% compared to 2018. Sluggish demand and worsening of the overall trade balance keep EU beef prices below the 2016-2018 3 year's average, despite the lower slaughterings. Increasing Chinese demand in the second half of 2019 could alter this situation and push prices upwards.
For pigmeat, EU prices rose significantly in 2019 driven by the surge of Chinese demand, increasing the gap with respect to US prices (US exports to China being hampered by bilateral trade tensions). By contrast, Brazil has taken advantage of export opportunities in China and its prices were closer to the EU's in 2019, albeit still quite lower. In 2019, EU and Brazil pigmeat exports are expected to remain high as Chinese demand continues. The US is due to increase its exports following the recent agreement with China.
The EU/world price ratio for poultry slightly increased again in 2019, as EU prices remained firm despite a new production increase, in a context of higher exports and restricted imports from Brazil (due to sanitary issues).
Source: DG Agriculture and Rural Development, based on European Commission, USDA, World Bank, IGC, London International Financial Futures and Options Exchange, National sources.

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Evaluation of the EU agricultural promotion policy – internal and third country markets	Commission Staff Working Document	Completion date Q4 2019 / Q1 2020	Q2/Q3 2020
Evaluation of the information policy on the CAP	Signature of the contract for support study		December 2019
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
The Commission Annual work programme is implemented, for simple and multi programmes, through the publication by Chafea of 2 calls for proposals. (Regulation (EU) N° 1144/2014 of the European Parliament and of the Council, Art. 8.1.)	The Consumers, Health, Agriculture and Food Executive Agency The Consumers, Health, Agriculture and Food Executive Agency ("Chafea") is entrusted by the European Commission with the management of certain parts of the programme implementation of the information provision and promotion measures concerning agricultural products implemented in the internal market and in third countries, including the publication of the 2 calls for proposals, reception and evaluation of proposals	January 2019	15/1/2019
Follow-up of the Commission Action Plan of 2012 in respect of conformity checks in the olive oil sector and the improvement of their implementation at MS level.	Improvement on Checks notified by MS. Organisation of yearly workshop with competent control authorities.	Third quarter 2019	Workshop 07/11/2019. Evaluation study contract on conformity checks in the olive oil sector finished in Q4 2019. The workshop initially foreseen on 7 November 2019 is postponed to 28 January 2020.

Specific objective: 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		Related to spending programme: EAGF
Result indicator: Share of area under greening practices[104] **Source of data:** MS annual notifications (ISAMM - Information System for Agricultural Market Management and Monitoring)[105] This indicator is also used in the Programme Statements.		
Baseline (Calendar year 2015)	**Target**	**Latest known results**
75%[106]	To maintain *Regulation n° 1307/2013*	79% (Calendar year 2018)
Result indicator: % of CAP payments covered by cross-compliance **Source of data:** DG AGRI This indicator is also used in the Programme Statements.		
Baseline (2013)	**Target**	**Latest known results**
82.36%	Maintain the ratio *Regulation n° 1306/2013*	81.9% (Calendar year 2019)[107]
Result indicator: Opinion expressed by the public on cross-compliance **Definition:** Aggregate figures on the opinion by the public on cross-compliance **Source of data:** Eurobarometer This indicator is also used in the Programme Statements.		
Baseline (2015)	**Target**	**Latest known results 2017**[108]
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 for non-compliance of food safety rules	Maintain the positive opinion *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.*	88% support the reduction of direct payments to farmers not complying with environmental rules 88% support the reduction for non-compliance of animal welfare rules 90% support the reduction for non-compliance of food safety rules

[104] Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment**.**

[105] The Strategic Plan 2016-2020 provides an incorrect source.

[106] The share is calculated as total agricultural area for farms with at least one greening obligation on total agricultural area from Eurostat statistics revised by DG AGRI.

[107] The percentage decreased in 2019 (compared to 2018: 82.7%) because of the lower proportion of Rural Development measures covered by cross-compliance. Measures that are not falling under cross-compliance tend to have an increasing execution over the period and thus the % covered by cross-compliance is expected to decrease over the programming period.

[108] Results of the latest Special Eurobarometer "Europeans, Agriculture and the Common Agricultural Policy" published in 2017; new results in 2020.

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 of data:** Control statistics notified annually by MS[109] This indicator is also used in the Programme Statements.		
Baseline (2013)	**Target**	**Latest known results (2018)**
100% implementation of the minimum regulatory control rate in all Member States	100% implementation of the minimum regulatory control rate *Regulation n° 1306/2013*	100 % - In 2018, all paying agencies fulfilled the mandatory control rate
Result indicator: **The ratio of permanent pasture within a Member State in relation to the total agricultural area** **Definition**: The maintenance of the ratio of permanent pasture means that there should not be, at national or regional level, a decrease by more than 5 % of the current ratio of permanent pasture in relation to the total agricultural area by comparison with a reference ratio reflecting this ratio at a reference period. **Source of data**: MS annual notification (ISAMM – Information System for Agricultural Market Management and Monitoring) This indicator is also used in the Programme Statements.		
Baseline (2015)	Target	**Latest known results**
Ratio has not decreased beyond the limit of 5% in any Member State	Maintain the ratio within the limit of 5 % in relation to a reference ratio *Regulation n° 1307/2013*	2019: No MS with ratio falling below the limit of 5% (data available for 21 MS)

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Evaluation of the impact of the CAP on climate change and greenhouse gas emissions	Finalisation of Commission Staff Working Document	2019	Support study published. SWD under preparation
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Follow-up of the implementation of Greening and Cross-compliance: update of notifications, exchanges with MS including expert groups, legal interpretations and guidance	Organisation of experts groups and Committees Assessment notes on the MS notifications	All along the year	Ongoing

[109] The Strategic Plan 2016-2020 provides an incorrect source.

Bringing support to Council and EP (and also to stakeholders) on the draft regulations for the future CAP as regards Conditionality and New green architecture (preparation of and participation in most meetings, provision of written documents, presentations…)	Timely adoption of the legal acts	2019 / 2020	Progress report from Finnish Presidency, included a revised set of drafting suggestions in December 2019. EP draft report adopted by COMAGRI in April 2019.
Follow-up of the legislative process on the post-2020 CAP reform on the elements of the new environmental architecture	Participation in technical meetings	As necessary until adoption 2019-2020	Draft secondary regulations to be prepared immediately after agreement on the basic act. Due to delay in the legislative process the activity is delayed one year
Contribution to policy analysis / provision of an expertise on Conditionality and new green architecture of the CAP in various exercises in particular for the preparation of the future CAP strategic Plans	- Internal analytical notes - Participation in working groups - Support to Member States	All along the year	- Participation in all Working Parties of the Council dealing with the future CAP Plans and Horizontal Regulation (Conditionality and new green architecture in particular) - Presentation and explanations to MS/EP/stakeholders in various meetings as regards the reform. - Numerous contributions to briefings (25 in 2019).

Specific objective: Restoring, preserving and enhancing ecosystems related to agriculture and forestry (Priority 4)		Related to spending programme: EAFRD
Result indicator[110]: **a) % of agricultural land under management contracts supporting biodiversity and/or landscapes** **b) % of forest area/other wooded land under management contracts supporting 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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline[111]	**Target** (2023)	**Latest known results[112]**
0	a) 17.01%[113] (30.5 mio ha) b) 1.96%[114] (3.6 mio ha)	a) 16.08% (which represents 95% of achievements of the target set in the RDPs) b) 0.40% (which represents 21% of achievements of the target set in the RDPs)
Result indicator[115]: **a) % of agricultural land under management contracts to improve water management** **b) % of forestry land under management contracts to improve water management** (Focus area 4B: improving water management including fertiliser and pesticide management) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results[116]**
0	a) 14.0%[117] (25.3 mio ha) b) 0.9%[118] (1.6 mio ha)	a) 12% (which represents 84% of achievements of the target set in the RDPs) b) 0.12% (which represents 14% of achievements of the target set in the RDPs)

[110] Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment**.**
[111] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[112] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[113] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[114] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[115] Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment**.**
[116] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to the calendar year 2018.
[117] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[118] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Result indicator[119]: **a) % of agricultural land under management contracts to prevent soil erosion and to improve soil management** **b) % of forestry land under management contracts to prevent soil erosion and to improve soil management** (Focus area 4C: preventing soil erosion and improving soil management) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results[120]**
0	a) 13.7%[121] (24.6 mio ha) b) 1.3% (2.3 mio ha)	a) 11.63% (which represents 85% of achievements of the target set in the RDPs) b) 0.21% (which represents 17% of achievements of the target set in the RDPs)

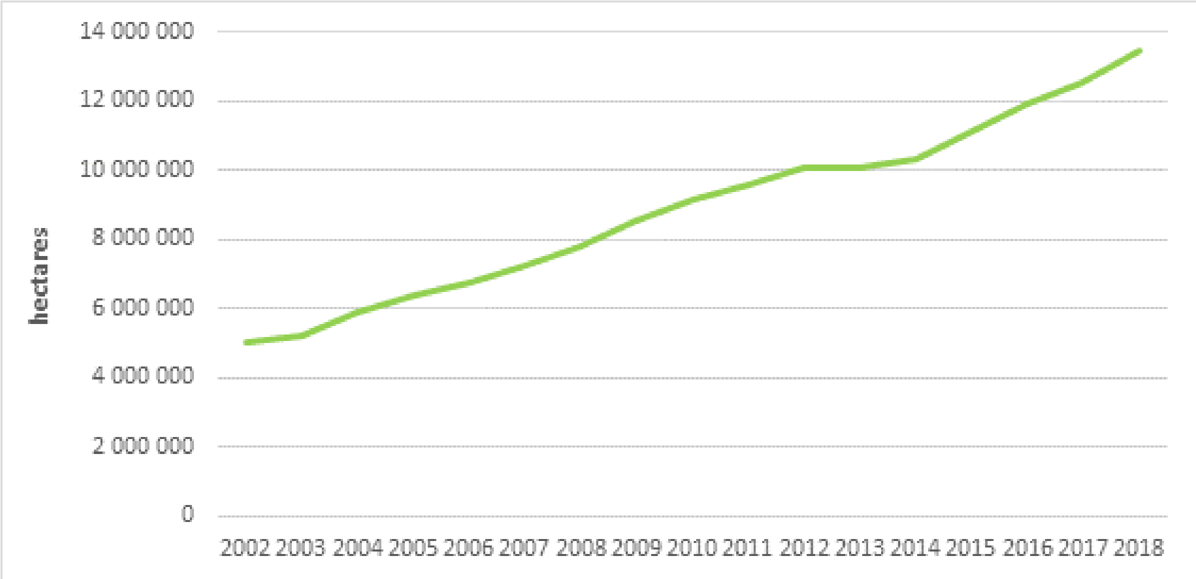
119 Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment**.**

120 The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.

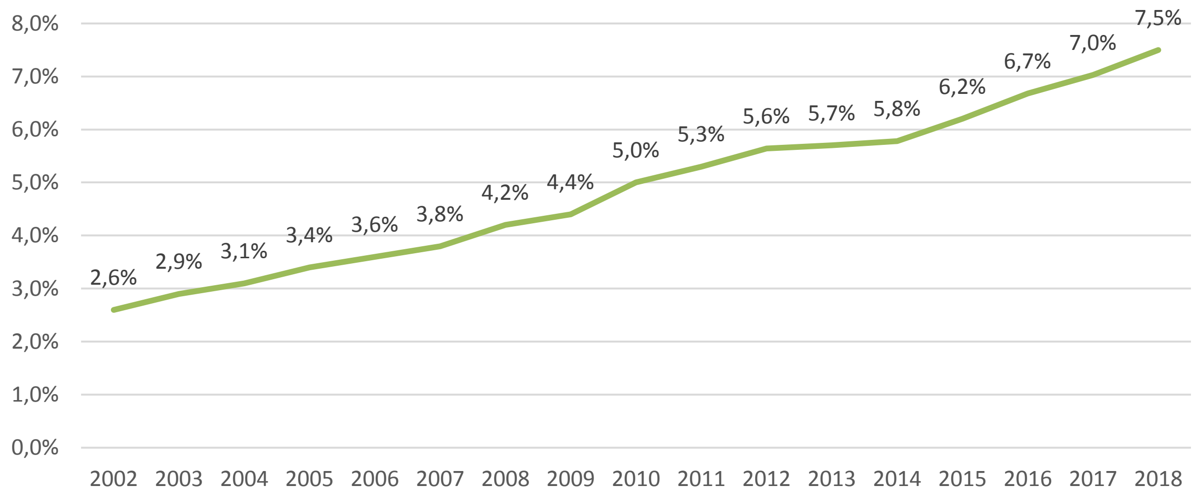
121 Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Result indicator: Share of area under organic farming[122] **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 of data: Eurostat**		
Baseline (2012)[123]	**Target**	**Latest known results**
10 047 896 ha *5.6% of total UAA*	To increase	2018: 13 399 919 ha 7.5% of total UAA

Agricultural area under organic farming, EU-28



Evolution of the share of the organic area in the UAA in the EU



[122] Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.
[123] Change in baseline due to corrections made in the Eurostat database

Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Proposal for a Regulation amending Regulations (EU) No 1305/2013 and (EU) No 1307/2013 as regards certain rules on direct payments and support for rural development in respect of the years 2019 and 2020 (COM(2018)817)[124]	Adoption by the co-legislators	2019	Claim Year 2020 Regulation, signed into law on Wednesday 13/02/19 (Regulation (EU) 2019/288)
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Commission Implementing and Delegated acts on control rules relative to the new organic regulation (PLAN/2018/3294, PLAN/2018/3296, PLAN/2018/3297)	3 regulations: Implementing regulation, Delegated act to amend, delegated act to supplement.	End of 2019	To be published second half of 2020
Commission Implementing and Delegated acts on production rules relative to the new organic regulation (PLAN/2018/3293, PLAN/2018/3292, PLAN/2018/3291)	3 regulations: Implementing regulation, Delegated act to amend, delegated act to supplement.	Mid 2019	To be published second half of 2020
Evaluation of the impact of the CAP on habitats, landscapes and biodiversity	Finalisation of the evaluation report of the contractor	2019	SWD 2020
Evaluation of the impact of the CAP on water	Finalisation of the evaluation report of the contractor	2019	SWD 2020
Evaluation of the forestry measures under the rural development policy	Finalisation of the Commission Staff Working Document	2019	SWD being finalised following ISC

[124] See also Objective 1.1.3.

Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Implementation of Action Plan for the future of Organic Production in the European Union	Number of completed actions	100% finalised by the end of 2020	17 out of 18 completed
Effective supervision of the set up and functioning of the control system for organic production	Contribution to DG SANTE audits	Continuous 9 per year	100%
	Assessment of MS and Control Body annual reports	Continuous	Ongoing
	Follow-up to irregularities	Continuous	Ongoing

*For this specific objective, please see also the policy-related outputs provided under Specific objective: 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)***.**

Specific objective: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors (Priority 5)		Related to spending programme: EAFRD
Result indicator: % of irrigated land switching to more efficient irrigation systems (Focus area 5A: increasing efficiency in water use by agriculture) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline[125]	**Target** (2023)	**Latest known results**[126]
0	13.0%	2018: 13 399 919 ha 5.26% of total UAA

[125] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[126] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.

Result indicator: Total investment for energy efficiency (Focus area 5B: increasing efficiency in energy use in agriculture and food processing) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[127]
0	2 784 574 254 EUR[128]	490 896 042 (which represents 18 % of achievements of the target set in the RDPs)
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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[129]
0	2 401 127 157 EUR[130]	405 632 714 (which represents 17 % of achievements of the target set in the RDPs)
Result indicator[131]: **a) % of LU concerned by investments in livestock management in view of reducing greenhouse gas and/or ammonia emissions** **b) % of agricultural land under management contracts targeting reduction of greenhouse gas and/or ammonia emissions** (Focus area 5D: Reducing greenhouse gas and ammonia emissions from agriculture) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[132]
0	a) 0.7%[133] b) 2.94%[134]	a) 0.45% (which represents 61% of achievements of the target set in the RDPs) b) 2.4% (which represents 82% of achievements of the target set in the RDPs)

[127] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[128] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[129] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[130] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[131] Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment**.**
[132] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[133] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[134] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

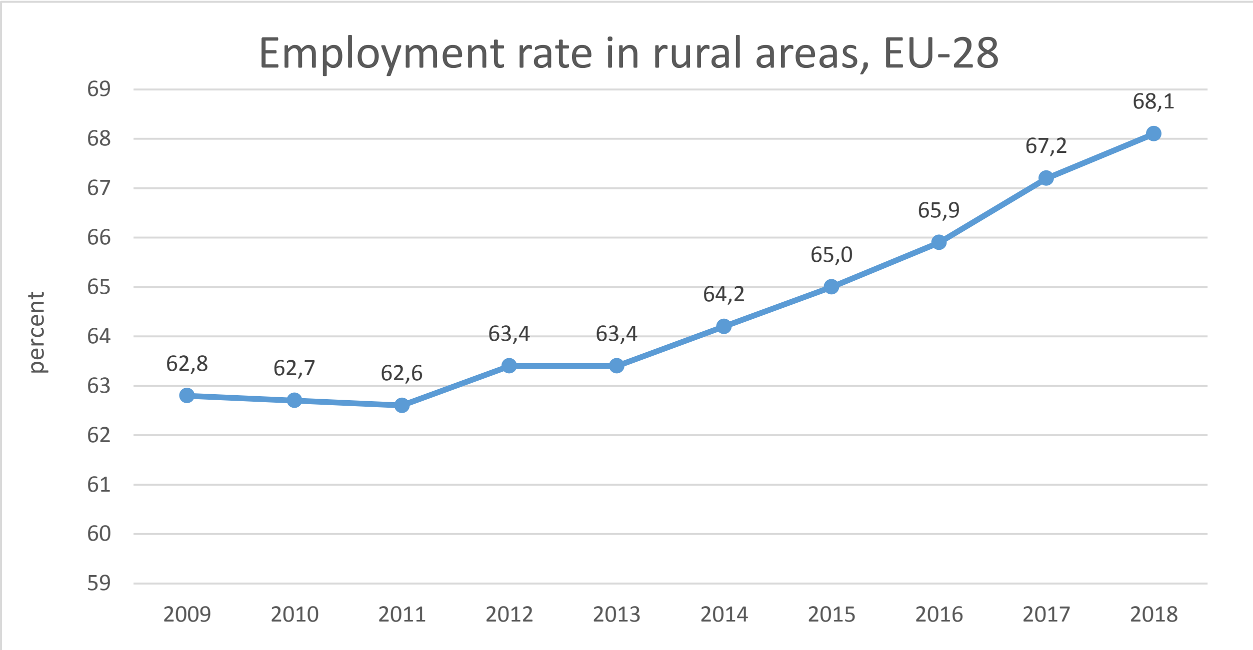
Result indicator: % of agricultural and forest area under management contracts contributing to carbon sequestration and conservation (Focus area 5E: Fostering carbon sequestration in agriculture and forestry) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[135]
0	1.1%	0.96% (which represents 90% of achievements of the target set in the RDPs)

*For this specific objective, please see the policy-related outputs provided under Specific objective: 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)**.***

[135] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.

Common CAP objective 3: To promote a balanced territorial development

Common CAP objective 3: To promote a balanced territorial development		
CAP Impact indicator: Rural employment rate **Definition:** Employment rate for the population aged 15-64 in rural areas **Source of the data**: Eurostat – Labour Force Survey (online data code lfst_r_ergau) This indicator is also used in the Programme Statements.		
Baseline[136] (2012 – EU-28)	**Target**	**Latest known results** (2018 – EU-28)
63.4%	To increase *Article 110 (2)(c) of Regulation n° 1306/2013*	68.1%



[136] Values have changed in the AAR 2017 compared to figures published in the Strategic Plan 2016-2020 because Eurostat has updated figures.

Specific objective: Promoting social inclusion, poverty reduction and economic development in rural areas (Priority 6)		Related to spending programme: EAFRD
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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline[137]	**Target** (2023)	**Latest known results**[138]
0	76 433[139]	10784 (which represents 14% of achievements of the target set in the RDPs)
Result indicator: a) % of rural population covered by local development strategies b) Number of jobs created through supported projects (LEADER) c) % of rural population benefiting from improved services / infrastructures (Focus area 6B: Fostering local development in rural areas) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[140]
0	a) 53.5%[141] b) 44 109[142] c) 16.4%[143]	a) 60.6% (which represents 113% of achievements of the target set in the RDPs) b) 13 337 (which represents 30% of achievements of the target set in the RDPs) c) 13.54% (which represents 83% of achievements of the target set in the RDPs)
CAP Indicator: % of rural population benefiting from improved IT infrastructures/services (Focus area 6C: Enhancing accessibility to use and quality of information and communication technologies (ICT) in rural areas) **Source of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[144]
0	5.78%[145]	1% (which represents 17,42 % of achievements of the target set in the RDPs)

[137] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[138] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[139] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[140] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[141] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
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[144] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[145] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* Draft Budget for 2019.			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Synthesis of the Rural Development (RD) ex-post evaluations 2007-2013	Finalisation of the Commission Staff Working Document	2019	SWD to be reviewed following comments of RSB
Evaluation of the impact of the CAP towards the general objective "balanced territorial development", taking into account social inclusion and territorial impacts of direct payments	Signature of contract	2019	Evaluation study launched in Q3 2019
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Broadband Competence Office (BCO)	Brussels-based Broadband Competence Offices support facility continues to be fully operational	2019	The Support Facility is operational, with two more years of contract. The BCO Network now comprises of 123 members (28 national, 88 regional, 1 from Norway and 6 from the West Balkan countries.
Annual Work Programme (AWP) of the Support Facility for BCOs	Implementation of activities included in the AWP 2019 with the contributions of DGs CNECT, AGRI, REGIO and COMP	2019	The BCO Support Facility for 2019 was fully implemented.
LIFE projects of the European Solidarity Corps for nature protection in rural areas	Number of proposals implemented	up to 2020	6 projects co-financed by EAFRD are running. They are managed by DG ENV.
Local Development Strategies	Coverage of rural population by local development strategies	58%	113% of target reached
Pilot project on Smart eco-social Villages	Number of initiatives and events	Organize 1 workshop on Smart eco-social villages in 2019	1
Preparatory Action on Smart Villages in the 21st century	Number of case studies supported	5 pilot cases supported in 2019-2020	0

For the specific objective above, please see also the policy-related outputs on ENRD provided under Specific objective: 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).

Specific objective: 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		Related to spending programme: EAGF
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 This indicator is also used in the Programme Statements.		
Baseline (Calendar year 2013 / Budget year 2014)[146]	**Target**	**Latest known results**[147]
POSEIDOM[148]: Mainland France: 26 888 215 ha Guadeloupe: 31 401 ha Martinique: 24 445 ha Guyane: 28 626 ha Réunion: 43 833 ha Mayotte: no data POSEICAN[149]: Mainland Spain: 23 523 000 Canaries: 84 950 ha POSEIMA[150]: Mainland Portugal: 3 641 592 Madeira: 5 262 ha Azores: 118 589 ha Smaller AEGEAN ISLANDS: 333 107 ha	To at least maintain local agricultural production *Objective of Regulation 228/2013, Article 2 (1c)*	POSEIDOM: Mainland France: 26 813 866 ha (+0.04%) Guadeloupe: 30 193 ha (+0.42%) Martinique: 23 583 ha (+6.81%) Guyane: 32 374 ha (-0.77%) Réunion: 41 943 ha (-0.91%) Mayotte 20 000 ha POSEICAN: Mainland Spain: 26 295 539 ha (+12.22%) Canaries: 86 039 ha (-0.01%) POSEIMA: Mainland Portugal: 3 641 691 ha (+0.002%%) Madeira: 4 893 ha (2016) (-7.02%: with respect to 2013 data) Azores: 123 793 ha (2016) (+4.4%:with respect to 2013 data) Smaller AEGEAN ISLANDS: 333 840 ha (+13.58%)

For the specific objective above, please see the outputs provided under the following

[146] Baseline updated from 2012 to 2013 as it provides consolidated data for all outermost regions for that year, given that Portugal data collection is done every five years, 2013 being the latest survey.
[147] The Annual Implementation Report (AIR) transmitted by Member States in year N provides data corresponding to year N-1. In this sense, the column "latest known result" shows 2017 data from the AIR transmitted in 2018. Yet, Spain's data are gathered late; the latest available data included in the 2017 AIR are from 2016. In addition, Portugal's farm structure data are collected every four or five years (data are available for 2013 and 2016), thus the latest known data refer to year 2013. Nevertheless, the variation is calculated with respect to the previous available data, i.e. 2013.
[148] Programme of options specific to the remote and insular nature of the overseas departments
[149] Programme of options specific to the remote and insular nature of the Canary Islands
[150] Programme of options specific to the remote and insular nature of Madeira and the Azores

Specific objective: 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)		Related to spending programme: EAGF
Result indicator: Percentage of SSA products coverage of local needs **Source:** MS Annual Reports This indicator is also used in the Programme Statements.		
Baseline (2013 – variations with respect to 2012)[151]	**Target**	**Latest known results (2018)**
POSEIDOM[152] (all products): 39% (-4%) POSEICAN: (cereals only): 99.64% (+0.6%) POSEIMA: Madeira (cereals only): 98.6% (+3,6%) Azores (cereals only): 85.3% (EU) (-3.3%) Smaller Aegean Islands (animal feed): 100.8% (+1.2%)	100% *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.*	POSEIDOM (all products): 35% POSEICAN (cereals only): 70.76% POSEIMA Madeira (cereals only): 98.5% Azores (cereals only): 77% Smaller Aegean Islands (animal feed stuff only): 99.47% (-1.12%)

To be noted: as regards POSEI and SAI programmes, in their annual implementation reports for 2018, the Member States concerned communicated data related to the common performance indicators as requested by Annexes VIII and II of Commission Implementing Regulations (EU) No 180/2014 and 181/2014, respectively. However, the provided data may not be fully in line with the requirements of these annexes and thus not mutually comparable. Therefore, these indicators shall be evaluated with due caution.

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Modification of Commission Implementing Regulation (EU) No 180/2014[153]	Adoption by the College and published in EU OJ	1st semester 2019	Commission Implementing Regulation (EU) 2019/260 published in EU OJ on 15.2.2019

[151] Baseline is set to 2013 in coherence with baseline of previous indicator.
[152] The French authorities used in their annual reports 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).
[153] In the context of the Commission preparatory work for the withdrawal of the UK annexes III to VI of Commission Regulation (EU) No 180/2014 were modified before 30/03/2019 to prepare for a "no deal" Brexit . This modification will only enter into force in on the day the UK leaves the EU.

Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas	Finalisation of Commission Staff Working Document	2019	2020
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Commission decisions and DG letters for amendments approvals (according to kind of modifications)	Date of notification to the MS	2019	2019

The following objectives contribute to all 3 common CAP objectives

Specific objective: Fostering knowledge transfer and innovation in agriculture, forestry and rural areas (Priority 1)		Related to spending programme: EAFRD
Result indicator: % 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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline[154]	**Target** (2023)	**Latest known results**[155]
0	3.59%[156]	0.44% (which represents 12% of achievements of the target set in the RDPs)
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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[157]
0	14 029[158]	2 985 (which represents 21% of achievements of the target set in the RDPs)
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 of data:** Rural development programmes This indicator is also used in the Programme Statements.		
Baseline	**Target** (2023)	**Latest known results**[159]
0	3 762 231[160]	1 481 528 (which represents 39% of achievements of the target set in the RDPs)

[154] Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.
[155] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
[156] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.
[157] The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/19 referring to calendar year 2018.
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[160] Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* Draft Budget for 2019.			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Evaluation of the impact of the CAP measures towards the general objective "viable food production", focussing on knowledge transfer, innovation and advisory services	Launch	2019	Evaluation support study launched in Q3/2019
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
EIP-AGRI events	5 New Focus Groups launched 10 Focus Group meetings 2 workshops 2 seminars 3 meetings of the Innovation Subgroup	2019	Ongoing: 5 New Focus Groups launched 14 Focus Group meetings 3 workshops 2 seminars including one EIP summit 3 meetings of the Subgroup on Innovation
EIP-AGRI publications	1 magazine (Agrinnovation) 10 factsheets 4 brochures 12 newsletters 24 press articles	2019	Ongoing: 1 magazine 10 factsheets 4 brochures 12 newsletters 24 press articles

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 and the recovery of biological diversity, alongside competitive and low carbon supply, processing and marketing chains			Related to spending programme: Horizon 2020
Result indicator: Publications in peer-reviewed high impact journals in the area of food security **Definition:** This indicator measures the number of publications in peer-reviewed high impact journals in a specific societal challenge per 10M EUR of EC-funding[161]. 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 of data:** Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline[162] (2013)	**Milestone 2019**	**Target** (2020)	**Latest known results (2019)**
22.7 publications per 10 million EUR funding (baseline FP7, January 2015)	*On average, 20*	*On average, 20 publications per 10 million EUR funding*	252 publications (cf footnote in the definition of this indicator)
Result indicator: Patent applications in the area of food security[163] **Definition:** This indicator measures the number of patent applications in a specific societal challenge per EUR 10 M funding[164]. **Source of data:** Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline (2013)	**Milestone 2019**	**Target** (2020)	**Latest known results (2019)**
For FP7 Cooperation projects finished by January 2015: 1.2 patent applications per 10 million EUR funding	*On average, 2*	*On average, 2 patent applications per 10 million EUR funding*	N/A at this stage

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Grants	Budget allocated to grants	EUR 281 million	EUR 308 million

[161] 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.
[162] The reference for all the targets is the year when the last actions financed under Horizon 2020 will be finished, i.e. several years after the formal end of the programming period.
[163] 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.
[164] See footnote in the previous indicator.

Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Proposal submission for 2019 calls	Proposals submitted (first deadline)	January 2019	228 submissions for 2019 calls RUR[165] and SFS[166] funded by AGRI
Selection of proposals for funding from calls – implementation by the executive agency REA	Proposals selected for funding	December 2019	46 retained proposals for 2019 calls RUR and SFS funded by AGRI
Publication of 2020 calls	Topics published	July 2019	3 July 2019

Specific objective: 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[167]	Related to spending programme: SAPARD

This objective has been achieved. Sapard programmes have been closed. Financial closure of Sapard for Croatia done in 2018, for Bulgaria in first half 2019, and Romania expected to be completed in 2019.

IPARD

Specific objective: 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.	Related to spending programme: IPARD 2007-2013 (IPARD I)

Financial implementation of IPARD programmes was finished in 2017 and the clearing exercise has now started.

The countries continue sending their Debtors' Ledger (Turkey and Croatia until 2021 and North Macedonia until 2022 due to n+4). Recovery orders are issued accordingly.

The clearance of accounts exercise is almost completed (by mid 2020) and upon its finalisation the final balance of the programmes will be established following adoption of Commission Decisions.

[165] Rural Renaissance
[166] Sustainable Food System
[167] This objective concerning only the closure of the programme (until 2009) is not present in the DG AGRI Strategic Plan 2016-2020.

Specific objective: 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.		Related to spending programme: IPARD 2014-2020 (IPARD II)
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 (2014)	**Target 2020**	**Latest known results (2019)**
0	25[168]	17
Result indicator[169]: Financing Agreements (FA) concluded **Source:** DG AGRI		
Baseline (2014)	**Target**	**Latest known results (2019)**
No Financing Agreements (FA) signed.	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	5 agreements concluded and 4 modifications carried out

This objective has been achieved. Albania (AL), Montenegro (ME), Serbia (RS), North Macedonia (MK) and Turkey (TR) have received entrustment for budget implementation tasks and launched calls. After the initial entrustment of budget implementation tasks for the few main measures focusing on investments in farms and food processing, all countries continue preparing for the entrustment for additional measures. However, this falls under the overall objective of implementation of IPARD 2014-2020.

Specific objective: 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.		Related to spending programme: IPARD 2014-2020 (IPARD II)
Result indicator: Number of economic entities performing modernisation projects in agri-food sector **Source:** IPARD programmes 2014-2020 and annual and bi-monthly reports		
Baseline (2014)	**Target 2023[170]**	**Latest known results (2019)[171]**
0	6 559	2 898

[168] Countries have adjusted their expectations on which measures can still be entrusted under IPARD II
[169] New indicator; new types of Financing Agreements must be prepared and concluded reflecting the new IPA 2014-2020 legal base.
[170] All targets under this specific objective have been updated. The old targets were based on the extrapolations of the IPARD I programmes. Now, that all programmes have been adopted, more reliable estimates stemming from the programmes can be provided.
[171] Indicator for paid/completed projects

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		
Baseline (2014)	**Target 2023**	**Latest known results (2019)**
0	3 827	2 256

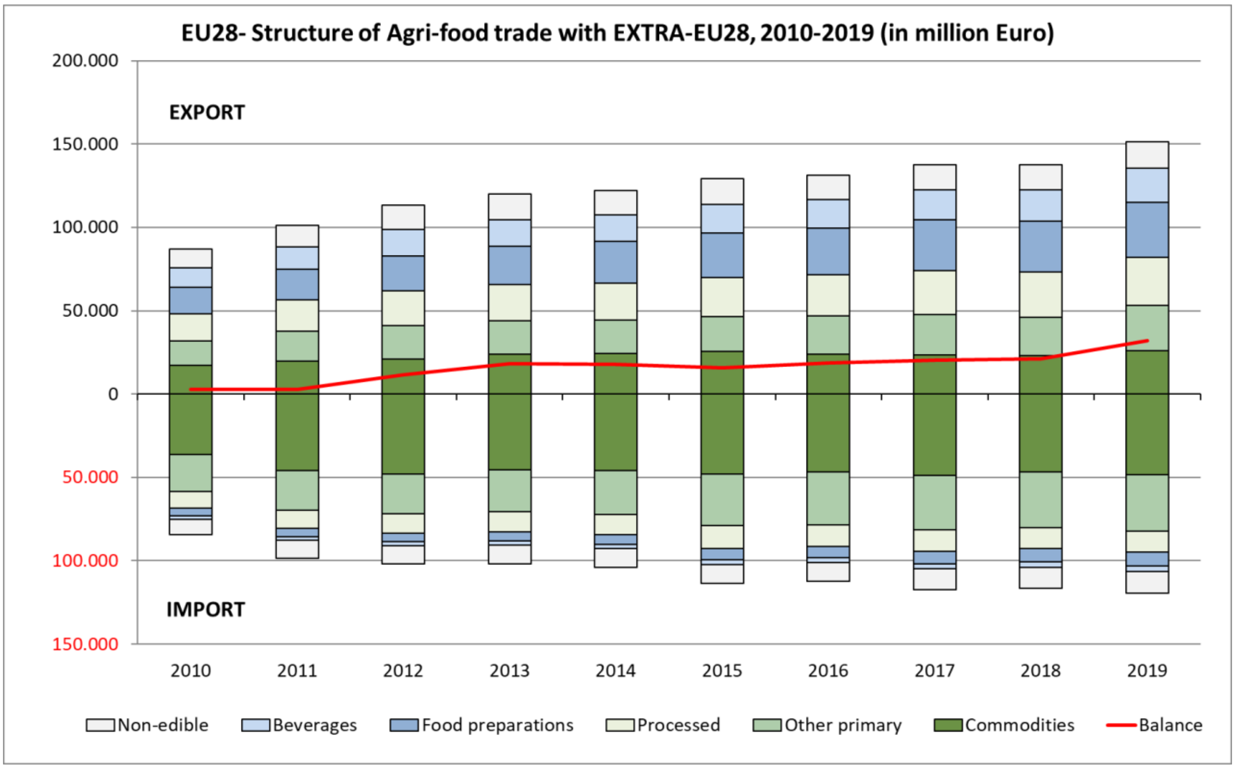
Result indicator: Overall investment in physical capital in agri-food and rural development (EUR) **Definition: Overall investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas** **Source:** IPARD programmes 2014-2020 and annual and bi-monthly reports		
Baseline (2014)	**Target 2023**	**Latest known results (2019)**
0	EUR 2.16 billion	EUR 775 million

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		
Baseline (2014)	**Target 2023**	**Latest known results (2018)**
0	4 485	2 712

Main outputs in 2019:			
Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the Draft Budget for 2019.*			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Management and control systems implementing IPARD programmes; the framework for the systems has been developed in close cooperation with DGs NEAR, BUDG and LS, based on provisions of the Financial Regulation and Framework Agreement. Each entrustment decision, which is granted per measure is communicated to DG NEAR and is aligned to their overall assessments of the "horizontal bodies" of the management and control systems for IPA.	Entrustment of budget implementation tasks granted on a number of measures under individual country IPARD programmes by concluding Financing Agreements.	Entrustment at least for some measures under all five programmes, continuous entrustments for the new measures. Expected total by 2020 – 23 entrustments.	In total 17 measures have been entrusted under all five programmes, 6 entrustments for the new measures are in the process.

Start of contracting	Number of economic entities performing modernisation projects in agri-food sector	6 559	2 898
Start of contracting	Number of economic entities developing additional or diversified sources of income in rural areas	3 827	2 256
Start of contracting	Overall investment in physical capital in agri-food and rural development (EUR) (investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas)	EUR 2.16 billion	EUR 775 million
Start of contracting	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	4 485	2 712
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Progress in implementation of five IPARD II programmes	Percentage of the relevant IPARD II allocation paid**	AL: 23% NM: 33% ME: 32% RS: 126% TR: 32%	AL: 23% MK: 33% ME: 32% RS: 26% TR: 39%

** Target established for the entire programming period (with N+3 rule, implementation will continue until 2023).*
***Considering all outstanding budgetary commitments.*

<table>
<tr><td colspan="3">Commission general objective 6: A balanced and progressive trade policy to harness globalisation[172]</td></tr>
<tr><td colspan="3">CAP Impact indicator: Total EU agri-food trade value
Source of the data: Comext, Eurostat</td></tr>
<tr><td>Baseline
(2011)[173]</td><td>Target
(2020)</td><td>Latest known results (2019)</td></tr>
<tr><td>EUR 199 billion</td><td>Maintain at high level</td><td>EUR 270.5 billion</td></tr>
<tr><td colspan="3"></td></tr>
</table>

[172] The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S") and introducing a new impact indicator replacing the old one.
[173] Baseline modified to 2011 instead of 2016 to better take into account the longer-term trend.

Specific objective: 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).		Related to spending programme: NA
Result indicator: Timely contribution to negotiations and other ongoing processes in multilateral fora **Source:** DG AGRI		
Baseline (2015)	**Target**	**Latest known results (2018)**
100% of contributions in time. Examples: Provision of negotiating lines to take in the context of WTO DDA negotiations following the 9th Ministerial Conference (Bali, December 2013). Relevant input to agriculture-related FAO activities.	100% of contributions in time *This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations*	100 % of contributions on time; all contributions supported by EU MS and were coherent with EU agritrade interests and the rules of the CAP.

Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Proposals to the Council on EU accession to the Lisbon Agreement on Appellations of Origin (2016/AGRI/076): draft Council Decision on the accession and EP/Council Regulation on EU action after accession (COM(2018)365).	Adoption of proposal and EU accession to Lisbon Agreement	2019	Legal texts adopted and published in the OJ on 24.10.2019. EU instrument of accession deposited at WIPO on 26.11.2019. Target thus reached.

Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
WTO agricultural negotiations	Contributions to the negotiations on the post-Buenos Aires agenda running up to the 12th Ministerial Conference in Nur-Sultan, Kazakhstan in June 2020.	Throughout 2019, participation in the Special Sessions of the WTO Committee on Agriculture and other informal meetings. Positions co-ordinated in constant and extremely close co-ordination with DG TRADE and EU Geneva delegation.	Many negotiating meetings attended (6 Special Sessions in 2019 plus many working groups and informal meetings); and EU continues to be recognised as a key and constructive player but no substantial negotiations presently ongoing Continued contributions on agri-related aspects of the wider transparency initiative linked to WTO reform
GATT Article XXVIII negotiations: - with Switzerland on seasoned meat tariff lines - with India on Basmati rice - modifications of the EU schedule related to Brexit. GATT Article XXIV.6 negotiations related to other Members' schedules, including Armenia and Kyrgyzstan.	Contributions made to negotiations, and their conclusion and implementation	Article XXVIII negotiations (including Brexit) and Article XXIV.6 negotiations: ongoing throughout 2019. Negotiations carried out in close co-operation with DG TRADE.	Switzerland: bilateral agreement signed 9.12.2019, EP consent and conclusion to follow in 2020 WTO TRQs (Brexit): negotiations ongoing with trade partners with legal rights under Article XXVIII Commission proposal for negotiating directives on Basmati rice still before the Council Armenia/Kyrgyzstan: further discussions on new agricultural offer during 2019 with a view to conclusion in 2020
OECD activities related to agriculture, food and rural development	Attend all relevant meetings (minimum, n=8) Review all OECD papers and provide comments according to EU policy objectives	Throughout 2019, notably each session of the OECD Committee for Agriculture and its working parties	All relevant meetings attended, papers reviewed; 85% of papers commented on.

Influence of agriculture policy in UN (notably FAO), GFFA[174], G20 (agriculture) and G7 (agriculture) in close cooperation with DEVCO and other relevant services.	Contributions made to key committee meetings of FAO and IFAD[175] bodies Contributions made to work on SDG implementation and indicators for Agenda 2030 affecting agriculture policy Provide comments to papers and attend all relevant meetings of GFFA, G7 and G20.	2019: AGRI staff participation in all relevant FAO and IFAD meetings 2019: Participation in all interservice meetings and contribution to all relevant Commission documents on SDGs Organise High Level event at GFFA Agricultural Ministerial (January 2019) and attend all G7 and G20 agricultural meetings in 2019	Participation in all relevant FAO meetings. DG AGRI involvement in the campaign to support the EU candidate to the DG FAO post Hosting of Task Force Rural Africa event at GFFA, Berlin, January 2019. Participation in all relevant G20 meetings (Tokyo & Niigata, Japan) and interservice consultations on G7 and G20. Contribution to all relevant Commission documents on SDGs, incl. Reflection Paper "Towards a Sustainable Europe 2030".
TRQ apportionment	Conduct negotiations with WTO member countries under Art. XXVIII.	2019: Participation in all relevant meetings	4 formal rounds of negotiations held in Geneva in 2019

Specific objective: To 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.		Related to spending programme: N/A
Result indicator: Timely preparation of and contribution to bilateral negotiations leading to the objectives given. Source: DG AGRI		
Baseline (2015)	**Target**	**Latest known results (2019)**
100% of timely contributions. Examples: Contributing to	100% of contributions in time *This target was agreed within DG AGRI and is reflected by*	All contributions prepared in time and to the quality required. In 2019, the FTA with Mercosur was agreed in principle and the

[174] Global Forum for Food and Agriculture
[175] International Fund for Agricultural Development

negotiations with WTO partners in the framework of Art XXIV.6 GATT; Contributing to negotiations with Mercosur, 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 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; Steering the process leading to the protection of EU geographical indications in Central America, in the framework of the agreement with these countries; Carrying out dialogues on agricultural issues with some third countries (China, Brazil, India, EPAs) and cooperation activities in the agricultural field	*relevant procedures for conducting negotiations.*	EU-US agreement on import of hormones-free beef was signed and entered into force. The negotiations with Mexico to modernise the FTA were also successfully concluded in early 2019. All other negotiations carried out according to EU negotiating mandates and EU positions and interests safeguarded. In particular, three rounds of negotiations for the modernisation of the EU-Chile agreement were held in 2019. GI Agreement negotiations with China were closed on 6 November 2019 and collaborative relations with China ensured via agriculture dialogue and other bilateral initiatives. Relations with India saw limited progress. With the exception of one GI in Guatemala for which a court case is pending, the process for the recognition of EU GIs in Central America was successfully concluded.

Main outputs in 2019:			
Delivery on legislative proposals pending with the legislator			
Description	Indicator	Target	Latest known results (situation on 31/12/19)
Tariff rate quotas included in the World Trade Organization (WTO) following the withdrawal of the United Kingdom from the Union (COM(2018)312)	Political agreement reached in December 2018 Adoption and publication in OJ	January - February 2019	Council/EP Basic Regulation (EU) 2019/216 adopted and published in February 2019

Important items from work programmes/financing decisions/operational programmes *For a complete listing of expenditure-related outputs please refer to the Programme Statements published together with the* Draft Budget for 2019.			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Commission Implementing Regulation laying down detailed rules for the application of Regulation (EU) 2019/216 with regard to the apportionment of tariff rate quotas included in the WTO schedule of the European Union following the withdrawal of the United Kingdom from the Union (PLAN/2018/4585)	Adoption of Implementing act	February - March 2019	Commission implementing Regulation (for agricultural products) (EU) 2019/386 adopted and published in March 2019
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
Monitoring of EU agri-food trade	Regular analysis and publication of latest developments in EU agri-food trade	2019: Monthly publication and annual report	Monthly reports and annual report published on time (Spring 2019).
Provide analysis on agri-food products to support bilateral and multilateral trade negotiations	Timely provision of analytical notes and data, meet all deadlines agreed with negotiation units	2019	All deadlines were met as agreed with negotiation units.
Implementation of full EPAs in: East African Community; SADC-EPA Group; West Africa; CARIFORUM	Finalisation of CARIFORUM GI protection (2016/AGRI/032).	Adoption in 2019	Adoption process ongoing
Implementation of interim EPAs in Eastern and Southern Africa; Central Africa; Pacific	Monitoring of agreements and possible development of informal agricultural dialogues. Participate in all relevant meetings. Number of contributions to events pursuant to agreements	2019	Participation in all relevant meetings to promote implementation. Active participation in relaunch of ESA to promote agricultural trade and cooperation.
Contribute to the implementation of EPAs (TRADE)	Contribution to work coordinated by TRADE and DEVCO. Participation in all coordination meetings.	2019	Participation in all relevant meetings to promote implementation.

Address root causes of irregular migration by promoting investment in agri-business in Africa	Follow-up to the African Union-EU Agriculture Ministers Conference and the EU-Africa Summit	During the year 2019	Task Force Rural Africa report published 07/03/19 with relevant recommendations. AU-EU Agriculture Ministerial held in June 2019 in Rome resulting in agreed Action Plan that will guide future EU-African Union work on agricultural development and trade.
Building partnerships with International Organisations, AUC, ACP and selected countries	Number of agriculture policy (incl. GI) initiatives & events. Organise the follow-up to the African Union – EU Agricultural Ministerial Conference in cooperation with DEVCO, TRADE etc.	2019	
Contribute to Post-Cotonou with ACP countries	Contribution to EU position in negotiations. Participation in all relevant meetings.	2019	Participation in all relevant meetings, promoting EU position.
Canada: CETA	Monitoring of implementation and participation in the relevant committees. In coordination with TRADE and the EU Delegation in Canada.	2019	Ongoing. All CETA committees co-chaired by DG AGRI met.
US: TTIP	Stand ready to continue negotiations Pour mémoire. No development expected	2019	N/A
EU–US Memorandum of Understanding (MoU) on imports of hormone-free beef	Negotiation of amendments to the 2014 MoU, in coordination with DG TRADE	2019	Agreement signed, concluded and entered into force.
Mexico: modernisation of existing Global Agreement;	Preparation of signature and follow up of ratification process. In coordination with DG TRADE, DG GROW and DG SANTE.	2019	Ongoing. Legal scrubbing completed. With regard to the 1997 Spirits Agreement, the Commission Implementation Decision to replace its annexes was transmitted for adoption by the College end-2019.
Mercosur: negotiations for a trade agreement.	Continuation of the negotiations. In coordination with DG TRADE, DG GROW and DG SANTE.	2019	Political agreement reached; next step: legal scrubbing

EU-Central America Free Trade Agreement and EU–Andean countries (Peru, Colombia, Ecuador) Free Trade Agreement	Continuation of monitoring of implementation and participation to the relevant committees. In coordination with EU Delegations and DG TRADE.	2019	Implementation on-going. During the 2019 annual meetings of the sub-committees on Agriculture and/or Market Access and Intellectual Property, under the Agreements with Colombia/Ecuador/Peru and Central America, the issues related to EU interests were addressed and on-going issues were followed up.
Chile: modernisation of existing Association Agreement	Continuation of negotiations. In coordination with DG TRADE, DG GROW and DG SANTE.	2019	Ongoing – three negotiation rounds held in 2019.
China: agreement on protection of geographical indications (2011/AGRI/008 and 2015/AGRI/058)	Conclusion of negotiations and launch process for signature.	Early 2019	Negotiations were successfully closed on 6 November 2019. Legal scrubbing of the text was initiated immediately after with the view to have the text ratified and in force as early as possible (in 2020).
Monitoring of and addressing trade barriers, in close cooperation with DG TRADE and SANTE	Continuation of work on resolving trade barriers	2019	Ongoing: cooperation stepped up with systematic meetings of Directors of the 3 DGs on SPS barriers.
China: cooperation activities in the field of agriculture and rural development	Continuation of cooperation resulting in avoidance of new trade barriers.	2019	Ongoing
Japan: Economic Partnership Agreement under DG TRADE's coordination	Contribution to entry into force and effective implementation of the Agreement	2019	Entry into force on 1 February 2019
Vietnam: Free Trade Agreement under DG TRADE's coordination	Contribution to entry into force and effective implementation of the Agreement	2019	Ongoing
Indonesia: Free Trade Agreement	Continuation of negotiations	2019	Ongoing
Australia: Wine Agreement	Monitoring implementation	2019	Ongoing
Australia/New Zealand: Free Trade Agreement negotiations under DG TRADE's coordination	Continuation of negotiations	2019	Ongoing. Market access offers exchanged in 2019.

India, Thailand, Malaysia, Philippines: Free Trade Agreements under DG TRADE's coordination	Talks towards possible resumption of negotiations with India, Malaysia, Philippines and Thailand	2019	Ongoing
Korea: Free Trade Agreement implementation, with the support of the EU Delegation to Korea	Monitoring of proper implementation in particular on GIs	2019	Ongoing
Tunisia: contribution to DCFTA[176], in close cooperation with DG TRADE	Continuation of bilateral negotiations	Planned 2019	Ongoing. Market access offers not yet exchanged.
Morocco: conclusion of a GI agreement	Adoption by Council and Parliament and implementation of the Agreement	2019	Process has not resumed yet and the calendar is not known.
Georgia, Moldova, Ukraine: Association Agreement including DCFTA, in close cooperation with EEAS and DG TRADE	Implementation, approximation monitoring (including update of GIs lists for the three countries). Start of discussions on review clause with Moldova.	2019	Georgia: update of GIs lists adopted by COM on 28 November 2019. The Decision of the GI SC will be signed on 23 January 2020.
Armenia: bilateral Comprehensive and Enhanced Partnership Agreement (including GIs), in close cooperation with TRADE	Implementation, monitoring (including technical assistance concerning the phasing out of GI Cognac).	2019	Terms of technical assistance for the phasing out of GI Cognac were finalised.
Azerbaijan: negotiation of a new Agreement (including GIs), in close cooperation with TRADE	Negotiations started in 2017.	2019	Negotiations virtually concluded on AGRI-related issues, notably GIs.
Russia, Turkey: resolving trade irritants, in close cooperation with DG TRADE and DG SANTE	Contribute to the resolution of ongoing trade bans and/or safeguard measures	2019	Ongoing.
Kyrgyzstan: negotiation of a new Agreement (including IPR/GIs section), in close cooperation with DG TRADE	Continuation of negotiations	2019	Ongoing legal scrubbing

[176] Deep and Comprehensive Free Trade Area

Uzbekistan: negotiation of a new Agreement (including IPR/GIs section), in close cooperation with DG TRADE	Continuation of negotiations	2019	Ongoing.
Turkey: modernisation of the Customs union	Possible negotiations on the modernisation of the customs union and adaptation of agricultural concessions subject to adoption of the negotiating mandate by the Council Continuation of negotiations.	2019	Modernisation of the customs union suspended since June 2018. No negotiations on adaptation of agricultural concessions.
Belarus: dialogue, in close cooperation with EEAS and DG TRADE	Participate in discussions of the Trade dialogue led by DG TRADE	2019	Ongoing
Iran: dialogue in close cooperation with EEAS, DG TRADE and DG SANTE	Continued implementation of the activities included in the joint press statement issued by Commissioner Hogan and Minister Hojjati in November 2017.	2019	A study on Organic farming and GI's in Iran has been concluded with FPI support. EU harmonised veterinary health certificates for beef and sheepmeat have been accepted by Iranian veterinary authority.
Lebanon: dialogue in close cooperation with EEAS and DG TRADE	Participate in discussions of the Trade and Investment working group lead by DG TRADE	2019	Meetings in January, July and December. Planning for meeting on EU market requirements planned for Q1 2020.
Algeria: resolving trade irritants, in close cooperation with DG TRADE	Contribute to the resolution of ongoing trade bans and/or other restrictive measures	2019	Ongoing.
United Arab Emirates: promoting agro-food trade	High-Level mission by Commissioner Hogan to Dubai at the occasion of 'Gulfood 2019'	2019	The mission took place in February 2019.
Israel, Palestine, Egypt, Jordan: dialogue, in close cooperation with EEAS and DG TRADE	Preparation of the visit of Commissioner Hogan to Egypt in January Dialogue on agriculture and cooperation (including on GI's, organic farming, etc.). Dealing with trade irritants	2019	Visit of Commissioner Hogan to Egypt in January 2019; follow-up technical meetings in June, during the subcommittee meetings. Subcommittee meetings with Israel and Palestine in the autumn.

Implementation of the Stabilisation and Association Agreements with the western Balkans (Albania, Montenegro, Serbia, North Macedonia, Bosnia and Herzegovina, Kosovo)	Monitoring of the agreements and participation to annual agricultural dialogues. Contributions to trade dialogues and other events pursuant to agreements, as necessary. Possible discussions on review clause with Kosovo.	2019	Monitoring and participation successfully undertaken with all countries.
Switzerland: reclassification of seasoned meat	Find a solution to the trade irritant of reclassification of seasoned meat from Chapter 16 to Chapter 02	2019	Agreement signed in December 2019.
Mandate to sign and conclude an agreement on organics with Mexico (PLAN/2018/3267)	Council decision	First half of 2019	Postponed to end of 2020
Mandate to sign and conclude an agreement on organics with Colombia (PLAN/2018/3266)	Council decision	First half of 2019	Postponed to end of 2021

Specific objective: 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		Related to spending programme: EAGF and EAFRD
Result indicator: Timely contribution to the Commission's work in the area of enlargement **Source:** DG AGRI		
Baseline (2015)	**Target**	**Latest known results (2019)**
100% of timely contributions Example: Preparation of screening report for Montenegro.	100% of contributions in time *This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.*	100% of contributions in time

Main outputs in 2019:			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
All enlargement countries	Alignment to the Common Agricultural Policy	Accession date (unknown)	Ongoing
Montenegro: negotiations on agriculture chapter in accession negotiations	Progress in negotiations on the chapter agriculture - fulfilment of closing benchmarks.	not pre-defined in view of unknown accession date	Ongoing

Serbia: negotiations on agriculture chapter in accession negotiations	Contribution to opening benchmark's assessment report preceding the opening of negotiations.	2019	Opening Benchmark Assessment Report submitted to Council in Feb 2019. Council approval pending.
Bosnia and Herzegovina: Analysis of application	Review of reply to questionnaire sent by the Commission to the BiH authorities in preparation of the opinion of the country's membership application. Opinion to be submitted to the Council.	2019	COM Opinion submitted to Council.
Albania: Preparation of accession negotiations	Participation to explanatory screening meetings (and bilateral screening meetings if negotiations opened)	2019	Explanatory meetings concluded. Council decision on the possible opening of negotiations could take place in 2020.
North Macedonia: Preparation of accession negotiations	Participation to explanatory screening meetings (and bilateral screening meetings if negotiations opened)	2019	Explanatory meetings concluded. Council decision on the possible opening of negotiations could take place in 2020.

Specific objective: 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		Related to spending programme: N/A
Result indicator: Timely contribution to the decision-making process for the CAP towards 2020 **Source:** DG AGRI		
Baseline (2015)	**Target**	**Latest known results (2019)**
100 %	100 % timely deliveries: - supporting policy and economic analysis - publication of key documents on the CAP	100 %
Result indicator: Representativeness of information about the EU farm economic situation collected by the Farm Accountancy Data Network (FADN) **Source:** EU FADN This indicator is also used in the Programme Statements.		
Baseline (2015)	**Target**	**Latest known results (2019)**
Observed coverage of EU agricultural production in the accounting year 2013: - 96 % coverage of the Standard Output - 94 % coverage of the Utilised Agricultural Area - Farm returns collected: 86 840	Observed coverage of EU agricultural production: - 90 % coverage of the EU agricultural production as expressed in Standard Output - 90 % coverage of the Utilised Agricultural Area	Observed coverage of EU agricultural production for accounting year 2017: - 95% coverage of the Standard Output; - 92% coverage of the Utilised Agricultural Area. - Farm returns collected for accounting year 2017: 84 616
Result indicator: Adequate knowledge of Farm structure **Source:** Eurostat – Farm Structure Survey This indicator is also used in the Programme Statements.		
Baseline (2015)	**Target**	**Latest known results (2019)**
Data from the 2013 Farm Structure Survey (FSS) are extensively used in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020	All relevant indicators and factsheets updated with FSS 2016 data and published on the Europa website. In-depth use of FSS 2016 data for analyses on farm structural change.	Eurostat has published more data from the 2016 Farm Structure Survey. Grant agreements have been signed with Member States for the agricultural census 2020. Portugal has carried out the census in 2019.

Main outputs in 2019:			
Other important outputs			
Output	Indicator	Target	Latest known results (situation on 31/12/19)
AGRICULTURAL POLICY ANALYSIS AND DEVELOPMENT • Contribute to the definition of the long-term strategy for the CAP, in particular contributions to the legislative proposals and coordination of the related impact assessment • Support to ongoing negotiations on the future CAP, implementation preparatory works, with a focus on: shift towards performance (PMEF), CAP Strategic plans and policy analysis across CAP pillars including work to ensure overall consistency; • Develop consistent narrative on the CAP and its performance • Long term strategic analysis • Follow-up of the implementation of the CAP 2014-2020; • Follow-up of policy developments in fields relevant for agriculture and rural development (environmental and climate policies, trade negotiations, employment policies, etc.), both at global and EU level;	Notes and documents on the CAP post-2020	On request	- Contribution to working document on annual performance review - Brochure on the new green architecture (January 2019) - Briefs on the 9 objectives and 1 brief on simplification - Further development of slides on the future CAP
	Notes and documents on long-term policy development	On request	Briefing for the new Commission – first instalment May 2019
	Support to other policy initiatives	On time contributions to other policy initiatives	- Contributions to the Social Task Force, evaluation of the socio-economic aspects, study on Civil Dialogue Groups - Contribution to reply to Court of Auditors on new technology for monitoring the CAP and on performance measurement[177] - Contributions to the Farm to Fork strategy
	Briefings, speeches and institutional communication	On request	- Drafting and coordination of briefings and input for speeches on the future CAP, including in the context of the inter-institutional negotiations - Assisting and supporting some Commission Representations in the context of the European elections and a corporate campaign in rural areas (ES, FR, IT, PL)

[177] Is the Commission's system for performance measurement in relation to farmers' incomes well designed and based on sound data?"

COUNTRY INTELLIGENCE • Monitoring of agricultural policy developments in Member States and policy positions in the field of agriculture; • Analysis of documents on the evolution of agriculture and rural areas from Member States • Other data collection and analysis	Monitoring of policy development in MS	2019	Ongoing
	Data, analysis, fact sheets and briefings on MS	2019	- Publication of analytical factsheets for the 9 objectives of the new CAP for 27 Member States - Update of MS policy fact sheets - Member of the geographical hubs (including coordination for ES, PL and LU) and support to various training sessions in different Member States
OUTLOOK To provide short- and medium-term outlook for EU agricultural markets and income, to assess the likely developments in the current policy framework and under alternative scenarios. This activity is carried out in cooperation with DG JRC. Outlook validated also through workshop with external experts and other DGs (ECFIN, TRADE, ENVI, CLIMA, JRC, etc.)	Report on medium-term prospects for agricultural commodity markets published paper/electronic versions	Publish new Report before end of the year 2019	Report published in December 2019
	Organisation of the EU agricultural outlook conference	First week of December	EU Agricultural Outlook Conference took place on 10-11 December
	Timely publication of 3 reports on short-term outlook for agricultural commodity markets	Reports to be published in April July and October 2019	The Spring report was published early April. The Summer report was published on 3 July. The Autumn report was published in the beginning of October.
MODELLING AND ANALYSIS Development, maintenance and use of quantitative analysis tools like partial equilibrium models both at macro- and micro-economic level, biophysical models and other forward looking methods.	Operational platform of economic and biophysical models and related databases (in collaboration with JRC). Main use: trade, environment, biofuels, climate and CAP reform analysis.	Operational tools for timely results	

DATA INTEGRATION To co-ordinate the statistical needs related to the Monitoring and Evaluation Framework of the CAP. To analyse the food supply chain especially price formation. Analysis of trade statistics	Development, up-dating and maintenance of CMEF indicators	All indicators updated in the database, according to detailed workplan.	Update of the CMEF CAP indicator dashboards to was published in the first week of July.
	Development of the Performance Monitoring and Evaluation Framework for assessing the CAP 2020-2027	2019	A first draft of all PMEF indicator fiches have been presented to the Council WP. Discussions on concrete examples of indicators on-going in GREXE.
	Build further thematic dashboards summarising the main indicators by theme	Thematic dashboards to be added to the 9 existing ones by the end of 2019	Timely publication of 3 additional dashboards foreseen for January 2020
	Monthly dashboard of EU and world commodity prices, including along the food supply chain	Monthly updates.	Monthly updates
	Regular updates, ad-hoc requests and annual trade statistics report	On demand Publication of trade statistics report in the summer.	On demand Publication of trade statistics report in the summer.
MANAGEMENT AND DEVELOPMENT OF FADN LEGISLATION AND INFRASTRUCTURE • Adaptation of systems and reporting tools following implementation of the new Farm Return (Regulations 1217/2009, 1198/2014 and 2015/220) • Further monitoring and development of FADN IT systems. Starting introduction of a new analytical/visualisation tool. • Adaptation of the FADN data to the CAP evolution and requirements/demands for the analyses • Improve the efficiency and the performance of the FADN reporting	Maintenance and support of the RICA Information Systems	100 % availability of the system to users (outside maintenance periods)	100 % availability of the system to users (outside maintenance periods)
	Enhancement of RICA2 functionality. Amended Delegated and Implementing Regulations.	All business requirements implemented as scheduled	Implementing Regulation amendment published on 29.11.2019

ECONOMIC ANALYSES High quality economic analyses based in particular on FADN data in line with the needs of DG AGRI for the assessment of policy proposals (ex-ante) and CAP measures (ex-post).	Delivery of relevant and high quality data for specific analyses supporting policy development of CAP after 2020	Ongoing	Ongoing
	Delivery of relevant ad-hoc analysis and special FADN reports	Ongoing	Ongoing
	Finalisation of FADN annual reports	Q4/2019	EU cereal farms report published in December 2019
STATISTICAL COORDINATION AND ANALYSES Coordinate the information needs of DG AGRI within DG AGRI and with ESTAT and ensure their dissemination Contribute to Commission proposals on legislation for agricultural statistics (e.g. Framework Regulation on integrated Farm Statistics; Framework Regulation on Statistics for Agricultural Inputs and Outputs) Provide updates of statistical factsheets and CAP context indicators Analyse the evolution of farm structures and agricultural income based on statistics	Contribute to the development of Eurostat's framework regulations on integrated farm surveys and statistics on agricultural inputs and outputs	Ongoing	Ongoing
	Contribution to the development and implementation of Eurostat's work programme in agricultural statistics, in line with DG AGRI's data needs	2019	2019
	2019 update of statistical country factsheets	Q2/2019	Update finalised in June 2019
	2019 update of CAP context indicators	Q4/2019	Postponed to 2020 to coincide with publication of CAP indicator dashboards
	2019 update of farm income developments	December 2019	December 2019
GIS support to statistics and economic/policy analysis	Number of DG AGRI units using the service. Number of maps and data analyses produced.	Increase Maintain or increase	Increase Maintain or increase

ANNEX 13: Interruptions, Reductions and Suspensions

In 2019, DG AGRI continued to apply the interruptions and reductions/suspensions of monthly payments (EAGF) and interim payments (EAFRD) in order to safeguard the EU financial interest. The Commission powers for this preventive mechanism were significantly reinforced with the entry into force of the CAP Horizontal Regulation (EU) No 1306/2013 (and the Common Provisions Regulation (EU) No 1303/2013) in December 2013.

The EAFRD payments deadline may be interrupted for verifications due to inconsistent, incomplete or unclear information[178]. If there is a clear indication of a deficiency in management and control system or that the expenditure is linked to an irregularity having serious financial consequences the expenditure may be interrupted[179] - as for other structural funds.

The payments for both pillars may be reduced or suspended when the payments were not effected in accordance with EU rules[180], or there is an evidence of a deficiency in the national management and control or recovery systems.

In particular, if the declarations of expenditure or the annual accounts enable the Commission to establish that expenditure has been effected by bodies which are not accredited Paying Agencies, that payment periods or financial ceilings set by Union law have not been respected or that expenditure has otherwise not been effected in accordance with Union rules, the Commission may reduce or suspend the monthly or interim payments to the Member State, after giving the Member State an opportunity to submit its comments[181].

Where the declarations of expenditure or the annual accounts do not enable the Commission to establish that the expenditure has been effected in accordance with Union rules, the Commission shall ask the Member State concerned to supply further information and comments within 30 days. If the Member State fails to respond within this period or if the response is unsatisfactory or demonstrates that the expenditure has not been affected in accordance with Union rules, the Commission may reduce or suspend the monthly or interim payments to the Member State.

In case of deficiencies of the national control system, the Commission may reduce or suspend the monthly or interim payments to a Member State if one or more of the key components of such control system do not exist or are not effective due to the gravity or persistence of the deficiencies found, or if there are similar serious deficiencies in the system for the recovery of irregular payments and either these deficiencies are of a continuous nature or the Commission concludes that the Member State is not in a position to implement in the immediate future the necessary remedial measures in accordance with an action plan[182]. Before acting, the Commission informs the Member State concerned of its intention and asks it to react within 30 days.

Reductions and suspensions shall be applied in accordance with the principle of proportionality and shall be without prejudice to the application of the conformity clearance procedures.

[178] Article 22 of Commission Implementing Regulation (EU) No 908/2014
[179] Article 83 of the Common Provisions Regulation
[180] Article 41 of Regulation (EU) No 1306/2013
[181] Article 41(1) of Regulation (EU) No 1306/2013
[182] Article 41(2) of Regulation (EU) No 1306/2013

In order to ensure a consistent and timely treatment of cases for both pillars, in 2014 DG AGRI established the Suspension Board, an advisory body to the Director-General, co-chaired by two Deputy Directors-General responsible for the 1st pillar and the 2nd pillar. The Board meets on a regular basis taking into account the rhythm of interim payments (monthly payments for EAGF and quarterly payments for EAFRD) and the existence of potential cases. If necessary, the Board has been consulted by an ad hoc written consultation.

The interruptions and reductions/suspensions are provisional. When relevant, these could be accompanied by an audit of DG AGRI audit service. If the deficiency is confirmed, the relevant expenditure is definitely excluded from EU financing by application of a financial correction.

An overview of interruptions and reductions/suspension applied in 2019 for each of the funds (EAGF and EAFRD) is provided below.

EAGF

Reductions/Suspensions of payments in respect of EAGF declarations of expenditure reimbursed in 2019.

The **reductions** made in 2019 concerned 17 Member States and a total amount of **EUR 67 764 269.48**. There were no reductions in the monthly payments due to deficiencies in the control system in 2019. The reductions concern overruns of ceilings, deadlines and other eligibility issues. There were 82 operations in total related to the reductions.

There were no suspensions of payments for deficiencies in the control system.

The following table shows the amounts and number of cases reduced/suspended for each Member State:

Summary of reductions and payment suspensions executed during financial year 2019

Member States	Reductions	Number of cases	Payment suspension	Number of cases
BE	43.764,17	2		
DE	14.718,92	2		
IE	29.628,85	1		
EL	75.251,36	1		
ES	8.152.611,42	34		
FR	456.837,87	1		
HR	9.966,54	6		
IT	36.101.265,52	4		
CY	3.236,28	5		
HU	2.159.270,38	7		
NL	38.564,78	3		
AT	560.013,80	1		
PT	193.551,36	3		
RO	4.458.267,50	3		
SK	188.132,38	1		
SE	220.922,74	7		
UK	15.058.265,77	1		
Total MS	**67.764.269,64**	**82**	**0,00**	**0**

EAFRD

Interruptions and reductions/suspensions of payments in respect to EAFRD declarations of expenditure for financial year 2019

The interruptions and reductions/suspensions of EAFRD payments concerned 4 out of 115 RDPs from the 2014-2020 programming period.

The following table shows the cases of interruptions and reductions/suspensions by Member State and quarter with the amounts and measures involved. It covers the quarterly declarations of expenditure received and processed during the budget year 2019. The Q4 2018 data corresponds to payments made as from 01/02/2019 based on declarations received by 31/01/2019. The Q3 2019 data corresponds to declarations received by 10/11/2019 and executed by 31/12/2019.

PROGRAMMING PERIOD 2014-2020

Member States	Quarter	Type	Amount interrupted	Amount reduced / suspended	Measure
Austria	2019Q2	Interruption	1 750 000.00		11
Czech Rep.	2018Q4	Suspension		68 990.62[183]	4
Czech Rep.	2019Q1	Suspension		177 629.71[183]	4
Czech Rep.	2019Q2	Interruption	841 063.35		4
Lithuania	2019Q1	Interruption	104 786.73		3
Lithuania	2019Q2	Interruption	25 550.31		3
Lithuania	2019Q3	Interruption	23 361.10		3
Romania	2018Q4	Suspension		83 675.15[183]	14
Romania	2019Q1	Interruption	1 183 276.27		14
Romania	2019Q2	Interruption	81 026.85		14
Romania	2019Q3	Interruption	692.87		14
Total			**4 009 757.48**	**330 295.48**	

The following table shows the number of interruption and reduction/suspension cases related to EAFRD declarations of expenditure for the Member states concerned.

Member State	Number of interruption	Number of reductions / suspensions
Austria	1	
Czech Republic	1	2[184]
Lithuania	3	
Romania	3	1[2]

[183] The suspension was previously an interruption that was lifted and transformed into a suspension
[184] The cases of suspension were previously interruptions that were lifted and transformed into suspensions

EAGF[185]

Total of financial corrections and Payment Suspensions executed during the financial year 2019

in EUR

M.S.	EXPENDITURE declared by MS T104	Reductions	EXPENDITURE taken into account for the monthly payments	Payment Suspension	Amounts paid out
BE	550 246 414.61	-43 764.17	550 202 650.44		550 202 650.44
BG	799 083 546.78		799 083 546.78		799 083 546.78
CZ	874 001 035.10		874 001 035.10		874 001 035.10
DK	832 146 704.57		832 146 704.57		832 146 704.57
DE	4 898 393 890.73	-14 718.92	4 898 379 171.81		4 898 379 171.81
EE	133 912 353.58		133 912 353.58		133 912 353.58
IE	1 193 306 358.36	-29 628.85	1 193 276 729.51		1 193 276 729.51
EL	1 911 346 204.25	-75 251.36	1 911 270 952.89		1 911 270 952.89
ES	5 672 682 624.52	-8 152 611.42	5 664 530 013.10		5 664 530 013.10
FR	7 347 071 242.92	-456 837.87	7 346 614 405.05		7 346 614 405.05
HR	286 515 814.61	-9 966.54	286 505 848.07		286 505 848.07
IT	4 136 889 812.33	-36 101 265.52	4 100 788 546.81		4 100 788 546.81
CY	54 514 761.11	-3 236.28	54 511 524.83		54 511 524.83
LV	253 721 198.34		253 721 198.34		253 721 198.34
LT	466 903 768.33		466 903 768.33		466 903 768.33
LU	33 183 121.26		33 183 121.26		33 183 121.26
HU	1 277 901 273.60	-2 159 270.38	1 275 742 003.22		1 275 742 003.22
MT	5 702 837.75		5 702 837.75		5 702 837.75
NL	701 404 147.68	-38 564.78	701 365 582.90		701 365 582.90
AT	703 963 916.93	-560 013.80	703 403 903.13		703 403 903.13
PL	3 363 353 062.60		3 363 353 062.60		3 363 353 062.60
PT	762 537 151.88	-193 551.36	762 343 600.52		762 343 600.52
RO	1 848 988 608.95	-4 458 267.50	1 844 530 341.45		1 844 530 341.45
SI	141 615 579.48		141 615 579.48		141 615 579.48
SK	451 512 673.79	-188 132.38	451 324 541.41		451 324 541.41
FI	527 231 991.12		527 231 991.12		527 231 991.12
SE	690 778 215.38	-220 922.74	690 557 292.64		690 557 292.64
UK	3 209 882 078.11	-15 058 265.77	3 194 823 812.34		3 194 823 812.34
Total MS	**43 128 790 388.67**	**-67 764 269.64**	**43 061 026 119.03**	**0.00**	**43 061 026 119.03**

[185] Executed by the monthly decisions, taken in accordance with Article 18(3) of Regulation (EU) Nº 1306/2013. Further corrections may have occurred within the context of the annual clearance of accounts.

Financial corrections executed during the financial year 2019

M.S.	EXPENDITURE declared by MS (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account (c) = (a) + (b)	Corrections Specifications Amounts	Budget line	Explanation
BE	550 246 414.61	-43 764.17	550 202 650.44	-2 862.03	05 03 01 99 0000 387	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-40 902.14	05 03 01 99 0000 388	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
DE	4 898 393 890.73	-14 718.92	4 898 379 171.81	122.55	67 01 00 00 0000 128	Eligibility - Payment Correction - General verification
				-14 841.47	67 02 00 00 0000 002	Eligibility - Payment Correction - General verification
IE	1 193 306 358.36	-29 628.85	1 193 276 729.51	-29 628.85	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
EL	1 911 346 204.25	-75 251.36	1 911 270 952.89	-75 251.36	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
ES	5 672 682 624.52	-8 152 611.42	5 664 530 013.10	-5 093 372.56	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-2 107 808.72	05 03 01 11 0000 004	Ceiling - Reduction Long Proc. - Greening - CY 2016
				-637 387.74	05 03 01 11 0000 006	Ceiling - Reduction Long Proc. - Greening - CY 2017
				-328.58	05 03 02 40 0000 048	Ceiling - Reduction Long Proc. - Cotton crop-specific payment - CY 2016
				-94 281.49	05 03 02 40 0000 049	Ceiling - Reduction Long Proc. - Cotton crop-specific payment - CY 2016
				-2 057.09	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-4 677.83	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-5.39	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-522.41	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-523.51	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-949.41	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 301.40	05 03 02 60 0000 001	Ceiling - Reduction Long Proc. - Voluntary Coupled Support scheme - CY 2015
				-684.78	05 03 02 60 0000 001	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-8 464.49	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-167 750.51	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-784.81	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-962.14	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 689.58	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-17 936.68	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-71.83	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-2 230.78	05 03 02 60 0000 002	Ceiling - Reduction Long Proc. - Voluntary Coupled Support scheme - CY 2015
				200.77	05 03 02 60 0000 002	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-577.32	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-554.07	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-132.37	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-35.37	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-1 036.20	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-203.56	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-137.09	05 03 02 61 0000 013	Ceiling - Reduction Short Proc. - Voluntary Coupled Support scheme - CY 2015
				-30.65	05 03 02 61 0000 013	Ceiling - Reduction Long Proc. - Voluntary Coupled Support scheme - CY 2015
				-113.40	05 03 02 99 0010 092	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)
				-3 069.99	05 03 02 99 0026 024	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)
				-2 013.14	05 03 02 99 0036 101	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)
				-1 117.30	05 03 02 99 0036 104	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)

Financial corrections executed during the financial year 2019

M.S.	EXPENDITURE declared by MS (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account (c) = (a) + (b)	Corrections Specifications		
				Amounts	Budget line	Explanation
FR	7 347 071 242.92	-456 837.87	7 346 614 405.05	-456 837.87	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
HR	286 515 814.61	-9 966.54	286 505 848.07	-39.40	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-324.82	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-221.10	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-286.77	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-9 092.59	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-1.86	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
IT	4 136 889 812.33	-36 101 265.52	4 100 788 546.81	-27 751 597.46	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-4 909 611.95	05 03 01 13 0000 022	Ceiling - Reduction Long Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2018
				-2 992 848.82	05 03 01 99 0000 388	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-447 207.29	05 03 02 99 0000 388	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
CY	54 514 761.11	-3 236.28	54 511 524.83	-242.12	05 03 01 11 0000 006	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-643.77	05 03 01 11 0000 006	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-1 333.21	05 03 01 11 0000 006	Ceiling - Reduction Long Proc. - Greening - CY 2017
				243.44	05 03 01 11 0000 006	Ceiling - Payback - Greening - CY 2017
				-1 260.62	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
HU	1 277 901 273.60	-2 159 270.38	1 275 742 003.22	-890 631.65	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-28 950.13	05 03 01 02 0000 014	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-3 678.11	05 03 01 02 0000 014	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-52.45	05 03 01 02 0000 014	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-100 331.63	05 03 01 02 0000 014	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014
				-670 019.59	05 03 01 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
				-465 606.82	05 03 02 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
NL	701 404 147.68	-38 564.78	701 365 582.90	-38 564.78	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-22 789.20	05 03 01 13 0000 020	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2018
				22 789.20	05 03 01 13 0000 020	Ceiling - Payback - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2018
AT	703 963 916.93	-560 013.80	703 403 903.13	-560 013.80	67 01 00 00 0000 121	Eligibility - Payment Correction - General verification
PT	762 537 151.88	-193 551.36	762 343 600.52	-52 284.18	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-138 402.87	05 03 01 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
				-2 864.31	05 03 02 99 0000 391	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
RO	1 848 988 608.95	-4 458 267.50	1 844 530 341.45	-4 144 375.87	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-2 267.17	05 02 15 06 2320 021	Ceiling - Reduction Short Proc. - Specific aid for bee-keeping - Programme 2018
				-311 624.46	05 03 01 02 0000 014	Ceiling - Reduction Long Proc. - Single Area Payment Scheme - CY 2014
SK	451 512 673.79	-188 132.38	451 324 541.41	-188 132.38	67 01 00 00 0000 033	Ceiling - Reduction Short Proc. - Global ceiling Art 5.3(b) R.907/14 - FY 2019

Financial corrections executed during the financial year 2019

M.S.	EXPENDITURE declared by MS (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account (c) = (a) + (b)	Corrections Specifications		
				Amounts	Budget line	Explanation
SE	690 778 215.38	-220 922.74	690 557 292.64	-101 293.68	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01
				-1 394.63	05 03 02 60 0000 132	Ceiling - Reduction Short Proc. - Voluntary Coupled Support - all measures - CY 2018
				-53 459.22	05 03 02 60 0000 132	Ceiling - Reduction Short Proc. - Voluntary Coupled Support - all measures - CY 2018
				-47 565.03	05 03 02 60 0000 132	Ceiling - Reduction Short Proc. - Voluntary Coupled Support - all measures - CY 2018
				-5 411.56	05 03 02 60 0000 132	Ceiling - Reduction Long Proc. - Voluntary Coupled Support - all measures - CY 2018
				-6 034.72	05 03 02 60 0000 132	Ceiling - Reduction Short Proc. - Voluntary Coupled Support - all measures - CY 2018
				-5 763.90	05 03 02 60 0000 132	Ceiling - Reduction Long Proc. - Voluntary Coupled Support - all measures - CY 2018
UK	3 209 882 078.11	-15 058 265.77	3 194 823 812.34	-15 058 265.77	67 01 00 00 0000 032	Payment deadline agri.r.4.001(2019)6674145 - rev.01

ANNEX 14: ECA Special Reports

ECA Special Reports that were finalised in 2019

1) **Special report 01/2019: Fighting fraud in EU spending: action needed** (multi DG audit; OLAF chef de file, DG AGRI associated)

   ECA found that the Commission lacks comprehensive and comparable data on the detected fraud level in EU spending. Moreover, according to ECA, the Commission has not carried out any assessment of undetected fraud, nor detailed analysis of what causes economic actors to engage in fraudulent activities. This reduces the practical value and effectiveness of the Commission's strategic plans for protecting the EU's financial interests against fraud.

   ECA concluded as well that OLAF's administrative investigations followed by criminal investigations at national level, often take up much time, thus decreasing the chances to achieve prosecution. In addition, OLAF's final reports often do not provide sufficient information to initiate the recovery of unduly disbursed funds. ECA recommended that the Commission should put in place a robust fraud reporting system, providing information on the scale, nature and root causes of fraud, and in particular to build capacity to collect information on risk of fraud/corruption and measure this risk.

   ECA recommended the Commission to build its capacity to collect information from different sources on the risk of fraud and corruption against the EU budget; measure this risk on a recurring basis using different methods (encounter surveys and indexes based on administrative data); and consider establishing risk indicators by spending area, country and sector.

The Commission accepted this recommendation. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2022.

2) **Special report 04/2019: The control system for organic products has improved, but some challenges remain**

   As regards DG AGRI activities, ECA recommended to:

   - follow-up on the remaining weaknesses identified in Member State control systems;
   - work towards better harmonisation of the definition of irregularities and infringements and their corresponding enforcement measures through discussion with the Member States and adoption of implementing acts;
   - provide guidance to the competent authorities to improve their reporting, for example by addressing information gaps in their annual reports;
   - improve its supervision over equivalent control bodies, including by reinforcing cooperation with accreditation bodies and with the competent authorities of other significant importing markets;
   - promptly assess the annual reports of equivalent control bodies and of equivalent third countries;
   - issue guidance to Member States on how to carry out specific checks on the control bodies' supervision of importers and on imported organic products;
   - carry out traceability exercises going beyond the EU borders in its supervisory activities of imported products and use the results to better target audits or ad hoc checks on control bodies and in third countries;

- analyse, together with the competent authorities, the results of their traceability tests to identify weaknesses and possible corrective action.

The Commission accepted these recommendations. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2020.

- improve cross-border accessibility to data on organic certificates, and require control bodies in third countries to list their certificates online.

The Commission accepted this recommendation. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2024.

3) **Special report 13/2019: The ethical frameworks of the audited EU institutions: scope for improvement** (multi DG audit, SG/HR chef de file, DG AGRI associated)

   ECA concluded that, to a large extent, the audited institutions established adequate ethical frameworks albeit with room for improvement. ECA found that there is no common EU ethical framework governing the work of the representatives of Member States in the Council. Their audit also identified some weaknesses and areas for harmonisation of the ethical frameworks, as well as examples of good practices. ECA recommended that the audited institutions should improve their ethical frameworks, work together to harmonise them and make further efforts to share good practices on ethical matters, and improve staff awareness and perception of the ethical framework and culture.

4) **Special report 14/2019: 'Have your say!': Commission's public consultations engage citizens, but fall short of outreach activities** (multi DG audit, SG chef de file, DG AGRI associated)

   ECA found that both the performance of their sample of the Commission's public consultations and the participants' perception thereof were satisfactory overall. It concluded that the Commission's framework for public consultations is of high standard, but that outreach activities need improvement.

5) **Special report 18/2019: EU greenhouse gas emissions: well reported, but better insight needed into future reductions** (multi DG audit, DG CLIMA chef de file, DG AGRI associated)

   ECA assessed the quality checks done on the EU greenhouse gas inventory and examined the additional information on planned reduction of EU greenhouse gas emissions, i.e. EU projections and reference scenario, long-term strategies, quantification of the effects of EU policies and measures. ECA concluded that the EU emission data was appropriately reported, but that the Commission needed better insight into future greenhouse gas emission reductions. In relation to the CAP, ECA recommended to ensure that the future strategic plans for agriculture contribute to achieving the 2050 reduction targets.

   The Commission agreed that the development of policies for key sectors, such as agriculture, should be consistent with the long-term perspective as presented in the Commission vision for the EU to become climate neutral by 2050. In addition, it was recalled that Member States would have to prepare CAP strategic plans that would be approved, and their implementation monitored, by the Commission.

   As regards DG AGRI activities, ECA recommended to ensure that the strategic plans for agriculture contribute to achieving the 2050 reduction targets, and to verify that Member States set out appropriate policies and measures in line with their long-term strategies.

The Commission accepted this recommendation. The Commission agreed that the development of policies for key sectors, such as agriculture, should be consistent with the long-term perspective as presented in the Commission vision for the EU to become climate neutral by 2050. In addition, in the context of the CAP reform, the Commission proposed that Member States prepare CAP strategic plans that would be approved and their implementation monitored. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2020.

6) **Special report 21/2019: Addressing antimicrobial resistance: progress in the animal sector, but this health threat remains a challenge for the EU** (multi DG audit, DG SANTE chef de file, DG AGRI associated)

   ECA considered valuable the EU support to Member States' "One Health" approaches to antimicrobial resistance (AMR). However, ECA found that there was little evidence of reducing the health burden of AMR and that there were gaps in the monitoring of progress and surveillance of healthcare-associated infections, which is likely to slow down actions against AMR. ECA also found that scientific data on the occurrence and spread of AMR in the environment remains insufficient.

7) **Special report 23/2019 Farmers' income stabilisation: comprehensive set of tools, but low uptake of instruments and overcompensation need to be tackled**

   As regards DG AGRI activities, ECA recommended:

   - To encourage farmers to better prepare for crises. In particular, in the context of climate change, public support should favour prevention/adaptation measures, encouraging farmers to boost their preparedness and their resilience. The Commission should link EU support to agricultural practices that reduce risk exposure (such as crop rotation) and mitigate damage (such as the use of more resistant crops).

The Commission considers this recommendation as implemented. The legislative proposals for the future CAP[186] include strengthened requirements in the compulsory layer of the CAP under conditionality, to be complemented by voluntary commitments and supporting instruments financed by the CAP, mandatory offer to farmers of risk management tools under rural development, and requirement to set out an integrated approach in the CAP strategic plans.

   - To better design and monitor its support for insurance, in particular to:

     - assess whether, in the light of the low take-up of support for insurance and its concentration on certain sectors and larger producers, the support represents EU added value;

The Commission did not accept this recommendation as doing the analysis on such a subject at this time of the policy cycle might not be optimal, given the recent and planned evaluation work, i.e. study on risk management of 2017, crisis management study to be finalised in 2019 and the ex-post evaluations to be issued for end 2024.

[186] (COM(2018) 392 and COM(2018)393 published on 01/06/2018.

- monitor spending through pertinent output indicators (such as area and capital insured, which are already used at Member State level) and result indicators.

The Commission partially accepted this recommendation. The Commission will seek to monitor spending through pertinent output and result indicators, but it does not accept to collect information on the specific indicators mentioned by ECA (area and capital insured). The implementation will follow within the target implementation date as set in the ECA report: 31/12/2021.

- To clarify the criteria for triggering and ending exceptional measures and their combination with other instruments, in particular to clarify the scope of intervention of exceptional measures by:

  - defining objective market and economic parameters and criteria for deciding when a sufficient basis exists for considering the use of exceptional measures. These parameters should take account of overall returns to producers, including the impact of direct payments and increases in output;

The Commission partially accepted this recommendation. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2021.

  - focusing the use of exceptional measures for extreme weather events on farmers who had made appropriate use of prevention and risk management tools where these are sufficiently developed and available to farmers.

The Commission did not accept this recommendation. While the Commission accepts this is an important and relevant consideration, each extreme event is unique and thus requires a case-by-case approach.

- To adjust compensation for withdrawal operations. In order to avoid overcompensation to:

  - ensure that support for withdrawal operations does not exceed the pre-crisis average market price in the producer's Member State;

The Commission did not accept this recommendation. While the Commission has some consideration for the objectives of this recommendation, it considers that it would restrict its ability to deal with crises on a case-by-case basis. The withdrawal prices are set systematically well below the prevailing market prices in the single market. Market price in the producer's Member State are not the unique criterion to assess the appropriate level of withdrawal support.

  - assess the practicality of setting aid rates below 100% and requiring significant co-financing when Member States play a large role in defining key elements of support schemes.

The Commission accepted this recommendation. The implementation will follow within the target implementation date as set in the ECA report: 31/12/2021.

ECA Special Reports and reviews to be finalised in 2020

The ECA also launched the following audits and reviews planned to be published in 2020/2021:

1) Using new imaging technologies to monitor the CAP (multi DG audit, DG AGRI chef de file), published on 28 January 2020;
2) Sustainable use of plant protection products: limited action taken to measure and reduce risks (multi DG audit, DG SANTE chef de file), published on 5 February 2020;
3) Milk and dairy production; market crisis measures;
4) Biodiversity on farmland;
5) Action at European level to address the decline of wild pollinators;
6) Plastic waste;
7) Gender equality;
8) Climate mainstreaming: the impact of the CAP expenditure on climate action
9) Climate change and agriculture;
10) CAP and water projects;
11) Forestry;
12) Reliability of EU funds recipients-contractors;
13) LEADER;
14) Durability of rural infrastructure investments.

ECA follow-up audits

The ECA has started to carry out systematic follow-up audits of all recommendations issued 3 years ago. During 2019, and in some cases also beginning of 2020, ECA has scrutinised the implementation of the recommendations issued in the following special reports from year 2016:

- SR 01/2016 on Farmers' income;
- SR 25/2016 on Land Parcel Identification System (LPIS);
- SR 26/2016 on Cross-compliance;
- SR 31/2016 on Climate action;
- SR 34/2016 on Combating food waste;
- SR 36/2016 on Closure of the 2007-2013 cohesion and RDPs.

ANNEX 15: Abbreviations

Abbreviation	Full text
A	
AAC	Administrative Assistance and Cooperation
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
ACP	African, Caribbean, and Pacific Group of States
DG AGRI	Directorate-General Agriculture and Rural Development
AEC	Agri-environment-climate
AECM	Agri-environment-climate measures
AIR	Annual Implementation Report
AMIS	Agricultural Market Information System
ANC	Areas facing natural and other specific constraints
APO	Associations of Producer Organisations
ARES	Advanced Records System
AT	Austria
AU	African Union
AUC	African Union Commission
AWBM	Activity Without Budgetary Measure
AWP	Annual Work Programme
AWU	Annual Work Unit
B	
BCO	Broadband Competence Offices
BE	Belgium
BG	Bulgaria
BiH	Bosnia-Herzegovina
BISS	Basic income support for sustainability
BTSF	Better Training for Safer Food
DG BUDG	DG Budget
C	
CAADP	Comprehensive Africa Agriculture Development Programme
CAP	Common Agricultural Policy
CAS	Common Audit Service
CB	Certification Body
CETA	EU-Canada Free Trade Agreement (Comprehensive Economic and Free Trade Agreement)
CHAFEA	Consumers, Health, Agriculture and Food Executive Agency
CISYF	Complementary income support for young farmers
CLAR	Client in Audit Research
DG CLIMA	Directorate-General Climate Action
CMO	Common Market Organisation
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
DG CNECT	Directorate-General Communication Networks, Content and Technology
DG COMP	Directorate-General Competition
COP	Cereal, Oilseed and Protein crops
CRISS	Complementary redistributive income support for sustainability
CSF	Common Strategic Framework
CWP	Commission Work Programme
CY	Claim Year
CY	Cyprus
CZ	Czech Republic

Abbreviation	Full text
D	
DCFTA	Deep and Comprehensive Free Trade Areas
DDA	Doha Development Agenda
DE	Germany
DESI	Digital Economy and Society Index
DG	Directorate-General
DG DEVCO	Directorate-General International Cooperation and Development
DG DIGIT	DG Informatics
DIH	Digital Innovation Hubs
DK	Denmark
DPMS	Data Protection Records Management System
DSM	Digital Single Market
E	
DG EAC	Directorate-General Education and Culture
EAFRD	European Agricultural Fund for Rural Development
EAGF	European Agricultural Guarantee Fund
EAGGF	European Agricultural Guarantee and Guidance Fund
EBCC	European Bird Census Council
ECA	European Court of Auditors
EE	Estonia
EEA	European Environment Agency
EFA	Environmental Focus Area
EFSI	European Fund for Strategic Investments
EIB	European Investment Bank
EIF	European Investment Fund
EIP	European Innovation Partnership
EL (GR)	Greece
DG EMPL	Directorate-General Employment, Social Affairs and Inclusion
DG ENER	Directorate-General Energy
ENPARD	European neighbourhood programme for agriculture and rural development
ENRD	European Network for Rural Development
DG ENV	Directorate-General Environment
EP	European Parliament
EPA	Economic Partnership Agreement
ERR	Error rate
ES	Spain
ESIF	European Structural and Investment Funds
ESPG	Environmentally sensitive permanent grassland
DG ESTAT	Eurostat
ETC/ACC	European Topic Centre on Air and Climate Change
EU	European Union
EU-15	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
EU-28	All EU Member States
EU-N10	Members States that joined the EU in 2004: Czech Republic (CZ), Estonia (EE), Cyprus (CY), Latvia (LV), Lithuania (LT), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI) and Slovakia (SK)
EU-N13	EU-N10 plus Member States that joined the EU in 2007 (Bulgaria (BG), Romania (RO) and 2013 (Croatia (HR)) respectively
EUIPO	European Union Intellectual Property Office
EUR (€)	Euro
F	
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment

Abbreviation	Full text
FEAD	Fund for European Aid to the Most Deprived
FI	Financial instruments
FI	Finland
FNVA	Farm net value added
FPA	Framework Partnership Agreement
FP7	7th Framework Programme
FR	France
FTA	Free Trade Agreement
FVO	Food and Veterinary Office
FWG	Forecast working group
FY	Financial Year
G	
G7	Group of Seven (leading industrialised nations: Canada, France, Germany, Italy, Japan, UK, USA)
G20	Group of Twenty (governments and central bank governors from Argentina, Australia, Brazil, Canada, China, France, Germany, India, Indonesia, Italy, Japan, Mexico, the Republic of Korea, the Russian Federation, Saudi Arabia, South Africa, Turkey, the United Kingdom, the United States, and the EU)
GAEC	Good Agricultural and Environmental Conditions
GCC	Gulf Cooperation Council
GFFA	Global Forum for Food and Agriculture
GHG	Greenhouse gases
GI	Geographical Indications
GR	Greece
DG GROW	Directorate-General Internal Market, Industry, Entrepreneurship and SMEs
GVA	Gross Value Added
H	
HNV	High Nature Value
HR	Croatia
HR	Human Resources
HU	Hungary
I	
IA	Impact Assessment
IAC	Internal Audit Capability
IACS	Integrated Administration and Control System
IAS	Internal Audit Service
ICM	Internal Control Monitoring
ICT	Information and Communication Technology
IE	Ireland
IEPA	Interim Economic Partnership Agreement
IFAD	International Fund for Agricultural Development
IoF	Internet of Food and Farm
IoT	Internet of Things
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IRR	Incompliance rate
IT	Information Technology
IT	Italy
J	
JRC	Joint Research Centre
DG JUST	Directorate-General Justice and Consumers

Abbreviation	Full text
L	
LAG	Local Action Group
LAU2	Local Administrative Units
LDC	Least Developed Countries
LEADER	Liaison Entre Actions de Développement de l'Économie Rurale
LPIS	Land Parcel Identification System
LT	Lithuania
LU	Luxembourg
LV	Latvia
M	
MAFA	Multi Annual Financing Agreement (SAPARD)
DG MARE	Directorate-General Maritime Affairs and Fisheries
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework
MK	North Macedonia
MoU	Memorandum of Understanding
DG MOVE	Directorate-General Mobility and Transport
MS	Member State
MT	Malta
N	
NAO	National Authorizing Officer
NIPAC	National 'Instrument for Pre-accession Assistance' Coordinator
NL	Netherlands
NPI	Non-productive investment
NRN	National Rural Networks
O	
OECD	Organisation for Economic Co-operation and Development
OIB	Office for Infrastructures and Logistics in Brussels
OJ	Official Journal
OLAF	Office de Lutte Antifraude
OTSC	On-the-spot checks
P	
PA	Paying Agency
PECBMS	Pan-European Common Bird Monitoring Scheme
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMEF	Performance and Monitoring Evalulation Framework
PMO	Office for Administration and Payment of Individual Entitlements
PO	Producer organisation
POSEI	Programme d'Options Spécifiques à l'Éloignement et l'Insularité (Programme of Options Specifically Relating to Remoteness and Insularity)
POSEICAN	Programme of options specific to the remote and insular nature of the Canary Islands
POSEIDOM	Programme of options specific to the remote and insular nature of the overseas departments
POSEIMA	Programme of options specific to the remote and insular nature of Madeira and the Azores
PT	Portugal

Abbreviation	Full text
R	
RAD	DG BUDG database ("Recommendations/Actions/Discharge")
RBN	Research Budget Network
RD	Rural Development
RDP	Rural Development Programme
REA	Research Executive Agency
DG REGIO	Directorate-General Regional and Urban Policy
RO	Romania
RoO	Rules of Origin
DG RTD	Directorate-General Research and Innovation
S	
SAIO	Regulation on statistics on agricultural inputs and outputs
SAPARD	Special Accession Programme for Agriculture and Rural Development
DG SANTE	Directorate-General Health and Food Safety
SAPS	Single Area Payment Scheme
SBS	Structural Business Statistics
SC	Societal Challenge (Horizon 2020)
SDGs	Sustainable Development Goals
SE	Sweden
SF	Support Facility
SG	Secretariat-General of the European Commission
SI	Slovenia
SJ	Legal Service of the European Commission
SK	Slovakia
SMP	Skimmed milk powder
SPS	Single Payment Scheme
SPS	Sanitary and Phytosanitary
SR	Special Report
T	
TAIEX	Technical Assistance and Information Exchange instrument
DG TAXUD	Directorate-General Taxation and Customs Union
TFEU	Treaty on the Functioning of the European Union
TFP	Total Factor Productivity
TFRA	Task Force for Rural Africa
ToR	Terms of Reference
TR	Turkey
DG TRADE	Directorate-General for Trade
TRDI	Transitional Rural Development Instrument
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quota
TSG	Traditional Specialities Guaranteed
TTG	Time to grant
TTIP	Transatlantic Trade and Investment Partnership
TTP	Time to pay
U	
UAA	Utilised agricultural area
UK (GB)	United Kingdom
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
US	United States of America
V	
VCS	Voluntary Coupled Support

Abbreviation	Full text
W	
WIPO	World Intellectural Property Organisation
WMP	Whole milk powder
WTO	World Trade Organization