



Annual Activity Report 2020

Annexes

Directorate-General
for Agriculture and Rural Development

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ANNEX 1: Statement of the Director(s) in charge of Risk Management and Internal Control¹

I declare that in accordance with the Commission's communication on the internal control framework², 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.

22 April 2021


(e-signed)

*Michael Scannell
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: Performance tables³

The icon  refers to an item listed in the Commission Work Programme 2020.

General objective 1: A European Green Deal

Impact indicator: Greenhouse gas emissions

Explanation: This indicator measures man-made emissions of the so-called "Kyoto basket" of greenhouse gases, which are integrated into a single indicator expressed in units of CO₂ equivalents using each gas' global warming potential. It shows changes in percent of the emissions compared to 1990 levels

Source of the data: European Environmental Agency (Eurostat online data code: [sdg_13_10](#))

Baseline (2018)	Interim milestone (2020)	Target (2030)	Latest known value (2019)
-20.7%	-20%	-55%	-24%

Impact indicator: Common birds population

Explanation: This indicator shows trends in the abundance of common birds over time across their European distribution. It is a proxy for the state of biodiversity and the integrity of ecosystems, reflecting wide-ranging pressures for instance from agriculture, fisheries, energy and transport sectors. Index: 1990 = 100

Source of data: European Birds Census Council; Birdlife; Royal Society for the Protection of Birds; Czech Society for Ornithology (Eurostat online data code: [sdg_15_60](#))

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known value (2018)
93.45	Curtail biodiversity loss	Curtail biodiversity loss	93.45

Impact indicator: Pesticide risk

Explanation: The harmonised risk indicator (HRI1) estimates the trends in risk from pesticide use in the EU and its Member States. Unsustainable use of pesticides entails risks and impacts on human health and the environment. The indicator is based on statistics on the quantity of active substances in plant protection products placed on the market under Regulation (EC) No 1107/2009. Those data are multiplied by risk weighting factors for different groups of active substances as categorised in Commission Directive (EU) 2019/782. The weighting factors reflect pesticide policy, which supports the sustainable use of pesticides and promotes alternative approaches to protecting crops. The indicator is presented as an index relative to the average results for the period 2011-2013. Index: 2011-2013=100.

³ The performance indicators in this annex reflect the set of indicators of DG AGRI's Strategic Plan 2020-2024, and are reported upon with a view to ensure coherence with other reporting documents such as the Programme Statements which accompany the Draft Budget for a given year.

Source of the data: Member States annually report data to Eurostat under [Regulation \(EC\) No 1185/2009](#)

Methodology for calculating the indicator: [Directive \(EU\) 2019/782 Annex I](#)

Baseline (2015-2017)	Interim milestone (2022)	Target (2024)	Latest known value (2020)
100 ⁴	80	70	92

Impact indicator: Nitrate in groundwater

Explanation: This indicator refers to concentrations of nitrate (NO₃) in groundwater measured as milligrams per litre (mg / L). Increased concentrations are caused by anthropogenic sources such as nitrogen based fertilisers used in agriculture, livestock practices or septic tanks. High levels can pose a threat to human health (e.g. when groundwater is used for drinking purposes) and to dependent ecosystems

Source of the data: European Environmental Agency Waterbase database (Eurostat online data code: [sdg_06_40](#))

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known value (2017)
19.1 mg / L	Decrease	Decrease	19.1 mg / L

Impact indicator: Area under organic farming

Explanation: This indicator is defined as the share of total utilised agricultural area occupied by organic farming (existing organically farmed areas and areas in the process of conversion). Organic farming is a production method that puts the highest emphasis on environmental protection and animal welfare considerations

Source of the data: Eurostat (Eurostat online data code: [sdg_02_40](#))

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known value (2019)
8.03%	Increase	Increase	8.49%

⁴ Correction of baseline year and baseline value

Specific objective 1: Modernised and simplified Common Agricultural Policy framework is put in place and implemented			Related to spending programme(s) -
Result indicator 1.1: Proportion of proposed legislative revisions that include burden reduction measures			
Explanation: This indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	N / A
Result indicator 1.2: Reduction in the number of basic acts			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
5	4	3	5
Result indicator 1.3: Reduction in number of notifications			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
Direct Payments: 26 per Member State Rural Development: 118 Market strategies: 65	27	27	Direct Payments: 26 per Member State Rural Development: 118 Market strategies: 65
Result indicator 1.4: Reduction in number of plans / programmes			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
Rural Development: 118 Market strategies: 65	27	27	Rural Development: 118 Market strategies: 65

Main outputs in 2020			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Analysis of links between CAP Reform and Green Deal (cf also S05)	SWD	2020	SWD(2020) 93 of 20/05/20 published
Recommendations to each Member State addressing the 9 specific objectives of the CAP and the 6 Green Deal targets (cf also S05)	Timely publication	End 2020	Recommendations published on 18/12/20 ⁵
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
The civil dialogue groups for the common agricultural policy – analysis of EU policy consultation	Publication of the study	2020	Study published on 19/02/20
Evaluation of the information policy on the CAP	Finalisation and publication of the evaluation support study	2020/2021 [subject to delay due to COVID-19]	Receipt of final deliverable of the evaluation support study
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Participation with a European Commission stand at major agricultural fairs as foreseen in DG AGRI's 2020 external communication action plan	Number of visitors at the stand, satisfaction rate of participants, press coverage of events by participating journalists	To reach the minimum number of visitors at our stand and the satisfaction rate expected indicated in DG AGRI's 2020 external	1) IGW Berlin (Jan 2020): 20,160 visitors (over 10 days). Satisfaction rate: 88%. 2) SIA Paris (Feb 2020): 32,640 visitors (over 8 days). Satisfaction rate: 99%.

⁵ https://ec.europa.eu/info/food-farming-fisheries/key-policies/common-agricultural-policy/cap-strategic-plans_en

		communication action for the different events.	All other fairs were cancelled due to the COVID-19 pandemic.
Organisation of major Conferences and events with Ag-Press network as planned in DG AGRI's 2020 external communication action plan	Satisfaction rate Number of articles	80 % satisfaction rate by participants in conferences Minimum 1 article from minimum 70% of journalists participating in Ag-Press events	1) F2F conference (15-16/10/20) – 100% online: up to 12 000 participants. Average satisfaction rate: 4.5/5. 2) Strengthening GIs conference (25-26/11/20) – 100% online: up to 4 000 participants. Satisfaction rate: 4.4/5. 3) Outlook conference (16-17/12/20) – 100% online: up to 9 500 participants. Satisfaction rate: (n. a.). Due to the COVID-19 pandemic, three Ag-Press webinars were organised instead of events: 04/05/20 on COVID-related support measures. 24/05/20 on F2F with Cссер JW and SK, 98 journalists; 23 articles written; 14/12/20 ag press seminar medium term outlook and "farms of the future" study articles (N/A) Satisfaction rate: (N/A).

Reach 2 mio visitors via AGRI digital presence	Number of visitors	2 mio visitors of the AGRI web content	1 996 966 visitors (people who visit the website for the first time and stay on a page for more than 30 minutes)
Reach journalists and professional communicators specialised in food and farming via the Ag-Press platform	Number of Ag-Press members	Increase annual membership by 10%	Ag-Press memberships totalled were 1 140 on 31/12/20, leading to an 8.5% year-over-year increase. Although lower than the target, this value is to be read against two elements: 1) the COVID-19 pandemic did not allow organising conferences and pressing visit trips, hampering the expansion of the membership base; 2) in the second half of the year, we started deleting inactive members.
<p>Social media:</p> <ul style="list-style-type: none"> • Improve overall awareness of the CAP through regular social media posting • Improve awareness of the CAP among target audiences with tailored messages on social media • Encourage online interaction and offer opportunities to engage with EU policy to target audiences 	<p>Impressions</p> <p>Reach</p> <p>Engagement</p>	<p>Increase the average rate of impressions across all social media platforms</p> <p>Increase reach to key target audiences, in particular addressing any audience gaps</p> <p>Maintain or increase average engagement rate in organic posting.</p> <p>Increase engagement rate with key target audiences in paid promoted posts and campaigns.</p>	<p>EU Agri social media accounts achieved 18.5 million impressions (number of times messages were seen)</p> <p>Increase of 265 095 followers across all platforms.</p> <p>Over 88 000 online interactions on social media</p> <p>Results of campaigns (impressions):</p> <p>Recipe book: 516 484</p> <p>Inspired by GIs: 4 878 943</p> <p>Rural Vision: 1 169 134</p> <p>#FutureofCAP: 2 341 421</p>

Factsheets, webpages and social media covering CAP Plan, CAP-Green Deal (cf also S05)			CAP Strategic Plans (December 2020): Total number of page views 7 940
Information measures on the CAP implemented by grant beneficiaries selected following the last call for proposals	Grant agreements implemented	100% of grant agreements fully implemented and reaching the grant agreement objectives	All grant agreements were implemented. Given the COVID-19 restrictions, some activities had to be cancelled or changed. This led to a slightly lower budget consumption (approx. 91.8% of the total budget commitment).
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Rules on support for strategic plans to be drawn up by Member States under the Common agricultural policy (CAP Strategic Plans) (COM(2018) 392)	Adoption	2020-2021	Council general approach agreed in October 2020 EP mandate adopted in October 2020 Trilogues and preparatory technical meetings ongoing
Financing, management and monitoring of the common agricultural policy (COM(2018) 393)	Adoption	2020-2021	Council general approach agreed in October 2020 EP mandate adopted in October 2020 Trilogues and preparatory technical meetings ongoing
Common organisation of the markets in agricultural products (COM(2018) 394)	Adoption	2020-2021	Council general approach agreed in October 2020 EP mandate adopted in October 2020 Trilogues and preparatory technical meetings ongoing
Commission proposal for a transitional regulation	Adoption	2020	Regulation (EU) 2020/2220 adopted on 23/12/20

Commission proposal for a flexibility regulation	Adoption	Regulation adopted	Regulation (EU) 2020/127 adopted on 29/01/20
Assistance to Member States in preparation of future CAP strategic plans ("Geo Hubs") on all CAP areas (such as environmental architecture, incentives for young farmers) - this work covers all specific objectives	Replies to letters from Member States Bilateral meetings Organisation of Expert groups and Committees	All year (ongoing)	Structured dialogue with MS set up, including letters, meetings and recommendations

Specific objective 2: Support viable farm income and resilience across the Union to enhance food security through the CAP

Related to spending programme(s): EAGF, EAFRD

Result indicator 2.1: Reducing income disparities: Evolution of agricultural income compared to general economy

Explanation: The agricultural entrepreneurial income measures the remuneration of owned factors of production (land, capital, labour). Expressed as share of average wages in the whole economy⁶, it provides an indication of the attractiveness of the farming activity.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: [aact eaa01](#), [aact ali01](#), [nama 10 a10](#) and [nama 10 a10 e](#))

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
47.0% ⁷	Reduce the gap	Reduce the gap ⁸	48.8%

⁶ In the post-2020 PMEF, this indicator will be defined as follows:

Labour costs (wages and salaries plus non-wage costs such as employers' social contributions)⁶ in industry, construction and services are compared to the agricultural entrepreneurial income plus compensation of employees per annual work unit.

⁷ The baseline year needed to be changed to 2018 in order to ensure adequate progress monitoring over the period 2020-2024.

⁸ The ratio should move towards 100%.

Result indicator 2.2: Reducing farm income variability: Evolution of agricultural income

Explanation: The agricultural factor income measures the remuneration of all factors of production (land, capital, labour) regardless of whether they are owned or borrowed/rented. The indicator informs on the variation of the index of agricultural factor income per annual working unit compared to the 3-year baseline.

Unit of measurement: Index (2010=100)

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: [aact_eaa06](#))

Baseline (Avg 2017-2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020 estimated)
126.5 ⁹	Increase	Increase	124.2

Result indicator 2.3: Contributing to territorial balance: Evolution of agricultural income in areas with natural constraints (compared to the average)

Explanation: This indicator measures the ratio between the income in areas facing natural and other specific constraints and the average farm income.

Unit of measurement: EUR/AWU

Source of data: European Commission, DG Agriculture and Rural Development, based on [FADN data](#).

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2018 provisional)
0.84 ¹⁰	Reduce the gap	Reduce the gap ¹¹	0.84

Result indicator 2.4: Linking income support to standards and good practices: Share of UAA covered by income support and subject to conditionality

Explanation: This indicator reflects the share of the area covered by income support, while respecting and enhancing the environment, the climate, human, plant and animal health as well as animal welfare.

It measures the total number of physical hectares that are in principle used for an agricultural activity by beneficiaries of income support and that are subject to conditionality.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
83,9%	Remain stable	Remain stable	83,9%

⁹ For the sake of clarity and better communication, this indicator is now expressed as an index rather than as a variation compared to a three-year average.

¹⁰ Updated baseline value due to change in Eurostat database.

¹¹ The ratio should move towards 1.

Result indicator 2.5: Risk Management: Share of farms with CAP risk management tools

Explanation: This indicator quantifies the coverage, in terms of farms, of risk management tools supported with the CAP.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
1.41%	Increase	4.97%	1.59%

Main outputs in 2020

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Exceptional temporary measures to address the effects of the COVID-19 pandemic in the wine, fruit and vegetables, olive oil and table olives, apiculture sector and as regards the EU school fruit, vegetables and milk scheme	Adoption	Adoption of Regulations in 2020	Regulations adopted ¹²

¹² [Commission Delegated Regulation \(EU\) 2020/592](#) of 30 April 2020 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it.

[Commission Implementing Regulation \(EU\) 2020/600](#) of 30 April 2020 derogating from Implementing Regulation (EU) 2017/892, Implementing Regulation (EU) 2016/1150, Implementing Regulation (EU) No 615/2014, Implementing Regulation (EU) 2015/1368 and Implementing Regulation (EU) 2017/39 as regards certain measures to address the crisis caused by the COVID-19 pandemic.

[Commission Implementing Regulation \(EU\) 2020/601](#) of 30 April 2020 on emergency measures derogating from Articles 62 and 66 of Regulation (EU) No 1308/2013 of the European Parliament and of the Council as regards the validity of vine planting authorisations and the grubbing up in case of anticipated replanting.

[Commission Delegated Regulation \(EU\) 2020/884](#) of 4 May 2020 derogating in respect of the year 2020 from Commission Delegated Regulation (EU) 2017/891 as regards the fruit and vegetable sector and from Commission Delegated Regulation (EU) 2016/1149 as regards the wine sector in connection with the COVID-19 pandemic.

[Commission Implementing Regulation \(EU\) 2020/975](#) of 6 July 2020 authorising agreements and decisions on market stabilisation measures in the wine sector.

[Commission Delegated Regulation \(EU\) 2020/1275](#) of 6 July 2020 amending Delegated Regulation (EU) 2020/592 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it.

Prolongation of exceptional COVID-19 measures for the wine sector to 2021	Adoption	Adoption by Q4/2020	Regulations adopted in January 2021 ¹³ (procedure of adoption delayed to wait for interinstitutional agreement on MFF 2021-2027)
Private storage aid for olive oil fixing a maximum amount of aid for private storage of olive oil within the tendering procedure opened by Implementing Regulation 2019/1882(EU)	Adoption of Implementing Regulations	Q1/2020	Regulations adopted ¹⁴
Exceptional temporary measures to address the effects of the COVID-19 pandemic authorising self-regulating agreements and decisions between operators in the potatoes and flowers and plant sectors	Adoption	2020	Regulations adopted ¹⁵

¹³ [Commission Delegated Regulation \(EU\) 2021/95](#) of 28 January 2021 amending Delegated Regulation (EU) 2020/592 on temporary exceptional measures derogating from certain provisions of Regulation (EU) No 1308/2013 of the European Parliament and of the Council to address the market disturbance in the fruit and vegetables and wine sectors caused by the COVID-19 pandemic and measures linked to it.

[Commission Implementing Regulation \(EU\) 2021/78](#) of 27 January 2021 amending Implementing Regulation (EU) 2020/600 derogating from Implementing Regulation (EU) 2017/892, Implementing Regulation (EU) 2016/1150, Implementing Regulation (EU) No 615/2014, Implementing Regulation (EU) 2015/1368 and Implementing Regulation (EU) 2017/39 as regards certain measures to address the crisis caused by the COVID-19 pandemic.

¹⁴ [Implementing Regulation \(EU\) 2020/126](#) of 29 January 2020 and [Implementing Regulation \(EU\) 2020/278](#) of 27 February 2020 fixing a maximum amount of aid for private storage of olive oil within the tendering procedure opened by Implementing Regulation 2019/1882(EU).

¹⁵ [Commission Implementing Regulation \(EU\) 2020/593](#) of 30 April 2020 authorising agreements and decisions on market stabilisation measures in the potatoes sector.

[Commission Implementing Regulation \(EU\) 2020/594](#) of 30 April 2020 authorising agreements and decisions on market stabilisation measures in the live trees and other plants, bulbs, roots and the like, cut flowers and ornamental foliage sector.

Exceptional temporary measures to address the effects of the COVID-19 pandemic: Commission implementing regulations on private storage aid (meat sector)	Adoption	2020	Regulations adopted ¹⁶
Exceptional temporary measures to address the effects of the COVID-19 pandemic: Commission implementing and delegated regulations on private storage aid and on the authorisation of agreements and decisions on the planning of production (milk and milk products sector)	Adoption	2020	Regulations adopted ¹⁷
Exceptional flexibility measures foreseeing the extension of the deadline for CAP payment applications	Adoption	2020	Regulation adopted ¹⁸

¹⁶ [Commission Implementing Regulation \(EU\) 2020/595](#) (private storage for sheep meat and goat meat).

[Commission Implementing Regulation \(EU\) 2020/596](#) (private storage aid for fresh and chilled meat of bovine animals)

¹⁷ [Commission Delegated Regulation \(EU\) 2020/591](#) (temporary exceptional private storage aid scheme for certain cheeses).

[Commission Implementing Regulations \(EU\) 2020/597](#) (private storage aid for butter).

[Commission Implementing Regulation \(EU\) 2020/598](#) (private storage aid for skimmed milk powder).

¹⁸ [Commission Implementing Regulation \(EU\) 2020/501](#) of 6 April 2020 derogating from Implementing Regulation (EU) No 809/2014 as regards the final date of submission of the single application, aid applications or payment claims, the final date for notification of amendments to the single application or payment claim and the final date for applications for allocation of payment entitlements or the increase of the value of payment entitlements under the basic payment scheme for the year 2020.

Exceptional flexibility measures foreseeing higher advances of direct payments and some rural development payments	Adoption	2020	Regulation adopted ¹⁹
Exceptional simplification measures foreseeing additional flexibility in the implementation of physical on-the-spot checks	Adoption	2020	Regulations adopted ²⁰
Amending Regulation as regards a specific measures to provide exceptional temporary support under the European Agricultural Fund for Rural Development (EAFRD) in response to the COVID-19 outbreak	Adoption	Adoption of Regulation in 2020	Regulation adopted ²¹
Implementing Regulation enabling the acceptance of electronic copies of documents for import tariff quotas	Adoption	2020	Adopted ²²

¹⁹ [Commission Implementing Regulation \(EU\) 2020/531](#) of 16 April 2020 derogating in respect of the year 2020 from the third subparagraph of Article 75(1) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards the level of advance payments for direct payments and area-related and animal-related rural development measures and from the first subparagraph of Article 75(2) of that Regulation as regards direct payments.

²⁰ [Commission Implementing Regulation \(EU\) 2020/532](#) of 16 April 2020 derogating in respect of the year 2020 from Implementing Regulations (EU) No 809/2014, (EU) No 180/2014, (EU) No 181/2014, (EU) 2017/892, (EU) 2016/1150, (EU) 2018/274, (EU) 2017/39, (EU) 2015/1368 and (EU) 2016/1240 as regards certain administrative and on-the-spot checks applicable within the common agricultural policy.

[Commission Implementing Regulation \(EU\) 2020/2043](#) of 11 December 2020 derogating from Implementing Regulation (EU) 2017/39 in respect of school years 2019/2020 and 2020/2021 as regards on-the-spot checks on the premises of aid applicants or educational establishments for the purposes of the school scheme.

²¹ [Regulation \(EU\) 2020/872](#) of the European Parliament and of the Council of 24 June 2020 amending Regulation (EU) No 1305/2013 as regards a specific measure to provide exceptional temporary support under the European Agricultural Fund for Rural Development (EAFRD) in response to the COVID-19 outbreak.

²² [Commission Implementing Regulation \(EU\) 2020/633](#) of 8 May 2020 laying down temporary measures for the acceptance of electronic copies of original official documents for applications for import tariff quotas for agricultural products managed by a system of import licences and for applications for import licences on husked Basmati rice, due to the pandemic of COVID-19.

Develop a contingency plan for ensuring food supply and food security (Farm to Fork): a set of procedures to be followed in times of crisis, including the development of a common EU food crisis response mechanism (PLAN/2020/8994)	Publication of a roadmap	Publication	Roadmap published
2 Implementing Regulation to authorise remote controls and to reduce certain control percentages in organics and enabling the acceptance of electronic copies of certificate of inspection for the imports of organic products.	Adoption	2020	Regulations adopted ²³
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Evaluation of the impact of the CAP measures towards the general objective "viable food production" with a focus on income, competitiveness and price stability	Publication of the evaluation support study and finalisation of the Commission staff working document	2020	Evaluation support study published on 12/11/20 and Commission staff working document prepared for interservice consultation

²³ [Commission Implementing Regulation \(EU\) 2020/977](#) of 7 July 2020 derogating from Regulations (EC) No 889/2008 and (EC) No 1235/2008 as regards controls on the production of organic products due to the COVID-19 pandemic (Text with EEA relevance).

[Commission Implementing Regulation \(EU\) 2020/1667](#) of 10 November 2020 amending Implementing Regulation (EU) 2020/977 as regards the period of application of the temporary measures in relation to controls on the production of organic products (Text with EEA relevance).

Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Assessment of Member States notifications	Completeness of the notifications	All year (ongoing)	<p>Due to delays in the adoption of transitional rules, MS decisions and their notifications in respect of 2021 did not take place in 2020 but will take place by 19/02/21.</p> <p>Still in 2020, due to the COVID 19 pandemic, late notifications as regards the flexibility between pillars, and consequently the voluntary coupled support (VCS) and other direct payments, in respect of 2020 were accepted. This concerned:</p> <ul style="list-style-type: none"> • 6 MS for the flexibility between pillars • 5 MS for VCS • 1 MS for the redistributive payment and the small farmer payment
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Webpage on support for agricultural sector during pandemic; cross-linked to central COVID-related webpages on Europa	N/A	N/A	Comprehensive webpage with up to date overview of measures
Factsheets, social media, press release, news items on COVID-related measures	N/A	N/A	Factsheet updated to ensure completeness; all measures covered by news items, press releases; social media

Ag press webinar presenting all COVID-related support measures adopted	N/A	N/A	04/05/20: webinar with acting DDG, 90 participants
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Additional calls for promotion programmes 2020 AWP	Budget consumption	93.5% of budget used	Published on 30/06/20 with EUR 5 million budget per call. 33 simple and 8 multi applications received. 9 simple and 6 multi proposals were awarded co-financing.
Provide support to Member States in implementation of current direct payments	Replies to letters from Member States / stakeholders Bilateral meetings Organisation of Expert groups and Committees Facilitate Member States exchange of experience and of good practices	All year (ongoing)	Replies to multiple letters were delivered in due time Directorate D held 7 meetings of the Committee for direct payments, 4 meetings of the Experts Group for direct payments, 2 meetings of the Experts Subgroup on Area monitoring in IACS, 1 meeting of the Civil Dialogue Groups for direct payments & greening
Preparation of annual reports on direct payments	Annual implementation report Fiche by Member State Overview of Member States' decisions	End 2020	The annual implementation report on direct payments in respect of claim year 2018 was published on Europa on 15/06/20

<p>Proper implementation of the transparency rules:</p> <ul style="list-style-type: none"> - update of legislation when necessary (e.g. list of measures subject to transparency) - monitoring of publication of lists of beneficiaries of CAP payments by Member States 	<p>Legislation aligned with other acts (e.g. rules on data protection) and updated with latest list of CAP measures (e.g. ad-hoc crisis measures included)</p> <p>Websites up-to-date</p>	<p>On a permanent basis</p> <p>By the end of May each year</p>	<p>List was updated to account for the CAP measures related to the crisis.</p> <p>A reminder has been sent to MS that were late. All sites were up-to-date at the end of June.</p>
<p>Top 50 beneficiaries list at Member States' and EU levels</p>	<p>Delivery of the Member States' and EU top 50 beneficiaries lists</p>	<p>Summer 2020</p>	<p>A note with the results has been sent to DG BUDG that transmitted it to CONT</p>
<p>Managing the specific schemes supporting agriculture in the outermost regions of the European Union (POSEI) and in the smaller Aegean islands (SAI): follow up of the implementation of the programmes (notifications, letters to Member States (including letters related to annual programme modifications), replies to Member States/stakeholders' questions)</p> <p>Coordination with other DGs (in particular REGIO and TAXUD)</p>	<p>Timely replies</p>	<p>100%</p>	<p>100%</p>
	<p>Bilateral meetings with Member States</p>	<p>All along the year</p>	<p>All outputs were delivered in due time</p>
	<p>Exchange of views with DG representatives (REGIO, TAXUD)</p>	<p>All along the year</p>	<p>All outputs were delivered in due time</p>

<p>Modernisation of IACS by supporting and promoting Member States' take-up of "checks by monitoring" (use of Sentinels satellite data)</p>	<ul style="list-style-type: none"> – Assessment of the monitoring approach of Member States 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" 	<p>All along the year Guideline by Q2/2020</p>	<p>Due to the COVID-19 pandemic, the take-up of new technologies was lower than expected. The work on guidelines (the framework of the quality assessment process) continued and the document was presented to Member States implementing "checks by monitoring" in February 2020, with further discussions and clarifications in consecutive meetings over the year.</p>
<p>Monitoring the implementation of direct payments and ensuring that action is taken when implementation is lacking/failing</p>	<ul style="list-style-type: none"> – Support to and monitoring of Member States' setting up and implementation of action plans to remedy weaknesses – Other follow-up actions such as proposing reduction/suspension of payments 	<p>All along the year</p>	<p>Implementation of the ongoing Action Plans was followed up in accordance with the internal procedure.</p>

<p>Analyse and follow up in cooperation with JRC on Member States' quality assessment of their Land Parcel Identification Scheme (LPIS-QA)</p>	<ul style="list-style-type: none"> – Assessment of Member States' LPIS QA reports/scoreboards and report through the direct payments committee / LPIS workshops. – Feedback to Member States in writing as to potential weaknesses identified in the exercise. Follow up visits to Member States according to priority criteria 	<p>All along the year By 30 April for QA reports and scoreboards</p>	<p>Assessments of the reports received. All reporting was done in accordance with the timeline.</p>
<p>Strengthen the spatial data management in the Commission and ensure availability of Member States' IACS data for environment, climate and other purposes by developing data sharing processes</p>	<ul style="list-style-type: none"> – 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 	<p>All along the year</p>	<p>The work continued, but a new significant challenge was identified, related to the protection of personal data. The issues is being further analysed internally. Updated guidelines should be provided to Member States in Q2/2021.</p>

Report from the Commission to the EP and the Council on the evaluation of the mandatory indication of the country of origin or place of provenance for fresh and frozen meat of swine, sheep and goat and poultry	Submission to the EP and the Council	Q4/2020	Q1/2021
Synthesis report of Member States' POSEI reports	Start of contract	2020	Contract launched
Study on the EU sugar sector's capacity to adapt to a post-quota market environment and strategies to strengthen its resilience sugar sector price volatility	Start of contract	2020	Contract launched
Study on improving crisis prevention and management criteria and strategies in the agricultural sector	Publication of the study	2020	Study published on 30/01/20

Specific objective 3: Enhance market orientation and increase competitiveness, including greater focus on research, innovation, technology and digitalization

Related to spending programme(s): EAGF, EAFRD, Horizon 2020 / Europe

Result indicator 3.1: Increasing farm productivity: Total factor productivity²⁴

Explanation: The total factor productivity (TFP) compares total outputs relative to the total inputs used in production of the output.

Unit of measurement: Index (3-year moving average)

Source of data: **Source of data:** European Commission, DG Agriculture and Rural Development, based on Eurostat data (Economic Accounts for Agriculture)

²⁴ This indicator is also used in the Programme Statements.

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
110.2 ²⁵	Increase	Increase	111.5

Result indicator 3.2: EU commodity prices compared to world prices²⁶

Explanation: This indicator reflects the price gap between EU and world prices, based on a weighted average price, covering beef, pig meat, poultry, soft wheat, maize, barley, sugar, butter, cheddar, WMP²⁷ and SMP²⁸. EU prices are based on Member States notifications and 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)

Unit of measurement: Ratio

Source of data: European Commission, DG Agriculture and Rural Development, based on European Commission, USDA, World Bank, IGC, London International Financial Futures and Options Exchange, National sources.

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
1.13 ²⁹ In 2017, the EU prices were on average 13% above world prices	EU prices brought closer to the world prices	EU prices brought closer to the world prices ³⁰	1.16 In 2020, the EU prices were on average 16% above world prices

Result indicator 3.3: Number of EIP innovation projects (operational groups)

Explanation: This indicator reflects the number of EIP groups supported through Rural Development funding

Unit of measurement: Number of EIP groups supported

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
541	1700	2000	2000

²⁵ Updated baseline value due to change in Eurostat database.

²⁶ This indicator is also used in the Programme Statements.

²⁷ Whole milk powder

²⁸ Skimmed milk powder

²⁹ Original baseline was calculated for EU-28.

³⁰ The ratio should move towards 1.

Result indicator 3.4: Number of research projects programmed and monitored by DG AGRI

Explanation: This indicator reflects the number of H2020 and HE (closed and ongoing) projects in the area of agriculture and rural development (co-) programmed and monitored by DG AGRI

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2017)	Interim milestone (2020)	Target (2024)	Latest known results (2020)
86	203	280	235

Result indicator 3.5: Area under Satellite Monitoring [for BPS/SAPS]

Explanation: This indicator aims at measuring the uptake of new technology and digitalisation by CAP administrations in Member States: share of area receiving direct support (through the basic payment scheme (BPS)/single area payment scheme (SAPS)) that is covered by Checks-by-Monitoring or by the Area Monitoring System (AMS).

Unit of measurement: ratio between the BPS/SAPS hectares covered with Checks-by-Monitoring or AMS and the latest available data on the total area under BPS/SAPS in the EU

Source of data: Member States notifications on Checks-by-Monitoring; European Commission, DG Agriculture and Rural Development

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
3%	10%	50%	5.69%

Main outputs in 2020

Evaluations and fitness checks

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Evaluation of the Common Agricultural Policy's impact on knowledge exchange and advisory activities [covers multiple objectives, also linked to balanced territorial development]	Finalisation [and publication] of the evaluation support study	2020	Receipt of final deliverable of the evaluation support study

Study on financial needs in the agriculture and agri-food sectors in 24 EU Member States	Finalisation of the study	2020	Completed in June 2020 with 24 national reports and 1 summary EU chapter
Evaluation study of the CAP measures applicable to the wine sector	Finalisation of the Commission staff working document	2020	SWD(2020) 232 published on 26/10/20
Evaluation of the impact of the EU agricultural promotion policy – internal and third countries markets	Finalisation and publication of the evaluation support study and the Commission staff working document	2020	Evaluation support study published on 14/10/20 and Commission staff working document finalised and published on 11/01/21
Evaluation of Geographical Indications and Traditional Specialities Guaranteed protected in the EU	Finalisation of the evaluation support study	2020/2021 [subject to delay due to COVID-19]	Final deliverable received
Evaluation on the impact on the internal market of certain state aid measures in the agriculture and forestry sectors	Finalisation of the Commission staff working document	2020	File handed over to DG COMP
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Organisation of webinars to launch the preparation of the Horizon Europe partnership on agroecology living labs and research infrastructures with external stakeholders, with up to 150 participants	Number of webinars	4 webinars in 2020	6 workshops and webinars organised in total: 5 webinars with 170 participants on average (leading to a community of +270 people): - Two webinars to open the partnership development and build understanding of concepts

			<ul style="list-style-type: none"> - Two webinars to present practical examples - One webinar to start developing a joint vision and identify key actions <p>One workshop "Regional living labs for agroecology" with 70 participants</p>
Organisation of EIP-AGRI seminars with the participation of up to 150 external stakeholders	Number of seminars	2 seminars in 2020	<p>2 seminars organised:</p> <ul style="list-style-type: none"> – Seminar "New skills for digital farming" in February 2020 with 150 participants – Seminar "CAP Strategic Plans: The key role of Agricultural Knowledge and Innovation Systems (AKIS) in Member States" in September with over 200 participants (online) <p>Seminar "Healthy soils for Europe: sustainable management through knowledge and practice" postponed to spring 2021 due to the COVID-19 pandemic</p>
Organisation of EIP-AGRI workshops with the participation of up to 80 external stakeholders	Number of workshops	2 workshops in 2020	<p>Workshop "Shaping the EU mission <i>Caring for Soil is Caring for Life</i>" organised in October with 60 participants (online)</p> <p>Workshop "New strategies towards carbon neutral agriculture" postponed to spring 2021 due to the COVID-19 pandemic</p>

Preparation of EIP-AGRI publications	Timely and effective provision of all products in 2020	<ul style="list-style-type: none"> - 1 magazine (Agrinnovation) - 4 brochures - 12 newsletters - 12 press articles - 12 videos and animations 	<ul style="list-style-type: none"> - 1 Magazine - 1 Brochure - 12 Newsletters - 10 press articles - 10 videos and animations - 2 summary reports - 4 factsheets
[See also Specific Objective 1 for details]			
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Selection of proposals for funding from 2020 calls (implementation by the executive agency REA) of total budget of 315 mio EUR	Proposals selected for funding (both single and two stage)	December 2020	38 single and 24 second stage proposals selected for a total of 357 mio EUR
Ensuring the co-chairing and coordination of the programming of Cluster 6 research actions (strategic orientations, roadmaps, preparation of Strategic plan and Work programme, including the preparation of HE partnerships)	Publication of the Strategic plan Publication of the Work programme	2021	Strategic plan and Work programme to be finalised in Q1/2021
Ensuring secretariat of the Mission Board for Mission "Soil Health and Food", including the organisation of MB meetings, outreach actions and coordination with concerned DGs and stakeholders	Approval of the Mission	2021	Final Mission board report published in September 2020, preparatory phase in Q1 + Q2/2021

Establishing a new Standing Committee on Agricultural Research (SCAR) Working Group on Agroecology with the immediate task to prepare the proposal for the agroecology living labs partnership	Endorsement of the new working group and number of Member States / Associated Countries nominating representatives	December 2020: 10 nominations	SCAR Plenary endorsed the creation of the new working group in December. 21 Member States and Associated Countries have nominated representatives
Preparation of the EIP-AGRI contract for the period 2021-2027 in the framework of the future CAP Network	Call for Tender published	At the latest September 2020	Call for Tender published in October 2020
Coordinating DG AGRI actions related to Digital Europe Programme (DEP)	Coordination	Timely and coordinated/inputs provided	Timely contributions to the preparation of the Digital Europe Programme, including its Strategic Orientations and first Work Programme and the finalisation of the DEP regulations.
Coordination in the area of digitalisation in agriculture and rural areas linked to the data strategy as concerns Agricultural Data Space as well as to White paper on AI: Testing and Experimentation Facilities (TEF) on AI	Number of main initiatives coordinated or contributed to	4 initiatives in 2020	The following large-scale events were organised with on average 200 participants: - January 2020: Workshop on TEF with MS and stakeholders - June 2020: Webinar Data sharing in agriculture. Toward a EU agriculture data space - September 2020: Webinar How to build a common European Agricultural data space In cooperation with DE Council presidency: 2 Round tables with MS and Conference track In addition, COM made contributions on these subjects to events by

			farmers organisations at EU and national levels as well as at several stakeholder events A concept paper on the Common data space was elaborated and published
ISAMM: Implement the management of LORI Tariff Rate Quotas and certificates of authenticity according to the Commission Implementing Regulation for the management of tariff quotas on agricultural products, to be amended (adjustment of quantities of WTO TRQs to post-Brexit figures)	Develop and implement all five phases of the development plan in ISAMM: - Phase 1 - Registration - Ph 2 - Updates and withdrawal - Ph 3 - Reference quantities - Ph 4 - Link to ISAMM TRQ - Ph 5 - Received licences	2020	Phases 1 to 4 are implemented and used by ISAMM users. Phase 5 (reporting) is being developed and will be ready for use in Q1/2021.
Market observatories: - Market observatory for meat - Market observatory for milk - Market observatory for crops - Market observatory for sugar - Market observatory for fruit and vegetables - Marketing observatory for wine	Number of meetings of the Economic Board Publication of reports	3 meetings and reports 4 meetings and reports 3 meetings and reports 3 meetings and reports 3-5 meetings and reports (stone fruit, pip fruit, tomatoes, ...) 2-3 meetings and reports	3 meetings and reports 4 meetings and reports 4 meetings and reports (one extraordinary on specifically COVID-19 market impact) 3 meetings and reports 6 meetings and reports 2 meetings and reports

Chair the Outlook groups for grains, sugar, olive oil, biofuels, meat, dairy, fruit and vegetables, wine	Outlook groups meetings with minutes	30 meetings in 2020	Monthly meetings (12) held for grains, 3 meetings each for sugar and biofuels linked to short and medium-term outlooks, 4 meetings each for fruit and vegetables, olive oil, wine, meat and dairy linked to short and medium-term outlooks
Ensure the procedure on agricultural markets crisis management is implemented	Technical review meetings with agenda and minutes	3 meetings in 2020	3 technical review meetings held (25/03/20, 02/06/20 and 07/10/20) and one meeting of the taskforce on crisis management (20/04/20)
Study on the implementation of conformity checks in the olive oil sector throughout the EU	Publication of the study	2020	Study published on 29/01/20
Study on agri-food imports and their role in the EU supply chains	Finalisation and publication of the study	2020/2021 [subject to delay due to COVID-19]	Deadline postponed to March 2021 due to COVID-19
Capacity building for national authorities for financial instruments	Number of events	3 awareness-raising events, including an EU annual conference (250 participants), and 3 new targeted coachings for EAFRD Managing Authorities	4 EAFRD-specific awareness events, incl. an EU annual conference (262 participants) and 4 new targeted coachings for EAFRD managing authorities
Agri-food Data Portal: Develop price, trade and production apps for the main agricultural sectors, renewal of the main applications on trade statistics and adding functionalities for the better use and sharing of the data	New apps developed to cover main agricultural sectors	15 applications developed in 2020	20 new applications developed.
	Applications on trade and TRQs revamped (V2.0)	3 applications revamped in 2020	All database work accomplished. 1 application revamped, the remaining ones to follow in Q1/2021.

	New functionalities: machine-to-machine and data explorer	2 new functionalities in place in 2020	Data explorer added to all applications. 2 pilots started for the machine-to-machine functionality. Total deployment will follow in 2021.
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Specific objective 4: Improve the farmers' position in the value chain notably through the CAP			Related to spending programme(s): EAGF, EAFRD
Result indicator 4.1: Proportion of proposed legislative revisions that include burden reduction measures			
Explanation: This indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	N / A
Result indicator 4.2: Improving farmers' position in the food chain: Value added for primary producers in the food chain³¹			
Explanation: The total Gross Value Added (GVA) (at basic prices) is defined as the value of output less the value of intermediate consumption. This indicator measures the share of the primary production (agriculture) on the total value added generated by different participants of the food chain (primary production, food manufacturing, food distribution and food service activities).			
Unit of measurement: % of total GVA			
Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: nama_10_a10 , urt_10r_3gva , nama_10r_3gva)			
Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
24%	Increase	Increase	25.2%

³¹ This indicator is also used in the Programme Statements (in values).

Result indicator 4.3: Concentration of supply: Share of value of marketed production by Producer Organisations with operational programmes

Explanation: This indicator quantifies the coverage, in terms of value of marketing production of producer organisations (POs), associations of producer organisations, transnational producer organisations or transnational associations of producer organisations with operational programmes supported by the CAP.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2017)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
49% Fruit and vegetables	Increase	Increase	47% Fruit and vegetables

Result indicator 4.4: Number of registered Geographical Indications

Explanation: This indicator shows the number of geographical indications (GI) – protected names of agricultural products and foodstuffs, foods, wines, spirit drinks and aromatised wines, included in the EU register, to promote their unique characteristics, linked to their geographical origin as well as traditional know-how.

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
3136	Increase	Increase	3306

Result indicator 4.5: Number of Member States having transposed the UTP Directive³² into national law and established enforcement authorities

Explanation: This indicator will be applicable only as of 2021 because Member States have until 1 May 2021 to transpose the Directive.

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2020)	Interim milestone (2021)	Target (2024)	Latest known results (2020)
0	Commission interim report on the state of the transposition and implementation of the Directive to EP, Council, EESC and CoR in 2021	27	0

³² [Directive \(EU\) 2019/633](#) of the European Parliament and of the Council of 17 April 2019 on unfair trading practices in business-to-business relationships in the agricultural and food supply chain.

Main outputs in 2020			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Proposal to strengthen the system of geographical indications	Roadmap (Inception Impact assessment) published Launch of impact assessment	Autumn 2020	Roadmap published on 28/10/20. Impact assessment process launched by ISG meeting on 20/10/20
Mandatory data transmission from Member States – outside fruit and vegetables and milk and milk products – on total annual numbers of recognised producer organisations and inter-branch organisations	Proposal for secondary legislation	2020	Finalisation of draft regulation (to be discussed within the Commission and presented to Member States) pending political validation
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Delegated and Implementing Acts for Regulation on Spirit Drinks – Geographical indications	Adoption	Adoption and entry into force by end 2020	Final meetings of the respective committee and expert group took place on 03/12/20. Adoption planned for Q1/2021.
Delegated Regulation in the fruit and vegetables sector	Adoption	Q4/2020	Adoption and entry into force in first trimester 2021. Due to the COVID-19 pandemic, the adoption and the entry into force have been delayed.

Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Study on the economic value of EU quality schemes, geographical indications (GI) and traditional specialities guaranteed (TSG)	Publication of the study	2020	Study published on 20/04/20
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
GI-View database (in co-operation with EUIPO)	GI-View created and available	End 2020	GI-View made public on 25/11/20
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
2-day conference on strengthening geographical indications 250 participants		Min 80% satisfaction rate	Strengthening GIs conference (25-26/11/20) – 100% online: up to 4 000 participants. Satisfaction rate: 4.4/5.
Publications: GI recipe book (27 young chefs cooking with GIs from 27 MS); quality scheme leaflet			Recipe book published on 26/11/20 "Sensational" GI recipe book page views 516 484 Leaflet in preparation
Webpages "inspired by GIs with recipes, featuring stories behind GIs			Inspired by GIs (product and recipe pages for the entire year of 2020): Total number of page views 59 857
Social media, videos			Results of campaigns (impressions): Inspired by GIs: 4 878 943 GI recipe book: 516 484

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Organise expert group meetings to facilitate a consistent transposition of Directive (EU) 2019/633 on unfair trading practices in business-to-business relationships in the agricultural and food supply into national laws	Meetings organised	2 meetings in 2020	3 meetings held (13/01/20, 30/06/20 and 10/12/20)
	Member States' interpretation questions and COM replies shared via Circabc	Ongoing	All questions and replies shared via Circabc
In-depth analysis of the extent and effects of national and international buying alliances on the economic functioning of the food supply chain (FSC) as requested by EP in a statement linked to the adoption of the UTP Directive	Steer the specification and publication of a report on the role of retail alliances in the agricultural and food supply chain in collaboration with the JRC (follow-up of the retail alliance workshop organised in 2019)	May 2020	Report published on 12/05/20
Regular discussion in CMO committee meetings and expert groups with a view to the application of market transparency Implementing Regulation (EU) 2019/1746 of 1 October 2019 (amending Implementing Regulation (EU) 2017/1185)	Committee meetings and expert groups	10 meetings in 2020	9 committee meetings and expert group meetings held
	Member States' interpretation questions and COM replies	Ongoing	All Member States' interpretation questions have been replied to (in writing or orally in Committees and expert groups, or through a Q&A and technical documents)

EP Pilot Project on establishing an operational programme for the agricultural sectors: structuring the agri-food sectors to safeguard the handing-on of family farms and the sustainability of local agriculture	Start of contract	2020	Contract launched
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Specific objective 5: In line with the Farm to Fork Strategy, improve the response of EU agriculture to societal demands on food and health, including safe, nutritious and sustainable food, food waste, as well as animal welfare through the CAP

Related to spending programme(s): EAGF, EAFRD

Result indicator 5.1: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: This indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	N / A

Result indicator 5.2: Limiting antibiotic use in agriculture: sales/use in food producing animals

Explanation: This indicator illustrates farmers actions to improve the response of EU agriculture to societal demands on food and public health such as fighting antimicrobial resistance (AMR), focusing on the development of total sales of veterinary medicinal products containing antimicrobial substances.

Unit of measurement: mg/PCU

Source of data: European Surveillance of Veterinary Antimicrobial Sales Consumption (ESVAC) project³³

³³ <https://bi.ema.europa.eu/analyticsSOAP/saw.dll?PortalPages>

Baseline (2018)	Interim milestone (2022)	Target (2030)	Latest known results (2020)
118,3 mg/PCU ³⁴	Decrease	Decrease	The latest ESVAC report , shows that sales of antibiotics for use in animals in Europe fell by more than 34% between 2011 and 2018
<p>Result indicator 5.3: Sustainable use of pesticides: Reduce risks and impacts of pesticides³⁵</p> <p>Explanation: The indicator shows changes in the potential risks from pesticide use for human health and the environment. The indicator is calculated by multiplying the quantities of active substances placed on the market in plant protection products by their hazard weighting. Index: 2015-2017 = 100</p> <p>Source of the data: Member States annually report data to Eurostat under Regulation (EC) No 1185/2009</p> <p>Methodology for calculating the indicator: Directive (EU) 2019/782 Annex I</p>			
Baseline (2015-2017)	Interim milestone (2022)	Target (2030)	Latest known results (2020)
100 ³⁶	Decrease	Decrease 50% reduction in categories E and F Annex IV Commission Directive (EU) 2019/782	Not known yet ³⁷

³⁴ Value updated based on COM(2020) 846 [Annexes to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Recommendations to the Member States as regards their strategic plan for the Common Agricultural Policy](#)

³⁵ All references to pesticides refer to plant protection products only. Biocides are included in the term pesticides, but data on biocides are not included in this indicator.

³⁶ Value updated based on COM(2020) 846 [Annexes to the Communication from the Commission to the European Parliament, the Council, the European Economic and Social Committee and the Committee of the Regions. Recommendations to the Member States as regards their strategic plan for the Common Agricultural Policy](#).

³⁷ An update on trends will be provided on the SANTE portal by 30/08/21.

Result indicator 5.4: Improving animal welfare: Share of livestock units covered by rural development support to improve animal welfare

Explanation: This indicator quantifies the coverage, in terms of livestock units, of actions aimed at improving animal welfare with CAP support.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
5.4%	Increase	Increase	7,2%

Result indicator 5.5: Share of organic area receiving specific CAP support

Explanation: This indicator quantifies the area converted to or maintained in organic farming thanks to CAP support.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2018)
65.5%	Increase	Increase	65.5%


Main outputs in 2020

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Analysis of links between CAP Reform and Green Deal	SWD	2020	SWD(2020) 93 of 20/05/20 published
Recommendations to each Member State addressing the 9 specific objectives of the CAP and the 6 Green Deal targets	Timely publication	End 2020	Recommendations published on 18/12/20
Develop the organic secondary legislation	10 delegated and 8 implementing acts	End of 2020	5 acts adopted in 2020. Delay due to COVID-19 pandemic

Technical revision of the EU legislation related to the olive oil marketing standards	Adoption of the revised Regulation (DA and IA)	Q4/2020	Preparatory work done, not possible to adopt revised marketing standards of olive oil in 2020 due to COVID-19 pandemic. Planned now for Q3/2021
Commission proposal to reduce added sugar in fruit juices and jams by amending Breakfast Directives (in the context of the Farm to Fork Strategy) amending Directive (EU) 2001/112/EC relating to fruit juices and certain similar products and Directive (EU) 2001/113/EC relating to fruit jams, jellies and marmalades and sweetened chestnut purée	Adoption of COM proposal	2020-2021	Action has obtained political validation. The inception impact assessment is being prepared for publication in January 2021 (together with the wider initiative on EU marketing standards and Breakfast Directives)
Commission delegated and implementing regulation with additional specific rules for the Member States' evaluation of the implementation of the EU school scheme	Adoption	Q2/2020	Adopted ³⁸

³⁸ [Commission Delegated Regulation \(EU\) 2020/1238](#) amending Delegated Regulation (EU) 2017/40 as regards the evaluation of the implementation of the school scheme.
[Commission Implementing Regulation \(EU\) 2020/1239](#) amending Implementing Regulation (EU) 2017/39 as regards the monitoring and evaluation of the implementation of the school scheme and the on-the-spot checks related thereto.

Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
 EU marketing standards and Breakfast Directives – Modernisation of outdated standards, legislative simplification, alignment with the Lisbon treaty, Farm to Fork	Proposal for a legislative act	2020-2021	Action has obtained political validation. The inception impact assessment is being prepared for publication in January 2021.
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Evaluation of mandatory country of origin labelling for certain meats	Finalisation and publication of the evaluation support study	2020	Evaluation support study published on 12/11/20
Evaluation of marketing standards (contained in the CMO Regulation, the "Breakfast directives" and CMO secondary legislation)	Publication of the evaluation support study and finalisation of the Commission staff working document	2020	Evaluation support study published on 08/04/20 and SWD(2020)230 published on 27/10/20
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Factsheets, webpages and social media covering CAP Plan, CAP-Green Deal			CAP strategic plans (December 2020): Total number of page views 7 940 CAP-Green Deal page : Total number of page views 10 657

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Organic Action plan (2021-2026)	Commission Communication on an action plan for the development of the organic sector	2020-2021	Ongoing To be adopted by end of March 2021
Commission report in view of future adoption of a new EU marketing standard for cider (tentative)	Publication of Commission report to EP and Council on enlarging the list of products subject to marketing standards (based on Art 75(6) of the CMO Regulation (EU) No1308/2013)	2020-2021	This initiative has been covered by the evaluation on "Marketing Standards" contained in the CMO Regulation, the "Breakfast Directives" and CMO secondary legislation published on 08/04/20. The results of this evaluation are to be assessed within the review of Marketing Standards of the CMO Regulation in the framework of the Farm to Fork Strategy
EP Pilot Project on developing a tool-box for farmers of Integrated Pest Management practices from across the EU (IPM I)	Start of contract	2020	Contract launched
Study on the CAP and animal welfare (working title)	Start of contract	2020	Contract launched

Specific objective 6: Contribute to addressing climate change, protecting natural resources and preserving biodiversity through the CAP

Related to spending programme(s): EAGF, EAFRD

Result indicator 6.1: Share of agricultural land under commitments targeting reduction of GHG and/or ammonia emissions³⁹

Explanation: This indicator quantifies the share of agricultural land under management contracts targeting climate action, i.e. GHG and ammonia emissions reduction, and carbon sequestration or conservation, supported with the CAP.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
2.0%	Increase	2.94%	2,91%

Result indicator 6.2: Share of agricultural land under management commitments:

a) Improving soils: Share of agricultural land under management commitments beneficial for soil management⁴⁰

b) Protecting water: Share of agricultural land under management commitments for water management⁴¹

Explanation: These indicators quantify the coverage, in terms of agricultural land, of management commitments beneficial for soil management (a) and for water quality (b), financed with CAP support

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
a) 11.9% b) 12.1%	Increase	a) 13.7% b) 14%	14.1% 14.2%

³⁹ This indicator is also used in the Programme Statements.

⁴⁰ This indicator is also used in the Programme Statements.

⁴¹ This indicator is also used in the Programme Statements.

Result indicator 6.3: Enhanced provision of ecosystem services: share of UAA covered with landscape features

Explanation: Landscape features support biodiversity and ecosystem services. This indicator aims to estimate the area covered by landscape features in the agricultural land. Landscape features may include linear elements (e.g. hedgerows) and patches (e.g. trees, woodland, etc.), water & wet spots (ponds, water bodies, streams, etc.); moderately managed areas (e.g. field margins), etc.

Unit of measurement: %

Source of data: European Commission, JRC

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
N/A	Increase	Increase	N/A ⁴²

Result indicator 6.4: Preserving species, habitats and landscape features: Share of agricultural land under management commitments supporting biodiversity conservation or restoration and/or landscape features, including hedgerows⁴³

Explanation: This indicator quantifies the coverage, in terms of agricultural land, of management commitments for supporting biodiversity conservation or restoration on agricultural land, financed with CAP support.

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
14.9%	Increase	17%	17.7%

Main outputs in 2020

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Contribution to the European Climate Pact (DG CLIMA)	Communication / Report	Q3/2020	COM(2020) 788 final adopted on 09/12/20
Contribution to the 2030 Climate Target Plan (DG CLIMA)	Communication	Q3/2020	COM(2020) 562 final adopted on 17/9/20

⁴² The indicator is still not available at EU level. Preparatory methodological work is still ongoing

⁴³ This indicator is also used in the Programme Statements.

Contribution to the EU Strategy on Adaptation to Climate Change (DG CLIMA)	Communication	Q1/2021	In progress (to be adopted in Q1/2021)
Contribution to the Circular Economy Action Plan	Communication	Adopted (Q1/2020)	COM(2020) 98 final adopted on 11/03/20
Contribution to the EU Biodiversity Strategy for 2030	Communication	Adopted (Q2/2020)	COM(2020) 380 final adopted on 20/05/20
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Evaluation of the impact of the CAP on climate change and greenhouse gas emissions	Finalisation of the Commission staff working document	2020	Commission staff working document prepared for interservice consultation
Evaluation of the impact of the CAP on sustainable management of the soil	Finalisation [and publication] of the evaluation support study	2020	Receipt of final deliverable
Evaluation on the impact of the CAP on water	Publication of the evaluation support study	2020	Support study published on 27/03/20
Evaluation staff working document on the impact of the CAP on biodiversity, soil and water	Drafting the Commission staff working document	2020	In progress
Evaluation on the impact of the CAP on habitats, landscapes and biodiversity	Publication of the evaluation support study	2020	Evaluation support study published on 27/03/20
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Follow-up of the implementation of Greening and Cross-compliance: update of notifications, exchanges with Member States including expert groups, legal interpretations and guidance	Organisation of experts groups and Committees Assessment notes on Member States' notifications	All along the year	Completed for 2019, partly completed for 2020, process ongoing for some 2020 notifications.
Reinforcement and clarification of the scope of the eco-scheme instrument in light of Farm to Fork Strategy's ambition for a higher level of protection	Analyses and recommendations	As necessary all year	An indicative list of Eco-scheme practices has been published. A Q&A document has been prepared and discussed with Member States in an Expert Group.
Study for the development of a common framework for the quantitative advice of crop nutrient requirements and greenhouse emissions assessment at farm level	Start of contract	2020	Contract launched
EP Preparatory Action on EU plant and animal genetic resources in agriculture	Publication of the study	2020	Study published on 20/05/20
EP Pilot Project on the restructuring of the Honey Bee chain and Varroa Resistance Breeding & Selection Program	Interim deliverables	2020	Interim deliverables received

Timely assessment of Annual Implementation Reports (AIR) in close cooperation with ESIF and other relevant DGs	Number of Reports	115 reports	115
Timely assessment of proposals for programme amendments	Number of proposals	234 proposals	166
Organisation of European Network for Rural Development events	Number of events in 2020	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 9 meetings of thematic groups 10 Workshops / thematic labs 3 Seminars	1 EU rural networks' Assembly meeting 2 EU rural networks' Steering Group meetings 10 meetings of thematic groups 13 Workshops/thematic labs 2 Seminars (one cancelled due to COVID-19 pandemic)
Preparation of publications and communications of the European Network for Rural Development	Number of publications in 2020	2 EU Rural Reviews 2 Rural Connections magazines 2 Project Brochures 12 ENRD newsletters ENRD website (average unique page views per month) 60 000 ENRD website (unique page views per year) 600 000 Social media presence: • Twitter followers: 5 250 • Facebook page post likes: 4500 • LinkedIn Group members: 900	1 EU Rural Review 1 Rural Connections magazine 2 Project Brochures 12 ENRD newsletters ENRD website (average unique page views per month) 55 900 ENRD website (unique page views per year) 572 000 Social media presence: • Twitter followers: 5 530 • Facebook page post likes: 8 870 • LinkedIn Group members: 973

Organisation of events of the BCO ⁴⁴ support facility	Number of events in 2020	2 Thematic Groups 4 Trainings 1 annual conference	2 Thematic Groups (on programming 2021-27) 18 Trainings (16 WEBseries Seasons 1, 2, 3 + 2 webinars on WiFi4EU for the national BCOs and many webinars for the municipalities). 1 EU Regions Week event 1 Annual Conference
Preparation of publications of the BCO support facility	Number of publications in 2020	8 publications Monthly Electronic newsletters 44 videos RDP and OP Factsheets RDP and OP dashboards Good practices database and publication	8 publications One contribution to the newsletter was produced per month, with several months having more than one. 38 videos (5 award videos to the BCOs winners could not take place because of COVID-19 restrictions; they were replaced by alternative deliverables) RDP and OP factsheets delivered every quarter
2020 Communication Plan of the BCO Support Facility as chef de file with the contributions of DGs CNECT and REGIO	A yearly communication strategy in place and implemented	1	1 Communication plan approved in Q1/2020
Deliverables under "Action Plan for Rural Broadband"	Number of actions/activities carried out	1 Updated dashboard with quantitative and qualitative analysis of BCOs Use of the rural proofing checklist whenever applicable (requests by Member States for	1 updated dashboard with analysis of BCOs Rural proofing used as necessary. The "Rural Broadband Handbook" was finalised (approved on 28/04/20)

⁴⁴ Broadband Competence Office

		programme modifications impacting broadband) Finalisation and publication of the "Rural Broadband Project Framework" (BB handbook for local authorities	
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Specific objective 7: Preparation and implementation of the EU Forest Strategy			Related to spending programme(s): EAGF, EAFRD
Result indicator 7.1: Number of committed actions within the Strategy implemented			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	Forest Strategy under preparation
Result indicator 7.2: Afforested land: Area supported for afforestation and creation of woodland, including agroforestry			
Explanation: This indicator quantifies afforestation and the creation of woodland, including agroforestry with CAP support.			
Unit of measurement: Hectares			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
486 409 ⁴⁵	Maintain	Maintain	442 272

⁴⁵ The revised baseline is due to technical modifications in the annual implementation reports.


Result indicator 7.3: Supporting forest biodiversity: Share of forest land under management commitments to support biodiversity⁴⁶

Explanation: This indicator quantifies the share of forest area benefitting from CAP-supported commitments for sustainable forest management, in line with the key principles and objectives of the EU Forest Strategy. This covers actions to foster sustainable management of forest.

Unit of measurement: %

Source of data: European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2023)	Latest known results (2019)
0.35%	Increase	1.62%	0.44%

Main outputs in 2020			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
 Preparation of the Forest Strategy	Adoption	Q1/2021	Q2/2021
Public consultations			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Public consultation related to the Forest Strategy	Meetings with expert and consultative bodies	Q3 & Q4/2020	Q4/2020 & Q1/2021
	Internet public consultation	Q4/2020	Q1/2021
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			

⁴⁶ This indicator is also used in the Programme Statements.

General objective 5: A stronger Europe in the world

Impact indicator: Share of EU in world trade in goods and services as well as investment⁴⁷

Explanation: This indicator shows to what extent the EU manages to maintain its prominent position in world trade despite the rise of the new trade powers.

Source of the data: Eurostat for the EU, IMF for world data on goods, WTO for world data on services, UNCTAD for world data on investments

Methodology for calculating the indicator: The indicator gives EU imports/exports/total with Extra-EU based on Eurostat data as percentage of world imports/exports/total based on IMF/WTO/UNCTAD data for world corrected for Intra-EU trade.

Baseline ⁴⁸			Interim milestone (2022)	Target (2024)	Latest known value		
Goods average 2017-2019 Services average 2016-2018 investments average 2016-2018					Goods 2017-2019 Services 2017 – 2019 Investments average 2016-2018		
<i>Goods</i>			<i>Goods</i>	<i>Goods</i>	<i>Goods</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
13.9%	15.7%	14.8%			13.9%	15.7%	14.8%
<i>Services</i>			<i>Services</i>	<i>Services</i>	<i>Services</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
21.4%	23.4%	22.4%			20.6%	22.4%	21.5%
<i>FDI stock</i>			<i>FDI stock</i>	<i>FDI stock</i>	<i>FDI stock</i>		
Imp.	Exp.	Total	Maintain	Maintain	Imp.	Exp.	Total
34%	44.3%	39%			34%	44.3%	39%

Impact indicator: Readiness of enlargement countries on economic criteria

Explanation: This indicator aims at showing where the enlargement countries stand in terms of their preparations for meeting key areas of the two economic accession criteria, namely the existence of a functioning market economy and the capacity to cope with competitive pressures and market forces within the EU. It is given as an overall sum of enlargement countries. It is measured on a scale from 1 to 5

Source of the data: European Commission

Methodology for calculating the indicator: In each of the areas, the state of play (i.e. the readiness) is assessed according to the following five-tier standard assessment scale:

1. Early stage
2. Some level of preparation
3. Moderately prepared
4. Good level of preparation
5. Well advanced

⁴⁷ European Union preferential trade and investment agreements indicator turned into Share of EU in world trade in goods and services as well as investment as this impact indicator better demonstrates the impact of trade taking into account global competition

⁴⁸ Baseline was corrected in 2021 for goods [before: Imp: 13.9%, Exp.: 15.6%, Total: 14.9%] and investments average [before: Imp.: 35%, Exp.: 45%, Total: 40%].

Baseline (2019)	Interim milestone (2022)	Target (2030)	Latest known results (2020)
2.64	Increase	Increase	2.68

Specific objective 8: Contribute to the successful conclusion of (ongoing) negotiations on international agreements, ensure the effective implementation of existing agreements (incl. maintenance of trade flows and market openness) and build a strategic relationship with Africa in the agri-food sector

Related to spending programme(s): N/A

Result indicator 8.1: Proportion of proposed legislative revisions that include burden reduction measures

Explanation: This indicator measures how the Commission upholds its commitment to ensure that proposals for legislative revisions incorporate burden reduction measures, in the broader context of REFIT programme and One-In, One-Out approach. The indicator shows how many proposed legislative revisions out of the total, for each relevant specific objective, include measures that concretely reduce burden.

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	N / A

Result indicator 8.2: Expansion of two-way EU27 agri-food trade

Explanation: This indicator illustrates the openness of the EU market to imports, as well as the EU access to external markets, based on the aggregate total value (in billion EUR) of EU agri-food trade with extra-EU partners (imports plus exports).

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (COMEXT)

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
303 billion EUR ⁴⁹	Maintain or increase ⁵⁰	Increase	305.5 billion EUR

⁴⁹ Original baseline was calculated for EU-28.

⁵⁰ The limited ambition of the interim milestone takes into account the uncertainties of the global post-COVID-19 recovery.

Result indicator 8.3: Increase in two-way agri-food trade between EU and Sub-Saharan Africa

Explanation: This indicator illustrates the openness of the EU market to imports from Sub-Saharan Africa, based on the total value (in billion EUR) of EU agri-food trade with countries in Sub-Saharan Africa.

Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (COMEXT)

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
21 billion EUR	Maintain or increase ⁵¹	Increase	21.5 billion EUR

Result indicator 8.4: Number of actions accomplished under the AU-EU Action Agenda for Rural Transformation, launched in 2019

Explanation: This indicator measures how many areas out of the 9 covered by the Action Agenda have been implemented since 2019 or for which specific events have been organised. The Agenda might be complemented by new additional actions.

Unit of measurement: Number of Action Areas

Source of data: European Commission, DG Agriculture and Rural Development, based on the [AU-EU Action Agenda for Rural Transformation](#)

Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
0 of 9	5 of 9	9 of 9	3 of 9 action areas covered.

Main outputs in 2020

New policy initiatives

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Progress on FTA negotiations with third countries.	Number of trade agreements negotiated, concluded or implemented.	Progress on all new and ongoing bilateral and FTA negotiations.	Ongoing negotiations in progress. Vietnam FTA entered into force on 1 August 2020. China-EU GI agreement signed on 14 September 2020. Negotiations to modernise the FTA with Chile made decisive progress. Trade

⁵¹ As above.

			agreement with Mexico ready for adoption. Issues with Mercosur clarified.
Represent EU interests at key meetings of International Organisations in the policy area of agriculture.	Number of meetings attended	Participate in all key meetings of WTO, FAO, OECD, G20, GFFA, etc., in line with the EU's negotiating mandate (if applicable)	All relevant meetings covered, incl. extraordinary meetings necessitated by COVID-19. Where applicable, DG AGRI also provided input for meetings attended by other DGs or DELs.
Represent EU agri-food interests in the implementation of the Withdrawal Agreement and the negotiations of a future partnership with the UK.	Participation in meetings with the UK on the implementation of the Withdrawal Agreement and in all negotiation rounds on the future partnership.	Participation in all relevant meetings in line with EU negotiating mandate and objectives.	All relevant meetings covered, conclusion of negotiations in December 2020.
Adjust quantities of WTO TRQs with licences to post-Brexit figures including consequence of EU negotiations at WTO	Amendment of Commission Implementing Regulation for the management of tariff quotas on agricultural products	End 2020	Adopted ⁵²

⁵² [Commission Implementing Regulation \(EU\) 2020/1739](#) amending and correcting Implementing Regulation (EU) 2020/761 as regards the quantities available for tariff rate quotas for certain agricultural products included in the WTO schedule of the Union following the withdrawal of the United Kingdom from the Union, a tariff quota for poultrymeat originating in Ukraine and a tariff quota for meat of bovine animals originating in Canada.

Adjust the method for apportioning WTO TRQs in the case of straddling quotas	Amendment of Commission Implementing Regulation laying down rules with regard to the apportionment of WTO TRQs	End 2020	Adopted ⁵³
Approve/list UK controls for conformity to marketing standards in hops and fruit and vegetables	Amendment of the relevant Commission Implementing Regulations	End 2020	Adopted ⁵⁴
Administration of TRQs managed with licenses	Adoption of implementing and delegated regulations	Adoption	Adopted ⁵⁵
Advance negotiations with WTO partners on TRQ apportionment and adapt Regulation 2019/216 accordingly	Number of agreements concluded	Conclude negotiations with at least 4 partners by end 2020	4 agreements concluded: Australia, Cuba, Norway and Thailand.
Contribute to the work of the AU-FAO Task Force on COVID-19 Impact on Food Security and Nutrition in Africa.	Co-lead with the African Union the 1st workflow on dissemination of political declaration and sensibilisation	Task Force established and meetings held throughout 2020.	All relevant meetings attended, contributions provided to the advocacy workstream. The work will continue for the duration of the COVID-19 pandemic.

⁵³ [Commission Implementing Regulation \(EU\) 2020/2099](#) of 15 December 2020 amending Implementing Regulation (EU) 2019/386 as regards the specific rules for the apportionment of tariff rate quotas in respect of which the quota period is ongoing at the date of application of Article 1(2) of Regulation (EU) 2019/216 of the European Parliament and of the Council.

⁵⁴ [Commission Implementing Regulation \(EU\) 2020/2102](#) of 15 December 2020 approving the checks on conformity to marketing standards for fruit and vegetables carried out by the United Kingdom and amending Implementing Regulation (EU) No 543/2011 laying down detailed rules for the application of Council Regulation (EC) No 1234/2007 in respect of the fruit and vegetables and processed fruit and vegetables sectors.

⁵⁵ [Commission Delegated Regulation \(EU\) 2020/750](#) of 17 December 2019 supplementing Regulation (EU) No 1308/2013 of the European Parliament 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.

[Commission Implementing Regulation \(EU\) 2020/761](#) of 17 December 2019 laying down rules for the application of Regulations (EU) No 1306/2013, (EU) No 1308/2013 and (EU) No 510/2014 of the European Parliament and of the Council as regards the management system of tariff quotas with licences.

Progress on implementation of the AU-EU Action Agenda for Rural Transformation.	Number of actions accomplished under the AU-EU Action Agenda for Rural Transformation, launched in 2019	3 out of 9 action areas	3 of 9 action areas covered.
Initiatives linked to regulatory simplification and burden reduction			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Alignment of rules for market measures: the Commission Delegated and Implementing Regulations on tariff quotas on agricultural products managed with "first-come, first-served" method shall be adopted (They will replace 31 existing Commission Regulations)	Adoption of delegated and implementing regulations	End 2020	Adopted ⁵⁶
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			

⁵⁶ [Commission Delegated Regulation \(EU\) 2020/1987](#) supplementing Regulation (EU) No 1308/2013 of the European Parliament and of the Council and Regulation (EU) No 1306/2013 of the European Parliament and of the Council as regards the lodging and release of securities in the administration of tariff quotas based on the chronological order of the submission of applications.

[Commission Implementing Regulation \(EU\) 2020/1988](#) laying down rules for the application of Regulations (EU) No 1308/2013 and (EU) No 510/2014 of the European Parliament and of the Council as regards the administration of import tariff quotas in accordance with the 'first come, first served' principle.

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Negotiation of international organic equivalency agreements.	Council decision on a negotiation mandate	End of 2020	Ongoing discussion
Follow-up of the work performed in the ISO ⁵⁷ , IGC ⁵⁸ and IOC ⁵⁹ . Preparation of the formal EU positions. Participation to the relevant meetings of the ISO, IGC and IOC.	Conclusion of negotiations of IOC trade standards and partial reform of the International Sugar Agreement.	Q4/2020	Amendments to the International Sugar Agreement in the context of its partial reform were approved on 27/11/20. The roadmap for their implementation will be discussed in the Council session mid-2021. A revised IOC trade standard was adopted mid-2020. The EU supported accessions of the UK to ISO and IGC and of Uzbekistan to IOC as of 01/01/21.
Study on EU-China agri-food trade, including e-commerce and investment	Start of contract	2020	Contract launched

Specific objective 9: Promote Europe's high quality agri-food standards worldwide (incl. strengthening the system of geographical indications)

Related to spending programme(s): EAGF, EAFRD

Result indicator 9.1: Number of third country markets targeted with agri-food promotion and information actions supported by the Commission

Explanation: This indicator measures the increase in the number of countries, depending in particular on the number of new FTA to be concluded and implemented by 2024

Source of data: European Commission, DG Agriculture and Rural Development

⁵⁷ International Sugar Organisation

⁵⁸ International Grains Council

⁵⁹ International Olive Council

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
52 ⁶⁰	Increase	Increase	52
Result indicator 9.2: Number of EU GI protected by third countries			
Explanation: This indicator shows the number of EU GI that are protected in trade agreements (or other analogous agreements) concluded with third countries			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
N/A	Increase	Increase	40 559 (est.)

Main outputs in 2020			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Establish a database of all EU GI protected in third countries.	Completeness of database	All Agreements to be covered by end of 2020.	Database complete
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See also Specific Objective 1]			
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Commission "own initiatives" (promotion campaigns, participation at fairs, seminars in third countries) as foreseen in the 2020 Annual Work Programme under the promotion policy	Commission "own initiative" activities implemented in the following categories: - Promotion campaigns (communication	100% implementation of all "own initiatives" planned in the annual work programme	With many adaptations and postponements due to the pandemics, measures at the Commission's own initiative were implemented for the following regions: - China (campaigns)

⁶⁰ Adjusted baseline to reflect the number of third country markets targeted with agri-food promotion and information actions supported by the Commission in 2020 (and not for the period 2016 – 2020).

(Regulation 1144/2014)	campaigns) - EU pavilions at international fairs - Seminars/Webinars in third countries - Development or updating of market entry handbooks High level missions		- Japan (campaigns) - Canada (campaign) - Middle East (campaign) - Mexico (campaign) - Vietnam (campaign, online promotion seminar) - Singapore (campaign) 7 market entry handbooks were produced (Colombia, Vietnam, Singapore, Thailand, Malaysia, South Africa, USA) All fairs were postponed to 2021/2022.
Annual work programme (AWP) and call for proposals under promotion policy	1 AWP and 2 calls	Coverage of the topic of this specific objective	2 calls for proposals published in January 2020 announcing 9 different priority topics. With a total of 178 proposals from 25 Member States, both calls were over-subscribed. In comparison to 2019 calls, the number of applications increased by 23.6% and the number of Member States participating in the applications more than doubled.

Specific objective 10: Prepare countries for future EU membership: competitive agri-food sector, safer food, rural growth, more sustainable natural resources and modern administrations

Related to spending programme(s): Instrument for Pre-accession Assistance (IPA) rural development (IPARD) programmes

Result indicator 10.1: Number of IPARD (IPA rural development programmes) measures entrusted and implemented in pre-accession countries

Explanation: To start implementing individual measures under IPARD programmes, countries need to build up specific management and control systems. These systems respect good governance and sound financial management principles, in line with Union rules and practices applied in similar bodies in the EU Member States. Therefore, each entrustment of budget implementation tasks signifies a step towards modern public administration in EU pre-accession countries. Continuing implementation and maintaining entrustment, means continuing respecting sound financial management principles.

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
21	23 (roll-over from IPARD II)	28 (5 additional entrustments)	21

Result indicator 10.2: Number of farms and agri-food processing enterprises supported by IPARD in modernisation

Explanation: All IPARD funding under measures supporting farms and food processing contributes to modernisation and alignment to the respective EU standards, which subsequently increases competitiveness of the agri-food sector. Therefore, this indicator will report on the number of projects financed under the two IPARD measures.

Source of data: European Commission, DG Agriculture and Rural Development

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
2 977 (situation of IPARD II at 30/04/20)	6 559 (IPARD II final target + 0 of IPARD III)	7 900 (IPARD II final target + 20% target IPARD III)	4 186

Main outputs in 2020

External communication actions

Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			

Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Roll-over of entrustment of budget implementation tasks from IPARD II to IPARD III	Number of IPARD (IPA rural development programmes) measures entrusted and implemented in pre-accession countries	21 measures entrusted and implemented	Still 21 measures entrusted. Intensive preparations ongoing to ensure successful roll-over from IPARD II to IPARD III
Continuing implementation of IPARD II	Number of farms and agri-food processing enterprises supported by IPARD in modernisation	6 559* concluded contracts ⁶¹	4 186

* Target established for the entire programming period (with N+3 rule, implementation will continue until 2023).

General objective 6: A new push for European democracy

Impact indicator: People at risk of poverty or social exclusion in rural areas (EU-27)


Explanation: This indicator measures the number of people in rural areas at risk of one of three types of poverty: income poverty, severe material deprivation and very low work intensity

Source of data: Eurostat (Eurostat online data code: [ilc_peps13](#))

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known value (2019)
30.1 million	Decrease	Decrease	27.7 million

⁶¹ Situation of IPARD II, 30.4.2020: 2977.

Specific objective 11: A long-term vision for rural areas is developed and put in place in order make the most of their potential and support them in facing up to their own unique set of issues, including demographic change			Related to spending programme(s):
Result indicator 11.1: Population change in rural regions			
Explanation: This indicator measures the population distribution (and change) by urban-rural typology			
Unit of measurement: share of total population in rural regions			
Source of data: Eurostat (Eurostat online data code: urt_gind3)			
Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
20.8	Reduce the decline	Reduce the decline	20.8
Result indicator 11.2: Actions identified under the long-term vision for rural areas launched or realised			
Explanation: This indicator reflects the actions which will be determined once the Communication on the long term vision for rural areas will be adopted			
Source of data: European Commission, DG Agriculture and Rural Development			
Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
(N/A)	Positive trend	Positive trend	N/A

Main outputs in 2020			
New policy initiatives			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
 Preparation of the long-term vision for rural areas	Communication adopted	Q2/2021	Preparatory work has been carried out: public consultation (finished in November 2020), a foresight study (still ongoing), various analytical work and events (virtual) – see below more details

Public consultations			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Online public consultation related to the rural vision (Q3-Q4/2020)	Number of replies to the online public consultation related to the rural vision	5 000	2 326 replies received; contract launched for synthesis of replies
External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Foresight exercise related to the rural vision	Number of meetings of the ENRD thematic group related to rural foresight	2 meetings	2 meetings
Report on the impact of demographic change	Challenges and opportunities for rural areas as a consequence of demographic change well reflected in the report	Report including the relevant elements for rural areas adopted in Q2/2020 ⁶²	Report COM(2020) 241 adopted on 17/06/20 highlighting the challenges for rural areas
Green Paper on Ageing – preparatory work	Contribution to the preparatory work both at the ISG and for the Commissioners Project Group on "Demography"	Inputs on rural areas provided on time. Green Paper on Ageing to be adopted in 2021	AGRI input provided through the Green Paper on Ageing ISG.

⁶² COM(2020) 241 final of 17/06/2020

Conference on the Future of Europe	Contribution to the preparatory work when rural areas are explicitly addressed. Inputs from rural citizens included in the debate.	Consultation activities under the conference on the future of Europe launched, including consultation of rural stakeholders	Timeline affected by the COVID-19 pandemic. To be launched as soon as the epidemiological conditions allow for it
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Specific objective 12: Attract young farmers and promote employment, growth, social inclusion and local development in rural areas			Related to spending programme(s): EAGF, EAFRD
Result indicator 12.1: Contributing to jobs in rural areas: Evolution of the employment rate in predominantly rural areas⁶³			
Explanation: This indicator reflects employed persons aged 15–64 years and 20–64 years as a share of the total population of the same age group in rural areas			
Unit of measurement: %			
Source of data: Eurostat (Eurostat online data code: lfst_r_ergau)			
Baseline (2019)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
68.4% (15–64y) 73.3% (20–64y)	Increase	Increase	68.4% (15–64y) 73.3% (20–64y)
Result indicator 12.2: Contributing to growth in rural areas: Evolution of GDP per head in predominantly rural regions			
Explanation: The indicator measures the Gross Domestic Product (GDP) per capita in predominantly rural regions, in Purchasing Power Standard (PPS)			
Unit of measurement: Index of GDP in Purchasing Power Standard (PPS) in rural regions			
Source of data: European Commission, DG Agriculture and Rural Development, based on Eurostat data (Eurostat online data codes: (nama_10r_3popgdp , nama_10r_3gdp))			
Baseline (2016)	Interim milestone (2022)	Target (2024)	Latest known results (2016)
72 ⁶⁴	Increase	Increase	72

⁶³ This indicator is also used in the Programme Statements.

⁶⁴ The Strategic Plan set baseline year 2020 by mistake, as the reference year should be prior to 2020 to monitor progress over the period 2020–2024.

Result indicator 12.3: Generational renewal: Number of young farmers setting up a farm with support from the CAP Rural Development**Explanation:** The indicator quantifies the new young farmers setting up with CAP support**Unit of measurement:** Number of farmers**Source of data:** European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
102 150	Increase	Increase	125 800

Result indicator 12.4: Rural Europe attractiveness: Share of rural population benefiting from new or improved ICT services/infrastructures⁶⁵**Explanation:** The indicator quantifies the share of population in rural areas potentially benefiting from enhanced accessibility, use and quality of information and communication technologies in rural areas, thanks to investment support under rural development programmes.**Unit of measurement:** %**Source of data:** European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2019)
1.07%	Increase	5.90%	1.27%

Result indicator 12.5: Rural Europe attractiveness: Share of rural population benefitting from improved access to services and infrastructure through CAP support⁶⁶**Explanation:** The indicator quantifies the share of rural population covered by interventions aimed at improving access to services and infrastructure**Unit of measurement:** %**Source of data:** European Commission, DG Agriculture and Rural Development, [CAP data explorer](#)

Baseline (2018)	Interim milestone (2022)	Target (2023)	Latest known results (2019)
14.3%	Increase	16.7%	16.5%

⁶⁵ This indicator is also used in the Programme Statements.⁶⁶ This indicator is also used in the Programme Statements.

Main outputs in 2020			
Evaluations and fitness checks			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Evaluation of the impact of the CAP on generational renewal, local development and jobs in rural areas	Finalisation of the Commission staff working document	2020	Commission staff working document prepared for interservice consultation
Evaluation of the impact of the CAP towards the general objective "balanced territorial development", focus on LEADER	Start of contract	2020	Contract launched
Synthesis of RDP ex-post evaluations 2007-2013	Publication of the evaluation support study and finalisation of the Commission staff working document	2020	Postponed to 2021
Evaluation of the Common Agricultural Policy's impact on territorial development of rural areas: socioeconomic aspects (also relevant for SO11)	Finalisation [and publication] of the evaluation support study	2020	Receipt of final deliverable
Enforcement actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Assessment of Member States notifications regarding the payment for young farmers and support to other relevant units	Completeness of the notifications Collaboration with budget, audit and infringements units	All year (ongoing)	Due to delays in the adoption of transitional rules, MS decisions and their notifications in respect of direct payments for 2021 did not take place in 2020 but will take place by 19/02/21.

External communication actions			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
[See Specific Objective 1 for details]			
Other important outputs			
Output description	Indicator	Target	Latest known results (situation on 31/12/2020)
Support to Member States in implementation of current payment for young farmers	Replies to letters from Member States Bilateral meetings	All year (ongoing)	Replies to relevant letters from MS were delivered in due time
Contribution to the annual reports on direct payments regarding the payment for young farmers	Contributions to: -Annual implementation report -Fiche by Member State -Overview of Member States' decisions	End 2020	The annual implementation report on direct payments (including on the young farmer payment) in respect of claim year 2018 was published on Europa on 15/06/20
EP Pilot Project on Smart Eco-Social villages	Publication of the study	2020	Study published on 29/05/20
EP Preparatory Action I on Smart rural areas in the 21 st century	Interim deliverables	2020	Interim deliverables received
EP Preparatory Action II on Smart rural areas in the 21 st century	Start of contract	2020	Contract launched
Life projects of the European Solidarity Corps for nature protection in rural areas	Number of volunteers	Up to 2020	More than 1 100 volunteers recruited

ANNEX 3: Draft annual accounts and financial reports

1. FINANCIAL REPORTS

1.1 Commitments and payments (tables 1 and 2)

Title 05 Agriculture and rural development						Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	10.58	10.19	96.32 %	05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	17.16	9.79	57.06 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,561.55	2,561.45	100.00 %		05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,574.11	2,573.81	99.99 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	41,934.08	41,396.35	98.72 %		05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,109.48	41,571.75	98.72 %
	05 04	Rural development	15,850.58	14,688.10	92.67 %		05 04	Rural development	14,819.64	14,578.87	98.38 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	176.76	159.01	89.96 %		05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	160.88	77.01	47.87 %
	05 06	International aspects of the 'Agriculture and rural development'	4.38	4.38	100.00 %		05 06	International aspects of the 'Agriculture and rural development'	4.38	4.38	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201.61	201.54	99.96 %		05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201.37	200.36	99.50 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	30.62	29.38	95.95 %		05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	36.75	26.10	71.01 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	0.03	0.00	0.00 %		05 09	Horizon 2020 - Research and innovation related to agriculture	0.03	0.00	0.00 %
Total Title 05			60,770.19	59,050.40	97.17 %	Total Title 05			59,923.82	59,042.08	98.53 %

Overall, during 2020, the execution rate of commitment appropriations of DG AGRI remained at the same high level, if not a bit higher, as last year reaching 97,17% in 2020 (96,33% in 2019). The execution rate of payment appropriations has also globally remained unchanged reaching 98,53% in 2020 (97,01% in 2019). The total amount **committed** in 2020 amounts to **EUR 59.050,40** million and the total amount **paid** in 2020 amounts to **EUR 59.042,08** 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 2.561,45 million was committed in 2020 (2.371,91 million in 2019) representing 100% of the available credits. The amount paid in 2020 was EUR 2.573,81 million (compared to EUR 2.371,91 million in 2019), representing 99,99% of the available appropriations. It should be noted that there is a slight increase since these appropriations were used to finance emergency storage measures for various agricultural products that were not sold because of the COVID-19 pandemic.
- **05 03 Direct payments to farmers:** As regards EAGF expenditure for direct payments to EU farmers, the amount committed in 2020 was EUR 41,396.35 million (EUR 41.335,66 million in 2019) representing 98,72% of the available appropriations. The amount paid in 2020 was EUR 41.571,75 million (compared to EUR 41.335,66 million in 2019), representing 98,72% 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 2020 was EUR 14.688,10 million (EUR 14.707,02 million in 2019), representing 92,67 % of the available commitment appropriations. The committed amount is rather stable as compared to last year. The amount paid in 2020 remained at the same level as last year too, reaching EUR 14.578,87 million (compared to EUR 14.179,98 million in 2019), as the implementation of rural development programs is in full swing and representing 98,38% 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 159,01 million was committed in 2020 (118 million in 2019) representing 89,96 % of the available appropriations. EUR 77.01million was paid in 2020 (compared to 73,96 in 2019), representing 47,87% of the available appropriations. The trend of 2019 continues also in 2020 as it becomes apparent that the implementation of IPA II programs has not taken off yet.

1.2 Unused balance of Commitments (table 3)

The unused balance on commitments, commonly known as budgetary RAL (Reste à Liquider), was approximatively **EUR 35.860,71 million** at the end of 2020 (EUR 35.873,51 million in 2019), of which EUR 35.151,87 million relates to rural development and EUR 662,78 million to pre-accession assistance. We should note that in rural development and pre-accession assistance the commitments are multi-annual. It means that the committed amounts can be used during more than one year – more precisely the rule N+3 applies for these cases.

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			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	10.19	4.23	5.96	0.58	0.00	5.96	6.58
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,584.37	2,584.32	0.04	0.00	0.15	0.20	12.56
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	45,374.36	45,374.36	0.00	0.00	0.00	0.00	175.40
	05 04	Rural development	14,688.49	446.71	14,241.78	0.97	20,910.09	35,151.87	35,060.35
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	159.01	0.01	159.00	1.00	503.78	662.78	580.78
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.38	4.38	0.00	0.00	0.00	0.00	0.00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201.61	200.10	1.51	0.01	0.00	1.51	0.63
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29.38	9.43	19.95	0.68	18.44	38.39	37.20
	05 09	Horizon 2020 - Research and innovation related to agriculture							
Total Title 05			63,051.78	48,623.53	14,428.25	0.23	21,432.46	35,860.71	35,873.51

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 was 8 days in 2020 (compared to 7 days in 2019). Only two payments exceeded the legal payment deadline (7 payments in 2019), which represents 0,24% of the total number of payments (0,80% in 2019).
- For "rural development" (see table 6b), the average payment delay has also decreased to 19 days (24 days in 2019). All payments were made on time, within the legal payment deadline, as it was the case also in 2019.

1.4 Revenue and income

Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance	
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total		
	1	2	3=1+2	4	5	6=4+5		
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	5,678,826.22	-	5,678,826.22	-	-	-	5,678,826.22
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	984,454.00	4,659,319.52	3,674,865.52	984,454.00	984,454.00	-	3,674,865.52
65	FINANCIAL CORRECTIONS	97,899,780.78	5,436,242.32	103,336,023.10	84,959,773.73	2,046,269.26	87,006,042.99	16,329,980.11
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	482,358,041.49	712,023,600.28	1,194,381,641.77	200,205,604.94	636,777,557.48	836,983,162.42	357,398,479.35
90	MISCELLANEOUS REVENUE	676.76	-	676.76	676.76	-	676.76	-
Total DG AGRI		584,952,871.25	722,119,162.12	1,307,072,033.37	284,181,601.43	639,808,280.74	923,989,882.17	383,082,151.20

The total income/revenue recognised for DG AGRI in 2020 corresponds to **EUR 584,95 million**, while the amount cashed is **EUR 923,98 million**.

The income/revenue generated in 2020 concerning the EAGF and EAFRD funds amounts to EUR **482,35 million** (2019 EUR 2.134,22 million). However, it should be noted that the overall revenue amounts to EUR **786,97 million**. From this amount, EUR **304,61 million** are deducted because a court decision annulled recovery orders issued in previous years and this impacted the total income.

Out of the amount of EUR 786,97 million, the amount of EUR 587,42 million relates to EAGF and EUR 199,51 million relates to EAFRD. Regarding EAFRD, it should be noted that EUR 12,45 million relates to recovery of pre-financing paid for a SAPARD programme. The income for EAGF corresponds to a total amount of EUR 556,74 million in 2020 (EUR 1.271,81million in 2019) of assigned revenue linked to conformity clearance, irregularities and milk levies⁶⁷.

⁶⁷ This amount includes EUR 426,71 million for income line 6701 (clearance), EUR 128,10 million for income line 6702 (irregularities), EUR 1,9 million for income line 6703 (milk).

At the end of 2020, **EUR 383,08 million** is still owed to DG AGRI (EUR 787,28 million in 2019).

This decrease in the amount not cashed is explained mainly by the fact that last year (in 2019) DG AGRI issued for EAGF all the recovery orders for which the cashing was deferred and the balance at year-end was doubled.

For direct management, the balance of EUR 7,06 million at 31.12.2020 (see table 9b) reflects the remaining balances of 8 recovery orders linked to article 8 of Regulation 4256/88, whose cashing dates have expired. There is decrease of 27,27% in 2020 because the Commission waived its right to recover three recovery orders as compared to -1,82% in 2019⁶⁸.

Annexes :

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: Summary of Contracts

Table 13: Building Contracts

Table 14: Secret Contracts

Table 15: FPA > 4 yrs

Table 16: Commitments co-delegation type 3 in 2020 for DG AGRI

⁶⁸ -21,43% in 2018, -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, presented in Annex 3 to this Annual Activity Report, represent only the assets, liabilities, expenses and revenues that are under the control of this Directorate-General. Significant amounts such as own resource revenues and cash held in Commission bank accounts are not included in this Directorate-General's accounts since they are managed centrally by DG Budget, on whose balance sheet and economic outturn account they appear.

Other items not included are:

- 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	2020	2019
A.I. NON CURRENT ASSETS	3,720,095,955.50	3,882,999,865.96
A.I.1. Intangible Assets	13,157,526.36	13,550,101.69
A.I.5. Non-Current Pre-Financing	3,619,838,901.33	3,591,123,775.55
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	87,099,527.81	278,325,988.72
A.II. CURRENT ASSETS	2,755,058,563.52	2,968,615,371.51
A.II.2. Current Pre-Financing	1,556,534,543.75	1,416,029,771.10
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1,198,524,019.77	1,552,585,600.41
ASSETS	6,475,154,519.02	6,851,615,237.47
P.I. NON CURRENT LIABILITIES	-169,585,621.46	-440,395,312.97
P.I.2. Non-Current Provisions	-169,585,621.46	-440,395,312.97
P.II. CURRENT LIABILITIES	-59,547,289,652.63	-63,147,727,416.81
P.II.4. Current Payables	-16,209,476,681.16	-16,307,333,143.80
P.II.5. Current Accrued Charges & Defrd Income	-43,337,812,971.47	-46,840,394,273.01
LIABILITIES	-59,716,875,274.09	-63,588,122,729.78
NET ASSETS (ASSETS less LIABILITIES)	-53,241,720,755.07	-56,736,507,492.31
P.III.2. Accumulated Surplus/Deficit	395,733,291,512.94	338,677,199,049.23
Non-allocated central (surplus)/deficit*	-342,491,570,757.87	-281,940,691,556.92
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 3.192.917.453,44 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 264.981.447,89 long term advances paid by Member States to beneficiaries and reimbursed from EAGF funds. In addition, the amount of EUR 161.940.000,00 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 62.982.793,08 concerns EAGF and an amount of EUR 24.116.734,73 is for EAFRD; both concern conformity clearance decisions to be cashed beyond 12 months of the balance sheet date of 31/12/2020.

Current assets

Current pre-financing: The balance of EUR 1.556.534.543,75 in this heading comprises mainly:

- the advances paid by Member States to beneficiaries (EUR 1.481.153.262,75) and unspent amounts reimbursed to Financial Instruments (EUR 66.016.952,16). 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 open pre-financing of EUR 7.212.399,06 related to two IPA I programmes that should be recovered at closure,
- an open pre-financing of EUR 2.151.929,78 related to direct management contracts.

The increase between 2020 and 2019 is mainly due to the increase of the advances paid by Member States to beneficiaries (they were EUR 1.340.542.499,24 in 2019). More advances are being paid as more projects are being approved because the programming period 2014-2020 is at its peak.

Exchange and Non-Exchange recoverables: The balance of EUR 1.198.524.019,77 in this heading is composed of non-exchange recoverables of EUR 1.190.842.178,67 and exchange recoverables of EUR 7.681.841,10.

The non-exchange amount of EUR 1.190.842.178,67 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 1.051.473.695,69), EAFRD (EUR 595.287.646,62), IPA (EUR 23.239.030,61) and TRDI⁶⁹ (EUR 11.007.582,40) for irregularities committed by final beneficiaries and detected by the Member States. A value reduction of a total value of EUR 837.294.509,80 has been applied to these receivables.
- An amount of EUR 263.110.159,77 owed directly by the Member States to DG AGRI in relation to EAGF that is comprised of
 - EUR 198.139.629,19 corresponding to short term deferred payment of recovery orders issued for conformity clearance decisions;
 - EUR 6.441.166,51 relating to payment of recovery orders issued for conformity clearance decisions,
 - EUR 49.177.625,62 relating to recoveries covering the declaration of November and December 2020 that have not been reimbursed yet, and

⁶⁹ Transitional Rural Development Instrument

- EUR 339.915,21 concerning remaining amounts of partially recovered recovery orders.
- EUR 9.011.823,14 concerning recoveries related to partially recovered recovery orders at year end.
- An amount of EUR 84.018.573,48 owed directly by the Member States to DG AGRI in relation to EAFRD that is comprised of
 - EUR 65.399.740,21 corresponding to short term deferred payment of recovery orders issued for conformity clearance decisions,
 - EUR 487.111,56 relating to remaining amounts of partially recovered recovery orders, and
 - EUR 18.131.721,71 relating to the recovery of the pre-financing for the programme of SAPARD for Romania that has to be reimbursed to the Commission.

The exchange amount of EUR 7.681.841,10 concerns:

- An amount of EUR 7.064.838,58 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 617.002,52 that is interest on pre-financing from 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 169.585.621,46 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-742/18P (appeal to T-627/16) (EAGF) for EUR 1.099.034,03, the Court case T-10/20 for EUR 155.146.533,39 (EAGF) and EUR 857.498,36 (EAFRD). It also includes Court case C-742/18P (appeal to T-627/16) for EUR 12.482.555,68 (EAGF).

Current liabilities

Accounts payable: this item for EUR 16.209.476.681,16 concerns mainly amounts payable to Member States.

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

- EUR 15.992.530.980,01 concerns the declarations of EAGF expenditure for November 2019.
- EUR 166.798.668,02 is a reimbursement due to two Member States for a financial correction previously deducted for EAGF.

An amount of EUR 23.574.412,67 reflects suspended payments for EAFRD programmes (period 2014-2020).

An amount of EUR 31.241.947,70 reflects suspended payments for IPA I programmes (period 2007-2013).

Finally, the amount of EUR - 4.669.327,24 concerns various adjustments to the payables accounts.

Accrued charges: this item (for EUR 43.337.812.971,47) 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 24.590.690.236,97 relates to EAGF and it includes: costs incurred in December 2020, the other rights of farmers for direct support and related to market measures that originate in 2020, and some amounts still due back to Member States as a result of decisions of the Court of Justice;
- EUR 18.619.597.008,15 that relates to EAFRD 2014-2020 programming period;
- EUR 115.880.327,05 that relates to IPA 2014-2020 programming period;
- EUR 11.645.399,30 for expenses under direct management.

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE for DG AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2020	2019
II.1 REVENUES	-732,691,248.77	-1,078,961,827.18
II.1.1. NON-EXCHANGE REVENUES	-736,561,042.99	-1,081,341,487.78
II.1.1.5. RECOVERY OF EXPENSES	-708,512,588.64	-1,057,268,490.73
II.1.1.7. OTHER NON-EXCHANGE REVENUES	-28,048,454.35	-24,072,997.05
II.1.2. EXCHANGE REVENUES	3,869,794.22	2,379,660.60
II.1.2.1. FINANCIAL INCOME	-44,531.27	-554,385.94
II.1.2.2. OTHER EXCHANGE REVENUE	3,914,325.49	2,934,046.54
II.2. EXPENSES	55,299,090,323.57	58,135,054,290.89
II.2. EXPENSES	55,299,090,323.57	58,135,054,290.89
II.2.10. OTHER EXPENSES	187,383,394.79	452,779,266.37
II.2.1. EXP IMPL BY MEMBER STATES (SHARED	54,928,584,658.08	57,491,982,955.89
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	30,586,781.02	47,004,004.26
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	116,296,228.72	89,065,043.55
II.2.6. STAFF AND PENSION COSTS	-2,094,103.60	-1,873,991.00
II.2.8. FINANCE COSTS	38,333,364.56	56,097,011.82
STATEMENT OF FINANCIAL PERFORMANCE	54,566,399,074.80	57,056,092,463.71

Surplus / Deficit from activities

Exchange and Non-Exchange Revenue

Almost the entirety of the revenue results from non-exchange transactions (EUR 736,56 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 28,04 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 percentage of 99,54% of the expenses relates 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 40.461,69 million and the EAFRD amount corresponds to EUR 14.466,89 million.

Annex 3 Financial Reports - DG AGRI - Financial Year 2020

Table 1 : Commitments

Table 2 : Payments

Table 3 : Commitments to be settled

Table 4 : Balance Sheet

Table 5 : Statement of Financial Performance

Table 5 Bis: Off Balance Sheet

Table 6 : Average Payment Times

Table 7 : Income

Table 8 : Recovery of undue Payments

Table 9 : Ageing Balance of Recovery Orders

Table 10 : Waivers of Recovery Orders

Table 11 : Negotiated Procedures

Table 12 : Summary of Procedures

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

Table 15 : FPA duration exceeds 4 years

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2020 (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	0,52	0,52	99,90 %
Total Title 04			0,52	0,52	99,90 %
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	10,58	10,19	96,32 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.561,55	2.561,45	100,00 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	41.934,08	41.396,35	98,72 %
	05 04	Rural development	15.850,58	14.688,10	92,67 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	176,76	159,01	89,96 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,38	4,38	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201,61	201,54	99,96 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	30,62	29,38	95,95 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	0,03	0,00	0,00 %
Total Title 05			60.770,19	59.050,40	97,17 %
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,30	0,29	97,95 %
Total Title 09			0,30	0,29	97,95 %
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	0,00	0,00	0,00 %
Total Title 17			0,00	0,00	0,00 %
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,40	0,40	100,00 %
Total Title 18			0,40	0,40	100,00 %
Total DG AGRI			60.771,70	59.051,90	97,17 %

* 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 2020 for DG AGRI

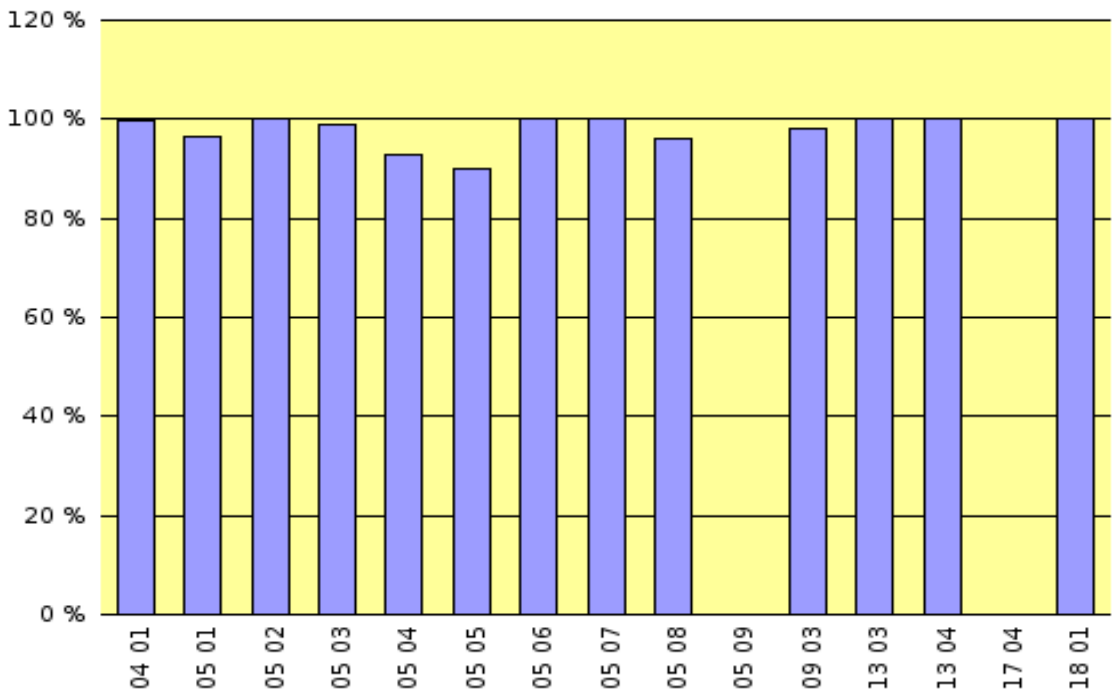


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS in 2020 (in Mio €) for DG AGRI					
			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,59	0,13	22,20 %
Total Title 04			0,59	0,13	22,20%
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	17,16	9,79	57,06 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.574,11	2.573,81	99,99 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.109,48	41.571,75	98,72 %
	05 04	Rural development	14.819,64	14.578,87	98,38 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	160,88	77,01	47,87 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,38	4,38	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201,37	200,36	99,50 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	36,75	26,10	71,01 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	0,03	0,00	0,00 %
Total Title 05			59.923,82	59.042,08	98,53%
Title 09 Communications networks, content and technology					
09	09 03	Connecting Europe Facility (CEF) - Telecommunications networks	0,27	0,27	100,00 %
Total Title 09			0,27	0,27	100,00%
Title 13 Regional and urban policy					
13	13 03	European Regional Development Fund and other regional operations	0,19	0,19	100,00 %
	13 04	Cohesion Fund (CF)	0,08	0,08	100,00 %
Total Title 13			0,27	0,27	100,00%
Title 17 Health and food safety					
17	17 04	Food and feed safety, animal health, animal welfare and plant health	0,19	0,19	100,00 %
Total Title 17			0,19	0,19	100,00%
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,49	0,23	46,45 %
Total Title 18			0,49	0,23	46,45%
Total DG AGRI			59.925,63	59.043,17	98,53 %

* 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 2020 for DG AGRI

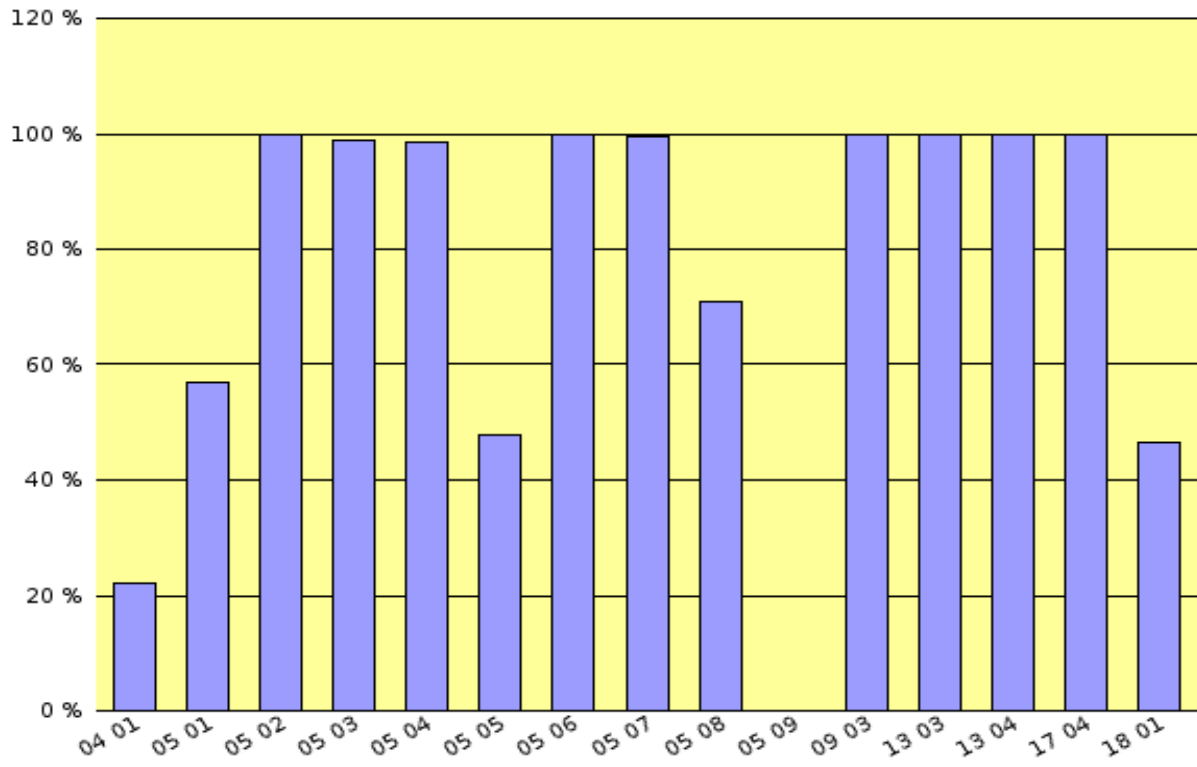


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			Commitments	Payments	RAL	% to be settled			
			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	0,52	0,06	0,46	0,88	0,00	0,46	0,07
Total Title 04			0,52	0,06	0,46	0,88	0,00	0,46	0,07

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			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	10,19	4,23	5,96	0,58	0,00	5,96	6,58
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.584,37	2.584,32	0,04	0,00	0,15	0,20	12,56
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	45.374,36	45.374,36	0,00	0,00	0,00	0,00	175,40
	05 04	Rural development	14.688,49	446,71	14.241,78	0,97	20.910,09	35.151,87	35.060,35
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	159,01	0,01	159,00	1,00	503,78	662,78	580,78
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,38	4,38	0,00	0,00	0,00	0,00	0,00
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	201,61	200,10	1,51	0,01	0,00	1,51	0,63
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	29,38	9,43	19,95	0,68	18,44	38,39	37,20
	05 09	Horizon 2020 - Research and innovation related to agriculture							
Total Title 05			63.051,78	48.623,53	14.428,25	0,23	21.432,46	35.860,71	35.873,51

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			Commitments	Payments	RAL	% to be settled			
			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	1,00	0,10	0,39	0,40
Total Title 09			0,29	0,00	0,29	1,00	0,10	0,39	0,40

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			Commitments	Payments	RAL	% to be settled			
			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	1,00	0,07	0,28	0,28
	13 04	Cohesion Fund (CF)	0,09	0,00	0,09	1,00	0,03	0,12	0,12
Total Title 13			0,29	0,00	0,29	1,00	0,10	0,39	0,40

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			Commitments	Payments	RAL	% to be settled			
			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	0,00	0,00	0,00	0,00	0,00	0,00	0,20
Total Title 17			0,00	0,00	0,00	0,00	0,00	0,00	0,20

TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2020 (in Mio €) for DG AGRI									
Chapter			Commitments to be settled				Commitments to be settled from financial years previous to 2019	Total of commitments to be settled at end of financial year 2020	Total of commitments to be settled at end of financial year 2019
			Commitments	Payments	RAL	% to be settled			
			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	0,40	0,14	0,26	0,66	0,00	0,26	0,09
Total Title 18			0,40	0,14	0,26	0,66	0,00	0,26	0,09

Total for DG AGRI			63.053,28	48.623,73	14.429,55	0,23	21.432,66	35.862,21	35.874,67
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Breakdown of Commitments Remaining to be Settled (in Mio EUR) in 2020 AGRI

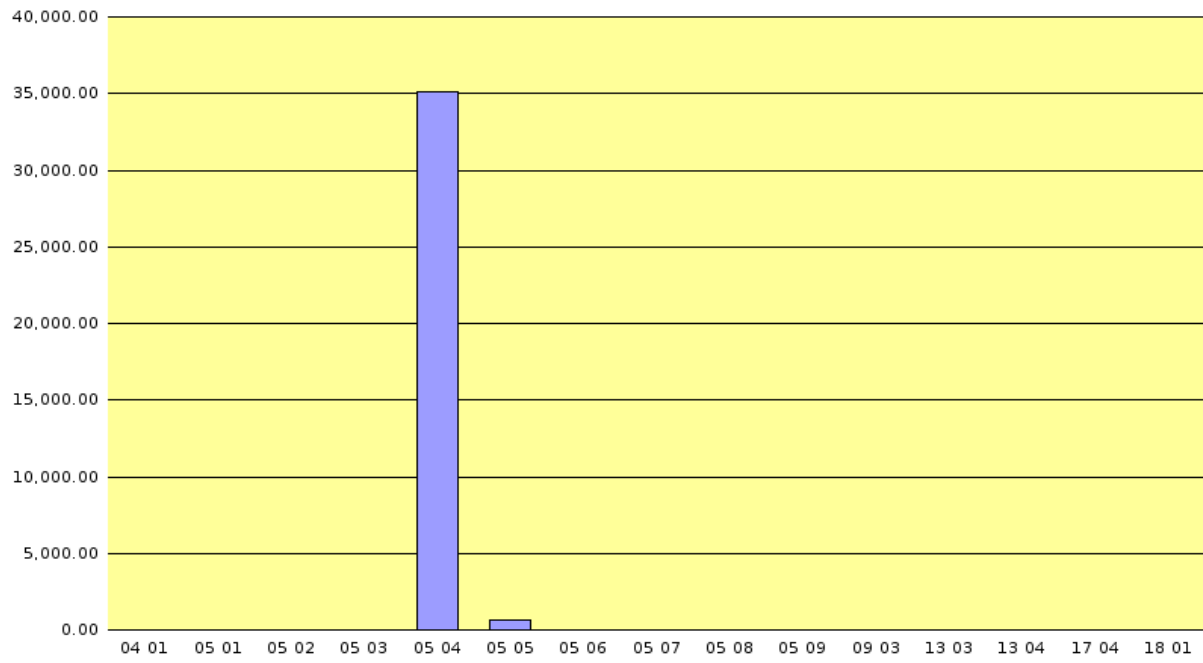


TABLE 4 : BALANCE SHEET for DG AGRI

BALANCE SHEET	2020	2019
A.I. NON CURRENT ASSETS	3.720.095.955,50	3.882.999.865,96
A.I.1. Intangible Assets	13.157.526,36	13.550.101,69
A.I.5. Non-Current Pre-Financing	3.619.838.901,33	3.591.123.775,55
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	87.099.527,81	278.325.988,72
A.II. CURRENT ASSETS	2.755.058.563,52	2.968.615.371,51
A.II.2. Current Pre-Financing	1.556.534.543,75	1.416.029.771,10
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.198.524.019,77	1.552.585.600,41
ASSETS	6.475.154.519,02	6.851.615.237,47
P.I. NON CURRENT LIABILITIES	-169.585.621,46	-440.395.312,97
P.I.2. Non-Current Provisions	-169.585.621,46	-440.395.312,97
P.II. CURRENT LIABILITIES	-59.547.289.652,63	-63.147.727.416,81
P.II.4. Current Payables	-16.209.476.681,16	-16.307.333.143,80
P.II.5. Current Accrued Charges & Defrd Income	-43.337.812.971,47	-46.840.394.273,01
LIABILITIES	-59.716.875.274,09	-63.588.122.729,78
NET ASSETS (ASSETS less LIABILITIES)	-53.241.720.755,07	-56.736.507.492,31
P.III.2. Accumulated Surplus/Deficit	395.733.291.512,94	338.677.199.049,23
Non-allocated central (surplus)/deficit*	-342.491.570.757,87	-281.940.691.556,92
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	2020	2019
II.1 REVENUES	-732.691.248,77	-1.078.961.827,18
II.1.1. NON-EXCHANGE REVENUES	-736.561.042,99	-1.081.341.487,78
II.1.1.5. RECOVERY OF EXPENSES	-708.512.588,64	-1.057.268.490,73
II.1.1.7. OTHER NON-EXCHANGE REVENUES	-28.048.454,35	-24.072.997,05
II.1.2. EXCHANGE REVENUES	3.869.794,22	2.379.660,60
II.1.2.1. FINANCIAL INCOME	-44.531,27	-554.385,94
II.1.2.2. OTHER EXCHANGE REVENUE	3.914.325,49	2.934.046,54
II.2. EXPENSES	55.299.090.323,57	58.135.054.290,89
II.2. EXPENSES	55.299.090.323,57	58.135.054.290,89
II.2.10. OTHER EXPENSES	187.383.394,79	452.779.266,37
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	54.928.584.658,08	57.491.982.955,89
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	30.586.781,02	47.004.004,26
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	116.296.228,72	89.065.043,55
II.2.6. STAFF AND PENSION COSTS	-2.094.103,60	-1.873.991,00
II.2.8. FINANCE COSTS	38.333.364,56	56.097.011,82
STATEMENT OF FINANCIAL PERFORMANCE	54.566.399.074,80	57.056.092.463,71

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.

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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	2020	2019
OB.1. Contingent Assets	-	28.413,80
GR for pre-financing	-	28.413,80
OB.2. Contingent Liabilities	- 66.171.948,62	- 199.294.685,92
OB.2.3. CL legal cases AGRI	- 66.171.948,62	- 199.294.685,92
OB.2.5. CL legal cases COHESION	-	
OB.3. Other Significant Disclosures	- 17.072.982.566,00	- 31.878.986.555,25
OB.3.2. Comm against app. not yet consumed	- 17.072.982.566,00	- 17.203.734.758,25
OB.3.3.1 Structural operations	-	- 14.675.251.797,00
OB.4. Balancing Accounts	17.139.154.514,62	32.078.252.827,37
OB.4. Balancing Accounts	17.139.154.514,62	32.078.252.827,37
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 2020 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)	Late Payments Amount	Percentage
30	737	735	99,73 %	10,19	2	0,27 %	33,50	27.581,21	0, %
45	593	579	97,64 %	23,95	14	2,36 %	52,57	23.642.369,84	0, %
60	86	86	100,00 %	21,92				0	0, %
90	55	55	100,00 %	41,71				0	0, %
91	1	1	100,00 %	7				0	0, %

Total Number of Payments	1.472,00	1.456,00	0,99		16,00	0,01		23.669.951,05	0,00
Average Net Payment Time	17,90			17,55			50,19		
Average Gross Payment Time	27,98			23,68			418,88		

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	50	297	0,20	1.472,00	3.820.430.674,17	0,26	14.456.699.544,18

DG	GL Account	Description	Amount (Eur)

NB: Table 6 only contains payments relevant for the time statistics. Please consult its exact scope in the AAR Annex3 BO User Guide (https://myintracomm.ec.europa.eu/budgweb/FN/abac/dwh/Pages/its-030-10-20_documentation.aspx).

Table 6a - Exercice 2020

Délais de paiement au 31/12/2020								
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	Conferences	40 AGRI-H1	2	1	3	7		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-B1	3	1	6	10		
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 MAR	63	1	11	15		
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 SUB	18	2	38	42		
05.010503	Other management expenditure for research and innovation programmes - Horizon 2020	AGRI-B2	14	2	9	13		
05.046002	Operational technical assistance	AGRI-B2	15	3	19	24		
05.080300	Restructuring of systems for agricultural surveys	AGRI-C2	2	2	12	16		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C3	5	2	9	14		
05.080100	Farm Accountancy Data Network (FADN)	AGRI-C3	78	2	8	12	1	1,28%
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C4	35	2	14	19	1	2,86%
05.010404.11	autres cr.adm.siege	AGRI-C4	5	1	16	21		
05.046002	Operational technical assistance	AGRI-C4	5	3	31	35		
05.087714	Pilot project - Restructuring the honey bee chain and Varroa resistance breeding and selection programme	AGRI-C4	2	5	29	34		
05.087716	Preparatory action - Smart rural areas in the 21st century	AGRI-C4	1	7	66	71		
05.070102	Monitoring and preventive measures - Direct payments by the Union	AGRI-D3	4	1	7	12		
05.046002	Operational technical assistance	AGRI-E2	34	1	12	17		
09.030100	Preparing broadband projects for public and/or private financing	AGRI-E4	6	2	23	28		
05.060200	International agricultural organisations	AGRI-G2	1	0	24	29		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-G2	1	0	13	18		
05.060100	International agricultural agreements	AGRI-G4	3	0	6	10		
05.010403.11	autres cr.adm.siege	AGRI-H1	1	2	4	9		
05.046002	Operational technical assistance	AGRI-H1	3	0	12	16		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1	3	3	15	20		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-ORCO	40	1	5	10		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R3	182	1	5	10		
05.010404.11	autres cr.adm.siege	AGRI-R3	95	1	5	9		
05.046002	Operational technical assistance	AGRI-R3	92	1	5	10		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-R3	121	1	5	9		
05.010211.00.02.40	Conferences	AGRI-R5	12	1	3	8		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R5	1	3	5	8		
DG AGRI			847	1	8	12	2	0,24%

TABLE 6b: AVERAGE PAYMENT TIMES in 2020 for AGRI - only Rural Development

	2017	2018	2019	2020
EAFRD average time to pay*	34 days	31 days	24 days	19 days
EAGF average time to pay**	N/A	N/A	N/A	N/A
EAFRD % of payments made on time	100	100	100	100
EAGF % of payments made on time	100	100	100	100

* Deadline is 45 days. Due to a lack of budget, DG AGRI was obliged to pay in two tranches the quarter Q3/2020; the date taken into account for the calculation is the date of the execution of the payment of the first tranche.

** 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 2020 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	
52	REVENUE FROM INVESTMENTS OR LOANS GRANTED, BANK AND OTHER INTEREST	5.678.826,22	0,00	5.678.826,22	0,00	0,00	0,00	5.678.826,22
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-984.454,00	4.659.319,52	3.674.865,52	-984.454,00	984.454,00	0,00	3.674.865,52
65	FINANCIAL CORRECTIONS	97.899.780,78	5.436.242,32	103.336.023,10	84.959.773,73	2.046.269,26	87.006.042,99	16.329.980,11
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	482.358.041,49	712.023.600,28	1.194.381.641,77	200.205.604,94	636.777.557,48	836.983.162,42	357.398.479,35
90	MISCELLANEOUS REVENUE	676,76	0,00	676,76	676,76	0,00	676,76	0,00
Total DG AGRI		584.952.871,25	722.119.162,12	1.307.072.033,37	284.181.601,43	639.808.280,74	923.989.882,17	383.082.151,20

**TABLE 8 : RECOVERY OF PAYMENTS in 2020 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
2001			1	12.452.895,49		
2019			1	676,76		
No Link			420	729.954.629,97		
Sub-Total			422	742.408.202,22		

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							466	135.461.799,27		
NON ELIGIBLE IN COST CLAIMS	5	10.734,19			5	10.734,19	6	12.065,64	83,33%	88,96%
CREDIT NOTES	43	78.338,30			43	78.338,30	67	262.346,84	64,18%	29,86%
Sub-Total	48	89.072,49			48	89.072,49	539	135.736.211,75	8,91%	0,07%
GRAND TOTAL	48	89.072,49			48	89.072,49	961	878.144.413,97	4,99%	0,01%

**TABLE 8b : RECOVERY OF PAYMENTS in 2020 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
2019			1	676,76		
Sub-Total			1	676,76		

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							4	129.280,00		
NON ELIGIBLE IN COST CLAIMS	5	10.734,19			5	10.734,19	5	10.734,19	100,00%	100,00%
CREDIT NOTES	43	78.338,30			43	78.338,30	67	262.346,84	64,18%	29,86%
Sub-Total	48	89.072,49			48	89.072,49	76	402.361,03	63,16%	22,14%
GRAND TOTAL	48	89.072,49			48	89.072,49	76	402.361,03	63,16%	22,14%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2020 for DG AGRI

	Number at 01/01/2020	Number at 31/12/2020	Evolution	Open Amount (Eur) at 01/01/2020	Open Amount (Eur) at 31/12/2020	Evolution
1998	1	1	0,00 %	72.045,00	72.045,00	0,00 %
1999	7	6	-14,29 %	4.028.164,73	3.317.928,06	-17,63 %
2000	1		-100,00 %	1.336.032,59		-100,00 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1		-100,00 %	984.454,00		-100,00 %
2018	25	13	-48,00 %	69.987.351,91	18.343.199,82	-73,79 %
2019	69	5	-92,75 %	642.036.248,37	56.902.842,98	-91,14 %
2020		105			300.771.269,82	
	105	131	24,76 %	722.119.162,12	383.082.151,20	-46,95 %

TABLE 9b: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2020 for DG AGRI

DIRECT PAYMENT CIRCUIT ONLY

	Number at 01/01/2020	Number at 31/12/2020	Evolution	Open Amount (Eur) at 01/01/2020	Open Amount (Eur) at 31/12/2020	Evolution
1998	1	1	0,00 %	72.045,00	72.045,00	0,00 %
1999	7	6	-14,29 %	4.028.164,73	3.317.928,06	-17,63 %
2000	1		-100,00 %	1.336.032,59		-100,00 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1		-100,00 %	984.454,00		-100,00 %
	11	8	27,27 %	10.095.561,84	7.064.838,58	-30,02%

TABLE 10 :Recovery Order Waivers >= 60 000 € in 2020 for DG AGRI

	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
0	3233200011	3240210639	-1.336.032,59	Private Companies		
1	3233200183	3240600656	-984.454,00	Private Companies		
2	3233200184	3240016887	-687.750,00	Private Companies		

Total DG AGRI	-3.008.236,59
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Number of RO waivers	3
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Justifications:

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.

TABLE 11 : Negotiated Procedures in 2020 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	105.000,00
Total	1	105.000,00

TABLE 12 : Summary of Procedures in 2020 for DG AGRI

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Negotiated procedure without prior publication (Annex 1 - 11.1)	1	105.000,00
Open procedure (FR 164 (1)(a))	6	7.594.087,00
Total	7	7.699.087,00

Additional Comments:

TABLE 13 : BUILDING CONTRACTS in 2020 for DG AGRI

Legal Base	Procedure subject	Contract Number	Contractor Name	Contract Subject	Contracted Amount (€)

TABLE 14 : CONTRACTS DECLARED SECRET in 2020 for DG AGRI

Legal Base	LC Date	Contract Number	Contract Subject	Contracted Amount (€)

TABLE 15 : FPA duration exceeds 4 years - DG

None of your FPA (if any) exceeds 4 years

TABLE 16 : Commitments co-delegation type 3 in 2020 for DG AGRI

ANNEX 4 : Financial Scorecard

DG AGRI

The Annex 4 of each Commission service summarises the annual result of the standard financial indicators measurement. Annexed to the Annual Activity Report 2020, 6 standard financial indicators are presented below, each with its objective, category, definition, and result for the Commission service and for the EC as a whole (for benchmarking purposes)⁷⁰:

- Commitment Appropriations (CA) Implementation
- CA Forecast Implementation
- Payment Appropriations (PA) Implementation
- PA Forecast Implementation
- Global Commitment Absorption
- Timely Payments

For each indicator, its value (in %) for the Commission service is compared to the common target (in %). The difference between the indicator's value and the target is colour coded as follows:

- 100 – >95% of the target: dark green
- 95 – >90% of the target: light green
- 90 – >85% of the target: yellow
- 85 – >80% of the target: light red
- 80 – 0% of the target: dark red

The Commission services are invited to provide commentary behind each indicator's result in the dedicated boxes below as this can help the reader to understand the Commission's service context. In cases when the indicator's value achieves 80% or less of the target, the comment becomes mandatory.

⁷⁰ If the EC service did not perform any transaction in the area measured by the indicator or the information is not available in the central financial system, the indicator is not calculated (i.e. displayed as "-") in this Annex.

Indicator	CA Implementation
Category	Efficiency Controls / Budget
Objective	Ensure efficient use of commitment appropriations
Result	<p>DG AGRI achieved 98% compared to the EC result of 99%</p> <p>0% 20% 40% 60% 80% 100%</p> <p>EC (99%) 98%</p>
Comment	
Definition	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (EUR) - Value B: Credit Accepted Com Amount (EUR) <p>Scope: Commitments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> - Internal assigned revenue in first year (C4) - Internal assigned revenue from lettings and sale of buildings and lands (CL) - Repaid advances (structural funds) (C6) - External assigned revenue except for EFTA (FCA ,FRT, PO, RO, TCA, TF5, TFC)

Indicator	PA Implementation
Category	Efficiency Controls / Budget
Objective	Ensure efficient use of payment appropriations
Result	<p>DG AGRI achieved 97% compared to the EC result of 99%</p> <p>0% 20% 40% 60% 80% 100%</p> <p>EC (99%) 97%</p>
Comment	
Definition	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (EUR) - Value B: Credit Accepted Pay Amount (EUR) <p>Scope:</p> <p>Payments on all relevant Fund Sources, except for:</p> <ul style="list-style-type: none"> - Internal assigned revenue in first year (C4) - Internal assigned revenue from lettings and sale of buildings and lands (CL) - Repaid advances (structural funds) (C6) - External assigned revenue except for EFTA (FCA ,FRT, PO, RO, TCA, TF5, TFC) - Payments stemming from C1, C5, E0 outstanding commitments on the non-staff budget positions that will be carried-forward as C8 to the next financial year

Indicator	CA Forecast Implementation
Category	Efficiency Controls / Budget
Objective	Ensure the cumulative alignment of the commitment implementation with the commitment forecast in a financial year
Result	<p>DG AGRI achieved 99% compared to the EC result of 98%</p> <p>The chart displays a scale from 0% to 100% in 20% increments. A green bar represents the EC result at 98%, and a red bar represents the achieved result at 99%.</p>
Comment	
Definition	<p>Formula: Value A / Value B*,**</p> <ul style="list-style-type: none"> - Value A: Committed L1 Accepted Amount + Direct Committed L2 Accepted Amount (EUR) - Value B: Commitment Forecast Amount (EUR) <p>*if Value A / Value B between 100 and 200% then the result indicator will be equal to $1 - (ABS(Value B - Value A) / Value B)$</p> <p>**if Value A / Value B > 200 % then the result indicator will be equal to 0%</p> <p>Scope:</p> <ul style="list-style-type: none"> - Commitments on all relevant Fund Sources - Commitment Forecast Amount (EUR) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)

Indicator	PA Forecast Implementation
Category	Efficiency Controls / Budget
Objective	Ensure the cumulative alignment of the payment implementation with the payment forecast in a financial year
Result	<p>DG AGRI achieved 99% compared to the EC result of 99%</p> <p>0% 20% 40% 60% 80% 100%</p> <p>EC (99%) 99%</p>
Comment	
Definition	<p>Formula: Value A / Value B**,**</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (EUR) - Value B: Payment Forecast Amount (EUR) <p>*if Value A / Value B between 100 and 200% then the result indicator will be equal to 1 - (ABS(Value B - Value A) / Value B) **if Value A / Value B > 200 % then the result indicator will be equal to 0%</p> <p>Scope:</p> <ul style="list-style-type: none"> - Payments on all relevant Fund Sources - Payment Forecast Amount (EUR) from the most up to date forecast version (Initial Mar-Aug, Revised Sep-Dec)

Indicator	<u>Global Commitment Absorption</u>
Category	Efficiency Controls / Absorption
Objective	Ensure efficient use of already earmarked commitment appropriations (at L1 level)
Result	<p>DG AGRI achieved 91% compared to the EC result of 98%</p> <p>0% 20% 40% 60% 80% 100%</p> <p>EC (98%) 91%</p>
Comment	
Definition	<p>Formula:</p> <ul style="list-style-type: none"> - Value A: Com L1 Consumption amount (EUR) - Value B: Com L1 Initial amount (EUR) + Com L1 Complementary Amount (EUR) + (Com L1 Decommittment Amount (EUR) on all Fund Sources except for C8 and C9) <p>Scope:</p> <ul style="list-style-type: none"> - Com L1 with FDC ILC date from 01/01 to 31/12 of the current year - No movements to the Com L1 Consumption amount (EUR) after the FDC ILC date is taken into account (Generally decommitments of L2 which decrease the Com L1 consumption) <p>Remark: Due to technical limitation, the indicator does not take into account the Com L1 Consumption between the FDC ILC date and the FA FDI allowed as an exception in the external actions for Com L1 of type GF, i.e. with Financing Agreement, under the FR2018 Article 114.2. As a result, the actual Indicator score may be slightly higher than the one reported for DGs using the GF commitments.</p>

Indicator	Timely Payments																																					
Category	Efficiency Controls / Timeliness																																					
Objective	Ensure efficient processing of payments within the legal deadlines																																					
Result	<p>DG AGRI achieved 100% compared to the EC result of 99%</p> <p>0% 20% 40% 60% 80% 100%</p> <p>EC (99%) 100%</p>																																					
Comment	<p>As far as timely payments are concerned, DG AGRI shows an excellent rate of 100% which is above Commission average. The large part of its budget is operated under shared management, but there is also a small budget under direct management.</p> <p>Shared management</p> <p>99.1%* of DG AGRI's total expenditure is executed under shared management mode. The table below shows DG AGRI's performance for EAFRD and EAGF:</p> <table border="1"> <thead> <tr> <th></th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>EAFRD average time to pay*</td> <td>34 days</td> <td>31 days</td> <td>24 days</td> <td>19 days</td> </tr> <tr> <td>EAGF average time to pay**</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> <td>N/A</td> </tr> <tr> <td>EAFRD % of payments made on time</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> <tr> <td>EAGF % of payments made on time</td> <td>100</td> <td>100</td> <td>100</td> <td>100</td> </tr> </tbody> </table> <p>* Deadline is 45 days. Due to lack of budget, DG AGRI was obliged to pay in two tranches the quarter Q3/2020; the date taken into account for the calculation is the date of the execution of the payment of the first tranche.</p> <p>** According to the legislation in force, the payments are executed on the 3rd working day of each month.</p> <p>* This percentage is calculated on the total payments executed in financial year 2020 (provisional).</p> <p>As regards Member States, for financial year 2020 all Paying Agencies were accredited**.</p> <table border="1"> <thead> <tr> <th>Indicator</th> <th>2016</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>% of Paying Agencies accredited</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> <td>100%</td> </tr> </tbody> </table> <p>** The accreditation for Paying Agencies DE17, IT01, IT26, SE01 and SK01 were under probation during the FY.</p>		2017	2018	2019	2020	EAFRD average time to pay*	34 days	31 days	24 days	19 days	EAGF average time to pay**	N/A	N/A	N/A	N/A	EAFRD % of payments made on time	100	100	100	100	EAGF % of payments made on time	100	100	100	100	Indicator	2016	2017	2018	2019	2020	% of Paying Agencies accredited	100%	100%	100%	100%	100%
	2017	2018	2019	2020																																		
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Indicator	2016	2017	2018	2019	2020																																	
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	<p>Direct management</p> <p><i>Time to inform and Time to grant</i></p> <p>In accordance with Article 194(2)(a) of the Financial Regulation⁷¹, applicants shall be informed of the outcome of the evaluation of their application within a maximum of six months from the final date for submission of complete proposals. In accordance with Article 194(2)(b) of the Financial Regulation, grant agreements shall be signed with applicants within a maximum of three months from the date of informing applicants that they have been successful. DG AGRI has informed applicants of the outcome of the evaluation on average within five months of the final date for submission of proposals. As next step, DG AGRI signed the respective grant agreements within two to three months from the date of informing successful applicants.</p> <p><i>Time to pay</i></p> <p>Article 116(1) of the Financial Regulation fixes the time limits for payments for contribution agreements, contracts and grant agreements. For direct management, the performance regarding payments remained excellent with 99.76% processed within the binding deadlines imposed by the Financial Regulation. The percentage of transactions not paid in time has been further reduced by 71% compared to 2019; this confirms the positive trend since 2016.</p> <table border="1" data-bbox="336 719 1369 824"> <thead> <tr> <th>Financial year</th> <th>2017</th> <th>%</th> <th>2018</th> <th>%</th> <th>2019</th> <th>%</th> <th>2020</th> <th>%</th> </tr> </thead> <tbody> <tr> <td>Number of payments</td> <td>914</td> <td>100%</td> <td>928</td> <td>100%</td> <td>881</td> <td>100%</td> <td>847</td> <td>100%</td> </tr> <tr> <td>Payment on time</td> <td>898</td> <td>98.2%</td> <td>920</td> <td>99.1%</td> <td>874</td> <td>99.2%</td> <td>845</td> <td>99,76%</td> </tr> <tr> <td>Payment delayed</td> <td>16</td> <td>1.8%</td> <td>8</td> <td>0.9%</td> <td>7</td> <td>0.8%</td> <td>2</td> <td>0,24%</td> </tr> </tbody> </table> <table border="1" data-bbox="336 846 1369 925"> <thead> <tr> <th>Monitoring of timing indicators in days</th> <th>2017</th> <th>2018</th> <th>2019</th> <th>2020</th> </tr> </thead> <tbody> <tr> <td>N° of days between receipt of invoice and "pass for payment"</td> <td>10</td> <td>8</td> <td>7</td> <td>8</td> </tr> <tr> <td>N° of days between receipt of invoice and "bank date"</td> <td>14</td> <td>13</td> <td>12</td> <td>12</td> </tr> </tbody> </table>	Financial year	2017	%	2018	%	2019	%	2020	%	Number of payments	914	100%	928	100%	881	100%	847	100%	Payment on time	898	98.2%	920	99.1%	874	99.2%	845	99,76%	Payment delayed	16	1.8%	8	0.9%	7	0.8%	2	0,24%	Monitoring of timing indicators in days	2017	2018	2019	2020	N° of days between receipt of invoice and "pass for payment"	10	8	7	8	N° of days between receipt of invoice and "bank date"	14	13	12	12
Financial year	2017	%	2018	%	2019	%	2020	%																																												
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<p>Definition</p>	<p>Formula: Value A / Value B</p> <ul style="list-style-type: none"> - Value A: Payment Accepted Amount (EUR) in time <ul style="list-style-type: none"> o In Time: Payment Bank Value Date < = Payment legal deadline - Value B: Payment Accepted Amount (EUR) <p>Scope:</p> <ul style="list-style-type: none"> - Payments made in the current year - Payments valid for payment statistics (DWH Flag "Payment Time Status OK?" = "Y") 																																																			

⁷¹ 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.

ANNEX 5: Materiality criteria

General Principle

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

Assurance model for expenditure implemented under shared management

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

Levels of assurance from the Member States' control systems	<p>Administrative structure set up at Member States level: management, control and payment of the expenditure 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.</p> <p>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).</p> <p>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).</p>
Assurance from the Commission's checks	<p>DG AGRI audits: The audits carried out by DG AGRI serve a number of purposes.</p> <p>In the first place, they protect the EU budget from irregular payment by recovering amounts unduly spent by the Member State as a result of deficiencies detected in their management and control systems. This is done via a clearance procedure consisting of both an annual financial clearance (limited to the Paying Agencies' annual accounts) and a multi-annual conformity clearance, whose aim is to exclude the expenditure not compliant through <u>net financial corrections</u> which return to the EU budget as <u>assigned revenue</u>.</p> <p>Secondly, by revealing deficiencies to be remedied and by leading to financial corrections up to the moment those deficiencies have been corrected, they have a remedial and preventive role.</p> <p>Thirdly, DG AGRI's audits are also used to provide assurance to the Director-General on the Member States' management and control systems.</p>

Assessment of management and control systems in the Member States

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

The first element is the **assessment of the functioning of management and control systems in the Paying Agencies. This is carried out by DG AGRI's 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 **result of the controls 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 part⁷², 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

⁷² 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.

enable DG AGRI to determine the **reported error rate** per Paying Agency or aid scheme.

- The Certification Bodies are required to give an opinion on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission.

The third assurance element is comprised of **the Commission's own conformity audits** on Member States management and control systems. DG AGRI's conformity clearance procedure can exclude from EU financing expenditure made in the 24 months prior to the notification to the Member States of a deficiency and up to the moment the identified deficiencies are remedied. Around 120 such audits are opened each year⁷³ 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 O2) 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 as a general principle for the last five years.

⁷³ This number does not take into account any effect of the COVID19 pandemic restrictions.

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
 - the Anti-Fraud Correspondent of DG AGRI;
 - the director of the Paying Agency in his/her Management Declaration.

In determining the extent of the adjustment to make to the reported error rate, DG AGRI applies the **professional judgement** of its auditors, and in particular the criteria for estimating the seriousness and extent of the identified deficiencies established in its "Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures"⁷⁴. 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 process⁷⁵. 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.

⁷⁴ 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.

⁷⁵ For 2020, the auditors also assessed any effects on COVID-19 restrictions on the assurance and concluded that they were in a position to make assessment.

- 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** 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 not to be 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 to the uncontrolled population would therefore 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 2019⁷⁶, 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. Given the amounts involved, it is not likely that this threshold will have an impact on AAR reservations of DG AGRI.

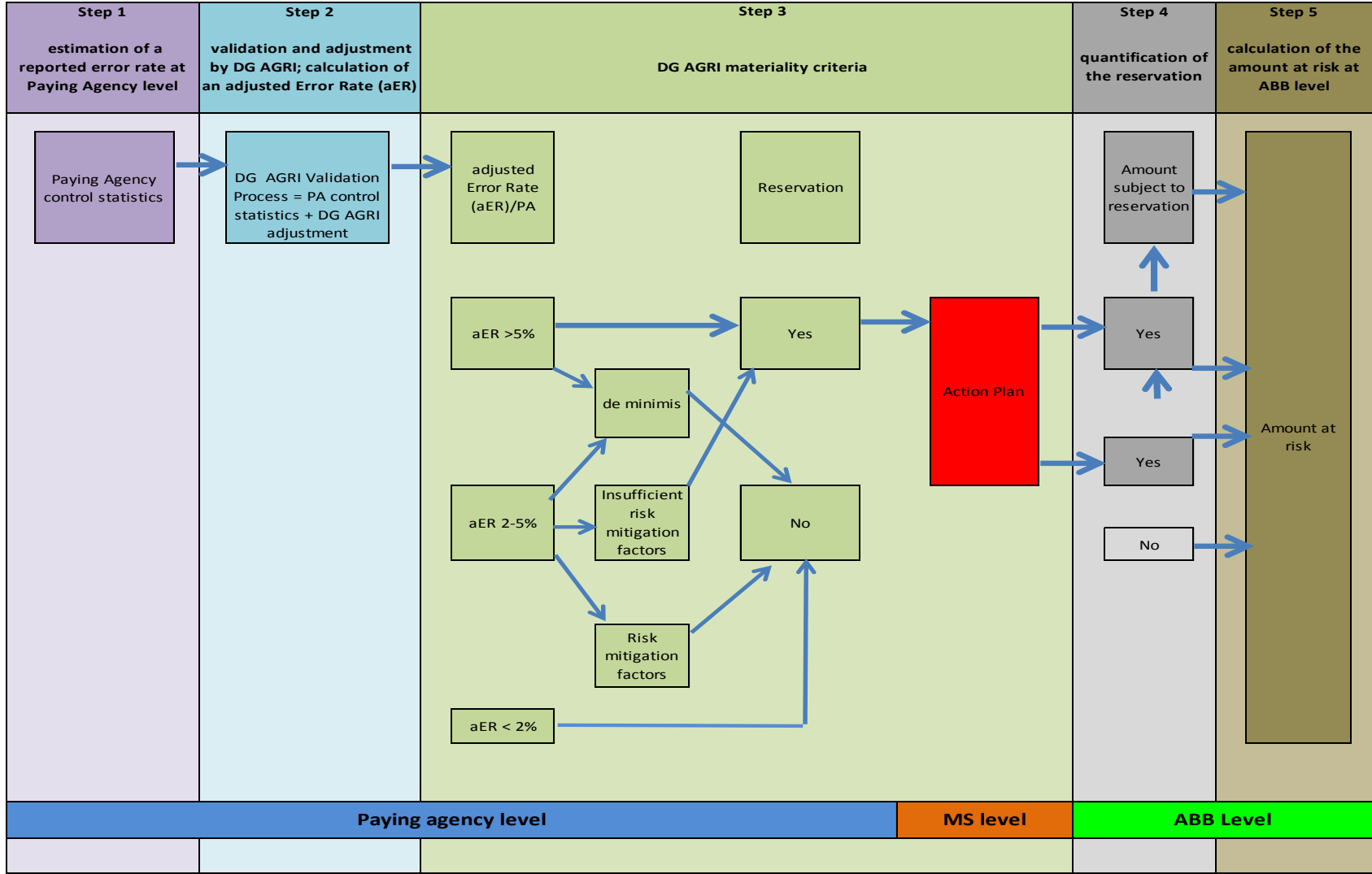
⁷⁶ Agreement of the Corporate Management Board of 30/4/2019.

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.



DG AGRI'S DECISION PROCESS FOR MAKING RESERVATIONS

ANNEX 6: Relevant Control System(s) for budget implementation (RCSs)

EXPENDITURE IN SHARED MANAGEMENT⁷⁷

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 ⁷⁸ 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).

⁷⁷ 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.

⁷⁸ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural development pillars (EAGF and EARDP).

Stage 2 – Implementation of operations (Member States):

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)
<p>The process of designation (and accreditation) of national authorities in the Member States (MS) is not effective and, as a result, the management and control systems are not compliant with the applicable rules.</p>	<p>Supervision by Commission (for 2014-2020):</p> <ul style="list-style-type: none"> - Commission review (and audits) of a sample of national designations/ accreditations - submission of MS Audit Strategies to the Commission (on request)* <p>* [For Cohesion policy]</p>	<p>Coverage / Frequency: fixed in sector-specific rules</p> <p>Depth: verification (desk review + audit missions where necessary) of description of management and control systems communicated by MS. Accreditation audits are generally done on-the-spot</p>	<p>For 2014-2020:</p> <p>Effectiveness: % of authorities designated/accredited, number of authorities for which serious system weaknesses were found following accreditation reviews/audits</p> <p>Benefits:(part of) the amounts associated with unreliable systems for which the Commission audit work revealed substantial compliance problems (for 2014-2020) [not quantifiable]</p> <p>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)</p> <p>Economy (costs): estimation of cost of COM staff involved in the audits of samples of national designations/ accreditations (for 2014-2020)</p>

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)
<p>Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or noncompliant with EU and/or national eligibility rules and legislation.</p>	<p>Management verifications: first level checks by designated / accredited programme authorities or bodies.⁷⁹</p> <p>Certification, audit opinion and annual report by the relevant authorities or bodies designated / accredited.⁸⁰</p> <p>MS recoveries from final beneficiaries (CAP)</p>	<p>Coverage: fixed in sector-specific rules</p> <p>Depth:</p> <ul style="list-style-type: none"> - <u>management verifications</u>: performance of first-level checks (administrative and on the spot controls). - <u>certification</u>: [limited] additional verification (desk checks and on-the-spot), with where appropriate additional checks. - <u>audit opinion</u>: system audits on the checks already carried out, where necessary with re-performance of on-the-spot checks; where applicable, audits of operations (on a statistical basis) and additional substantive testing on expenditure 	<p>Effectiveness: error rates as reported by the Member States., annual audit opinions (or certificate opinions) of the Member States, MS recoveries (if applicable)</p> <p>Efficiency: time to lift interruption of payments (where applicable)</p>

⁷⁹ For CAP: Paying Agencies (PA)

⁸⁰ 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)
<p>The management verifications and subsequent audits/controls by the Member States have failed to detect and correct ineligible costs or calculation errors.</p> <p>The audit work carried out by the audit / certifying authorities is not sufficient to obtain adequate assurance on the submitted declarations.</p> <p>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received.</p>	<p>Commission checks of periodic MS expenditure declarations.</p> <p>Commission assessment of management and control systems in the Member States, in particular of work done and/or reported by the AA/PA/CB, namely:</p> <ul style="list-style-type: none"> - assessment of annual control/audit/certification report - calculation of projected error rate (where applicable) - estimation of a residual error rate (RER) - assessment of systems audits reports from AA/CB - assessment of annual summaries (where applicable) - own Commission audits - technical and bilateral meetings with MS <p>Interruptions and suspensions of payments</p>	<p>Coverage: verification of information provided in the annual (audit/control /certification) report and annual audit opinions.</p> <p>Depth: desk checks and/or on-the-spot audits based on risk assessment;</p> <p><u>verification</u> of the quality and reliability of the information based on Commission's own audit work;</p> <p><u>'validation' and where necessary adjusting of error rates reported</u> by MS to calculate a cumulative residual error risk (RER);</p> <p><i>[at closure: where applicable scrutiny of closure report and closure opinion, if needed with audits on sample of OPS]</i></p>	<p>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)</p> <p>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</p> <p>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 applicable]</p>

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)		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 work ⁴ , and drafting of interruption letters

ANNEX 7: 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 Member States⁸¹ (comprising 76 Paying Agencies at the end of financial year 2020).

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

⁸¹ The UK is no longer a member of the Union since 1 February 2020. However, in accordance with Article 127 of the Withdrawal Agreement, Union law remained applicable in the UK until the end of the transition period on 31 December 2020. During the transition period any reference to Member States in applicable Union law was to be read as including the UK.

Part 2: Functioning of the Paying Agencies

- 2. Financial clearance exercise for financial year 2020
- 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: Interruptions, reductions and suspensions

Part 11: Fraud prevention, detection and correction

Part 12: European Court of Auditors: Special Reports

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 Article 63(5), point (b) of the Financial Regulation⁸².

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 2020 covered 93.5% of EAGF expenditure (94.2% in financial year 2019). IACS is also used to manage and control Rural Development area and animal-related measures, which in financial year 2020 accounted for 50.6% of payments under the EAFRD (51.2% in financial year 2019). For both Funds together, the IACS covered 82.9% (83.9% in financial year 2019) of total expenditure.

⁸² 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.

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.

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 1306/2013⁸³. As regards EAFRD, ex-post checks are carried out for investment operations according to Article 52 of Commission Implementing Regulation (EU) No 809/2014⁸⁴.

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

⁸³ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy.

⁸⁴ 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.

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 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 audit 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) Certification Body risk (risk related to the reliability of the Certification Body work)
- 7) the OLAF risk (related to OLAF denunciations and irregularities) and
- 8) 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.

From 2020 following the 2019 review of the Audit Strategy (see next box), risk factor number 6 as regards the Certification Bodies was included in the CRA to have all the risk factors for the Single Audit Approach in the Central Risk Analysis.

Explanatory Box: Annex 7-1-1

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 7-1-2

Part 2: Functioning of the Paying Agencies

2. Financial clearance exercise for financial year 2020

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 2020 for the EAGF and EAFRD Funds runs from 16 October 2019 to 15 October 2020. By 1 March 2021, all the accounts of the 76 Paying Agencies, operating during financial year 2020, were submitted.

From the 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.

This approach with the separation of the financial clearance mechanism meant that for financial year 2019, contrary to previous financial clearance exercises, the accounts of all Paying Agencies were cleared. For financial year 2020, the error rate reported by the Certification Bodies was below materiality for all Paying Agencies. However, it remains to be seen during the clearance analysis whether the deficiencies identified in the Internal Control systems could have an impact on the assurance on the accounts for at least one Paying Agency.

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 15 October 2020, the 28 Member States⁸⁵ had 76 operating accredited Paying Agencies. There was no change in the number of operating Paying Agencies during the financial year.

⁸⁵ See footnote 81 as regards the UK.

In addition, Italy set-up a new Paying Agency in Sardinia that had provisional accreditation in 2020 and which was fully accredited as of financial year 2021. Thus, in 2020 the total number of Paying Agencies was 77, out of which 76 declared expenditure in financial year 2020. The Paying Agency DE02 – Hamburg Jonas ceases to exist after the closure of financial year 2020 accounts leading to 76 accredited Paying Agencies after the end of financial year 2020.

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 2020	At the end of financial year 2020
Fully accredited	74	71
Accreditation under probation	2 ⁸⁶	5 ⁸⁷
Provisionally accredited	1	1
Total Member States: 28	77	77

Table: Annex 7 – 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 2020, 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.

24 Paying Agencies requested permission⁸⁸ to submit the accounts or audit opinions and related reports after the deadline of 15 February 2021⁸⁹. All requests were accepted. Except for 1 report and audit opinion, all audit opinions and reports, were received by the ultimate deadline of 1 March 2021.

⁸⁶ DE17 - Rheinland-Pfalz and IT26 - ARCEA.

⁸⁷ DE17 - Rheinland-Pfalz, IT26 - ARCEA, IT01 – AGEA, SE01 –SJV- and SK01 –APA.

⁸⁸ 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.

⁸⁹ CY01 - CAPO; DE03 - Baden-Württemberg MLR; DE17 - Rheinland-Pfalz; DE20 - Sachsen-Anhalt; ES02 – Aragon; ES03 – Asturias; ES05 - Canary Islands; ES07 - Castilla La Mancha; ES08 - Castilla y León; ES09 – Cataluña; ES10 – Extremadura; ES11 – Galicia; ES13 – Murcia; ES14 – Navarra; ES15 - Pais Vasco; ES16 - La Rioja; ES17 – Valencia; FR18 – ODARC; FR19 – ASP; GB06 – SGRPID; GB09 – RPA; IT05 - Veneto (AVEPA); IT07 - Toscana (ARTEA); SI01 – AAMRD.

By 31 March, all audit opinions received had been assessed. In 75 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)⁹⁰. The Certification Body of the Slovak Paying Agency qualified its opinion as regards the functioning of the internal control system. Furthermore, 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 the audit opinion on **EAGF**, three qualified opinions were issued by the Certification Bodies for financial year 2020. In addition nine opinions included an emphasis of matter paragraph. Two qualified opinions relate to the legality and regularity of expenditure (audit objective 2) (DE17 - Rheinland-Pfalz and RO02 - PIAA) and one (SK01 – APA) relates to the evaluation of the internal control system where the Certification Body reports major findings in the compliance with the accreditation criteria. Two out of the nine emphasis of matter opinions also relate to legality and regularity of expenditure (DE18 - Saarland AAL, and GB09 - RPA). Of the remaining seven, three relate to the accounts of the Paying Agency and to the deficiencies reported on debt management (ES07 - Castilla La Mancha, FR19 – ASP and SE01 - SIV) and four to limitation of scope in the context of legality and regularity of expenditure (FR05 - ODEADOM, FR18 – ODARC, FR20 - France Agrimer and NLO4 - RVO).

In nine cases, the Certification Body qualified its opinion on the **EAFRD** accounts. In most cases, the issues reported relate to material errors as regards legality and regularity of expenditure in the specific population (DE18 - Saarland AAL, ES03 – Asturias, ES14 - Navarra, FR19 - ASP, GB05 – DARD, IT26 – ARCEA, RO01 – RIFA and SK01 - APA) or to a limitation of scope due to COVID-19 restrictions (IE01 – DAFM). Limitation of scope in the Certification Body’s work due to COVID-19 restrictions led to a qualified opinion only in the case of IE01.

To be noted that this is the only limitation of scope due to COVID-19 related restrictions that resulted in a qualified opinion as regards the assurance on the financial year 2020 expenditure of the EU Agricultural Funds. In addition, for all four French Paying Agencies there is an emphasis of matter paragraph included in the Certification Body’s opinion as regards limited scope due to COVID-19 without leading to a qualified opinion.

Regarding SK01 – APA, in addition to the material errors, the qualification also relates to the evaluation of the internal control system and the major findings in the compliance with the accreditation criteria.

Furthermore, in another eight cases the Certification Body, without qualifying its opinion, draws attention to specific deficiencies and weaknesses in the Paying Agency’s internal control system in an emphasis of matter paragraph. In five Paying Agencies, the

⁹⁰ Ratings of “works well”, “works” or “works partially”.

shortcomings are mainly related to the legality and regularity of the expenditure, as follows: BE03 – Région Wallonne, GB07 – WAG, GB09 – RPA, IT26 – ARCEA, NL– RVO, PL01 – ARMA. In another two cases (ES07 – Castilla La Mancha and SE01 – SJV), the deficiencies found are exclusively related to debt management. As regards SE01 – SJV, reference is made to the ongoing action plan and that the accreditation of the Paying Agency is under probation. For GB06 – SGRPID, issues related to legality and regularity of expenditure and debt management are emphasised.

As regards the Paying Agencies under probation, the Certification Bodies reflected upon the issues in the opinions with a qualification for SK01 – APA, and in an emphasis of matter for SE01 – SJV. No issues were mentioned in this respect in the audit opinion for IT01 – AGEA and IT26 – ARCEA despite the ongoing accreditation action plans that are addressing major issues in terms of compliance with the accreditation criteria for both Paying Agencies. For DE17 – Rheiland Pfalz, the audit opinion is qualified for legality and regularity of expenditure, and the probation that addresses debt management related restructuring is not referred to.

The detailed information of the audit opinions are included in the following table:

CERTIFICATION BODIES' OPINION ON THE PAS' ANNUAL ACCOUNTS					
Is the opinion on the annual accounts unqualified?					
	PA	Name	EAGF	EAFRD	Remarks
1	AT01	AMA	Y	Y	
2	BE02	ALV	Y	Y	
3	BE03	Rég. Wallonne	Y	Y	Emphasis of matter: the "reasonableness of costs" criterion was not checked for measures M04 and M06.1 (EAFRD).
4	BG01	State Fund Agriculture	Y	Y	
5	CY01	CAPO	Y	Y	
6	CZ01	SAIF	Y	Y	
7	DE01	BLE	Y	Y	
8	DE02	Hamburg-Jonas	Y	N/A	
9	DE03	Baden-Württemberg MLR	Y	Y	
10	DE04	Bayern StMLF	Y	Y	
11	DE07	Brandenburg MLUV	Y	Y	
12	DE11	Mecklenburg-Vorpommern MEL	Y	Y	
13	DE12	Niedersachsen	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	
15	DE17	Rheinland-Pfalz	N	Y	Qualified: a) Not properly implemented increased support as per Regulation (EU) 2020/592 in wine restructuring measures; financial risk: EUR 1.9 million b) Scope limitation: compliance with the recognition criteria of the producer organization could not be verified due to court proceedings, and suspicion of fraud investigated by prosecutor; financial risk: EUR 1.2 million.
16	DE18	Saarland AAL	Y	N	Emphasis of matter EAGF: Uncorrected minor administrative error. Qualified EAFRD: Material error, 2.31% for the EAFRD IACS population and 5.20% for the EAFRD Non-IACS population in legality and regularity of expenditure.

17	DE19	Sachsen	Y	Y	
18	DE20	Sachsen-Anhalt	Y	Y	
19	DE21	Schleswig-Holstein	Y	Y	
20	DE26	Hessen	Y	Y	
21	DE27	Thüringen	Y	Y	
22	DK02	DAFA	Y	Y	
23	EE01	PRIA	Y	Y	
24	ES01	Andalucía	Y	Y	
25	ES02	Aragón	Y	Y	
26	ES03	Asturias	Y	N	Qualified: In relation to legality and regularity of expenditure material errors for specific measures 050460010843103 "Investments in forest area development and improvement of the viability of forests" and 050460011942103 "Support for LEADER local development".
27	ES04	Islas Baleares	Y	Y	
28	ES05	Islas Canarias	Y	Y	
29	ES06	Cantabria	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Emphasis of matter EAGF and EAFRD: Due to the negligence of the PA certain debts cannot be recovered and should be written off.
31	ES08	Castilla y León	Y	Y	
32	ES09	Cataluña	Y	Y	
33	ES10	Extremadura	Y	Y	
34	ES11	Galicia	Y	Y	
35	ES12	Madrid	Y	Y	
36	ES13	Murcia	Y	Y	
37	ES14	Navarra	Y	N	Qualified: Material error in the EAFRD Non-IACS population for legality and regularity of expenditure - financial risk EUR 46 475.54.
38	ES15	País Vasco	Y	Y	
39	ES16	La Rioja	Y	Y	
40	ES17	C. Valenciana	Y	Y	
41	ES18	FEGA	Y	Y	
42	FI01	MAVI	Y	Y	
43	FR05	ODEADOM	Y	Y	Emphasis of matter EAGF: Due to the COVID-19 pandemic related travel bans the audit was document review based.
44	FR18	ODARC	Y	Y	Emphasis of matter EAGF: a) Due to the COVID-19 pandemic related travel bans the audit was document review based. b) EAGF - legality and regularity of expenditure an isolated error in ICHN measure was found, ODARC has no overview on the controls delegated to ASP. c) EAFRD - structure of expenditure has changed due to COVID, less spending on measures 7 and 19 signalling major errors in previous financial years.
45	FR19	ASP	Y	N	Emphasis of matter EAGF: a) Significant error rate in debtors. However, it is linked to an isolated anomaly; Annex III may not be complete. b) Due to COVID-19 pandemic related restrictions, part of controls was document review based implying scope limitation, which is also partially due to the level of audit trail at ASP. Qualified EAFRD: as regards IACS although the total projected error exceeds materiality for legality and regularity of expenditure no reservation included as regards this population. For Non-IACS population, material error (2.47 %) in legality and regularity of expenditure.
46	FR20	France Agrimer	Y	N/A	Emphasis of matter EAGF: a) Due to COVID-19 pandemic related restrictions, part of controls was document review based b) The 2020 financial year was also marked by the importance of crisis distillation measures which ultimately represented nearly EUR 130 million. The CB could not finalise its assessment on the justification of the price calculation.
47	GB05	DARD	Y	N	Qualified Opinion on EAFRD: The re-verification on the Environmental Farming Scheme (EFS) identified a number of discrepancies. The Drinking Trough Pipework (DTP) option of the EFS expenditure totals EUR 998 828, and the Paying Agency was unable to provide sufficient or appropriate audit evidence to support the legality and regularity of expenditure.
48	GB06	SGRPID	Y	Y	Emphasis of matter EAFRD: a) Significant errors in one of the strata within EAFRD Non-IACS. b) A material breach of the Annex II disclosure whereby recoveries relating to the Beef Efficiency Scheme had been incorrectly disclosed in Annex III.
49	GB07	WAG	Y	Y	Emphasis of matter EAFRD: Material error in legality and regularity of expenditure for the CAPIT strata within EAFRD Non-IACS.

50	GB09	RPA	Y	Y	Emphasis of matter EAGF: On both the School Milk and Apiculture populations RPA does not complete all of the required administrative checks in line with regulation (EU) No 2017/39 Articles 9 and 10 & regulation (EU) No 2015/1368 Article 8. Emphasis of matter EAFRD: Material error rate in legality and regularity of expenditure (2.9%) in the EAFRD Non-IACS population.
51	GR01	OPEKEPE	Y	Y	
52	HR01	PAAFRD	Y	Y	
53	HU02	ARDA	Y	Y	
54	IE01	DAFM	Y	N	Qualified: Due to Covid restrictions, no assurance has been gained through audit of Targeted Agriculture Modernisation Scheme ('TAMS') and the Green Low-Carbon Agri-Environment Scheme ('GLAS') and thus on legality and regularity of EUR million 153.
55	IT01	AGEA	Y	Y	
56	IT02	SAISA	Y	Y	
57	IT05	Veneto (AVEPA)	Y	Y	
58	IT07	Toscana (ARTEA)	Y	Y	
59	IT08	Emilia-Romagna (AGREA)	Y	Y	
60	IT10	ARPEA	Y	Y	
61	IT23	OPR Lombardia	Y	Y	
62	IT24	OPPAB	Y	Y	
63	IT25	APPAG	Y	Y	
64	IT26	ARCEA	Y	N	Qualified: Material error in legality and regularity of expenditure in EAFRD Non-IACS population (7.8%).
65	LT01	NMA	Y	Y	
66	LU01	Min. Agric.	Y	Y	
67	LV01	RSS	Y	Y	
68	MT01	MIRRA PA	Y	Y	
69	NL04	RVO	Y	Y	Emphasis of matter EAGF: scope limitation, entitlements could not be checked for a small portion of the BBR expenditure. Emphasis of matter EAFRD: known error of EUR 1.5 million as regards the use of Simplified Cost Option .
70	PL01	ARMA	Y	Y	Emphasis of matter EAFRD: Incorrect awarding in the assessment of the aid applications in the EAFRD Non-IACS population.
71	PT03	IFAP	Y	Y	
72	RO01	RIFA	N/A	N	Qualified: Material error for legality and regularity of expenditure, financial risk EUR 27.7 million.
73	RO02	PIAA	N	N/A	Qualified: Material error for legality and regularity of expenditure, financial risk EUR 6.6 million.
74	SE01	SJV	Y	Y	Emphasis of matter EAGF & EAFRD: Significant delays in the recovery procedures, financial risk: EUR 9.8 million; processing of control results delayed; Ongoing accreditation action plan.
75	SI01	AAMRD	Y	Y	
76	SK01	APA	N	N	Limitation of scope EAFRD Non-IACS: Projects totalling EUR 7 million are under investigation by national authorities and financial risk for FY 2020 could not be confirmed. Qualified EAGF: major accreditation findings in the internal control system of the PA. Qualified EAFRD: a) EAFRD Non-IACS, material error in the legality and regularity of expenditure (2.6 %) b) major accreditation findings in the internal control system of the PA (including control activities of EAFRD Non-IACS).

Table: Annex 7 – 2.1.1-2

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 during their certification audit as also reflected in their opinions (see table 2.1.1-2), DG AGRI only conducted three dedicated accreditation remote audits during the year to Paying Agencies IT26 – ARCEA, BG-State Fund Agriculture and IT27 - ARGEA.

The significant accreditation issues found in those audits will be followed up. An accreditation action plan is already in place as regards IT26 - ARCEA and is being followed

up closely by DG AGRI in order to evaluate if the Paying Agency's accreditation should be withdrawn. Improvement plans for BG-State Fund Agriculture and IT27-ARCEA should be implemented and will be closely monitored by DG AGRI.

Following the fraud allegations that arose in 2020 and the findings from DG AGRI's ongoing conformity audits, DG AGRI closely monitored the accreditation issues of the Paying Agency SK01 - APA and following the request of DG AGRI the Competent Authority put the Paying Agency's accreditation under probation as of October 2020 for a period of 12 months.

2.1.4 The Certification Bodies' main findings on accreditation for financial year 2020

In the opinion of the Certification Bodies, the Paying Agencies IT26 - ARCEA, MT01 – MRRA, SE01 – SJV and SK01 - APA have serious deficiencies as regards their compliance with one or more accreditation criteria.

For IT26 - ARCEA, the main issues affect the Paying Agency's compliance with the accreditation criteria *Human resources standard, Delegation and Control activities and Monitoring as regards Procedures for debts. These are the issues that are to be addressed under the probation of the accreditation of the Paying Agency (as mentioned below). As regards MT01 - MRRA, major findings are reported for Monitoring via Internal Audit Service and other weaknesses for Human Resources, Delegation, Control Activities, Communication, Ongoing Monitoring.*

In the case of SE01 – SJV, major findings are reported for *Control Activities* as regards *Procedures for debts.*

Finally, for SK01 - APA, major findings for *Human Resources, Control Activities and Ongoing Monitoring* are established, affecting the relevant parts of the Paying Agency's internal control system. In addition, other weaknesses were also reported for *Human Resources, Delegation, Control Activities and Monitoring Via Internal Audit Service. The opinion of the Certification Body was qualified as regards the functioning of the internal control system of the Paying Agency and this is to be tackled under the action plan that is under implementation during the ongoing probation of the accreditation (as referred to above).*

The accreditation of these Paying Agencies, with the exception of MT01 - MRRA, is under probation since 22/3/2019, for IT26 - ARCEA, 24/9/2020 for SE01 - SJV and 15/10/2020 for SK01 - APA. For each of the Paying Agencies, an accreditation action plan was drawn up and approved by the Competent Authority to remedy the deficiencies found.

For MT01 - MRRA, based on the assessment provided by the Certification Body in its financial year 2020 report it appears that the Paying Agency's compliance with the accreditation criteria requires closer scrutiny by the Competent Authority. As regards SE01 - SJV and SK01 - APA, DG AGRI is following closely the implementation of the relevant accreditation action plans.

As regards DE17 - Rheinland-Pfalz and IT01 – AGEA Paying Agencies, where the accreditation is also under probation since 15/5/2020 and 9/9/2020 respectively, the Certification Body reported that, although improvements were made, deficiencies and weaknesses are still to be remedied. For DE17 - Rheinland-Pfalz, the accreditation is under probation mainly due to recurrent and serious deficiencies in debt management. The implementation of the accreditation action plan and its effectiveness to remedy the deficiencies found are assessed in the financial year 2020 clearance procedure and closely monitored.

For IT01 – AGEA, weaknesses are reported for Organizational Structure, Procedures for debts, *Human Resources*, *Delegation*, *Control Activities*, *Ongoing Monitoring* and Monitoring Via Internal Audit Service, affecting the relevant parts of the Paying Agency's internal control system. DG AGRI is closely following the implementation of the accreditation action plan.

Finally, weaknesses were also reported as regards BG01 – SFA, ES12 – Madrid, FR18 – ODARC, FR19 - ASP and GB07 - WAG for EAFRD. These deficiencies and weaknesses, as well as the state of play of the serious accreditation issues reported by the Certification Body in financial year 2019⁹¹, are followed up by DG AGRI in the context of the annual clearance exercise.

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), except in the case of SK01 - APA. Specific concerns are outlined in sub-sections 2.1.2 - 2.1.4 above.

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 2020, 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.

There were 5 reservations made, involving 3 Paying Agencies, as follows:

For AT01-AMA, a reservation was made by the Director of the Paying Agency as regards EAGF IACS expenditure due to a conformity enquiry where a financial risk higher than 2% was identified.

⁹¹ DE18, DE26, ES13, ES15, FI01, GR01 and PL01.

For BG01 – SFA, a reservation was made by the Director of the Paying Agency as regards EAGF and EAFRD IACS expenditure due to several conformity clearance enquiries where financial risks were identified.

For LT01 – NMA, a reservation was made by the Director of the Paying Agency as regards EAFRD (IACS and Non-IACS) expenditure due to the high level of the error rates in these populations.

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 12 Paying Agencies: BE03 – Région Wallonne, ES12 – Madrid, FR19 – ASP, FR20 – France AgriMer, GB05 – DARD, GB06 – SGRPID, GB07 – WAG, GB09 – RPA, IE01 – DAFM, PT03 – IFAP, SE01 – SJV and SK01 – APA, 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 integration of the internal audit within the common audit service of the region; the difficulties regarding the follow up of the recommendations and the consequences of the COVID-19 pandemic lockdown measures are reported.

For ES12 Madrid, the COVID-19 pandemic consequences and the need to strengthen the debt management system was mentioned.

For FR19 – ASP, the observations concerned the EAFRD action plan implementation, which was still underway in 2020 addressing the relevant DG AGRI findings.

For FR20 – France AgriMer, restructuring of vineyards and conditionality were mentioned under the observations.

For GB05 – SGRPID, the use of the derogations under COVID-19 restrictions was mentioned as regards the controls to be performed as per Articles 2 to 9 of Regulation (EU) 2020/532.

For GB06 – DARD, several observations were made such as the impact of the COVID-19 pandemic; the improvement opportunities for the anti-fraud measures; the compilation of errors in the Control Statistics (EAFRD IACS for claim year 2019); etc.

For GB07 – WAG, measures taken in relation to the issues involving the Managing Authority's approach on the selection of operations (direct applications and simplified cost options) in respect of EAFRD Socio-Economic Schemes; the impact of the COVID-19 pandemic were raised in the specific observations of the Management Declarations.

For GB09 – RPA, payments were processed by the Paying Agency from national funds to ensure timely payments to farmers in view of COVID-19 restrictions and declared to the EU once all relevant checks took place; the impact of the COVID-19 pandemic, the delay in the submission of the control statistics were mentioned among other issues.

For IE01 – DAFM, the action plan put in place as regards the control report on the high error rates for the Non-IACS populations and a debt management issue; the limitation of scope, which concerned a certain number of re-verification checks that could not be completed by the Certification Body due to COVID-19 restrictions were reported.

For PT01 – IFAP, for the EAGF direct payments the action plan drawn up to correct deficiencies identified in a conformity enquiry is ongoing; EAFRD control error rates above 2% for certain types of EAFRD measures (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, the accreditation action plan; the state of play of the recovery procedures and the estimation of the financial risk; the management of project and enterprise support under the RDP and the action plan put in place to address the identified deficiencies are mentioned.

For SK01 – APA, the reasons for not issuing a reservation in the Management Declaration were outlined: although significant weaknesses were found in the internal control system, the financial impact could not be determined yet; the amount of undue payments is estimated to exceed 2% for EAFRD Non-IACS, however the error is not yet determined; measures are taken to address the identified weaknesses.

In addition, 48 of 76 Paying Agencies applied the derogations provided for in Articles 2 and 9 of Regulation (EU) No 532/2020 as regards the controls for claim year 2019 (financial year 2020).

COVID-19 has posed challenges as regards control and audit in relation to the 2020 expenditure. As mentioned above as regards the audit of the Certification Bodies, only in one case the COVID-19 restrictions led to decreased assurance provided in the audit opinion for EAFRD. Thus, the use of the tools and resources by both the Paying Agencies in performing the controls and the Certification Bodies in conducting the audits, as detailed in section 2.1.1.2.1 of the report, allowed to obtain assurance on the CAP expenditure for the 2020 EU budget.

Paying Agency			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION					Regulation 2020/532 applied?	Reservation/Additional remark
			Is the Management Declaration free of reservations?						
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS			
1	AT01	AMA	N	Y	Y	Y	Y	The reservation is related to the financial risk identified under a conformity clearance enquiry	
2	BE02	ALV	Y	Y	Y	Y	Y		
3	BE03	Rég. Wallonne	Y	Y	Y	Y	Y	Observations for a) the reform of the PA's structure; b) the integration of the internal audit unit within the common audit service of the region; c) the difficulties regarding the follow-up of all recommendations; d) the consequences of the pandemic and of the lockdown measures.	
4	BG01	State Fund Agriculture	Y	N	Y	N	N	The reservations relate to several conformity clearance enquiries.	
5	CY01	CAPO	Y	Y	Y	Y	N		
6	CZ01	SAIF	Y	Y	Y	Y	N		
7	DE01	BLE	N/A	Y	N/A	Y	N		
8	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	N		
9	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	Y		
10	DE04	Bayern StMLF	Y	Y	Y	Y	N		
11	DE07	Brandenburg MLUV	Y	Y	Y	Y	Y		
12	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	Y		
13	DE12	Niedersachsen	Y	Y	Y	Y	Y		
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	N		
15	DE17	Rheinland-Pfalz	Y	Y	Y	Y	N		
16	DE18	Saarland AAL	Y	Y	Y	Y	Y		
17	DE19	Sachsen	Y	Y	Y	Y	Y		
18	DE20	Sachsen-Anhalt	Y	Y	Y	Y	Y		
19	DE21	Schleswig-Holstein	Y	Y	Y	Y	Y		
20	DE26	Hessen	Y	Y	Y	Y	N		
21	DE27	Thüringen	Y	Y	Y	Y	Y		
22	DK02	DAFA	Y	Y	Y	Y	Y		
23	EE01	PRIA	Y	Y	Y	Y	Y		
24	ES01	Andalucía	Y	Y	Y	Y	Y		
25	ES02	Aragón	Y	Y	Y	Y	N		
26	ES03	Asturias	Y	Y	Y	Y	Y		
27	ES04	Islas Baleares	Y	Y	Y	Y	Y		
28	ES05	Islas Canarias	Y	Y	Y	Y	Y		
29	ES06	Cantabria	Y	Y	Y	Y	N		
30	ES07	Castilla La Mancha	Y	Y	Y	Y	Y		
31	ES08	Castilla y León	Y	Y	Y	Y	Y		
32	ES09	Cataluña	Y	Y	Y	Y	Y		
33	ES10	Extremadura	Y	Y	Y	Y	N		
34	ES11	Galicia	Y	Y	Y	Y	Y		
35	ES12	Madrid	Y	Y	Y	Y	Y	Observations for the impact of the COVID-19 pandemic and the need to strengthen the debt management system.	
36	ES13	Murcia	Y	Y	Y	Y	N		
37	ES14	Navarra	Y	Y	Y	Y	Y		
38	ES15	País Vasco	Y	Y	Y	Y	Y		
39	ES16	La Rioja	Y	Y	Y	Y	N		
40	ES17	C. Valenciana	Y	Y	Y	Y	N		
41	ES18	FEGA	N/A	Y	N/A	Y	Y		
42	FI01	MAVI	Y	Y	Y	Y	N		
43	FR05	ODEADOM	Y	Y	N/A	N/A	N		
44	FR18	ODARC	N/A	N/A	Y	Y	N		
45	FR19	ASP	Y	N/A	Y	Y	N	Observations for the EAFRD error rate action plan, which was ongoing during financial year 2020 to address the identified weaknesses.	
46	FR20	France Agrimer	N/A	Y	N/A	N/A	Y	Observations for the restructuring of the vineyard and cross compliance	
47	GB05	DARD	Y	Y	Y	Y	Y	Observations for the use of the derogations under Articles 2 to 9 of Regulation (EU) No 2020/532.	
48	GB06	SGRPID	Y	Y	Y	Y	Y	Observations for a) the impact of the COVID-19 pandemic; b) the improvement opportunities for the anti-fraud measures; c) the compilation errors in the Control Statistics (EAFRD IACS for claim year 2019); d) the estimated financial risk related to Beef Efficiency Scheme (EAFRD IACS), 3.65% of the co-financed payments made in 2018; e) EAFRD Non-IACS: Emphasis of matter related to the legality and regularity of certain expenditure; f) Ongoing conformity clearance enquiry as regards entitlements and area aids.	

49	GB07	WAG	Y	Y	Y	Y	Y	Observations for a) measures taken in relation to the issues involving the Managing Authority's approach on the selection of operations (Direct applications and simplified cost options) in respect of EAFRD Socio-Economic Schemes; b) the impact of the COVID-19 pandemic; c) the high error rate for the EAFRD Non-IACS in relation to a specific scheme.
50	GB09	RPA	Y	Y	Y	Y	Y	Observations for a) the payments made by Paying Agency from national funds to ensure payments were not delayed; the control statistics delays; b) the impact of COVID-19; c) the delay in the submission of the X-Table; d) the weaknesses and improvements on the Facilitation Fund and HLS capital claim EAFRD Non-IACS measures); e) the impact of the COVID-19 pandemic on the School Milk Scheme (EAGF Non-IACS) and the recognition that there is a need to review the administration of the scheme.
51	GR01	OPEKEPE	Y	Y	Y	Y	N	
52	HR01	PAAFRD	Y	Y	Y	Y	Y	
53	HU02	HST	Y	Y	Y	Y	N	
54	IE01	DAFM	Y	Y	Y	Y	N	Observations for a) the action plan put in place as regards the control report on the high error rates for Non-IACS populations and a debt management issue; b) the limitation of scope, which concerned a certain number of re-verification checks that could not be completed by the Certification Body due to COVID-19
55	IT01	AGEA	Y	Y	Y	Y	Y	
56	IT02	SAISA	N/A	Y	N/A	N/A	N	
57	IT05	Veneto (AVEPA)	Y	Y	Y	Y	Y	
58	IT07	Toscana (ARTEA)	Y	Y	Y	Y	Y	
59	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	Y	
60	IT10	ARPEA	Y	Y	Y	Y	Y	
61	IT23	OPR Lombardia	Y	Y	Y	Y	Y	
62	IT24	OPPAB	Y	Y	Y	Y	Y	
63	IT25	APPAG	Y	Y	Y	Y	Y	
64	IT26	ARCEA	Y	Y	Y	Y	Y	
65	LT01	NMA	Y	Y	N	N	Y	The reservation is related to the Annual Activity Report of DG AGRI for 2019 as regards EAFRD expenditure.
66	LU01	Min. Agric.	Y	Y	Y	Y	N	
67	LV01	RSS	Y	Y	Y	Y	Y	
68	MT01	MRRA PA	Y	Y	Y	Y	N	
69	NL04	RVO	Y	Y	Y	Y	Y	
70	PL01	ARMA	Y	Y	Y	Y	Y	
71	PT03	IFAP	Y	Y	Y	Y	N	Observations for: a) EAGF direct payments: the Action plan drawn up to correct deficiencies identified in enquiry AA/2015/015/PT is ongoing; b) EAFRD control error rates above 2% for certain types of EAFRD measures (corrective actions are underway); c) 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	N/A	N/A	Y	Y	Y	
73	RO02	PIAA	Y	Y	N/A	N/A	N	
74	SE01	SJV	Y	Y	Y	Y	Y	Observations for a) the accreditation action plan; the state of play of the recovery procedures and the estimation of the financial risk: EUR 9.8 million b) the management of project and enterprise support under the RDP and the action plan put in place to address the identified deficiencies.
75	SI01	AAMRD	Y	Y	Y	Y	Y	
76	SK01	APA	Y	Y	Y	Y	N	Observation - no reservation included as i) although significant weaknesses were found in the internal control system, the financial impact could not be determined yet; ii) the amount of undue payments is estimated to exceed 2 % for EAFRD Non-IACS, however the error is not yet determined; iii) measures are being taken to addressed the identified

Table: Annex 7 – 2.2.1-1

2.2.2 Opinion of the Certification Bodies on the Management Declaration

Table 2.2.2-1 lists the individual opinions of Certification Bodies on the Paying Agencies' Management Declarations. Please also see sub-section 2.3.3.

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	N	EAFRD Qualified: a) The control statistics relating to delegated bodies (EAFRD Non-IACS) have errors; b) The "reasonableness of costs" criterion was not checked for measures M04 and M06.1 .
4	BG01	State Fund Agriculture	Y	Y	Y	Y	
5	CV01	CAPO	Y	Y	Y	Y	
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 MLVFF	Y	Y	Y	Y	
13	DE12	Niedersachsen	Y	Y	Y	Y	
14	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
15	DE17	Rheinland-Pfalz	Y	N	Y	Y	Qualified: a) Not properly implemented increased support as per Regulation (EU) 2020/592 in wine restructuring measures; potential financial risk: EUR 1.9 million b) Scope limitation: compliance with the recognition criteria of the producer organization could not be verified due to court proceedings, and suspicion of fraud investigated by prosecutor; potential financial risk: EUR 1.2 million.
16	DE18	Saarland AAL	Y	Y	N	N	Qualified: Material error, 2.31% for the EAFRD IACS population and 5.2% for the EAFRD Non-IACS population in legality and regularity of expenditure.
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	Emphasis of matter: No control statistics were produced for the EAGF Non-IACS population in the Management Declaration.
21	DE27	Thüringen	Y	Y	Y	Y	
22	DK02	DAFA	Y	Y	Y	Y	
23	EE01	PRIA	Y	Y	Y	Y	
24	ES01	Andalucía	Y	Y	Y	Y	
25	ES02	Aragón	Y	Y	Y	Y	Emphasis of matter: The Management Declaration reports an error rate of 3.4% for EAFRD IACS.
26	ES03	Asturias	Y	Y	Y	N	EAFRD Qualified: In relation to legality and regularity of expenditure material errors in specific measures 050460010843103 "Investments in forest area development and improvement of the viability of forests" and 050460011942103 "Support for LEADER local development".
27	ES04	Islas Baleares	Y	Y	Y	Y	
28	ES05	Islas Canarias	Y	Y	Y	Y	Emphasis of matter: The Management Declaration reports an error rate of 2.18 % and 7.43 % for EAGF IACS and EAFRD IACS respectively.
29	ES06	Cantabria	Y	Y	Y	Y	
30	ES07	Castilla La Mancha	Y	Y	Y	Y	
31	ES08	Castilla y León	Y	Y	Y	Y	
32	ES09	Cataluña	Y	Y	Y	Y	Emphasis of matter: The Management Declaration reports material error rates for EAGF IACS and EAFRD IACS populations. An action plan to address the deficiencies as regards EAFRD IACS is ongoing.
33	ES10	Extremadura	Y	Y	Y	Y	
34	ES11	Galicia	Y	Y	Y	Y	
35	ES12	Madrid	Y	Y	Y	Y	Emphasis of matter: a) The error rate reported in the Management Declaration is higher than 2% for EAFRD Non-IACS measures 'Prevention of forest fires, natural disasters and catastrophic events'. The errors are not systemic. b) The Management Declaration does not include the error rate for the first afforestation of agricultural land, for which an Action Plan for reducing the error rate is being implemented.

36	ES13	Murcia	Y	Y	Y	Y	Emphasis of matter: a) In the EAGF IACS population, material error rate (2.54%) in legality and regularity of expenditure. b) For the EAFRD IACS population, material error (4.07%) in legality and regularity of expenditure. c) For the EAFRD Non-IACS population, material error (3.16%) in legality and regularity of expenditure. Explanations and remedial actions are included the Management Declaration.
37	ES14	Navarra	Y	Y	Y	Y	
38	ES15	País Vasco	Y	Y	Y	Y	Emphasis of matter: For the EAFRD IACS population, material error (2.64%) in legality and regularity of expenditure.
39	ES16	La Rioja	Y	Y	Y	Y	
40	ES17	C. Valenciana	Y	Y	Y	Y	
41	ES18	FEGA	Y	Y	Y	Y	
42	FI01	MAVI	Y	Y	Y	Y	
43	FR05	ODEADOM	Y	Y	N/A	N/A	
44	FR18	ODARC	N/A	N/A	Y	Y	
45	FR19	ASP	Y	Y	Y	Y	Emphasis of matter: a) Due to the realised control rates on coupled aids, the error rates relating to certain measures must be interpreted with caution; b) For the EAFRD Non-IACS population, for claim year 2019, measures of MAECs and organic farming no cross-check of systems and data was possible for providing the control statistics c) For the same measures - claim year 2018 -, the Certification Body has not received any communication of the latest control statistics submitted to DG AGRI.
46	FR20	France Agrimer	N/A	Y	N/A	N/A	Emphasis of matter: a) Recurrent issue: the Paying Agency had difficulty in carrying out on-the-spot control programs relating to social programs and third-country promotion measures; b) For the restructuring measure of the vineyard, the CB confirms improvement in recoveries of sanctions on conditionality: for claim year 2019, to be completed in 2021; c) For this measure, the CB invites the paying agency to continue the actions taken to reduce these delays, financial impact EUR 1.9 million.
47	GB05	DARD	Y	Y	Y	Y	
48	GB06	SGRPID	Y	Y	Y	Y	
49	GB07	WAG	Y	Y	Y	Y	
50	GB09	RPA	Y	Y	Y	Y	
51	GR01	OPEKEPE	Y	Y	Y	Y	
52	HR01	PAAFDRD	Y	Y	Y	Y	
53	HU02	ARDA	Y	Y	Y	Y	
54	IE01	DAFM	Y	Y	Y	Y	
55	IT01	AGEA	Y	Y	Y	Y	
56	IT02	SAISA	N/A	Y	N/A	N/A	
57	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
58	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
59	IT08	Emilia-Romagna (AGREA)	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	N	Qualified: An overall error of EUR 0.59 million relating to 7 payment applications in the EAFRD Non-IACS was found. Material error in legality and regularity of expenditure (3.58%) at Fund level.
65	LT01	NMA	Y	Y	N	Y	Qualified: the CB was unable to confirm the control statistics presented in the Management Declaration for some measures. Significant mismatch between the data presented and the information included in the IT system.

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	Emphasis of matter: Confirms the observations of the Management Declaration: ongoing , i.e. remedial actions as regards high error rates and deficiencies found.
72	RO01	RIFA	N/A	N/A	N	N	Qualified: The error rates presented in the Management Declaration could not be confirmed due to the results obtained after verifying the legality and regularity of the expenditure, (breach of materiality for both populations).
73	RO02	PIAA	Y	Y	N/A	N/A	Emphasis of matter: For some schemes, the CB estimates that the error rates presented in the Management Declaration could be slightly higher.
74	SE01	SJV	Y	Y	Y	Y	
75	SI01	AAMRD	Y	Y	Y	Y	
76	SK01	APA	Y	Y	N	Y	Qualified: a) For EAGF and EAFRD as regards the Paying Agency's compliance with the accreditation criteria; b) For EAFRD on the legality and regularity of expenditure; c) For EAFRD Non-IACS population due to scope limitation. The maximum level of risk for the EAFRD Non-IACS population is higher than 2% so that control statistics as well as data reported in the Management Declaration cannot be confirmed.

Table: Annex 7 – 2.2.2-1

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 - SFA because of 4 conformity 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. 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 Non-IACS. He also referred to 2 enquiries related to EAGF Non-IACS measures and EAFRD related to simplified cost options.

A reservation related to the financial risk identified under an enquiry related to EAGF IACS measures was also included in the Management Declaration of AT01 - AMA. As regards LT01, the reservation included in the Management Declaration relates to the Annual Activity Report of DG AGRI for 2019 as regards EAFRD expenditure with high error rate.

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 guidelines applicable as from financial year 2019 (see Explanatory box: Annex 7 – 2.3.1-1), this year as well 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.

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 sample⁹². 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.

As from financial year 2019, the now mandatory guidelines clearly separate the audit work to be done per audit objective, providing the possibility to use dual-purpose testing:

⁹² 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 Article 127 of the Financial Regulation⁹³, 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 Certification Body, 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 is also 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 7 – 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

⁹³ 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.

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 in the framework of the 2020 financial clearance exercise, through dedicated Certification Body audits and through conformity audits, 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 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

DG AGRI visited all Certification Bodies for all Paying Agencies at least once by 2019. The work programme for 2020 was based on the Certification Bodies' risk analysis. It is noted that with the review of the DG AGRI audit strategy in 2019, the single audit approach was confirmed as the main audit approach for the audits carried out. Therefore, a new risk factor relating to the reliance that can be placed on the Certification Body's work was incorporated in the Central Risk Analysis (CRA see Explanatory box Annex 7-1-1) performed for selecting the audits to be carried out. In case of high Certification Body risk where a conformity mission is not envisaged or in case of newly appointed Certification Bodies, dedicated audits on the review of the Certification Body's work on legality (including audit strategy) are planned.

Audit programme implemented in 2020

In 2020, the 15 audits listed in Table 2.3.1-1 below were carried out. The majority of the audits (12) were performed jointly with the conformity Units and 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. For three cases, a full scope Legality and Regularity audit was carried out, out of which one in France covered the Certification Body's audit strategy for three Paying Agencies (FR05, FR19 and FR20).

In addition, DG AGRI's conformity audit units also reviewed the work of the Certification Bodies' on legality and regularity.

It should be noted that, due to the COVID-19 restrictions, most of the Legality and Regularity audits for 2020 were carried out as remote audits since it was considered that an assessment of the audit strategy can be made on the basis of a remote audit.

The results of those missions are indicated under sub-section 2.3.5.

List of Paying Agencies and related Certification Bodies audited on audit strategy and sampling in 2020				
Paying Agency		Certification Body	Audit Field code	Comment
AT01	AMA	Deloitte Italy	EAGF NIACS	Joint audit
CZ01	SAIF	BDO Audit	EAFRD NIACS	Joint audit
DE04	Bayern	Deloitte	EAGF IACS	Joint audit
DE07	Brandenburg and Berlin	Ministerium der Finanzen des Landes Brandenburg, Finanzkontrolle der E-Fonds, Bescheinigende Stelle für EGFL und ELER	EAGF IACS	Joint audit
DK02	DAFA	KPMG	EAFRD NIACS	Joint audit
ES14	Navarra	Servicio de Intervención General del Departamento de Economía, Hacienda, Industria y Empleo del Gobierno de Navarra Grant Thornton	Audit strategy and sampling	Single audit (Full scope LAR)
ES08	Castilla y León	Intervención General de la Consejería de Economía y Hacienda de la Junta de Castilla y León	EAGF IACS	Joint audit
ES13	Murcia	Intervención General de la Comunidad Autónoma de la Región de Murcia PriceWaterhouseCoopers	EAFRD IACS	Joint audit
FR05, FR19, FR20	ODEADOM, ASP, France AgriMer	Commission de Certification des Comptes des Organismes Payeurs	Audit strategy and sampling	Single audit (Full scope LAR)
LT01	NMA [NPA]	PWC	EAFRD IACS	Joint audit
NL04	RVO.nl	Auditdienst Rijk, Ministerie van Financien	EAGF IACS	Joint audit
PT03	IFAP	Inspeção-Geral de Finanças (IGF), Autoridade de auditoria	EAGF NIACS	Joint audit
RO01	AFIR [RIFA]	Curtea de Conturi a Romaniei - Autoritatea de Audit Romanian Court of Accounts - Audit Authority	EAFRD NIACS	Joint audit
RO02	PIAA [APIA]	Curtea de Conturi a Romaniei - Autoritatea de Audit Romanian Court of Accounts - Audit Authority	Audit strategy and sampling	Single audit (Full scope LAR)
SK01	APA	PWC	EAGF IACS	Joint AUDIT

Table: Annex 7 – 2.3.1-1

Summary of the main findings of these audits and monitoring activities

Based on the observations from the above-listed audits, 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.

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. However, it should be noted that, in several cases of delays in the on the spot checks by the Paying Agencies, the restrictions in place in Member States due to the COVID-19 pandemic caused some additional delays in the timing of the Certification Bodies' re-verification controls.

Concerning the re-verifications, it was noted that 3 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 large majority of the Certification Bodies have detailed working papers and make substantial checks in this respect. In numerous cases again this year, the Member State corrected and re-submitted the control statistics based on the Certification Body's findings.

Continued significant improvement in the Certification Bodies' audit work and documentation was 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.

In 2020, it was observed that the Certification Bodies' check on the eligibility criteria were in general more comprehensive than in previous years. In some limited cases (6 out of the 15 audits compared to 10 cases out of 18 missions in 2019) where the checks were not always sufficient (i.e. did not cover all eligibility requirements), the recommendations issued were immediately taken into account. This led to further improvement in the audit work of some Certification Bodies, which was confirmed also in the financial clearance exercise. Thus in 2020, DG AGRI is in a position to acquire the necessary assurance from the CB's work on Legality and Regularity and this is reflected in the AAR adjusted error rate where a very large part of the adjustments were based on the Certification Bodies' assessment.

For the 2020 legality and regularity audits, it was concluded that full or partial reliance could be placed on 14 out of the 15 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 2020. Where reliable, this allowed DG AGRI to take fully the work of the Certification Bodies into account in the adjusted error rate for all four populations.

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 2020 financial clearance assessment, which started in February 2021.

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	64	-
Qualified opinion	2	RO02, SK01
Opinion with an emphasis of matter	3	FR05, FR19, NLO4
Total Member States: 28	69	
Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	63	-
Qualified opinion	1	SK01
Opinion with an emphasis of matter	6	ES,05, ES09, ES13, FR19, PT03, RO02
Total Member States: 28	69	

Table: Annex 7 – 2.3.1-2

For RO02 - PIAA, the Certification Body qualified its opinion on the legality and regularity of expenditure for EAGF IACS due to material errors and 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 the Scheme on agricultural practices beneficial for climate and the environment (Greening Payment) and two sub-measures of Voluntary Coupled Support.

For SK01 – APA, the Certification Body qualified its opinion on the legality and regularity of expenditure and on the Management Declaration for EAGF IACS due to significant deficiencies identified in the area of internal control procedures, namely human resources (for administrative and on-the-spot checks procedures) and ongoing monitoring through internal control activities.

For FR05 – ODEADOM, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of expenditure for EAGF IACS since the health measures

linked to the COVID-19 pandemic have not made it possible to travel in the overseas departments and the re-verifications were therefore carried out on a documentary basis.

For FR19 - ASP, the Certification Body issued an emphasis of matter in the opinion on the legality and regularity of expenditure and on the Management Declaration in order to highlight the Paying Agency's archiving deficiencies since some data is stored outside the Paying Agency's systems and that the error rates relating to coupled support for vegetables should be interpreted with caution due to the number of controls carried out.

For NLO4 – RVO, the Certification Body issued an emphasis of matter in the opinion for EAGF IACS for a small part of area related schemes where it was not able to determine the right of use of land.

For ES05 – Canary Islands, ES090 – Catalonia, ES13 – Murcia, the Certification Bodies issued an emphasis of matter in the opinion on the Management Declaration due to the material error reported by the Paying Agency 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 population⁹⁴

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	59	-
Qualified opinion	3	DE17, RO02, SK01
Opinion with an emphasis of matter	7	DE18, ES07, FR05, FR19, FR20, GB09, SE01
Total Member States: 28	69	
Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	65	-
Qualified opinion	2	DE17, SK01
Opinion with an emphasis of matter	2	DE26, FR20
Total Member States: 28	69	

Table: Annex 7 – 2.3.1-3

For DE17 - Rheinland-Pfalz, the Certification Body qualified its opinion on the legality and regularity and on the Management Declaration of EAGF Non-IACS due to suspicion of fraud

⁹⁴ EAGF Non-IACS measures are essentially the market measures.

in the case of a producer organisation and findings related to the application of the provisions of Delegated Regulation (EU) 2020/592.

For R002 – PIAA, the Certification Body qualified the opinion on the legality and regularity of the expenditure for EAGF Non-IACS due to material errors.

For SK01 – APA, the Certification Body qualified its opinion on the legality and regularity of expenditure and on the Management Declaration for EAGF Non-IACS due to significant deficiencies identified in the area of internal control procedures (for details see above under EAGF IACS).

For DE18 – Saarland AAL, the Certification Body issued an emphasis of matter in the opinion for EAGF Non-IACS due to a material administrative error which was not corrected by the end of the financial year.

For ES07 – Castilla La Mancha, the Certification Body issued an emphasis of matter in the opinion for EAGF Non-IACS due to deficiencies on the notification of old debts which, according to the Certification Body are irrecoverable.

For FR05 – ODEADOM, the Certification Body issued an emphasis of matter in the opinion for EAGF Non-IACS because the health measures linked to the COVID-19 pandemic have not made it possible to travel in the overseas departments and the re-verifications were therefore carried out on a documentary basis.

For FR19 – ASP, the Certification Body issued an emphasis of matter in the opinion of EAGF Non-IACS due to deficiencies identified during the testing of the management system for irregularities and debts,

For FR20 – France AgriMer, the Certification Body issued an emphasis of matter in the opinion and on the Management Declaration of EAGF Non-IACS for the following reasons:

- a) The health measures linked to the COVID-19 pandemic have not made it possible to carry out the re-verifications which were therefore based on a documentary review.
- b) The attention raised on distillation measures which represented approximately EUR130 million and particularly to the methods for calculating the aid paid.
- c) The difficulties that the Paying Agency had, for another year, in carrying out the on-the-spot control programs relating to social programs and third-country promotion measures.

For GB09 – RPA, the Certification Body issued an emphasis of matter in the opinion of EAGF Non-IACS due to material errors identified during the testing of the School Milk Scheme and Apiculture.

For SE01, the Certification Body issued an emphasis of matter in the opinion of EAGF Non-IACS due to significant delays identified during the testing of the management system for irregularities and debts.

For DE26 - Hessen, the Certification Body issued an emphasis of matter in the opinion on the Management declaration as it could not confirm the control statistics for EAGF Non-IACS.

In 14 cases⁹⁵, there was no separate testing for the EAGF Non-IACS population, as the Certification Body treated this population as a *de minimis* population.

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	62	-
Qualified opinion	5	DE18, GB05, IE01, RO01, SK01
Opinion with an emphasis of matter	2	FR18, GB06
Total Member States: 28	69	
Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	61	-
Qualified opinion	3	DE18, LT01, RO01
Opinion with an emphasis of matter	5	ES02, ES05, ES09, ES13, ES15 PT03,
Total Member States: 28	69	

Table: Annex 7 -2.3.1-4

For DE18 – Saarland and RO01 – RIFA, the Certification Bodies qualified the opinion on the legality and regularity of the expenditure and on the Management Declaration due to material errors found and as a result the control statics could not be confirmed.

For GB05 – DAEFA, the Certification Body qualified the opinion on the legality and regularity of the expenditure due to material errors for part of the population.

For SK01 – APA, the Certification Body qualified its opinion on the legality and regularity of expenditure and on the Management Declaration due to significant deficiencies identified in the area of internal control procedures (for details see EAGF IACS above).

For IE01 - DAFM, the Certification Body qualified the opinion on the legality and regularity of the because the imposed restrictions in response to the COVID-19 pandemic, did not

⁹⁵ DE04, DE07, DE11, DE19, DE20, DE21, DE26, DE27, ES03, FI01, GB05, GB06, GB07 and , SE01.

allow the Certification Body to complete the work relating to the on-the-spot re-verifications for the Green Low-Carbon Agri-Environment Scheme ('GLAS').

For LT01 – NMA, the Certification Body qualified its opinion on the Management Declaration since it could not confirm the control statistics for 2 measures.

For FR18 – ODARC, the Certification Body issued an emphasis of matter in its opinion due to COVID related restrictions resulting in the re-verifications carried out remotely and the limited ability of the Paying Agency to exercise its delegation responsibilities.

For GB06 – SGRPID, the Certification Body issued an emphasis of matter in the opinion on the EAFRD accounts since the testing highlighted a material breach of the Annex II disclosure whereby recoveries relating to the Beef Efficiency Scheme had been incorrectly disclosed in Annex III.

For ES02 - Aragon, ES05 – Canary Islands, ES09 – Catalonia, ES13 – Murcia, ES15 – Pais Vasco and PT03 – IFAP, the Certification Bodies issued an emphasis of matter in the opinion on the Management declaration due to the material error reported by the Paying Agency for EAFRD IACS.

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	51	-
Qualified opinion	8	DE18, ES14, FR19, GB05, IE01, IT26, RO01, SK01
Opinion with an emphasis of matter	8	BE03, ES07, GB06, GB07, GB09, NLO4, PL01, SE01
Total Member States: 28	69	
Opinion on the Paying Agency's Management declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	61	-
Qualified opinion	6	BE03, DE18, IT26, RO01, SK01
Opinion with an emphasis of matter	2	ES12, ES13
Total Member States: 28	69	

Table: Annex 7 – 2.3.1-5

For DE18 – Saarland, IT26 - ARCEA and RO01 – RIFA, the Certification Bodies qualified the opinion on the legality and regularity of the expenditure and on the Management Declaration for EAFRD IACS due to material errors found and did not confirm the control statics as result.

For ES14 – Navarra, FR19 – ASP and GB05 – DAEFA, the Certification Bodies qualified the opinion on the legality and regularity of the expenditure due to material errors in parts or the entire population of EAFRD Non-IACS.

For SK01 – APA, the Certification Body qualified its opinion on the legality and regularity of expenditure and on the Management Declaration due to significant deficiencies identified in the area of internal control procedures (for details see EAGF IACS above), also reflected in several suspicions of fraud detected and due to material errors found in the entire population.

For IE01 - DAFM, the Certification Bodies qualified the opinion on the legality and regularity of the expenditure. The imposed restrictions in response to the COVID-19 pandemic, did not allow the Certification Body to complete the work relating to the on-the-spot re-verifications for the Targeted Agriculture Modernisation Scheme ('TAMS').

For BE03 – Wallonia, the Certification Body qualified the opinion on the Management Declaration and issued an emphasis of matter for the legality and regularity of the expenditure due to errors identified in the control statistics and the lack of checks related to reasonableness of costs for part of the expenditure for measures M04 and M06.1.

For ES07 – Castilla La Mancha, the Certification Body issued an emphasis of matter in its opinion due to deficiencies on the notification of old debts which, according to the Certification Body are irrecoverable.

The Certification Bodies for GB06 – Scotland, GB07- Wales, GB09 – England and PL01 - ARMA issued an emphasis of matter in the opinion on the legality and regularity of the expenditure for EAFRD Non-IACS due to material errors. Since the error remained below materiality at Fund level, an unqualified opinion for EAFRD as a whole was issued.

For SE01, the Certification Body issued an emphasis of matter in the opinion of EAGF Non-IACS due to significant delays identified during the testing of the management system for irregularities and debts.

For ES12 – Madrid and ES13 – Murcia, the Certification Bodies issued an emphasis of matter in the opinion on the Management declaration due to the material error reported by the Paying Agency 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 2019 Annual Activity Report of DG AGRI. The state of play and potential delays in implementation were indicated by the Certification Bodies. However, there were some cases where 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 sixth year of delivering an opinion on legality and regularity of expenditure, the Certification Bodies' reports contain increased 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 7 – Part 3 indicates where the audit work of the Certification Bodies is used to adjust the error rates. The Certification Bodies' findings again 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 and constituted a very large part of the adjustments made to the error rates.

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 2019 were verified by the Certification Body at the appropriate time, to minimise the risk that the situation of the land parcels or animals concerned might have changed in the meantime. In all cases of a time gap between the Paying Agencies' initial on-the-spot-controls and the re-verifications of the Certification Bodies, DG AGRI assessed whether the time lapse was mitigated by the Certification Bodies, for example, through the use of alternative methods.
- 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 strategy⁹⁶, 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 2020. 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 2019 were done rather late. This was mainly due to late submission of the necessary documents and / or on the-spot control samples on behalf of the Paying Agency or the late appointment of the Certification Body. It is also noted that, in some cases of time gaps between the Paying Agencies' on-the-spot controls and the Certification Bodies' re-verifications, the cause of the delays was the late performance of the initial on-the-spot checks by the Paying Agencies. Some Certification Bodies, although alternative methods were allowed, preferred to wait until the lift of the COVID-19-related restrictions applied by Member States in order to perform the re-verification of on-the-spot controls. DG AGRI assesses the work and the reliance that could be placed, and could take on board most of the errors reported as they were not affected by the timing.

DG AGRI identified, in a few cases, deficiencies in the audit approach followed by the Certification Bodies in relation to the re-verification of Checks By Monitoring, for Member States that apply this type of control, which may be a reflection of this being a new type of control to be audited.

In general, the Certification Bodies' work on this population is of a good standard and has further improved in comparison to previous years. In a number of cases, where there were some delays in the Certification Body's work, DG AGRI could still place reliance on their work and could still take into account the errors they reported.

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 2020. In the majority of the cases in financial year 2020, the audit work for this population and

⁹⁶ Under the revised guidelines.

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 substantial 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, the very small samples that some Certification Bodies decided to test for the EAFRD IACS, in combination with high rate of errors found during the testing had an impact on the reliance that DG AGRI could place on their work. At the same time, in the majority of cases the work of the Certification Body was of a very high standard not only in terms of the result's statistical validity but also in terms of the substance of the finding.

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.

Although, a small number of Certification Bodies still have issues with their sampling for this population under the revised guidelines, the impact of the shortcomings identified was limited. On the contrary, in many cases increased samples were tested and the findings were well substantiated and in the majority of cases satisfactory. However, there were still a few Certification Bodies that needed to improve their eligibility re-verifications for some measures, for example on checks related to reasonableness of cost.

In a considerable number of cases the Certification Bodies had material findings for this population which were taken on board in the adjustment of the error rates (see section 3.3).

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

In the sixth year of application of the new approach, the Certification Bodies delivered sound and substantial results on the legality and regularity of the expenditure for all populations. Based on the substantial Certification Bodies' work performed and the increased number of findings, DG AGRI took reliance from the results of the Certification Bodies' work on legality and regularity. 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 were the basis for the calculation of DG AGRI's adjusted error rate for financial year 2020.

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 in some cases 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).

Overall, for the vast majority of the Certification Bodies the incompliance rate was accepted and an adjustment (the projected incompliance rate and any corresponding known errors) was applied to the reported error rate (see Annex 7 - Part 3).

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

In 2020, 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 (ABBO2) 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 the review of the sampling for EAGF Non-IACS, the assessment of the internal control system and the verification of the work done as regards compliance and substantive testing. 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 by reviewing the work of the Paying Agency in this area in order to gain the necessary assurance.

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 errors in the sampling for EAGF Non-IACS, a lack of depth in the Certification Bodies checks during the compliance and substantive testing, mainly as regards the simplified cost options and maximum costs, and issues related to the Certification Body checks to verify the correct translation of the EU requirement in the Member State legislation and control procedures.

- **Area Aids**

For area aids (ABB03), the starting point for the 9 conformity audits carried out in 2020 was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2019 to 2021. 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. Due to the COVID-19 restrictions, with the exception of a few cases *in situ* visits to verify in detail the work of the Certification Bodies were not possible. For the cases where this was possible the audits confirmed the quality of the work of the Certification Bodies, 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 2019 to 2020. In that sense, altogether 5 audits took place, all for VCS but 1 audit also covered Payment Entitlements all starting from the work done by the Certification Bodies. Due to the COVID-19 restrictions, 3 audits could be carried-out in the Member States, thus including on-the-spot checks. While 2 audits were done remotely.

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 still 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 in the one case done that scope and quality of the work carried out by the Certification Body called for. DG AGRI auditors to complement the Certification Body's work 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 the large majority 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 2019 and 2020. 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 2020.

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 sixth year of application of the reporting requirements on legality and regularity and the second year of application by all Certification Bodies of the revised guidelines. Based on the increased number of findings and on the quality work submitted by the large majority of the Certification Bodies, assurance can be obtained from the Certification Bodies' opinions on legality and regularity. DG AGRI has implemented 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 already addressed the weaknesses in the certification reporting for financial year 2020, which led to increasing the reliance placed on their work.

Overall, the Certification Bodies' work on legality and regularity was of high standard, despite the difficulties that COVID-19 pandemic might have had in the planning and the implementation of their work. Therefore, this year, the work of the Certification Bodies was used to the highest extent since the introduction of the work of the Certification Bodies on legality and regularity. In financial year 2020, DG AGRI is in a position to acquire the necessary assurance from the Certification Bodies' work on Legality and Regularity and this is reflected in the AAR adjusted error rate where a very large part of adjustments was based on the Certification Bodies' assessment. as described in the following Part 3.

Regarding the limited number of cases where further improvement of the Certification Body's work is necessary and the cases of newly appointed Certification Bodies, DG AGRI will continue to work closely with them in order to further progress and improve their work on legality and regularity. In this way, DG AGRI will continue to maximise the level of assurance that can be obtained from 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

Annex 7 - 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
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3.1.5	Wine sector
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3.1.7	EU School Scheme
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3.1.9	Pig meat, eggs, poultry, beekeeping, beef and veal sector
3.1.10	Promotion measures
3.1.11	Conclusions as regards assurance for ABB02

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 2020.

The total expenditure for market measures under Title 0502 in 2020 amounts to **EUR 2 573 813 479**.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2020 for the various market sectors:

Expenditure reimbursed by DG AGRI to the Member States in 2020

Chapter	Article	Sector/measure	Expenditure (EUR)
0502	050201	Cereals	0
	050202	Rice	0
	050203	Refunds on non-Annex I products	0
	050204	Food programmes	0
	050205	Sugar	0
	050206	Olive oil	35 136 212
	050207	Textile plants	0
	050208	Fruit and vegetables	902 681 636
	050209	Products of the wine-growing sector	1 056 621 169
	050210	Promotion	76 716 204
	050211	Other plant products/measures	227 749 244
	050212	Milk and milk products	996 504
	050213	Beef and veal	49 531 794
	050214	Sheepmeat and goatmeat	0
	050215	Pigmeat, eggs and poultry, bee-keeping and other animal products	49 965 015
	050218	School schemes	162 052 197
	Subtotal		
Reimbursement of suspension of payments			12 363 503
ABB 02 Total Shared Management			2 573 813 479
ABB 02 Total Direct Management	05 02 10 02	Promotion measures - Direct payments by the Union	0
ABB 02 Grand Total			2 573 813 479

Table: Annex 7 – 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 in previous years have existed for up to 97.37% but for 2020 only applied to 85.28% of expenditure and market measures are implemented at national level in Member States.

For financial year 2020, the share of market measures for which control statistics are available decreased compared to financial year 2019. In financial year 2020, new temporary exceptional aid amounting to EUR 321 229 million was introduced for the wine sector, namely crisis wine storage and crisis wine distillation (see section 3.1.5), and for the beef and veal sector (see section 3.1.9). For these new temporary exceptional measures, the control statistics are not required by the regulations and therefore are not available.

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 5 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.

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 2020, this was necessary in respect of around 11.22% of expenditure for the ABB, mainly in respect of temporary exceptional measures for wine (see section 3.1.5) and beef and veal sector (see section 3.1.9).

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

Expenditure by Measure in 2020 - Fruit and Vegetables				
Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	Temporary exceptional measures	Total Fruit & Vegetables
AT	5 073 207.09			5 073 207
BE	54 400 762.33			54 400 762
BG	157 577.63			157 578
CY	170 489.36			170 489
CZ	4 612 312.62			4 612 313
DE	49 363 025.91			49 363 026
DK	8 035 376.74			8 035 377
EE				-
ES	284 034 416.88			284 034 417
FI	3 188 837.66			3 188 838
FR	121 011 692.20			121 011 692
GB	36 978 351.68			36 978 352
GR	9 956 654.82		334 093.41	10 290 748
HR				-
HU	4 315 363.07			4 315 363
IE	4 649 691.39			4 649 691
IT	274 754 423.88		1 296.19	274 753 128
LT				-
LU				-
LV	603 051.51			603 052
MT				-
NL	14 357 403.70			14 357 404
PL	4 001 185.85	44 955.97	0.41	4 046 141
PT	14 488 022.69			14 488 023
RO	2 635 465.09			2 635 465
SE	3 382 917.87			3 382 918
SI				-
SK	2 133 870.77			2 133 871
Grand Total	902 304 101	44 956	332 797	902 681 854

Table: Annex 7- 3.1.4-1

3.1.4.1 Operational programmes of producer organisations

In 2020, the expenditure under this measure amounted to EUR 902.3 million.

Article 54, point (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 2020 in respect of operational year 2019. The level of error detected by the Member States was 0.7% 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 the respect of recognition criteria as well as the correct implementation of the OP. Therefore, due 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 2018 and 2020 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 particular the result of the Certification Body audits and DG AGRI's own audit 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 5 to this AAR), have adjusted the error rates concerned.

In 2020, DG AGRI carried out audits in Spain (ES01 – Andalucia), Italy (IT01 – Agea) and Belgium (BE02 – Flanders) to verify the work of the Certification Body. These audits resulted in observations for the Certification Bodies and the Paying Agencies.

In 2020, one desk audit was also launched (Greece).

The Certification Bodies have also found errors in respect of certain Member States (Austria, Cyprus, Germany, Spain, France, Italy, Poland and the United Kingdom).

In the cases of Italy and 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 (Belgium, Spain, Italy, Portugal, 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 2020 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	5 073 207	18.1%	0.16%	0.03%	6 838	1 446	0.16%	8 283
BE	54 400 762	21.5%	0.02%	2.00%	8 931	1 088 015	2.02%	1 096 946
BG	157 578	100.0%	5.94%	-	-	-	-	-
CY	170 489	100.0%	-	2.00%	-	3 410	2.00%	3 410
CZ	4 612 313	72.8%	5.83%	-	73 213	-	1.59%	73 213
DE	49 363 026	72.5%	3.63%	2.30%	492 840	1 135 350	3.30%	1 628 189
DK	8 035 377	59.7%	0.02%	-	623	-	0.01%	623
ES	284 034 417	22.2%	0.32%	0.70%	696 634	1 988 241	0.95%	2 684 875
FI	3 188 838	38.4%	0.00%	-	91	-	0.00%	91
FR	121 011 692	31.3%	0.99%	0.10%	822 207	-	0.68%	822 207
GB	36 978 352	17.6%	-	5.00%	-	1 848 918	5.00%	1 848 918
GR	10 290 748	31.3%	0.15%	-	10 654	-	0.10%	10 654
HU	4 315 363	10.3%	3.68%	-	142 479	-	3.30%	142 479
IE	4 649 691	100.0%	0.00%	-	-	-	-	-
IT	274 753 128	31.8%	0.13%	7.30%	242 453	20 056 978	7.39%	20 299 431
LV	603 052	100.0%	2.58%	-	-	-	-	-
NL	14 357 404	36.3%	0.15%	0.30%	13 886	43 072	0.40%	56 958
PL	4 001 185	64.0%	0.03%	2.50%	488	100 030	2.51%	100 518
PT	14 488 023	100.0%	8.74%	10.00%	-	1 448 802	10.00%	1 448 802
RO	2 635 465	100.0%	-	-	-	-	-	-
SE	3 382 918	37.5%	0.43%	0.30%	9 042	10 149	0.57%	19 191
SK	2 133 871	100.0%	0.20%	-	-	21 339	1.00%	21 339
Grand Total	902 636 898	32.16%	0.67%		2 520 378	27 745 749	3.35%	30 266 126

Table: Annex 7 – 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	Mitigating factors/reservation follow up
BE	2.02%	EUR 1.097 million	A DG AGRI audit in 2020 found deficiencies in the administrative checks as regards the calculation of the specific costs, and on-the-spot check for the implementation of the operational programme.	Yes	A reservation is entered in respect of 2020 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.
CY	2.00%	EUR 0.003 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 5), no reservation is required. The Member State should address the deficiencies identified by the Certification Body.

DE	3.30%	EUR 1.628 million	<p>The Member State has reported an error rate above materiality.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should address the underlying causes of the high error rate and, based on the Certification Body's finding, should ensure recovery of unduly paid amounts.</p> <p>A conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
GB	5.00%	EUR 1.849 million	<p>A DG AGRI audit in 2018 identified deficiencies in the administrative checks to establish the eligibility of operational programmes, and the on-the-spot checks (OTSC) verifying the compliance with the recognition criteria.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>Remedial actions addressing the deficiencies identified by DG AGRI are needed, but in light of the withdrawal of UK from the EU an action plan will not be requested.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
IT	7.39%	EUR 20.300 million	<p>DG AGRI audits in 2019 and 2020 identified deficiencies in the checks to establish the eligibility and the approval of the operational programmes in AGEA (IT01), Lombardy (IT23) and AVEPA Veneto (IT05).</p> <p>In addition, the same audits found deficiencies in the calculation of specific costs under Ministerial Circular n. 5796 for all of Italy.</p> <p>This Circular was replaced by Ministerial Circular n. 5928. However, some of the deficiencies detected are also present in the new Ministerial Circular affecting all of Italy.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI in 2019 and 2020.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
HU	3.30%	EUR 0.142 million	<p>The Member State has reported a high error rate above the materiality level.</p>	No	<p>As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should address the high reported error rate.</p>
PL	2.51%	EUR 0.100 million	<p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	No	<p>As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should address the issues identified by the Certification Body.</p>
PT	10%	EUR 1.448 million	<p>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.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Portuguese authorities should implement the action plan already requested to address the deficiencies identified by DG AGRI.</p> <p>A conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

Table: Annex 7 – 3.1.4.1.-2

3.1.4.2 Pre-recognition of producer groups

In 2020, the expenditure under this measure had decreased to EUR 44 956 (compared to EUR 1.388 million in 2019). 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.

DG AGRI audits on recognition plans of producer groups carried out in 2017 and 2020 identified serious control deficiencies.

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

Fruit and Vegetables -Prerecognition of Producer Groups Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid in 2020 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)
PL	44 956	-	-	15.0%	-	6 743	15.00%	6 743
Grand Total	44 956	-	-		0	6 743		6 743

Table: Annex 7 – 3.1.4.2-1

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
PL	15%	EUR 0.0067 million	A DG AGRI audit in 2019 identified deficiencies in the checks to establish the access to the aid claimed 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.

Table: Annex 7 – 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 five reservations are required in respect of five Member States for a total amount of EUR 22 984 million. The total amount at risk in the 2020 expenditure is estimated at EUR 30 273 million.

Summary of reservations and amounts at risk for Fruit & Vegetable Sector					
Measure	Expenditure EUR	Adjusted error rate	MS with reservation	Amount under reservation EUR	Total amount at risk EUR
Operational programmes for Producer Organisation	902 636 898	3.35%	BE	1 096 946	30 266 126
			DE	1 628 189	
			GB	2 684 875	
			IT	20 299 431	
			PT	1 448 802	
			Total OPPO	22 984 306	
Pre-Recognition of Producer Groups	44 956	15.00%		-	6 743
			Total PRPG	-	
Grand Total	902 681 854	3.35%		22 984 306	30 272 870

Table: Annex 7 – 3.1.4.3-1

The 2019 reservations for **operational programmes for producer organisations** for Italy, Portugal and the United Kingdom are carried over. For Cyprus, Hungary and Poland 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, it 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. Each Member State sets up a national support programme, defining the measures and budgets that are 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. 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 2020, the expenditure under this measure for which control statistics were available amounted to EUR 784.9 million:

Expenditure by Measure in 2020 - 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 (Replanting vineyards, etc)	Total Wine
AT	2 185 601	4 598 105	3 604 826						10 388 532
BE	-	-	-						-
BG	4 328 306	6 483 657	-		112 596	888 582			11 813 141
CY	2 593 455	755 573	-			1 288 276	8 673	-	4 645 976
CZ	2 953 807	1 760 257	-						4 714 064
DE	18 398 429	15 979 424	3 388 344		141 274				37 907 472
DK	-	-	-						-
EE	-	-	-						-
ES	38 776 187	31 560 274	27 746 838	29 260 800		3 983 393			131 327 493
FI	-	-	-						-
FR	63 412 249	54 016 940	20 599 475	15 516 334					153 544 998
GB	-	-	-						-
GR	7 921 349	2 661 038	130 861			1 005 998			11 719 245
HR	773 208	3 211 674	118 089						4 102 972
HU	18 160 480	-	-	1 283 478		6 147 366			25 591 324
IE	-	-	-						-
IT	119 432 027	67 033 725	89 770 542	15 831 059	129	14 751 293		3 488	306 822 264
LT	-	-	-						-
LU	-	-	-						-
LV	-	-	-						-
MT	-	-	-						-
NL	-	-	-						-
PL	-	-	-						-
PT	30 961 644	-	11 114 241	5 298 425	7 142 712				54 517 022
RO	10 932 118	6 271 505	145 911		1 053 724			23 581	18 426 838
SE	-	-	-						-
SI	3 614 254	-	453 267			250 993			4 318 515
SK	4 443 542	351 524	89 721		199 034				5 083 821
Grand Total	328 886 656	194 683 696	157 162 117	67 190 096	8 649 468	28 315 902	8 673	27 069	784 923 677

Table: Annex 7 – 3.1.5-1

Due to the significant disturbance of the wine markets throughout the European Union following the COVID-19 pandemic, the high level of wine stocks and the import tariffs imposed by the United States of America, Regulation (EU) 2020/592 introduced temporary exceptional measures for wine sector, namely crisis wine storage and crisis wine distillation. These temporary exceptional measures aim to remove wine from the market and help to manage progressively a return to a more economically viable market situation. As they are exceptional no control statistics are required for these crisis measures.

This is the reason why a total of EUR 271.7 million was paid for wine measures for which no control statistics were available⁹⁷:

⁹⁷ Including the aid paid under budget item 05020999 to Italy (EUR 405 770) and reimbursement from Spain (EUR 797).

Expenditure by Measure in 2020 - Wine measures with no control statistics

Member State	Crisis storage of wine	Crisis distillation	Wine no national support programme	Total Wine no statistics
AT		3 299 816		3 299 816
BE				-
BG	1 476 367			1 476 367
CY				-
CZ				-
DE				-
DK				-
EE				-
ES	16 175 346	65 190 176	- 797	81 364 725
FI				-
FR		126 999 998		126 999 998
GB				-
GR		6 079 213		6 079 213
HR	1 021 426	4 963 560		5 984 986
HU		1 670 233		1 670 233
IE				-
IT		13 945 837	405 670	14 351 507
LT				-
LU				-
LV				-
MT				-
NL				-
PL				-
PT	2 385 876	8 291 988		10 677 864
RO		19 103 212		19 103 212
SE				-
SI	69 985	619 586		689 571
SK				-
Grand Total	21 129 000	250 163 620	404 873	271 697 492

Table: Annex 7 – 3.1.5-2

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 two audits on the measure in 2020 in Czech Republic and Portugal. The most significant issue detected was related to the standard unit costs 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 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 2018-2020, DG AGRI carried out two audits, one in Spain (ES16 – La Rioja) and one in Austria (AT – 01). 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, complemented by on-the-spot checks (OTSCs) covering at least 5% of the

total expenditure. In 2020, DG AGRI audited Spain (ES16 – La Rioja). The most significant issues detected related to the verification of the implementation of the promotional activities, the checks for ensuring the reasonableness of the costs and the full implementation of the promotion actions.

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 2020, 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 2020, DG AGRI did not carry out any audit covering this measure.

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.

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.

Crisis measures

The measures wine crisis distillation and wine crisis storage were approved in May 2020⁹⁸. In 2020 DG AGRI had not yet carried out any audit covering these schemes.

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 Spain, Bulgaria, France and Slovakia, deficiencies in the checks for investment measures for wine in Austria as well as deficiencies in the checks for promotion measures in 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 3.1.5.1-1 below.

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

Wine - 2020 Expenditure - National Support Programme								
Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2020	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR				EUR	EUR		EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)=(b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	10 388 532	100.0%	0.07%	1.48%	-	153 927	1.48%	153 927
BG	11 813 141	99.1%	0.16%	2.78%	1 465	369 919	3.14%	371 385
CY	4 645 976	97.8%	0.79%	-	-	-	-	-
CZ	4 714 064	-	-	-	-	-	-	-
DE	37 907 472	92.0%	0.33%	6.87%	542	2 603 456	6.87%	2 603 999
ES	131 327 493	83.1%	0.92%	0.46%	354 798	686 562	0.79%	1 041 360
FR	153 544 998	86.6%	5.72%	1.48%	1 455 310	2 265 321	2.42%	3 720 631
GR	11 719 245	97.3%	1.96%	1.93%	-	226 003	1.93%	226 003
HR	4 102 972	91.7%	0.15%	-	1 236	-	0.03%	1 236
HU	25 591 324	100.0%	10.42%	0.26%	-	19 404	0.08%	19 404
IT	306 822 264	65.0%	2.16%	0.82%	3 039 687	2 512 470	1.81%	5 552 156
PT	54 517 022	58.1%	5.80%	1.59%	640 631	903 336	2.83%	1 543 967
RO	18 426 838	94.3%	0.80%	1.06%	49	195 734	1.06%	195 783
SI	4 318 515	80.3%	0.05%	-	291	-	0.01%	291
SK	5 083 821	94.3%	-	8.84%	-	451 413	8.88%	451 413
Grand Total	784 923 677	76.6%	2.93%		5 494 010	10 387 546	2.02%	15 881 556

Table: Annex 7 – 3.1.5.1-1

⁹⁸ Article 219(1) of Regulation (EU) No 1308/2013; Articles 3 and 4 of Regulation (EU) 2020/592 and Regulation (EU) 2020/1275.

The above table indicates that the adjusted error rate for the national support programme for the wine sector is 2.02%, which represents a total amount at risk in the 2020 expenditure of EUR 15 882 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	Reservation	Mitigating factors/Reservation follow-up
BG	3.14%	EUR 0.371 million	<p>A DG AGRI audit in 2019 identified deficiencies in wine restructuring concerning the administrative checks defining the maximum costs for the projects.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measures Wine restructuring and conversion of vineyards, Wine investment and Crisis storage of wine.</p>	No	<p>As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
DE	6.87%	EUR 2.604 million	<p>The Certification Body identified deficiencies related to the increase of funding rate under the temporary conditions due to the COVID-19 pandemic.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measure Wine investment.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should address the issues identified by the Certification Body and should ensure the recovery of the unduly paid amounts.</p> <p>The conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR	2.42%	EUR 3.720 million	<p>A DG AGRI audit in 2020 identified deficiencies in Wine restructuring and conversion concerning the administrative checks and the application of penalties.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measures Wine investment and Wine Promotion to third countries.</p> <p>In addition, for the measure Wine Promotion to third countries the Member State has reported an error rate above the materiality.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should address the underlying causes of the high error rate and take remedial actions to take into account the deficiencies identified for future payments.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
PT	2.83%	EUR 1.543 million	<p>A DG AGRI audit in 2020 identified deficiencies in wine restructuring concerning the administrative checks defining the standard scales of unit costs and verifying the implementation of all the actions funded.</p> <p>Based on the Certification Body's assessment, an adjustment was</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should address the underlying causes for the high reported error rate and the deficiencies identified by the Certification Body.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk</p>

			made to the error rate reported by the Member State for Wine Promotion to third countries. Moreover, for Wine Restructuring the Member State has reported a high error rate.		to the EU budget is covered.
SK	8.88%	EUR 0.451 million	A DG AGRI audit in 2020 identified deficiencies in wine restructuring concerning the administrative checks carried out for ensuring the reasonableness of the costs. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State for the measure Wine investment.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.5.1-2

Wine - 2020 Expenditure - Crisis measures and Measures outside the National Support Programme

Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2020	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up	Amount at risk for top-up	Adjusted error rate	Total amount at risk
	EUR				EUR	EUR		EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
AT	3 299 816	NA	NA	0.04%		1 274	0.04%	1 274
BG	1 476 367	NA	NA	4.22%		62 358	4.22%	62 358
CY	-	NA	NA			-	-	-
CZ	-	NA	NA			-	-	-
DE	-	NA	NA			-	-	-
ES	81 364 725	NA	NA	0.00%		828	0.00%	828
FR	126 999 998	NA	NA	0.03%		38 990	0.03%	38 990
GR	6 079 213	NA	NA			-	-	-
HR	5 984 986	NA	NA			-	-	-
HU	1 670 233	NA	NA			-	-	-
IT	14 351 507	NA	NA			-	-	-
PT	10 677 864	NA	NA			-	-	-
RO	19 103 212	NA	NA			-	-	-
SI	689 571	NA	NA			-	-	-
SK	-	NA	NA			-	-	-
Grand Total	271 697 492				-	103 451	0.04%	103 451

Table: Annex 7 – 3.1.5.1-3

The above table indicates that the adjusted error rate for the temporary exceptional measures for wine sector (crisis wine storage and crisis wine distillation) is 0.04%, which represents a total amount at risk in the 2020 expenditure of EUR 0.103 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	Reservation	Mitigating factors/Reservation follow-up
BG	4.22%	EUR 0.062 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.

Table: Annex 7 – 3.1.5.1-4

3.1.6 Olive oil

In 2020, the expenditure under this scheme, which is implemented only by three Member States (France, Greece and Italy) amounted to EUR 33.9 million.

The table below indicates that the reported error rate for the olive oil sector is 0.9%.

Olive oil Work Programme Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2020 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	547 786	100.0%	0.04%		-	-	-	-
GR	10 368 480	100.0%	2.93%		-	-	-	-
IT	23 012 770	100.0%	0.03%		-	-	-	-
Grand Total	33 929 035	100.0%	0.9%	-	-	-	-	-

Table: Annex 7 – 3.1.6-1

In 2020 beside the Olive Oil Work Programmes, Member States implemented the measure “Private storage⁹⁹” for a total aid of EUR 1 207 million: Spain EUR 0.875 million, Italy EUR 0.125 million and Portugal EUR 0.208 million.

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.

DG AGRI audits carried out in 2020 identified control deficiencies for Bulgaria (BG01), Croatia (HR01), Romania (RO02) and Slovakia (SK01) and have led to adjustments for these four Member States while a further adjustment was based on an audit enquiry in Spain (ES09 – Generalidad de Catalunya) carried out in 2019.

⁹⁹ Pursuant Article 17, point (b) of Regulation (EU) No 1308/2013 and Regulation (EU) 2019/1882.

For Belgium, Denmark, Germany, Hungary, Italy, Malta, The Netherlands, Romania, Spain, and the United Kingdom errors have been reported by the respective Certification Bodies for 2020 and DG AGRI has included them in the amount at risk.

Based on these audit findings, DG AGRI auditors have therefore used their professional 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 2020 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	2 597 838	32.45%	0.00%		-	-	-	-
BE	1 962 289	13.30%	1.44%	0.01%	24 540	121	1.26%	24 661
BG	3 675 453	35.04%	0.17%	10.00%	4 089	367 526	10.11%	371 616
CY	294 914	21.72%	0.00%		-	-	-	-
CZ	6 036 589	70.94%	0.00%		-	-	-	-
DE	25 774 033	19.57%	0.08%	0.00%	17 123	90	0.07%	17 213
DK	2 340 004	16.36%	1.37%	0.58%	26 750	13 559	1.72%	40 309
EE	1 382 780	10.69%	0.49%		6 049	-	0.44%	6 049
ES	12 670 860	64.89%	0.25%	12.29%	11 339	1 557 612	12.38%	1 568 950
FI	3 068 685	20.48%	0.13%		3 233	-	0.11%	3 233
FR	1 612 726	5.18%	5.15%		78 739	-	4.88%	78 739
GB	2 792 970	6.04%	14.60%	93.75%	383 212	2 618 400	93.75%	2 618 400 ¹
GR	3 192 857	87.91%	0.00%		-	-	-	-
HR	1 970 280	31.24%	0.00%	4.89%	-	96 342	4.89%	96 342
HU	5 761 965	7.89%	0.11%	1.51%	5 818	87 110	1.61%	92 928
IE	2 824 257	25.09%	0.00%		-	-	-	-
IT	22 202 014	100.00%	0.00%		-	3 537	0.02%	3 537
LT	2 272 123	84.46%	0.00%		-	-	-	-
LU	540 759	71.54%	0.00%		-	-	-	-
LV	1 614 227	12.32%	0.00%		-	-	-	-
MT	335 255	97.19%	1.86%	5.53%	175	18 535	5.58%	18 710
NL	6 137 547	99.92%	0.52%	0.01%	27	837	0.01%	864
PL	16 019 852	19.96%	0.04%		5 703	-	0.04%	5 703
PT	2 389 216	5.17%	0.07%		1 579	-	0.07%	1 579
RO	20 187 286	99.99%	0.29%	10.00%	4	2 018 729	10.00%	2 018 733
SE	8 178 421	13.73%	0.46%		32 614	-	0.40%	32 614
SI	880 830	11.20%	0.00%		-	-	-	-
SK	3 347 115	61.01%	0.00%	10.0%	-	334 712	10.00%	334 712
Grand Total	162 063 143	51.8%	0.5%		600 994	7 117 110	4.76%	7 334 892

Footnote: ¹In respect to the total amount at risk for GB only the amount at risk resulting from the CB adjustment has been retained

Table: Annex 7 – 3.1.7-1

The above table indicates that the adjusted error rate for the EU school scheme is 4.76%, which represents a total amount at risk in the 2020 expenditure of EUR 7.335 million.

The following table sets out the situation for all the cases where the adjusted error rate is above 2% including the reasons which led to the top-ups to the reported error rates. In each case, it is

assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
BG	10.11%	EUR 0.372 million	A DG AGRI audit in 2020 identified deficiencies as regards the checks on the reasonableness of costs for a cost-based system.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES	12.38%	EUR 1.569 million	A DG AGRI audit in 2019 identified deficiencies as regards the checks to establish the access to the aid and the selection of aid applicants. Based on the Certification Body's assessment, further adjustments were made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should continue to implement the 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.
FR	4.88%	EUR 0.079 million	The national authorities reported a high error rate for school year 2018/2019.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.
GB	93.75%	EUR 2.618 million	The national authorities reported a high error rate for school year 2018/2019. Based on the Certification Body's assessment, an adjustment was made to the reported error rate by the Member State. The Certification Body identified deficiencies in the checks on the eligibility to the aid as well as in the on-the-spot controls.	Yes	A reservation is entered in respect of 2020 expenditure. Remedial actions addressing the deficiencies identified by DG AGRI are needed, but in light of the withdrawal of the UK from the Union, an action plan will not be requested ¹⁰⁰ A conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HR	4.89%	EUR 0.096 million	A DG AGRI audit in 2020 identified deficiencies as regards the checks on the reasonableness of costs for a cost-based system.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
MT	5.58%	EUR 0.019 million	The Certification Body identified deficiencies in the administrative as well as on-the-spot controls. 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 5), no reservation is required.
RO	10.00%	EUR 2.019 million	A DG AGRI audit in 2020 identified deficiencies as regards the checks to establish the eligibility to the aid and the checks on the reasonableness of costs for a cost-based system.	Yes	A reservation is entered in respect of 2020 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

¹⁰⁰ 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.

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reser- vation	Mitigating factors/Reservation follow-up
					risk to the EU budget is covered.
SK	10.00%	EUR 0.335 million	A DG AGRI audit in 2020 identified weaknesses in the checks to establish the eligibility to the aid and in the performance of on-the-spot controls (OTSC) of sufficient quality.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 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), point (k) of Regulation (EU) No 180/2014, Article 20(2) of Regulation (EU) No 229/2013 and Article 31(1), point (k) of

Regulation (EU) No 181/2014 require 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.

Based on the experience of previous conformity audits, POSEI market measures are not considered suitable for remote audit. Given the travel and movement restrictions imposed following the COVID-19 pandemic, it was not possible to carry out audit missions in 2020 in the remote islands covered by POSEI and thus assurance is based on the work of the respective Certification Bodies. Errors were found by the Certification Bodies for POSEI market measures for France, Greece and Spain and these have been taken into account in the calculation of the amount at risk.

POSEI Market measures								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2020 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	70 797 435	9.0%	0.43%	0.14%	261 585	97 249	0.51%	358 834
FR	124 785 718	26.4%	0.03%	0.01%	27 914	10 129	0.03%	38 043
GR	6 327 044	100.0%	-	0.02%	-	1 243	0.02%	1 243
PT	23 562 047	61.8%	0.13%		11 396	-	0.05%	11 396
Grand Total	225 472 244	26.7%	0.17%		300 895	108 621	0.18%	409 515

Table: Annex 7 – 3.1.8-1

The table above indicates that the adjusted error rate for the market measures under POSEI is 0.18%, which represents a total amount at risk in the 2020 expenditure of EUR 0.410 million.

3.1.9 Pig meat, eggs, poultry, beekeeping, beef and veal sector

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 2020, expenditure in this field was limited to the temporary exceptional measures for the avian influenza in Italy under Regulations (EU) 2019/1323 and 2020/1206, with expenditure amounting to EUR 13.592 million. In 2020, DG AGRI had not yet carried out an audit for this measure.

However, an error was reported by the Certification Body for this measure in its report for 2020 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 2020 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	13 592 306	NA	NA	0.08%	-	11 267	0.08%	11 267
NL	- 105 794	NA	NA	-	-	-	-	-
PL	-54	NA	NA	-	-	-	-	-
Grand Total	13 486 458	-	-	-	-	11 267	0.08%	11 267

Table: Annex 7 – 3.1.9-1

The table above indicates that the adjusted error rate for the temporary exceptional aid for pigmeat, eggs and poultry is 0.08%, which represents a total amount at risk in the 2020 expenditure of EUR 0.011 million.

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.

In 2020–2022, the allocation of EU funding for these programmes is based on the number of beehives in each Member State that was fixed by Commission Implementing Decision (EU) 2019/974.

In financial year 2020, the expenditure amounted to EUR 36.479 million. In 2020, DG AGRI did not audit this scheme.

For Germany, Hungary, Malta, Romania, Spain and the United Kingdom, errors were reported by the Certification Bodies in their reports for 2020 and DG AGRI has included them in the amount at risk.

Beekeeping Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2020 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	876 920	NA	NA	-	-	-	-	-
BE	152 304	NA	NA	-	-	-	-	-
BG	1 263 458	NA	NA	-	-	-	-	-
CY	99 809	NA	NA	-	-	-	-	-
CZ	977 217	NA	NA	-	-	-	-	-
DE	1 360 995	NA	NA	0.04%	-	478	0.04%	478
DK	116 144	NA	NA	-	-	-	-	-
EE	93 222	NA	NA	-	-	-	-	-
ES	4 997 454	NA	NA	0.10%	-	5 124	0.10%	5 124
FI	114 986	NA	NA	-	-	-	-	-
FR	3 131 717	NA	NA	-	-	-	-	-
GB	557 050	NA	NA	69.69%	-	388 220	69.69%	388 220
GR	3 127 729	NA	NA	-	-	-	-	-
HR	1 002 270	NA	NA	-	-	-	-	-
HU	2 744 673	NA	NA	1.51%	-	41 494	1.51%	41 494
IE	33 088	NA	NA	-	-	-	-	-
IT	3 433 757	NA	NA	-	-	-	-	-
LT	230 279	NA	NA	-	-	-	-	-
LU	15 337	NA	NA	-	-	-	-	-
LV	204 988	NA	NA	-	-	-	-	-
MT	8 333	NA	NA	28.42%	-	2 368	28.4%	2 368
NL	180 811	NA	NA	-	-	-	-	-
PL	3 719 893	NA	NA	-	-	-	-	-
PT	1 498 982	NA	NA	-	-	-	-	-
RO	5 246 487	NA	NA	1.37%	-	72 008	1.37%	72 008
SE	313 324	NA	NA	-	-	-	-	-
SI	287 408	NA	NA	-	-	-	-	-
SK	689 923	NA	NA	1.00%	-	6 899	1.00%	6 899
Grand Total	36 478 558	-	-	-	-	516 593	1.42%	516 593

Table: Annex 7 – 3.1.9-2

The table above indicates that the adjusted error rate for aid for beekeeping is 1.42%, which represents a total amount at risk in the 2020 expenditure of EUR 0.517 million.

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

Member State	Adjusted error rate	Amount at risk	Reason for top-up	Reservation	Mitigating factors/Reservation follow-up
GB	69.69%	EUR 0.388 million	Based on the Certification Body's assessment, an adjustment was made. The Certification Body identified deficiencies in the on-the-spot controls.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the deficiencies identified by the Certification Body. A 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	Reservation	Mitigating factors/Reservation follow-up
MT	28.42%	EUR 0.003 million	Based on the Certification Body's assessment, an adjustment was made. The Certification Body identified deficiencies in the administrative as well as on-the-spot controls.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the deficiencies identified by the Certification Body.

Table: Annex 7 – 3.1.9- 3

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.

In financial year 2020, expenditure for this audit field was limited to the temporary exceptional measure in support of the farmers in the beef and veal sector in Ireland amounting to EUR 49.532 million.

In 2020 DG AGRI audited this measure in Ireland and identified a control deficiency for which an adjustment was made to the error rate.

Temporary exceptional measures in the livestock sectors Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2020 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	20 160	NA	NA	-	-	-	-	-
HU	2 479	NA	NA	-	-	-	-	-
IE	49 438 885	NA	NA	1.00%	-	494 389	1.00%	494 389
LV	50 291	NA	NA	-	-	-	-	-
NL	19 979	NA	NA	-	-	-	-	-
Grand Total	49 531 793.82	-	-	-	-	494 389	1.0%	494 389

Table: Annex 7 – 3.1.9-4

The table above indicates that the adjusted error rate for the support to the beef and veal livestock sector is 1.00%, which represents a total amount at risk in the 2020 expenditure of EUR 0.494 million.

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 3.63 million has been paid as balance payments in financial year 2020. For the new regime under Regulation (EU) 2015/1831 for which in financial year 2020 EUR 73.100 million has been paid, the Member States are required to provide control statistics.

As regards expenditure under the previous regime (Regulation (EC) No 501/2008), adjustments were applied for financial year 2020 for Greece based on audit findings of an enquiry carried out in 2015.

For Cyprus an error was reported by the Certification Body in its report for 2020 and DG AGRI has included it in the amount at risk.

Promotion Measures - Expenditure in 2020 - Aid paid under Regulation (EC) No 501/2008								
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
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
BE	- 1 223	NA	NA		-	-	-	-
CY	710 848	NA	NA	0.18%	-	1 288	0.18%	1 288
GR	2 848 763	NA	NA	0.44%	-	12 508	0.44%	12 508
SI	65 415	NA	NA		-	-	-	-
Grand Total	3 623 803	-	-		-	13 796	0.38%	13 796

Table: Annex 7 – 3.1.10-1

The table above indicates that the adjusted error rate for promotion under Regulation (EC) No 501/2008 is 0.38%, which represents a total amount at risk in the 2020 expenditure of EUR 0.014 million.

As regards promotion expenditure under the current regime (Regulation (EU) 2015/1831), in 2020, DG AGRI audited Belgium (BE02 – Flanders) and Greece (GR01) and identified deficiencies mainly related to the public procurement procedures and on-the-spot controls. Adjustments have been applied to these two countries.

Furthermore, the Certification Bodies for Hungary and Spain have reported errors and DG AGRI has included the estimated amount of error as an amount at risk.

Promotion Measures - Expenditure in 2020 - 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	-				-	-	-	-
BE	4 093 743	33.4%	0.45%	0.67%	12 256	27 549	0.97%	39 805
CZ	196 946	97.3%	-		-	-	-	-
DE	573 239	86.3%	0.90%		707	-	0.12%	707
DK	1 720 959	-	-		-	-	-	-
ES	13 789 509	11.2%	0.24%	0.03%	29 866	4 778	0.25%	34 645
FI	100 000	97.3%	-					
FR	18 916 272	30.9%	-		-	-	-	-
GB	610 876	56.8%	-		-	-	-	-
GR	5 490 712	84.2%	-	6.47%	-	355 374	6.47%	355 374
HU	124 957	74.8%	-	1.51%	-	1 889	1.51%	1 889
IE	2 391 787	35.6%	-		-	-	-	-
IT	19 150 528	-	-		-	-	-	-
LT	841 479	29.6%	-		-	-	-	-
LV	575 627	38.6%	-		-	-	-	-
NL	1 347 069	-	-		-	-	-	-
PL	1 764 436	44.4%	-		-	-	-	-
PT	556 916	100.0%	-		-	-	-	-
RO	66 876	100.0%	-		-	-	-	-
SI	780 470	60.8%	-		-	-	-	-
Grand Total	73 092 402	24.2%	0.1%		42 829	389 591	0.59%	432 420

Table: Annex 7 – 3.1.10-2

The table above indicates that the adjusted error rate for promotion under Regulation (EU) 2015/1831 is 0.59%, which represents a total amount at risk in the 2020 expenditure of EUR 0.432 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	Reservation	Mitigating factors/Reservation follow-up
GR	6.47%	EUR 0.355 million	A DG AGRI audit in 2020 detected deficiencies in the controls on the selection of implementing bodies and in the performance of on-the-spot checks (OTSC) of sufficient quality.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.1.10-3

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 2.43% has been calculated for shared management¹⁰¹.

¹⁰¹ As described in Part 2, for Slovakia, the Certification Body qualified its opinion on EAGF and EAFRD. The qualified opinion relates to the evaluation of the internal control system where the Certification Body reported major findings in the compliance with the accreditation criteria. The error rate for Slovakia was adjusted to take account of this qualified opinion.

As there was no direct expenditure for promotion measures in 2020, for ABB02 as a whole, the adjusted error rate is also 2.43%.

As mentioned in section 2.1.4. “Conclusion on assurance” of this report, despite the uncertainty caused by COVID-19 and particularly the challenges that auditors are currently facing in carrying-out the audit work, DG AGRI still had a solid basis for obtaining assurance on the CAP expenditure.

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 2019 AAR which are not carried over in respect of 2020.

Three reservations from 2019 can be lifted:

Bulgaria and Italy for wine measures;
Greece for Olive Oil.

Four reservations from 2019 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;
Spain for the EU School scheme.

Seven new reservations are introduced:

Belgium and Germany for operational programmes of producer organisations;
Germany, France and Portugal for wine measures;
Romania and the United Kingdom for the EU School Scheme.

The following table gives details of the case where a reservation made in the 2019 AAR was not carried over in the 2020 AAR:

Member State/ measure	Adjusted error rate	Amount at risk	Justification
BG for support in the wine sector	3.14%	EUR 0.309 million	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required. Following the deficiencies identified by DG AGRI and reported in AAR2019 an action plan is being implemented with remedial action addressing the deficiencies.
IT for support in the wine sector	0.99%	EUR 3.040 million	The Member State has taken necessary action with regard to deficiencies detected in the past and which were the subject of reservations in previous year by improving their reporting on the control statistics.
GR for Olive oil scheme	-	-	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.

Table: Annex 7 – 3.1.11-1

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 85.28% of the expenditure covering EUR 2 184.4 million.

For a further EUR 89.634 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 287.376 million the aggregate error rate for the other measures (2.43%) 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* 2.43	
						Expenditure(1)	Risk	Expenditure(1)	Risk
050201	Cereals	-	-	-	-	-	-	-	-
050202	Rice	-	-	-	-	-	-	-	-
050203	Non-annex I products	-	-	-	-	-	-	-	-
050204	Food Aid	-	-	-	-	-	-	-	-
050205	Sugar	-	-	-	-	-	-	-	-
050206	Olive Oil	35 136 212	33 929 035	-	1 207 177	-	-	1 207 177	29 393
050207	Textile Plants	-	-	-	-	-	-	-	-
050208	Fruit and Vegetables	902 681 854	902 681 854	30 272 870	-	-	-	-	-
050209	Wine (2)	1 056 621 169	784 923 677	15 881 556	271 697 492	-	-	271 697 492	6 615 452
050210	Promotion (shared management only)	76 716 204	73 092 402	432 420	3 623 802	3 623 803	13 796	-	-
050211	Other plant products and POSEI	227 749 244	227 749 244	412 712	-	-	-	-	-
050212	Milk and Milk Products	985 341	-	-	985 341	-	-	985 341	23 992
050213	Beef and Veal	49 531 794	-	-	49 531 794	49 531 794	494 389	-	-
050214	Sheepmeat and goatmeat	-	-	-	-	-	-	-	-
050215	Pigmeat, eggs, poultry & apiculture	49 965 015	-	-	49 965 015	36 478 557	527 860	13 486 458	328 376
050218	School scheme	162 063 143	162 063 143	7 334 892	-	-	-	-	-
	Total	2 561 449 976	2 184 439 354	54 334 449	377 010 622	89 634 154	1 036 045	287 376 468	6 997 213
Expenditure covered by control statistics						Expenditure	Amount at risk	% coverage	Error rate
Expenditure for which there are no statistics but for which risk assessment carried out						2 184 439 354	54 334 449	85.28%	-
Risk for expenditure covered by statistics and by risk assessment						89 634 154	1 036 045	3.50%	-
*Error rate used on expenditure covered by statistics and risk assessed						2 274 073 508	55 370 494	88.78%	-
Extrapolated risk for non-risk assessed expenditure						287 376 468	6 997 213	-	2.43%
ABB02 - shared management - monthly declaration						2 561 449 976	62 367 707	-	-
Suspension of payments						-	-	-	-
Reimbursement of suspension of payments (3)						12 363 503	-	-	-
ABB02 - shared management - payments made						2 573 813 480	62 367 707	-	2.43%
ABB02 - direct management - payments made on Promotion measures - direct payments by the Union						-	-	-	-
Total ABB 02 - payments made						2 573 813 480	62 367 707		2.43%

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 statistics are available on these measures, hence the average error rate is applied only on payments made but not on reimbursements.
⁽³⁾ For ABB02 there was a reimbursement of EUR 12.36 Mio to PL following a lift of suspension of payments.

Table: Annex 7 – 3.1.11-2

Overall, the adjustments made resulted in the reported error rate of 0.39% increasing to 2.43% for ABB02. The adjusted error rate has slightly decreased from the error rate of 2.75% for 2019 (and 2.53% for 2018).

The total amount at risk for ABB02 is EUR 62.368 million with an error rate of 2.43%.

It is noted that the average amount of net financial corrections per year for the three-year period 2018-2020 (excluding corrections made for cross-compliance and no longer existing schemes) is EUR 43.338 million for ABB02¹⁰².

¹⁰² See sub-section 2.1.1.3.1 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.

3.2 ABB03 – Direct Payments

Index for Part 3.2 – ABB03: Direct Payments

3.2.1 Introduction

3.2.2 ABB03 Expenditure

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

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?

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

3.2.6 Conclusions as regards assurance for ABB03

3.2.1 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 6.2 million farms throughout the European Union in financial year 2020¹⁰³. They often represent an important share of their agricultural income (on average, nearly 25% 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

¹⁰³ https://ec.europa.eu/agriculture/cap-funding/beneficiaries/direct-aid_en

ecologically beneficial areas ("ecological focus areas"). 79% of the total EU agricultural area is subject to at least one "greening" obligation¹⁰⁴.

- ⇒ 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.
- ⇒ (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 constraints – 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 2020.

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

¹⁰⁴ Data source: 2019 notifications from Member States.

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 amendment¹⁰⁵ 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 (financial year 2020).

¹⁰⁵ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

- Belgium, Bulgaria, Croatia, Ireland, Malta, Romania, Spain, Slovenia and UK-Wales continued applying the principle of the negative list for claim year 2019 (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, continued 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 7 – 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 payment (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.

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 (referred to here as entitlements). As a general rule, each eligible hectare gave right to one entitlement. However, Member States could apply limitations on the total number of entitlements that could be allocated to one farmer. Further, generally,

all entitlements allocated to a farmer have the same value. However, Member States could opt for a regionalized approach establishing differences in the value of entitlements between regions. Furthermore, differences in the value of entitlements could exist between farmers, if a Member State opted for taking into account historical factors. In such case, the past level of direct payments to the individual farmer was taken into account or the value of the entitlements they possessed under the previous direct payments regime. This option should serve to avoiding in 2015 too abrupt disruptions in the farmer's level of support due to the CAP reform. However, since one of the objectives of the 2013 CAP reform was to move away from these historical references, Member States taking this approach had 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, the so called conversion.

A further change since 2015 is that young farmers and new entrants are allocated preferentially entitlements stemming from the national reserve. The actual payment is made to active farmers based on the activation of entitlements they hold and calculated in relation to the eligible land they declare. If entitlements are not activated (used) for two consecutive years, an equal number of entitlements replenishes the national reserve.

Regulation (EU) 2020/2220 of the European Parliament and the Council of 23 December 2020 includes certain transitional provisions, among others two amnesties for Payment Entitlements.

The first general amnesty was deemed necessary as in 2015, at the first allocation of entitlements or at the recalculation of entitlements for Member States keeping existing entitlements under Regulation (EU) No 1307/2013, some Member States made errors when establishing the number or value of entitlements. Many of those errors, even when they occurred in respect of a single farmer, influenced the value of the entitlements for all farmers and for all years. Some Member States also made errors after 2015, when allocating entitlements from the reserve, for example in the calculation of the average value. Such non-compliance is normally subject to financial correction, until corrective measures are taken by the Member State concerned. In the light of the time elapsed since the first allocation, the efforts made by Member States to establish, and where relevant, correct entitlements, and also in the interest of legal certainty, the number and value of entitlements will now be considered legal and regular with effect from 1 January 2021 (Article 5(1)).

A further retro-active amnesty applies to specific entitlements. Under Article 24(6) of Regulation (EU) No 1307/2013, Member States were given the option to apply for the allocation of entitlements a reduction coefficient to eligible hectares consisting of permanent grassland located in areas with difficult climate conditions. This, as alpine pastures are often managed collectively and further assigned on a yearly basis, thus creating a significant degree of uncertainty amongst farmers in the Member States concerned. The implementation of that system has proven to be particularly complex, especially with regard to the exact definition of the areas concerned. Since also the value of entitlements in areas where the reduction coefficient is not applied depends on the sum of the entitlements in the designated areas, that uncertainty subsequently affected all

farmers in the Member States concerned. To stabilise the system currently applied in those Member States, and with a view to ensuring legal certainty for all farmers in the Member States concerned as early as possible, the Member States concerned are able to consider retroactively legal and regular the value and number of all entitlements allocated to all farmers before 1 January 2020. The value of those entitlements shall, without prejudice to any legal remedies open to individual beneficiaries, be the value for calendar year 2019 valid on 31 December 2019, see Article 5(2) of Regulation (EU) 2020/2220.

As a consequence of the above, Member States will not be requested to take future remedial action for payment entitlements in case they are subject to a reservation in this AAR.

Explanatory box: Annex 7 – 3.2.1-2

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2020 was as follows:

Expenditure reimbursed by DG AGRI to the Member States in 2020			
Budget item	Measure	Expenditure (EUR)	Totals (EUR)
050301	Decoupled direct payments		35 403 773 581
05030102	Single area payment scheme (SAPS)	4 356 458 622	
05030107	Redistributive payment	1 675 408 631	
05030110	Basic payment scheme (BPS)	16 996 242 378	
05030111	Payment for agricultural practices beneficial for the climate and the environment	11 798 692 342	
05030112	Payment for farmers in areas with natural constraints	4 885 820	
05030113	Payment for young farmers	583 706 735	
05030199	Other (decoupled direct payments)	-11 620 947	
050302	Other direct payments		5 530 025 786
05030240	Crop-specific payment for cotton	244 958 984	
05030244	Specific support (Article 68 of Regulation (EC) No 73/2009) – Coupled direct payments	0	
05030250	POSEI – European Union support programmes	420 797 228	
05030252	POSEI – Smaller Aegean islands	16 637 582	
05030260	Voluntary coupled support scheme	4 057 416 577	
05030261	Small farmers scheme	797 037 440	
05030299	Other (direct payments)	-6 822 025	
05030900	Reimbursement of direct payments to farmers from appropriations carried-over in relation to financial discipline	462 546 797	462 546 797
	Lift of suspension of payments		175 403 355
ABB 03 Total			41 571 749 519

Table: Annex 7 – 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 6.2 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 N¹⁰⁶. 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 Annex 5 to this AAR 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.

As mentioned in section 2.1.4. “Conclusion on assurance” of this report, despite the uncertainty caused by COVID-19 and particularly the challenges that auditors are currently facing in carrying-out the audit work, DG AGRI still had a solid basis for obtaining assurance on the CAP expenditure.

A. Assessment of the Certification Bodies' opinions

As described in Annex 7 – 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.

¹⁰⁶ For claim year 2019 which covers the expenditure in this Annual Activity Report the deadline was set at 15 September 2020 in view of the COVID 19 restrictions (Regulation (EU) No 2020/532).

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. The IRR was used as adjustment (either to all schemes or to some schemes) to the reported error rates for Belgium-Wallonie, Bulgaria, Cyprus, Czech Republic, Germany (12 Paying Agencies), Denmark, Spain (6 Paying Agencies), France, the United Kingdom (4 Paying Agencies), Croatia, Luxemburg, Malta, The Netherlands, Sweden and Slovenia. Furthermore, the Certification Body assessment of the internal control system was used as a basis for the adjustment of the reported error rate for 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 audits carried out in 2018-2020

(i) Direct Decoupled Aids

In 2020, 9 Paying Agencies in 6 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2018-2020, 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 2020. In addition 1 desk audit was launched.

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 envisaged 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. Where these audits included a *in situ* visit (cf. movement restrictions

due to COVID-19) and there could be comprehensive substantive testing, which resulted in findings, the Certification Bodies were given recommendations which put them 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 2020.

Where DG AGRI auditors were in a position to verify in substance the Certification Body work they noted a quality standard that enables reliance on the work of the Certification Bodies on legality and regularity.

The audit missions in 2020 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 2015-2019. 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 applicable as of 2015 or 2018, and the effect on the correct allocation of Payment Entitlements.
- The absence of updating the maximum eligible area in the LPIS in line with these definitions.
- 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 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 has taken the matter very seriously ever since the first allegations were made and concrete actions are being implemented (see also section 2.1.4). DG AGRI audits in 2017, 2019 and September 2020 detected weaknesses in the functioning of the LPIS, the GSAA¹⁰⁷, 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 for both EAGF Direct Payments and Rural Development, and the potential risk for the Fund is covered by the ongoing conformity clearance procedures. Moreover, in August 2019 and February 2020, the Slovak authorities informed the Commission about the legislative measures they are taking to improve the

¹⁰⁷ Geospatial Aid Application.

completeness, correctness and transparency of the “Land Registry” (cadastre), as well as about a new methodology implemented by the Slovak Paying Agency (APA) for the treatment of double claims from beneficiaries. The possible impact of these measures on the functioning of the management and control systems of the CAP expenditure will be further assessed by the Commission, including through future audits. Although taken outside the CAP context, these measures could also potentially have a positive impact on the disbursement of direct payments. It should also be mentioned that the Slovak Paying Agency is currently under probation due to deficiencies in the respect of accreditation criteria. Together with other Commission services, DG AGRI is closely monitoring the situation in Slovakia.

In 2020, the management and control system concerning the allocation of **Payment Entitlements** implemented by 1 Paying Agency in 1 Member State that implemented the Basic Payment Scheme was subject to a conformity audit. The Paying Agency audited was selected on the basis of a risk analysis considering certain issues still to be followed-up, originally raised by the European Court of Auditors. In the previous years, all Member States were audited concerning Payment Entitlements. Considering that the system was in its fifth year of implementation, that the Omnibus Regulation¹⁰⁸ eased certain requirements and that with the entry into force of Regulation (EU) 2020/2220 Payment Entitlements are considered legal and regular as of 1.1.2020 or 1.1.2021 (see Explanatory box: Annex 7 – 3.2.1-2), initiating a full cycle of re-visits to Member States appeared inappropriate.

For the audit carried out, as in the past, particular attention was 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.

The audit showed that the allocation of Payment Entitlements was generally satisfactory. However, certain deficiencies were noted causing a material risk to the Fund.

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.

¹⁰⁸ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017.

In 2020, 5 Paying Agencies in 5 Member States were audited. The Paying Agencies audited were selected, based on a risk analysis. Over the period 2018-2020, 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 2020.

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 predefined list of sectors and productions¹⁰⁹, since 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.

Explanatory box: Annex 7 – 3.2.3.2-1

¹⁰⁹ The following sectors may be supported by VCS: 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.

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 7 – 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 5 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 2020 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
AT01	AMA	691 597 292	0.19%	4.62%	31 957 609
BE02	ALV	212 523 598	0.19%	0.19%	410 108
BE03	SPW-DGARNE	269 322 643	0.60%	0.68%	1 839 614
BG01	DFZ [SFA]	781 855 246	2.39%	2.61%	20 386 214
CY01	ΚΟΑΠ [CAPO]	48 132 857	0.67%	0.90%	434 169
CZ01	SZIF [SAIF]	855 831 835	0.92%	1.22%	10 444 247
DE03	Baden-Württemberg MLR	418 742 098	0.31%	0.41%	1 707 452
DE04	Bayern StMLF	953 181 288	0.23%	0.47%	4 443 619

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2020 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
DE07	Brandenburg MLUV	350 063 881	0.18%	0.23%	813 066
DE11	Mecklenburg-Vorpommern MELFF	355 229 359	0.10%	0.11%	381 127
DE12	Niedersachsen	750 300 333	0.25%	0.25%	1 858 887
DE15	LWK Nordrhein-Westfalen	441 352 470	0.15%	0.33%	1 445 500
DE17	Rheinland- Pfalz	200 851 455	0.38%	0.45%	906 735
DE18	Saarland	21 882 555	2.16%	3.38%	740 367
DE19	Sachsen	241 302 032	0.23%	0.24%	583 101
DE20	Sachsen-Anhalt	307 762 127	0.04%	0.04%	126 165
DE21	Schleswig-Holstein	291 978 266	1.22%	1.22%	3 573 649
DE27	Thüringen	206 757 604	0.73%	0.74%	1 535 824
DE26	Helaba	228 719 077	0.83%	1.17%	2 682 551
DK02	DAFA	814 076 872	0.26%	0.41%	3 346 136
EE01	PRIA	142 535 529	1.74%	1.74%	2 476 033
ES01	Andalucía	1 460 258 693	0.51%	0.51%	7 425 686
ES02	Aragón	430 739 166	0.71%	0.77%	3 310 599
ES03	Asturias	63 975 739	0.04%	0.04%	22 571
ES04	FOGAIBA	28 474 235	0.86%	1.00%	285 877
ES05	Islas Canarias	191 564 255	1.74%	1.74%	3 334 261
ES06	Cantabria	44 701 541	0.21%	0.21%	96 077
ES07	Castilla La Mancha	661 222 589	0.97%	0.97%	6 406 087
ES08	Castilla y León	910 498 816	0.51%	0.56%	5 089 835
ES09	Cataluña	266 986 082	2.09%	2.20%	5 884 199
ES10	Extremadura	527 765 922	1.57%	1.57%	8 293 840
ES11	FOGGA	172 674 233	0.38%	0.71%	1 227 185
ES12	Madrid	38 797 767	1.52%	1.52%	588 252
ES13	Murcia	57 322 414	1.37%	1.37%	782 916
ES14	Navarra	101 846 828	0.37%	0.40%	405 305
ES15	País Vasco	43 176 849	1.42%	1.51%	652 933
ES16	La Rioja	28 329 651	0.50%	0.50%	143 043
ES17	AVFGA	100 854 021	0.40%	0.40%	399 474
FI01	MAVI	523 449 607	0.58%	2.15%	11 271 135
FR05	ODEADOM	138 707 924	0.03%	0.03%	44 194
FR19	ASP	6 771 114 928	0.43%	2.20%	149 229 843
GB05	DARD	322 643 072	0.75%	0.86%	2 784 323
GB06	SGRPID	519 736 666	0.75%	0.76%	3 960 189
GB07	WG	263 207 618	0.40%	0.46%	1 216 890
GB09	RPA	2 056 147 264	0.13%	0.57%	11 639 114
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [Ο.Π.Ε.Κ.Ε.Π.Ε.]	1 982 608 996	1.15%	2.23%	44 181 048
HR01	PAAFRD	317 353 165	2.25%	2.30%	7 292 312
HU02	HST	1 267 539 219	1.61%	1.84%	23 345 152
IE01	DAFM	1 201 193 657	0.44%	1.07%	12 806 743
IT01	AGEA	1 811 865 787	0.53%	3.24%	58 725 699

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in Financial Year 2020 (EUR)	Reported (residual) Error Rate	Adjusted Error Rate	Amount at Risk (EUR)
IT05	AVEPA	315 283 511	0.39%	2.93%	9 240 358
IT07	ARTEA	161 278 807	0.22%	2.92%	4 714 487
IT08	AGREA	330 698 542	0.38%	2.99%	9 901 144
IT10	ARPEA	327 528 432	0.25%	2.72%	8 917 500
IT23	OPR Lombardia	406 638 532	0.28%	2.79%	11 328 203
IT24	OPPAB	43 296 595	0.26%	2.76%	1 194 212
IT25	APPAG	21 181 016	2.26%	4.79%	1 015 442
IT26	ARCEA	185 124 666	0.49%	3.24%	5 991 885
LT01	NMA [NPA]	480 491 609	0.87%	1.44%	6 909 327
LU01	Ministère de l'Agriculture	32 841 037	0.17%	0.18%	58 940
LV01	RSS	277 306 476	0.97%	0.97%	2 682 630
MT01	MRRR PA	5 117 419	0.41%	0.41%	21 071
NL04	RVO	666 189 888	0.62%	1.14%	7 564 211
PL01	ARIMR [ARMA]	3 402 200 970	0.80%	0.80%	27 264 908
PT03	IFAP	680 268 823	1.18%	3.00%	20 399 140
RO02	PIAA	1 926 302 539	1.12%	2.64%	50 778 877
SE01	SJV	686 817 853	0.93%	1.19%	8 197 943
SI01	ARSKTRP	133 868 529	0.73%	1.65%	2 212 861
SK01	APA	449 015 347	1.14%	2.14%	9 598 587
Grand Total	ABB 03	41 420 205 714			
Amounts reimbursed to DG AGRI by Coordinating Bodies		-23 859 550			
ABB03 – Relevant expenditure		41 396 346 164	0.70%	1.57%	650 928 683

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

Table: Annex 7 – 3.2.4-1

In a number of cases – Belgium-Wallonia, Cyprus, Czech Republic, Germany (12 Paying Agencies), Denmark, Spain (7 Paying Agencies), the United Kingdom (all Paying Agencies), Croatia, Hungary, Ireland, Lithuania, Luxembourg, The Netherlands, Slovenia and Sweden, top-ups, based on the Certification Bodies' work or DG AGRI audits, 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	4.62%	EUR 31.96 million	<p>As in 2016, a DG AGRI audit in 2018 identified deficiencies in the allocation of payment entitlements. A DG AGRI audit in 2019 identified deficiencies in the administrative checks for animal-based voluntary coupled support measures.</p> <p>The adjustment made to the error rate is also supported by the findings reported by the Certification Body.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State has been requested to take the necessary remedial action for the findings in 2018 and 2019.</p> <p>In application of Article 5(2) of Regulation (EU) 2020/2220 the payment entitlements relevant to the deficiencies are legal and regular as of 1.1.2020 for Austria. The Member State is requested to address and remedy the deficiencies identified by DG AGRI for the animal-based voluntary support measures.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
BG01	2.61%	EUR 20.39 million	<p>The Member State reported high error rates for voluntary coupled support measures, the Young farmer scheme, Small farmers' scheme and Cotton.</p> <p>A DG AGRI audit in 2019 identified deficiencies in performance of on-the-spot checks of sufficient quality.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan to identify and address the causes of the high error rates for the measures concerned.</p>
DE18 Saarland	3.38%	EUR 0.74 million	<p>The Member State reported a high error rate for Greening.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State</p>	No	<p>As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State is nonetheless requested to address the high error rate for Greening.</p>
ES09 Cataluña	2.20%	EUR 5.88 million	<p>The Member State reported a high error rate greening and VCS.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the error rate reported by the Member State</p>	No	<p>A reservation is not considered necessary.</p> <p>The Member State is nonetheless requested to follow-up the high error rate reported for greening and VCS.</p>
FI01	2.15%	EUR 11.27 million	<p>A DG AGRI audit in 2019 identified deficiencies in the LPIS and in performance of on-the-spot checks of sufficient quality, which also had an effect on the Payment</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and</p>

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			<p>Entitlements.</p> <p>The adjustment made to the error rate is also supported by the findings reported by the Certification Body.</p>		<p>regular as of 1.1.2021.</p> <p>The Member State is requested to take the necessary remedial action for the remaining deficiencies identified by DG AGRI.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR19	2.20%	EUR 149.23 million	<p>Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State.</p> <p>This adjustment covers also the following deficiencies identified by DG AGRI in audits:</p> <p>A DG AGRI audit on Corsica in 2018 identified deficiencies in performance of on-the-spot checks of sufficient quality for permanent grassland which also had an effect on the establishment of payment entitlements. DG AGRI audits in 2020 identified deficiencies in performance of on-the-spot checks of sufficient quality.</p> <p>DG AGRI audits in 2020 identified deficiencies in payment entitlements and animal-based voluntary coupled support measures.</p> <p>The adjustment made to the error rate for is also supported by the findings reported by the Certification Body.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021.</p> <p>The Member State is requested to take the necessary remedial action for the remaining deficiencies identified by DG AGRI.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
FR19 (POSEI)	6.70%	EUR 0.91 million	<p>The Member State has reported a high error rate for POSEI animal measures.</p>	No	<p>As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State is nonetheless requested to address the underlying causes of the high error rate for POSEI animal measures.</p>
GRO1	2.23%	EUR 44.18 million	<p>A DG AGRI audit in 2019 identified deficiencies in performance of on-the-spot checks of sufficient quality for pasture land.</p> <p>The adjustment made to the error rate is also supported by</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should take the necessary remedial actions for the deficiencies identified by DG AGRI by implementing them in the action plan already requested.</p>

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			the findings reported by the Certification Body.		The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HR01	2.30%	EUR 7.29 million	The Member State reported high error rates for the voluntary coupled support measures, the Young farmers scheme and the Small farmers' scheme. Based on the Certification Body assessment, an adjustment was made to the error rate reported by the Member State.	No	A reservation is not considered necessary. The Member State should take the necessary remedial actions to identify and address the causes of the high error rates.
IT01 AGEA	3.24%	EUR 58.73 million	As in 2016 and 2017, DG AGRI audits in 2018 identified deficiencies affecting all Paying Agencies and mainly concerning the LPIS (correct recording of permanent grassland) and the fixing of payment entitlements. The adjustment made to the error rate is also supported by the findings reported by the Certification Body for IT01 and IT24.	Yes	A reservation is entered in respect of 2020 expenditure. In application of Article 5(1) of Regulation (EU) 2020/2220, the payment entitlements are legal and regular as of 1.1.2021. Due to the COVID-19 pandemic, the completion of the action plan is still to be verified. The Member State should take the necessary remedial action for the remaining deficiencies identified by DG AGRI. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT05 Veneto	2.93%	EUR 9.24 million			
IT07 Toscana	2.92%	EUR 4.71 million			
IT08 Emilia Romagna	2.99%	EUR 9.90 million			
IT10 Piemonte	2.72%	EUR 8.92 million			
IT23 Lombardia	2.79%	EUR 11.33 million			
IT24	2.76%	EUR 1.20 million			
IT25 Trento	4.79%	EUR 1.02 million			
IT26 Calabria	3.24%	EUR 6.00 million			
PT03	3.00%	EUR 20.40 million			

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/Reservation follow-up
			the findings reported by the Certification Body.		plan already requested. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO02	2.64%	EUR 50.78 million	DG AGRI audits in 2018 identified deficiencies in the definition of land laying fallow 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 2020 expenditure. The Member State should take the necessary remedial actions for the deficiencies identified by DG AGRI for the animal-based voluntary coupled support measures by implementing them in the action plan already requested. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SK01	2.14%	EUR 9.60 million	Based on the opinion issued by the Certification Body, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should continue implementing the ongoing action plans on accreditation and direct payments. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 7 – 3.2.5-1

The following table gives details of cases for Direct Payments where a reservation made in the 2019 AAR was not carried forward in the 2020 AAR:

Paying Agency	Adjusted error rate	Amount at risk	Justification
CY01	0.90%	EUR 0.43 million	The Member State has taken the necessary actions to remedy the causes of the high error rates that led to reservation in the 2019 AAR.
DK02	0.41%	EUR 3.35 million	The Member State has taken the necessary actions to remedy the deficiencies identified by DG AGRI that led to reservation in the 2019 AAR.
ES06 Cantabria	0.21%	EUR 0.10 million	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.
ES09 Cataluña	2.20%	EUR 5.88 million	A reservation is not considered necessary. The bilateral procedure has shown that the deficiencies identified by DG AGRI that led to reservation in the 2019 AAR did not materialise to the extent initially considered. The Member State is nonetheless requested to follow-up the high error rate reported for greening and VCS.
ES15 País Vasco	1.42%	EUR 0.61 million	The Member State has taken the necessary actions to remedy the deficiencies identified by DG AGRI that led to reservation in the 2019 AAR.
SE01	1.19%	EUR 8.2 million	The Member State has taken action for the cause leading to the top-up and the corresponding reservation.

Table: Annex 7 – 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 21 out of 69 Paying Agencies having an adjusted error rate above 2% and none above 5% – see Table: Annex 7 - 3.2.5-1. Overall, the reported error rate for ABB03 increased from 0.70% to 1.578%, 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 2 cases (Croatia, Spain (1 Paying Agency)), it was considered that, given the mitigating factors present (see summary under sub-section 3.2.5), it would not be necessary to make reservations.

In a further 2 cases (DE18 - Saarland and FR19 - POSEI), as the amount at risk was below DG AGRI's *de minimis* threshold, no reservation is required. Table: Annex 7 – 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
- Bulgaria
- Finland
- France
- Greece
- Italy (9 Paying Agencies)
- Portugal
- Romania
- Slovakia

Six reservations from 2019 AAR (Cyprus, Denmark, Spain (3 Paying Agencies) and Sweden) are not carried forward in the 2020 AAR due to error rates in 2019 below 2% and remedial actions taken.

New reservations are introduced for Bulgaria, Finland, France, Italy (2 Paying Agencies), Slovakia.

For Direct payments, the adjusted error rate of 1.57% is the same as that of 2019 (1.57%) and 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 650.929 million.

It is noted that the average amount of net financial corrections per year for the three-year period 2018-2020 (excluding corrections made for cross-compliance) is EUR 411.111 million for ABB03¹¹⁰.

¹¹⁰ See sub-section 2.1.1.3.1 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

3.3.2 ABB04 expenditure

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

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

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

3.3.6 Conclusions as regards assurance for ABB04

3.3.1 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 3.5 million beneficiaries (in financial year 2020) 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 7 – 3.3.1-1

- Another difference is that, to protect the EU budget, the other ESIF funds 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 1303/2013¹¹¹ as well as the CAP Horizontal Regulation (EU) No 1306/2013¹¹² 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 2020, see sub-section 2.1.1.3.2 and Annex 7 - Part 10 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

¹¹¹ 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).

¹¹² 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).

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 20¹¹³ proposed measures are either area- and animal-related measures or non-area- and non-animal-related measures (see Table: Annex 7 – 3.3.2-1). The list of measures and sub-measures is included in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014¹¹⁴.

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 7 – 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.

¹¹³ Regulation (EU) 2020/872 of 24 June 2020 introduced the new Measure 21, which provides "Exceptional temporary support to farmers and SMEs particularly affected by the COVID-19 crisis", encompassed in Regulation (EU) No 1305/2013 as Article 39, point (b). The Transitional Regulation (EU) 2020/2220 of 23 December 2020 has extended the original deadlines for the submission of the applications for support and the eligibility of expenditure, respectively, to 30 June 2021 and 31 December 2021.

¹¹⁴ 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).

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 7 – 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 year¹¹⁵ (in accordance with Regulation (EU) No 1306/2013) following that of the budget commitment (the so-called N+3 rule).

Explanatory Box: Annex 7 – 3.3.2-2

Expenditure reimbursed by DG AGRI to Member States in 2020 amounted to EUR 14 578 871 889. Payments reimbursed under the 2007-2013 programming period amounted to EUR 150 000 following court cases. Expenditure paid and financed under the 2014-2020 programming period, amounted to EUR 14 579 104 420. Of this, EUR 14 569 480 584 was paid as interim payments and an amount of EUR 9 623 836 paid in respect of technical assistance.

In addition, a reimbursement of EUR 382 531 has been made by Member States to the Commission in respect of the previous programming period 2000-2006 (budget item 05040114).

¹¹⁵ 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).

Payments reimbursed by DG AGRI to the Member States in 2020

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	-382 531
		050452 ⁽¹⁾	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	-
		05040501	Rural development programmes 2007-2013	150 000
			Reimbursements following Court cases	150 000
			Final balance 2007-2013	
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	14 569 480 584
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	14 569 480 584
Direct Management	0504		Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	-
			Sub-Total Shared Management	14 569 248 053.22
		05040206	Completion of Leader (2000 to 2006)	-
		05040502	Operational technical assistance 2007-2013	-
		05046002	Operational technical assistance 2014-2020	9 623 836
	Sub-Total Direct Management	9 623 836		
Grand Total 0504				14 578 871 889

⁽¹⁾ Reimbursement following a judgement in a court case

Table: Annex 7 – 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 3.5 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 809/2014¹¹⁶ 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+1,¹¹⁷ 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, 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.

¹¹⁶ 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).

¹¹⁷ For claim year 2019, which covers the expenditure in this Annual Activity Report, the deadline was set 15 September 2020 in view of the COVID-19 restriction (Regulation (EU) 2020/532).

The control statistics (aggregated figures at Paying Agency level) and control data (at claimant level) received in 2020 by DG AGRI correspond to the claims introduced by the claimants in 2019 for IACS measures (claim year 2019), and to the payments made in 2019 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 7 – 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 5 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.

As mentioned in section 2.1.4. “Conclusion on assurance” of this report, despite the uncertainty caused by COVID-19 and particularly the challenges that auditors are currently facing in carrying-out the audit work, DG AGRI still had a solid basis for obtaining assurance on the CAP expenditure.

In 2020, 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 2020, 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 7 – 3.3.3.2-1

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

As described in Annex 7 – 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 (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), the 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), the United Kingdom (GB05 Northern Ireland and GB06 Scotland), Greece (GR01), Croatia (HR01), Hungary (HU02), Luxembourg (LU01), Romania (RO01), Slovenia (SI01), Slovakia (SK01). Furthermore, the Certification Body assessment of the internal control system was used as a basis for the adjustment of the reported error rate for Slovakia for IACS expenditure.

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 FEAGA, France (FR18 Corsica and FR19 ASP), Italy (IT26 Calabria), The Netherlands (NL04).

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

The DAS¹¹⁸ 2020 cases are still under analysis and are therefore not considered for the 2020 AAR. Where DAS 2018 and 2019 cases have led to compliance audits, any adjustment has been done as a result of the DG AGRI audits below.

One finding by ECA in the context of the DAS 2018 led to 16 desk audits focussed on the verification of correct payments (calculation of sanctions) related to M13 (payments to area facing natural or other specific constraints).

One finding by ECA in the 2015 DAS exercise on animal welfare irregularity payments (M14, sub-measure 1.a - categories of fattening pigs and gilts) led to a follow up audit for Romania to cover the latest expenditure related to the finding.

C. Assessment of findings from DG AGRI audits carried out in 2018-2020

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 innovation and	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	05

¹¹⁸ The statement of assurance (sometimes referred to as the ‘DAS’ from the French “déclaration d’assurance”) is an annual financial and compliance audit exercise where the ECA audits the reliability of the EU’s accounts and the regularity of the transactions underlying them.

Audit field		Measures of the programming period 2014-2020	
Name	Code	Name	Code
		and introduction of appropriate prevention	
		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 7 – 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 7 – 3.3.2-2

B. Audits carried out

In 2020, 17¹¹⁹ audits were carried out; these audits were selected mainly on the basis of DG AGRI's central risk analysis. In addition, 29 desk audits were performed (including 9 enquiries following the annual clearance exercise).

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 7 – 3.3.2-3

Under the single audit approach and in line with DG AGRI audit strategy (see Explanatory box: Annex 7-1-2), 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.

¹¹⁹ See chapters 3.3.3.5.1 and 3.3.3.5.2.

3.3.3.5.1. Audits carried out on IACS and Forestry measures

a) Audit plan and coverage

In 2020, based on the results of the central risk analysis and on reservations made in the 2019 Annual Activity Report (AAR), the following audits on IACS-related measures and/or on Forestry measures were carried out:

1. Six single audit approach audits were performed to assess the work carried out by the Certification Bodies on legality and regularity: 2 on-the-spot missions (DE and RO);
2. 4 audits performed remotely (ES, GB, IT and PL).

Desk audits (17) were also performed:

1. 16 desk audits were opened to get assurance whether Member States were respecting the rules in relation to weaknesses detected by ECA in a DAS case, which identified the incorrect calculation of payments (including sanctions) related to M13;
2. 1 desk audit was opened to follow up on a DAS case on animal welfare irregularity payments related to M14 (RO).

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 2020 indicate a substantial improvement in the Certification Bodies work on legality and regularity namely for the re-verification of

eligibility conditions and the assessment of the area. This is reflected in the adjusted error rate of the Paying Agencies which in the majority of cases for EAFRD expenditure was based on the Certification Bodies findings. Notwithstanding, there are some areas that still have to be improved by some Certification Bodies, as indicated in sections 2.3.3 and 2.3.4 above.

b) Results and possible improvements

The control systems in the Paying Agencies audited in 2020 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 2020 revealed scope for improving the following issues in relation to audits on IACS-related measures (similar to those found in 2019):

- incorrect calculation of payments related to M13 (payments to area facing natural or other specific constraints);
- 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, training);
- 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; attention should be paid in relation to change of budget codes and IACS measures, as of financial year 2020;
- to achieve the required control rates, by measure and the overall IACS control rate;
- 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 the correct payments in relation to the measure “Payments to areas facing natural or other specific constraints”

In order to avoid incorrect payments, Member States should pay the claims per holding in relation to this measure using degressive amounts, above a threshold level of area. The weighted average of those amounts should be used as a basis for the calculation of the payment in relation to the declared area.

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 7 – 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 2020, based mainly on the results of DG AGRI's central risk analysis, eleven audits (including one audit to ES06 concerning audit work of Certification Bodies on legality and regularity) were carried out on Non-IACS related measures, comprising eight audits of investments measures, two audits of Leader, two audits of the audit field RD-FLAT-RATE, one audit on knowledge and innovation measures, and one audit of the audit field risk management (the same 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 audits, on a case by case, based on the audit work of the Certification Bodies.

In addition, three desk audits were opened: for Hungary (measures concerned by public procurement procedures), for Greece (measures concerned by public and private investments) and for Bulgaria (on Leader Measures).

It has to be underlined that, under the single audit approach, almost all 2020 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 2020 indicate a substantial improvement in the Certification' Bodies work on legality and regularity. This is reflected in the adjusted error rate of the Paying Agencies which in the majority of cases for EAFRD expenditure was based on the Certification Bodies findings. Nevertheless, there are some areas that still have to be improved for some Certification Bodies, as indicated in sections 2.3.3 and 2.3.4 above.

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 7 – 3.3.3.5.2-1

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2020 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.

Some audits carried out in 2020 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 7 – 3.3.3.5.2-2

The audits carried out in 2020 found scope for improving the following elements of the management and control system for investment and/or flat-rate measures, including when they were implemented under Leader (non-exhaustive list) (similar to those found in 2019):

- 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 conditions to receive the aid (see explanatory box);
- check on the eligibility of costs to ensure that the costs claimed in the application for support are congruent with the project scope;
- 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 7 – 3.3.3.5.2-3);
- lack of in-situ visits to verify the realisation of some types of investments or *in situ* visits not carried out without duly justified reasons;
- 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);, including weaknesses in the risk analysis;
- checks of the payment claims to verify that the completed operation corresponds with the operation for which support was granted (in terms of number of items and output);
- 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 2020, some audits focussed on the respect of public procurement rules and detected non-compliances at different 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 respected, contract notice not sufficiently precise, 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 7 – 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. In case a non-compliance with the applicable rules is established, appropriate measures to protect the EU budget will be taken, including financial corrections. As the potential financial risk calculated by DG AGRI for the Paying Agency's EAFRD expenditure for the financial year 2020 is above the materiality threshold described in Annex 5 (Materiality criteria) DG AGRI considers that a reservation is necessary and that the Member State should implement an action plan addressing the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rates for IACS measures.

For the Slovak Paying Agency SK01, following allegations of fraud in the Paying Agency, as a precautionary measure, DG AGRI interrupted the payments for part of the Rural Development investment measures for the last three quarters of 2020. Moreover, as requested by DG AGRI, the Slovak Competent Authority put the Paying Agency's accreditation under probation as of 15 October 2020. A plan to remedy deficiencies in the accreditation criteria has been drawn up. Finally, a number of audits were carried out and any financial risks to the EU funds is covered by financial corrections. As the potential financial risk calculated by DG AGRI for the Paying Agency's EAFRD expenditure for the financial year 2020 is largely above the materiality threshold described in Annex 5 (Materiality criteria) of the present AAR, DG AGRI considers that a reservation is necessary and that the Member State should continue and reinforce the ongoing action plan to address the severe deficiencies identified by DG AGRI for Non-IACS measures as well as implement the action plan on the accreditation criteria.

3.3.3.5.3 Audits of Financial Instruments

No audit was carried out in respect of Financial Instruments in 2020 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 7 – 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 5 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 2020 for the 2014-2020 rural development programmes:

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2020 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
AT01	AMA	573 115 163	1.61%	3.20%	18 320 322
BE02	ALV	49 083 649	3.08%	7.91%	3 880 521
BE03	SPW-DGARNE	39 500 387	2.61%	3.88%	1 533 183
BG01	DFZ [SFA]	303 027 096	0.86%	2.42%	7 339 281
CY01	KOΑΠ [CAPO]	22 041 064	0.77%	0.98%	216 366
CZ01	SZiF [SAIF]	404 124 382	2.39%	2.82%	11 400 823
DE01	BLE	1 092 706	0.00%	0.00%	0
DE03	Baden-Württemberg MLR	100 180 849	1.39%	1.52%	1 518 579
DE04	Bayern StMLF	209 557 288	0.83%	1.45%	3 033 515
DE07	Brandenburg MLUV	141 164 226	0.64%	0.64%	907 276
DE11	Mecklenburg-Vorpommern MELFF	120 695 977	0.16%	0.54%	650 420
DE12	Niedersachsen	134 276 457	2.02%	2.30%	3 092 821
DE15	LWK Nordrhein-Westfalen	101 965 797	1.27%	2.05%	2 088 223
DE17	Rheinland- Pfalz	45 800 003	1.04%	1.73%	790 232
DE18	Saarland	5 861 839	1.00%	4.59%	268 834
DE19	Sachsen	161 511 036	0.18%	0.60%	973 571
DE20	Sachsen-Anhalt	119 567 246	1.12%	1.12%	1 340 115
DE21	Schleswig-Holstein	51 838 697	1.23%	1.27%	659 151

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2020 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
DE27	Thüringen	100 859 833	3.17%	4.03%	4 061 123
DE26	Helaba	62 104 503	1.62%	1.96%	1 215 008
DK02	DAFA	95 833 669	2.93%	2.98%	2 855 107
EE01	PRIA	101 341 372	7.40%	7.40%	7 495 911
ES01	Andalucía	275 119 805	3.64%	3.64%	10 004 105
ES02	Aragón	67 400 161	1.05%	2.10%	1 418 675
ES03	Asturias	37 618 533	1.05%	1.97%	742 260
ES04	FOGAIBA	12 375 126	1.80%	1.80%	223 282
ES05	Islas Canarias	24 935 582	1.55%	1.55%	386 333
ES06	Cantabria	15 395 085	1.48%	3.40%	524 201
ES07	Castilla La Mancha	184 872 490	0.81%	1.27%	2 343 132
ES08	Castilla y León	124 781 154	0.50%	0.59%	735 140
ES09	Cataluña	43 509 273	1.84%	5.85%	2 546 351
ES10	Extremadura	117 365 307	0.68%	0.74%	866 836
ES11	FOGGA	154 396 913	0.78%	0.83%	1 286 276
ES12	Madrid	11 834 527	2.93%	2.94%	347 684
ES13	Murcia	38 868 145	2.04%	2.29%	890 806
ES14	Navarra	19 512 962	1.05%	1.27%	246 861
ES15	País Vasco	19 967 380	1.16%	2.49%	496 806
ES16	La Rioja	9 332 850	0.02%	0.15%	13 996
ES17	AVFGA	33 336 371	0.15%	0.91%	301 811
ES18	FEGA	30 979 518	0.03%	1.69%	523 585
FI01	MAVI	305 132 363	1.96%	2.98%	9 091 227
FR18	ODARC	18 977 552	6.47%	21.16%	4 015 643
FR19	ASP	1 915 250 031	1.18%	3.44%	65 880 746
GB05	DARD	25 814 284	2.50%	6.44%	1 663 610
GB06	SGRPID	128 691 242	0.60%	1.95%	2 514 445
GB07	WG	83 277 005	1.24%	3.60%	2 996 417
GB09	RPA	529 266 862	0.84%	3.01%	15 942 087
GR01	Ο.Π.Ε.Κ.Ε.Π.Ε. [O.P.E.K.E.P.E.]	528 268 504	2.84%	3.74%	19 778 462
HR01	PAAFRD	359 224 921	2.92%	3.00%	10 759 612
HU02	HST	565 477 931	1.08%	1.71%	9 673 206
IE01	DAFM	333 834 915	0.86%	1.01%	3 358 902
IT01	AGEA	1 099 747 653	0.37%	1.21%	13 293 589
IT05	AVEPA	55 752 898	0.38%	1.12%	623 441
IT07	ARTEA	44 931 794	0.55%	1.34%	602 113
IT08	AGREA	85 088 757	0.59%	2.45%	2 081 727
IT10	ARPEA	55 255 095	0.28%	3.01%	1 664 609
IT23	OPR Lombardia	63 689 539	1.72%	2.81%	1 787 874
IT24	OPPAB	20 164 380	0.54%	1.27%	255 764
IT25	APPAG	17 615 596	1.24%	3.20%	564 479
IT26	ARCEA	83 888 737	1.95%	6.32%	5 301 620
LT01	NMA [NPA]	189 905 805	0.19%	1.95%	3 705 791
LU01	Ministère de l'Agriculture	14 153 119	0.74%	0.76%	107 818

Paying Agency	Paying Agency Name	Relevant Expenditure Financial Year 2020 (EUR)	Reported (residual) error rate	Adjusted error rate	Amount at Risk (EUR)
LV01	RSS	149 973 725	0.36%	0.36%	533 405
MT01	MRRA PA	18 058 042	0.28%	3.62%	654 337
NL04	ELFPO	129 324 063	0.34%	1.94%	2 514 597
PL01	ARIMR [ARMA]	1 206 122 592	0.81%	2.08%	25 115 693
PT03	IFAP	579 760 866	4.83%	6.06%	35 109 616
RO01	PARDF	1 151 121 193	0.46%	3.07%	35 365 321
SE01	SJV	326 138 276	1.95%	8.88%	28 949 011
SI01	ARSKTRP	125 726 538	0.37%	0.41%	517 968
SK01	APA	193 701 890	1.51%	11.96%	23 168 432
ABB04	Rural Development Programmes	14 569 480 584	1.39%	2.92%	425 130 081

Table: Annex 7 – 3.3.4-1

In a number of cases - Cyprus, Germany (9 Paying Agencies), Spain (10 Paying Agencies), the United Kingdom (1 Paying Agency), Hungary, Ireland, Italy (4 Paying Agencies), Lithuania, Luxemburg, The Netherlands and Slovenia - top-ups, based on the Certification Bodies' work or DG AGRI audits, 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.

3.3.5 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	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
AT01	3.20%	EUR 18.32 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>A 2019 audit by DG AGRI detected deficiencies in organic farming measure.</p> <p>DG AGRI audits in 2020 detected deficiencies in IACS measures (10, 11 and 14) for: pre-notification of the OTSC more than 48 hours and lack of administrative controls and deficiencies related to incorrect calculation of payments for M13.</p> <p>The adjustment made to the error rate for IACS is also supported by the findings reported by the Certification Body.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The financial risk to the EU budget for the IACS measure 11 (organic farming) is covered by payment suspensions.</p> <p>The Member State should continue and reinforce the action plan addressing the deficiencies identified in 2020 for IACS measures, including the high reported error rate for IACS measures.</p> <p>The financial risk to the EU budget for the other IACS measures is covered by the ongoing conformity clearance procedure.</p>
BE02 Flanders	7.91%	EUR 3.88 million	<p>The Member State has reported a high error rate for the IACS measures. A DG AGRI audit in 2020 identified deficiencies in several Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan addressing the underlying causes of the high error rates under IACS measure M.10 and M.11 and the deficiencies identified by DG AGRI in the Non-IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
BE03 Wallonie	3.88%	EUR 1.53 million	<p>The Member State reported a high error rate for the Non-IACS measures. Based on a finding from the Certification Body in financial year 2019, a DG AGRI audit in 2020 identified deficiencies in some non IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p> <p>The adjustment made to the error rate for non- IACS is also supported by the similar findings reported by the Certification Body for financial year 2020.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State has reported that remedial action is ongoing in the context of the ongoing conformity procedure. The Member State should nevertheless continue to address the underlying causes of the error rate reported and the deficiencies identified by DG AGRI in the Non-IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
BG01	2.42%	EUR 7.34 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>A 2019 DG AGRI audit identified deficiencies in M14.</p> <p>The adjustment made to the error rate for M14 is also supported by the findings reported by the Certification Body.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and by the Certification Body for IACS and Non-IACS measures., and the underlying causes of high error rates for IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
CZ01	2.82%	EUR 11.40 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>Following allegations of conflict of interests, a coordinated audit was carried out by DG AGRI with DG REGIO and DG EMPL in 2019. DG AGRI audited the investment measures under EAFRD (Non-IACS) and identified deficiencies. The conformity procedure is ongoing.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan addressing the deficiencies identified by DG AGRI for Non-IACS measures and the underlying causes of high error rates for IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
DE12 Nieder- sachsen	2.30%	EUR 3.09 million	<p>The Member State has reported high error rates for IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	No	<p>A reservation is not considered necessary.</p> <p>The Member State should address the underlying causes for the high error rate for IACS measures.</p>
DE15 Nordrhein- Westfalen	2.05%	EUR 2.09 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	No	<p>A reservation is not considered necessary.</p> <p>The Member State should address the underlying causes for the high error rate for IACS measure and the deficiencies identified by the Certification Body for IACS and Non-IACS measures.</p>
DE18 Saarland	4.59%	EUR 0.27	<p>The Member State has reported a high error rate for Non-IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	No	<p>As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should address the deficiencies identified by the Certification Body for IACS and Non-IACS measures.</p>
DE27 Thüringen	4.03%	EUR 4.06 million	<p>The Member State reported a high error rate for IACS measures.</p> <p>Based on the Certification</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan addressing the underlying</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.		causes of the high error rates reported in the IACS measures and the deficiencies identified by the Certification Body for IACS measures.
DK02	2.98%	EUR 2.86 million	The Member State reported a high error rate for Non-IACS measures. Based on the Certification Body assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should implement an action plan addressing the underlying causes of the high reported error rates for Non-IACS measures.
EE01	7.40%	EUR 7.50 million	The Member State reported a high error rate for IACS measures.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should continue the action plan for M10 and reinforce it addressing the underlying causes of errors for M14.
ES01 Andalucía	3.64%	EUR 10.00 million	The Member State has reported high error rates for IACS and Non-IACS measures.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should address the underlying causes of the high error rate reported for the IACS and Non-IACS measures.
ES02 Aragón	2.10%	EUR 1.42 million	A DG AGRI audit in 2020 identified deficiencies in one IACS measure. A DG AGRI audit in 2018 identified deficiencies for several Non-IACS measures. Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should address the deficiencies identified by DG AGRI for the IACS measure. The Member State has reported that remedial actions to address the deficiencies detected for Non-IACS is ongoing. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES06 Cantabria	3.40%	EUR 0.52 million	The Member State has reported high error rate for IACS measures. A DG AGRI audit in 2019 identified deficiencies in one Non-IACS measure. A DG AGRI audit in 2020 identified deficiencies in one IACS measure. Based on the Certification Body assessment, an adjustment was made to the IACS error rate reported by the Member State. This adjustment also covers the deficiencies identified by DG AGRI.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the deficiencies identified by the Certification Body for IACS measures and the underlying causes of the high error rate for IACS measures and the deficiencies identified by DG AGRI.
ES09 Cataluña	5.85%	EUR 2.55 million	The Member State has again reported high error rate for IACS measures. A 2019 DG AGRI audit	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should continue and reinforce the ongoing action plan to

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			<p>detected deficiencies in the checks on the reasonableness of costs for several Non-IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p> <p>The adjustment made to the error rate for Non-IACS is also supported by the similar findings reported by the Certification Body.</p>		address the underlying causes of high error rates reported under IACS measures and the deficiencies detected by DG AGRI for Non-IACS measures.
ES12 Madrid	2.94%	EUR 0.35 million	<p>The Member State has reported a high error rate for Non-IACS measures.</p> <p>A DG AGRI audit in 2017 identified a risk of double financing of the afforested areas.</p>	No	<p>As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should nonetheless address the underlying causes of the high error rate for Non-IACS measures.</p>
ES13 Murcia	2.29%	EUR 0.89 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>DG AGRI audits in 2020 identified deficiencies in several IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>	No	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should address the deficiencies identified in DG AGRI audits and the underlying causes of high error rates for IACS measures.</p>
ES15 Pais Vasco	2.49%	EUR 0.50 million	<p>The Member State has reported a high error rate for M10.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	No	<p>As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required.</p> <p>The Member State should address the underlying causes of the high error rate for M10 and the deficiencies identified by the Certification Body.</p>
FI01	2.98%	EUR 9.09 million	<p>The Member State reported a high error rate for IACS measures. A DG AGRI audit in 2019 identified a deficiency in the LPIS maximum eligible area.</p> <p>The adjustment made to the error rate for IACS is also supported by the findings reported by the Certification Body.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should continue and reinforce the action plan addressing the high error rates in IACS measures and the maximum eligible area in the LPIS.</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
FR18 ODARC	21.16%	EUR 4.02 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>For IACS measures, a DG AGRI audit in 2018 identified deficiencies including the LPIS administrative crosschecks (pro-rata) and late on-the-spot checks.</p> <p>A DG AGRI audit in 2019 identified further deficiencies, including also the late on the spot checks previously detected. A DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and the Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The ongoing action plan should be continued and reinforced to address the deficiencies identified by the Certification Body in 2020 and by DG AGRI in 2018, 2019 and 2020, as well as the causes underlying the high error rate for IACS measures.</p>
FR19 ASP	3.44%	EUR 65.88 million	<p>Based on the Certification Body assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p> <p>This adjustment covers also the following deficiencies identified by DG AGRI: The minimum control rate was not achieved for one IACS measure. For IACS measures, DG AGRI audits in 2018 and 2020 identified deficiencies in several measures, including late on-the-spot checks.</p> <p>For Non-IACS measures, a DG AGRI audit in 2017 detected deficiencies in public procurement.</p> <p>In 2019, a DG AGRI audit identified deficiencies relating to the checks on reasonableness of costs affecting the investment measures of private beneficiaries. Another 2019 DG AGRI audit identified deficiencies relating to cost reasonableness, verification of payment claims, quality of on the spot controls for M17 and <i>in situ</i> visits for investment measures.</p> <p>Furthermore, the Member State has reported a high error rate for Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The ongoing action plan should be continued and reinforced to address the deficiencies identified by DG AGRI and the Certification Body for Non-IACS and IACS measures as well as the causes underlying the high error rate in Non-IACS measures.</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
GB05 Northern Ireland	6.44%	EUR 1.66 million	<p>The Member State has reported high error rates for IACS and Non-IACS measures.</p> <p>Based on the Certification Body assessment, an adjustment was made to the IACS and Non-IACS error rate reported by the Member State. This adjustment also covers the deficiencies identified by DG AGRI :</p> <p>A DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The National Authorities should implement an action plan to address the underlying causes for the high error rates in IACS and Non-IACS measures and the deficiencies identified by the DG AGRI audit in 2020 for IACS measure and by the Certification Body on IACS and Non-IACS measures.</p>
GB07 Wales	3.60%	EUR 3.00 million	<p>A DG AGRI audit of 2019 identified deficiencies in the administrative checks on active farmer.</p> <p>A DG AGRI audit in 2020 identified deficiencies in two IACS measures.</p> <p>The adjustment made to the error rate for IACS is also supported by the findings reported by the Certification Body.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The National Authorities should continue and reinforce the action plan to address the deficiencies identified by DG AGRI for IACS measures.</p>
GB09 England	3.01%	EUR 15.94 million	<p>The minimum control rate was not achieved for M10.</p> <p>A DG AGRI audit in 2017 identified deficiencies in the controls of the public procurement procedures.</p> <p>A DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the National Authorities.</p> <p>Based on the Certification Body assessment, an adjustment was made to the Non-IACS error rate reported by the National Authorities. This adjustment also covers the deficiencies identified by DG AGRI.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The National Authorities should implement an action plan to address the deficiencies identified by the DG AGRI audit and by the Certification Body for IACS and Non-IACS measures.</p>
GR01	3.74%	EUR 19.78 million	<p>The Member State has reported high error rates for IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			<p>DG AGRI audit in 2020 identified deficiencies in one IACS measure.</p> <p>DG AGRI audit in 2017 identified deficiencies in several Non-IACS measures (transitional expenditure) which still affect financial year 2020.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS error rate reported by the Member State.</p>		<p>action plan to address the underlying causes for the high error rates in IACS measures and the deficiencies identified by the DG AGRI audit in 2020 for IACS measure.</p> <p>The financial risk to the EU budget is covered by the ongoing clearance conformity procedures.</p>
HR01	3.00%	EUR 10.76 million	<p>The Member State has again reported high error rates for all IACS measures.</p> <p>A 2018 audit by DG AGRI identified deficiencies for investment measure 4.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2019 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan to address the underlying causes of high error rates reported under IACS measures.</p>
IT08 Emilia Romagna	2.45%	EUR 2.08 million	<p>DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures.</p> <p>DG AGRI audits in 2020 detected deficiencies in one IACS measure and several Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan to address the deficiencies identified by DG AGRI audits in 2020 for IACS and Non-IACS measures.</p>
IT10 Piemonte	3.01%	EUR 1.66 million	<p>DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures.</p> <p>A DG AGRI audit in 2020 detected deficiencies in one IACS measure.</p> <p>A 2019 DG AGRI audit detected deficiencies on the quality of the on the spot controls and on selection procedures for several Non-IACS measures.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the necessary remedial actions, following the DG AGRI audits in 2020 for IACS and in 2019 for Non-IACS measures, will be agreed with the Member State.</p>
IT23 Lombardia	2.81%	EUR 1.79 million	<p>DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures.</p> <p>The member state reported a high error rate for one IACS measure.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>Following the exchanges with the Member State in the framework of the ongoing conformity clearance procedure, the Member State will be requested to explain the underlying reasons for the high error rates for IACS measures.</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			A DG AGRI audit in 2020 detected deficiencies in one IACS measure.		
IT25 Trento	3.20%	EUR 0.56 million	DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures. A DG AGRI audit in 2020 detected deficiencies in one IACS measure. Based on the Certification Body assessment, a further adjustment was made to the non-IACS error rate reported by the Member State.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality criteria (see Annex 5), no reservation is required. The Member State should address the deficiency detected by DG AGRI in 2020.
IT26 Calabria	6.32%	EUR 5.30 million	DG AGRI audits in 2018 and 2019 detected deficiencies regarding the correct recording of the maximum eligible area in LPIS for IACS measures. The Member State has reported a high error rate for IACS measures. Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member state should continue and reinforce the ongoing action plan to address the underlying causes of the high reported error rates for IACS measures.
MT01	3.62%	EUR 0.65 million	The Member State has reported a high error rate for M10. Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	No	As the amount at risk is below the de minimis threshold established by DG AGRI's materiality threshold (see Annex 5), no reservation is required. The Member State should address the underlying causes of the high error rate for M10 and the deficiencies identified by the Certification Body.
PL01	2.08%	EUR 25.12 million	The Member State has reported a high error rate for IACS measure 10. A 2017 audit by DG AGRI detected deficiencies in the verification of payment claims as regards M9. For M4.1 and 19.2 an audit in 2019 detected deficiencies on verification of eligibility criteria and payment claims. Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should implement an action plan to address the deficiencies identified by DG AGRI and by the Certification Body for Non-IACS measures and the underlying causes of the high error rate in IACS measure 10. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
PT03	6.06%	EUR 35.11 million	The Member State has reported high error rates for IACS and Non-IACS measures.	Yes	A reservation is entered in respect of 2020 expenditure. The Member State should continue and

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			<p>DG AGRI audits in 2018 and 2020 identified deficiencies in IACS measures. DG AGRI audits in 2018, 2019 and 2020 identified deficiencies in Non-IACS measures.</p> <p>The adjustment made to the error rate for IACS is also supported by the findings reported by the Certification Body.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the Non-IACS error rate reported by the Member State.</p>		reinforce the ongoing action plan to address the underlying causes of high error rates reported under IACS and Non-IACS measures and the deficiencies detected by DG AGRI for IACS and Non-IACS measures.
RO01	3.07%	EUR 35.37 million	<p>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 M10 and M13. A DG AGRI audit in 2020 detected deficiencies in the animal welfare measure.</p> <p>A DG AGRI audit in 2019 detected deficiencies in public procurement, reasonableness of costs and eligibility checks for several Non-IACS measures.</p> <p>Based on the Certification Body assessment, a further adjustment was made to the IACS and Non-IACS error rate reported by the Member State.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should implement an action plan to address the deficiencies identified by DG AGRI and the Certification Body for IACS and Non-IACS measures.</p> <p>The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.</p>
SE01	8.88%	EUR 28.95 million	<p>The Member State reported a high error rate for IACS measures. A DG AGRI audit in 2017 identified deficiencies for IACS measures.</p> <p>A DG AGRI audit in 2020 identified deficiencies for several Non-IACS measures.</p> <p>The adjustment made to the error rate for IACS and Non-IACS is also supported by the findings reported by the Certification Body.</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member state should continue and reinforce the action plan addressing the high error rates in IACS measures and the deficiencies identified by DG AGRI for the IACS and Non-IACS measures.</p>
SK01	11.96%	EUR 23.17 million	<p>The Member State has reported a high error rate for IACS measures.</p> <p>A DG AGRI audit in 2020 detected deficiencies in one IACS measure.</p> <p>A DG AGRI audits in 2017</p>	Yes	<p>A reservation is entered in respect of 2020 expenditure.</p> <p>The Member State should continue and reinforce the ongoing action plan to address the severe deficiencies identified by DG AGRI for non-IACS measures and ensure the implementation of the action</p>

Paying Agency/ Member State	Adjusted error rate	Amount at risk	Reasons for top-up	Reser- vation	Mitigating factors/Reservation follow-up
			<p>identified deficiencies in public procurement procedures. A DG AGRI audit in 2020 identified severe deficiencies affecting non-IACS measures.</p> <p>Based on the Certification Body assessment, an adjustment was made to the IACS error rate reported by the Member State. This adjustment also covers the deficiencies identified by DG AGRI.</p> <p>The adjustment made to the error rate for Non-IACS is also supported by the findings reported by the Certification Body.</p>		<p>plan for accreditation issues.</p> <p>The financial risk to the EU budget for the Non-IACS measures is partly covered by payment suspensions.</p> <p>The ongoing conformity clearance procedures will ensure that the remaining financial risk to the EU budget is covered.</p>

Table: Annex 7 – 3.3.5-1

The following table gives details of cases for Rural Development where a reservation made in the 2019 AAR was not carried forward in the 2020 AAR:

Member State/ Paying Agency	Adjusted error rate	Amount at risk	Justification
CY01	0.98%	EUR 0.22 million	The Member State has implemented actions addressing the underlying causes of the high error rates under IACS measures and the deficiencies identified by DG AGRI in the Non-IACS measures.
DE19	0.60%	EUR 0.97 million	The Member State has launched remedial actions to address the deficiencies identified by DG AGRI for Non-IACS measures (reasonableness of costs for Leader) and the causes of high error rates for IACS measures. The Member should continue and reinforce the action plan to address the deficiencies detected for Leader. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.
HU02	1.71%	EUR 9.67 million	The Member State is implementing an action plan to address the deficiencies identified by DG AGRI for the IACS and Non-IACS measures. The ongoing conformity clearance procedures will ensure that the financial risk to the EU budget is covered.
IE01	1.01%	EUR 3.36 million	The Member State has launched actions to address the underlying causes of the high error rates under Non-IACS measures. The Member state should continue the action plan to address the deficiencies identified by DG AGRI in the Non-IACS measures. The financial risk to the EU budget is covered by the ongoing clearance conformity procedure.
LT01	1.95%	EUR 3.71 million	The Member State implemented actions to address the high error rates for IACS measures and the deficiencies identified by DG AGRI for Non-IACS measures. The financial risk to the EU budget is covered by the ongoing conformity clearance procedure.

Table: Annex 7 – 3.3.5-2

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programme

The total expenditure for the Rural Development Programmes in 2020 amounted to EUR 14 578 871 889 of which EUR 150 000 was a reimbursement following court cases for the 2007-2013 programming period (budget item 05040501), and EUR 14 569 480 584 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 2.92%.

37 out of the 71 Paying Agencies have an adjusted error rate above 2% (of which 8 were above 5%: Belgium (1 Paying Agency) Estonia, France (1 Paying Agency), the United Kingdom (1 Paying Agency), Italy (1 Paying Agency), Sweden, Portugal and Slovakia).

In line with its materiality criteria in Annex 5, 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 29 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 2 cases, it was considered that, given the mitigating factors present, it would not be necessary to make reservations: Germany (2 Paying Agencies). For 7 Paying Agencies (Germany (1 Paying Agency), Italy (1 Paying Agency), Malta, Spain (4 Paying Agencies)), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 5 (materiality criteria), therefore no reservation was necessary. For the remaining 20 Paying Agencies, a reservation was deemed necessary.

The overall outcome of this exercise is that 28 reservations are necessary at Paying Agency level:

- Austria
- Belgium (2 Paying Agencies)
- Bulgaria
- Czech Republic
- Germany (1 Paying Agency)
- Denmark
- Estonia
- Spain (3 Paying Agencies)
- Finland
- France (2 Paying Agencies)
- the United Kingdom (3 Paying Agencies)

- Greece
- Croatia
- Italy (4 Paying Agencies)
- Poland
- 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 2.92% represents an increase compared to 2019 whilst remaining below 3%.

Payments reimbursed by DG AGRI to the Member States in 2020						
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	-382 531	0.00%	-
		050452 ⁽¹⁾	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	-	-	-
		05040501	Rural development programmes 2007-2013	150 000	0.00%	-
			Reimbursements following Court cases	150 000		
			Final balance 2007-2013			
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	14 569 480 584	2.92%	425 130 081
	Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	14 569 480 584	2.92%	425 130 081		
	Pre-financing for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	-	0.00%	-		
	Sub-Total Shared Management		14 569 248 053.22	2.92%	425 130 081	
Direct Management	0504	05040206	Completion of Leader (2000 to 2006)	-	-	-
		05040502	Operational technical assistance 2007-2013	-	-	-
		05046002	Operational technical assistance 2014-2020	9 623 836	1.00%	96 238
		Sub-Total Direct Management		9 623 836	1.00%	96 238
Grand Total 0504			14 578 871 889	2.92%	425 226 320	

Table: Annex 7 – 3.3.6.2-1

The adjusted error rate for payments made for ABB04 is 2.92% and the total amount at risk is EUR 425.23 million.

The assessment of the risk for the entire chapter 0504 covers all payments to Member States in 2020 including pre-financing.

The average amount of net financial corrections per year for the five year period 2016-2020 (excluding corrections made for cross-compliance) is EUR 197.636 million for ABB04¹²⁰ while recoveries from Member States from beneficiaries amounted to EUR 101.378 million.

¹²⁰ See sub-section 2.1.1.3.1 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

Since 2017, when the Commission Communication to the Council and the European Parliament on the root causes of errors and actions taken (COM (2017) 124 final) was published, the error rate level both for EAGF and EAFRD has been further decreasing.

The Communication explained 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.

Simplification, Omnibus and other Commission initiatives

In the last five years several legal simplification initiatives have been 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 and the simplification of controls for financial instruments.

In 2017, a major simplification initiative was the Omnibus Regulation which introduced some simplification and technical improvements to the four basic Regulations of the CAP:

- changes introduced for the **risk management tools**;
- 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;
- 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**;
- Finally, a set of changes in the **competition provisions** of the Common Market Organisation (CMO) Regulation.

In 2020, the Transitional Regulation was adopted¹²¹ and included among others, **two amnesties for payment entitlements**. The first general amnesty was deemed necessary as in 2015, at the allocation of payment entitlements or at the recalculation of payment entitlements for Member States keeping existing entitlements under Regulation (EU) No 1307/2013, some Member States made errors. In the light of the time elapsed since the first allocation, the efforts made by Member States to establish, and where

¹²¹ Regulation (EU) 2020/2220 of the European Parliament and the Council of 23 December 2020

relevant, to correct entitlements, and also in the interest of legal certainty, the number and value of payment entitlements will now be considered legal and regular with effect from 1 January 2021. The second one applies to specific payment entitlements (when Member States applied a reduction coefficient to eligible hectares consisting of permanent grassland located in areas with difficult climate conditions). To stabilise the system currently applied in those Member States, and with a view to ensuring legal certainty for all farmers in the Member States concerned as early as possible, the Member States concerned are able to consider retroactively legal and regular the value and number of all entitlements allocated to all farmers before 1 January 2020.

Also in 2020, DG AGRI adapted its working methods to respond to the **COVID-19 restrictions** and addressed the impact of the COVID-19 crisis through a series of measures described in section 2.1 of this Annual Activity Report. The amended rules were limited in time and scope and proposed alternative methods to carry out the controls by the Member States¹²².

Conferences, workshops and networking

In 2020 DG AGRI participated in one Conference with the Heads of the Paying Agencies chaired by the the German Presidency. The conference in Šibenik (Croatia) was cancelled due to the COVID-19 pandemic and both the German Paying Agency conference and the Commission organised one were held by videoconference in order to ensure continued exchanges of best practises even when it was not possible to physically meet in view of the COVID19 restrictions. The conference organised annually in Brussels by DG AGRI took place in November 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 Learning Network of the Paying Agencies, in which strategic issues and implementation challenges are discussed. Furthermore, since 2013 annual seminars on error rate in Rural Development have been organised, of which the latest took place in 2020. 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.

¹²² Possibility to replace physical inspections and on-the-spot checks under Direct Payments, Rural Development and markets support measures with alternative control evidence, such as geo-tagged photos, satellite images, documents, video meetings, etc.

The European Network for Rural Development also has an on-going role in disseminating good practices and guidance related to improving RDP implementation, including the reduction of errors. In 2020, different workshops and other events for Managing Authorities and Paying Agencies have been carried out and supported through the ENRD activities. In 2020, events increasingly focused on drawing lessons from the current programming period and supporting Member States in the preparation of the future CAP strategic plans and the shift to the new performance-based delivery model. They covered topics such as: the design of the intervention strategy and of interventions under the CAP strategic plans, maintaining and widening stakeholder engagement in LEADER, access to services in rural areas, climate action and resilient rural economies, digital communication and valorising and communicating project examples.

The Guidance on rural development control and penalties was also amended and updated in 2020 in order to incorporate latest legislative changes.

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 continued to develop and amend 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) has also been provided, 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 direct payments have taken place in 2020, notably dedicated to modernisation and simplification of IACS for Member States willing to start or already implementing the checks by monitoring approach.

Action plans

As from 2015, DG AGRI has continuously 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 or dedicated bilateral meetings, organised every year to support Member States with their quality assessments. During the Covid-19 pandemic, meetings were organised in a virtual mode and exchanges continued to be held with Member States to ensure a minimum level of support and guidance, despite the sanitary constraints. Analysis of on-going remedial action plans submitted in previous years was also actively carried out. A review 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 1306/2013¹²³, Commission Delegated Regulation (EU) No 907/2014¹²⁴ and Commission Implementing Regulation (EU) No 908/2014¹²⁵.

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

¹²³ 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).

¹²⁴ 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).

¹²⁵ 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).

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 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 7 - 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 missions¹²⁶ 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 7 – Part 1 for more information on the Central Risk Analysis (CRA)).

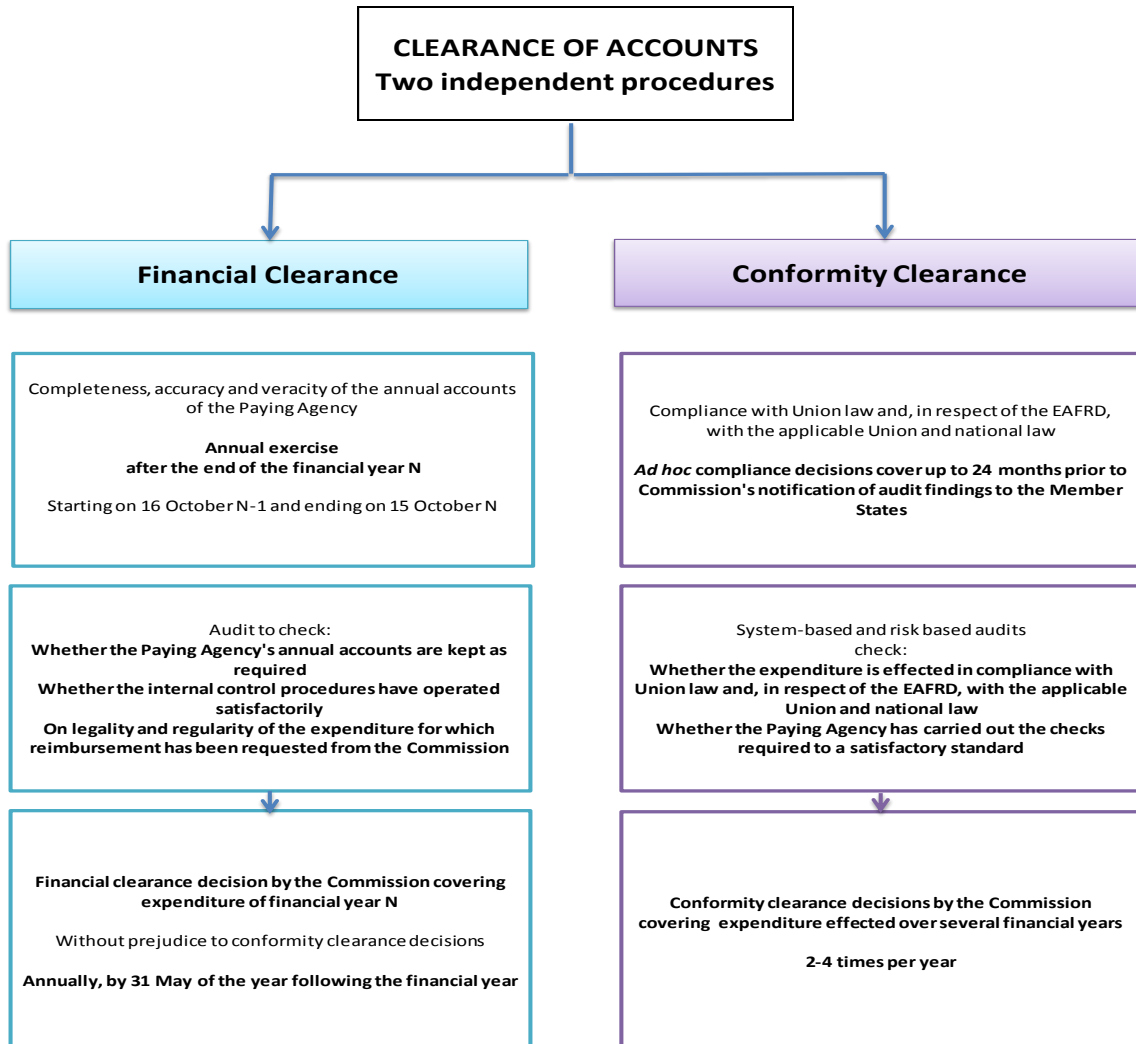


Diagram: Annex 7-4.1.2-1

¹²⁶ For a large part of 2020, it was not possible to carry out on-the-spot missions due to the COVID-19 pandemic restrictions, so instead Remote audits were carried out (see also point 2.1.1.2.1)

4.1.3 How does the conformity procedure work in practice?

If an audit (including DG AGRI audits, Certification Body audits and occasionally ECA audits) 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 7 – 4.4):

- **The Commission officially notifies the Member State of the 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 7 - 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 months¹²⁷.

¹²⁷ It can take even longer if the whole case has to be re-examined.

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).

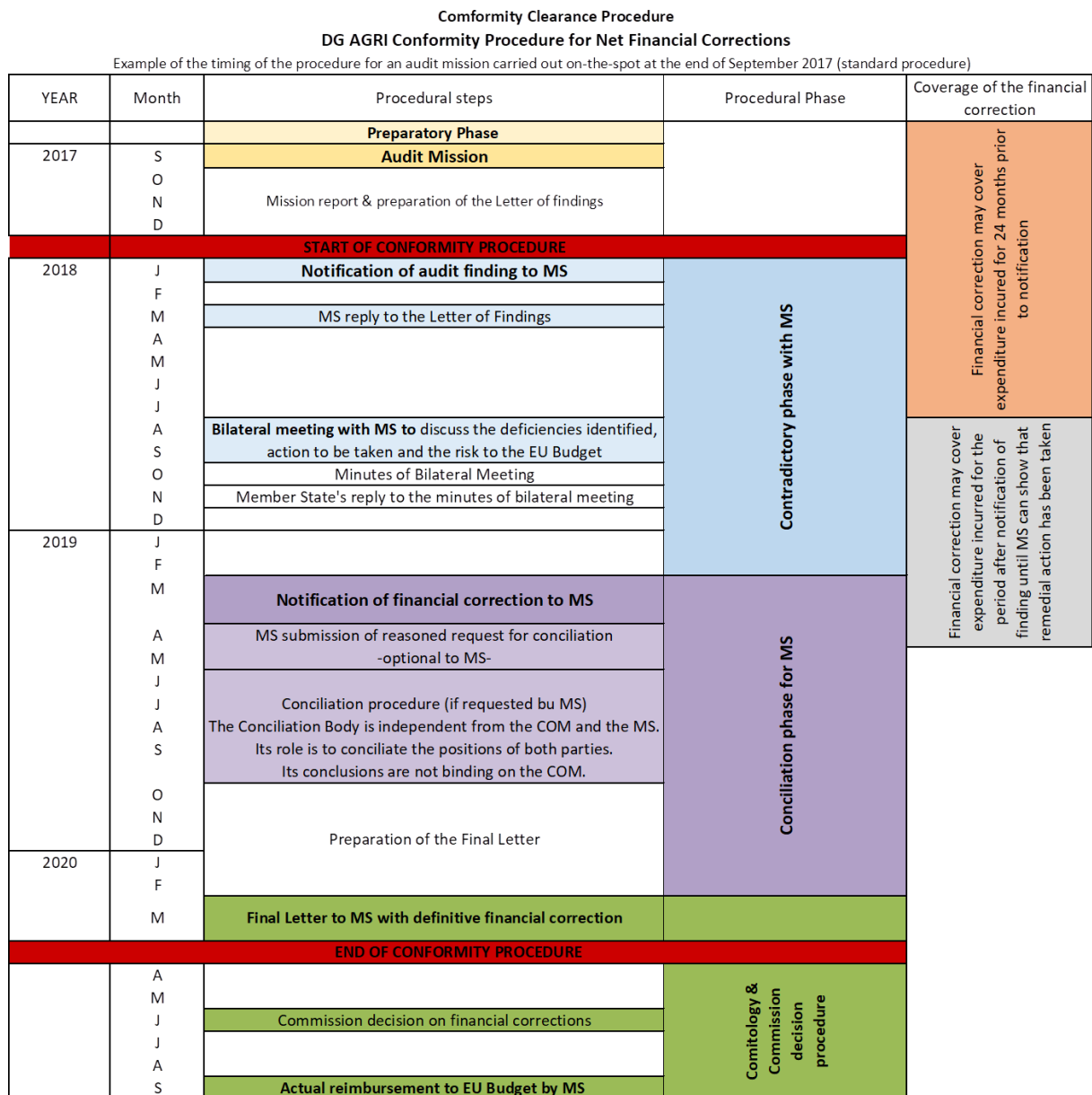


Diagram: Annex 7 – 4.1.4-1

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 guidelines¹²⁸, 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 7 - 4.2.1-1

¹²⁸ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final.

On this basis, the guidelines provide that:

- When a Member State has adequately performed the key controls, but completely failed to operate one or two ancillary controls then a correction of 2% is justified in view of the lower risk of financial damage to the Union's budget, and in view of the lesser gravity of the infringement;
- When one or two key controls are not applied, in the number, frequency, or depth required by the regulations, then a correction of 5% is justified, as it can reasonably be concluded they do not provide sufficient level of assurance of the regularity of claims, and that the risk to the Funds was significant;
- When one or more key controls are not applied or applied so poorly or so infrequently that they are completely ineffective in determining the eligibility of the claim or preventing irregularities, then a correction of 10% is justified, as it can reasonably be concluded that there was a high risk of wide-spread financial damage to the Union's budget;
- When three or more deficiencies are detected with respect to the same control system, a financial 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 2020, instalment decisions have been adopted in respect of EUR 71.314 million of financial corrections** (see Annex 7 – 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, For the EAGF, Greece has paid back the full deferred amount (see Annex 7 – 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.

4.2.2 Net financial corrections in 2020

Table Annex 7 – 4.2.2-1 below sets out the net financial corrections (excluding cross-compliance corrections) reimbursed to the EU budget for ABB02, ABB03 and ABB04 over the past three years for the EAGF (ABB02 and ABB03) and five years for the EAFRD (ABB04) and its average:

All corrections except cross-compliance, reimbursements following judgments, late payments and overshooting of ceilings				
				million EUR
	ABB02	ABB03	ABB04	Total
2016			226,396	
2017			303,807	
2018	166,597	548,407	139,456	854,460
2019	95,461	506,832	170,883	773,176
2020	40,432	178,095	147,640	366,167
Total	302,490	1.233,334	988,182	1.993,803
3/5-year average	100,830	411,111	197,636	664,601

Table: Annex 7 – 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 cases¹²⁹ 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. 2020 expenditure). The corresponding figures for each of the years 2014 to 2019 were already published in previous DG AGRI AARs. As of the 2019 AAR, DG AGRI went 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. 2016 and 2017) 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.

As for 2017, 2018 and 2019 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 2020 and 5-year average				
million EUR				
	ABB02	ABB03	ABB04	Total
2020	0.009	24.358	8.155	32.522
5-year average	0.262	62.333	6.604	69.199

Table: Annex 7 – 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.

¹²⁹ 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.

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 7 - 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.

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	2022
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	1 279 173		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				91 732	91 732	91 732			
55	2017	11 303					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	
63	2020	71 314							23 771	23 771	23 771
Total		3 663 265	686 219	561 941	704 353	832 794	365 984	273 741	132 721	81 742	23 771

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

Table: Annex 7 – 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	2018/873/EU
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 7 – 4.2.3.-2

In total EUR 507.7 million were deferred for the EAGF. The first two instalments of a total of EUR 203 million were paid back to the EU budget in August 2018 and August 2019. The Court of Justice of the European Union has delivered on 13 February 2020 its judgment in

case C-252/18P. Greece had requested the annulment of the judgment of the European Court of 1 February 2018, Greece vs Commission T-506/15, this judgement rejecting its action against Commission Implementing Decision (EU) 2015/1119 of 22 June 2015, excluding from European Union financing certain expenditure incurred by the Member States under the European Agricultural Guarantee Fund (EAGF) and under the European Agricultural Fund for Rural Development (EAFRD). The Court of Justice, while it has confirmed the judgment in T-506/15 for the rest, has set aside said judgment for the parts in which it imposed to Greece a 25% flat rate correction on Area Aid (permanent pastures) from years 2009 to 2011. It has then proceeded to annul accordingly the related parts of the Commission Decision 2015/1119/UE of 22 June 2015¹³⁰. An amount of EUR 268.7 million was reimbursed to Greece in conformity clearance decision (EU)2020/859 (ad-hoc 63). At this time, Greece still had to pay back to the EU budget an amount of EUR 304.6 million in favour of the EAGF (in 3 equal amounts in August 2020, 2021 and 2022). The net amount of EUR 36 million was paid back to the EU budget in August 2020, which means that all the deferred amounts for the EAGF have been paid back by Greece.

4.2.4 Amounts of financial corrections decided each year

Sub-section 2.1.1.3 of the main body 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 2020:

Net financial corrections decided in 2020 and (net financial impact)				
million EUR				
Commission Conformity Decisions		EAGF	EAFRD	Total
ad-hoc 62	(EU)2020/201	82.859 (82.859)	36.189 (36.189)	119.048 (119.048)
ad-hoc 63	(EU)2020/859	117.027 (-161.193)	19.110 (18.924)	136.137 (-142.269)
ad-hoc 64	(EU)2020/1734	190.585 (23.787)	55.981 (37.264)	246.566 (61.051)
Total		339.960 (-54.547)	111.280 (92.377)	501.751 (37.830)

Table: Annex 7 – 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 7 – 4.2.4-1

¹³⁰ This case is subject to assessment for re-opening under a new clearance procedure.

4.2.5 Strengthened mechanisms for net financial corrections

4.2.5.1 Focus on more risky expenditure

Under the 2013 CAP Reform, 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 7 - 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 guidelines¹³¹ 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.

¹³¹ 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 full 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 programmes¹³².

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.

¹³² Article 54(2) of Regulation (EU) No 1306/2013.

5.2 Amounts recovered by the Member States in financial year 2020 for the EAGF

Table Annex 7 – 5.2-1 below sets out the amounts recovered in 2020 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF¹³³.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	1 060 932	478 642	1 539 575
BE	697 596	1 948 240	2 645 836
BG	1 744 770	968 002	2 712 772
CY	13 000	130 546	143 546
CZ	541 468	801 171	1 342 639
DE	4 898 769	6 254 886	11 153 655
DK	444 838	377 454	822 292
EE	42 811	242 790	285 601
ES	9 504 795	4 849 680	14 354 475
FI	701 044	443 096	1 144 140
FR	13 135 810	15 219 387	28 355 196
GB	1 683 902	375 304	2 059 206
GR	2 506 856	3 588 394	6 095 250
HR	724 123	1 105 646	1 829 769
HU	1 147 657	2 825 081	3 972 738
IE	867 934	3 144 345	4 012 279
IT	9 906 368	18 140 505	28 046 873
LT	793 644	1 394 676	2 188 321
LU	26 509	162 262	188 770
LV	275 186	314 545	589 731
MT	11 454	56 571	68 025
NL	1 093 996	2 560 874	3 654 870
PL	4 910 727	1 236 514	6 147 241
PT	5 214 069	3 209 839	8 423 908
RO	3 774 265	7 076 061	10 850 326
SE	21 234	216	21 450
SI	16 898	214 339	231 237
SK	487 609	942 917	1 430 526
Total	66 248 264	78 061 984	144 310 248

Table: Annex 7 – 5.2-1

For the purpose of calculating corrective capacity (see Table Annex 7 – 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 2020 are taken into account. These amounts slightly differ from the debtors' ledgers as reported by the Member State as it accounts for recovered amounts subject to the retention of a 20% flat rate recovery cost, as well as recovered amounts of recovery cases that were subject to the 50/50 rule in the financial clearance of accounts for financial year 2020 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

¹³³ 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.

The total amount recovered and reimbursed to the EU budget is EUR 120.3 million. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2020. Amounts recovered in respect of cross-compliance infringements (i.e. EUR 42.4 million) are indicated separately and deducted to show the amount of recoveries for 2020 which DG AGRI considers to be relevant for its corrective capacity, i.e. EUR 77.9 million for 2020.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	915 176	399 614	1 314 791
BE	1 200 952	1 489 709	2 690 661
BG	2 417 282	646 612	3 063 894
CY	91 196	75 173	166 368
CZ	632 041	521 923	1 153 965
DE	4 191 233	7 816 852	12 008 086
DK	367 679	525 227	892 906
EE	85 778	145 749	231 527
ES	10 228 707	2 058 027	12 286 734
FI	707 491	439 028	1 146 518
FR	15 998 311	8 640 422	24 638 733
GB	1 612 860	3 059 256	4 672 116
GR	3 609 362	1 380 463	4 989 825
HR	1 123 129	630 933	1 754 062
HU	3 173 492	184 195	3 357 687
IE	843 996	2 823 685	3 667 681
IT	8 544 031	3 195 160	11 739 191
LT	681 187	609 714	1 290 901
LU	26 509	238 232	264 741
LV	392 182	111 565	503 747
MT	11 557	41 261	52 818
NL	1 481 056	1 347 472	2 828 528
PL	5 170 578	1 242 018	6 412 595
PT	6 255 270	1 912 059	8 167 329
RO	7 181 690	1 901 764	9 083 454
SE	16 237	439 925	456 162
SI	-50 526	176 639	126 114
SK	995 079	389 777	1 384 856
Total	77 903 538	42 442 452	120 345 990

Table: Annex 7 – 5.2-2

5.3 Amounts recovered by the Member States in financial year 2020 for the EAFRD

Table Annex 7 – 5.3-1 below sets out the amounts recovered in 2020 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAFRD¹³⁴.

¹³⁴ Including other penalties and sanctions.

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	2 590 559	83 257	2 673 816
BE	613 316	201 576	814 893
BG	4 825 481	649 982	5 475 463
CY	19 297	35 660	54 957
CZ	1 929 419	532 460	2 461 879
DE	5 932 205	831 270	6 763 475
DK	224 856	282	225 138
EE	1 170 826	113 047	1 283 873
ES	3 532 234	176 936	3 709 170
FI	888 459	161 654	1 050 113
FR	6 581 229	1 528 283	8 109 512
GB	6 430 406	312 843	6 743 248
GR	1 257 005	1 039 998	2 297 004
HR	1 356 667	2 032 494	3 389 162
HU	1 014 654	3 025 606	4 040 260
IE	1 944 770	343 506	2 288 276
IT	6 770 704	13 756 953	20 527 656
LT	1 123 255	362 500	1 485 755
LU	22 913	60 287	83 201
LV	462 549	176 113	638 661
MT	274 048	39 236	313 285
NL	270 475	11 458	281 933
PL	8 875 646	892 531	9 768 177
PT	9 123 036	983 285	10 106 321
RO	16 239 878	3 028 573	19 268 451
SE	167 169	10 191	177 360
SI	245 287	120 691	365 978
SK	659 053	362 015	1 021 068
Total	84 545 397	30 872 687	115 418 084

Table: Annex 7 – 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 2020 which DG AGRI considers relevant for its corrective capacity is EUR 84.5 million.

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2016 (4 year deadline for recovery) or 2012 (8 year deadline in case of legal proceedings) will be determined for 2020 in accordance with the 50/50 rule mentioned above by charging approximately EUR 27.1 million to the Member States concerned¹³⁵. On the other hand, around EUR 22.1 million represents cases reported as fully irrecoverable during financial year 2020¹³⁶. The final figures will be established in May 2021 when the financial clearance decision for financial year 2020 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 financial year 2020 was EUR 1 795.2 million for all the Funds. Of this amount, EUR 1 205.1 million is outstanding to the EU budget (the difference, EUR 590.1 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 2020, 56% of the new EAGF debts, registered as from 2007, had already been recovered (the recovery rate for FY2019 was 58 %). 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	until end of 2020
year of discovery of the irregularity	2007	33%	47%	50%	54%	60%	60%	63%	64%	68%	71%	75%	75%	75%	75%
	2008	-	24%	39%	46%	48%	56%	58%	59%	66%	67%	94%	95%	96%	96%
	2009	-	-	24%	33%	42%	44%	46%	49%	52%	63%	84%	84%	85%	85%
	2010	-	-	-	29%	39%	44%	45%	47%	49%	53%	66%	66%	66%	66%
	2011	-	-	-	-	23%	35%	41%	45%	51%	53%	62%	62%	63%	64%
	2012	-	-	-	-	-	34%	61%	66%	69%	72%	73%	77%	78%	78%
	2013	-	-	-	-	-	-	23%	30%	36%	39%	41%	42%	46%	47%
	2014	-	-	-	-	-	-	-	14%	28%	32%	33%	34%	38%	39%
	2015	-	-	-	-	-	-	-	-	45%	61%	64%	67%	72%	73%
	2016	-	-	-	-	-	-	-	-	-	39%	38%	41%	45%	46%
	2017	-	-	-	-	-	-	-	-	-	-	21%	32%	35%	36%
	2018	-	-	-	-	-	-	-	-	-	-	-	50%	60%	66%
	2019	-	-	-	-	-	-	-	-	-	-	-	-	26%	35%
2020	-	-	-	-	-	-	-	-	-	-	-	-	-	37%	
2007-2020															56%

Table: Annex 7 – 5.4-1

¹³⁵ Please note that these amounts relate to EAGF, EAFRD and TRDI.

¹³⁶ 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 2020 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 2007-2020 (EUR 171.1 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 7-5.4-2 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	60,015,680.37	2,809,683.90	-58,900,542.88	-296,540.81	94%
BE	82,672,289.02	-17,730,209.99	-39,815,640.98	-11,569,363.15	75%
BG	6,374,850.55	804,412.99	-2,696,437.95	-266,496.00	39%
CY	3,053,138.56	-41,917.26	-2,398,388.61	-11,675.93	80%
CZ	6,200,149.94	-78,275.31	-3,499,403.46	-9,883.80	57%
DE	115,549,146.03	-6,501,795.50	-89,682,027.93	-3,932,429.54	85%
DK	37,424,004.31	18,907,916.32	-29,246,146.89	-26,053,903.28	97%
EE	2,969,190.26	-1,019,052.74	-1,535,460.86	-107,157.59	83%
ES	321,594,012.50	-49,747,815.02	-187,104,511.11	-42,637,097.02	82%
FI	14,286,581.37	-31,056.32	-12,235,500.11	-279,931.72	88%
FR	467,097,037.50	-100,051,875.75	-135,541,119.77	-15,672,247.71	39%
GB	95,176,558.55	-10,683,462.00	-48,712,504.71	-925,619.21	58%
GR	157,909,582.45	-40,755,027.55	-40,051,037.23	-37,584.40	34%
HR	4,626,593.32	-559,936.64	-2,967,569.06	-534.80	73%
HU	118,134,654.82	-71,182,454.46	-20,465,159.38	-14,909,716.72	64%
IE	34,269,571.24	-3,285,146.03	-27,175,810.38	-675,558.88	90%
IT	405,902,045.53	-54,670,515.41	-193,112,664.66	-38,587,864.17	62%
LT	14,066,948.01	-3,093,407.04	-9,127,904.50	-151,316.92	84%
LU	1,217,787.48	-631,994.02	-427,840.93	-2,268.04	73%
LV	3,114,861.79	-25,054.31	-2,328,272.23	-96,718.60	78%
MT	1,538,809.28	229,509.09	-678,954.51	-31,404.26	39%
NL	80,657,487.77	4,034,961.02	-30,371,197.67	-100,223.04	36%
PL	782,263,883.98	-589,127,554.85	-39,575,874.95	-11,143,859.48	22%
PT	88,876,986.47	-22,845,892.40	-48,854,077.61	-2,850,401.67	77%
RO	122,868,070.12	-6,095,607.44	-37,113,904.85	-127,348.45	32%
SE	30,117,123.11	-5,845,225.18	-21,251,646.70	-182,466.03	88%
SI	19,246,789.37	-8,762,525.28	-9,314,637.59	-828.09	89%
SK	7,640,056.24	-1,043,552.29	-2,413,347.49	-474,001.88	39%
Total	3,084,863,889.94	-967,022,869.48	-1,096,597,585.00	-171,134,441.21	56%

Table: Annex 7 – 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 2020.

5.5 DG AGRI Enquiries

Based on the annual accounts of financial year 2020, the global amount subject to debt management is approximately **EUR 1.79 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 2020, 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 improvements are necessary: BG01, DE17, ES01, ES08, ES12, ES17, FR19, GB05, GB06, GB09, HR01, IT01, IT26, MT01, PL01, PT03, SE01 R001 and R002.

The accreditation of the Paying Agencies DE17 - Rheinland-Pfalz and of SE01-SJV is under probation since 15/5/2020 and 24/9/2020, respectively, and an accreditation action plan, drawn up by the Competent Authority, is ongoing for a period of 12 months to address the deficiencies and weaknesses found in their debt management internal control systems. As regards IT01 – AGEA, under probation since 9/9/2020, the ongoing accreditation action plan also covers deficiencies found in the debt management internal control system.

DG AGRI is following up the implementation of these action plans, as well as the improvement plans that are put in place by the other Paying Agencies to address the deficiencies found. As regards BG01 - State Fund Agriculture and IT26 – ARCEA, an accreditation audit took place in 2020 and the deficiencies found in the procedures for debts are being followed under a conformity enquiry.

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 7 – 6-1 for claim year 2019 (financial year 2020). That table shows that 2.46% of all claimants were checked as regards their compliance with cross-compliance requirements in claim year 2019, and thereby the minimum control rate of 1% was globally respected. The claim year 2019 rate of farmers checked on the spot and subsequently subject to a cross-compliance sanction was 23.04%.

According to the control statistics, total cross-compliance sanctions in respect of claim year 2019 amounted to EUR 54.5 million. Sanctions following regulatory on-the-spot checks amounted to EUR 38.6 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 28.7 million (2.57% of the aid covered by on-the-spot checks). Additional EUR 28.9 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	103.543	2.156	2,08%	352	16,33%
BE	35.607	3.283	9,22%	504	15,35%
BG	65.324	1.635	2,50%	771	47,16%
CY	31.837	478	1,50%	141	29,50%
CZ	31.255	2.961	9,47%	140	4,73%
DE	292.103	9.067	3,10%	3.153	34,77%
DK	37.660	381	1,01%	158	41,47%
EE	19.516	514	2,63%	24	4,67%
EL	508.907	5.214	1,02%	1.812	34,75%
ES	578.814	9.648	1,67%	2.404	24,92%
FI	48.881	1.448	2,96%	295	20,37%
FR	317.203	13.244	4,18%	3.138	23,69%
HR	110.418	1.913	1,73%	1.250	65,34%
HU	149.699	7.243	4,84%	817	11,28%
IE	126.878	1.423	1,12%	590	41,46%
IT	691.090	20.882	3,02%	3.073	14,72%
LT	125.716	1.434	1,14%	383	26,71%
LU	1.751	299	17,08%	134	44,82%
LV	46.621	1.034	2,22%	152	14,70%
MT	6.264	330	5,27%	142	43,03%
NL	47.498	481	1,01%	93	19,33%
PL	722.481	16.753	2,32%	3.101	18,51%
PT	137.177	3.388	2,47%	1.597	47,14%
RO	583.352	14.673	2,52%	3.198	21,80%
SE	58.414	606	1,04%	319	52,64%
SI	56.516	921	1,63%	333	36,16%
SK	18.779	542	2,89%	152	28,04%
UK	145.866	3.595	2,46%	703	19,55%
EU-28 2019	5.099.170	125.546	2,46%	28.929	23,04%
EU-28 2018	5.051.407	125.060	2,48%	28.409	22,72%

Table: Annex 7 – 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) ¹³⁷	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)
40 715 425	59 043 167 498,89	0.07%	17 321 900	N/A	N/A	58 037 325	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.

¹³⁷ 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 mode¹³⁸.

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.

¹³⁸ 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.

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)¹³⁹, ex-post audits (conformity audits) and the audit work conducted by independent Audit Authorities¹⁴⁰ 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: Annex 7 - 8-1

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.

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. The programme for Croatia was closed in 2018, and the one for Bulgaria in 2019. In 2020, the final balance for Romania was calculated and the programme was closed. Thereby SAPARD was completely closed and 2020 is the last reporting year.

IPARD I (2007-2013)

IPARD is a pre-accession Programme of the EU for the period 2007-2013, the implementation has finished. 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

¹³⁹ The "conferral of management powers" in IPARD 2007-2013 corresponds to the "Entrustment of budget implementation tasks" in IPARD 2014-2020.

¹⁴⁰ The Audit Authorities in IPARD correspond to the Certification Bodies in EAGF/EAFRD.

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) and the implementation is on-going.

In 2020, there were no reimbursements by the Commission to the beneficiary countries for IPARD I.

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, the Turkish authorities have already put in place corrective measures. An adjustment for financial year 2020 is therefore not required. In addition, due to an inconsistency identified as the source of non-compliance between the IPARD programme and the Sectorial Agreement, the Turkish authorities modified¹⁴¹ the provisions about the common eligibility criteria of beneficiaries as defined in the IPARD Programme and brought them in line with the Sectorial Agreement for the future.

¹⁴¹ The related implementing decision was adopted on 21 October 2019.

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 2020, 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, were proposed for clearance in 2020, following the closure of the relevant conformity enquiry¹⁴².

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 2021.

IPARD II (2014-2020)

Albania received pre-financing of EUR 0.6 million in 2020. Albania had expenditure of EUR 4 982 037.79. Entrustment for measure 9 was granted to Albania, as well as an extension from n+3 to n+4 for the FY 2017 (expenditure deadline 31/12/2021).

Additional pre-financing of EUR 0.6 million was paid to Montenegro in 2020. The country had expenditure of EUR 4 375 737.46 in 2020. Entrustment for measure 7 was granted to Montenegro, as well as an extension from n+3 to n+4 for the FY 2017 (expenditure deadline 31/12/2021)

North Macedonia received additional pre-financing of EUR 5.4 million and effected in 2020 IPARD II expenditure of EUR 12 305 472.66.

In 2020, entrustment under IPARD II for measures 7 and 9 was granted to Serbia, as well as an extension from n+3 to n+4 for financial year 2017 (expenditure deadline 31/12/2021). The country received pre-financing in 2020 equal to EUR 6 million and declared EUR 11 725 241.01 of expenditure.

Turkey effected expenditure in 2020 of EUR 43 616 846.13. A commitment reduction for the FY 2020 was approved by Commission Implementing Decision C(2020)9288 of 14/12/2020. Further, an extension from n+3 to n+4 for the FY 2017 was granted to Turkey (expenditure deadline 31/12/2021).

¹⁴² The decision was adopted in February 2021.

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. A top up for financial year 2020 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.

In 2020, DG AGRI proposed for acceptance the accounts for 2019 for **Albania, North Macedonia, and Turkey**¹⁴³. The accounts for Montenegro were not proposed for acceptance due to material financial errors, and the accounts for Serbia – due to incomplete annual audit activity report and scope limitation in the audit opinion. DG AGRI launched conformity enquiries for Montenegro, Serbia, Turkey and North Macedonia as a result of the acceptance of accounts procedure for financial year 2019.

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 IPARD agencies must carry out 100% on-the-spot controls to all projects (at least once per lifetime of the project). In order to provide an opinion on the legality and regularity of the expenditure, the Audit Authorities carry out on-the-spot controls for a selection of transactions. For most of the countries, given the low number of payments, the Audit Authorities test a percentage (15-30%) of all payments and, consequently, any errors found are projected to the whole expenditure. On the basis of the Audit Authorities' findings, DG AGRI considers proposing financial corrections in the context of the annual acceptance of accounts.

The table below shows the amount at risk for IPARD II.

¹⁴³ The acceptance of accounts decisions were adopted in January 2021.

It is not considered necessary to issue a reservation for IPARD II expenditure (ABB05) for financial year 2020.

Overall adjusted error rate as regards IPARD II expenditure and cleared pre-financing (ABB 05) in 2020						
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	4 982 037.79	600 000	0	4 382 037.79	0%	0
ME	4 375 737.46	600 000	0	3 775 737.46	0%	0
MK	12 305 472.66	5 400 000	0	6 905 472.66	0%	0
RS	11 725 241.01	6 000 000	0	5 725 241.01	0%	0
TR	43 616 846.13	0	0	43 616 846.13	0%	0
Total ABB 05	77 005 335.05	12 600 000.00	0	64 405 335.05	0%	0

Table: Annex 7 -8-1

Conclusion for Indirect management

Title 05	Agriculture and rural development	Payments made (EUR)	Pre-financing paid (EUR)	Cleared pre-financing (EUR)	Relevant expenditure (EUR)	Adjusted error rate	Amount at risk (EUR)
0505	Instrument for Pre-accession Assistance	77 005 335	12 600 000	-	64 405 335	0.00%	-
Total		77 005 335				0.00%	-

Table: Annex 7 - 8-2

Taking IPARD I and IPARD II together, for the EUR 77.01million 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.

Research activities (REA)

REA implements DG AGRI's Horizon 2020 activity under Societal Challenge 2 (SC2)¹⁴⁴ since the handover on 1 November 2014. From 2021 onwards, it will implement several parts of the successor to Horizon 2020, Horizon Europe, as well as two further EU programmes of which the agricultural promotion activity.

DG AGRI exercised supervision on the delegated activity through its participation in the quarterly Steering Committee meetings, 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.

Because of the pandemic, the agency carried out its activities remotely since Mid-March. Performance was reported very good: full execution of the relevant part of the 2020 operational budget under its responsibility was ensured: CA: EUR 308.376.887 (100%) – PA: EUR 231.771.910 (100%).

A specific risk assessment exercise linked to COVID-19 was performed in July with a review in October. REA reported on this risk assessment exercise through the Steering Committee meetings (4 times a year). From a supervision point of view, it seems that REA took adequate measures to ensure business continuity and mitigate risks. Another risk review is scheduled early 2021.

Based on the (draft) AAR presented by REA at the Steering Committee meeting, it appears that there are no identified reservations or critical risks.

Besides the operational activity, REA was heavily involved in working groups to enhance efficiency and worked intensively on an action plan to prepare the agency for transition and to be ready for the new mandate as decided by the College. The impact for REA is significant because of the transfers of legacy activities with other agencies, the important increase of the operational budget to implement as well as a major increase in staff. REA gave regular feedback on its proactive approach to prepare for the transition at the

¹⁴⁴ 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.

occasion of the REA's Steering Committee and in the SC2 operational coordination meetings at Director and Unit levels.

Within the framework of activities of DG AGRI as parent DG of the Research and Innovation family, DG AGRI attended several inter-service groups:

- The R&I audit network
- The research Budget Network (RBN)
- The legal Mechanism issue Group (LMIG)
- The Coordination of research family Parent DGs on supervision and governance.

DG AGRI participated and contributed effectively to the preparation of the delegation package and the Cost Benefit Analysis (CBA). On the governance and budget aspects of Horizon Europe, it was actively involved in several working groups on the new governance structure, the operating rules and the Memorandum of Understanding.

Agricultural Promotion (CHAFEA)

Since the handover on 15 March 2016, CHAFEA manages 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 of DG AGRI supervision 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).

The pandemic had many consequences for the agency, not only on the level of working arrangements but also because additional calls needed to be organised addressing serious market disturbance and loss of consumer confidence caused by the COVID-19 pandemic, traditional procurement activities (fairs, stands etc.) were cancelled and, where possible, replaced by new digital approaches and communication campaigns. Results of the COVID-19 related risk assessment exercise and mitigating measures were reported through the Steering Committee meetings.

Following the decision of the Commission on the new mandates of the future executive agencies, the promotion activity will be transferred to REA, and CHAFEA will be closed. DG AGRI participated in the meetings organised between the agencies to sort out operational matters related to the transfer. CHAFEA reported in detail on the action plan and issues at stake at the occasion of each Steering Committees.

The level of execution of the relevant part of the 2020 operational budget under CHAFEA's responsibility was ensured both in commitments (CA) and in payments (CP): CA: EUR 100 900 000 (100% level 1 and 2); EUR 72 813 923, 73 (72.2% level 2) – PA: EUR 61 268 192,00 (99.5%).

At CHAFEA's Steering Committee meeting of 18 February 2021, the Director presented the Agency's draft Annual Activity Report 2020; it appears 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 2020 budget, DG AGRI cross sub-delegated the management of some actions to Directorate-General DEFIS.

The report provided by DG DEFIS confirms that there are no issues or anomalies.

The cross sub-delegation is summarised in the table below:

Cross sub-delegation

In 2020, DG AGRI has cross sub-delegated activities to DG DEFIS.

B2020 credits transferred by DG AGRI (receiver Abac appropriations with the fund management centre AGRI/DEFIS)	
Cross sub-delegation to :	DEFIS
Budget Line (Differentiated Credits):	05. 07 01 02
Transferred Commitment Credit	600.000,00 EUR
Transferred Payment Credit	300.000,00 EUR
Consumed Commitment Credit	600.000,00 EUR
Consumed Payment Credit	300.000,00 EUR

Table: Annex 7 - 9-1

Part 10 - Interruptions, reductions and suspensions

In 2020, 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 information¹⁴⁵. 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 interrupted¹⁴⁶ - 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 rules¹⁴⁷, or when 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 comments¹⁴⁸.

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 effected 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

¹⁴⁵ Article 22 of Commission Implementing Regulation (EU) No 908/2014.

¹⁴⁶ Article 83 of the Common Provisions Regulation.

¹⁴⁷ Article 41 of Regulation (EU) No 1306/2013.

¹⁴⁸ Article 41(1) of Regulation (EU) No 1306/2013.

an action plan¹⁴⁹. 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.

Since 2014 DG AGRI has a 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 2020 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 2020.

The **reductions** made in 2020 concerned 20 Member States and a total amount of **EUR 36 993 464.18**. There were no reductions in the monthly payments due to deficiencies in the control system in 2020. The reductions concern overruns of ceilings, deadlines and other eligibility issues. There were also reimbursements for a total amount of **EUR 189 400 255.72**. The total balance is then **EUR 152 406 791.54** .

In addition, recovered amounts in the framework of the clearance procedure amounted to **EUR 442 931 472.52**

There were suspensions of payments for two Member States from previous years due to deficiencies in the control system that were reimbursed in 2020. The total amount of reimbursement was **EUR 187 766 858.31**. For one Member State there is still an amount of **EUR 526 116.83** to reimburse.

¹⁴⁹ Article 41(2) of Regulation (EU) No 1306/2013.

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 2020**

Member States	Reductions	Number of cases	Payment suspension	Number of cases
BE	9 591 423.46	2		
BG	238 474.09	1		
CZ				
DK	63 958.72	5		
DE	147 698.39	2		
EE	5 153.08	1		
IE	1 009 969.31	2		
EL				
ES	171 892 412.84	14		
FR	5 195 898.79	3	-175 403 355.08	20
HR	-15 655.33	31		
IT	-9 029 526.10	5		
CY	-7 848.97	5		
LV				
LT				
LU	69 877.77	1		
HU	-1 479 572.99	3		
MT				
NL				
AT	-26 716.08	3		
PL			-12 363 503.23	18
PT	1 182 431.24	5		
RO	-23 353 476.39	4		
SI	2 958.03	1		
SK	-1 254 860.57	3		
FI				
SE	-71 846.12	1		
UK	-1 753 961.63	1		
Total MS	152 406 791.54	93	-187 766 858.31	38

Table: Annex 7 - 10-1

EAFRD

Interruptions and reductions/suspensions of payments in respect to EAFRD declarations of expenditure for financial year 2020

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 2020. The Q4/2019 data corresponds to payments made as from 01/02/2020 based on declarations received by 31/01/2020. The Q3/2020 data corresponds to declarations received by 10/11/2020 and executed by 31/12/2020.

PROGRAMMING PERIOD 2014-2020

Member States	Quarter	Type	Amount interrupted	Amount reduced / suspended	Measure
Austria	2019Q4	Interruption	7 088 708.00		11
	2019Q4	Suspension		7 088 708.00	11 ¹⁵⁰
	2020Q2	Interruption	2 362 902.00		11
	2020Q3	Interruption	1823.02		11
Lithuania	2019Q4	Interruption	13 994.54		3
Romania	2020Q2	Interruption	880 604.33		14
Slovakia	2020Q1	Interruption	1 162 906.40		4
	2020Q1	Interruption	642 873.44		7
	2020Q1	Interruption	237 599.36		8
	2020Q1	Interruption	169 140.36		18
	2020Q2	Interruption	1 104 751.22		4
	2020Q2	Interruption	652 166.93		7
	2020Q2	Interruption	108 219.24		8
	2020Q2	Interruption	16 280.25		18
	2020Q3	Interruption	1 342 340.27		4
	2020Q3	Interruption	677 045.26		7
	2020Q3	Interruption	294 224.61		8
	2020Q3	Interruption	64 340.12		18
Total			16 819 919.35	7 088 708.00	

Table: Annex 7 - 10-2

¹⁵⁰ The suspension was previously an interruption that was lifted and transformed into a suspension.

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	3	1 ⁶
Lithuania	1	
Romania	1	
Slovakia	12	

Table: Annex 7 - 10-3

EAGF¹⁵¹

Total of financial corrections and Payment Suspensions executed during the financial year 2020

in EUR

Member State	EXPENDITURE declared by MS T104	Reductions	EXPENDITURE taken into account for the monthly payments	Payment Suspension	Amounts paid out
BE	539 913 143.09	9 591 423.46	549 504 566.55		549 504 566.55
BG	797 177 348.92	238 474.09	797 415 823.01		797 415 823.01
CZ	871 214 999.87		871 214 999.87		871 214 999.87
DK	825 326 182.41	63 958.72	825 390 141.13		825 390 141.13
DE	4 873 576 737.53	147 698.39	4 873 724 435.92		4 873 724 435.92
EE	143 780 004.16	5 153.08	143 785 157.24		143 785 157.24
IE	1 256 863 683.82	1 009 969.31	1 257 873 653.13		1 257 873 653.13
EL	2 037 063 964.00		2 037 063 964.00		2 037 063 964.00
ES	5 716 757 869.64	171 892 412.84	5 888 650 282.48		5 888 650 282.48
FR	7 435 735 025.58	5 195 898.79	7 440 930 924.37	-175 403 355.08	7 616 334 279.45
HR	328 659 610.63	-15 655.33	328 643 955.30		328 643 955.30
IT	4 266 488 258.89	-9 029 526.10	4 257 458 732.79		4 257 458 732.79
CY	53 888 524.60	-7 848.97	53 880 675.63		53 880 675.63
LV	279 850 914.39		279 850 914.39		279 850 914.39
LT	482 544 588.28		482 544 588.28		482 544 588.28
LU	33 132 391.99	69 877.77	33 202 269.76		33 202 269.76
HU	1 304 392 525.48	-1 479 572.99	1 302 912 952.49		1 302 912 952.49
MT	5 408 188.23		5 408 188.23		5 408 188.23
NL	685 943 870.65		685 943 870.65		685 943 870.65
AT	712 580 493.14	-26 716.08	712 553 777.06		712 553 777.06
PL	3 421 341 399.38		3 421 341 399.38	-12 363 503.23	3 433 704 902.61
PT	779 985 203.47	1 182 431.24	781 167 634.71		781 167 634.71
RO	1 982 890 495.78	-23 353 476.39	1 959 537 019.39		1 959 537 019.39
SI	140 764 624.73	2 958.03	140 767 582.76		140 767 582.76
SK	458 885 221.00	-1 254 860.57	57 630 360.43		457 630 360.43
FI	528 775 598.11		528 775 598.11		528 775 598.11
SE	698 330 082.89	-71 846.12	698 258 236.77		698 258 236.77
UK	3 198 071 557.20	-1 753 961.63	3 196 317 595.57		3 196 317 595.57
Total MS	43 859 342 507.86	152 406 791.54	44 011 749 299.40	-187 766 858.31	44 199 516 157.71

- Please note that this report contains data for the UK that was a MS until 31/01/2020.

¹⁵¹ Executed by the monthly decisions, taken in accordance with Article 18(3) of Reg. (EU) N°1306/2013. Further corrections may have occurred within the context of the annual clearance of accounts.

Annex I: Financial corrections executed during the financial year 2020

in EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		Explanation
				Amounts	Budget line	
BE	539 913 143.09	9 591 423.46	549 504 566.55	-10 195.54	05 03 01 99 0000 387	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				9 601 619.00	05 07 01 07 0000 132	Clearance - Clearance Payment - C(2020)3609
BG	797 177 348.92	238 474.09	797 415 823.01	238 474.09	05 07 01 07 0000 132	Clearance - Clearance Payment - C(2020)3609
DK	825 326 182.41	63 958.72	825 390 141.13	-37 618.92	05 03 01 13 0000 028	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2019
				37 618.92	05 03 01 13 0000 028	Ceiling - Payback - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2019
				-6 066.25	05 03 09 00 0000 006	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2019
				-1 027.17	05 03 09 00 0000 006	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2019
				71 052.14	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
DE	4 873 576 737.53	147 698.39	4 873 724 435.92	-461.88	67 02 00 00 0000 002	Eligibility - Payment Correction - General verification
				148 160.27	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
EE	143 780 004.16	5 153.08	143 785 157.24	5 153.08	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
IE	1 256 863 683.82	1 009 969.31	1 257 873 653.13	-10 679.88	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01
				1 020 649.19	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
ES	5 716 757 869.64	171 892 412.84	5 888 650 282.48	-956 948.93	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01
				-83 134.26	05 03 01 11 0000 003	Ceiling - Reduction Long Proc. - Greening - CY 2016
				-1 142 153.91	05 03 01 11 0000 004	Ceiling - Reduction Long Proc. - Greening - CY 2016
				-167 448.37	05 03 01 11 0000 005	Ceiling - Reduction Long Proc. - Greening - CY 2017
				-2 518 885.01	05 03 01 11 0000 006	Ceiling - Reduction Long Proc. - Greening - CY 2017
				-2 000.00	05 03 02 40 0000 048	Ceiling - Reduction Long Proc. - Cotton crop-specific payment - CY 2016
				-52 637.60	05 03 02 40 0000 049	Ceiling - Reduction Long Proc. - Cotton crop-specific payment - CY 2016
				-30 556.25	05 03 02 60 0000 001	Ceiling - Reduction Long Proc. - Voluntary Coupled Support scheme - CY 2015
				-322.22	05 03 02 61 0000 013	Ceiling - Reduction Long Proc. - Voluntary Coupled Support scheme - CY 2015
				-37 437.11	05 03 02 61 0000 024	Ceiling - Reduction Long Proc. - Greening - CY 2016
				-60 633.85	05 03 02 61 0000 082	Ceiling - Reduction Long Proc. - Greening - CY 2017

in EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		Explanation
				Amounts	Budget line	
				-1 074.87	05 03 02 99 0026 024	Ceiling - Reduction Long Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)
				330 952.38	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
				176 614 692.84	05 07 01 07 0000 130	Clearance - Clearance Payment - C(2019)7815
FR	7 435 735 025.58	5 195 898.79	7 440 930 924.37	-219 834.48	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01
				3 340 929.12	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
				2 074 804.15	05 07 01 06 0000 133	Clearance - Clearance Payment - C(2020)5452
HR	328 659 610.63	-15 655.33	328 643 955.30	-300.78	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-662.50	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-210.34	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-86.68	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-48.19	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-922.00	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-637.22	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-1 084.74	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-1.18	05 03 01 07 0000 007	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				294.98	05 03 01 07 0000 007	Ceiling - Payback - Redistributive payment - CY 2017
				-783.86	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-1 674.76	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-468.20	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-521.62	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-55.05	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-436.78	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-157.19	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-146.45	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				-95.19	05 03 01 07 0000 009	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2018
				49.88	05 03 01 07 0000 009	Ceiling - Payback - Redistributive payment - CY 2018
				-53.58	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-1 819.92	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-721.01	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-5 766.83	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017

in EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		Explanation
				Amounts	Budget line	
				-102.51	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				906.91	05 03 01 11 0000 005	Ceiling - Payback - Greening - CY 2017
				-23.17	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-11.61	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-34.05	05 03 02 61 0000 081	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-15.73	05 03 02 61 0000 081	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2017
				-65.96	05 03 02 61 0000 082	Ceiling - Reduction Short Proc. - Greening - CY 2017
IT	4 266 488 258.89	-9 029 526.10	4 257 458 732.79	-9 008 865.54	67 01 00 00 0000 034	Payment deadline agr.i.r.4.001(2020)5852072-rev.01
				-1 633 647.42	05 03 01 13 0000 028	Ceiling - Reduction Long Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2019
				-1 820 055.57	05 03 01 99 0000 387	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				-308 839.34	05 03 02 99 0000 387	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2015
				3 741 881.77	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
CY	53 888 524.60	-7 848.97	53 880 675.63	-168.97	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-1 230.90	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-353.30	05 03 01 11 0000 005	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-695.70	05 03 01 11 0000 006	Ceiling - Reduction Short Proc. - Greening - CY 2017
				-5 400.10	05 03 01 11 0000 006	Ceiling - Reduction Short Proc. - Greening - CY 2017
LU	33 132 391.99	69 877.77	33 202 269.76	69 877.77	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
HU	1 304 392 525.48	-1 479 572.99	1 302 912 952.49	-659 379.49	67 01 00 00 0000 034	Payment deadline agr.i.r.4.001(2020)5852072-rev.01
				-714 634.59	05 03 01 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
				-105 558.91	05 03 02 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
AT	712 580 493.14	-26 716.08	712 553 777.06	-29 461.89	67 01 00 00 0000 035	Ceiling - Reduction Short Proc. - Global ceiling Art 5.3(b) R.907/14 - FY 2020
				-75.21	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2016
				2 821.02	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
PT	779 985 203.47	1 182 431.24	781 167 634.71	-28 493.82	05 03 01 99 0000 392	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
				-27.72	05 03 01 99 0001 072	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex

in EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Corrections Specifications		Explanation
				Amounts	Budget line	
				-8 329.42	05 03 02 99 0000 392	VIII-a R.73/09) CY 2014 Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2017
				-4 109.21	05 03 02 99 2220 128	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014
				1 223 391.41	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
RO	1 982 890 495.78	-23 353 476.39	1 959 537 019.39	-1 241 512.20	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01
				-8 270 128.92	67 01 00 00 0000 035	Ceiling - Reduction Long Proc. - Global ceiling Art 5.3(b) R.907/14 - FY 2020
				-10 785 432.13	05 03 01 99 0000 396	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2019
				-3 056 403.14	05 03 02 99 0000 396	Ceiling - Reduction Long Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2019
SI	140 764 624.73	2 958.03	140 767 582.76	2 958.03	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
SK	458 885 221.00	-1 254 860.57	457 630 360.43	-1 247 063.11	05 03 01 99 0000 394	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2018
				-9 803.56	05 03 02 99 0000 394	Ceiling - Reduction Short Proc. - Global ceiling Art.7 (Net) Annex III R.1307-13 - CY 2018
				2 006.10	05 07 01 06 0000 131	Clearance - Clearance Payment - C(2020)3260
SE	698 330 082.89	-71 846.12	698 258 236.77	-71 846.12	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01
UK	3 198 071 557.20	-1 753 961.63	3 196 317 595.57	-1 753 961.63	67 01 00 00 0000 034	Payment deadline agri.r.4.001(2020)5852072-rev.01

- Please note that this report contains data for the U.K. that was a Member State until 31/01/2020.

Annex II: Payment Suspensions executed during the financial year 2020

in EUR

M.S.	EXPENDITURE taken into account for the monthly payments (c)	Payment Suspensions (d)	Amounts paid out (e) = (c) - (d)	Payment Suspensions Specifications		
				Amounts	Budget line	Explanation
FR	7 440 930 924.37	-175 403 355.08	7 616 334 279.45	-1 447 870.48	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-169 317.32	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-7 761 676.79	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-1 120 248.11	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-9 063 242.13	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-1 115 523.57	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-79 683 776.40	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-11 891 050.91	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-5 459 016.65	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-697 655.37	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-48 336 813.39	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-7 340 511.40	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-128 602.03	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-32 580.81	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-901 557.47	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-253 912.25	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				0.00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				0.00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541

in EUR

M.S.	EXPENDITURE taken into account for the monthly payments (c)	Payment Suspensions (d)	Amounts paid out (e) = (c) - (d)	Payment Suspensions Specifications		
				Amounts	Budget line	Explanation
				0.00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				0.00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
PL	3 421 341 399.38	-12 363 503.23	3 433 704 902.61	-3 272 505.40	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-71 766.43	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-352 934.03	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-170 257.17	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-966 372.79	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-2 046 544.23	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-2 452 844.47	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-23 087.57	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-273 717.36	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-218 212.60	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-873 610.55	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-242 494.07	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-338 971.34	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-26 872.72	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-21 512.68	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-314 658.95	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541
				-26 005.63	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541

in EUR

M.S.	EXPENDITURE taken into account for the monthly payments (c)	Payment Suspensions (d)	Amounts paid out (e) = (c) - (d)	Payment Suspensions Specifications		
				Amounts	Budget line	Explanation
				-671 135.24	05 02 08 11	Payment suspension reimbursement - Control system - Conformity clearance decision - C(2020)541

- Please note that this report contains data for the UK that was a Member State until 31/01/2020.

Part 11 - Fraud prevention, detection and correction

Objective: The risk of fraud is minimised through the application of effective anti-fraud measures and the implementation of the Commission Anti-Fraud Strategy (CASF)¹⁵² aimed at the prevention, detection and correction¹⁵³ of fraud

Indicator: Implementation of the actions included in DG AGRI's anti-fraud strategy over the whole strategic plan lifecycle (2020-2024)

Source of data: DG AGRI's annual activity report, DG AGRI's anti-fraud strategy, OLAF reporting

Baseline (2020)	Target (2024)	Latest known results (2020)
DG AGRI's AFS	100% of action points implemented in time	100%

Main outputs in 2020:

Description	Indicator	Target	Latest known results
Revision of the Anti-Fraud Strategy of DG AGRI (AGRI AFS)	AGRI AFS Version 4.0	Update by 30/09/2020	Approval of the AGRI AFS Version 4.0 by the Director-General on 29/09/2020
Referral of allegations of fraud and other serious irregularities to the European Anti-fraud Office (OLAF)	Referrals of allegations	100%	5 referrals of allegations to OLAF (100%)
On-going assessment of the risk of fraud based on OLAF investigation reports and audits by DG AGRI	Fraud risk assessment as at 12/01/2016	Update of fraud risk assessment if needed by 30/09/2020	No update of the fraud risk assessment necessary as no new fraud patterns within the CAP have emerged

¹⁵² Communication from the Commission 'Commission Anti-Fraud Strategy: enhanced action to protect the EU budget', COM(2019) 176 of 29 April 2019 – 'the CAFS Communication' – and the accompanying action plan, SWD(2019) 170 – 'the CAFS Action Plan'.

¹⁵³ Correction of fraud is an umbrella term, which notably refers to the recovery of amounts unduly spent and to administrative sanctions.

Animation of anti-fraud training for the relevant authorities implementing the CAP in the Member States	Requests received	100%	No training requests received in 2020
Follow-up of OLAF financial recommendations	Financial corrections / recoveries following OLAF financial recommendations	100% by the deadlines set for Member States	All 9 OLAF recommendations for recoveries of CAP funds from individual beneficiaries are under follow-up

Table: Annex 7 - 11-1

In 2020, the ECA published 6 special reports concerning DG AGRI's activities.

The four most important special reports for DG AGRI were:

- 1) Special Report 04/2020 - Using new imaging technologies to monitor the Common Agricultural Policy: steady progress overall, but slower for climate and environment monitoring** (multi DG audit; *DG AGRI chef de file*, DG DEFIS, JRC associated)

The ECA found that the Commission had been active in promoting and supporting the use of new imaging technologies and has taken initiatives to facilitate access to Sentinel data and digital cloud processing services. The ECA identified that Paying Agencies expect further guidance from the Commission in order to take the right decisions and reduce the risk of future financial corrections. In addition, applying the new approach requires significant changes to Paying Agencies' procedures and IT systems and the uptake of Sentinel data via cloud-based services for operational purposes is still low.

ECA recommended to promote the checks by monitoring approach as a key control system in the post-2020 CAP as well as that the Commission make better use of new technologies for monitoring environmental and climate requirements.

As regards DG AGRI activities, **ECA recommended** to promote the checks by monitoring approach as a key control system for Paying Agencies, and in particular:

- to provide support and incentives to Member States to use the checks by monitoring approach in the post-2020 CAP as a key control system by:
 - maintaining a catalogue of documented examples of good technical practice for checks by monitoring that Paying Agencies can customise according to their needs;
 - setting up a quality assessment framework for checks by monitoring;
 - providing a platform for exchanges between Paying Agencies aimed at identifying synergies for data processing, data storage, data acquisition, or other related services, which would provide mutual benefits and savings.
- to make better use of new technologies for monitoring environmental and climate requirements:
 - identify obstacles hindering the uptake of new technologies for checking cross-compliance and rural development requirements and develop an action plan to remove them where this is cost-effective;
 - use, and promote the use of, information coming from the new technologies to provide better insight into the policy performance of the post-2020 CAP.

The Commission is fully committed to continue modernising and simplifying the Common Agricultural Policy (CAP), also by stimulating the uptake of new technology to replace the burdensome and costly on-the-spot checks.

The Commission will, for example, provide a facility for Member States to enable the exchange of best practices and technical solutions. Efforts to define a Quality Assurance system for checks by monitoring are already underway. Copernicus Data and Information Access Services (DIAS) can be used as the digital environment that allows communities to share algorithms, software, knowledge and data between their users.

The Commission, in close cooperation with Member States, will identify the main obstacles in extending the scope of checks by monitoring – for example to cover cross-compliance – and propose adequate legal and technical solutions. In addition, the Commission will work with Member States to foster the use of new technologies for policy monitoring and implementation, allowing all stakeholders in the agricultural sector to harvest the benefits of innovation.

2) Special Report 05/2020 - Sustainable use of plant protection products: limited progress in measuring and reducing risks (multi DG audit, DG SANTE chef de file, DG AGRI, DG ENV, ESTAT associated)

ECA found that the Commission and Member States have taken action to promote the sustainable use of PPPs but the data collected and made available was not sufficient to allow effective monitoring. Applying integrated pest management (IPM) is compulsory for farmers, but not a requirement for receiving payments under the common agricultural policy and enforcement is weak. Available EU statistics and new risk indicators do not show how successful the policy has been in achieving a sustainable use of PPPs.

ECA made recommendations related to verifying integrated pest management at farm level, improving PPP statistics and developing better risk indicators.

As regards DG AGRI activities, **ECA recommended** to enable IPM enforcement and in particular to incorporate these measurable IPM criteria into 'conditionality' in the post-2020 CAP and ensure they are enforced.

The **Commission's** legal proposal for a future CAP includes those general IPM principles corresponding to requirements that are measurable and which can be checked at farm level. However, it is the responsibility of Member States to define on-farm obligations related to conditionality rules on the basis of the EU legislation, including IPM provisions.

3) Special Report 13/2020: Biodiversity on farmland: CAP contribution has not halted the decline - (multi DG audit, *DG AGRI* chef de file, DG ENV, DG BUDG associated)

ECA found that the formulation of the agriculture target and actions in the EU Biodiversity Strategy to 2020 makes it difficult to measure progress. Auditors also found a lack of coordination between EU policies and strategies and that the Commission's tracking of CAP spending for biodiversity is unreliable.

ECA concluded that the effect of CAP direct payments on farmland biodiversity is limited and explained that notably greening and cross-compliance have potential to improve biodiversity, but the Commission and Member States have favoured low-impact options. Also, rural development instruments have greater potential for maintaining and enhancing biodiversity but relatively seldom high impact rural development measures are used.

The ECA recommended that the Commission improves coordination and design for the post-2020 EU Biodiversity Strategy; enhances the contribution of direct payments to farmland biodiversity; increases the contribution of rural development to farmland biodiversity; and develops reliable indicators to assess the impact of the CAP on farmland biodiversity.

In its replies, the Commission explained that the revision of the tracking methodology will aim at aligning more closely the Commission's methodology with new legislative changes. It will also ensure that the set of all CAP instruments, acting together in synergy and consistency, will be more ambitious than in the current period.

In particular, as regards DG AGRI activities, **ECA recommended:**

- to improve coordination and design for the post-2020 EU Biodiversity Strategy and track expenditure more accurately, and in particular to:
 - revise its biodiversity budget tracking to align it with new legislative changes, supported by scientific evidence, and closely aligned with the approach of the OECD;
 - enhance the contribution of direct payments to farmland biodiversity. As the Commission committed to enhance CAP direct payments for environmental public goods, in particular biodiversity, when assessing Member States' CAP strategic planning for the post-2020 period, the Commission should now ensure that the set of all CAP instruments acting together, and *including specifically the direct payment schemes, the new "enhanced conditionality" and eco-schemes*, are more ambitious and deliver more for biodiversity than the instruments available in the 2014-2020 period.

- to increase the contribution of rural development to farmland biodiversity, and in particular to:
 - work with the Member States to define concrete and measurable actions, to be implemented by a given date, for the agriculture chapter of the post-2020 EU Biodiversity Strategy and subsequent related actions;
 - assess how to better coordinate and create synergies between the agriculture components of Member States' biodiversity strategies and the agricultural chapter of the post-2020 EU Biodiversity Strategy, and give genetic diversity a prominent place both in the post-2020 EU Biodiversity Strategy and in subsequent actions;
 - consider linking the level of co-financing for different measures more closely to their assessed biodiversity impact;
 - when approving Member States' CAP Strategic Plans, ensure that, wherever necessary, they include ambitious biodiversity-friendly rural development interventions and commitments addressing the most relevant biodiversity issues and needs, and that the Member States make these schemes attractive for both arable and grassland farms.

- to show the impact of CAP measures on farmland biodiversity, and in particular:
 - develop reliable farmland biodiversity indicators with which to assess the positive and negative impacts of the CAP instruments, allowing it then to establish a baseline for the reformed CAP and contribute to developing more effective post-2020 CAP payment schemes and instruments, such as "enhanced conditionality", eco-schemes and rural development measures.

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

The Commission also explained that work is ongoing on biodiversity monitoring and indicators by different Commission services and other bodies. EU funded research is expected to contribute to the development of a robust set of indicators by supporting biodiversity monitoring initiatives.

4) Special Report 15/2020 - Protection of wild pollinators in the EU: Commission initiatives have not borne fruit (multi DG audit, DG ENV chef de file, DG AGRI, DG SANTE associated)

While the ECA acknowledges that the Commission had put in place measures affecting wild pollinators in the areas of environment, pesticides, agriculture, cohesion, and research and innovation, the ECA concluded, however, that overall the Commission had not taken a consistent approach to the protection of wild pollinators in the EU. In addition, the ECA identified gaps in the key EU policies addressing the

main threats to wild pollinators, and found that the Pollinators Initiative does not provide the tools and mechanisms to address them.

The ECA recommends assessing the need for specific measures for wild pollinators in the follow-up actions and measures for the EU Biodiversity Strategy to 2030; to better integrate actions to protect wild pollinators in EU policy instruments addressing biodiversity conservation and agriculture, and to improve the protection of wild pollinators in the pesticides risk assessment process.

In particular, as regards DG AGRI activities, **ECA recommended:**

- To assess the need for specific measures for wild pollinators, and in particular:
 - to assess whether actions should be added to address threats currently not considered in the Pollinators Initiative in the follow-up actions and measures for the EU biodiversity strategy to 2030;
 - to set up appropriate governance and monitoring mechanisms for these actions and measures, including assigning clear responsibilities between Commission departments involved in policy areas relevant for wild pollinators;
 - to consider linking the level of co-financing for different measures more closely to their assessed biodiversity impact;
- To better integrate actions to protect wild pollinators in EU policy instruments addressing biodiversity conservation and agriculture, and in particular:
 - to verify that the strategic planning tools for the management of Natura 2000 sites (PAFs¹⁵⁴) include requirements for the protection of wild pollinators, and assess the relevant measures proposed by the Member States in the PAFs;
 - to assess which management practices in measures included in the 2014-2020 CAP had positive and negative effects on wild pollinators;
 - when checking CAP Strategic Plans, to verify that Member States include, whenever necessary, management practices which have a significant and positive effect on wild pollinators in conditionality, eco-schemes and rural development agri-environment-climate measures.
- To improve the protection of wild pollinators in the pesticides risk assessment process, and in particular:
 - to propose to amend or create implementing regulations for PPPs to:
 - i. include safeguards for a representative range of wild pollinator species which are comparable to those for honey bees, and
 - ii. require that Member States duly justify emergency authorisations granted, including specific information on activities conducted to find alternative solutions and their results;

¹⁵⁴ Prioritised Action Framework for Natura 2000.

- to prepare, together with Member States, a work plan for the development of test methods focusing on wild pollinators, and the definition of specific protection goals for wild pollinators.

In its reply, **the Commission** explained that the CAP Strategic Plans will have to demonstrate their contribution to CAP's general and specific objectives, including the one on the protection of biodiversity, ecosystem services, habitats and landscapes, and that, at the same time, Member States will have more flexibility in setting the interventions. The choice and design of interventions and management practices proposed by Member States will be based on the analysis of their environmental situations subsequently leading to the identification of the needs for a given territory that will have to be addressed by the CAP Strategic Plans. Where relevant, these may include measures to protect pollinators.

In its assessment of the CAP Plans, the Commission will assess that the proposed interventions and management practices ensure their potential and efficiency in contributing to the CAP specific objectives, to Member States specific needs identified in the Plan and in achieving the set targets and objectives.

DG AGRI was associated to two additional ECA reports, though of more limited relevance for DG AGRI:

- 1) Special Report No 07/2020 - Implementing Cohesion policy: comparatively low costs, but insufficient information to assess simplification savings** (multi DG audit, DG REGIO chef de file, DG EMPL, DG AGRI associated)

ECA concluded that the overall cost of implementing the Cohesion policy funds presented by the Commission is low compared to other EU funds and internationally funded programmes. However, the ECA concluded that the Commission had not collected underlying data on costs that were complete, consistent and coherent enough to allow this data to be used, for example, for assessing the impact of simplifying EU rules on how to implement the Cohesion policy funds.

- 2) Special Report 12/2020 - The European Investment Advisory Hub: Launched to boost investment in the EU, the Hub's impact remains limited** (multi DG audit, DG ECFIN chef de file, DG REGIO, DG AGRI associated)

This report presents the ECA's findings on the Hub's activities from its launch up until December 2018. ECA concluded that, by the end of 2018, the Hub had not yet proven to be an effective tool for boosting investment. ECA recommended promoting the outreach of the Hub's activities, to better target Hub support towards priorities, to improve the measurement of performance and to incorporate the lessons learned from the Hub in the new InvestEU advisory hub proposed under the InvestEU programme.

ANNEX 8: Specific annexes related to "Assessment of the effectiveness of the internal control systems"

This annex provides additional information on the assessment of Internal Control in DG AGRI and complements Section 2.1.3 of the AAR 2020.

Process, sources and methodology for the Internal Control assessment in DG AGRI

In DG AGRI, the internal control system is based on the clear definition of **roles** and **responsibilities** within the DG. The internal control monitoring indicators have been selected together with the **DG AGRI services** contributing to internal control. The **Director-General** signs the most important notes related to internal control. **Senior management** is consulted and kept informed of important activities under internal control, i.e. risk management, the annual report to the Commissioner and the management supervision reports. The **Deputy Director-General Risk Management and Internal Control (RMIC)** addresses to the Director-General an annual note on the functioning of the internal control system in the DG, thereby supporting the conclusions in the Annual Activity Report.

In addition to the assessment of the internal control principles (see Section 2.1.3), **DG AGRI managers** formally reported on the supervision carried out on the activities under their responsibilities in the course of 2020. Despite the fact that the services had to adapt rapidly to the new challenges and uncertainties that dominated the year, such as the **COVID pandemic** and **EU-UK Brexit negotiations**, the managers did not report any major operational risk/issue having an effect on the achievement of objectives.

As regards recommendations issued by the **Internal Audit Service (IAS)** (see Section 2.1.2.1), all recommendations due by 31/12/2020 at the latest have been followed-up by the IAS and have been closed. There are no pending 'critical' or 'very important' recommendations, only two 'important' recommendations are due in 2021.

As regards recommendations issued by the **European Court of Auditors (ECA)** in their special reports (see Section 2.1.2.3) or in their annual report (see Section 2.1.2.2), DG AGRI is taking action to implement the recommendations that were addressed to the Directorate-General and which have been accepted. DG AGRI considers that most of the ECA observations are related to considerations which are not directly linked to identified weaknesses in the DG's internal control systems and therefore have no impact on the assurance.

Risk Management

DG AGRI has in place a **solid risk management process** ensuring an appropriate coverage of its objectives/activities. In 2020, DG AGRI performed a comprehensive risk identification and assessment by requesting contributions from all services. The process is organised as a bottom-up exercise with top-down steering when launching and concluding. Senior management was involved at all stages of the process. The assessment covered in particular the substance of the risks, their rating (likelihood and impact), mitigating controls in place and related action plans. One risk was considered critical - Disruptions of the agricultural markets and budgetary consequences' **in case of 'no deal' between the EU and the UK** - and was further discussed during the Peer Review meetings organised by the Secretariat-General and DG Budget. This risk did not materialise and is not considered critical anymore as a result of the **EU-UK Trade and Cooperation Agreement** of 24 December 2020. However, even with an agreement, there is the need for a close follow-up of the agricultural markets.

DG AGRI conducted also the **targeted COVID-19 risk assessment exercise** during the summer 2020 at the request of the Secretariat-General and DG Budget, considering the impact of the crisis on budget performance and compliance. In particular, DG AGRI continued the monitoring of the risk, which was not considered 'critical', of the impact of the COVID-19 pandemic on the **CAP assurance**. The movement restrictions had an impact on controls and audits carried out in Member States at the level of the Paying Agencies and of the Certification Bodies. The restrictions also made temporarily impossible for DG AGRI auditors to carry out on-the-spot audit missions to the same extent as before the restrictions. Commission Implementing Regulation 2020/532 gave clear rules with realistic and attainable control requirements to the Member States and proposed temporary alternative methods to carry out the controls.

Procedures, exceptions and non-compliance events

DG AGRI's main processes and procedures are adequately documented by **internal procedures** to provide a clear reference framework to staff on how work has to be carried out. Guidance, templates and assistance are provided to AGRI services in setting up/updating the internal procedures, and an ex-ante check is conducted to verify the presence of the key elements (context/legal basis, scope, actors, steps, timeline).

The functioning of the internal control systems is monitored throughout the year by the registration of exceptions and non-compliance events. Accordingly, a register of **exceptions to process/procedures and non-compliance events** was finalised and the content analysed in parallel with the assessment on the functioning of internal control for the year 2020. The purpose of this register is to make sure that the exceptions to the procedures and the non-compliance events are not caused by systemic faults in the processes, and, if necessary, to correct the processes and the relevant procedures.

For the year 2020, the register included five exceptions of which two are linked to previous non-compliance events. These exceptions to procedures and non-compliance events remained limited and non-systemic in DG AGRI and therefore they have no impact on the assurance given by the Authorising Officer.

ANNEX 9: Reporting – Human resources, digital transformation and information management and sound environmental management

A. Human resource management

Objective: DG AGRI employs a competent and engaged workforce and contributes to gender equality at all levels of management to effectively deliver on the Commission's priorities and core business

Indicator 1: Number and percentage of first female appointments to middle management positions

Source of data: SEC(2020)146

Baseline (female representation in management) (1 Dec 2019)	Target (2022) ¹⁵⁵	Latest known results (Feb-Dec 2020)
18 female middle managers (40%)	5 first female appointments to middle management positions	22 female managers (22/44 occupied management posts); 50%

Indicator 2: DG AGRI staff engagement index

Source of data: Commission staff survey [data to be provided by DG HR]

Baseline (2018)	Target (2022)	Latest known results (2020/21)
71% (Commission average: 69%)	≥ 71%	72% ¹⁵⁶

Main outputs in 2020			
Description	Indicator	Target	Latest known results (2020)
Women in management positions in close cooperation with DG HR	First female appointments at middle management level	5 first female appointments by end 2022	<ul style="list-style-type: none"> • 4 first female middle appointments (100%) • 1 more to be achieved by end of 2022 • 5 female (and 5 male) HoUs designated as Deputy-Directors.

¹⁵⁵ The target will be revised and extended for the period 2023-2024 by January 2023.

¹⁵⁶ No staff survey conducted in 2020, data drawn from pulse survey 13 (end 2020) and 14 (early 2021).

Staff engagement	Staff engagement index in Commission staff survey	= or > Commission average results in next staff survey	<p>72% (Commission average 68,8% 2020/21 Pulse Survey 13+14)</p> <ul style="list-style-type: none"> • efforts concentrated on fostering modern working methods and change management; • the sanitary crisis has shown the importance of managers taking visible leadership and communicating openly and transparently via different channels.
Staff allocation according to interest and competences	Overall job satisfaction	= or > Commission average results in next staff survey	<p>N/A – no staff survey in 2020</p> <ul style="list-style-type: none"> • yearly staff allocation note to take stock of staff – including temporary - allocation decisions; • ATLAS: work progressed with links to SPP framework, the module was upgraded to its full use by allocating jobs to activities and objectives of the Strategic Plan.
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	<p>In 2020, telework has become the norm. Although it has proven highly effective in AGRI, it remained challenging to manage teams remotely with additional risks of digital overload, increased isolation and impact on physical health. Integrating newcomers was possible but not ideal.</p>

Internal communication	Staff has appropriate and timely information to perform well at work	= or > Commission average results in next staff survey	<p>1. Communication during the sanitary crisis:</p> <ul style="list-style-type: none"> - prompt updates and interactions with staff and managers ensuring consistency with corporate decisions; - high number of requests on application of rules on teleworking (abroad), shifts and office presence were treated; <p>2. Contribution to the implementation of staff engagement actions:</p> <ul style="list-style-type: none"> - publications on AGRInet, - regular newsletters ("What's new on AGRInet"), - videos ("New Kids on the Block", "AGRI@home"), - online version of "Inside AGRI", - several online, all AGRI staff events have been organised ("Agri Café" and "AGRI virtual Christmas party"). <p>3. Work on the drafting of the new Internal Communication Strategy 2021-2024 has also started and additional efforts have been made to modernise and simplify our intranet.</p>
AGRI competition	Implementation of EPSO planning according to time table	In line or ahead of time table at the end of 2020	Initially foreseen for September 2020 but postponement to 2021 due to delays in EPSO's planning.

Local HR strategy	Active participation in preparing the corporate HR Strategy	Corporate strategy reflects needs of local services/DGs	A workshop on the corporate HR strategy, together with DG HR took place in July 2020. Additionally, in view of developing an aligned AGRI HR Strategy, 6 local workshops were organised. The active participation of staff will pave the way of the final text to be adopted in 2021.
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B. Digital transformation and information management

Digital transformation

Main IT achievements during 2020 exploited the potential of digitalisation to transform DG AGRI in line with the European Commission Digital Strategy and the Corporate Modernisation Plan. They contributed to the progressive and sustainable transformation of DG AGRI by:

- End-to-end streamlining of its processes;
- Accommodating user needs and experiences with IT ecosystem;
- Leveraging the value of data with analytics and insights;
- Building digital solutions by co-financing or co-development.

a. End-to-end process streamlining

In 2020, DG AGRI continued to develop the Flex workflow engine, Process Centre, Portfolio and e-checklist components of **Compass Corporate**, the future corporate workflow solution DG AGRI will use in replacement of RDIS2 for managing the EAGF and EAFRD processes in relation with the Programming Period 2023-2027. The very first objective is to process the approval of the CAP Strategic Plans already using Compass Corporate by beginning of 2022. While developing Compass Corporate, the opportunity to streamline disconnected processes is also seized: it will be possible, without leaving Compass Corporate, to create a dossier, to request translations and to be informed of the adoption in Decide as well to sign documents with a qualified electronic signature in Ares. Full automated integration with the front-office application used by the Member States (**SFC2021**), the financial back-office (AGREX) and the CAP Knowledge Management tools (AGRI WIKI, Poline) will continue also to be offered.

b. Accommodating user needs and experiences with IT ecosystems

IT ecosystems are sets of shared building blocks to pursue common interests. They are used to produce and integrate a wide range of services to accommodate user needs and experiences.

In 2020, DG AGRI confirmed the roles of **SFC2014/SFC2021** and **ISAMM** as front-office IT ecosystems to collect data for the monitoring and evaluation of the CAP.

It is in this content that, in 2020, DG AGRI capitalized on **SFC2014** by collecting data associated to the COVID-crisis response, NGEU and the CAP Transitional Regulation, while the development of **SFC2021** continued with the aim to collect the CAP Strategic Plan data as of Q3/2021. In order that Member States have a "one-stop shop" to communicate EAGF and EAFRD data, the workplan includes also to move the transmission of the EAGF declarations from AGREX to **SFC2021** in 2022.

In 2020, the role of **ISAMM** as IT ecosystem was confirmed with:

- ± 34 new forms about the new market transparency regulation;
- Forms for private operators interested in applying for tariff quotas to register (Licence operator registration and identification - LORI);
- Forms in relation to certificates of authenticity (CA) for the sector of beef and veal / Inward Monitoring Arrangement (IMA 1) certificates for the sector of milk and milk products, which mention the total quantity of products intended to leave the territory of the issuing Third Country.

For the first time, it is not only Member States' authorities but also private operators and Third Countries who have access to **ISAMM** in order to communicate data.

In 2020, **Compass Corporate** continued to be developed as IT ecosystem for back-office process management that will offer desk officers MyWorkplace, Task allocation, Document List, Signature ... that other Information Systems can reuse.

c. Leveraging the value of data with analytics and insights

DG AGRI did not wait for the publication of the Data Strategy@EC to consider data as a high-value product to be shared: DG AGRI launched the Agri-food Data Portal as a component of **ISAMM** already in 2017. The Agri-food Data Portal offers a wide range of agricultural data on the Commission's public website.

Beginning of 2020, the "Agri-food Markets" section was reorganized to accommodate the explosion of the number of datasets available. The section homepage was re-designed to be both intuitive and visually attractive. During 2020, that section was further enriched with data and interactive visualizations about production (olive oil), trade (egg, poultry, dairy), prices (egg, sheep, raw milk, fruits & vegetables, sugar) as well as schemes for distributing milk, dairy products, fruits and vegetables to school children. Visitors can consult time series, interact with maps, charts and tables and download raw data for further offline

analysis. Those data are sourced from **ISAMM** where Member States notify a large variety of data through electronic forms.

In 2020, the Agri-food Data Portal had 59 000 unique visitors from 165 countries and about 700 daily page views.

d. Building digital solutions by co-financing or co-development.

In 2020, in line with the delivery model based on co-creation of the European Commission Digital Strategy, DG AGRI co-developed, among others, in regard to the current programming period, **SFC2014** with the ESIF DGs and RDIS2 with DG EMPL and DG HOME, and for preparing the ground for new CAP 2023-2027, **Compass Corporate** with DG DIGIT, DG EAC, DG REGIO and DG RTD.

As a measure for more synergies and efficiencies, the EC IT Governance decided in the past to centralise all the local computer rooms to the DG DIGIT Data Centre. All the DG AGRI Information Systems were migrated in 2020 from the computer room in L130 to the DG DIGIT Data Centre in Luxembourg. They are now co-hosted in the DG DIGIT Data Centre with the Information Systems of other DGs and Services. With other DGs and Services, DG AGRI co-finances the hosting.

Objective: DG AGRI is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and data-driven Commission

Indicator 1: Degree of implementation of the digital strategy principles by the most important IT solutions¹⁵⁷

Source of data: DG AGRI, DG DIGIT

Information System	Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
ISAMM	2020: 55%	2022: 60%	2024: 65%	55%
Compass Corporate ¹⁵⁸	2020: 68%	2022: 86%	2024: 90%	68%
SFC2021	2018-2019: 1.9 ¹⁵⁹	2020-2022: 1.9	2024: 2	1.9 ¹⁶⁰

¹⁵⁷ The European Commission Digital Strategy (C(2018)7118) calls on Commission services to digitally transform their business processes by developing new innovative digital solutions or make evolve the existing ones in line with the principles of the strategy. At the beginning of the year N+1, the Solution Owner and IT Investments Team will assess the progress made on the basis of the proposed modernisation plan. For each of the 3 solutions, a table will reflect – per principle - the progress achieved during the last year.

¹⁵⁸ <https://webgate.ec.europa.eu/CITnet/confluence/pages/viewpage.action?spaceKey=COMP CORP&title=Compass+Corporate+compliance+with+the+ECDS+principles>

¹⁵⁹ Average score on the implementation of the 11 core principles defined by the EC Digital Strategy.

¹⁶⁰ Maximum value: 2

Indicator 2: Percentage of DG AGRI's key data assets for which corporate principles for data governance have been implemented

Source of data: DG AGRI

Baseline (2020)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
0% ¹⁶¹	40% ¹⁶²	60% ¹⁶³	15% ¹⁶⁴

Main outputs in 2020			
Description	Indicator	Target	Latest known results (2020)
IT infrastructure, tools and services	Implementation of the relevant parts of the IT Master Plan, in co-operation with DG DIGIT and other DGs where relevant (Common building blocks, support to ESIF policy, ...)	95 %	98,99%
	Servers' availability (averaged over one year)	≥ 99 %	≥ 99 %
	Information Systems User Satisfaction (positive assessment)	> 80 %	79%
	Number of security breaches (new indicator)	No major security breaches	0
Information Management	Share (%) of AGRI data assets made openly and transparently available	> 30%	40% ¹⁶⁵

¹⁶¹ Data assets have been defined end 2019.

¹⁶² Milestone has been revised due to progress made under the new DG AGRI governance framework.

¹⁶³ Target has been revised due to progress made under the new DG AGRI governance framework.

¹⁶⁴ The indicator has been calculated according to the SG guidance "Document regarding the calculation of indicator 2 for Digital transformation and information management".

¹⁶⁵ This indicator is based on the DG AGRI data asset inventory as of end 2020.

Data protection

DG AGRI continued to contribute to the objectives set by the Action Plan on Data Protection. The following actions have been undertaken in 2020 to ensure compliance with the rules:

- In addition to encouraging participation in corporate training, DG AGRI's Data Protection Coordinator (DPC) organised several communication and awareness-raising activities, notably trainings for managers of two Directorates and by updating and completing the Data Protection page on AGRI's intranet;
- DG AGRI has also raised local awareness on data protection by regular contacts with and advice to Heads of unit and staff to acquire a level of understanding of the rules according to their needs and work context;
- the DPC handled procedures in place in case of personal data breaches;
- the annual inventory of data processing operations has been conducted (including review of existing records and identification of records which need to be established, inventory of the use of contractors/processors, transfer of data outside the EU and the use of decentralised corporate records);
- the DPC followed up on corporate guidance related to international transfer requirements. The invalidation of the EU-US Privacy Shield (the Schrems II judgement) poses concrete challenges when transferring personal data to third countries or using international cloud services. DG AGRI will continue to assess its processing activities in light of the requirements of the Schrems II ruling and will coordinate with relevant Commission services and IT governance bodies, as well as the Data Protection Officer (DPO). Following a request from the European Data Protection Supervisor, DG AGRI has participated to the mapping exercises of international transfers coordinated by the DPO;
- the DPC followed up on the requests from the European Data Protection Supervisor and DG COMM concerning the compliance of our websites with data protection rules;
- privacy statements have been checked and, where necessary, reviewed, to ensure that appropriate information is provided to the data subjects concerned.

Objective: DG AGRI is using innovative, trusted digital solutions for better policy-shaping, information management and administrative processes to forge a truly digitally transformed, user-focused and data-driven Commission

Indicator 3: Percentage of staff attending awareness raising activities on data protection compliance

Source of data: European Commission/DG AGRI - EU Learn registrations and training presence lists

Baseline (2018)	Interim milestone (2022)	Target (2024)	Latest known results (2020)
15%	100% management staff 50% non-management staff	100% non-management and management staff	<ul style="list-style-type: none"> • 20% of managers trained in 2020; • 100% Directors and HoU reminded of data protection principles through the annual inventory; • 100% of staff have access to updated information on My AGRInet

Main outputs in 2020			
Description	Indicator	Target	Latest known results (2020)
Document management	% of filing of documents in DG AGRI	100 % of documents ARES filed	0.12%***
	Percentage of HAN files readable / accessible by all units in the DG	>75 %	71,75%***
	Percentage of HAN files shared with other DGs	5%*	4,92%***
	Percentage of security markings applied on documents after 30/09/2019**	10%**	10.56%
Personal data protection	Conversion of legacy notifications into records	100% of legacy notifications converted into records by the end of 2020	100%

* In line with the principle of sharing information within the Commission, DG AGRI set a long-term target of 40% to be achieved in the period 2020-2024 with a view to improve transparency and avoid duplications in filing at Commission level. However, progress is rather slow. This explains the proposed 5% for 2020 (lower compared to the strategic goal, but realistic given that only at the end of September 2019 the new security markings, as an important prerequisite for opening the visibility of files, were implemented in Ares. It is expected that such objective once achieved will facilitate faster progress in successive years.

** The new security markings were implemented in Ares as of 30/09/2019.

*** DG AGRI made the calculation based on HAN statistics provided for 2019 and DG AGRI document management data for 2020. In 2020, SG has decided not to provide HAN statistics to DGs. Given that DG AGRI does not have technical possibilities to extract full HAN data, the numbers provided may not be fully in line with HAN.

E. Sound environmental management

Cf Global EMAS Action Plans, annual Environmental Statement

Main outputs in 2020			
Description	Indicator	Target	Latest known results (2020)
Reflection meeting with Director-General on meetings/missions	Meeting held Y/N	Meeting before the end of 2020	Several discussion held with the DG on the question of meeting rooms. SCIC agreed to upgrade a series of meeting rooms to allow for the organisation of hybrid meetings. DG COMM was called upon for the establishment of more video recording facilities. The reduction of mission budgets for 2021 and 2022 will trigger a discussion within the DG once "normal" working conditions can be resumed.
Green and healthy initiatives	One initiative per month promoted via the intranet and/or other channels	12 green and healthy initiatives	DG AGRI launched a series of green and healthy initiatives and thus underline the importance of sound environmental management. - monthly EMAS actions in Jan-Feb 2020; - VeloMai; - Green Christmas; - tips and tricks during lockdown.

Waste reduction campaign: "Plastic mountain"	Number of blue bags collected in a given period of time compared to 2019	30% less than in 2019	The "plastic mountain" could not be implemented due to the COVID-crisis.
Awareness raising campaign: E-waste	Level of staff awareness measured through a poll	10% of AGRI staff participating in poll	The awareness raising campaign had to be postponed due to the COVID-crisis.

ANNEX 10: Implementation through national or international public-sector bodies and bodies governed by private law with a public sector mission (not applicable)

ANNEX 11: EAMR of the Union Delegations (not applicable)

ANNEX 12: Decentralised agencies and/or EU Trust Funds (not applicable)

ANNEX 13: Table of acronyms

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
AI	Artificial Intelligence
AIR	Annual Implementation Report
AKIS	Agricultural Knowledge and Innovation Systems
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
CAFS	Commission Anti-Fraud Strategy
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

Abbreviation	Full text
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
DG CNECT	Directorate-General Communication Networks, Content and Technology
DG COMM	Directorate-General Communication
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

D

DAS	Statement of assurance (Déclaration d'assurance)
DCFTA	Deep and Comprehensive Free Trade Areas
DDA	Doha Development Agenda
DE	Germany
DEP	Digital Europe Programme
DESI	Digital Economy and Society Index
DG	Directorate-General
DG DEFIS	Directorate-General Defence Industry and Space
DG DEVCO	Directorate-General International Cooperation and Development
DG DIGIT	DG Informatics
DIH	Digital Innovation Hubs
DK	Denmark
DPC	Data Protection Coordinator
DPO	Data Protection Officer
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
DG ECFIN	Directorate-General Economic and Financial Affairs
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

Abbreviation	Full text
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
EPCA	Enhanced Partnership and Cooperation 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-15 ¹⁶⁶	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
EU-27	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

F2F	Farm to Fork Strategy
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FDI	Foreign Direct Investment
FEAD	Fund for European Aid to the Most Deprived
FI	Financial instruments
FI	Finland
FNVA	Farm net value added
FPA	Framework Partnership Agreement
FP7	7 th Framework Programme
FR	France
FTA	Free Trade Agreement
FVO	Food and Veterinary Office
FWG	Forecast working group
FY	Financial Year

¹⁶⁶ Composition in 2004.

Abbreviation	Full text
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	
H2020 / HE	Horizon 2020 / Horizon Europe
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
IGC	International Grains Council
IOC	International Olive Council
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
ISAMM	Information System for Agricultural Market Management and Monitoring
ISO	International Sugar Organisation
IT	Information Technology
IT	Italy
ITSRM	IT Security Risk Management methodology
J	
JRC	Joint Research Centre
DG JUST	Directorate-General Justice and Consumers

Abbreviation	Full text
K	
KPI	Key Performance Indicator
L	
LAG	Local Action Group
LAU	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	European Anti-Fraud Office
OTSC	On-the-spot checks
P	
PA	Paying Agency
PAF	Prioritised Action Framework for Natura 2000
PECBMS	Pan-European Common Bird Monitoring Scheme
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland
PMEF	Performance and Monitoring Evaluation Framework
PMO	Office for Administration and Payment of Individual Entitlements
PO	Producer organisation

Abbreviation	Full text
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
PPP	Plant protection products
PT	Portugal
R	
RAD	DG BUDG database ("Recommendations/Actions/Discharge")
RBN	Research Budget Network
RD	Rural Development
RDP	Rural Development Programme
REA	Research Executive Agency
REFIT	Regulatory Fitness and Performance Programme
DG REGIO	Directorate-General Regional and Urban Policy
RO	Romania
RoO	Rules of Origin
DG RTD	Directorate-General Research and Innovation
S	
SAI	Smaller Aegean islands
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)
SCAR	Standing Committee for Agricultural Research
SCIC	Directorate-General for Interpretation
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
SWD	Staff Working Document
SWOT	Strengths, weaknesses, opportunities, threats
T	
TAIEX	Technical Assistance and Information Exchange instrument
DG TAXUD	Directorate-General Taxation and Customs Union

Abbreviation	Full text
TEF	Testing and Experimentation Facilities
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
TTI	Time to inform
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
USDA	US Department for Agriculture
UTP	Unfair Trading Practices

V

VCS	Voluntary Coupled Support
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W

WIPO	World Intellectual Property Organisation
WMP	Whole milk powder
WTO	World Trade Organization