



2017

Annual Activity Report

Annexes

**Directorate-General
for Agriculture and
Rural Development**



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

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

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

24 April 2018

(signed)

Rudolf MÖGELE
Deputy Director-General in charge of Risk
Management and Internal Control

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

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

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

2.2.1 Human Resource Management

Objective (mandatory): The DG deploys effectively its resources in support of the delivery of the Commission's priorities and core business, has a competent and engaged workforce, which is driven by an effective and gender-balanced management and which can deploy its full potential within supportive and healthy working conditions.		
Indicator 1 (mandatory): Percentage of female first appointments to middle management Source of data: SEC(2017)505		
Baseline (01/11/2017)	Target (2019)	Latest known results (2017)
0%	57% (4 out of 7) = DG AGRI's quantitative target for first appointments to middle management 2017-2019 (<i>adopted by the Commission on 17 November 2017 – SEC(2017)505</i>)	0%*
Indicator 2 (mandatory): Percentage of staff who feel that the Commission cares about their well-being Source of data: Commission staff survey		
Baseline (2014)	Target	Latest known results (2017)
31%	Reach a result above Commission average (35% in 2014) <i>Target agreed at level of resource director</i>	Staff survey 2016: 32% (COM 2016: 35%)
Indicator 3 (mandatory): Staff engagement index Source of data: Commission staff survey		
Baseline (2014)	Target	Latest known results (2017)
67.6%	Maintain a result above Commission average (65% in 2014) <i>Target agreed at level of resource director</i>	Staff survey 2016: 65% (COM 2016: 64%)
Indicator: Average vacancy rate of available permanent posts Source: HR Dashboard		
Baseline (2015)	Target	Latest known results (2017)
5.6 %	Vacancy rate < or = Commission average (Jan 15-Dec 15: 5.3 %) <i>Target agreed at level of resource director</i>	6.9% (COM: 6.4%)

Indicator: HR capacity utilisation		
Definition: Staff time available for allocation to activities after deducting absences (except annual leaves and flexitime Recuperation) and use of flexible working arrangements from the total number of available working days.		
Source: HR Dashboard		
Baseline (Dec. 2014-Nov. 2015)	Target	Latest known results (2017)
90.3 %	Utilisation > or = Commission average (Dec 14-Nov 15: 90.1 %) <i>Target agreed at level of resource director</i>	89.1% (COM: 89.9%)
Indicator: Staff satisfaction with:		
- job		
- private/ professional life balance		
Source: Commission staff survey		
Baseline (31/12/15)	Target	Latest known results (2017)
Job satisfaction: 70.5 % Life balance: 53.3 %	Equal or better results than Commission average <i>(target agreed at level of resource director)</i> COM average: Job satisfaction: 68.5 %, Life balance: 53.7 %	Job satisfaction: 74% (COM 2016: 76%) Life balance: 58% (COM 2016: 57%)
Indicator: Local Overheads		
Source: Screening 2017		
Baseline (23/01/15)	Target (2016)	Latest known results (2017)
7.8 %	Commission average: 7.7 % <i>(target agreed at level of resource director)</i>	AGRI: 5.2% COM: 6.2%

Main outputs in 2017:			
Description	Indicator	Target	Latest known results
Efficient and effective staff allocation	Vacancy rate	= or < Commission average	1/01/2018 AGRI: 6.3% COM: 6.5%
Strategic, forward planning HR management	Posts returned to DG HR (i.e. staff reduction and staff redeployment)	within deadlines	All payments according to schedule
Women in management positions in close cooperation with DG HR	Female representation rate in middle management	= or > 2016 rate	30% (= to 2016 rate)
Staff allocation according to interest and competences	Overall job satisfaction	= or > Commission average results in next HR survey	2016: 74% (COM 2016: 76%)

Staff health	Sick leave rate	= or < Commission average for the same period	2017 Q1-3: 4.7% (COM: 4.1%)
Staff well-being (in cooperation with DG HR/Medical Service and DG MARE)	Well-being indicator in Commission staff survey	= or > Commission average results in next HR survey	2016: 57% (COM 2016: 57%)
Management of administrative budget	Budget execution (commitments)	> 95% by end of the year	99.3%
Internal communication	Staff has appropriate and timely information to perform well at work	= or > Commission average results in next HR survey	2016: 63% (COM 2016: 62%)

* Two middle management positions were published in December 2017 - the first ones since mid-2015-, for which the selection process is still ongoing. DG AGRI also requested the appointment of a new female HoU in unit AGRI.DDG1.B.2 effective as of 1.03.2018. On 31.12.2017, female representation in DG AGRI's middle management was 30.2 %.

2.2.2 Better Regulation

Objective (mandatory): Prepare new policy initiatives and manage the EU's acquis in line with better regulation practices to ensure that EU policy objectives are achieved effectively and efficiently.

Indicator 1 (mandatory – monitored by the DGs concerned): Percentage of Impact assessments submitted by DG AGRI to the Regulatory Scrutiny Board that received a favourable opinion on first submission.

Explanation: The opinion of the RSB will take into account the better regulation practices followed for new policy initiatives. Gradual improvement of the percentage of positive opinions on first submission is an indicator of progress made by the DG in applying better regulation practices.

Source of data: -

Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2017)
68% = Commission average in 2014 N/A for DG AGRI (no Impact assessment in 2015)	<i>Positive trend compared to DG's 2014 situation.</i>	<i>Positive trend compared to DG's 2016 situation.</i>	N/A

Indicator 2 (mandatory – monitored by the DGs concerned): Percentage of the DG's primary regulatory acquis covered by retrospective evaluation findings and Fitness Checks not older than five years.

Explanation: Better Regulation principles foresee that regulatory acquis is evaluated at regular intervals. As evaluations help to identify any burdens, implementation problems, and the extent to which objectives have been achieved, the availability of performance feedback is a prerequisite to introduce corrective measures allowing the acquis to stay fit for purpose.

Relevance of Indicator 2: The application of better regulation practices would progressively lead to the stock of legislative acquis covered by regular evaluations to increase.

Source of data: -

Baseline 2015	Interim Milestone 2016	Target 2020	Latest known results (2017)
64% ²		70%	64%

² This figure excludes spending-related acquis, individual and temporary measures.

Indicator: Common monitoring and evaluation framework for the CAP towards 2020		
Source: DG AGRI task Force on Monitoring and Evaluation		
Baseline (2015)	Target (2015)	Latest known results (2017)
Common Monitoring and evaluation Framework in place. Meetings of the expert group on M&E (17.3.2015-25.6.2015-12.11.2015) CMEF discussed in agri management meeting+2 meetings task force M&E Documentation for MS available.	Comprehensive framework for the monitoring and evaluation of the whole CAP in place - 4 meetings with the expert group on M&E; - 2 meetings of DG AGRI task force on M&E; -Starting the compilation of data	Meeting of the Task Force on 28.11.2017 (and several meeting of the CMEF working groups) allowed finalising the definitions of all indicators, clarifying which data source to use and start preparing for the CMEF report to EP and Council anticipated to mid-2018 Compilation of data is ongoing. Part of the data is already available in Agriview. Development of CATS reports on direct payments and lunch time to show how AGRI users can access them. One meeting of the expert group on monitoring and evaluation (10.05.2017)
Indicator: Degree of implementation of the annual evaluation plan		
Source: Data collected by DG AGRI		
Baseline (2015)	Target (mid-term)	Latest known results (2017)
100 % complete	100 % of evaluations completed/launched according to the initially set timetable The evaluations to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated at least yearly.	86 % All scheduled evaluations launched, all reports of contractors finalised, yet Staff Working Document still to be finalised.

Indicator: Degree of implementation of the annual studies plan set in the evaluation and studies plan		
Source: Data collected by DG AGRI		
Baseline (2015)	Target (mid-term)	Latest known results (2017)
100 % ³	100 % of studies completed/launched according to the initially set timetable <i>The studies to be conducted in a given year are decided at senior management level, based on the legal and policy requirements and introduced in a rolling evaluation and studies plan which is updated yearly.</i>	100 %
Indicator: Contribution to the Commission Regulatory Fitness initiative (REFIT)		
Source: DG AGRI files on simplification		
Baseline (2015)	Target	Latest known results (2017)
Contribution and exchanges with SG on REFIT initiatives. Timely contribution to the REFIT platform screening exercise: periodical contribution to the "assessment fiches" prepared by SG following requests received by the REFIT Platform	Timely contribution to the REFIT initiative including follow-up of the Administrative Burden Reduction programme (ABRplus) upon request of the Secretariat General	100 %

Main outputs in 2017:			
Description	Indicator	Target	Latest known results (situation on 31/12/17)
Coordination of monitoring and evaluation of the CAP - Coordination of a common monitoring and evaluation framework for the CAP 2014-2020 - Analysis of results for use in policy development (indicators, studies, evaluations)	Coordination of the internal Task Force on Monitoring and Evaluation of the CAP	Organisation of 2 meetings per year	Meeting of the Task Force (and several meeting of the CMEF working groups) allowed finalising the definitions of all indicators, clarifying which data source to use and start preparing for the CMEF report to EP and Council anticipated to mid-2018.
	Organisation of the meetings of the expert group on "M&E of the CAP"	Organisation of 2 meetings per year	Only 1 meeting needed in 2017

³ While all procedures for new studies were launched, for one no contract was attributed

Evaluations Assess the effectiveness, efficiency and coherence of CAP (1 st and 2 nd pillar) instruments in collaboration with the inter service steering group	Establishment of the DG AGRI pluri-annual evaluation and studies plan	DG AGRI evaluation plan established / updated on time for inclusion (as annex) in the management plan of year N+1	On time for the management plan
	Degree of implementation of the DG AGRI studies and evaluation plan	100 %	93%
Manage the EP Pilot projects foreseen in the evaluation plan	Degree of implementation of EP Pilot projects and preparatory actions	100 %	100 %
Reviewing the potential for further simplification in the CAP in the short and long term	Number of Commission documents adopted with a view to simplify the policy	More than 5 December 2017	12 acts ⁴ have been adopted in view of simplification
Contribution to the Commission Regulatory Fitness initiative (REFIT)	Timely contribution to the REFIT initiative including reaction to simplification requests under the REFIT platform.	90% replies within deadlines	100 %
Relations with EU institutions, national parliaments, other institutional stakeholders and civil society, incl. the participation in meetings of the Council, the SCA and working parties, European Parliament, COMAGRI and other committees, as well as attendance to trilogues (accompany & follow-up on the ordinary legislative	Questions/requests from other Institutions, including Parliamentary Questions, Petitions, Opinions from National Parliaments and letters from MEPs to the Commissioner replied to within the deadline	Maintain the present high rate of replies within deadline.	99% (Totals: Parliamentary Questions AGRI CF: 367, Parliamentary Questions AGRI ASOC: 708, Petitions 25, MEP letters to the Commissioner: 56, Opinions from National Parliaments: 17)
	Participation of the Commissioner and DG AGRI's officials in high level meetings with other EU institutions and advisory groups	The Commissioner represents the Commission in the most important meetings	Commissioner's participation in 2017: 3 times in EP plenary and 5 in COMAGRI . DG AGRI's participation in all plenaries and in all meetings of COMAGRI

⁴ IACS: DA 2017/723 and IA 2017/807
DA 2017/1155 on greening, young farmers, VCS, BPS
School schemes : DA 2017/40, IA 2017/39
6 DAs and IAs for CMO alignment
Omnibus regulation 2017/2393

procedure).	(civil dialogue groups)		<p>EESC: in 2017 the Commissioner did not attend an EESC meeting Participation of DG AGRI in: Section meetings NAT: 7 Plenary: 3</p> <p>COR: in 2017 the Commissioner did not attend a COR meeting Participation of DG AGRI in: Section meeting NAT: 5 Plenary: 3</p> <p>DG AGRI's participation in 2016: - Council: 11 times - SCA: 28 times - trilogue meetings: 9 (5 for organics, 4 for Omnibus)</p> <p>pre-GRI: DG AGRI participation in all meetings DG AGRI participation in Civil Dialogue Groups /working groups/: 75 - FWG 14 - CDG 61</p>
Relations with the Court of Auditors	Number of overdue recommendations in RAD ⁵ addressed to AGRI as chef de file	0	5 (29 January 2017)

⁵ RAD ("Recommendations/Actions/Discharge") is a DG BUDG database to monitor the implementation of European Court of Auditors, Council and European Parliament recommendations.

Objective: To provide sound legal services and to ensure correct application and enforcement of the CAP law

Indicator: Proportion of positive opinions from the Legal service in Inter-service consultations launched by DG AGRI

Source of data: Decide

Baseline (2015)	Target	Latest known results (2017)
100%	>90 % of consultations <i>Target was fixed taking into account a minimal margin of manoeuvre for legal disagreements/need to pursuit proposal for policy issues.</i>	100%

Indicator: Timeliness of treatment of notifications of state aid cases

Source of data: ISIS database

Baseline (2015)	Target	Latest known results (2017)
100%	100% <i>Legal requirement</i>	100%

Indicator: Proportion of agreements from the Legal service to proposals launched by DG AGRI in the context of the infringement procedure

Source of data: NIF data base

Baseline (2017)	Target	Latest known results (2017)
100%	90% of consultation <i>Procedural requirement Internal Guideline "Monitoring the application of EU Law (C(2017)4973final)</i>	100%

Main outputs in 2017:

Description	Indicator	Target	Latest known results (situation on 31/12/17)
DG AGRI proposals for legal acts need to comply with EU legal framework	Proportion of positive opinions from the LS in inter-service consultations launched by DG AGRI	>90 % of consultations December 2017	100%
Legal soundness of DG AGRI positions needs to be ensured, and this, in a timely manner	Rapidity of response on signataires submitted for paraphe on legal issues and on notes submitted asking for legal advice	>85 % dealt with within deadlines laid down in the vademecum fixing the rules for legal consultation December 2017	93,31 %
Examination of notified and alleged State aids in the agricultural and forestry sectors in cooperation with various other Commission Services, notably the SG, the Legal	Examination of notified State aid cases within the statutory deadlines and timely examination of all other State aid cases (NN, CP ...)	100% of cases to be handled within the statutory deadlines if any or foreseen within the best Practice Code.	100%

Service and DG COMP			
Management of complaints and infringement proceedings in cooperation with the SG	Appropriate administrative treatment of all new complaint cases notified	95% of new complaints registered	100%
Management of notifications made under Directive (EU) 2015/1535 on technical rules in cooperation with DG GROW	Timeliness of treatment of all new draft technical received	100% of deadlines to be met	100%
Coordination DG AGRI's replies to the European Ombudsman (EO) in cooperation with the SG	Timeliness of delivery of replies to the EO	100% of SG accepted deadlines to be met	100%
Coordination DG AGRI's replies to access to documents requests (Regulation 1049/2001) in cooperation with the SG	Timeliness of delivery of replies to access for documents requests	100% of requests for documents answered within the deadlines	98%

Objective: To ensure an effective and efficient planning and programming process and to support the preparation and adoption of agricultural legislation

Indicator: Implementation of the performance culture in DG AGRI

Source of data:

Baseline (2015)	Target	Latest known results (2017)
Active involvement in Budget Focused On Results initiative, including the participation of Commissioner Hogan at the BFOR conference Development of a more focused performance reporting in the AAR Creation of a network of performance correspondents	Continuous improvement	DG AGRI contributes actively to the "Budget focused on results" initiative: preparation of the regular meetings of the BFOR interservice working group and the group of Commissioners, participation in the Workshops on the future of indicators and routine ongoing contacts with central services and other DGs to share information. The Communication on the Future of Food and Farming underlines the commitment of DG AGRI to the performance and results of the CAP, including a new delivery model for the CAP post-2020

		which would link the CAP expenditure with achievement of results by the Member States.
Indicator: Timeliness of DG AGRI replies to Inter-service consultations		
Source of data: Decide		
Baseline (2015)	Target	Latest known results (2017)
101 out of 2055 (4.91%) delayed	Steady reduction <i>The target is a permanent goal of DG AGRI</i>	Statistical data not available in Decide

Main outputs in 2017:			
Description	Indicator	Target	Latest known results (2017)
Implementation of the Commission planning and programming process (in close cooperation with SG and DG BUDG)	Percentage of elements of the Strategic Planning and Programming (SPP) cycle delivered on time	100 %	80%
	Delivery rate (adoption by the College): - CWP - Other Decide Planning proposals	100 %	100 %
	Number of delays in DG AGRI replies to Interservice Consultations (ISC)	Steady reduction	Statistical data not available in Decide

2.2.3 Information management aspects

Objective (mandatory): Information and knowledge in your DG is shared and reusable by other DGs. Important documents are registered, filed and retrievable		
Indicator (mandatory): Percentage of registered documents that are not filed (ratio)		
Source of data: Hermes-Ares-Nomcom (HAN) statistics		
Baseline	Target	Latest known results (2017)
2014: 482 docs = 0.150% 2015: 924 docs = 0.24%	0%	0.10
Indicator (mandatory): Percentage of HAN files readable/accessible by all units in the DG		
Source of data: HAN statistics		
Baseline	Target	Latest known results (2017)
2015: 82.58%	75%	79.10%

Indicator (mandatory): Percentage of HAN files shared with other DGs		
Source of data: HAN statistics		
Baseline	Target	Latest known results (2017)
2015: 0.5%	50%	0.28%*

Main outputs in 2017:			
Description	Indicator	Target	Latest known results (situation on 31/12/17)
Document management	% of filing of documents in DG AGRI	100 % of documents ARES filed	99.9%
	% of files in NOMCOM where no documents are filed within the last 12 months from the total number of active files in AGRI (including subfiles)	0% files in NOMCOM where no documents are filed within the last 12 months	20.89%
	Percentage of HAN files readable/accessible by all units in the DG	75 %	79.10%
	Percentage of HAN files shared with other DGs	10 %*	0.28%
Personal data protection, in cooperation with SG/DPO	Notification of identified personal data processings in DG AGRI	100 % of identified processings included in the register of the DPO	2017: 100% (34 identified personal data processings, all of which are in the register)
IT infra-structure, tools and services	Implementation of the relevant parts of the IT Master Plan, in co-operation with DG DIGIT and the other DGs where relevant (Common building blocks, support to ESIF policy, ...)	95 %	97%
	Servers' availability (averaged over one year)	≥ 99 %	99%
	Information Systems User Satisfaction (positive assessment)	> 80 %	83%
	Number of security breaches (new indicator)	No major security breaches	No major security breaches

* In line with the principle of sharing information within the Commission, DG AGRI set a long-term target of 50% to be achieved by 2020 with a view to improve transparency and avoid duplications in filing at Commission level. Progress is proving rather slow. There are however encouraging developments. Following the latest review, the share of files visible within the DG has significantly increased. Renewed efforts will be made in 2018 to further promote full visibility of AGRI HAN files. In this sense, Units were encouraged to choose Commission read-access level for the creation of the new 2018 Ares files.

2.2.4 External communication activities

Objective (mandatory): Citizens perceive that the EU is working to improve their lives and engage with the EU. They feel that their concerns are taken into consideration in European decision making and they know about their rights in the EU.

Indicator: Percentage of EU citizens having a positive image of the EU

Definition: Eurobarometer measures the state of public opinion in the EU Member States. This global indicator is influenced by many factors, including the work of other EU institutions and national governments, as well as political and economic factors, not just the communication actions of the Commission. It is relevant as a proxy for the overall perception of the EU citizens. Positive visibility for the EU is the desirable corporate outcome of Commission communication, even if individual DGs' actions may only make a small contribution.

Source of data: Standard Eurobarometer (DG COMM budget) [*monitored by DG COMM [here](#)*]

Baseline: November 2014	Target: 2020	Baseline: November 2014
Total "Positive": 39% Neutral: 37 % Total "Negative": 22%	Positive image of the EU ≥ 50%	Positive: 40% Neutral: 37 % Negative: 21%

Specific objective: To build trust within the EU and among all citizens, farmers and non-farmers, alike. The key issues of food security, climate change and environment protection as well as the maintenance of sustainable rural areas are consistent features of the messaging and with the Commission's legal requirement to carry out information measures on the CAP.

For the general public, the objective is to raise awareness on the relevance of EU support to agriculture and rural development through the CAP.

For the stakeholders, the objective is to engage with stakeholders (mainly farmers and other parties in rural areas) in order to further communicate about the CAP to their constituencies and to the wider public.

Indicator: Public awareness of CAP

Source: Eurobarometer

Baseline (2015)	Target	Latest known results (2017)
The Latest Eurobarometer survey (field research October 2015, results published on 6 January 2016) shows that 94% of Europeans believe that agriculture and rural areas play an important role for their future (+ 2 percentage points since the last survey in 2013) and that 69% have heard about the support that the EU gives farmers through its CAP (+ 5 percentage points since the last survey in 2013).	Maintain and if possible increase awareness of the CAP	The Latest Eurobarometer survey (field research November – December 2017) shows that 92% of Europeans believe that agriculture and rural areas play an important role for their future (- 2 percentage points since the last survey in 2015) and that 67% have heard about the support that the EU gives farmers through its CAP (-2 percentage points since the last survey). There is a broad consensus and strong support on the key priorities of the CAP and its contribution to the strategic priorities of the

<p>There is a broad consensus on the key priorities of the CAP and its contribution to the strategic priorities of the Commission.</p> <p>The next Eurobarometer survey will be conducted in the last quarter of 2017. The results will be published in first quarter of 2018</p>		<p>Commission.</p> <p>The results will be published on 1 February 2018</p>
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Main outputs in 2017:			
Description	Indicator	Target	Latest known results
<p>Main communication actions: Media and Web</p>	<p>6 study trips (positive evaluation feedback), Ag.press e-platform (maintain members as active users), Europa web digital transformation</p>	<p>2017</p>	<p>3 study trips and 2 AG-Press seminars have been organised in 2017. <i>All results will be included in the report on the implementation of AGRI's 2017 external communication AP to be produced soon</i></p>
<p>Conferences, fairs and events</p>	<p>Conference on the modernisation of the CAP and Conference "agricultural markets outlook" (satisfaction feedback from participants)</p>	<p>2nd semester 2017 and December 2017</p>	<p>Conference "Taking stock of the public consultation" on 7 July and the "outlook Conference" on 18 and 19 December. <i>All results will be included in the report on the implementation of AGRI's 2017 external communication AP to be produced soon</i></p>
	<p>Participation at Agricultural fairs in Berlin, Paris, Estonia and Poland and in EU Open Days in Brussels (number of visitors and degree of satisfaction with the activities proposed)</p>	<p>2017</p>	<p>AGRI participated in all these fairs as foreseen. <i>All results will be included in the report on the implementation of AGRI's 2017 external communication AP to be produced soon</i></p>
	<p>Launch of and communication on school schemes and edutainment package Communication activities concerning the modernisation of the CAP</p>	<p>2017</p>	<p>AGRI's "edutainment pack" on agriculture and the CAP for school children has been further promoted and distributed and other relevant communication material has been produced.</p> <p>Communication activities, including a</p>

			social media campaign and an important "outreach team exercise" have been organised to accompany the major policy initiative of the year i.e. the adoption by the Commission on the 29 November of the Communication on the Future of Food and Farming
Grants	Co-financing 15 to 20 "information measures on the CAP" following the last call for proposals	May 2017 – April 2018	16 grants have been awarded following the annual call for proposals
Corporate communication	Campaign to be conducted by DG COMM	2017-2018	DG AGRI participated in the development and implementation of the DG COMM 2017 corporate communication campaigns ("EU invest", "EU empowers" and "EU protects")

Annual communication spending (based on estimated commitments):			
Baseline (2016)	Estimated commitments (2017)	Total amount spent	Total of FTEs working on external communication
EUR 4 million	EUR 8 million: - Direct actions (Media and Web, Conferences, fairs and events): EUR 4.500.000 - Indirect actions (Grants): EUR 3.500.000	EUR 4.1 million EUR 3.7 million	10
	Corporate communication by DG COMM: EUR 8.400.000 (co-delegated to DG COMM) from EAGF budget lines	EUR 8.5 million	1

ANNEX 3: Draft annual accounts and financial reports

1. Financial reports

1.1 Commitments and payments (tables 1 and 2)

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2017 (in Mio €)						TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2017 (in Mio €)					
			Commitment appropriations authorised	Commitments made	%	Chapter		Chapter	Payment appropriations authorised	Payments made	%
			1	2	3=2/1			1	2	3=2/1	
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	20.12	19.38	96.33 %	05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	15.04	7.75	51.49 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	3,154.30	2,948.61	93.48 %		05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	3,163.66	2,945.60	93.11 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,414.44	41,551.16	97.96 %		05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42,589.84	41,551.16	97.56 %
	05 04	Rural development	15,214.71	14,348.93	94.31 %		05 04	Rural development	11,516.55	11,105.49	96.43 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	212.02	199.00	93.86 %		05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	104.67	91.66	87.57 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.73	4.49	94.89 %		05 06	International aspects of the 'Agriculture and rural development' policy area	4.49	4.49	100.00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	142.97	142.29	99.52 %		05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	140.91	140.91	100.00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	37.13	36.49	98.29 %		05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	34.07	24.73	72.57 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	6.77	-	0.00 %		05 09	Horizon 2020 - Research and innovation related to agriculture	6.77	-	0.00 %
Total Title 05			61,207.19	59,250.35	96.80%	Total Title 05			57,576.00	55,871.78	97.04%

Overall, in 2017, the execution rate of commitment appropriations of DG AGRI remained at the same high level as the year before, reaching 96,80% in 2017 (96,35% in 2016). The execution rate of payment appropriations has also globally remained unchanged reaching 97,04% in 2017 (96,61% in 2016). The total amount **committed** in 2017 amounts to **EUR 59.250,35** million and the total amount **paid** in 2017 amounts to **EUR 55.871,78** 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 mainly costs linked in particular to the financial depreciation of stocks of agricultural products, and they have remained relatively stable. An amount of EUR 2.948,61 million was committed in 2017 (3.135,80 million in 2016) representing 93,48% of the available credits. The amount paid in 2017 was EUR 2.945,60 million, representing 93,11% of the available appropriations (compared to 3.127,90 in 2016).
- **05 03 Direct payments to farmers:** With regard to EAGF expenditure covering direct payments to EU farmers the amount committed in 2017 was EUR 41.551,16 million (EUR 40.984,13 million in 2016) representing 97,96% of the available appropriations. The amount paid in 2017 was EUR 41.551,16 million, representing 97,56% of the available appropriations (compared to EUR 40.808,73 million in 2016).
- **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 2017 was EUR 14.348,93 million (EUR 18.675,94 million in 2016), representing 94,31% of the available commitment appropriations. The committed amount is decreasing as compared to previous years as we are moving forward into the programming period. The amount paid in 2017 was EUR 11.105,49 million (EUR 12.365,00 million in 2016), representing 96,43% of the available appropriations. It should be noted that almost the entirety of this year's payments concerns the 2014-2020 period

whereas for 2016 the payments included the reimbursement of the final balance for 64 RDP's of the 2007-2013 period.

- **05 05 Pre Accession Assistance:** This appropriation is intended to finance the Instrument for Pre-accession Assistance related to rural development. An amount of EUR 199 million was committed in 2017 (112 million in 2016) representing 93,86% of the available appropriations as the implementation of IPA II programs is gradually progressing. EUR 91,66 million was paid in 2017 (compared to 339,24 in 2016), representing 87,57 % of the available appropriations. The decrease in payments is due to the fact that 2016 was the last year of the eligibility for 2 IPA I programs so the payments were increased.

1.2 Unused balance of Commitments (table 3)

Chapter			2017 Commitments to be settled				Commitments to be settled from financial years previous to 2017	Total of commitments to be settled at end of financial year 2017	Total of commitments to be settled at end of financial year 2016
			Commitments 2017	Payments 2017	RAL 2017	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	19.24	10.86	8.39	43.58 %	-	8.39	7.08
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2,969.96	2,957.92	12.04	0.41 %	-	12.04	9.36
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment	42,755.94	42,580.53	175.40	0.41 %	-	175.40	175.40
	05 04	Rural development	14,349.45	182.62	14,166.83	98.73 %	18,567.25	32,734.08	29,636.32
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	199.00	-	199.00	100.00 %	246.04	445.04	337.69
	05 06	International aspects of the 'Agriculture and rural development' policy area	4.49	4.49	-	0.00 %	-	-	-
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	142.29	140.91	1.38	0.97 %	-	1.38	-
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	36.49	9.70	26.79	73.41 %	22.35	49.14	39.16
Total Title 05			60,476.86	45,887.03	14,589.83	24.12%	18,835.64	33,425.46	30,205.01

The unused balance on commitments, commonly known as budgetary RAL ("Reste à Liquider"), was approximately **EUR 33.425 million** at the end of 2017 (EUR 30.205 million in 2016), of which EUR 32.734,08 million relates to rural development, EUR 445,04 million to pre-accession assistance and EUR 12,04 million to direct payments to farmers in the form of EAGF.

1.3 Payment time limits (table 6a/b)

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

- For "direct management expenditure" (see table 6a), the average delay has decreased significantly to 10 days in 2017 (compared to 13 days in 2016). Only 16 payments exceeded the legal payment deadline (45 payments in 2016), which represents 1,8% of the total number of payments (4,4% in 2016).
- For "rural development" (see table 6b), the average payment delay has remained rather stable at 34,1 days (33 days in 2016). Just 4 payments were executed outside the legal payment deadline (against 82 in 2016) which represents 0,7% of the total number of payments.

1.4 Revenue and income

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2017							
Chapter	Revenue and income recognized			Revenue and income cashed from			Outstanding balance
	Current year RO	Carried over RO	Total	Current Year RO	Carried over RO	Total	
	1	2	3=1+2	4	5	6=4+5	7=3-6
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4,659,319.52	4,659,319.52	-	-	4,659,319.52
65	FINANCIAL CORRECTIONS	32,614,795.69	15,206,648.24	47,821,443.93	27,494,122.10	5,830,547.19	14,496,774.64
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL	1,969,973,503.45	21,794,654.25	1,991,768,157.70	1,898,224,340.21	21,794,654.25	71,749,163.24
90	MISCELLANEOUS REVENUE	130,531.01	-	130,531.01	130,531.01	-	-
Total DG AGRI		2,002,718,830.15	41,660,622.01	2,044,379,452.16	1,925,848,993.32	27,625,201.44	1,953,474,194.76

The total income/revenue recognised for DG AGRI corresponds to **EUR 2.044,38 million** in 2017, while the amount cashed is EUR 1.953,47 million. At the end of 2017, EUR 90,9 million is therefore still owed to DG AGRI (EUR 41,6 million in 2016).

The income/revenue in 2017 concerning the EAGF and EAFRD funds amounts to EUR 1.969,97 million (2016 EUR 2.853,89 million). Out of this amount, EUR 1.482,47 million concern EAGF and EUR 487,50 million for EAFRD and EAGGF-O (of which the amount of EUR 232,19 million concerns recoveries of unused pre-financing of the 2007-2013 programming period for programs that have not reached 95% of implementation).

The budgetary regularised income for EAGF corresponds to a total amount of EUR 1.482,47 million in 2017 (EUR 2.527,1 million in 2016) of assigned revenue linked to milk levies, irregularities and conformity clearance⁶. The significant decrease reflects the phase out of the milk quota system. An additional amount of EUR 61 million still has to be recovered at year-end.

With regard to the "ageing balance of recovery orders" at 31.12.2017, no significant movement was registered for old recovery orders issued between 1998 and 2004 (-6.8% in 2017; -3,8% in 2016; -1,2% in 2014; -0,2% in 2013; -3% in 2012; -5% in 2011).

Annexes:

- Table 1: Commitments
- Table 2: Payments
- Table 3: Commitments to be settled (RAL)
- Table 4: Balance sheet
- Table 5: 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

⁶ This amount includes EUR 1.348,04 million for income line 6701 (clearance), EUR 130,7 million for income line 6702 (irregularities), EUR 3.69 million for income line 6703 (milk).

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 this 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 BUDG, 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, it is possible that amounts included in these tables may have to be adjusted following this audit.

2.2 Acronyms

- EAGF: European Agricultural Guarantee Fund
- EAFRD: European Agriculture Fund for Rural Development
- EAGGF: European Agricultural Guarantee and Guidance Fund

2.3 Balance Sheet

TABLE 4 : BALANCE SHEET AGRI

BALANCE SHEET	2017	2016
A.I. NON CURRENT ASSETS	4,120,500,583.28	4,228,569,395.42
A.I.1. Intangible Assets	10,614,699.20	8,726,583.86
A.I.2. Property, Plant and Equipment	-	-
A.I.5. Non-Current Pre-Financing	3,515,861,412.82	3,519,927,569.09
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	594,024,471.26	699,915,242.47
A.II. CURRENT ASSETS	3,330,567,023.81	3,731,197,555.52
A.II.2. Current Pre-Financing	1,426,595,040.10	1,654,007,638.79
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1,903,971,983.71	2,077,189,916.73
ASSETS	7,451,067,607.09	7,959,766,950.94
P.I. NON CURRENT LIABILITIES	-	(148,550,431.58)
P.I.2. Non-Current Provisions	-	(148,550,431.58)
P.II. CURRENT LIABILITIES	(62,837,116,274.83)	(62,748,448,158.84)
P.II.4. Current Payables	(12,046,682,979.06)	(12,657,676,460.23)
P.II.5. Current Accrued Charges & Defrd Income	(50,790,433,295.77)	(50,090,771,698.61)
LIABILITIES	(62,837,116,274.83)	(62,896,998,590.42)
NET ASSETS (ASSETS less LIABILITIES)	(55,386,048,667.74)	(54,937,231,639.48)
P.III.2. Accumulated Surplus/Deficit	228,270,270,678.21	173,232,065,358.66
Non-allocated central (surplus)/deficit*	(172,884,222,010.47)	(118,294,833,719.18)
TOTAL	0.00	0.00

Assets

Non-current assets

Non-Current pre-financing: It concerns mainly shared management expenditure but also indirect management. For shared management it includes 3.170.830.343,44 EUR which corresponds to the total pre-financing paid in 2014, 2015 and 2016 to Member States for the programming period 2014-2020 (EAFRD) for which the period of settlement exceeds one year. An amount of 4.502.513,75 EUR that corresponds to a pre-financing for IPA I programs will be recovered from the Member State only after 2018 (since the closure of the programs will most probably not take place until after 2018). It also includes 246.158.914,75 EUR advances paid by Member States to beneficiaries and reimbursed from EAGF funds. In addition, the amounts of 2.710.990,88 EUR of pre-financing paid to third countries for IPA I program and 91.658.650,00 EUR from IPA II programs (2014-2020 period) are included.

Non-Current exchange receivables and non-exchange recoverable: It concerns not yet executed clearance decisions under shared management (548.065.050,65 EUR for EAGF and 45.959.420,61 EUR for EAFRD). The period of settlement exceeds one year.

Current assets

Current pre-financing: The amounts have been decreasing gradually between 2017 and 2016. This reflects the clearing of some still outstanding pre-financing of the programs of the 2007-2013 period (EAFRD). An amount of 584.225.710,22 EUR from this item relates to shared management (pre-financing that should be recuperated from the Member States, since the execution of the respective RDPs did not reach 95%). The amounts of 828.944.030,90 EUR and 8.280.058,98 EUR concern advances paid by Member States to beneficiaries and unspent amounts reimbursed to Financial Instruments, respectively. 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. The remaining 5.145.240,00 EUR concerns open pre-financing from direct management contracts.

Non-Exchange receivables: EUR 1.903,97 million are owed to DG AGRI by Member States and third countries. The amount owed by Member States concerns non-exchange transactions; it includes mostly amounts to be recovered under EAGF, EAFRD and EAGGF Guidance section, TRDI and Sapard (financing period 2000-2006) for irregularities committed by final beneficiaries and detected by the Member States (EUR 1.658,30 million) or by Third States (EUR 4,59 million); a value reduction of EUR 693,21 million has been applied to these receivables. It also includes the short term amount of the not yet executed clearance decisions under EAGF and EAFRD of EUR 793,01 million and various amounts receivables/adjustments of EUR 141,2 million.

Liabilities

Non-current liabilities

Long-term provisions: This item mainly relates to the estimate (if any) of potential future expenses resulting from court cases awaiting judgement. For 2017, it is zero.

Current liabilities

Accounts payable: This item concerns amounts payable to private firms, to Member States and to Third States. Almost the whole amount of the accounts payable relates to outstanding balances of Member States under EAGF, EAGGF Guidance section (2000-2006) and EAFRD. It includes amounts already requested by Member States but not yet paid.

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

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

2.4 Economic Outturn Account

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2017	2016
II.1 REVENUES	(1,488,599,294.85)	(2,031,939,127.37)
II.1.1. NON-EXCHANGE REVENUES	(1,495,203,889.97)	(2,034,400,178.90)
II.1.1.5. RECOVERY OF EXPENSES	(1,160,770,976.72)	(1,868,113,166.51)
II.1.1.6. OTHER NON-EXCHANGE REVENUES	(334,432,913.25)	(166,287,012.39)
II.1.2. EXCHANGE REVENUES	6,604,595.12	2,461,051.53
II.1.2.1. FINANCIAL INCOME	3,736,140.20	(58,930.61)
II.1.2.2. OTHER EXCHANGE REVENUE	2,868,454.92	2,519,982.14
II.2. EXPENSES	55,850,889,986.83	57,070,144,446.92
II.2. EXPENSES	55,850,889,986.83	57,070,144,446.92
II.2.10. OTHER EXPENSES	11,632,869.16	51,416,752.31
II.2.1. EXP IMPL BY MEMBER STATES (SHARED)	55,700,884,766.04	56,774,397,885.79
II.2.2. EXP IMPL BY COMMISS&EX.AGENC. (DM)	33,437,587.02	32,301,047.59
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	105,541,546.16	165,281,629.91
II.2.6. STAFF AND PENSION COSTS	(618,243.75)	(416,395.84)
II.2.8. FINANCE COSTS	11,462.20	47,163,527.16
STATEMENT OF FINANCIAL PERFORMANCE	54,362,290,691.98	55,038,205,319.55

Surplus/Deficit from activities

Exchange and Non-Exchange Revenue:

Almost the entirety of the revenue, which amounts to EUR 1.160,77 million, results from non-exchange transactions; 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 334,43 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:

99,7% of the expenses relate to shared management expenditure comprising EAGF, EAFRD, EAGGF Guidance section, SAPARD and IPARD:

Under the heading "II.2.1 "Expenses implemented by MS", the EAGF amount corresponds to EUR 44.159,8 million;

The amount for SAPARD-EAGGF Guidance section 2000-2006 and EAFRD under shared management corresponds to EUR 11.541,03 million.

Annex 3 Financial Reports - DG AGRI - Financial Year 2017

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 (excluding Building Contracts)

Table 12 : Summary of Procedures (excluding Building Contracts)

Table 13 : Building Contracts

Table 14 : Contracts declared Secret

TABLE 1: OUTTURN ON COMMITMENT APPROPRIATIONS IN 2017 (in Mio €)					
			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	0,30	0,30	99,98 %
Total Title 04			0,30	0,30	99,98%
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	20,12	19,38	96,33 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	3.154,30	2.948,61	93,48 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.414,44	41.551,16	97,96 %
	05 04	Rural development	15.214,71	14.348,93	94,31 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	212,02	199,00	93,86 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,73	4,49	94,89 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	142,97	142,29	99,52 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	37,13	36,49	98,29 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	6,77	-	0,00 %
Total Title 05			61.207,19	59.250,35	96,80%
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			0,30	0,30	100,00%
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,21	0,21	99,85 %
Total Title 18			0,21	0,21	99,85%
Total DG AGRI			61.207,99	59.251,15	96,80 %

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

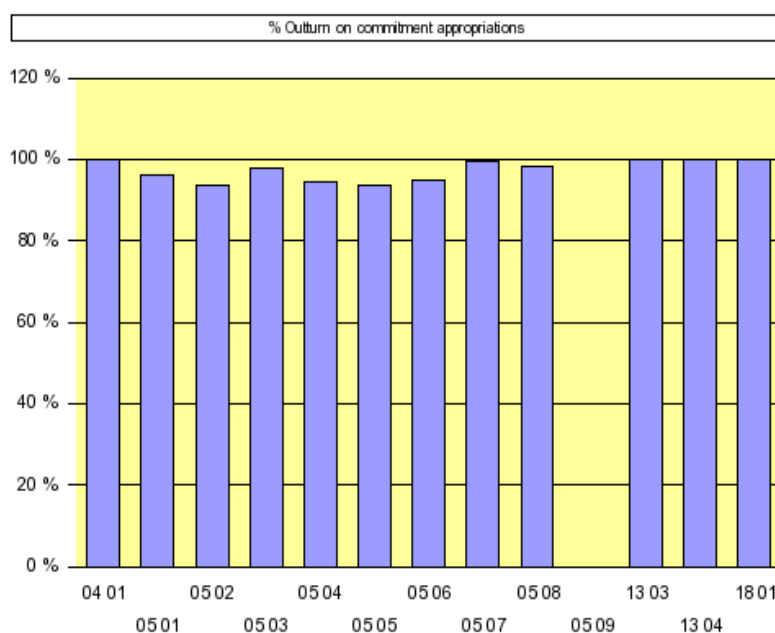


TABLE 2: OUTTURN ON PAYMENT APPROPRIATIONS IN 2017 (in Mio €)					
Chapter			Payment appropriations authorised *	Payments made	%
			1	2	3=2/1
Title 04 Employment, social affairs and inclusion					
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,30	0,13	44,64 %
Total Title 04			0,30	0,13	44,64%
Title 05 Agriculture and rural development					
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	15,04	7,75	51,49 %
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	3.163,66	2.945,60	93,11 %
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.589,84	41.551,16	97,56 %
	05 04	Rural development	11.516,55	11.105,49	96,43 %
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	104,67	91,66	87,57 %
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,49	4,49	100,00 %
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	140,91	140,91	100,00 %
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	34,07	24,73	72,57 %
	05 09	Horizon 2020 - Research and innovation related to agriculture	6,77	-	0,00 %
Total Title 05			57.576,00	55.871,78	97,04%
Title 18 Migration and home affairs					
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,21	0,09	43,37 %
Total Title 18			0,21	0,09	43,37%
Total DG AGRI			57.576,51	55.872,00	97,04 %

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

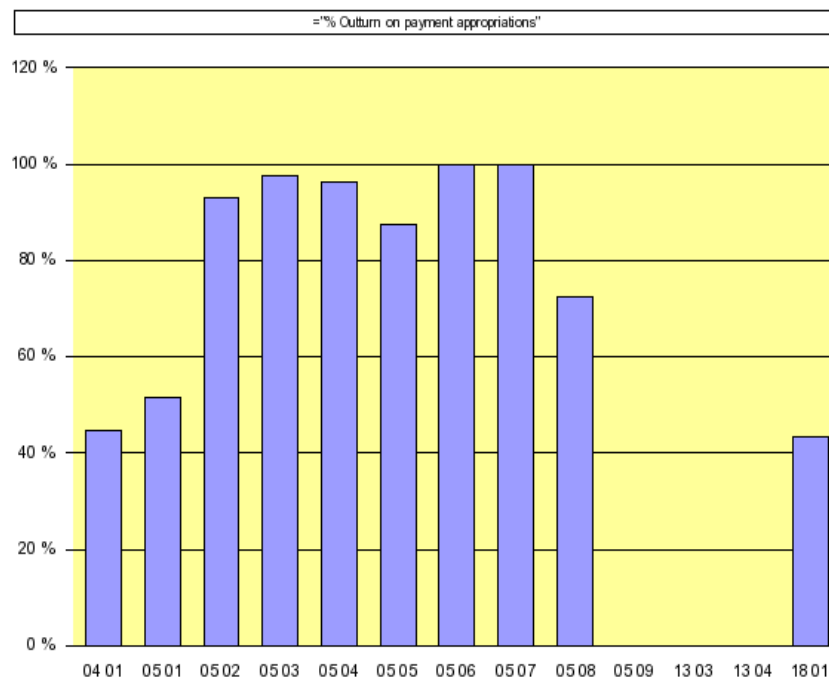


TABLE 3 : BREAKDOWN OF COMMITMENTS TO BE SETTLED AT 31/12/2017 (in Mio €)

Chapter			2017 Commitments to be settled				Commitments to be settled from financial years previous to 2017	Total of commitments to be settled at end of financial year 2017	Total of commitments to be settled at end of financial year 2016
			Commitments 2017	Payments 2017	RAL 2017	% to be settled			
			1	2	3=1-2	4=1-2/1	5	6=3+5	7
Title 04 : Employment, social affairs and inclusion									
04	04 01	Administrative expenditure of the 'Employment, social affairs and inclusion' policy area	0,30	0,13	0,17	55,35 %	-	0,17	-
Total Title 04			0,30	0,13	0,17	55,35%	-	0,17	-
Title 05 : Agriculture and rural development									
05	05 01	Administrative expenditure of the 'Agriculture and rural development' policy area	19,24	10,86	8,39	43,58 %	-	8,39	7,08
	05 02	Improving the competitiveness of the agricultural sector through interventions in agricultural markets	2.969,96	2.957,92	12,04	0,41 %	-	12,04	9,36
	05 03	Direct payments aimed at contributing to farm incomes, limiting farm income variability and meeting environment and climate objectives	42.755,94	42.580,53	175,40	0,41 %	-	175,40	175,40
	05 04	Rural development	14.349,45	182,62	14.166,83	98,73 %	18.567,25	32.734,08	29.636,32
	05 05	Instrument for Pre-accession Assistance - Agriculture and rural development	199,00	-	199,00	100,00 %	246,04	445,04	337,69
	05 06	International aspects of the 'Agriculture and rural development' policy area	4,49	4,49	-	0,00 %	-	-	-
	05 07	Audit of agricultural expenditure financed by the European Agricultural Guarantee Fund (EAGF)	142,29	140,91	1,38	0,97 %	-	1,38	-
	05 08	Policy strategy and coordination of the 'Agriculture and rural development' policy area	36,49	9,70	26,79	73,41 %	22,35	49,14	39,16
Total Title 05			60.476,86	45.887,03	14.589,83	24,12%	18.835,64	33.425,46	30.205,01
Title 13 : Regional and urban policy									
13	13 03	European Regional Development Fund and other regional operations	0,21	-	0,21	100,00 %	-	0,21	-
	13 04	Cohesion Fund (CF)	0,09	-	0,09	100,00 %	-	0,09	-
Total Title 13			0,29	-	0,29	100,00%	-	0,29	-
Title 18 : Migration and home affairs									
18	18 01	Administrative expenditure of the 'Migration and home affairs' policy area	0,21	0,09	0,12	56,56 %	-	0,12	-
Total Title 18			0,21	0,09	0,12	56,56%	-	0,12	-
Total DG AGRI			60.477,66	45.887,25	14.590,40	24,13 %	18.835,64	33.426,04	30.205,01

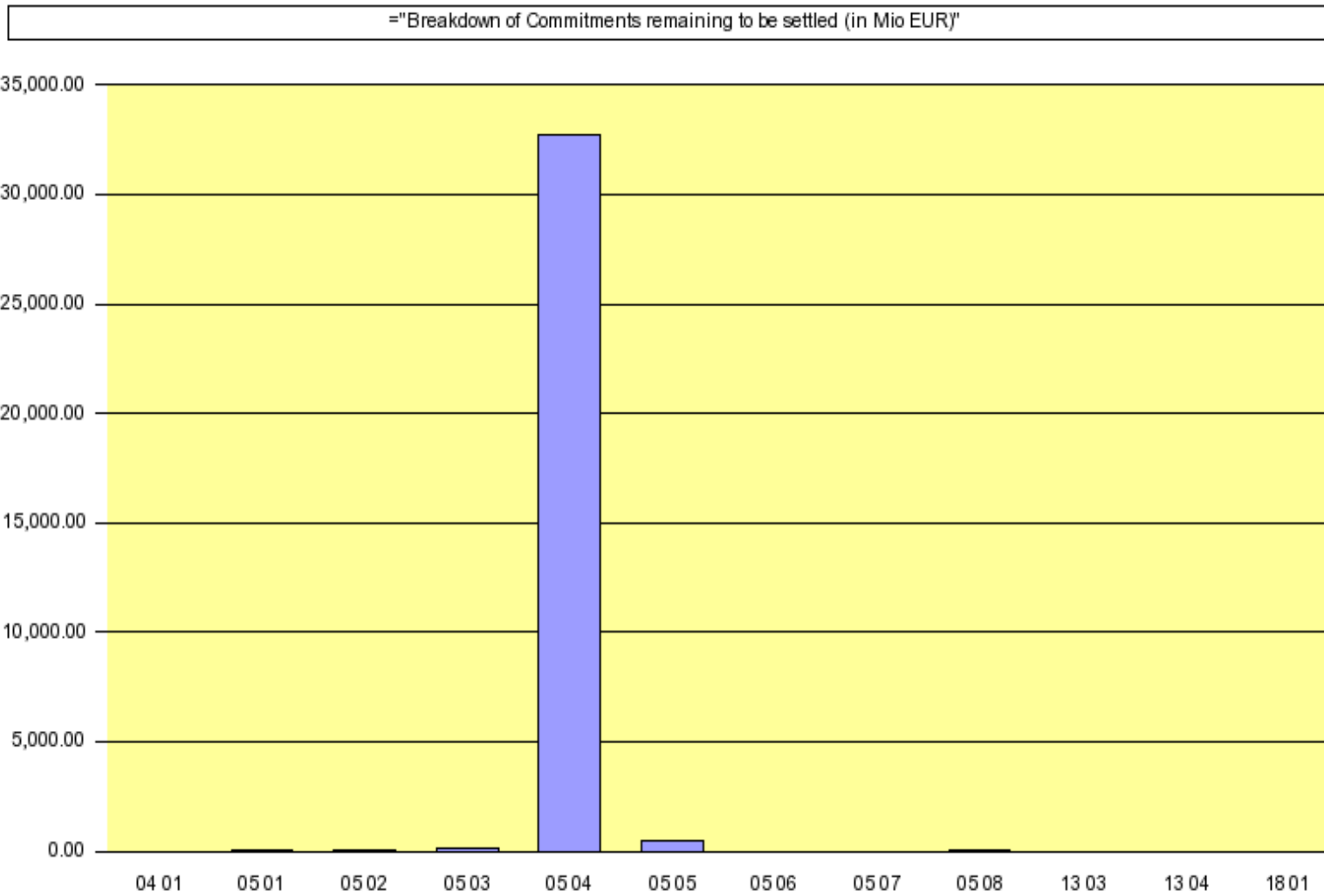


TABLE 4 : BALANCE SHEET AGRI

BALANCE SHEET	2017	2016
A.I. NON CURRENT ASSETS	4.120.500.583,28	4.228.569.395,42
A.I.1. Intangible Assets	10.614.699,20	8.726.583,86
A.I.2. Property, Plant and Equipment	-	-
A.I.5. Non-Current Pre-Financing	3.515.861.412,82	3.519.927.569,09
A.I.6. Non-Cur Exch Receiv & Non-Ex Recoverab	594.024.471,26	699.915.242,47
A.II. CURRENT ASSETS	3.330.567.023,81	3.731.197.555,52
A.II.2. Current Pre-Financing	1.426.595.040,10	1.654.007.638,79
A.II.3. Curr Exch Receiv & Non-Ex Recoverables	1.903.971.983,71	2.077.189.916,73
ASSETS	7.451.067.607,09	7.959.766.950,94
P.I. NON CURRENT LIABILITIES	-	(148.550.431,58)
P.I.2. Non-Current Provisions	-	(148.550.431,58)
P.II. CURRENT LIABILITIES	(62.837.116.274,83)	(62.748.448.158,84)
P.II.4. Current Payables	(12.046.682.979,06)	(12.657.676.460,23)
P.II.5. Current Accrued Charges & Defrd Income	(50.790.433.295,77)	(50.090.771.698,61)
LIABILITIES	(62.837.116.274,83)	(62.896.998.590,42)
NET ASSETS (ASSETS less LIABILITIES)	(55.386.048.667,74)	(54.937.231.639,48)
P.III.2. Accumulated Surplus/Deficit	228.270.270.678,21	173.232.065.358,66
Non-allocated central (surplus)/deficit*	(172.884.222.010,47)	(118.294.833.719,18)
TOTAL	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.

TABLE 5 : STATEMENT OF FINANCIAL PERFORMANCE AGRI

STATEMENT OF FINANCIAL PERFORMANCE	2017	2016
II.1 REVENUES	(1.488.599.294,85)	(2.031.939.127,37)
II.1.1. NON-EXCHANGE REVENUES	(1.495.203.889,97)	(2.034.400.178,90)
II.1.1.5. RECOVERY OF EXPENSES	(1.160.770.976,72)	(1.868.113.166,51)
II.1.1.6. OTHER NON-EXCHANGE REVENUES	(334.432.913,25)	(166.287.012,39)
II.1.2. EXCHANGE REVENUES	6.604.595,12	2.461.051,53
II.1.2.1. FINANCIAL INCOME	3.736.140,20	(58.930,61)
II.1.2.2. OTHER EXCHANGE REVENUE	2.868.454,92	2.519.982,14
II.2. EXPENSES	55.850.889.986,83	57.070.144.446,92
II.2. EXPENSES	55.850.889.986,83	57.070.144.446,92
II.2.10. OTHER EXPENSES	11.632.869,16	51.416.752,31
II.2.1. EXP IMPLM BY MEMBER STATES (SHARED)	55.700.884.766,04	56.774.397.885,79
II.2.2. EXP IMPLM BY COMMISS&EX.AGENC. (DM)	33.437.587,02	32.301.047,59
II.2.4. EXP IMPL BY 3RD CNTR & INT ORG (IM)	105.541.546,16	165.281.629,91
II.2.6. STAFF AND PENSION COSTS	(618.243,75)	(416.395,84)
II.2.8. FINANCE COSTS	11.462,20	47.163.527,16
STATEMENT OF FINANCIAL PERFORMANCE	54.362.290.691,98	55.038.205.319,55

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 5bis : OFF BALANCE SHEET AGRI

OFF BALANCE	2017	2016
OB.1. Contingent Assets	315.137,89	226.694,50
GR for performance		-
GR for pre-financing	315.137,89	226.694,50
OB.2. Contingent Liabilities	(1.711.244.940,47)	(1.711.244.940,47)
OB.2.3. CL EAGGF Guarantee	(1.711.244.940,47)	(1.711.244.940,47)
OB.3. Other Significant Disclosures	(69.945.456.750,61)	(69.945.456.750,61)
OB.3.2. Comm against app. not yet consumed	(12.661.806.610,61)	(12.661.806.610,61)
OB.3.3.1 Structural operations	(57.283.650.140,00)	(57.283.650.140,00)
OB.4. Balancing Accounts	76.574.311.315,73	76.574.399.759,12
OB.4. Balancing Accounts	76.574.311.315,73	76.574.399.759,12
OFF BALANCE	4.917.924.762,54	4.917.924.762,54

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 FOR 2017 - DG AGRI

Legal Times							
Maximum Payment Time (Days)	Total Number of Payments	Nbr of Payments within Time Limit	Percentage	Average Payment Times (Days)	Nbr of Late Payments	Percentage	Average Payment Times (Days)
30	828	815	98,43 %	11,09	13	1,57 %	51,69230769
45	574	544	94,77 %	30,42	30	5,23 %	61,53333333
60	35	35	100,00 %	33,60			
90	36	36	100,00 %	41,89			

Total Number of Payments	1473	1430	97,08 %		43	2,92 %	
Average Net Payment Time	20,89952478			19,77			58,55813953
Average Gross Payment Time	25,23964698			21,71			142,627907

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	23	281	19,08 %	1473	4.565.222.755,56	42,28 %	10.796.835.249,51

DG	GL Account	Description	Amount (Eur)

Table 6a - Exercice 2017

Délais de paiement au 31/12/2017								
Ligne budgétaire	Libellé	Unité	NB paiements	Workfl. SI2	Délai AGRI	Délai total Commission.	Nombre trans. > délai autor.	% sur total trans.
05.010211.00.02.40	Conférences	40 AGRI-H1	1	3	8	13		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-B1	6	4	15	19		
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 MAR	103	3	9	13	4	3,9 %
05.080600	Enhancing public awareness of the common agricultural policy	AGRI-B1 SUB	18	4	49	54		
05.010503	Other management expenditure for research and innovation programmes - Horizon 2020	AGRI-B2	17	3	10	15		
05.046002	Operational technical assistance	AGRI-B2	12	4	21	26		
05.080300	Restructuring of systems for agricultural surveys	AGRI-C2	2	4	4	8	1	50,0 %
05.010201.00.02.20	Assistance technique	AGRI-C3	7	9	17	21	1	14,3 %
05.080100	Farm Accountancy Data Network (FADN)	AGRI-C3	75	3	11	16	2	2,7 %
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-C4	37	5	19	23		
05.010404.11	autres cr.adm.siege	AGRI-C4	2	2	24	30		
05.046002	Operational technical assistance	AGRI-C4	5	3	40	45		
05.087709	Preparatory action - Union plant and animal genetic resources	AGRI-C4	2	5	62	65		
05.087710	Pilot project - Agropol: development of a European cross-border Agribusiness Model Region	AGRI-C4	1	7	32	35		
05.070102	Monitoring and preventive measures - Direct payments by the Union	AGRI-D3	2	5	16	17		
05.046002	Operational technical assistance	AGRI-E2	29	2	16	20		
05.046002	Operational technical assistance	AGRI-E4	5	5	26	30		
09.030100	Preparing broadband projects for public and/or private financing	AGRI-E4	1	1	32	35		
05.060200	International agricultural organisations	AGRI-G2	1	0	40	45		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-G2	1	18	27	30		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-G3	18	8	16	21	3	16,7 %
05.060100	International agricultural agreements	AGRI-G4	3	22	36	39	1	33,3 %
05.010211.00.02.40	Conférences	AGRI-H1	2	7	13	16		
05.046002	Operational technical assistance	AGRI-H1	7	6	15	18		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 MAR	2	2	4	8		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-H1 SUB	2	4	10	15		
05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-ORCO	43	3	6	10		
04.010401.11	autres cr.adm.siege	AGRI-R3	11	2	3	8		

05.010401	Support expenditure for the European Agricultural Guarantee Fund (EAGF) - Non-operational technical assistance	AGRI-R3	188	3	5	9		
05.010404.11	autres cr.adm.siege	AGRI-R3	42	3	6	9		
05.046002	Operational technical assistance	AGRI-R3	92	3	4	8		
05.080900	European Agricultural Guarantee Fund (EAGF) - Operational technical assistance	AGRI-R3	89	3	5	9		
18.010401	Support expenditure for Internal Security Fund	AGRI-R3	4	3	5	9		
18.010402	Support expenditure for Asylum, Migration and Integration Fund	AGRI-R3	5	5	7	11		
05.010211.00.01.30	Réceptions	AGRI-R5	16	2	9	14	1	6,3 %
05.010211.00.02.40	Conférences	AGRI-R5	27	3	8	12		
05.010211.00.06	Further training and management training	AGRI-R5	36	2	13	17	3	8,3 %
DG AGRI			914	3	10	14	16	1,8 %

Table 6b - Exercice 2017

Délais de paiement et suspensions au 31/12/2017

Ligne budgétaire	Libellé	NB Paiements ***	Délai moyen	Trans.clôtur.>délai autorisé (45 jours)	
				Nombre trans. >délai autor. */**	% sut total trans.
05.040501 05.050200	FEADER: Programmes 2007-2013 IPARD: Programmes 2007-2013	0 0			
<i>Total système local RDIS (1)</i>		<i>0</i>		<i>0</i>	<i>n/a</i>
05.046001	FEADER: Programmes 2014-2020*	574	34,1	4	0,7%
<i>Total système local RDIS 2 (2)</i>		<i>574</i>	<i>34,1</i>	<i>4</i>	<i>0,7%</i>
05.04 / 05.05	Total Développement rural	574	34,1	4	0,7%

* All payments were treated in DG AGRI within the legal deadline (45 days), this figures includes the delay taken by DG BUDG for executing the bank transfer (on average 5,2 days per transaction)

** Due to limited payment appropriations available under 2017 budget, the Commission has proceeded with partial and proportional reimbursements for Q32017 declarations within the legal deadline. The remaining balances were paid from appropriations becoming available from the end-of-year adjustments to the 2017 budget.

*** It includes the partial payments executes in Q32017 (113 in the 1st tranche and 112 in the 2nd tranche) and 10 regularisation payments with no valid date for bank execution

TABLE 7 : SITUATION ON REVENUE AND INCOME IN 2017								
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	
61	REPAYMENT OF MISCELLANEOUS EXPENDITURE	-	4.659.319,52	4.659.319,52	-	-	-	4.659.319,52
65	FINANCIAL CORRECTIONS	32.614.795,69	15.206.648,24	47.821.443,93	27.494.122,10	5.830.547,19	33.324.669,29	14.496.774,64
67	REVENUE CONCERNING THE EUROPEAN AGRICULTURE GUARANTEE FUND AND THE EUROPEAN AGRICULTURAL FUND FOR RURAL DEVELOPMENT	1.969.973.503,45	21.794.654,25	1.991.768.157,70	1.898.224.340,21	21.794.654,25	1.920.018.994,46	71.749.163,24
90	MISCELLANEOUS REVENUE	130.531,01	-	130.531,01	130.531,01	-	130.531,01	-
Total DG AGRI		2.002.718.830,15	41.660.622,01	2.044.379.452,16	1.925.848.993,32	27.625.201,44	1.953.474.194,76	90.905.257,40

PS: Les montants du tableau Income de la DG BUDG ont été modifiés pour y inclure la balance des recevables ouverts pour le FEAGA (61,502,982.78 € sur la ligne 67): cette modification est nécessaire car la table initiale n'inclut jamais la situation réelle du FEAGA

**TABLE 8 : RECOVERY OF PAYMENTS
(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
2007			4,00	185.748.371,56		
2008			8,00	41.239.606,03		
No Link			143,00	308.181.761,45		
Sub-Total			155,00	535.169.739,04		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									366,00	57.636.971,53		
NON ELIGIBLE IN COST CLAIMS			13,00	20.180,45			13,00	20.180,45	15,00	35.587,31	0,87	0,57
CREDIT NOTES	7,00	399.257,72	13,00	363.905,25			20,00	763.162,97	46,00	1.348.649,21	0,43	0,57
Sub-Total	7,00	399.257,72	26,00	384.085,70			33,00	783.343,42	427,00	59.021.208,05	0,08	0,01
GRAND TOTAL	7,00	399.257,72	26,00	384.085,70			33,00	783.343,42	582,00	594.190.947,09	0,06	0,00

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

RECOVERY ORDERS	Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC		
	Year of Origin (commitment)	Nbr	RO Amount	Nbr	RO Amount	Nbr	RO Amount
	2017			1	98.686,53		
	Sub-Total			1	98.686,53		

EXPENSES BUDGET	Error		Irregularity		OLAF Notified		Total undue payments recovered		Total transactions in recovery context (incl. non-qualified)		% Qualified/Total RC	
	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount	Nbr	Amount
INCOME LINES IN INVOICES									5	320.672,00	0,00%	0,00%
NON ELIGIBLE IN COST CLAIMS			13	20.180,45			13	20.180,45	13	20.180,45	100,00%	100,00%
CREDIT NOTES	7	399.257,72	13	363.905,25			20	763.162,97	46	1.348.649,21	43,48%	56,59%
GRAND TOTAL	7	399.257,72	26	384.085,70			33	783.343,42	64	1.689.501,66	51,56%	46,37%

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2017 FOR AGRI

	Number at 01/01/2017	Number at 31/12/2017	Evolution	Open Amount (EUR) at 01/01/2017	Open Amount (EUR) at 31/12/2017	Evolution
1998	1	1	0,00 %	80.255,49	76.283,59	-4,95 %
1999	10	10	0,00 %	7.236.856,35	7.227.648,02	-0,13 %
2000	1	1	0,00 %	1.678.232,59	1.506.032,59	-10,26 %
2001	2	1	-50,00 %	1.134.110,41	474.952,85	-58,12 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1	1	0,00 %	984.454,00	984.454,00	0,00 %
2016	20	1	-95,00 %	26.898.340,58	91.184,00	-99,66 %
2017	2	15	650,00 %	122.343,72	76.869.836,83	62731,04 %
	38	31	-18,42 %	41.809.458,66	90.905.257,40	117,43 %

TABLE 9: AGEING BALANCE OF RECOVERY ORDERS AT 31/12/2017 FOR AGRI

(Direct Management)

	Number at 01/01/2017	Number at 31/12/2017	Evolution	Open Amount (EUR) at 01/01/2017	Open Amount (EUR) at 31/12/2017	Evolution
1998	1	1	0,00 %	80.255,49	76.283,59	-4,95 %
1999	10	10	0,00 %	7.236.856,35	7.227.648,02	-0,13 %
2000	1	1	0,00 %	1.678.232,59	1.506.032,59	-10,26 %
2001	2	1	-50,00 %	1.134.110,41	474.952,85	-58,12 %
2003	1	1	0,00 %	3.674.865,52	3.674.865,52	0,00 %
2004	1	1	0,00 %	984.454,00	984.454,00	0,00 %
	16	15	-6,25 %	29.577.548,72	27.888.473,14	5,71 %

* remboursement 172.200,00 € encaissés en date valeur du 29/12/2017, enregistré dans Abac le 03/01/2018 (réf. FEO.86).

** renonciation -659.157,56 € (cf. table 10) (réf. FEO.97).

TABLE 10 : RECOVERY ORDER WAIVERS IN 2017 >= EUR 100.000						
	Waiver Central Key	Linked RO Central Key	RO Accepted Amount (Eur)	LE Account Group	Commission Decision	Comments
1	3233170075	3240309596	-659.157,56	Private Companies		

Total DG AGRI	-659.157,56
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Number of RO waivers	1
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TABLE 11 : CENSUS OF NEGOTIATED PROCEDURES - DG AGRI - 2017		
Negotiated Procedure Legal base	Number of Procedures	Amount (€)
Total		

No data to be reported

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

Internal Procedures > € 60,000

Procedure Legal base	Number of Procedures	Amount (€)
Open Procedure (Art. 104(1) (a) FR)	7	12.778.588,13
Open Procedure (Art. 127.2 RAP)	3	1.418.525,00
Total	10	14.197.113,13

Table 12bis - Internal Procedures > € 60,000

Procedure Local Key	DG	Procedure External Action Code	Procedure Central Identifier	Procedure Type/Legal Basis Desc	Procedure User Reference	Procedure Lot Awarded Amount (EUR)	Publication
SI2.118771.CNTS_MIGR	AGRI	NOT	PR-00020090	Open Procedure (Art. 104(1) (a) FR)	AGRI-2016-EVAL-04 - FRAMEWORK CONTRACT FOR THE EVALUATION STUDIES OF THE CAP: SYNTHESIS AND CROSS-THEMATIC ISSUES	4.357.687,50	07/10/2016
SI2.1358	AGRI	NOT	PR-00045023	Open Procedure (Art. 127.2 RAP)	AGRI-2017-EVAL-01	418.525,00	01/07/2017
SI2.1376	AGRI	NOT	PR-00045621	Open Procedure (Art. 127.2 RAP)	AGRI-2017-EVAL-04	640.000,00	29/08/2017
SI2.1379	AGRI	NOT	PR-00045661	Open Procedure (Art. 127.2 RAP)	AGRI-2017-EVAL-08	360.000,00	29/03/2017
SI2.1467	AGRI	NOT	PR-00047202	Open Procedure (Art. 104(1) (a) FR)	AGRI-2017-EVAL-07	298.500,00	20/07/2017
SI2.1487	AGRI	NOT	PR-00047622	Open Procedure (Art. 104(1) (a) FR)	AGRI-2017-EVAL-06	297.740,00	01/08/2017
SI2.1613	AGRI	NOT	PR-00050061	Open Procedure (Art. 104(1) (a) FR)	AGRI-2017-EVAL-03	229.000,00	25/07/2017
SI2.1728	AGRI	NOT	PR-00051882	Open Procedure (Art. 104(1) (a) FR)	AGRI-2017-EVAL-05	899.200,00	18/07/2017
SI2.1896	AGRI	NOT	PR-00053105	Open Procedure (Art. 104(1) (a) FR)	AGRI-2016-EVAL-03 -EVALUATION STUDIES OF CAP MEASURES CONTRIBUTING TO THE GENERAL OBJECTIVES OF BALANCED TERRITORIAL DEVELOPMENT	3.496.460,63	23/04/2016
SI2.54	AGRI	NOT	PR-00027661	Open Procedure (Art. 104(1) (a) FR)	AGRI/2016/J1/04 - FRAMEWORK CONTRACT FOR THE PROVISION OF EXTERNAL AUDIT SERVICES IN RELATION TO FINANCIAL CLEARANCE OF ACCOUNTS FOR EAGF AND EAFRD TO EC DIRECTORATE-GENERAL FOR AGRICULTURE AND RURAL DEVELOPMENT	3.200.000,00	30/12/2016
10						14.197.113,13	

TABLE 13 : BUILDING CONTRACTS

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

TABLE 14 : CONTRACTS DECLARED SECRET

Legal base	Contract Number	Contractor Name	Description	Amount (€)

No data to be reported

ANNEX 4: Materiality criteria

General Principle

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

Assurance model for expenditure implemented under shared management

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

Levels of assurance from the Member States' control systems	<p>Administrative structure set up at Member States level: management, control and payment of the expenditure 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 direct payments covered by the 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 audit directorate and includes:**

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

The second element assessed is the **result of the controls carried out by the Member States on the final beneficiaries 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 part⁷, these results relate to the financial year covered by the AAR in question. These data provide detailed information on the errors discovered in the course of administrative and/or on-the-spot checks and enable DG AGRI to determine the reported **error rate** per Paying Agency or aid scheme.
- The Certification Bodies are required to give an opinion on the legality and regularity of the expenditure for which reimbursement has been requested from the Commission.

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 150 such audits are opened each year on the basis of a detailed risk analysis and enable the Commission to obtain direct assurance as to the effectiveness of the Paying Agencies' management and control systems.

⁷ 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.

Materiality criteria

DG AGRI estimates the error rate on the basis of control statistics for each Paying Agency (or measure for market measures, ABB 02) and for each ABB activity and also takes into account all available information and audit results (Certification Bodies, Commission and 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 audit directorate either re-calculates them when it has sufficient information to do so or, alternatively, adjusts them upwards by flat rates in line with the results of the assessment of the functioning of the management and control systems. This results in **an error rate at Paying Agency level validated and adjusted by the management of DG AGRI (adjusted error rate)**.

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

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

Comparing the corrective capacity with the amount at risk gives a solid indication of the remaining financial risk to the EU budget when all corrective actions are taken into account ("estimated overall amount at risk at closure", presented for DG AGRI as "Estimated final amount at risk" in table under chapter 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"⁸. When using these criteria, the auditors take into account that the methodology for preparing financial corrections aims at covering the risk to the EU budget whereas the top-up to be applied should represent the audit assessment of the extent to which the Paying Agency's reported error rate is understated; for instance, insufficient sanctions represent a risk to the EU budget but shall not be considered as errors to be included in the error rate for the expenditure of the year in question.

- For ABB 03 and ABB 04, the decision making process for the assessment is carried out by the auditors concerned, on a case by case basis, for each Paying Agency. All available information, including the input of the operational units, is integrated to complete the assessment process. The professional judgement of the audit services of the DG is applied particularly when weighing contradictory information or considering abnormal statistical results. This results in an additional error rate top-up

⁸ 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.

to the reported error rate and the calculation of an **adjusted error rate** and the corresponding amount at risk.

- For ABB 02, the same approach is followed but per measure instead of per Paying Agency.
- Coordination is carried out at the level of DG AGRI's 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 66(9) of the Financial Regulation provides that

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

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

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

- For market measures a flexible approach may also be taken when deciding on reservations, notably where the **adjusted error rate** is calculated on a purely risk based sample. For most market schemes, the legislation does not require that a random sample is selected for on-the-spot checks. The latter are, rather, risk based. Extrapolating the result of the risk sample therefore to the uncontrolled population would result in overstating the error rate and amount at risk. In such cases it shall be evaluated if there are elements which mitigate against applying a reservation even where the **adjusted error rate** is above 5%.
- If the **adjusted error rate** is below 2%, generally no reservation is made.

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

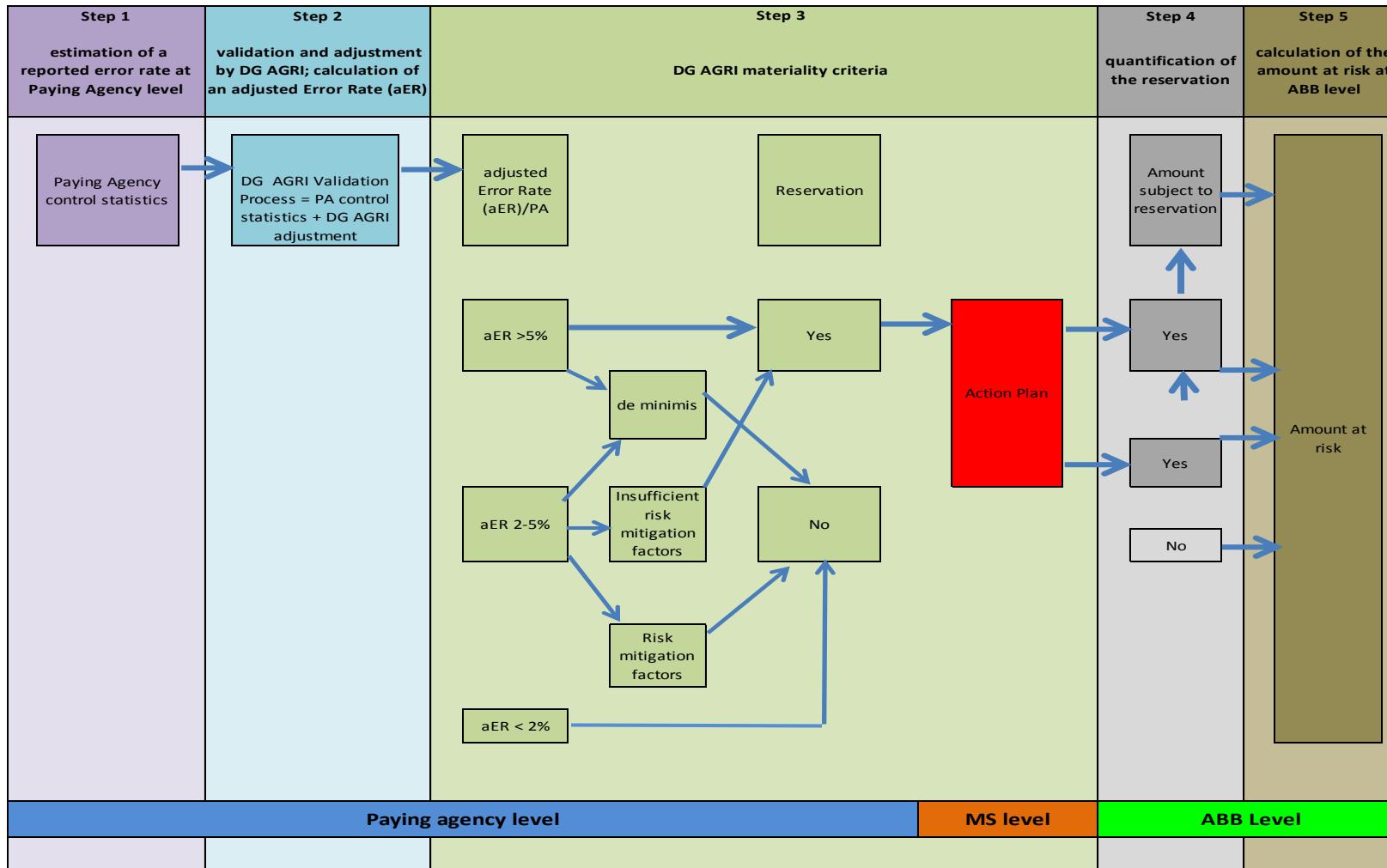
In the framework of shared management, as set out in the Financial Regulation and the rules on the financing of the CAP, it is the Member State, which has to assume the overall responsibility for ensuring that actions financed by the budget are implemented correctly in accordance with the rules. Therefore, 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.

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 5: Internal Control Template(s) for budget implementation (ICTs)

EXPENDITURE IN SHARED MANAGEMENT⁹

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

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

Main risks	Mitigating controls	How to determine coverage frequency and depth	How to estimate the costs and benefits of controls	Control indicators
The actions financed ¹⁰ do not adequately reflect the policy objectives or priorities .	Internal consultation, hierarchical validation at DG-level of each action. Inter-service consultation (including all relevant DGs) Adoption by Commission Decision , where foreseen by EU law.	Coverage / Frequency: 100%. Depth: checklist, guidelines and lists of requirements in the relevant regulatory provisions.	Costs: estimation of cost of staff involved in the validation of the spending proposals put forward by the Member States (for 2014-2020). Benefits: adopted actions have a clear intervention logic, allowing the Commission to evaluate their impact [<i>non-quantifiable individually</i>]	Effectiveness: - % of actions adopted/ approved ¹¹ - % of financial allocation approved ¹² Efficiency: - average time to adopt/ approve an action ¹³

⁹ DG AGRI uses the Internal Control Template for shared management covering 99.6 % of its total expenditure and other management modes fall under the 'de minimis' threshold.

¹⁰ For CAP: the programmes, measures and schemes supported under the Market measures, Direct Aids and Rural Development pillars (EAGF and EAFRD).

¹¹ For the 1st pillar, the indicator refers to legal acts adopted; for the 2nd pillar to legal acts adopted, to the modification of RDP 2007-2013 and to the approval of RDP 2014-2020.

¹² For the 1st pillar the indicator refers to the execution of financial ceilings, for the 2nd pillar to budget allocation of RDP 2014-2020 approved in 2014.

¹³ For the 1st pillar, the indicator refers to legal acts adopted, for the second pillar to legal acts adopted and to the approval of RDP 2014-2020.

Stage 2 – Implementation of operations (Member States):

A. Setting up of the systems

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

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

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

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

Main risks It may happen (again) that...	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>Periodic expenditure declarations submitted to the Commission include expenditure which is irregular or non-compliant with EU and/or national eligibility rules and legislation.</p>	<p>Management verifications: first level checks by designated/accredited programme authorities or bodies.¹⁴ Certification, audit opinion and annual report by the relevant authorities or bodies designated/accredited.¹⁵</p> <p>MS recoveries from final beneficiaries (CAP)</p>	<p>Coverage: fixed in sector-specific rules Depth: - <u>management verifications</u>: performance of first-level checks (administrative and on the spot controls). - <u>certification</u>: [limited] additional verification (desk checks and on-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>	<p>Costs: real costs for the management and control activities of paying agency</p> <p>Benefits: - Amounts of corrected undue payments (prior to reimbursement from the control statistics) - MS recoveries</p>	<p>Effectiveness: - Amount and % of corrected undue payments (prior to reimbursement from the control statistics) as reported by MS. - annual certificate opinions of the Member States. - MS recoveries</p> <p>Efficiency: Ratio = (amount of corrected undue payments plus MS recoveries) divided by costs of management and controls - time to lift interruption of payments¹⁶</p>

¹⁴ For CAP: Paying Agency (PA)

¹⁵ For CAP: Certification Body (CB)

¹⁶ For EAFRD: average time of interruption/suspension.

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

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

Main risks <i>It may happen (again) that...</i>	Mitigating controls	How to determine coverage, frequency and depth	How to estimate the costs and benefits of controls	Control indicators
<p>The management verifications and subsequent audits/controls by the Member States have failed to detect and correct ineligible costs or calculation errors.</p> <p>The audit work carried out by the audit/certification authorities is not sufficient to obtain adequate assurance on the submitted declarations.</p> <p>The Commission services have failed to take appropriate measures to safeguard EU funds, based on the information it received.</p>	<p>Commission checks of periodic MS expenditure declarations.</p> <p>Commission assessment of management and control systems in the Member States, in particular of work done and/or reported by the AA¹⁷/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 	<p>Coverage: verification of information provided in the annual (audit/control/certification) report and annual audit opinions.</p> <p>Depth: desk checks and/or on-the-spot audits based on risk assessment; <u>verification</u> of the quality and reliability of the information based on Commission's own audit work; <u>'validation' and where necessary adjusting of error rates reported by MS</u> to calculate a cumulative residual error risk (RER);</p> <p><i>[at closure: where applicable scrutiny of closure report and</i></p>	<p>Costs:</p> <ul style="list-style-type: none"> - cost of Commission financial officers checking MS expenditure (financial circuits) - estimation of cost of Commission staff involved in the assessment of management and control systems in MS, including analysis of AA/CB report, own audit work¹⁸, and drafting of interruption letters <p>Benefits: errors prevented [<i>unquantifiable</i>], errors detected or corrected (amount of financial corrections).</p>	<p>Effectiveness:</p> <ul style="list-style-type: none"> - best estimate of residual risk of error per MS - number of programmes/MS/PA with a reported error rate assessed as reliable (and not subject to an adjustment) - Number, amount and % (of expenditure declared in 2014) of interruptions/suspensions of payments - net financial corrections made resulting from Commission audit work <p>Efficiency:</p> <ul style="list-style-type: none"> - cost of control/financial management of the Commission checks and assessment (% of total appropriations) - Ratio = cost of Commission staff involved in the assessment of management and control systems in MS divided by total

¹⁷ Audit Authority (AA)

¹⁸ Systems audit, re-performance of annual control reports (ACR), follow-up of audit authorities, closure audits, fact finding audits, conformity audits of PA (CAP), etc.

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

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

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

ANNEX 8: Decentralised agencies (not applicable)

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

No used in MP 2017	Title	Reason ¹	Scope ²	Type ³	Associated DGs	Costs (EUR)	Comments ⁴	Reference ⁵
I. Evaluations finalised or cancelled in 2017								
a. Evaluations finalised in 2017								
	no evaluations finalised in 2017							
b. Evaluations cancelled in 2017								
	no evaluations cancelled in 2017							
II. Other studies finalised or cancelled in 2017								
a. Other studies finalised in 2017								
NA	Logistical facilities and storage capacity for EU food trade (open call)		identify and analyse capacity, bottlenecks and their impact			395000,00		https://publications.europa.eu/en/publication-detail/-/publication/b102ecaa-2cbd-11e8-b5fe-01aa75ed71a1/language-en/format-PDF/source-67300102 .
NA	Risk management for EU agriculture (open call)		analysis of multiple risks agriculture faces and the risk management instruments deployed, EU level and Member States			571750,00		Publication envisaged in May 2018

b. Other studies cancelled in 2017							
¹ Reason why the evaluation/other study was carried out, please align with Annex 3 of the MP 2016. The individual symbols used have the following meaning: L - legal act, LMFF - legal base of MFF instrument, FR - financial regulation, REFIT, REFIT/L, CWP - 'evaluate first', O - other (please specify in Comments)							
² specify what programme/regulatory measure/initiative/policy area etc. has been covered							
³ FC - fitness check, E - expenditure programme/measure, R - regulatory measure (not recognised as a FC), C - communication activity, I - internal Commission activity, O - other - please specify in the Comments							
⁴ Allows to provide any comments related to the item (in particular changes compared to the planning). When relevant, the reasons for cancelling evaluations/ other studies also need to be explained in this column.							
⁵ For evaluations the references should be 1) number of its Evaluation Staff Working Document and number of the SWD's executive summary; 2) link to the supportive study of the SWD in EU bookshop. For other studies the references should be the link to EU bookshop or other reference where the 'other study' is published via different point.							

EVALUATION OF THE "GREENING MEASURES" UNDER THE CAP (DIRECT PAYMENTS REGULATION)

- Overall, only small changes in farmers' management practices, except in a few specific areas. Hence, environmental and climate impacts limited and locally specific. Limited effect on production output or economic viability; administrative costs relatively low.
- Series of recommendations to improve the "greening measures" living up to their environmental potential within CAP.

Main findings

• Drivers influencing implementation choices:

- Member States: Administrative issues such as straightforward implementation, less administrative burden, avoiding mapping errors and risks of disallowance. Environmental priorities were not a major factor. Equivalent practices were not extensively used (complex requirements and approval process).
- Farmers: minimising the risk of non-compliance and penalties; avoiding administrative complexity and burden; as well as the degree of fit with existing farm practices and other CAP instruments (e.g. coupled support) or the requirements of cross-compliance, to minimise any changes in practices or additional costs.

• Effects of the measures on farming practices and production

- Crop diversification: At least 70% was already meeting this requirement; slow down of trend towards monocropping; no significant effect on the profitability of farmers.
- Permanent Grassland: Changes in the definition and eligibility have led to an increase in the area of permanent grassland to be counted for the ratio in 15 Member States, and a decrease in 12. Clear pressures on permanent grassland are evident in 2015-2016 in 12 Member States. Pre-authorisation systems disincentive ploughing-up. It is likely that ESPG designation ("environmentally sensitive permanent grassland") in Natura 2000 areas leads to closer control for these areas; outside these areas the designation is low.
- Ecological Focus Areas: more declared than required (9.7% instead of 5%), mainly productive or potentially productive areas (N-fixing and catch crops 73%, land lying fallow 24%). Impact on landscape features small.

• Environmental and climate effects (effectiveness)

- EFA: Potential to deliver benefits for biodiversity, water, soils and climate.
- Crop Diversification: Net effects very limited, although potentially locally significant.
- Permanent grassland: Benefits depend on the location and type of grassland maintained, degree of ploughing-up or reseeded.
- ESPG: Limited, as often low designation by MS.
- Farmers' awareness of environmental issues: Limited.

- **Administrative costs and efficiency**

- Transaction costs for farmers 3-9 hours per year, largely independent of farm size.

- **Coherence (internal and external), relevance & EU added value**

- Generally coherent with other relevant measures (cross-compliance and agri-environment-climate measure); more synergies possible.
- Permanent grassland: Incoherence also due to MS implementation rules; large areas of environmentally valuable permanent grassland can be excluded from the scope of the measure.
- Relevance: limited.
- EU Added Value: Higher level of environmental ambition, greater degree of uniformity, stronger financial incentive.

STUDY ON STORAGE CAPACITIES AND LOGISTICAL INFRASTRUCTURE FOR EU AGRICULTURAL COMMODITIES TRADE

The study provides an overview and mapping of the storage capacity and logistical infrastructure for cereals, the oilseed complex and protein crops (COP) in the EU, identifies the related bottlenecks, and analyses their evolution since 2005.

The current storage capacity for COP in the EU28 amounts to 359 million tonnes, up 20% from 2005. EU COP production increased by 11% in the same period. Structural shortage of COP storage capacity currently affects a limited number of Member States. Storage capacity has increased in all 28 MS, with substantial growth especially in Eastern EU Member States. Some key factors behind this evolution are specific to the COP supply chain, such as growth in yields, production and exports, and increased price volatility. The switch to just in-time inventory management models by processors also played a role, especially in the United Kingdom and Germany.

Inland waterways and railways handle almost all long-distance COP tonnage (60-70% for inland waterways, 30-40% for railways) along the four main COP transportation corridors (Baltic-Adriatic, North Sea-Baltic, Rhine-Alpine and Rhine-Danube); truck transportation prevails in short-distance moves.

Member States which have increased COP exports have often also improved their availability of storage capacity compared to their theoretical needs. Location of additional COP storage capacity at sites with access to adequate logistical infrastructure can address the identified bottlenecks for storage capacity. Solutions to address infrastructural bottlenecks include the completion of missing links in the main COP transportation corridors, capacity increases and technological upgrade on critical corridor sections and at key hubs, enhancement of intermodal COP transportation and harmonisation of technological standards in transportation infrastructure.

STUDY ON RISK MANAGEMENT IN EU AGRICULTURE

The 'Study on risk management in EU agriculture' provides a mapping as well as an analysis of current agricultural risks and risk management instruments. Information on availability and use of risk management instruments was collected in all Member States through consultations with public authorities, farmers' associations and insurance companies. The final report is complemented by eight case studies: six on specific risk management instruments in selected Member States and two on risk management in agriculture in the United States and Canada. The study finds that European farmers are increasingly exposed to a wide range of risks while the availability of risk management instruments lags behind. Insurance remains the most commonly used instrument, while both availability and uptake of other instruments such as mutual funds and contractual price agreements (including futures) is more limited. There is a need to strengthen capacity to design and implement risk management instruments. The report elaborates several recommendations, including on how to gain experience on the ground.

ANNEX 10: Specific annexes related to "Financial Management"

This annex explains in detail the complex relationship between the Directorate General for Agriculture and Rural Development and the 28 Member States (comprising 78 Paying Agencies at the end of 2017).

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

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

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

- Level 1: Compulsory administrative structure at the level of Member States
- Level 2: Detailed systems for controls before payments and dissuasive penalties
- Level 3: Audits by Certification Bodies and controls after payment
- Level 4: Commission audits and Clearance of accounts

Part 2: Functioning of the Paying Agencies

- 2. Financial clearance exercise for financial year 2017
 - 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 1: Description of the system for shared management and the various levels of control in place

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

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

Moreover, the directors of the Paying Agencies are required to provide an annual management declaration which covers the completeness, accuracy and veracity of the accounts as well as a declaration that a system is in place which provides reasonable assurance on the legality and regularity of the underlying transactions. For those Member States with only one Paying Agency, this management declaration from the director of the Paying Agency, together with the certificate and opinion of the Certification Body (see Part 2), constitutes, by definition, the annual summary referred to in point (b) of Article 59(5) of the Financial Regulation¹⁹.

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 2017 covered 93.1% of EAGF expenditure (93.9% in 2016). To the extent possible, the IACS is also used to manage and control rural development measures relating to parcels or livestock, which in 2017 accounted for 61.4% of payments under the EAFRD (50.1% in 2016). For both Funds together, the IACS covered 86.8% (84.2% in 2016) of total expenditure.

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 validated 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 a verification of 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

¹⁹ 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

(EU) No 1306/2013²⁰. As regards EAFRD, ex-post checks are carried out for investment operations according to Article 52 of Commission Implementing Regulation (EU) No 809/2014²¹.

Level 4: Commission audits and clearance of accounts

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

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

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

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

Financial corrections are determined on the basis of the nature and gravity of the infringement and the financial damage caused to the EU. Where possible, the amount is calculated on the basis of the loss actually caused or on the basis of an extrapolation (usually such calculations are based on work carried out by or information supplied by the Member States). Where this is not possible, flat-rates are used which take account of the severity of the deficiencies in the national control systems in order to reflect the 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.

²⁰ Regulation (EU) No 1306/2013 of the European Parliament and of the Council on the financing, management and monitoring of the common agricultural policy

²¹ 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

In order to determine which measures and/or Paying Agencies to visit each year, DG AGRI carries out, in accordance with the audit strategy, a comprehensive risk assessment, which includes both quantitative and qualitative analysis of risks. In the preparation of the audit work programme, the Paying Agencies, Member States, 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 based on the CAP reform and other 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. It aims to ensure that the work of the entire directorate is orientated and focussed on the main risks.

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

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

From mid-2014, DG AGRI introduced a rolling three-year audit work programme. The CRA is now carried out after the financial clearance exercise in order to use information resulting from the analysis of the opinions of the Certification Bodies, including not carrying out audit missions where the subject has already been covered by a reliable Certification Body, and also to include in the audit work programme any audits necessary in the context of following up reservations or as a result of findings notified by the Certification Bodies.

Explanatory Box: Annex 10-1-1

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

DG AGRI audit strategy for 2014-2020

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

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

In addition, it anticipated the impact of the extended role given by the Horizontal Regulation on the financing, management and monitoring of the Common Agricultural Policy (Regulation No 1306/2013) to the Certification Bodies. From the beginning of 2016 (in respect of financial year 2015), Certification Bodies 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 evaluated 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.

Explanatory Box: Annex 10-1-2

Part 2: Functioning of the Paying Agencies

2. Financial clearance exercise for financial year 2017

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, together with an audit opinion from the Certification Body of each Paying Agency stating whether it has obtained reasonable assurance that these 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 2017 for the EAGF and EAFRD Funds runs from 16 October 2016 to 15 October 2017. By 1 March 2018, the accounts of 79 out of 80 Paying Agencies for Financial Year (FY) 2017 were submitted. For 1 PA (DE09 - Hamburg) the Member State confirmed that the PA had been closed during the year and that no clearance documents will be submitted.

As in previous financial clearance exercises, the accounts of a limited number of Paying Agencies will probably not be cleared by the 31 May deadline. This is either because the opinions from the Certification Bodies are qualified, thus requiring further work from the Paying Agencies and/or from the Certification Bodies, or the level of error exceeds the materiality threshold (2% of expenditure) for the fund. The accounts of these Paying Agencies will be disjoined from the financial clearance decision due by 31 May 2018 and cleared at a later stage. In such cases, DG AGRI takes into account the qualifications and/or the levels of detected error when making adjustments to the error rate of the population concerned (for details on the specific cases considered for financial year 2017, please see sections 3 to 5 of Annex 10).

2.1 Compliance with the accreditation criteria

2.1.1 Status of the Paying Agencies' accreditation

At 15 October 2017, the 28 Member States had 78 operating accredited Paying Agencies. In comparison to the previous financial year, two Paying Agencies (PL02 and DE09) ceased to exist while another (HU01) was replaced by HU02:

- as from 1 September 2017, there is only one Paying Agency in Poland as the functions of PL02 - Agricultural Market Agency has been taken over by PL01 - Agency for Restructuring and Modernization of Agriculture.
- on 13 October 2017, the accreditation of Paying Agency DE09 – Hamburg was removed by the Competent Authority. No Annual accounts were submitted for Financial Year 2017.
- the Hungarian Paying Agency HU01 - Agricultural and Rural Development Agency (ARDA), was terminated with legal succession on 1 January 2017. On termination of ARDA, the Competent Authority withdrew the body's accredited status as the EAGF-EAFRD Paying Agency. As from 1 January 2017, the HU02 - Hungarian State Treasury ('Treasury') started operating as the new Paying Agency.

The status of accreditation of the 78 Paying Agencies was as follows on 15 October 2017:

- 77 fully accredited Paying Agencies
- 1 Paying Agency (OPEKEPE in Greece) continued to be under limited accreditation; accreditation continues to be limited to those EAFRD measures for which a proper control system and procedures have been put in place. No expenditure is declared for the measures where accreditation is not granted.

Status of Paying Agencies' accreditation	At the beginning of financial year 2017	At the end of financial year 2017
Fully accredited	79	76
Limited accreditation	1 ²²	1
Accreditation under probation or provisional accreditation	0	1 ²³
Total Member States: 28	80	78

Table: Annex 10 – 2.1.1-1

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

In the context of the financial clearance exercise for financial year 2017, the Certification Bodies are required – besides certifying the accounts of the Paying Agencies - to report on and certify whether the Paying Agencies' internal control systems operated satisfactorily.

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

11 Paying Agencies requested permission²⁴ to submit the accounts or audit opinions and related reports after the deadline of 15 February 2018²⁵. 9 requests were accepted. All audit opinions and reports had been received by the ultimate deadline 1 March 2018 except for DE09 – Hamburg (see above).

By 31 March, 148 audit opinions had been received and assessed. In all cases, the Certification Body concluded that the internal control system of the Paying Agencies operated at least satisfactorily²⁶. Despite this assessment, in 5 cases, the Certification Body qualified its opinion on the EAFRD accounts. In all 5 cases (BG01 - SFA, IT26 - ARCEA, FR18 – ODARC, PL01 - ARMA and SK01 - APA), the qualification was due to the presence of material error, either at fund level or at population level (EAFRD IACS or EAFRD Non-IACS) in the EAFRD accounts. In 4 of the cases (except FR18-ODARC), this resulted also in a qualification on the Management declaration for EAFRD. See Annex 10, part 3.3, for more information on these 4 cases.

²² OPEKEPE (Greece)

²³ PL01 - Agency for Restructuring and Modernization of Agriculture.

²⁴ According to the provisions of Article 59(5) of the Financial Regulation (EU, Euratom) No 966/2012 and Article 7(3) of Regulation (EU) No 1306/2013 of the European Parliament and of the Council, the deadline of 15 February may exceptionally be extended by the Commission to 1 March.

²⁵ DE17 - Rhineland-Pfalz, ES03 – Asturias, ES12 – Madrid, ES14 – Navarra, ES17 - Valencia, GR01 – OPEKEPE, IE01 - DAFM, IT07 – ARTEA, RO01 - RIFA, and RO02 – PIAA and SE01 – SJV.

²⁶ ratings of “works well”, “works” or “works partially”

For EAGF a qualified opinion was issued for ES07-Castilla la Mancha due to material errors in EAGF Non-IACS (mainly concerning the wine restructuring measures) and for RO02-APIA due to differences encountered in the annual accounts. For FR20- France AGRIMER, the Certification Body issues a qualified opinion on the basis of limitation of scope for some expenditure on which they were unable to conclude. In addition, for MT01 – MRRA a disclaimer of opinion has been issued concerning the EAGF IACS population. See Annex 10, part 3.2, for information on these 3 cases.

2.1.3 The Commission's accreditation audits

The Commission regularly performs accreditation audits. The selection of these audits is based on a detailed risk assessment, to check whether the Paying Agencies (continue to) respect the accreditation criteria. As the accreditation criteria are checked by the Certification Bodies DG AGRI only conducted two dedicated accreditation missions during the year. This was to the BG01 - State Fund Agriculture and HU02 - Hungarian State Treasury²⁷.

2.1.4 The Certification Bodies' main findings on accreditation for financial year 2017

In the opinion of the Certification Bodies, none of the Paying Agencies have deficiencies that are serious enough to conclude that they no longer comply with the accreditation criteria.

Concerning the Italian Paying Agency IT01 – AGEA, it is recalled that the Competent Authority placed the Paying Agency under probation on 25 April 2014. Full accreditation was reinstated on 25 April 2015 after a remedial plan required by the Competent Authority had been implemented. However, the reinstatement of accreditation was accompanied by a recommendation that the Paying Agency successfully implemented a separate action plan, that was more detailed than the remedial plan of the Competent Authority and which covered various accreditation criteria. The deadline for full implementation of the action plan was 15 October 2015. After several delays in its implementation, the deadline was subsequently extended to 15 October 2016. A mission carried out by DG AGRI in November 2016 found that the Action Plan had not yet been fully implemented by the extended deadline. DG AGRI has been following the developments since then also with a view to assessing the financial risk for the EU funds. The Certification Body, in its audit report concerning FY2017, reported on some deficiencies of intermediate level in the accreditation criteria, but did not identify major deficiencies. However, in its comments on the Action Plan, the Certification Body concluded that, despite the clear progress made by the Paying Agency AGEA in the implementation of the Action Plan, various problems remain.

Concerning the Paying Agency in the Czech Republic CZ01 - State Agricultural Intervention Fund, there is an ongoing conformity procedure by DG AGRI in relation to a possible conflict of interest situation and possible breach of the accreditation criteria, as members of the supervisory board of the Paying Agency were at the same time connected to beneficiaries of agricultural funds.

²⁷ As of 1 January 2017, based on the Hungarian Government Decision No 1312/2016, the functions of Paying Agency HU01 - Agricultural and Rural Development Agency (ARDA) were taken over by new paying Agency HU02 - Hungarian State Treasury.

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 adequately.

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

2.2.1 Management Declaration from the Directors of the Paying Agencies

In respect of financial year 2017, the Directors of all Paying Agencies, except DE09-Hamburg which was closed during the year, 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. All declarations were without reservations, except BG01-SFA (see table 1 below).

For BG01- SFA, reservations were made by the Head of the Paying Agency because of 5 ongoing conformity clearance enquiries of DG AGRI.

According to the Guideline on the Management Declaration, in the event that any deficiency is identified in the context of establishing the Management Declaration which does not fulfil the criteria for justifying a reservation but which, in the opinion of the Director of the Paying Agency nonetheless constitutes an issue which should be brought to the attention of the Commission services, this should be disclosed in a document attached to the Management Declaration.

The declaration of 8 Paying Agencies, BE03 – Region Wallonia, FR19 - ASP, FR20- France AGRIMER, GB05 - DAERA, GB06 – SGRPID, GB07 - WAG, GB09 – RPA and SE01 – SJV, included such a document.

For BE03 – Region Wallonia, it concerned issues related to debt management and explanations of the actions taken to remedy the high error rate in EAFRD.

For FR19 - ASP, it concerns the implementation of the ongoing action plan on EAFRD IACS, as well as explanations on the 2016 direct payments claim year, the calendar for which is returning to normal according to the Head of the Paying Agency.

For FR20 – France AGRIMER, the Head of the Paying Agency issued 3 observations as follows: on delayed payments for the wine measures, on the high error rate for promotion measures and on an additional budget for exceptional measures.

For GB05 - DAERA it concerned management and control issues related to debts under EAFRD Less Favoured Areas. For GB06 – SGRPID it covered delays and possible inaccuracy in the production of control statistics, ongoing monitoring of the action plan related to EAFRD, issues related to the Internal Audit Function and challenges related to the 2016 direct payments claim year. In the case of GB07 - WAG, it concerned the need for further improvement of the administrative processing of EAFRD IACS claims, a complete review of the compilation of some control statistics and delay in the Internal audit 5-year audit plan implementation. For GB09 – RPA it concerned various issues: partial BPS payments paid from national funds until the finalisation of all checks, revised and/or outstanding control statistics for claim year 2016 and need for enhanced monitoring of delegated bodies.

For SE01 – SJV the specific document concerned the challenges related to the implementation of the CAP reform, although the situation has improved in 2017, some control statistics for claim year 2016 were still outstanding and a high error rate in producer organisations.

2.5/ TABLE 1			PAYING AGENCY DIRECTOR'S MANAGEMENT DECLARATION					
Paying Agency			Is the Management Declaration free of reservations?				Reservation/Additional remark	
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS		
1	AT01	AMA	Y	Y	Y	Y		
2	AT03	Zollamt Salzburg	N/A	Y	N/A	N/A		
3	BE02	ALV	Y	Y	Y	Y	Additional remark: material error rate in the EAGF Non-IACS and EAFRD IACS population; explanations provided	
4	BE03	Rég. Wallonne	Y	Y	Y	Y	Additional remark: material error rate in EAFRD, issues with debt management ; explanations provided	
5	BG01	State Fund Agriculture	N	Y	N	N	Reservations on EAGF IACS, EAFRD IACS and Non-IACS linked to various DG AGR1 enquiries	
6	CY01	CAPO	Y	Y	Y	Y		
7	CZ01	SAIF	Y	Y	Y	Y		
8	DE01	BLE	N/A	Y	N/A	Y		
9	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A		
10	DE03	Baden-Württemberg MLR	Y	Y	Y	Y		
11	DE04	Bayern StMLF	Y	Y	Y	Y		
12	DE07	Brandenburg MLUV	Y	Y	Y	Y		
13	DE09	Hamburg	not received					
14	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided	
15	DE12	Niedersachsen	Y	Y	Y	Y		
16	DE15	Nordrhein-Westfalen	Y	Y	Y	Y		
17	DE17	Rheinland-Pfalz	Y	Y	Y	Y	Additional remark: material error rate in the EAGF Non-IACS and EAFRD IACS population; explanations provided	
18	DE18	Saarland AAL	Y	Y	Y	Y	Additional remark: material error rate in EAGF and EAFRD IACS; explanations provided	
19	DE19	Sachsen	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided	
20	DE20	Sachsen-Anhalt	Y	Y	Y	Y		
21	DE21	Schleswig-Holstein	Y	Y	Y	Y		
22	DE23	Thüringen	Y	Y	Y	Y	Additional remark: material error rate in the EAGF Non-IACS and EAFRD IACS populations; explanations provided	
23	DE26	Hessen	Y	Y	Y	Y		
24	DK02	DAFA	Y	Y	Y	Y	Additional remark: material error rate in EAFRD; explanations provided	
25	EE01	PRIA	Y	Y	Y	Y	Additional remark: material error rates in EAGF IACS and Non-IACS, and EAFRD IACS, explanation provided	
26	ES01	Andalucia	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS, explanation provided	
27	ES02	Aragón	Y	Y	Y	Y	Additional remark: material error rates in EAGF Non-IACS; explanations provided	
28	ES03	Asturias	Y	Y	Y	Y		
29	ES04	Islas Baleares	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS, explanation provided	
30	ES05	Islas Canarias	Y	Y	Y	Y		

31	ES06	Cantabria	Y	Y	Y	Y	
32	ES07	Castilla La Mancha	Y	Y	Y	Y	
33	ES08	Castilla y León	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS, explanation provided
34	ES09	Cataluña	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS, explanation and actions provided
35	ES10	Extremadura	Y	Y	Y	Y	
36	ES11	Galicia	Y	Y	Y	Y	Additional remark: material error rate in EAGF Non-IACS, explanations provided
37	ES12	Madrid	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS, explanation and actions provided
38	ES13	Murcia	Y	Y	Y	Y	Additional remark: material error rate in EAGF, explanation and actions provided
39	ES14	Navarra	Y	Y	Y	Y	
40	ES15	País Vasco	Y	Y	Y	Y	
41	ES16	La Rioja	Y	Y	Y	Y	Additional remark: material error rate in EAFRD IACS; explanations provided
42	ES17	C. Valenciana	Y	Y	Y	Y	Additional remark: material error rate in the EAGF IACS population; explanations provided
43	ES18	FEGA	N/A	Y	N/A	Y	
44	FI01	MAVI	Y	Y	Y	Y	
45	FR05	ODEADOM	Y	Y	N/A	N/A	
46	FR18	ODARC	N/A	N/A	Y	Y	No control statistics submitted for EAFRD IACS
47	FR19	ASP	Y	N/A	Y	Y	Additional remark: EAFRD action plan ongoing and the 2016 direct payments campaign
48	FR20	France Agrimer	N/A	Y	N/A	N/A	Additional remark: 3 observations on various measures
49	GB05	DAERA	Y	Y	Y	Y	Additional remark: explanation of issues related to management and control of debts under EAFRD Less Favoured Area Compensatory Allowances scheme.
50	GB06	SGRPID	Y	Y	Y	Y	Additional remark: delays and possible inaccuracy in the production of control statistics; issues related to the Internal Audit Function and challenges in the 2016 direct payments campaign
51	GB07	WAG	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population and explanations of the actions taken; need for review of some statistics compilation.
52	GB09	RPA	Y	Y	Y	Y	Additional remark: monitoring of delegated bodies; revised or delayed control statistics submissions; partial BPS payments from national funds
53	GR01	OPEKEPE	Y	Y	Y	Y	
54	HR01	PAAFRD	Y	Y	Y	Y	Additional remark: material error rates in the EAGF and the EAFRD IACS populations, and in EAGF Non-IACS; explanations provided

55	HU01	Agricultural and Rural Development Subsidies of the Hungarian State Treasury	Y	Y	Y	Y	Additional remark: material error rates in EAGF; explanations provided
56	IE01	DAFM	Y	Y	Y	Y	
57	IT01	AGEA	Y	Y	Y	Y	Additional remark: material error rates in EAGF Non-IACS and EAFRD IACS; explanations provided
58	IT02	SAISA	N/A	Y	N/A	N/A	
59	IT03	ENR	Y	N/A	N/A	N/A	
60	IT05	Veneto (AVEPA)	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided
61	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
62	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided
63	IT10	ARPEA	Y	N/A	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided
64	IT23	OPR Lombardia	Y	Y	Y	Y	Additional remark: material error rate in the EAFRD IACS population; explanations provided
65	IT24	OPPAB	Y	N/A	Y	Y	
66	IT25	APPAG	Y	N/A	Y	Y	
67	IT26	ARCEA	Y	N/A	Y	Y	Additional remark: material error rate in the EAFRD IACS populations; explanations provided
68	LT01	NMA	Y	Y	Y	Y	
69	LU01	Min. Agric.	Y	Y	Y	Y	Additional remark: the anti-fraud strategy implementation continues
70	LV01	RSS	Y	Y	Y	Y	
71	MT01	MRRA PA	Y	Y	Y	Y	Additional remark: material error rates in the EAGF and the EAFRD IACS populations; explanations provided
72	NL04	RVO	Y	Y	Y	Y	Additional remark: material error rates in EAGF IACS; explanations provided
73	PL01	ARMA	Y	Y	Y	Y	
74	PL02	AMA	N/A	Y	N/A	N/A	
75	PT03	IFAP	Y	Y	Y	Y	Additional remark: material error rates in EAFRD IACS and EAFRD Non-IACS; explanations provided
76	RO01	PARDF	N/A	N/A	Y	Y	Additional remark: material error rate in EAFRD IACS; explanations provided
77	RO02	PIAA	Y	Y	N/A	N/A	Additional remark: material error rate in the EAGF IACS and Non-IACS populations; explanations provided
78	SE01	SJV	Y	Y	Y	Y	Additional remark: some IACS control statistics still outstanding; high error rate in Producer organisations
79	SI01	AAMRD	Y	Y	Y	Y	Additional remark: material error rate in EAGF and EAFRD IACS; explanations provided
80	SK01	APA	Y	Y	Y	Y	Additional remark: material error rate in the EAGF and EAFRD IACS populations; explanations provided

2.2.2 Opinion of the Certification Bodies on the Management Declaration

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

2.5/TABLE 2			CERTIFICATION BODIES' OPINION ON THE PAS' MANAGEMENT DECLARATION				Reservation/Remarks
Paying Agency			Is the Management Declaration confirmed by the Audit Opinion?				
			EAGF IACS	EAGF NIACS	EAFRD IACS	EAFRD NIACS	
1	AT01	AMA	Y	Y	Y	Y	
2	AT03	Zollamt Salzburg	N/A	Y	N/A	N/A	
3	BE02	ALV	Y	Y	Y	Y	
4	BE03	Rég. Wallonne	Y	Y	Y	Y	
5	BG01	State Fund Agriculture	N	N	N	N	Anti-fraud strategy not effectively implemented
6	CY01	CAPO	N	N	N	Y	Qualified for high error rates in EAGF IACS and Non-IACS, and EAFRD IACS; also not submitted control statistics for some EAFRD IACS measures
7	CZ01	SAIF	Y	Y	Y	Y	
8	DE01	BLE	N/A	Y	N/A	Y	
9	DE02	Hamburg-Jonas	N/A	Y	N/A	N/A	
10	DE03	Baden-Württemberg MLR	Y	Y	Y	Y	
11	DE04	Bayern StMLF	Y	Y	Y	Y	
12	DE07	Brandenburg MLUV	Y	Y	Y	Y	
13	DE09	Hamburg	not received				
14	DE11	Mecklenburg-Vorpommern MELFF	Y	Y	Y	Y	
15	DE12	Niedersachsen	Y	Y	Y	Y	
16	DE15	Nordrhein-Westfalen	Y	Y	Y	Y	
17	DE17	Rheinland-Pfalz	N	N	N	N	Qualified on issues related to debts
18	DE18	Saarland AAL	Y	Y	Y	Y	
19	DE19	Sachsen	Y	Y	Y	Y	
20	DE20	Sachsen-Anhalt	Y	Y	Y	Y	
21	DE21	Schleswig-Holstein	Y	Y	Y	Y	
22	DE23	Thüringen	Y	Y	Y	Y	
23	DE26	Hessen	Y	Y	Y	Y	
24	DK02	DAFA	Y	Y	Y	Y	
25	EE01	PRIA	Y	Y	Y	Y	
26	ES01	Andalucía	Y	Y	Y	Y	
27	ES02	Aragón	Y	Y	Y	Y	
28	ES03	Asturias	Y	Y	Y	Y	
29	ES04	Islas Baleares	Y	Y	Y	Y	
30	ES05	Islas Canarias	Y	Y	Y	Y	
31	ES06	Cantabria	Y	Y	Y	Y	
32	ES07	Castilla La Mancha	Y	Y	Y	Y	Emphasis of matter due to high error rate in EAGF Non-IACS
33	ES08	Castilla y León	Y	Y	Y	Y	
34	ES09	Cataluña	Y	Y	Y	Y	Emphasis of matter due to high error rate in EAFRD IACS
35	ES10	Extremadura	N	Y	Y	Y	Qualified opinion due to the EAGF IACS control statistics
36	ES11	Galicia	Y	Y	Y	Y	
37	ES12	Madrid	Y	Y	Y	Y	
38	ES13	Murcia	Y	Y	Y	Y	Emphasis of matter due to high error rates in EAGF IACS, EAGF Non-IACS and EAFRD IACS
39	ES14	Navarra	Y	Y	Y	Y	
40	ES15	País Vasco	Y	Y	Y	Y	
41	ES16	La Rioja	Y	Y	Y	Y	Emphasis of matter on small differences detected in the error rate for EAGF IACS
42	ES17	C. Valenciana	Y	Y	Y	Y	
43	ES18	FEGA	N/A	Y	N/A	Y	
44	FI01	MAVI	Y	Y	Y	Y	
45	FR05	ODEADOM	Y	Y	N/A	N/A	
46	FR18	ODARC	N/A	N/A	Y	Y	Emphasis of matter for lack of control statistics for EAFRD IACS

47	FR19	ASP	Y	N/A	Y	Y	
48	FR20	France Agrimer	N/A	Y	N/A	N/A	Emphasis on delayed payments and on high errors in the wine promotion measure
49	GB05	DAERA	Y	Y	Y	Y	
50	GB06	SGRPID	Y	Y	N	Y	Qualified for EAFRD IACS
51	GB07	WAG	Y	Y	N	Y	Qualified for EAFRD IACS
52	GB09	RPA	Y	Y	Y	Y	
53	GR01	OPEKEPE	Y	Y	Y	Y	
54	HR01	PAAFRD	Y	Y	Y	Y	
55	HU01	Agricultural and Rural Development Subsidies of the Hungarian State Treasury	Y	Y	Y	Y	
56	IE01	DAFM	Y	Y	Y	Y	
57	IT01	AGEA	Y	Y	Y	Y	
58	IT02	SAISA	N/A	Y	N/A	N/A	
59	IT03	ENR	Y	N/A	N/A	N/A	
60	IT05	Veneto (AVEPA)	Y	Y	Y	Y	
61	IT07	Toscana (ARTEA)	Y	Y	Y	Y	
62	IT08	Emilia-Romagna (AGREA)	Y	Y	Y	Y	
63	IT10	ARPEA	Y	N/A	Y	Y	
64	IT23	OPR Lombardia	Y	Y	Y	Y	
65	IT24	OPPAB	Y	N/A	Y	Y	
66	IT25	APPAG	Y	N/A	Y	Y	
67	IT26	ARCEA	Y	N/A	Y	N	Qualified for EAFRD Non-IACS
68	LT01	NMA	Y	Y	Y	Y	
69	LU01	Min. Agric.	N	N	N	N	Anti-fraud strategy not fully implemented
70	LV01	RSS	Y	Y	Y	Y	
71	MT01	MRRA PA	Y	Y	Y	Y	
72	NL04	RVO	Y	Y	Y	Y	Emphasis of matter on EAFRD IACS
73	PL01	ARMA	Y	Y	N	N	Qualified for EAFRD
74	PL02	AMA	N/A	Y	N/A	N/A	
75	PT03	IFAP	Y	Y	Y	Y	Emphasis of matter on: high error rate for EAFRD IACS; remedial actions needed for a more efficient recovery procedures and action plan under EAGF IACS
76	RO01	PARDF	N/A	N/A	Y	Y	Emphasis of matter due to need for improvement in the complication and reporting of control statistics
77	RO02	PIAA	Y	Y	N/A	N/A	Emphasis of matter due to need for improvement in the complication and reporting of control statistics
78	SE01	SIV	N	Y	N	Y	Qualified on EAGF and EAFRD IACS
79	SI01	AAMRD	Y	Y	Y	Y	
80	SK01	APA	N	N	N	N	Qualified for EAGF and EAFRD

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

There was no reservation included in the Management Declarations in the previous financial year that would have required a follow up.

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

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

This year, Certification Bodies assessed more comprehensively the Management Declaration and control statistics and issued an opinion based on this comprehensive audit work. Nonetheless, a few Certification Bodies, while they gave a qualified opinion on the accounts, gave an unqualified opinion on the Paying Agency's Management Declaration even though the issues and errors identified are linked to legality and regularity of the expenditure declared and so should have had an impact on the opinion on the Management Declaration.

In such cases DG AGRI cannot use directly the conclusion on the Management Declaration.

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) 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)

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

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

- to confirm the level of error in the checks of the Paying Agency in order to give an opinion on the legality and regularity of the expenditure and on the assertions made in the Management Declaration and the control results of the Paying Agencies;
- to confirm the level of error in the payments and to give an opinion on the accounts.

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

- An *error rate* related to the errors found in the payments made to the beneficiaries based on comparing their results to the accounts of the Paying Agency. This will support the basis for the Certification Body's opinion on the annual accounts of the Paying Agencies (see section 2.1.2).
- An *incompliance rate* related to the errors found 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 needs to be assessed taking account of this incompliance rate. The Certification Body's opinion on the Paying Agency's Management Declaration (see section 2.2) is based on this result (see section 2.3).

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**, DG AGRI takes into account the incompliance rate established by the Certification Bodies. In this assessment the following three scenarios may occur:

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

DG AGRI auditors also use the error rate (most likely error) established by the Certification Body when determining the extent of the adjustment (top-up) to be made to the error rate reported by the Paying Agency.

Explanatory box: Annex 10 – 2.3.1-1

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

The reliability of the Certification Bodies' work has been assessed through dedicated audit missions and in the framework of the 2017 financial clearance exercise as well as through conformity audit missions which review the work of the Certification Bodies. The results are outlined in the subsequent sections.

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

In this third year of the Certification Body work on legality and regularity, DG AGRI in its audit programme gave priority to those Certification Bodies which were not visited in the previous years and for which there may have been a specific risk to be covered (i.e. a newly appointed Certification Body). These Certification Bodies were subject to dedicated audit missions on legality and regularity. Moreover, the results and conclusions from the first and second years of the Certification Bodies' work on legality and regularity were also taken into account.

Mission programme implemented in 2017

In 2017, the 15 missions listed in Table 2.3.1-1 below were carried out. The missions covered the audit strategy of the Certification Bodies and the re-verifications of on-the-spot and administrative controls depending on the state of play of the Certification Body's work at the time of the mission.

Over the past three years, DG AGRI has carried out 47 legality and regularity missions covering 30 different Certification Bodies which have delivered an opinion on the legality and regularity of the expenditure in 42 different Paying Agencies²⁸.

This means that 50% of the 60 appointed Certification Bodies in 28 Member States have now audited by DG AGRI in dedicated missions with more having been included in the conformity audit missions.

²⁸ For 5 Paying Agencies, a second mission was carried out.

List of Paying Agencies and related Certification Bodies audited on legality and regality in 2017		
Paying Agency		Certification Body
BE03	OPW	RSM InterAudit Cvba
ES16	La Rioja	Intervención General de la Comunidad de La Rioja
ES03	Asturias	Intervención General de la Consejería de Hacienda y Administración Pública del Gobierno del Principado de Asturias
DE07	Brandenburg and Berlin	Ministerium der Finanzen des Landes Brandenburg, Referat 42, Finanzkontrolle der E-Fonds, Bescheinigende Stelle für EGFL und ELER
ES15	País Vasco	Oficina de Control Económico del Departamento de Hacienda y Finanzas del Gobierno Vasco
RO01	RIFA [AFIR]	Curtea de Conturi a Romaniei - Autoritatea de Audit Romanian Court of Accounts - Audit Authority
SK01	APA	Deloitte Audit, s.r.o.
IT01	AGEA	Deloitte
ES14	Navarra	Servicio de Intervención General del Departamento de Economía, Hacienda, Industria y Empleo del Gobierno de Navarra
FR05	ODEADOM	CCCOP
DK02	DAFA	Deloitte
SE01*	SJV	Ekonomistyrningsverket [Swedish National Financial Management Authority]
DE15	Nordrhein-Westfalen	Deloitte & Touche GmbH
SI01	ARSKTRP	Ministry of Finance
ES17	Comunidad Valenciana	Intervención General de la Generalitat Valenciana

* Mission carried out in January 2018 but relating to FY2017

Table: Annex 10 – 2.3.1-1

Summary of the main findings of these audits and monitoring activities

Based on the observations from the above listed missions, the majority of the Certification Bodies' established the audit strategy in line with the approach outlined in the guidelines. Improvement was noted in the Certification Bodies' work in terms of audit strategy and quality of the re-verifications for the legality and regularity of expenditure. Some issues, though, were encountered with the Certification Bodies' sampling methodology. In 6 missions out of 15 it was noted that the Certification Body used an external body for the on-the-spot re-verifications, for which the monitoring and quality control on the external provider's work requires improvement.

There has been 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/Coordinating Body. The timing is particularly important for the IACS measures where controls and their re-verification shall be carried out in the summer/autumn of the claim year in question. In some cases, the Certification Bodies relied to a too large extent on the experience of the Paying Agency's own inspectors, without ensuring an independent re-verification. The above instances were noted in various degrees in 5 of the missions carried out in 2017 in respect of the IACS populations.

Where the error evaluation and the review of the control statistics could not be reviewed by DG AGRI at the time of carrying out the missions (as the Certification Bodies' audit had not reached that stage yet) the Certification Body's work on the control statistics and the error evaluation for the previous year was reviewed.

In 10 of the 15 missions it was observed that the Certification Bodies' check on the eligibility criteria was not always sufficient (i.e. it did not cover all eligibility requirements) or the conclusion was incorrect. Nevertheless, a significant improvement in the Certification Bodies' working papers and documentation was noted in comparison to previous years. Recommendations issued in previous years' audits in the same Member State had been properly communicated to all Certification Bodies in that Member State and corrective measures had been taken. This led to further improvement in the audit work of some Certification Bodies, which was noted also in the financial clearance exercise.

It was concluded that full reliance could be placed on 4 Certification Bodies for their work on the audited population in the scope of the Legality and Regularity mission. For some Certification Bodies, the preliminary assessment, after the Legality and Regularity mission, was that limited reliance could be placed on their work. Following the assessment of the certification reports during the financial clearance exercise, this level of reliance is increased, based on the corrective measures implemented and the progress reported already in the certification report for FY2017.

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 2017 financial clearance assessment which started in February 2018.

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

EAGF IACS population

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

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	59	-
Qualified opinion	7	BG01; CY01; DE17; ES10; LU01; SE01; SK01
Opinion with an emphasis of matter	4	ES13; ES16; PT03; RO02
Total Member States: 28	70	

Table: Annex 10 – 2.3.1-2

For LU01 – Ministère de l'Agriculture, the reservation concerns the delay in the implementation of the anti-fraud strategy.

For BG01 - SFA, the Certification Body issued a qualified opinion as in their opinion, the Paying Agency is not implementing in practice the anti-fraud strategy.

For DE17 - Rheinland-Pfalz, the Certification Body issued a qualified opinion because of debt issues.

The Certification Bodies for CY01-CAPO, ES10-Extremadura and SE01- SJV issued a qualified opinion because of the delay in the production/incompleteness of control statistics for EAGF IACS. It should be noted that all control statistics were received by DG AGRI in January 2018.

For SK01 - APA, the Certification Body qualified the opinion because of the high error rate in EAGF IACS.

The residual risk was assessed as not material for all Paying Agencies except for Paying Agencies ES10, MT01 and RO02.

There were material incompliance rates established for ES10, IT01, IT08, IT10 and R002.

EAGF Non-IACS population²⁹

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

There were four qualified opinions (BG01, DE17, LU01, SK01), for the same reasons as mentioned above under the EAGF-IACS population.

For CY01 - CAPO, the opinion was qualified because the Paying Agency's error rate is above 2%.

For ES07 - Castilla La Mancha, ES13 - Murcia and FR20 – France AGRIMER the respective Certification Bodies made an emphasis of matter due to material error rates reported on some of the market measures.

The Certification Bodies of the Paying Agencies BG01-SFA, DE17 - Rheinland-Pfalz, ES07 - Castilla la Mancha, GR01-OPEKEPE and PL01 - ARMA found material error (Most Likely Error exceeding the materiality) in this population. For some of them, it was reflected in their assessment of the residual risk, but not for all.

In 9 cases³⁰ no separate opinion on the residual risk for the EAGF Non-IACS population has been provided as the Certification Body treated this population as a *de minimis* population.

EAFRD IACS population

69 Paying Agencies declared expenditure under EAFRD IACS measures.

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	59	-
Qualified opinion	9	BG01;CY01;DE17;LU01;GB06; GB07; PL01; SE01; SK01;
Opinion with an emphasis of matter	6	ES09; ES13; FR18; NL04; PT03; RO01
Total Member States: 28	69	

Table: Annex 10 -2.3.1-3

There were six qualified opinions (BG01, CY01, DE17, LU01, SE01, SK01), for the same reasons as mentioned above under the EAGF-IACS population.

²⁹ EAGF Non IACS measure are essentially the market measures.

³⁰ DE04 – Bayern, DE20- Sachsen-Anhalt, DE21 - Schleswig-Holstein, DE23- Thüringen; DE26- Hessen, GB05 – DARD, GB06 – SGRPID, GB07 – WAG, GB09 – RPA

For GB06 - SGRPID and GB07- WAG, the Certification Bodies qualified the opinion because of potentially incomplete and inaccurate control statistics.

For PL01 - ARMA, the Certification Body qualified the opinion because the Upper Error Limit for EAFRD exceeded the materiality level.

For SK01 - APA, the Certification Body, on the basis of its testing, assessed the residual risk as significant for both EAFRD IACS and Non-IACS and thus did not confirm the control statistics and issued a qualified opinion.

For 5 Paying Agencies, the residual risk was assessed as material: GB06-SGRPID, GB07-WAG, IT01-AGEA, RO01-PARDF and SK01-APA for the rest of the Paying Agencies the risk was not material. The residual risk could not be calculated by the Certification Body for SE01-SJV, because the Paying Agency did not produce control statistics in time for the Certification Body to check.

EAFRD Non-IACS

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

Opinion on the Paying Agency's Management Declaration	Number of Paying Agencies	Related Paying Agencies
Unqualified	65	-
Qualified opinion	6	BG01;DE17;IT26;LU01;PL01; SK01;
Total Member States: 28	71	

Table: Annex 10 – 2.3.1-4

As regards the Certification Body's opinion on the Paying Agency's Management Declaration, qualifications were included for the same 3 Paying Agencies (BG01, DE17 and LU01) as mentioned above for the EAFRD IACS population and for the same reasons.

The Certification Body for PL01-ARMA issued a qualified opinion because of material differences encountered for some files, which led to an Upper Error Limit exceeding the materiality threshold.

For 3 Paying Agencies (FR18-ODARC, IT26-ARCEA and SK01-APA), the Certification Body found material error (Most Likely Error exceeding the materiality) for this population.

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

In most cases it was confirmed by the Certification Bodies that, where applicable, the Paying Agencies had established the necessary action plans to remedy the weaknesses leading to reservations in the 2016 Annual Activity Report of DG AGRI. The state of play and potential delays in implementation were indicated by the Certification Bodies but the deficiencies which had led to the implementation of an Action Plan, when still persisting in the audited financial year, were not always reflected in the incompliance rate established by the Certification Bodies.

In this, the third year of delivering an opinion on the Paying Agency's Management Declaration based on the substantive testing, the Certification Bodies took into account the results of their own tests, especially when a material incompliance rate was determined, when drawing conclusions on the Management declaration and the control statistics. There were cases where some Certification Bodies did not consider their own results when assessing the residual risk. In addition, as mentioned in section 2.2.4, in a few cases the Certification Bodies' conclusions on the residual risk are inconsistent with the error rates reported by the Paying Agencies in the control statistics.

As summarised above, the reports from the Certification Bodies contain substantial and valuable information on the legality and regularity of expenditure that has been examined in detail by DG AGRI auditors and taken into account for their assessment of the adjustments to be made to the error rates reported by the Paying Agencies. Annex 10.3 indicates where the audit work of the Certification Bodies is used to top-up the error rates. In this third year of legality and regularity reporting by the Certification Bodies, the findings of the Certification Bodies on legality and regularity which are taken into account for the top-ups has increased substantially compared to the first two years of legality and regularity reporting by the Certification Bodies.

Taking into account the experience from the first two exercises (for FY 2015 and FY 2016), DG AGRI presented to Member States and finalised on 19 January 2017 new guidelines for the Certification Bodies with voluntary application from FY2018 (mandatory as of FY2019). The application of the new guidelines will ensure a more focused legality and regularity audit work by the Certification Bodies and thus support and accelerate the accomplishment of the single audit approach.

DG AGRI will continue to work closely with the Certification Bodies, in order to further refine, where necessary, the audit methodology on legality and regularity and to assist them in the implementation thereof.

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

The Certification Body's 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 2016 were verified by the Certification body in the same year, to minimise the risk that the situation of the land parcels or animals concerned might have changed in the meantime.
- Quality of Certification Body's re-verification of eligibility checks (administrative and on-the-spot controls) through the DG AGRI audit missions and assessment of the Certification Body's results, and in particular the technical skills and expertise that are necessary to be able, for instance, to precisely assess the eligibility of land or to check in detail that a given procurement procedure respects all applicable rules.
- Adequacy of the Certification Body's audit strategy, 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

This is the population for which the Certification Bodies could provide results on legality and regularity to the greatest extent after the implementation of the new audit approach (under the reformed legal framework). 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 2016 were done rather late, resulting in lower reliance on the work of the specific Certification Bodies' concerned. This was mainly due to the Certification Body not receiving the Paying Agency's samples and schedule of on-the-spot checks on time. Some Certification Bodies applied proper monitoring and quality control mechanisms in line with the audit standards and the guidelines, where they delegated the on-the-spot re-verifications to another body.

In general, the Certification Bodies work on this population is of a good standard and has improved in comparison to previous years. Issues, such as insufficient checks on the representativeness of the Paying Agency's initial random sample for on-the-spot controls, the completeness of the population before selection of their own re-verification sample and incomplete assessment of the eligibility of the transaction, were present to a lesser extent than in previous years.

EAGF Non-IACS

With regard to the audit work of the Certification Bodies for this population, the situation is more complex compared to the other three populations. The Certification Bodies' legality and regularity samples for EAGF Non-IACS were rather small given the number, range and heterogeneity of the market measures. Nonetheless, the audit efforts should be balanced against the expenditure involved, which is limited compared to the other populations. For the Certification Bodies of Paying Agencies dealing mainly with market measures, the legality and regularity work was to a high standard.

In a number of cases, no assessment of the residual risk was provided for the EAGF Non-IACS population either because it was treated as a *de minimis* population or because of lack of control statistics. If the expenditure of the given population is below 2% of the total expenditure declared to the Fund and if no specific risk is linked to the schemes or measures of that population the Certification Bodies can decide to test the whole expenditure of the Fund under one single population. When this approach was used, an opinion on the residual risk should have been provided for this population as well. In several cases, the Certification Bodies did not conclude on the residual risk as no incompliance rate was calculated although conclusions could have been provided considering the error rate established for the certification of the accounts and considering the internal control system testing.

EAFRD IACS

For this population, like EAGF IACS, the Certification Bodies could provide results on legality and regularity. The Certification Bodies' work on legality and regularity can be relied upon to a lesser extent than in the case of the EAGF IACS population. Apart from the reasons mentioned under the EAGF IACS population, especially the timing issue, it was observed during the DG AGRI audits that for several cases the re-verifications of the Paying Agencies' on-the-spot controls were not performed correctly in 2017, (i.e. all commitments linked to respective measures are not always appropriately re-verified by the Certification Bodies).

EAFRD Non-IACS

The Certification Bodies' audit work for this population was executed to a higher standard compared to the two previous years of legality and regularity reporting and a significant improvement compared to previous years in terms of number and quality of findings was noted.

More Certification Bodies, compared to last year, managed to test appropriately EAFRD Non-IACS and to provide conclusive results on the control statistics and the residual risk. Due to the mismatch between payment claims, control statistics and payments, some Certification Bodies could not establish an incompliance rate and conclude on the control statistics. For this population, it was also found through the DG AGRI audits carried out in 2017 and the assessment of the Certification Bodies' results in the financial clearance exercise that eligibility conditions are not always verified to their full extent by the Certification Bodies. However, this was observed to a lesser extent compared to the 2016 missions.

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

In the third year of application of the new approach, the Certification Bodies delivered better established and substantiated results on auditing the legality and regularity of the expenditure on all populations compared to the first two years. The overall reliance on the results of the Certification Bodies' work on legality and regularity has increased compared to FY2016. Therefore, the Certification Bodies' results could be taken into account to a greater extent in the calculation of DG AGRI's adjusted error rate for FY2017.

There are some limitations of the reliability of the results of the work due to sample size. Several Certification Bodies limited the size of their samples to the minimum, without, as set out in the Commission guidelines, assessing properly the Paying Agency's internal control system) or limitations in the effectiveness of the Certification Bodies' checks (resulting for example from the late timing). Furthermore it was noted that the sample tested did not always allow the detection of conformity issues identified by other auditors (Commission and/or Court of Auditors).

2.3.5 Findings from DG AGRI's conformity audits with regard to the Certification Bodies' work on Legality and Regularity.

While DG AGRI carried out 15 dedicated legality and regularity mission in 2017 on the Certification Bodies, it also reviewed the work of the latter as part of its conformity audits. Certification Bodies are invited to participate in DG AGRI's conformity audit missions and do so in most cases and, where possible, their reverifications are tested by DG AGRI during its audit visits. In 2017 23 audit missions have been carried out on ABB03³¹ (16 for direct payments, 3 for VCS and 2 for payment entitlements, 2 audits on POSEI) and 8 desk audits on VCS and 26 on ABB04 reviewed the work of the Certification Bodies.

³¹ Four specific IT application audits on data integrity are not taken into account.

- **Area Aids**

For area aids (ABB03) the starting point for the 16 conformity audits carried out was the work carried out by the Certification Bodies as part of their opinions on legality and regularity for financial years 2016 to 2018. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

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

Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work (often carried out after Paying Agency and Certification Body control work had taken place but before payment), Certification Bodies were in a position to remedy any shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2017.

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

- **Payment entitlements and voluntary coupled support**

A similar approach was in applied in the case of the audits concerning the allocation and management of Payments entitlements under Basic payment scheme and the voluntary coupled support for animals carried out by DG AGRI in the financial years 2016 to 2018. The quality of the work of the Certification Bodies concerning the voluntary coupled support for animals was found by the DG AGRI auditors to be of satisfactory quality from the first year of the implementation of these schemes.

Concerning the allocation and management of payment entitlements under Basic payment scheme, DG AGRI auditors noticed more variability in the scope and quality of the work carried out by different Certification Bodies

- **Rural Development**

An important component of the audits carried out on both IACS (14) and non-IACS Rural Development expenditure was to evaluate the work carried out by the Certification Body on legality and regularity of the expenditure. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency. Areas where reliance can be placed on the work of the Certification Body were identified, while recommendations for improvements were made where deficiencies were found.

Many of the improvements noted in the Certification Body work on EAGF IACS are also valid for EAFRD IACS although, for additional elements, in particular, commitments, insufficient reliance can be placed on the work.

For Rural Development, the large number of heterogeneous measures to be audited by DG AGRI means that so far, the auditors have not reviewed a sufficiently large selection of Certification Body reverifications to be able to conclude on the progress of the latter's work, in particular since they have not been able to compare current work with earlier work over the three year period since the Certification Bodies commenced their work on legality and regularity.

While considerable improvement has been observed for Certification Body work on ABB03, progress on ABB04 is not at the same level. This is due to the greater complexity of the rules and procedures with regard to Rural Development resulting from the range of different measures applicable.

2.4 Overall conclusion on the Certification Bodies' work

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

In this third year of application of the reporting requirements on legality and regularity, increased assurance can be obtained from the Certification Bodies' opinions on legality and regularity on all four populations, as compared to the previous years. DG AGRI also notes significant progress towards the full implementation of the single audit approach.

While, in some cases the Certification Bodies' work on legality and regularity was affected by the weaknesses described above, some of which have already been rectified in the Certification Bodies' reporting for FY2017, in FY2017, in most cases, the Certification Bodies' work on legality and regularity was of a higher standard compared to the years before. This was the case even for EAFRD Non-IACS which is a complex population with a variety of measures and complex rules. In general, the Certification Bodies identified a significant number of conformity issues and took into consideration the findings coming from DG AGRI/ECA's audits. As in previous years most and increasing reliance can be put on the work of the Certification Bodies for EAGF IACS (direct payments).

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

DG AGRI will continue to work closely with the Certification Bodies in order to further progress and improve their work on legality and regularity and thus maximise the level of assurance that can be obtained from their work in the future.

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

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

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

Part 3.1: ABB02: Market Measures

Part 3.2: ABB03: Direct Payments

Part 3.3: ABB04: Rural Development

Part 3.4: Error rate and corrective capacity

Part 3.5: 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
3.1.6	Olive oil
3.1.7	Posei & Aegean Islands
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3.1.9	Temporary Exceptional Measures
3.1.10	Promotion Measures
3.1.11	France AGRIMER
3.1.12	Conclusions 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. In today's CAP, market instruments are instead used to provide targeted, market safety nets. Intervention prices are set at levels that ensure they are used only in times of real price crisis and when there is a risk of market disruption.

3.1.2 ABB02 Expenditure

The following chapter sets out the elements which DG AGRI uses in order to give assurance on expenditure reimbursed to Member States in 2017.

The total expenditure for market measures under Title 0502 in 2017 amounts to **EUR 2 945 604 663**.

The following table sets out the shared management expenditure reimbursed by DG AGRI in 2017 for the various market sectors:

Expenditure reimbursed by DG AGRI to the Member States in 2017			
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	42 769 942
	050207	Textile plants	6 134 399
	050208	Fruit and vegetables	995 420 706
	050209	Products of the wine-growing sector	1 011 750 116
	050210	Promotion	69 762 033
	050211	Other plant products/measures	236 857 065
	050212	Milk and milk products	468 018 983
	050213	Beef and veal	23 649 431
	050214	Sheepmeat and goatmeat	3 505 102
	050215	Pigmeat, eggs and poultry, bee-keeping and other animal products	90 744 077
Subtotal			2 948 611 854
Suspension of payments			3 007 191
ABB 02 Total Shared Management			2 945 604 663
ABB 02 Total Direct Management	05 02 10 02	Promotion measures - Direct payments by the Union	0
ABB 02 Grand Total			2 945 604 663

Table: Annex 10 – 3.1.2-1

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

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. ABB02 is characterised by a number of very diverse measures some of which incur very limited expenditure and some of which are applicable in a limited number of Member States only. The various market measures are completely different from each other with their own distinct control systems. In particular, control statistics only exist for around 75% of expenditure. There is not enough data 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 deviates from the methodology used for ABB03 and ABB04 as set out in its Materiality Criteria at Annex 4 of this report. Where statistics exist, an adjusted error rate has been calculated for the measure concerned. It does intend however to adhere as closely as possible to the principles set out in that Annex and to diverge only where technically necessary.

The approach taken by DG AGRI, therefore, was to examine the situation for the largest spending measures in particular and for any measure for which it had statistical data. A qualitative approach was taken on a measure by measure basis for the main expenditure items (annual spending above EUR 100 million). 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 lower expenditure in ABB 02 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).

Where the Certification Bodies have established material error in the market measure population DG AGRI has taken account of the Most Likely Error and any known error 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, the approach taken examined the control environment for each scheme, reported on DG AGRI's audit response over the preceding years as well as any other audit evidence, notably from 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 2017, this was necessary in respect of around 2% of expenditure for the ABB.

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

3.1.4 Fruit and Vegetable Sector

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

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

In certain regions, transitional support is also given to encourage producers, who wish to acquire the status of recognised POs, to form **producer groups** (PGs), to cover administration costs and the investments needed to attain recognition as producer *organisations*. This funding may be partially reimbursed by the EU and it ceases once the PG is recognised as a PO. From EAFRD programming period 2014-2020 new producer groups in the fruit and vegetable sectors are no longer financed under EAGF but under the EAFRD programmes.

The **school fruit scheme** is an EU-wide voluntary scheme which provides school children with fruit and vegetables, aiming thus to encourage good eating habits in young people. Besides providing fruit and vegetables to the children the scheme requires participating Member States to set up strategies including educational and awareness-raising initiatives. Since school year 2017/2018 (i.e. as from 01/08/2017) the school fruit and school milk schemes (see points 3.1.4.3 and 3.1.7) have been merged in a single school scheme under Regulations (EU) 2017/39 and 2017/40. In 2017 there has been no expenditure under this new scheme.

Temporary **exceptional support measures** for producers of certain fruit and vegetables were introduced by the Commission in August 2014 in order to provide relief to European producers as a result of the market disturbances caused by the Russian ban on certain food imports. Since 2014, the Commission has periodically extended the implementation of the measure. The last Regulation (2017/1165) has extended the period of eligibility for the operations until 30/06/2018.

Expenditure by Measure in 2017 - Fruit and Vegetables					
Member State	Operational programmes for producer organisations	Pre-recognition of producer groups	School Fruit Scheme	Temporary exceptional measures	Total Fruit & Vegetables
AT	6 754 008		2 931 592		9 685 600
BE	53 978 059		2 180 474	3 259 541	59 418 075
BG	-	2 314 585	3 086 249	36 366	5 437 201
CY	511 198		254 904	1 317 324	2 083 426
CZ	2 823 291	65 463	4 557 566	9 670	7 455 989
DE	41 294 459		25 539 508		66 833 966
DK	4 599 982		1 541 937		6 141 920
EE	-		651 896	14 653	666 549
ES	216 115 641		9 525 036	11 589 065	237 229 742
FI	2 695 731				2 695 731
FR	108 237 519		1 904 925	1 826 906	111 969 349
GB	40 175 148				40 175 148
GR	10 198 211		14 580	9 759 925	19 972 716
HR	-		1 945 825	2 111 417	4 057 242
HU	3 965 281	925 562	4 571 019	1 140 121	10 601 983
IE	227 768		1 348 353		1 576 121
IT	225 871 369		23 216 681	8 282 872	257 370 923
LT	-	85 715	1 194 560	75 196	1 355 471
LU	-		383 936		383 936
LV	591 839	487 033	881 965	130 898	2 091 735
MT	-		357 342		357 342
NL	41 433 472		4 926 248	922 393	47 282 113
PL	2 545 505	12 028 764	16 912 425	38 197 968	69 684 663
PT	11 997 500		1 204 953	1 974 685	15 177 138
RO	760 260	395 402	4 449 198	916 363	6 521 223
SE	3 543 145				3 543 145
SI	-		790 784	610 190	1 400 974
SK	1 171 902		2 725 123	354 262	4 251 287
Grand Total	779 491 289	16 302 524	117 097 079	82 529 815	995 420 706

Table: Annex 10- 3.1.4-1

3.1.4.1 Operational programmes of producer organisations

In 2017, the expenditure under this measure amounted to EUR 779.5 million.

Article 97(b) of Commission Regulation (EU) No 543/2011³² 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 2017 in respect of operational year 2016. The level of error detected by the Member States was 1.4 % with rates above 2% reported by a number of Member States.

It should be noted that this measure is subject to a very high degree of scrutiny by the national authorities. Every producer organisation (PO) has to be checked on-the-spot at least once every three years in order to verify respect of recognition criteria as well as the correct implementation of the operational programme. Due therefore, to the 100% (or close to 100%) control coverage in several of these Member States, there is little or no error remaining in the uncontrolled population for those Member States on the basis of their "reported" error rates.

DG AGRI audits on operational programmes of producer organisations carried out between 2015 and 2017 identified both recognition criteria issues and control deficiencies for a number of Member States. The auditors consider that the error rates reported by some of these Member States do not fully reflect the irregular spending. In order, therefore, to compensate for uncertainties with regard to the assurance that can be taken from the Member States' reported data, DG AGRI auditors reviewed all available data in order to come to a conclusion based on their professional audit judgment on what was the likely extent of understatement in the error reported and (in line with the principles set out in step 3 of DG AGRI's materiality criteria – see Annex 4 to this AAR), have adjusted the error rates concerned (CZ, DE, ES, FR, GR, IT, SE).

The Certification Bodies have also found errors in respect of certain Member States (DE, ES, FR and GR). In one case (ES), the Certification Body errors concerned different Paying Agencies to the Paying Agency concerned by DG AGRI's deficiencies and in this case, both amounts at risk have been added. In the cases of DE, FR and GR, where both DG AGRI and the Certification Body had detected the same deficiencies, only the estimated amount at risk of the latter has been used as it was deemed to be more precise than the initial assessments of DG AGRI.

DG AGRI's adjustments 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:

³² Corresponding to Article 54 (b) of Regulation (EU) 2017/891, in force as from March 2017.

Fruit and Vegetables - Operational Programmes for Producer Organisations

Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid for OPs in 2017 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
AT	6 754 008	68.9%	20.19%	-	423 868	-	6.28%	423 868
BE	53 978 059	32.6%	0.11%	-	39 010	-	0.07%	39 010
CY	511 198	100.0%	3.85%	-	-	-	-	-
CZ	2 823 291	100.0%	0.02%	21.0%	-	591 541	20.95%	591 541
DE	41 294 459	88.6%	1.37%	2.0%	64 457	845 087	2.20%	909 544
DK	4 599 982	70.5%	-	-	-	-	-	-
ES	216 115 641	33.4%	2.39%	1.7%	3 435 275	3 677 197	3.29%	7 112 472
FI	2 695 731	58.4%	0.01%	-	72	-	0.00%	72
FR	108 237 519	44.4%	2.02%	1.0%	1 217 112	1 070 599	2.11%	2 287 712
GB	40 175 148	65.6%	0.41%	-	56 636	-	0.14%	56 636
GR	10 198 211	100.0%	0.56%	7.8%	-	792 001	7.77%	792 001
HU	3 965 281	100.0%	3.30%	-	0	-	0.00%	0
IE	227 768	100.0%	0.05%	-	-	-	-	-
IT	225 871 369	76.3%	0.34%	3.0%	180 062	6 862 741	3.12%	7 042 803
LV	591 839	100.0%	-	-	-	-	-	-
NL	41 433 472	33.8%	0.27%	-	74 477	-	0.18%	74 477
PL	2 545 505	100.0%	0.66%	-	-	-	-	-
PT	11 997 500	36.8%	2.63%	-	199 269	-	1.66%	199 269
RO	760 260	100.0%	2.96%	-	-	-	-	-
SE	3 543 145	45.0%	4.77%	5.0%	92 924	177 157	7.62%	270 081
SK	1 171 902	100.0%	0.27%	-	-	-	-	-
Grand Total	779 491 289	54.6%	1.4%		5 783 162	14 016 324	2.54%	19 799 486

Table: Annex 10 – 3.1.4.1.-1

The following summary sets out for the **Operational Programmes for Producer Organisations**, for all cases where the adjusted error rate is above 2%, the reasons which led to DG AGRI making top-ups to the reported error rates. In each case it is assessed whether it is necessary to make a reservation and if so, an indication is given of the follow-up action required. It is noted that the error rates reported by all MS 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	Reason for top-up	Reser- vation	Mitigating factors/ reservation follow-up
AT	6.28%	EUR 0.424 m	The adjusted error rate is solely based on the control data 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.
CZ	20.95%	EUR 0.592 m	A DG AGRI audit in 2017 found deficiencies as regards the checks to establish the access to the aid.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The conformity clearance procedure already ongoing in respect of financial year 2017 and onwards will ensure that the financial risk to the EU budget is covered.
DE	2.20%	EUR 0.910 m	Two DG AGRI audits in 2017 found deficiencies as regards checks of the value of marketed production, control of eligibility of the OP, on-the-spot checks on measures, aid	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
			<p>applications and eligibility of the OP.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>		The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES	3.29%	EUR 7.112 m	<p>A DG AGRI audit in 2017 in Murcia (ES013) found deficiencies as regards the checks to establish the consistency and technical quality of the programmes, the control of eligibility of the operational programme and the on-the-spot checks on measures of operational programmes.</p> <p>The follow up of the environmental actions in Spain revealed that there were still some shortcomings for limiting the expenditure of environmental actions to the additional costs.</p> <p>Based on the Certification Body's 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 2017 expenditure.</p> <p>For Murcia, the Spanish authorities are taking the remedial measures from OP 2017 and therefore no action plan is necessary.</p> <p>The Spanish authorities amended the Framework for Environmental Actions and have finished the studies for calculating the specific cost of certain environmental actions and therefore the shortcoming has been remedied.</p> <p>The Member State should address the findings of the Certification Body.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR	2.11%	EUR 2.288 m	<p>The deficiencies have been detected in previous DG AGRI audits and a reservation was made in the 2016 AAR. DG AGRI found deficiencies in the controls carried out on the eligibility of OPs, compliance of the recognition status of PO, checks to establish the access to the aid claimed and performance of on-the-spot checks.</p> <p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	No (see overall reservation for FR20)	<p>A specific reservation is not considered necessary.</p> <p>The FR authorities have already implemented some corrective measures to remedy the deficiencies found and are in the process of finalising the implementation of the remaining ones.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
GR	7.77%	EUR 0.792 m	<p>A DG AGRI audit in 2016 identified deficiencies as regards the verification of the soundness of estimates, actions implemented before approval of the amendments to OPs, compliance with the minimum number of environmental actions, assessment of recognition criteria in the context of the main activity and technical means.</p> <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 4) no reservation is required.</p> <p>The on-going Action Plan is closely monitored by DG AGRI.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reser- vation	Mitigating factors/ reservation follow-up
IT	3.12%	EUR 7.043 m	DG AGRI audits in 2016 and 2017 found several deficiencies in the controls carried out on eligibility of operational programmes and the aid claimed, checks on outsourcing of the PO' main activity, checks on democratic accountability and checks on delivery of full production.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan to address the deficiencies detected in the Paying Agency of AGEA. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE	7.62%	EUR 0.270 m	A DG AGRI audit in 2016 identified an absence in the checks performed before the approval of the OP i.e. the consistency, technical quality and soundness of estimates as well as deficiencies in the controls on eligibility of actions and expenditure proposed, in the compliance of operations with national regulations and in controls carried out on OP measures.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.1-2

3.1.4.2 Pre-recognition of producer groups

In 2016 the expenditure under this measure amounted to EUR 71.4 million. In 2017, expenditure had fallen to EUR 16.3 million. As stated above in under point 3.1.4, once producer groups (PGs) have attained producer organisation status, they no longer receive aid under the producer group scheme. Expenditure has reduced significantly under this measure over recent years as PGs reach maturity and become recognised as producer organisations and new PGs can only be financed under EAFRD.

Article 97(b) of Commission Regulation (EU) No 543/2011³³ obliges Member States to submit to the Commission, by 15 November of each year an annual report on the implementation of financial accounting controls and other checks on producer groups' recognition plans in the preceding year.

The overall error rate calculated on the basis of the Member States' statistics was 1.8%, with HU and RO the only Member States reporting a material error rate (respectively 7.31% and 17.92 %). However, due to the 100% control rate in these two MS there is no residual error for this Member State.

DG AGRI audits on operational programmes of producer groups carried out between 2015 and 2017 identified serious control deficiencies for HU and PL. The enquiries for HU have been closed with financial correction and there are currently no open audit findings for this Member State. Since the Commission had suspended payments to Poland (at a rate of 25%) due to long standing serious deficiencies which had not yet been remedied

³³ Corresponding to Article 54 (b) of Regulation (EU) 2017/891, in force as from March 2017.

via an action plan, and since this suspension was in effect for all of 2017 and thus covered the risk to the EU budget, it was not necessary to make an adjustment to the reported error rate.

Fruit and Vegetables -Prerecognition of Producer Groups Calculation of Adjusted Error Rate and Amount at Risk								
Member State	Aid Paid in 2017 EUR	% of claim checked OTS	reported error rate	DG AGRI top-up	amount at risk where no top-up EUR	amount at risk for top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*e	(h) = (f+g)/b	(i) = (f) +((g)
BG	2 314 585	100.0%	0.80%	-	-	-	-	-
CZ	65 463	100.0%	-	-	-	-	-	-
FR	-	13.2%	-	-	-	-	-	-
HU	925 562	100.0%	7.31%	-	-	-	-	-
LT	85 715	100.0%	-	-	-	-	-	-
LV	487 033	100.0%	0.01%	-	-	-	-	-
PL	12 028 764	98.5%	1.10%	-	2 025	-	0.02%	2 025
RO	395 402	100.0%	17.92%	-	-	-	-	-
Grand Total	16 302 524	98.9%	1.8%		2 025	0		2 025

Table: Annex 10 – 3.1.4.2-1

3.1.4.3 School Fruit scheme

In 2017, the expenditure under this scheme (i.e. for school year 2016/2017) amounted to EUR 117.1 million (EUR 110 million in 2016).

Article 15(1) of Regulation (EC) No 288/2009³⁴ requires Member States to report on the School Fruit Scheme. Member States' statistical data show that on-the-spot checks were conducted on 44.9 % of aid distributed for the 2016/2017 school year resulting in errors of 0.27 %. RO has reported a material error rate of 2.33%. However, due to the high level of the control rate in RO (99.2%) the adjusted error rate (0.02%) is not material.

DG AGRI audits in 2017 identified deficiencies in MT as regards the checks to establish eligibility of the aid and in CZ in respect of the performance of on-the-spot checks of sufficient quality and adjustments have been made to the reported error rates for those Member States.

For BE, BG and FR, errors have been reported by the respective Certification Bodies for 2017 and DG AGRI has included the estimated amount of error as amounts at risk.

DG AGRI's adjusted the reported error rates and their impact on the amounts as summarised in the following table:

³⁴ Corresponding to Article 11 of Regulation (EU) 2016/248.

**Fruit and Vegetables -School Fruit Scheme
Calculation of Adjusted Error Rate and Amount at Risk**

Member State	Aid Paid in 2017 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)
AT	2 931 592	9.8%	0.00%		124	-	0.00%	124
BE	2 180 474	7.3%	0.04%	9%	733	192 220	8.85%	192 953
BG	3 086 249	27.7%	0.04%	3%	953	101 056	3.31%	102 008
CY	254 904	9.8%	-		-	-	-	-
CZ	4 557 566	39.9%	0.00%	5%	1	227 878	5.00%	227 879
DE	25 539 508	12.0%	0.01%	0%	3 235	123 901	0.50%	127 136
DK	1 541 937	67.4%	1.35%		6 763	-	0.44%	6 763
EE	651 896	15.1%	0.40%		2 233	-	0.34%	2 233
ES	9 525 036	72.6%	0.05%		1 433	-	0.02%	1 433
FR	1 904 925	6.7%	1.96%	53%	34 917	1 003 555	54.52%	1 038 472
HR	1 945 825	45.0%	-		-	-	-	-
HU	4 571 019	11.7%	-		-	-	-	-
IE	1 348 353	20.9%	0.01%		122	-	0.01%	122
IT	23 216 681	100.0%	0.56%		-	-	-	-
LT	1 194 560	6.7%	-		-	-	-	-
LU	383 936	100.0%	-		-	-	-	-
LV	881 965	9.3%	-		-	-	-	-
MT	357 342	100.0%	-	5%	-	17 867	5.00%	17 867
NL	4 926 248	100.0%	-		-	-	-	-
PL	16 912 425	11.2%	0.03%		4 579	-	0.03%	4 579
PT	1 204 953	17.0%	-		-	-	-	-
RO	4 449 198	99.2%	2.33%		868	-	0.02%	868
SI	790 784	16.0%	-		-	-	-	-
SK	2 725 123	28.3%	0.00%		38	-	0.00%	38
Grand Total	117 097 079	44.9%	0.27%		56 000	1 666 478		1 722 477

Table: Annex 10 – 3.1.4.3-1

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reser- vation	Mitigating factors/ reservation follow-up
BE	8.85 %	EUR 0.193 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required.
BG	3.31%	EUR 0.102 m	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.
CZ	5%	EUR 0.228 m	A DG AGRI audit in 2017 identified deficiencies as regards the checks to establish eligibility of the aid.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

FR	54.52 %	EUR 1.038 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should address the deficiencies identified by the Certification Body.
MT	5%	EUR 0.018 m	A DG AGRI audit in 2017 identified deficiencies as regards the checks to establish eligibility of the aid.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. A remedial Action Plan is under implementation. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.4.3-2

3.1.4.4 Exceptional Support Measures for Fruit and Vegetables

Following market disturbances in summer 2014 caused by the Russian ban on various products, which impacted heavily on fruit exports, temporary exceptional support measures were introduced for producers of certain fruit and vegetables. Expenditure for exceptional support measures in 2017 was EUR 82.5 million (see table: Annex 10-3.1.7).

No control statistics are required for these temporary support measures. DG AGRI audit missions in 2017 detected deficiencies leading it to propose adjustments for two MS: BE and GR. This results in an overall amount at risk of EUR 0.45 million (see table: Annex 10 3.1.4.4-1).

Fruit and Vegetables - Temporary Exceptional Measures

Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2017 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	-	N/D	-	-	-	-	-	-
BE	3 259 541	N/D	-	5%	-	162 977	5.00%	162 977
BG	36 366	N/D	-	-	-	-	-	-
CY	1 317 324	N/D	-	-	-	-	-	-
CZ	9 670	N/D	-	-	-	-	-	-
DE	-	N/D	-	-	-	-	-	-
DK	-	N/D	-	-	-	-	-	-
EE	14 653	N/D	-	-	-	-	-	-
ES	11 589 065	N/D	-	-	-	-	-	-
FI	-	N/D	-	-	-	-	-	-
FR	1 826 906	N/D	-	-	-	-	-	-
GB	-	N/D	-	-	-	-	-	-
GR	9 759 925	N/D	-	3%	-	292 798	3.00%	292 798
HR	2 111 417	N/D	-	-	-	-	-	-
HU	1 140 121	N/D	-	-	-	-	-	-
IE	-	N/D	-	-	-	-	-	-
IT	8 282 872	N/D	-	-	-	-	-	-
LT	75 196	N/D	-	-	-	-	-	-
LU	-	N/D	-	-	-	-	-	-
LV	130 898	N/D	-	-	-	-	-	-
MT	-	N/D	-	-	-	-	-	-
NL	922 393	N/D	-	-	-	-	-	-
PL	38 197 968	N/D	-	-	-	-	-	-
PT	1 974 685	N/D	-	-	-	-	-	-
RO	916 363	N/D	-	-	-	-	-	-
SE	-	N/D	-	-	-	-	-	-
SI	610 190	N/D	-	-	-	-	-	-
Grand Total	82 529 815	-	-	-	-	455 775	0.55%	455 775

Table: Annex 10 - 3.1.4.4-1

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
BE	5%	EUR 0.163 m	A DG AGRI audit in 2017 identified deficiencies as regards the checks to establish eligibility of the aid, performance of on-the-spot-checks of sufficient number and performance of on-the-spot-checks of sufficient quality.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	3%	EUR 0.293 m	A DG AGRI audit in 2017 identified deficiencies as regards the performance of on-the-spot-checks of sufficient number.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 - 3.1.4.4-2

3.1.4.5 Conclusion for the Fruit and Vegetable sector

For the fruit and vegetables sector there are 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 is set out in detail above and indicates that 3 reservations are required in respect of 3 Member States for a total amount of EUR 17.48 million. The total amount at risk in the 2017 expenditure is estimated at EUR 21.52 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	779 491 289		ES	7 112 472	19 799 486
			IT	7 042 803	
			Total OPPO	14 155 276	
Pre-Recognition of Producer Groups	16 302 524			-	2 025
			Total PRPG	-	
School Fruit Scheme	117 097 079		FR	1 038 472	1 722 477
			Total SFS	1 038 472	
Temporary Exceptional Measures	82 529 815			-	455 775
			Total TEM	-	
Grand Total	995 420 706	2.16%		15 193 748	21 523 988

Table: Annex 10 – 3.1.4.5-1

The 2016 reservations for **operational programmes for producer organisations** for ES and IT are carried over. For AT, CZ, DE GR and SE, as the amount at risk is below the *de minimis* threshold, there is no reservation. For FR no specific reservation is needed for this measure as most of the deficiencies have already been addressed by the FR authorities who are also in the process of finalising the implementation of the remaining ones.

The 2014/2015/2016 reservation for **pre-recognition of producer groups** in PL is not carried over as for the full financial year 2017 a suspension of payments (25%) was in place for Poland for this measure in order to protect the EU budget.

For **temporary exceptional support measures** for the fruit and vegetables sector, the 2016 reservation is not carried over for expenditure incurred by Poland.

For the **school fruit scheme**, a reservation for FR is indicated but this is covered by the general reservation for the Paying Agency France AGRIMER.

It is emphasised furthermore, that in the case of all of the amounts under reservation, the conformity clearance procedure shall ensure that undue expenditure will be recovered from the Member States concerned.

3.1.5 Wine sector

The common organisation of the market in wine is aimed essentially at improving the competitiveness of EU wine producers and balancing supply and demand in the wine sector. The main financial instruments of this reform included a temporary grubbing-up scheme and the setting up of national support programmes: a specific budget made available for each Member State, which can choose the breakdown best adapted to its particular situation. The most significant measures, in financial terms, have been restructuring and conversion of vineyards; investments; promotion on third country markets and information within EU; by-product distillation and harvest insurance. Regulation (EC) No 1308/2013 added further support measures to the existing ones. The existing measures now are: promotion; restructuring and conversion of vineyards; green harvesting; mutual funds; harvest insurance; investments; innovation in the wine sector and by-product distillation. Regulations (EU) No 1149/2016, and (EU) No 1150/2016, have extended the obligation for the MS 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).

Expenditure by Measure in 2017 - Wine									
Member State	Restructuring and Conversion of Vineyards	Investment	Promotion in Third Countries and Information in EU	By-product distillation	Harvest Insurance	Green harvesting	Innovation	Others	Total Wine
AT	5 742 476	2 761 506	1 834 030						10 338 012
BG	22 267 912	-	438 293						22 706 205
CY	882 935	2 465 114			255 397				3 603 446
CZ	4 122 618	1 030 340							5 152 957
DE	15 485 381	15 182 382	2 093 109		159 033				32 919 906
ES	77 360 666	51 151 994	41 623 079	31 710 259			42 322		201 888 319
FR	123 333 572	93 009 335	35 313 445	28 881 060				7 476	280 544 887
GR	8 987 427	-	4 249 575						13 237 002
HR	202 934	2 950 785	167 261						3 320 979
HU	27 544 505	12 770	342 552	1 200 000					29 099 828
IT	141 770 302	62 520 198	73 986 943	17 927 804	26 403 392	1 189 394			323 798 032
PT	54 617 179	-	5 796 724	1 424 081	3 370 016				65 208 000
RO	9 981 686	1 147 834	144 212		260 701				11 534 433
SI	4 501 542	-	543 458						5 045 000
SK	2 815 790	532 530	13 440		255 397				3 617 157
Grand Total	499 616 926	232 764 787	166 546 122	81 143 203	30 703 936	1 189 394	42 322	7 476	1 012 014 164

Table: Annex 10 – 3.1.5-1

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 7 audits on the measure between 2015 and 2017 in AT, BG, IT (2), DE, HU and RO. The most significant issue detected was that the Paying Agency did not systematically and/or completely perform the required ex-ante on-the-spot checks.

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. Between 2015 and 2017, DG AGRI carried out audits in FR, ES and IT. The most significant issue detected being the non-

recovery of aid by the Member States when the overall operation had not been fully implemented as approved.

Promotion on third country markets

A 100% administrative check is carried out by the Member States in order to detect ineligible costs. Between 2015 and 2017, the MS audited by DG AGRI were IT (twice), ES and FR. Deficiencies were detected with regard to the latter.

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 2017, IT was the only MS where this measure was used.

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 MS, to keep every drop of alcohol produced under control, is very high.

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 maximum insurance premium and maximum insured value of the harvest. DG AGRI audit missions took place between 2012 and 2015 to IT and RO. Based on both the evaluation on the spot as well as the structure of the control system, the auditors conclude that there is no or very low risk in this measure.

Other (innovation measure)

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

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 due to ex-ante on-the-spot checks in AT as well as deficiencies in the checks for investment measures for wine in ES and FR and for promotional measures in FR. 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 and promotional measures).

The Certification Bodies for BG, DE, ES, and FR have also found errors with regard to restructuring of vineyards, investments and promotion and estimations of the error have been added to the respective amounts at risk.

Wine - 2017 Expenditure :
Calculation of Adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2017 EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk if top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) + ((g))
AT	10 338 012	100.0%	2.3%	1.47%	-	528 496	5.11%	528 496
BG	22 706 205	-	-	0.00%	-	619 612	2.73%	619 612
CY	3 603 446	-	-	-	-	-	-	-
CZ	5 152 957	100.0%	4.2%	-	-	-	-	-
DE	32 919 906	100.0%	1.6%	1.53%	197	503 407	1.53%	503 604
ES	201 888 319	99.6%	0.6%	0.82%	5 639	1 665 215	0.83%	1 670 854
FR	280 544 887	100.0%	7.0%	9.22%	827	25 867 989	9.22%	25 868 816
GR	13 237 002	-	-	-	98	-	0.00%	98
HR	3 320 979	96.2%	1.2%	-	1 546	-	0.05%	1 546
HU	29 099 828	100.0%	17.5%	-	2 226	-	0.01%	2 226
IT	323 798 032	99.2%	2.9%	-	79 260	-	0.02%	79 260
PT	65 208 000	-	-	-	-	-	-	-
RO	11 534 433	100.0%	1.5%	-	-	-	-	-
SI	5 045 000	95.3%	-	-	2 879	-	0.06%	2 879
SK	3 617 157	92.9%	-	-	-	-	-	-
Grand Total	1 012 014 164	89.2%	3.6%		92 673	29 184 718	2.89%	29 277 391

Table: Annex 10 – 3.1.5.1-1

The above table indicates that 1 reservation is required in respect of FR for a total amount of EUR 25.87 million. The adjusted error rate for the wine sector is 2.89% which represents a total amount at risk in the 2017 expenditure of EUR 29.28 million.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reser- vation	Mitigating factors/ reservation follow-up
AT	5.11%	EUR 0.528 m	DG AGRI audit found deficiencies in the number and quality of the OTSC. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State, as orders were placed and down payment made prior to the approval of investments.	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.
BG	2.73%	EUR 0.620 m	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.
FR	9.22%	EUR 25.869 m	AGRI audits found deficiencies in the performance of the administrative and on the spot checks, and the risk analysis. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.5.1-2

3.1.6 Olive oil

In 2017, the expenditure under this scheme, which is implemented only by three MS (FR, IT and GR) amounted to EUR 42.77 million.

For FR an error has been reported by the Certification Body in its report for 2017 and DG AGRI has included it as amount at risk.

Olive oil Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2017 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT		N/D	N/D	-	-	-	-	-
BE		N/D	N/D	-	-	-	-	-
BG		N/D	N/D	-	-	-	-	-
CY		N/D	N/D	-	-	-	-	-
CZ		N/D	N/D	-	-	-	-	-
DE		N/D	N/D	-	-	-	-	-
DK		N/D	N/D	-	-	-	-	-
EE		N/D	N/D	-	-	-	-	-
ES		N/D	N/D	-	-	-	-	-
FI		N/D	N/D	-	-	-	-	-
FR	484 047	N/D	N/D	14.4%	-	69 744	14.41%	69 744
GB		N/D	N/D	-	-	-	-	-
GR	10 099 173	N/D	N/D	-	-	-	-	-
HR		N/D	N/D	-	-	-	-	-
HU		N/D	N/D	-	-	-	-	-
IE		N/D	N/D	-	-	-	-	-
IT	32 186 722	N/D	N/D	-	-	-	-	-
LT		N/D	N/D	-	-	-	-	-
LU		N/D	N/D	-	-	-	-	-
LU		N/D	N/D	-	-	-	-	-
LV		N/D	N/D	-	-	-	-	-
MT		N/D	N/D	-	-	-	-	-
NL		N/D	N/D	-	-	-	-	-
PL		N/D	N/D	-	-	-	-	-
PT		N/D	N/D	-	-	-	-	-
RO		N/D	N/D	-	-	-	-	-
SE		N/D	N/D	-	-	-	-	-
SI		N/D	N/D	-	-	-	-	-
SK		N/D	N/D	-	-	-	-	-
Grand Total	42 769 942	-	-	-	-	69 744	0.2%	69 744

Table: Annex 10 – 3.1.6-1

Member State/PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
FR	14.41%	EUR 0.070 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	No (see overall reservation for FR)	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required.

Table: Annex 10 – 3.1.6-2

3.1.7 POSEI

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

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

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

Portugal: the Azores and Madeira

Spain: the Canary Islands

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

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

ABB02 measures fall into two categories:

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

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

Article 32(2) of Regulation (EU) No 228/2013, Article 39(1)(k) of Regulation (EU) No 180/2014 Article 20(2) of Regulation (EU) No 229/2013) and Article 31(1)(k) of Regulation (EU) No 181/2014 oblige Member States to submit statistics on the checks carried out by the competent authorities.

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

Further to the result of enquiries carried out in 2014 and 2017 the error rates reported for FR has been adjusted.

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

POSEI Market measures
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2017 EUR	% of claims checked OTS	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk if top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
ES	82 598 334	12.4%	0.46%		330 717	-	0.40%	330 717
FR	124 079 717	51.6%	1.98%	0.04%	1 187 013	5 657 274	5.52%	6 844 287
GR	5 375 403	100.0%	-		-	-	-	-
PT	22 526 610	58.2%	0.00%		45	-	0.00%	45
Grand Total	234 580 065	39.5%	1.21%		1 517 776	5 657 274	3.06%	7 175 049

Table: Annex 10 – 3.1.7-1

The table above indicates that one reservation is required in respect of France for an amount of EUR 6.84 million. The adjusted error rate for the market measures under POSEI is 3.06% which represents a total amount at risk in the 2017 expenditure of EUR 7.18 million. The table above also shows the error rates detected by the Member States.

POSEI – ABB02					
Member State/PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
FR05 ODEADOM	5.52 %	EUR 6.844 m	A DG AGRI audit in 2014 identified deficiencies as regards the administrative checks. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Paying Agency should follow the recommendations for remedial actions of the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.7-2

3.1.8 School Milk Scheme

In 2017, expenditure in respect of this measure amounted to EUR 64.2 million. There is a high level of control generally for the scheme with over 30.5 % of aid claimed being subject to on-the-spot checks.

No MS reported material errors. Further to an audit carried out in 2016, a top-up is applied for SE. The resulting adjusted error rate is not material.

An adjustment is made to the error rate reported by France based on the assessment of the Certification Body.

School Milk Scheme - 2017 expenditure and calculation of amount at risk
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2017 EUR	% of claims checked	Reported error rate	Adjustment	Amount at risk if no top-up EUR	Amount at risk if top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	563 140	32.7%	0.1%		207	-	0.04%	207
BE	358 931	17.3%	-		-	-	-	-
BG	733 063	22.1%	-		-	-	-	-
CY	139 673	5.9%	-		-	-	-	-
CZ	429 143	98.8%	0.0%		1	-	0.00%	1
DE	4 030 753	68.3%	-		-	-	-	-
DK	1 565 922	87.1%	0.1%		197	-	0.01%	197
EE	748 859	16.7%	-		-	-	-	-
ES	265 733	44.0%	0.0%		33	-	0.01%	33
FI	3 693 909	10.0%	0.7%		23 672	-	0.64%	23 672
FR	7 403 388	4.8%	0.1%		9 259	1 700 382	23.09%	1 709 641
GB	4 580 261	9.6%	-		-	-	-	-
GR	17 412	10.1%	-		-	-	-	-
HR	91 411	99.0%	-		-	-	-	-
HU	2 085 567	16.3%	-		-	-	-	-
IE	275 413	20.0%	-		-	-	-	-
IT	3 200 805	22.7%	-		-	-	-	-
LT	480 635	62.3%	-		-	-	-	-
LU	29 377	100.0%	-		-	-	-	-
LV	933 350	5.7%	-		-	-	-	-
MT	17 897	13.5%	-		-	-	-	-
NL	237 215	100.0%	0.0%		-	-	-	-
PL	10 115 620	14.9%	-		-	-	-	-
PT	2 882 227	6.0%	0.2%		5 683	-	0.20%	5 683
RO	9 885 535	99.8%	0.2%		50	-	0.00%	50
SE	8 756 377	15.4%	-	19 364	-	19 364	0.22%	19 364
SI	3 525	98.1%	-		-	-	-	-
SK	674 513	53.8%	-		-	-	-	-
Grand Total	64 199 654	30.5%	0.1%		39 103	1 719 746	2.74%	1 758 849

Table: Annex 10 – 3.1.8-1

The adjusted error rate for the school milk scheme is 2.74 % which represents a total amount at risk in the 2017 expenditure of EUR 1.76 million.

Member State	Adjusted error rate	Amount at Risk	Reason for top-up	Reser- vation	Mitigating factors/ reservation follow-up
FR	23.09%	EUR 1.710 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.8-2

3.1.9 Temporary exceptional measures in the milk and 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 and pigmeat sectors.

In financial year 2017 expenditure amounted to EUR 403.82 million.

Given the temporary nature of the measure, there are no control statistics available and no adjustments have been considered necessary by the DG AGRI auditors. Seven audits have been carried out between 2016 and 2017 confirming that the measures are, in general, very straightforward with none resulting in the opening of conformity procedures. However, adjustments have been made, as indicated in the tables below, for France as a result of errors detected by the Certification Body.

Temporary and Exceptional measures - Milk and Milk Products								
Calculation of adjusted Error Rate and Amount at Risk								
Member State	Aid paid in 2017 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	5 250 884	N/D	N/D	-	-	-	-	-
BE	15 477 429	N/D	N/D	-	-	-	-	-
BG	6 449 107	N/D	N/D	-	-	-	-	-
CY	1 680	N/D	N/D	-	-	-	-	-
CZ	7 678 631	N/D	N/D	-	-	-	-	-
DE	92 269 407	N/D	N/D	-	-	-	-	-
DK	12 368 518	N/D	N/D	-	-	-	-	-
EE	6 340 518	N/D	N/D	-	-	-	-	-
ES	17 839 553	N/D	N/D	-	-	-	-	-
FI	7 683 938	N/D	N/D	-	-	-	-	-
FR	70 431 352	N/D	N/D	0.2%	-	166 737	0.24%	166 737
GB	42 447 743	N/D	N/D	-	-	-	-	-
GR	1 635 748	N/D	N/D	-	-	-	-	-
HR	1 942 971	N/D	N/D	-	-	-	-	-
HU	10 720 978	N/D	N/D	-	-	-	-	-
IE	19 779 042	N/D	N/D	-	-	-	-	-
IT	3 628 325	N/D	N/D	-	-	-	-	-
LT	2 710 803	N/D	N/D	-	-	-	-	-
LU	772 115	N/D	N/D	-	-	-	-	-
LV	10 623 964	N/D	N/D	-	-	-	-	-
MT	106 451	N/D	N/D	-	-	-	-	-
NL	32 797 399	N/D	N/D	-	-	-	-	-
PL	11 442 358	N/D	N/D	-	-	-	-	-
PT	6 038 317	N/D	N/D	-	-	-	-	-
RO	5 706 808	N/D	N/D	-	-	-	-	-
SE	8 848 618	N/D	N/D	-	-	-	-	-
SI	1 253 164	N/D	N/D	-	-	-	-	-
SK	1 573 506	N/D	N/D	-	-	-	-	-
Grand Total	403 819 329	-			-	166 737	0.0%	166 737

Table: Annex 10 – 3.1.9-1

Pigmeat, eggs, poultry & apiculture
Calculation of adjusted Error Rate and Amount at Risk

Member State	Aid paid in 2017 EUR	% of claims checked OTS	reported error rate	adjustment	amount at risk if no top-up EUR	amount at risk if top-up EUR	adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g)= (b)*(e)	(h) = (f+g)/b	(i) = (f) +(g)
AT	870 637	N/D	N/D	-	-	-	-	-
BE	1 048 683	N/D	N/D	-	-	-	-	-
BG	830 237	N/D	N/D	-	-	-	-	-
CY	378 964	N/D	N/D	-	-	-	-	-
CZ	5 388 825	N/D	N/D	-	-	-	-	-
DE	1 543 836	N/D	N/D	-	-	-	-	-
DK	143 621	N/D	N/D	-	-	-	-	-
EE	2 412 277	N/D	N/D	-	-	-	-	-
ES	5 787 458	N/D	N/D	-	-	-	-	-
FI	136 442	N/D	N/D	-	-	-	-	-
FR	33 034 894	N/D	N/D	7.2%	-	2 387 120	7.23%	2 387 120
GB	591 283	N/D	N/D	-	-	-	-	-
GR	3 380 612	N/D	N/D	-	-	-	-	-
HR	971 036	N/D	N/D	-	-	-	-	-
HU	2 348 101	N/D	N/D	-	-	-	-	-
IE	36 239	N/D	N/D	-	-	-	-	-
IT	4 943 689	N/D	N/D	-	-	-	-	-
LT	954 118	N/D	N/D	-	-	-	-	-
LU	15 062	N/D	N/D	-	-	-	-	-
LV	193 484	N/D	N/D	-	-	-	-	-
MT	8 326	N/D	N/D	-	-	-	-	-
NL	4 132 385	N/D	N/D	-	-	-	-	-
PL	9 249 083	N/D	N/D	-	-	-	-	-
PT	1 191 065	N/D	N/D	-	-	-	-	-
RO	8 990 285	N/D	N/D	-	-	-	-	-
SE	260 753	N/D	N/D	-	-	-	-	-
SI	282 360	N/D	N/D	-	-	-	-	-
SK	1 620 324	N/D	N/D	-	-	-	-	-
Grand Total	90 744 077	-			-	2 387 120	2.6%	2 387 120

Table: Annex 10 – 3.1.9-2

Table Annex 10-3.1.9-2 above indicates that a reservation is required for FR in respect of 2017 expenditure on temporary exceptional measures in the "Pigmeat, eggs, poultry & apiculture" sector.

Member State/PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
FR	7.23 %	EUR 2.387 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should address the deficiencies identified by the Certification Body.

Table: Annex 10 – 3.1.9-3

3.1.10 Promotion Measures

Control statistics are not available in respect of promotion measures but are being required under the new promotion legislation which entered into force on 1/12/2015.

Expenditure reimbursed by DG AGRI in 2017 amounted to EUR 69.76 million under the old and new promotion regimes.

Promotion Measures - Expenditure in 2017								
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 if top-up EUR	Adjusted error rate	Total amount at risk EUR
(a)	(b)	(c)	(d)	(e)	(f) = b*(1-c)*d	(g) = (b)*(e)	(h) = (f+g)/b	(i) = (f) +((g)
AT	2 458 221	N/D	N/D	-	-	-	-	-
BE	2 401 374	N/D	N/D	-	-	-	-	-
BG	1 344 507	N/D	N/D	27.1%	-	363 758	27.06%	363 758
CY	1 057 718	N/D	N/D	-	-	-	-	-
CZ	1 622 334	N/D	N/D	-	-	-	-	-
DE	1 632 182	N/D	N/D	-	-	-	-	-
DK	974 584	N/D	N/D	-	-	-	-	-
EE	191 911	N/D	N/D	-	-	-	-	-
ES	4 034 450	N/D	N/D	14.9%	-	599 618	14.86%	599 618
FI	200 078	N/D	N/D	-	-	-	-	-
FR	10 479 890	N/D	N/D	0.3%	-	36 147	0.34%	36 147
GB	2 640 168	N/D	N/D	-	-	-	-	-
GR	12 068 074	N/D	N/D	5.0%	-	603 404	5.00%	603 404
IE	1 230 608	N/D	N/D	-	-	-	-	-
IT	12 736 881	N/D	N/D	25.0%	-	3 184 220	25.00%	3 184 220
LT	2 505 398	N/D	N/D	25.0%	-	626 350	25.00%	626 350
LV	653 802	N/D	N/D	-	-	-	-	-
NL	2 662 451	N/D	N/D	-	-	-	-	-
PL	6 821 125	N/D	N/D	-	-	-	-	-
PT	1 184 257	N/D	N/D	-	-	-	-	-
RO	265 847	N/D	N/D	-	-	-	-	-
SI	596 176	N/D	N/D	-	-	-	-	-
Grand Total	69 762 033	-	-		-	5 413 496	7.76%	5 413 496

Table: Annex 10 – 3.1.10-1

Audits carried out from 2015 to 2017 have identified deficiencies in Bulgaria, Greece, Italy, Lithuania and Spain in respect of procurement procedures (selection criteria, equality of treatment, transparency). Since procurement procedures provide for large flat rate corrections in the event of such breaches of procurement procedures, top-ups have been applied accordingly and this leads to top-ups of 5% for GR, ES, 25% for IT, LT and 27.1 % for BG.

An adjustment has been made for France as a result of errors detected by the Certification Body.

DG AGRI's adjustments and their impact on the amounts at risk are summarised in the following table:

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for top-up	Reservation	Mitigating factors/ reservation follow-up
BG	27.06%	EUR 0.364 m	A DG AGRI audit in 2016 detected deficiencies in the controls on selection procedures of implementing bodies. Another enquiry ensures the follow-up of the financial consequences of an OLAF investigation.	No	As the amount at risk is below the <i>de minimis</i> 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.
ES	14.86%	EUR 0.600 m	A DG AGRI audit in 2017 detected deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GR	5%	EUR 0.603 m	A DG AGRI audit in 2015 detected deficiencies in the controls on selection procedures of implementing bodies.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT	25%	EUR 3.184 m	A DG AGRI audit in 2015 found serious deficiencies in the controls on selection procedures of implementing bodies, leading to a top-up of 25%.	Yes	A reservation is entered in respect of 2017 expenditure. An action plan is not considered necessary as in the context of the reform of the promotion regime, a new control set-up will in any event be established. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
LT	25 %	EUR 0.626 m	A DG AGRI audit in 2017 found serious deficiencies in the controls on selection procedures of implementing bodies leading to a top-up of 25%.	No	As the amount at risk is below the <i>de minimis</i> threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 – 3.1.10-2

3.1.11 France AGRIMER

DG AGRI's assessment of the error of the various market measures managed by the French Paying Agency, France AGRIMER, based on its own audit findings, did not lead to a reservation as there were either no adjustments necessary or in the case of wine measures, the amount at risk/error rate was not material/above the materiality threshold. However, the Certification Body for France AGRIMER found significant amounts at error (including known errors for late payments) across all aid schemes managed by that Paying Agency and those amounts have been used to adjust the error rate at Paying Agency level

The following table summarises the situation with regard to the risk at the level of France AGRIMER:

Budget Article	Measure	Sector Level		Error rate
		Expenditure	Amount at risk	
050206	Olive Oil	484 047	69 744	
050208	Fruit & Vegetables	111 969 349	3 326 183	
050209	Wine	280 544 887	25 868 816	
050210	Promotion measures	10 479 890	36 147	
050212	Milk and milk products	77 834 740	1 876 378	
050215	Pigmeat, eggs, poultry & apiculture	33 034 894	2 387 120	
	Other	1 630 425	38 746	
FR20	France AGRIMER	515 978 232	33 603 135	6.5%

Table: Annex 10 – 3.1.11-1

DG AGRI's adjustments and their impact on the amounts at risk are summarised in the following table:

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for adjustment	Reservation	Mitigating factors/ reservation follow-up
FR 20 Market measures	6.5%	EUR 33.597 m	The Certification Body has identified significant errors with regard to 2017 expenditure on market measures for FR20 including known errors for late payments. Based on the Certification Body's assessment, adjustments have been made to the error rate reported by the Member State or for measures for which there are no control statistics, the amount at risk has been estimated.	Yes (see also Wine, school fruit and school milk schemes and temporary exceptional measures)	A reservation is entered in respect of 2017 expenditure. The Member State should address, in an action plan, the deficiencies identified by the Certification Body as well as the deficiencies which have also been identified by DG AGRI in the Wine sector for investment and promotion measures.

Table: Annex 10 – 3.1.11-2

3.1.12 Conclusions as regards assurance for ABB02

As a result of the "tops-ups" made by DG AGRI to the error rates reported by the Member States, an adjusted error rate of 2.38 % has been calculated for shared management. As there was no direct expenditure for promotion measures in 2017, for ABB02 as a whole, the adjusted error rate is also 2.38%.

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 2016 AAR which are not carried over in respect of 2017.

9 reservations from 2016 and earlier can be lifted

- BE, GR, FR and NL for operational programmes for producer organisations
- PL for pre-recognition of producer groups
- PL for F&V temporary exceptional measures
- GR for promotion measures
- FR for temporary exceptional measures – milk and milk products
- HU for Wine.

4 reservations from 2016 are carried over as the remedial action plans are still underway and the error is material:

- ES and IT for operational programmes for producer organisations
- FR for POSEI measures
- IT for promotion measures

While a reservation is again indicated for FR for wine measures, it is included in the general reservation for France,

1 new reservation is introduced:

FR for all market measures implemented by the Paying Agency AGRIMER.

The reservation is necessary because of the errors found by the Certification Body across all aid schemes. However, systemic issues have not been identified for specific aid schemes. Therefore, a specific reservation is not considered for each of the schemes (reservations are indicated for the school fruit and school milk schemes, for wine and for temporary exceptional measures in the livestock sector but are covered in the one overall reservation for the Paying Agency). The reservation is issued at Paying Agency level and corrective actions will also have to be addressed at that level with regard to the Certification Body's findings.

The following table details all cases where a reservation was considered necessary in respect of 2017 expenditure:

Paying Agency/measure	Adjusted error rate	Amount at Risk	Reason for adjustment	Reservation	Mitigating factors/ reservation follow-up
ES Fruit & Veg Producer organisations	3.29%	EUR 7.112 m	<p>A DG AGRI audit in 2017 in Murcia (ES013) found deficiencies as regards the checks to establish the consistency and technical quality of the programmes, the control of eligibility of the operational programme and the on-the-spot checks on measures of operational programmes.</p> <p>The follow up of the environmental actions in Spain revealed that there were still some shortcomings for limiting the expenditure of environmental actions to the additional costs.</p> <p>Based on the Certification Body's 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 2017 expenditure.</p> <p>For Murcia, the Spanish authorities are taking the remedial measures from OP 2017 and therefore no action plan is necessary.</p> <p>The Spanish authorities amended the Framework for Environmental Actions and have finished the studies for calculating the specific cost of certain environmental actions and therefore the shortcoming has been remedied. The Member State should address the findings of the Certification Body.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
IT Fruit & Veg Producer organisations	3.12%	EUR 7.043 m	<p>A DG AGRI audits in 2016 and 2017 found several deficiencies in the controls carried out on eligibility of operational programmes and the aid claimed, checks on outsourcing of the PO' main activity, checks on democratic accountability and checks on delivery of the full production.</p>	Yes	<p>A reservation is entered in respect of 2017 expenditure.</p> <p>The Member State should implement an action plan to address the deficiencies detected in the Paying Agency of AGEA.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
FR School Fruit Scheme	54.52 %	EUR 1.038 m	<p>Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.</p>	Yes - overall reservation for FR	<p>A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR).</p> <p>The Member State should address the deficiencies identified by the Certification Body.</p>
FR Wine	9.22%	25.869 m EUR	<p>AGRI audits found deficiencies in the performance of the administrative and on the spot checks, and the risk analysis.</p> <p>Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.</p>	Yes - overall reservation for FR	<p>A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR).</p> <p>The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Body.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

IT Promotion measures	25%	EUR 3.184 m	A DG AGRI audit in 2015 found serious deficiencies in the controls on selection procedures of implementing bodies, leading to a top-up of 25%.	Yes	A reservation is entered in respect of 2017 expenditure. An action plan is not considered necessary as in the context of the reform of the promotion regime, a new control set-up is applicable. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR05 POSEI	5.52 %	EUR 6.844 m	A DG AGRI audit in 2014 identified deficiencies as regards the administrative checks. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Paying Agency should follow the recommendations for remedial actions of the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR School milk scheme	23.09 %	EUR 1.71 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should implement an action plan addressing the deficiencies identified by DG AGRI and the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR Temporary Excep- tional Measures – Livestock	7.23 %	2.387 m EUR	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes - overall reservation for FR	A reservation is entered in respect of 2017 expenditure (covered by the overall reservation for FR). The Member State should address the deficiencies identified by the Certification Body.
FR 20 Market measures	6.5%	EUR 33.603 m	The Certification Body has identified significant errors with regard to 2017 expenditure on market measures for FR20. Based on the Certification Body's assessment, adjustments have been made to the error rate reported by the Member State or for measures for which there are no control statistics, the amount at risk has been estimated).	Yes – overall reservation (see also Wine, school fruit and school milk schemes and temporary exceptional measures)	A reservation is entered in respect of 2017 expenditure. The Member State should address, in an action plan, the deficiencies identified by the Certification Body as well as the deficiencies which have also been identified by DG AGRI in the Wine sector for investment and promotion measures.

Table: Annex 10 – 3.1.12-1

The following table gives details of cases where a reservation made in the 2016 AAR was not carried over in the 2017 AAR:

MS	Adjusted error rate	Justification
NL F&V Producer organisations	0.18 %	NL has taken corrective action with regard to deficiencies detected in the past and which were the subject of reservations in previous years.
BE F&V Producer organisation	0.07 %	The deficiencies have been remedied by the BE authorities.
GR F&V Producer organisation	5 %	Following the reservation entered in the 2016 AAR, an Action Plan is ongoing and closely monitored by DG AGRI.
PL F&V Producer Groups	0.02%	The Commission suspended payments (25%) to PL in respect of 2017 expenditure on Producer Groups. The action plan has been completed at the beginning of 2018. The ongoing clearance procedure will ensure that the financial risk to the EU budget is covered.
PL F&V Temporary Exceptional Measures	0 %	The measures were temporary one-off measures with no payments in year 2017. The conformity clearance procedure ensured that the financial risk to EU budget was covered.
HU Wine	0.01%	A DG AGRI audit has confirmed that HU has taken corrective actions with regard to deficiencies detected by the Certification Body in 2016.
GR Promotion measures	5%	The amount at risk for FY2017 is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4).
FR TEM (milk measures)	0.2%	The error rate for 2017 is not material. The specific reservation is not carried over.

Table: Annex 10 – 3.1.12-2

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 75.4% of the expenditure covering EUR 2.224 million.

For a further EUR 647.3 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 77.6 million the aggregate error rate for the other measures (2.38%) was extrapolated to the expenditure concerned.

Overall assessment of risk for ABB02 - Market Measures										
Budget article	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	Measure risk assessed by auditors		ABB02 error rate applied* 2.38%		
						Expenditure ⁽¹⁾	Risk	Expenditure ⁽¹⁾	Risk	
050204	Food Aid	-			-				-	-
050205	Sugar	-			-				-	-
050206	Olive Oil	42 769 942			42 769 942	484 047	69 744		42 285 895	1 004 899
050207	Textile Plants	6 134 399			6 134 399				6 134 399	145 780
050208	Fruit and Vegetables	995 420 706	912 890 892	21 523 988	82 529 815	82 529 815	455 775		-	-
050209	Wine ⁽²⁾	1 011 750 116	1 012 014 164	29 277 391	-264 048				-264 048	1 676
050210	Promotion (shared management only)	69 762 033			69 762 033	69 762 033	5 413 496		-	-
050211	Other plant products and POSEI	236 857 065	234 580 065	7 175 049	2 277 000				2 277 000	54 112
050212	Milk and Milk Products	468 018 983	64 199 654	1 758 849	403 819 329	403 819 329	166 737		-	-
050213	Beef and Veal	23 649 431			23 649 431				23 649 431	562 014
050214	Sheepmeat and goatmeat	3 505 102			3 505 102				3 505 102	83 297
050215	Pigmeat, eggs, poultry & apiculture	90 744 077			90 744 077	90 744 077	2 387 120		-	-
	Total	2 948 611 854	2 223 684 775	59 735 277	724 927 079	647 339 301	8 492 872		77 587 779	1 851 777
						Expenditure	Amount at risk	% coverage	Error rate	
	Expenditure covered by control statistics					2 223 684 775	59 735 277	75.41%		
	Expenditure for which there are no statistics but for which risk assessment carried out					647 339 301	8 492 872	21.95%		
	Risk for expenditure covered by statistics and by risk assessment					2 871 024 075	68 228 149	97.37%		
	*Error rate used on expenditure covered by statistics and risk assessed									2.38%
	Extrapolated risk for non-risk assessed expenditure					77 587 779	1 851 777			
	ABB02 - shared management - monthly declaration					2 948 611 854	70 079 926			
	Suspension of payments ⁽²⁾					-3 007 191	-			
	ABB02 - shared management - payments made					2 945 604 663	70 079 926			2.38%
	ABB02 - direct management - payments made on <i>Promotion measures - direct payments by the Union</i>									
	Total ABB 02 - payments made					2 945 604 663	70 079 926			2.38%

Footnote: ⁽¹⁾ Monthly declaration of expenditure affected by Paying Agencies.
⁽²⁾ There are still payments and reimbursements made in respect of certain measures from previous claim years/marketing years. The net expenditure is negative (i.e. reimbursement to the Commission). Since no control statistics are available on these measures, the average error rate is applied only on payments made but not on reimbursements.
⁽³⁾ Suspension of payments made in respect of financial year 2017 for Poland. The amounts corresponding to payments suspended have been declared by the Paying Agency to the Commission in its monthly declarations (i.e. no recovery order issued for the amounts concerned) but the amounts are suspended and not reimbursed to the Member State by the Commission.

Table: Annex 10 – 3.1.12-3

Overall, the adjustments made resulted in the reported error rate of 0.52% increasing to 2.38% for ABB02. The adjusted error rate has significantly decreased from the error rate of 2.85 % for 2016.

The total amount at risk for ABB02 is EUR 70.08 million with an error rate of 2.38%.

It is noted that the average amount of net financial corrections per year for the five-year period 2013-2017 (excluding corrections made for cross-compliance and no longer existing schemes) is EUR 88 million for ABB02.

Part 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 40 billion, Direct Payments (also called direct aids, direct support, area aids) represent the most significant part of the CAP budget and a substantial part of the EU budget.

Direct payments benefited nearly 6.5 million farms throughout the European Union in financial year 2016. They often represent an important share of their agricultural income (on average, nearly half of farmers' income in the last ten years came from this direct support).

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

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

- ⇒ a '**green**' direct payment for agricultural practices beneficial for the climate and the environment, which conditions the payment of 30% Member States' annual allocation to meeting three categories of generalised, non-contractual and annual obligations beneficial for the environment and climate: **crop diversification, maintenance of permanent grassland**, and the dedication of five per cent of arable land to ecologically beneficial areas ("**ecological focus areas**"). 77% of the total EU agricultural area is subject to at least one "greening" obligation³⁵.
- ⇒ 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.

³⁵ Source: 2016 notifications from Member States.

- ⇒ (where applied) **a redistributive payment** to provide improved support to small and middle-size farms. Under this scheme, Member States may allocate up to 30% of their national budget to a top-up payment for the first eligible hectares. The number of hectares for which this payment can be allocated is limited to a threshold set by national authorities (30 hectares or the average farm size in member states if the latter is more than 30 hectares). The amount per hectare is the same for all farmers in the country where it is applied, and cannot exceed 65% of the average payment per hectare.
- ⇒ (where applied) **payments for areas with natural constraints (ANC)**, where farming conditions are particularly difficult, such as mountain areas. Under this scheme, up to 5% of the national allocation for direct payments can be used for top-up payments to farmers in areas with natural 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 €1,250. The small farmers scheme includes simplified administrative procedures, and participating farmers are exempt from greening 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. The aim of this type of support is to maintain the level of production in regions or in sectors undergoing difficulties and that are particularly important for economic, social or environmental reasons. This option is presently applied by 27 Member States (not Germany).

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

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 States but may not be higher than € 5000.

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.

Explanatory box: Annex 10 – 3.2.1-1

Omnibus amendments that only start to apply after 2017:

As from 2018 Member States may:

- discontinue the application of the list of negative activities;
- restrict the possibilities for rebutting from the negative list to just one or two of the three options;
- exclude from eligibility for direct payments, farmers who are not in national fiscal or social security registers for their agricultural activities.

Explanatory box: Annex 10 – 3.2.1-2

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

The relevance of the new flexibility in the system is also illustrated by the range of implementation decisions made by Member States, e.g. the modalities for implementation of the young farmers' scheme, the application of the small farmers' scheme, or the range of measures implementing voluntary coupled support.

As a result of the new system:

- The distribution of payments is more balanced due to external and internal convergence: first 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 the 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 the first year of implementation of the BPS (2015) eligible farmers were allocated payment entitlements. The general rule was that each eligible hectare gave right to one entitlement (although some Member States applied limitations on the number of entitlements that could be allocated). All entitlements allocated to a farmer have the same value, but differences in the value of entitlements may exist between farmers, if a Member State opted for such an approach. In that case, the past level of direct payments to individual farmers was taken into account (or the value of the entitlements they possessed under the previous direct payments regime) in order to avoid too abrupt disruptions in their level of support. However, since one of the objectives of the new system is to move away from these historical references, the Member States that take this approach have agreed to progressively reduce the differences in the values of entitlements and bring these values to (or closer to) the average by 2019.

The actual payment is made to active farmers based on the activation of the payment entitlements they hold and calculated in relation to the eligible land they declare.

Explanatory box: Annex 10 – 3.2.1-3

3.2.2 ABB03 Expenditure

ABB03 expenditure in financial year 2017 was as follows:

Expenditure reimbursed by DG AGRI to the Member States in 2017			
Budget item	Measure	Expenditure (EUR)	Totals (EUR)
050301	Decoupled direct payments		35 366 165 635
05030101	Single payment scheme (SPS)	19 033 297	
05030102	Single area payment scheme (SAPS)	4 068 122 943	
05030103	Separate sugar payment	330 233	
05030104	Separate fruit and vegetables payment	0	
05030105	Specific support (Article 68 of Regulation (EC) No 73/2009) — Decoupled direct payments	279 193	
05030106	Separate soft fruit payment	-63	
05030107	Redistributive payment	1 615 671 631	
05030110	Basic payment scheme (BPS)	17 540 160 538	
05030111	Payment for agricultural practices beneficial for the climate and the environment	11 767 133 017	
05030112	Payment for farmers in areas with natural constraints	2 763 172	
05030113	Payment for young farmers	352 786 662	
05030199	Other (decoupled direct payments)	-114 989	
050302	Other direct payments		5 759 407 676
05030206	Suckler-cow premium	395 961	
05030207	Additional suckler-cow premium	29 860	
05030213	Sheep and goat premium	212 855	
05030214	Sheep and goat supplementary premium	12 383	
05030240	Crop-specific payment for cotton	233 798 708	
05030244	Specific support (Article 68 of Regulation (EC) No 73/2009) — Coupled direct payments	644 455	
05030250	POSEI — European Union support programmes	410 111 677	
05030252	POSEI — Smaller Aegean islands	16 394 403	
05030260	Voluntary coupled support scheme	3 898 828 906	
05030261	Small farmers scheme	1 201 073 723	
05030299	Other (direct payments)	-2 095 256	
050303	Additional amounts of aid		3 116
05030300	Additional amounts of aid	3 116	
05030900	Reimbursement of direct payments to farmers from appropriations carried-over in relation to financial discipline	425 579 560	425 579 560
ABB 03 Total			41 551 155 987

Table: Annex 10 – 3.2.2-1

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

The assurance of the Director General is drawn from the various levels of management and control that are in place and the results which can be obtained from them. In the first place, the Member States, with 69 accredited Paying Agencies, are responsible for managing and checking the aid applications received from nearly 7 million beneficiaries and for paying them.

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

3.2.3.1 Control results reported by the Member States.

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

3.2.3.2 DG AGRI validation and adjustment process

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

A. Assessment of the Certification Bodies' opinions

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

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

In a number of cases, when the errors exceeded the materiality level, the work carried out by the Certification Bodies 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.

In the case of **France (FR19) and Romania**, the adjustment took into account the calculated most likely error amount and the known errors identified by the Certification Body, but also findings of DG AGRI.

For **Lithuania**, the adjustment is based on the calculated most likely error amount and the known errors identified by the Certification Body.

For **Spain – Extremadura (ES10)**, the adjustment applied took into account the material incompliance rate detected by the Certification Body but also findings of DG AGRI.

Only for Romania did the resulting adjusted error rate exceed 2 % (see table in point 3.2.5).

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

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

C Assessment of findings from DG AGRI audit missions carried out in 2015-2017

(i) Direct Decoupled Aids

In 2017, 16 Paying Agencies in 12 Member States were audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2015-2017, the multi-annual work programme of DG AGRI has scheduled audits in order to ensure that Member States are visited with respect to covering a certain % of expenditure declared in financial year 2017.

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 2016 to 2018. Therefore, the DG AGRI audit work, in the first instance, reviewed the work of the Certification Bodies.

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

Where the work was found not to be to the standard required, DG AGRI made comments and/or recommendations so as to enable its use for reliance in the context of the AAR. Because of the early timing of the DG AGRI work (often carried out after Paying Agency and Certification Body control work had taken place but before payment), Certification Bodies were in a position to remedy any shortcomings in the work carried out or complement the work to be done so as to enable full reliance in respect of the financial year 2017.

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

The audit missions in 2017 showed that the implementation of the reform was generally satisfactory, with the exception of a few Member States, where deficiencies were noted and which caused a material risk for the Fund, within a subpopulation of farmers. It concerned:

- The correct interpretation of permanent grassland following the new definition and the effect on the correct allocation of entitlements.
- The distinction of permanent versus temporary grassland and the Land Laying Fallow combined with the inappropriate choice of the crop diversification period.
- The inappropriate timing of on-the-spot checks in relation to greening and area based voluntary coupled support measures.

In 2016/2017, the management and control systems concerning the allocation of Payment entitlements implemented by 11 Paying Agencies in 11 Member States that implemented the Basic Payment Scheme were also subject to a conformity audit. The Paying Agencies audited were selected on the basis of a risk analysis.

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

These audits showed that the allocation of Payment entitlements was generally satisfactory with the exception of a few Member States, where deficiencies were noted and which caused a material risk for the Fund.

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 point 3.2.5.

(ii) Voluntary Coupled Support measures

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

An essential point of this review is the compliance with Article 52(3) of Regulation (EU) No 1307/2013, which provides for the legal condition that such coupled support can only be granted to sectors or regions undergoing certain difficulties and to the extent necessary to create an incentive to maintain current level of production. Following assessments of the Member States' notifications and further correspondence with Member States concerned, DG AGRI had opened in 2016 conformity audits on the risk of non-compliance with this condition in 8 Member States. The purpose of these audits is to collect additional information that will allow the Commission to get assurance that the concerned measures comply with the legal condition and, where it is not the case, to request Member States to amend the concerned measures as well as to apply net financial corrections to protect the EU budget from ineligible expenditure. DG AGRI entered an unquantified reservation covering the 8 Member States concerned (FR, GR, IE, IT, LT, MT, PL and RO) in its 2016 AAR.

For Malta, Ireland and Lithuania, the conformity procedure was finalised during 2017 as these Member States were found to be in compliance with the legislation. For the other five Member states, France, Greece, Italy, Poland and Romania, the conformity procedures have reached their final stages. As appropriate justification of the policy decisions made by these Member States was provided for a significant number of Voluntary coupled support measures, DG AGRI considers that it is not necessary to maintain the unquantified reservation. Where a risk continued to exist for 2017 financial year, this risk has been quantified and taken into account in the adjustments to the error rate made by DG AGRI.

In addition, in 2016/2017, a further 8 Paying Agencies in 8 MS were also audited. The Paying Agencies audited were selected on the basis of a risk analysis. Over the period 2015-2017, the multi-annual work programme of DG AGRI has scheduled audits in order to ensure that Member States are visited with respect to covering a certain % of expenditure declared in financial year 2017.

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 is 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 the Voluntary coupled support 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 point 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).

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

With retroactive effect as from claim year 2015, the Omnibus amendment³⁶ of Regulation (EU) No 1307/2013, which was published on 29/12/2017, clarified the Member States' responsibilities with regard to VCS. Accordingly, it replaced the condition that VCS may only be granted to the extent necessary to create an incentive to maintain current levels of production in the sectors or regions concerned. Instead, it introduced the principle that VCS is a production-limiting scheme based on fixed areas and yields or on a fixed number of animals and respecting 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, for 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 that precedes the year of the decision about VCS (for the 27 Member States that decided to apply the VCS from 2015, this 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. 19 Member States reviewed their decisions impacting more than 150 measures.

Explanatory box: Annex 10 – 3.2.3.2-1

³⁶ Regulation (EU) 2017/2393 of the European Parliament and of the Council of 13 December 2017

Further Omnibus amendments that only start to apply after 2017:

- 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.
- With effect from claim year 2019, the Omnibus amendment also introduced the possibility of annual reviews by Member States of their VCS decisions.

Explanatory box: Annex 10 – 3.2.3.2-2

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 State 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 is too important and relevant an element of data for the Commission to ignore. If the Commission decided to ignore this data from its assurance model, it would be criticised for wasting a valuable data source.

However weaknesses in control system may mean that Member States may not have detected *all* the errors. Therefore if the Commission's audits 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.

Explanatory box: Annex 10 – 3.2.3.2-3

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

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

The table below summarises this information for all Paying Agencies:

Paying Agency	Paying Agency Name	Relevant Expenditure ⁽¹⁾ in FY 2017 EUR	Reported (residual) Error Rate %	Adjusted Error Rate %	Amount at Risk EUR
AT01	AMA	692 625 803	0.18%	1.09%	7 536 728
BE02	ALV	227 959 944	0.21%	0.21%	484 544
BE03	SPW-DGARNE	280 604 037	0.91%	0.91%	2 566 813
BG01	DFZ [SFA]	774 080 205	0.82%	1.42%	11 005 441
CY01	KOAN [CAPO]	49 759 915	2.11%	2.46%	1 223 422
CZ01	SzIF [SAIF]	837 551 104	0.34%	0.91%	7 596 842
DE03	Baden-Württemberg MLR	398 939 054	0.28%	0.59%	2 342 960
DE04	Bayern StMLF	992 777 199	0.29%	0.43%	4 253 055
DE07	Brandenburg MLUV	330 697 157	0.14%	0.32%	1 048 636
DE11	Mecklenburg-Vorpommern MELFF	352 095 380	0.11%	0.27%	961 581
DE12	Niedersachsen	791 746 352	0.37%	0.52%	4 079 535
DE15	LWK Nordrhein-Westfalen	464 236 007	0.26%	0.40%	1 853 885
DE17	Rheinland- Pfalz	188 945 938	1.24%	1.39%	2 633 561
DE18	Saarland	20 619 307	0.27%	0.43%	89 353
DE19	Sachsen	252 847 881	0.34%	0.50%	1 260 637
DE20	Sachsen-Anhalt	321 771 363	0.05%	0.20%	642 973
DE21	Schleswig-Holstein	305 895 194	0.44%	0.58%	1 786 361
DE23	Thüringen	211 551 300	0.49%	0.65%	1 375 973
DE26	Helaba	214 451 926	0.43%	0.59%	1 270 191
DK02	DAFA	844 288 387	0.86%	0.86%	7 239 529
EE01	PRIA	113 911 721	1.90%	1.90%	2 166 947
ES01	Andalucía	1 449 231 226	1.18%	2.12%	30 758 760
ES02	Aragón	421 521 268	0.74%	0.75%	3 140 642
ES03	Asturias	62 985 866	0.11%	0.36%	223 988
ES04	FOGAIBA	27 928 053	0.92%	1.18%	329 974
ES05	Islas Canarias	182 922 694	1.42%	1.65%	3 021 430
ES06	Cantabria	42 693 514	1.42%	4.02%	1 714 222
ES07	Castilla La Mancha	659 183 755	0.47%	1.33%	8 736 791
ES08	Castilla y León	899 442 285	0.14%	1.09%	9 846 845
ES09	Cataluña	265 245 811	1.01%	1.03%	2 724 942
ES10	Extremadura	508 745 327	0.96%	1.63%	8 275 315
ES11	FOGGA	170 974 553	1.12%	1.72%	2 934 064
ES12	Madrid	37 585 244	0.43%	2.50%	938 387
ES13	Murcia	57 753 290	1.91%	2.42%	1 396 824
ES14	Navarra	100 617 261	0.53%	0.72%	721 059
ES15	País Vasco	44 031 718	0.96%	0.98%	431 043
ES16	La Rioja	27 687 622	0.79%	3.09%	855 022
ES17	AVFGA	105 363 789	0.89%	1.49%	1 574 739
FI01	MAVI	523 378 209	0.51%	0.51%	2 678 700
FR05	ODEADOM	138 983 078	2.35%	3.05%	4 236 767

FR19	ASP	7 228 700 277	0.33%	1.69%	122 506 749
GB05	DARD	324 521 785	0.74%	0.74%	2 391 598
GB06	SGRPID	504 252 602	0.81%	5.30%	26 738 915
GB07	WG	264 061 560	0.22%	0.22%	570 035
GB09	RPA	1 989 118 166	0.27%	1.08%	21 522 641
GR01	O.Π.E.K.E.Π.E. [O.P.E.K.E.P.E.]	2 021 457 680	1.86%	1.90%	38 352 471
HR01	PAAFRD	198 931 754	2.72%	4.50%	8 947 554
HU02	HST	1 257 870 115	1.62%	2.07%	26 095 655
IE01	DAFM	1 208 265 278	0.23%	0.73%	8 828 937
IT01	AGEA	1 766 845 912	1.16%	6.16%	108 862 655
IT05	AVEPA	360 406 710	0.62%	5.62%	20 240 550
IT07	ARTEA	161 742 073	0.66%	5.66%	9 158 593
IT08	AGREA	354 195 605	0.26%	5.26%	18 626 750
IT10	ARPEA	369 900 364	0.16%	5.16%	19 076 326
IT23	OPR Lombardia	487 594 220	0.17%	5.17%	25 215 491
IT24	OPPAB	27 982 031	1.19%	6.19%	1 733 024
IT25	APPAG	15 899 535	0.50%	5.50%	874 329
IT26	ARCEA	250 414 651	0.84%	5.84%	14 617 947
LT01	NMA [NPA]	437 174 065	0.46%	1.09%	4 745 641
LU01	Ministère de l'Agriculture	33 311 178	0.33%	0.33%	108 591
LV01	RSS	203 771 342	0.97%	0.97%	1 968 689
MT01	MRRPA	5 042 676	2.31%	4.36%	219 893
NL04	RVO	734 734 015	0.36%	1.14%	8 408 758
PL01	ARIMR [ARMA]	3 354 843 170	1.17%	1.17%	39 165 572
PT03	IFAP	655 059 841	1.18%	1.35%	8 842 545
RO02	PIAA	1 690 659 153	1.96%	3.66%	61 910 838
SE01	SJV	687 983 137	0.62%	3.52%	24 234 643
SI01	ARSKTRP	135 788 090	1.68%	1.68%	2 284 461
SK01	APA	432 061 694	3.36%	5.63%	24 343 665
Grand Total	ABB 03	41 556 218 420			
Amounts reimbursed to DG AGRI by Coordinating Bodies		-5 062 434			
ABB03 - Payments made		41 551 155 987	0.78%	1.92%	798 551 996

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

Table: Annex 10 – 3.2.4-1

In a limited number of cases – Austria, Bulgaria, Czech Republic, Germany (all PAs for greening), Spain (12 Paying Agencies), France, United Kingdom (GB09), Greece, Ireland, Lithuania, The Netherlands and Portugal, top-ups, based on DG AGRI audits or the Certification Bodies' work, were made to the reported error rate but the resulting adjusted error rate was not above the materiality threshold of 2% and therefore a reservation was not considered.

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

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

PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
CY01	2.46%	EUR 1.223 m	A 2017 DG AGRI audit identified weaknesses in the ovine sector concerning the sufficient number and quality of on-the-spot checks.	No	A reservation is not considered necessary. The Action Plan requested has been implemented by the Member State. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES01 Andalucía	2.12%	EUR 30.759 m	A DG AGRI audit covering all Spanish PAs identified weaknesses in the small farmers scheme, and in the correct allocation of payment entitlements following the action plan on the correct identification of the Permanent Pasture. A 2017 DG AGRI audit identified deficiencies in the performance of the on the spot checks, affecting the Greening payment.	No	A reservation is not considered necessary, as the main issue for the top up is linked to findings of a limited financial impact relative to national expenditure. Furthermore, the error rate for Spain as a whole is below 2%.The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES06 Cantabria	4.02%	EUR 1.714 m			
ES13 Murcia	2.42%	EUR 1.397 m			
ES12 Madrid	2.50%	EUR 0.938 m	Idem as above for the other Spanish Paying Agencies	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.
ES16 La Rioja	3.09%	EUR 0.855 m			
GB06 Scotland	5.30%	EUR 26.739 m	A 2016 audit by DG AGRI identified weaknesses in the administrative checks concerning the active farmer status. In addition, in July 2017, the European Court of Auditors concluded on the existence of weaknesses in the administrative checks concerning the fixing of value of the payment entitlements.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an Action Plan to address the weaknesses detected. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
HR01	4.50%	EUR 8.948 m	The Member State reported a material error rate. A 2017 DG AGRI audit identified weaknesses in the on the spot checks, the fixing of the entitlements and the young farmer status.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should address where necessary the causes underlying the error rate reported in the control statistics and following the exchanges with the Member State in framework of the ongoing conformity clearance procedure the necessary remedial action will be agreed with the Member State. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HU02	2.07%	EUR 26.096 m	A 2016 DG AGRI audit identified weaknesses in the control of the greening payment regarding the definition of the Ecological Focus Area.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has been requested to take the necessary remedial action for the findings in framework of the ongoing conformity clearance procedure. The conformity clearance procedure already ongoing in respect of financial year 2017 and onwards will ensure that the financial risk to the EU budget is covered.
IT01 AGEA	6.16%	EUR 108.863 m	In 2016 and 2017, DG AGRI audits identified weaknesses that affect all the Italian Pas which mainly concern weaknesses in the LPIS (correct recording of permanent grassland), the fixing of entitlements and the verification of the Active Farmer status. The related top ups are applied for all the Italian Paying Agencies.	Yes	A reservation is entered in respect of 2017 expenditure. As there is a centralised IACS, an Action Plan covering all Italian Paying Agencies has been elaborated. This Action Plan should be reinforced to address the deficiencies identified in 2017 concerning the correct allocation of payment entitlements The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
IT05 Veneto	5.62%	EUR 20.241 m			
IT07 Toscana	5.66%	EUR 9.159 m			
IT08 Emilia Romano	5.26%	EUR 18.627 m			
IT10 Piemonte	5.16%	EUR 19.076 m			
IT23 Lombardia	5.17%	EUR 25.215 m			
IT24 Bolzano	6.19%	EUR 1.733 m			
IT26 Calabria	5.84%	EUR 14.618 m			

PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reserv-ation	Mitigating factors/reservation follow up.
IT25 Trento	5.50%	EUR 0.874 m	Idem as above for other IT Paying Agencies	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.
MT01	4.36%	EUR 0.220 m	The Member State reported a material error rate. A 2017 DG AGRI audit identified weaknesses in the voluntary coupled support schemes concerning the administrative checks, including cross checks (late updating of the animal database) and checks on the correctness of the calculation of the aid.	No	As the amount at risk is below the de minimis threshold established in DG AGRI's materiality threshold (see Annex 4) no reservation is required. However, the Member State will be requested to analyse the reasons for the high error and take appropriate action. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
RO02	3.66%	EUR 61.911 m	A 2016 DG AGRI audit identified that for one VCS measure, the difficulties of the targeted population were not properly justified. Both the Certification Body and a 2017 DG AGRI audit identified deficiencies in the on the spot checks.	Yes	A reservation is entered in respect of 2017 expenditure. The on-going action plan should continue to be implemented by the Member State. DG AGRI will closely monitor the situation. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SE01	3.52%	EUR 24.235 m	A 2016 DG AGRI audit detected weaknesses in the administrative checks to establish the eligibility of the aid for animal based VCS measures (the first instalment of 85% done without taking into account the irregular animals) and the administrative checks to verify the Active Farmer status. A further 2016 DG AGRI audit identified weaknesses mainly in the LPIS (correct recording of permanent grassland), and incorrect definition of land lying fallow, temporary or permanent grassland. The audit in 2017 revealed issues in the fixing of the entitlements.	Yes	A reservation is entered in respect of 2017 expenditure. An Action Plan has been elaborated and should be reinforced to address also the deficiencies identified in 2017 concerning the correct allocation of payment entitlements. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
SK01	5.63%	EUR 24.344 m	The Member State reported a material error rate.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should

PA	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up.
			A 2017 DG AGRI audit identified deficiencies in the performance of the on the spot checks.		implement an Action Plan to address the weaknesses detected and should address where necessary the causes underlying the error rate reported in the control statistics. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FR05 ODEADOM	3.05%	EUR 4.237 m	A DG AGRI audit in 2014 detected a weakness in checks and calculation of the aid in respect of certain banana shipments. A DG AGRI audit in 2017 detected a weakness in administrative checks in respect of transport of sugar cane. A top up was applied on the expenditure for Mayotte, as the control statistics have not been submitted.	Yes	A reservation is entered in respect of 2017 expenditure. The action plan is still to be implemented by the FR authorities. No action plan is needed for transport of sugar cane as the remedial actions are already under implementation. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Table: Annex 10 - 3.2.5-1

The following table gives details of cases for Direct Payments where a reservation made in the 2016 AAR was not carried forward in the 2017 AAR:

Member State/PA	Adjusted error rate	Amount at risk	Justification
BG01	1.42%	EUR 11.005 m	A 2016 DG AGRI audit identified weaknesses in the control of the greening payment (incorrect definition of the fallow land/temporary grassland/permanent grassland, deficiencies in the definition of the Ecological Focus Area and issues with the organic status). The need for remedial actions in the form of an action plan is being assessed based on the latest reply of the Member State.
DK02	0.86%	EUR 7.240 m	In 2016 a top up was applied as the Member State did not submit on time the package of final accounts, audit reports and audit certificates. In 2017, the annual accounts package has been submitted within the regulatory deadline, so no top up was necessary.
ES17 Valencia	1.49%	EUR 1.575 m	The high adjusted error rate for FY2016 was based solely on the control data reported by the MS. In 2017 the error rate reported by the Member State was under 2% and no top up was considered necessary.
PT03	1.35%	EUR 8.843 m	2016 DG AGRI audits identified weaknesses in the administrative checks concerning the active farmer status and the management of the national reserve. It also found weaknesses in the LPIS (correct recording of permanent grassland) and in the on-the-spot checks. An Action Plan is ongoing and is being monitored by DG AGRI.
PL01	1.17%	EUR 39.166 m	No top up applied for FY2017. Following further exchanges with the Member State in the framework of the conformity clearance procedure, it was assessed that the deficiencies identified in the 2016 audit did not call for further remedial action on the part of the Member State via an action plan.

Table: Annex 10 - 3.2.5-2

3.2.6 Conclusions as regards assurance for ABB03

As a result of the "top-ups" made, an adjusted error rate has been calculated of 1.92% with 23 out of 69 Paying Agencies having an adjusted error rate above 2% and 11 above 5% – see Table: Annex 10 - 3.2.5-1 above. Overall, the reported error rate for ABB03 increased from 0.78% to 1.92% as a result of 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 4 cases (Cyprus and Spain (3 Paying Agencies)), it was considered that, given the mitigating factors present (see summary under point 3.2.3), it would not be necessary to make reservations.

In a further 4 cases, as the amount at risk was below DG AGRI's *de minimis* threshold, no reservation is required. Table: Annex 10 – 3.2.5-1 sets out the reasoning in respect of each case.

The overall outcome of this exercise is that 15 reservations are necessary at Paying Agency level:

- Croatia
- France (ODEADOM)
- Hungary
- Italy (8 Paying Agencies)
- Romania
- Slovakia
- Sweden
- United Kingdom (GB06)

5 Reservations from 2016 (Bulgaria, Denmark, Poland, Portugal and Spain (Valencia)) are not carried forward in the 2017 AAR due to error rates in 2017 below 2%.

For direct payments, the adjusted error rate of 1.92% is slightly lower than that of 2016 (1.996%) while the number of Paying Agencies under reservation has also decreased from 18 to 15. The overall result 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 1.92% with an amount at risk of EUR 798.6 million.

It is noted that the average amount of net financial corrections per year for the five-year period 2013-2017 (excluding corrections made for cross-compliance) is EUR 659.3 million for ABB03³⁷.

³⁷ See section 2.4.1.5.1 of the main body of the report on "corrective capacity". No information is given on the corrective capacity which derives from recoveries as this is not split by ABB activity and is available only at Fund level.

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. It 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 some 3.36 million beneficiaries 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 which deals 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 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 a specific layer for rural development measures has had to be implemented in the LPIS.

Explanatory Box: Annex 10 – 3.3.1-1

In the last programming period, one difference between the EAFRD and the other ESIF was that, to protect the EU budget, the other ESIF used 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 was the conformity clearance procedure, which resulted in net financial corrections being clawed back to the EU budget. Since the Common Provisions Regulation as well as the Regulation (EU) No 1306/2013³⁸ 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 2017, see Chapter 2.1.1.3.2 of this report.

3.3.2 ABB04 expenditure

The current programming period of EU Rural Development policy runs from 2014-2020, and Member States base their Rural Development programmes on at least four of the six common EU priorities:

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

These priorities were based on 20 proposed measures which are either *area- and animal-related measures* or *non-area- and non-animal-related measures* (see Table: Annex 10 – 3.3.2-1). The list of measures and sub-measures is described in Annex I, Part 5 of Commission Implementing Regulation (EU) No 808/2014³⁹.

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

³⁹ Commission Implementing Regulation (EU) No 808/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1305/2013 of the European Parliament and of the Council on support for rural development by the European Agricultural Fund for Rural Development (EAFRD) (OJ L 227 of 31.7.2014).

Rural Development measures – 2014-2020 programming period	
01	Knowledge transfer and information actions
02	Advisory services, farm management and farm relief services
03	Quality schemes for agricultural products and food stuffs
04	Investments in physical assets
05	Restoring agricultural production potential damaged by natural disasters and introducing appropriate prevention
06	Farm and business development
07	Basic services and village renewal in rural areas
08	Investments in forest area development and improvement of the viability of forests
09	Setting up producer groups and organisations
10	Agri-environment climate
11	Organic farming
12	Natura 2000 and Water Framework Directive payments
13	Payments to areas facing natural or other specific constraints
14	Animal welfare
15	Forest-environmental and climate services and forest conservation
16	Cooperation
17	Risk management
18	Financing of complementary national direct payments for Croatia
19	Support for Leader local development (CLLD)
20	Technical assistance

Table: Annex 10 – 3.3.2-1

In the 2014-2020 programming period, Member States have the opportunity to implement simplified cost options for investment measures of their rural development programme.

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

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

Explanatory Box: Annex 10 – 3.3.2-1

To speed up execution of programmes and contribute to sound financial management, the Commission makes automatic decommitments for rural development programmes.

What are automatic decommitments?

Article 38 of Regulation (EU) No 1306/2013 provides that the Commission must automatically decommit any portion of a budget commitment for a rural development programme that has not been used for the purpose of pre-financing or making intermediate payments. The Funds must be used by 31 December of the third year⁴⁰ (in accordance with Regulation (EU) No 1306/2013) following that of the budget commitment (so called N+3 rule).

Explanatory Box: Annex 10 – 3.3.2-2

⁴⁰ 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 (so called N+2 rule).

Expenditure reimbursed by DG AGRI to Member States in 2017 amounted to EUR 11 105 493 347.

Expenditure paid and financed under the 2007-2013 programming period, amounted to EUR 43 121 173, paid as interim payments. Expenditure paid and financed under the 2014-2020 programming period, amounted to EUR 11 051 784 091, all of that amount was as intermediate payments. No pre-financing has been paid in respect of financial year 2017. In addition, a reimbursement of EUR 519 525 has been made by Member States to the Commission in respect of previous programming period (budget item 05040114) and an amount of EUR 11 107 050 paid in respect of technical assistance for the 2014-2020 programming period. This means that there is no cleared prefinancing for ABB 04 for financial year 2017.

Payments reimbursed by DG AGRI to the Member States in 2017				
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	-519 525
		05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	-
		05040501	Rural development programmes 2007-2013	43 121 731
			Interim payments 2007-2013	43 121 731
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	11 051 784 091
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	11 051 784 091
			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	11 094 386 297	
Direct Management	0504	05040206	Completion of Leader (2000 to 2006)	-
		05040502	Operational technical assistance 2007-2013	-
		05046002	Operational technical assistance 2014-2020	11 107 050
			Sub-Total Direct Management	11 107 050
Grant Total 0504				11 105 493 347

Table: Annex 10 – 3.3.2-2

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

The assurance of the Director General derives from the various levels of management and controls that are in place, and the results that can be obtained from them. In the first place, the Member States, through 71 accredited Paying Agencies for Rural Development, are responsible for managing and checking the aid applications received from some 3.36 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 809/2014⁴¹ provides for detailed and systematic reporting of the results of the controls and reductions applied by the Member States.

By 15 July of year N+1, the Paying Agencies are required to send to the Commission data on the outcome of the controls carried out for year N. These control data contain

⁴¹ 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).

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.

The control statistics (aggregated figures at Paying Agency level) and control data (at claimant level) received in 2017 by DG AGRI correspond to the payment claims made by the claimant in the year 2016 (i.e. claim year).

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

Explanatory Box: Annex 10 – 3.3.3.1-1

3.3.3.2 DG AGRI validation and adjustment process

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

In 2017, 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. In 2017, there were EUR 43.121 million as such transitional expenditure.

What is considered as transitional expenditure'?

In 2017, Member States could, 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 new 2014-2020 programming period for projects to which the commitments for the 2007-2013 programming period applied. This is called 'transitional expenditure'.

Explanatory Box: Annex 10 – 3.3.3.2-1

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

As described in Annex 10 – part 2, the Certification Bodies are required to give an opinion on the completeness, accuracy and veracity of the annual accounts of the Paying Agency, on the proper functioning of its internal control system and on the legality and regularity of the expenditure for which reimbursement from the Commission has been requested. That 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. Below is a summary of the impact of the Certification Body findings on the reported error rates of 15 Paying Agencies:

- BG01 – Bulgaria:
For the IACS expenditure, the calculated most likely error (MLE) and the known errors were taken into account;
For the non-IACS population, the upper error limit of the incompliance rate was taken into account;
- DE11 and DE15 – Germany - Mecklenburg-Vorpommern and Nordrhein-Westfalen:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- DK02 – Denmark:
For both the IACS and the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- ES05 and ES10 – Spain - Islas Canarias and Extremadura:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- ES07, ES09 and ES16 – Spain – Castilla La Mancha, Cataluña and La Rioja:
For the IACS expenditure, the calculated most likely error was taken into account;
- FI01 – Finland:
For the IACS and on the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- FR18 – France - Corsica:
For both the IACS and on the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- GB06 and GB07 – United Kingdom – Scotland and Wales:
For the IACS expenditure, a 2% top-up was applied due to issue with the control statistics;
- IT26 – Italy – Calabria:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account;
- PL01 – Poland:
For the non-IACS expenditure, the calculated most likely error and the known errors were taken into account.

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

The ECA's annual reports and the available findings from the Statement of Assurance work for 2017 indicating an error rate above 5% were analysed, and may result in adjustments being made depending on the severity and extent of the deficiencies identified. However, as the ECA has not carried out system audits after 2013, no adjustment was made based on ECA's annual reports.

C. Assessment of findings from DG AGRI audits carried out in 2015-2017

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 been based on all measures within a specific audit field. These groupings are the following:

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

Table: Annex 10 – 3.3.2-1

What are flat-rate measures?

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

Explanatory Box: Annex 10 – 3.3.2-2

B. Audits carried out

In 2017, 41 on-the-spot audits were carried out; these audits were selected mainly on the basis of DG AGRI's central risk analysis. In addition, 20 desk audits were performed, mainly:

- to get assurance in relation to avoidance of double funding between greening (EFA) payments under EAGF and afforestation measures under EAFRD;
- based on findings from previous enquiries, to cover the expenditure effected in accordance with the rules of the programming period 2007-2013 that might have been still at risk;
- follow-up on ECA DAS findings;
- assess the risk linked to the non-respect of minimum control rates for OTSC.

What is a desk audit?

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

Explanatory Box: Annex 10 – 3.3.2-3

3.3.3.5.1 Audits carried out on IACS and Forestry measures

a) Audit plan and coverage

In 2017, based on the results of the central risk analysis and on reservations made in the 2016 annual activity report (AAR), 15 full-scope audits on IACS-related measures and/or on Forestry measures were carried out:

1. 10 on-the-spot audits concerned IACS-related measures, based on agri-environmental measures and/or agri-environment climate, organic farming, payments to areas facing natural constraints, animal welfare payments and Natura 2000 payments which took into account the new EU rules of the CAP, and particularly the implementation of Article 5 of Regulation (EU) No 640/2014⁴²; and one on-the-spot audit carried out in Luxembourg covered both EAGF and EAFRD (including IACS measures);
2. two on-the-spot audits covered both IACS-related and Forestry measures;
3. two on-the-spot audits were carried out only on Forestry measures.

In addition, the below two audits also covered (among other schemes/measures) audit fields IACS and Forestry:

1. one on-the-spot audit was carried out in Spain covering all non-IACS measures (including Forestry measures) with the specific objective of assessing public procurement procedures in the case of sub-contracting;
2. one on-the-spot audit in Spain (Asturias), carried out to assess the work of the Certification Bodies on the legality and regularity of the expenditure, which also identified an issue related to the work of the Paying Agency.

⁴² Commission Delegated Regulation (EU) No 640/2014 of 11 March 2014 supplementing Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system and conditions for refusal or withdrawal of payments and administrative penalties applicable to direct payments, rural development support and cross compliance (OJ L 181 of 20.6.2014).

Moreover, 9 desk audits were opened to get assurance in relation to avoidance of double funding between greening (EFA) payments under EAGF and afforestation measures under EAFRD.

The audits assessed the management, control and sanction systems set up by Member States to ensure that they complied with EU and national rules, that the eligibility criteria had been met and that the commitments were controllable, verifiable, and respected by the beneficiaries. They covered the assessment of the new obligation for IACS related measures to have specific layers defined in the LPIS for each specific measure as stated in Article 5(2)(b) of Regulation (EU) No 640/2014. Moreover, these enquiries assessed whether the controls were effectively applied, if appropriate reductions and penalties had 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 of 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, these audits enabled the assessment of the implementation of the recommendations made by DG AGRI during the previous audits.

An important component of these audits was to evaluate the work carried out by the Certification Body on legality and regularity of the expenditure. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency. 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.

Many of the improvements noted in the Certification Body work on EAGF IACS are also valid for EAFRD IACS although, for additional elements, in particular, commitments, much less reliance can be placed on the work.

For Rural Development, the large number of heterogeneous measures to be audited by DG AGRI means that, so far, the auditors have not reviewed a sufficiently large selection of Certification Body re-verifications to be able to conclude on the progress of the latter's work, in particular since they have not been able to compare current work with earlier work over the three year period since the Certification Bodies commenced their work on legality and regularity.

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2017 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 auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database to ensure timely follow-up to be done during the next audits or requested the Certification Bodies to report on these issues in the annual reports.

The audits carried out in 2017 found scope for improving the following issues in relation to audits on IACS-related measures:

- for organic farming, there were 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;

- continued efforts are required to reduce the high error rate found in some Member States on the basis of simple and clear eligibility criteria and commitments that must be respected by the farmers;
- additional improvements are required to extend the administrative checks of certain agri-environmental commitments that are easy to check administratively (training certificate, organic certificate, state of the crops, etc.), and to better target risk analysis to the 5% sample of beneficiaries to be checked on the spot;
- 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 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 is possible as well as to respect in case of multiple checks the maximum pre-notifications rules (48 hours for animals related measures and 14 days for area related measures);
- more targeted and proportionate penalty systems need to be developed in respect of the commitments and obligations, as poor targeting may also be one of the causes of a high error rate;
- better traceability and clear conclusions as to the quality of the controls carried out must be achieved by indicating how the checks were performed and how the inspectors came to their conclusions. The control methods used during the on-the-spot check, to verify compliance with the farmer's commitments, must be indicated in the control report together with measurements, verification of fertilisers and animal counting, to assess whether the livestock density is correct, wherever appropriate;
- control data provided under Article 9 of Regulation (EU) No 809/2014 must be improved in terms of quality and deadline compliance;
- control system to avoid double financing of afforested areas that receive the annual premium to cover the loss of income under the afforestation measure of rural development and are, at the same time, declared as ecological focus areas (EFA) in order to receive the greening payment;
- additional improvements in assessing the maximum eligible area for IACS measures to ensure that payments are only made for land falling within the delimited area in order to be fully in line with the EU rules.

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 Payments.

Explanatory Box: Annex 10 – 3.3.3.5.1-1

From a general point of view, when serious deficiencies are found, follow-up audits are carried out to assess the implementation of the recommendations made by DG AGRI. 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 2017, based mainly on the results of DG AGRI's central risk analysis, 24 on-the-spot audits were carried out on non-IACS-related measures, comprising 14 audits of investments measures, 3 audits of Leader, 5 audits of the audit field RD-FLAT-RATE, 2 audits on knowledge and innovation measures.

In addition, the below three audits also covered (among other schemes/measures) audit fields for non-IACS-related measures:

1. two on-the-spot audits carried out in Malta and Luxembourg (Umbrella missions) covered both EAGF and EAFRD (including several audit fields for non-IACS measures);
2. one on-the-spot audit in Spain (Valencia), carried out to assess the work of the Certification Bodies on the legality and regularity of the expenditure, which also identified an issue related to the work of the Paying Agency.

Moreover, a total of 11 desk audits were opened: 2 desk audits to assess the risk linked to the non-respect of minimum control rates for OTSC for LEADER measures, 1 desk enquiry to follow-up on deficiencies identified by the ECA in relation to sub-contracting of services as part of public procurement procedures, and 8 desk audits to cover the expenditure effected in accordance with the rules of the programming period 2007-2013 that might have been still at risk according to findings from previous enquiries.

The audits covered the procedures implemented by Member States to ensure that administrative checks, on-the-spot checks and ex-post checks had been carried out in line with EU legislation, paying special attention to the correct application of selection criteria and compliance with the eligibility criteria. They also checked that the costs had been correctly evaluated as reasonable, that there was compliance with procurement rules, that coverage of the risk of double funding was adequate and that reductions and sanctions imposed for non-compliance were adequate. In addition, these enquiries also helped to detect the root causes for the high error rate communicated by the Member States by 15 of July in their control data under Article 9 of Regulation (EU) No 809/2014 as well as possible actions to remedy the deficiencies.

An important component of most of these audits was to evaluate the work carried out by the Certification Body on legality and regularity of the expenditure. This implied interviews with the representatives of the Certification Body and their participation during the audit, as well as specific checks on their re-performance of the on-the-spot controls carried out by the Paying Agency. 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.

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 guidance and plans to disseminate best practices among national authorities (e.g. the use of Arachne IT tool available for the Structural Funds).

Explanatory Box: Annex 10 – 3.3.3.5.2-1

b) Results and possible improvements

The control systems in the Paying Agencies visited in 2017 were generally found to be effective, albeit with scope for improvement in several cases. The DG AGRI auditors recommended actions to increase the robustness of the control system for some specific issues and registered these weaknesses in an internal database to ensure a timely follow-up.

Creation of artificial conditions

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

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

Several audits carried out in 2017 identified shortcomings in the procedures to detect and deal with the 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 (didn't trigger more in-depth checks).

Explanatory Box: Annex 10 – 3.3.3.5.2-2

The audits carried out in 2017 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):

- checks on the eligibility of the applicant/application/project/investment:
 - additional improvements are required to include verification of the linked and partner enterprises when assessing the SME status and to keep an audit trail of these checks;
 - implementation of appropriate procedures to detect and deal with the creation of artificial situations to receive the aid (see explanatory box).
- 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;
- lack of in-situ visits to verify the realisation of some types of investments;
- quality of the on-the-spot checks, including verifications to establish that no artificial situations were created;
- quality (check on the durability of the investment) and quantity of ex-post checks on investment measures (non-compliance with the 1% minimum control requirement);
- checks of the payment claims to verify that the completed operation corresponds with the operation for which support was granted;
- verifiability of the methodology and calculation of the Simplified Cost Options (SCOs), as the data underlying the SCOs calculation were not available;
- adequate quality of the sanction system: it should be ensured that sanctions are applied in case of over-declaration by beneficiaries;

- checks on double funding to avoid the risk of multiple submission of the same expenditure;
- lack of an adequate audit trail of the checks carried-out.

Respect of Public Procurement rules: key control element

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

In 2017, specific audits focussed on the respect of public procurement rules and detected non-compliances at all stages of this procedure as implemented by the public beneficiaries. These non-compliances mainly concern the preparation of the procurement documents (artificial splitting of the work, discriminatory procedure, thresholds not respected), the call for tender itself where time limits were not sufficient enough, the evaluation phase (lack of transparency, discriminatory, unlawful selection), the notification of the outcome of the procedure (lack or delayed publication).

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

Explanatory Box: Annex 10 – 3.3.3.5.2-3

3.3.3.5.3 Audits of Financial Instruments

Two audits were carried out in respect of Financial Instruments in 2017. The preliminary findings in one case point to a possible case of State aid: the interest rate of the loans granted by the banks does not take into consideration the solvency ratio of the Guarantee Fund although these loans are guaranteed for free.

What are financial instruments?

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

Explanatory Box: Annex 10 – 3.3.3.5.3-1

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

As described in Annex 4 on DG AGRI's materiality criteria, DG AGRI's 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 are not detected by the Paying Agency before payments are made to beneficiaries. Where possible, the amount at risk was precisely quantified. Where this was not the case, a % flat rate was used to express the risk to the budget arising from error in the expenditure that is not reflected in the Member States' control data.

When taking into account the relevant expenditure (interim payments and the amounts of prefinancing cleared in 2017), the information for all Paying Agencies is summarised in the table below:

Paying Agency	Paying Agency Name	Relevant Expenditure FY 2017 EUR	Reported (residual) error rate	Adjusted error rate	Amount at Risk EUR
AT01	AMA	478 470 408	1.53%	3.06%	14 652 523
BE02	ALV	14 116 044	2.17%	2.17%	306 417
BE03	SPW-DGARNE	23 015 673	2.21%	7.61%	1 750 843
BG01	DFZ [SFA]	196 158 182	2.40%	5.41%	10 615 989
CY01	ΚΟΑΠ [CAPO]	14 573 450	3.92%	3.92%	570 899
CZ01	SZiF [SAIF]	259 351 803	4.36%	7.65%	19 845 719
DE01	BLE	847 676	0.60%	0.60%	5 069
DE03	Baden-Württemberg MLR	84 034 762	1.23%	1.23%	1 029 465
DE04	Bayern StMLF	202 106 079	0.70%	0.70%	1 408 700
DE07	Brandenburg MLUV	87 242 956	0.50%	0.52%	456 551
DE09	Hamburg	-	-	-	-
DE11	Mecklenburg-Vorpommern MELFF	89 292 124	1.21%	1.64%	1 467 684
DE12	Niedersachsen	85 047 513	0.88%	0.88%	748 793
DE15	LWK Nordrhein-Westfalen	64 552 783	0.67%	0.85%	551 371
DE17	Rheinland-Pfalz	19 829 188	1.63%	1.63%	322 622
DE18	Saarland	3 683 036	0.21%	0.21%	7 900
DE19	Sachsen	77 774 863	2.59%	2.86%	2 222 243
DE20	Sachsen-Anhalt	57 136 841	0.19%	0.19%	106 999
DE21	Schleswig-Holstein	44 500 549	0.57%	0.57%	255 823
DE23	Thüringen	94 644 755	3.09%	3.09%	2 921 444
DE26	Helaba	40 262 187	0.23%	0.23%	94 310
DK02	DAFA	99 878 000	2.20%	5.52%	5 508 688
EE01	PRIA	99 413 291	1.71%	1.71%	1 700 099
ES01	Andalucía	133 362 897	2.05%	2.09%	2 784 842
ES02	Aragón	54 006 656	0.63%	0.80%	429 896
ES03	Asturias	24 057 915	0.39%	0.52%	125 941
ES04	FOGAIBA	7 438 202	0.37%	0.37%	27 748
ES05	Islas Canarias	9 324 029	0.00%	4.54%	423 530
ES06	Cantabria	15 454 254	0.45%	0.45%	69 948
ES07	Castilla La Mancha	72 881 243	0.42%	0.70%	507 349
ES08	Castilla y León	89 305 643	3.69%	3.70%	3 300 798
ES09	Cataluña	39 910 753	1.47%	1.59%	635 274
ES10	Extremadura	62 017 459	1.26%	6.08%	3 769 880
ES11	FOGGA	103 801 431	0.75%	2.83%	2 937 641
ES12	Madrid	1 060 084	0.00%	0.00%	0
ES13	Murcia	24 966 781	0.69%	0.69%	171 221
ES14	Navarra	12 760 387	0.05%	0.05%	6 779
ES15	País Vasco	18 088 450	0.37%	0.37%	66 786
ES16	La Rioja	8 991 761	0.43%	0.54%	48 524
ES17	AVFGA	13 777 645	0.37%	1.65%	227 646
ES18	FEGA	11 427 505	0.21%	0.21%	23 440
FI01	MAVI	319 207 655	1.34%	2.40%	7 653 087
FR18	ODARC	22 789 400	2.56%	5.94%	1 354 568

Paying Agency	Paying Agency Name	Relevant Expenditure FY 2017 EUR	Reported (residual) error rate	Adjusted error rate	Amount at Risk EUR
FR19	ASP	1 730 918 594	2.31%	7.03%	121 756 731
GB05	DARD	16 439 627	2.15%	2.37%	389 482
GB06	SGRPID	89 561 592	1.29%	2.58%	2 311 641
GB07	WG	62 590 703	1.97%	3.02%	1 887 707
GB09	RPA	369 182 707	0.03%	3.65%	13 477 664
GR01	O.Π.E.K.E.Π.E. [O.P.E.K.E.P.E.]	712 889 562	0.69%	0.77%	5 522 483
HR01	PAAFRD	150 173 479	1.08%	1.32%	1 980 862
HU02	HST	196 592 509	2.45%	3.58%	7 033 122
IE01	DAFM	254 572 032	1.67%	1.68%	4 272 464
IT01	AGEA	445 664 991	1.48%	3.79%	16 898 777
IT05	AVEPA	83 036 895	1.96%	2.15%	1 787 953
IT07	ARTEA	45 484 866	0.41%	0.96%	436 351
IT08	AGREA	46 200 789	1.11%	1.26%	580 772
IT10	ARPEA	33 121 036	0.74%	0.93%	307 791
IT23	OPR Lombardia	28 764 913	1.20%	1.33%	383 596
IT24	OPPAB	23 788 928	1.27%	1.51%	358 790
IT25	APPAG	13 438 549	0.52%	1.20%	161 803
IT26	ARCEA	70 771 541	4.38%	9.80%	6 934 806
LT01	NMA [NPA]	254 682 143	0.59%	0.96%	2 455 851
LU01	Ministère de l'Agriculture	8 863 575	0.50%	1.21%	107 162
LV01	RSS	162 496 969	0.55%	0.55%	899 128
MT01	MRRA PA	2 170 973	8.63%	8.63%	187 440
NL04	ELFPO	57 613 814	0.61%	0.61%	353 337
PL01	ARiMR [ARMA]	573 629 366	0.70%	1.53%	8 761 764
PT03	IFAP	524 233 177	9.36%	9.56%	50 115 975
RO01	PARDF	1 605 065 964	0.49%	0.57%	9 122 875
SE01	SJV	104 276 200	0.91%	5.78%	6 022 970
SI01	ARSKTRP	80 254 822	1.47%	1.47%	1 178 396
SK01	APA	167 863 196	6.33%	10.44%	17 526 642
ABB04	Rural Development Programmes	11 094 905 822	1.83%	3.37%	374 329 385

Table: Annex 10 – 3.3.4-1

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%. It indicates if reservations are required and details mitigating factors. The amount at risk is calculated based on the relevant expenditure.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
AT01 - Austria	3.06%	EUR 14.653 m	DG AGRI audit in 2017 detected a deficiency in the controls on reasonableness of costs and serious shortcomings under public procurement procedures. Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should put in place an action plan addressing the deficiencies identified under reasonableness of costs, public procurement and active farmer status. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
BE02 - Belgium - Flanders	2.17%	EUR 0.306 m	The Member State has reported high error rates under IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the underlying causes of the high error rates reported under IACS measures.
BE03 - Belgium	7.61%	EUR 1.751 m	DG AGRI audit performed in 2017 revealed serious deficiencies in the management and control system of the Paying Agency for area-related measures. In 2016, audits also revealed serious deficiencies for start-up support and investments, the latter supported by findings from the ECA.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported that the action plan has been implemented addressing the identified weaknesses under investment and start-up support. The action plan should be reinforced to address the identified deficiencies under area-related measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
BG01 - Bulgaria	5.41%	EUR 10.615 m	The Member States reported high error rates for IACS measures. DG AGRI audits in 2017 and previous years identified deficiencies under organic farming and Leader support. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported the implementation of actions to address the deficiencies under organic farming and Leader. The Member State should continue correcting the deficiencies identified and address the findings of the Certification Body. DG AGRI will closely monitor the situation. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
CY01 - Cyprus	3.92%	EUR 0.571 m	The Member State has reported high error rate for IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the underlying causes of the high error rates reported under IACS measures.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
CZ01 – Czech Republic	7.65%	EUR 19.846 m	The Member State has reported high error rates under IACS measures and the control rate has not been respected for non-IACS measures. DG AGRI audits in 2017 observed deficiencies under agro-environment-climate and animal welfare measures. Moreover, DG AGRI audits identified in 2016 and 2017 deficiencies under the management and control system for investment measures. Finally, DG AGRI has identified deficiencies in the checks on active farmer status.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported the implementation of actions to improve the controllability of investments. The action plan should be continued and reinforced to address findings related to agro-environment-climate, animal welfare and active farmer status. Finally, the underlying causes of high error rates, including correct reporting, should also be addressed. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DE19 – Germany Sachsen	2.86%	EUR 2.222 m	The Member State has reported high error rates under agro-environment-climate and organic farming measures. Moreover, DG AGRI audit in 2017 identified deficiencies under investment measures.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified under investments and the underlying causes of the high error rates reported. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
DE23 – Germany Thüringen	3.09%	EUR 2.921 m	The Member State has reported high error rates under IACS measures.	Yes	A reservation is entered in respect of 2017 expenditure. The Member has reported corrective actions for claim year 2017. DG AGRI will closely monitor the situation.
DK02 - Denmark	5.52%	EUR 5.509 m	The Member State has reported high error rates. DG AGRI audits confirmed in 2017 that deficiencies in the management and control system identified under Leader measure affect transitional expenditure paid in financial year 2017. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported the implementation of an action plan addressing the audit findings under Leader. The underlying causes of high error rates and the Certification Body's findings should also be addressed. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES01 – Spain Andalucía	2.09%	EUR 2.785 m	The Member State has reported high error rates under IACS measures. DG AGRI audit in 2017, following deficiencies identified by ECA, confirmed shortcomings under investments, infrastructure and afforestation related with public procurement, reasonableness of costs and VAT eligibility.	No	A reservation is not considered necessary. The Member State has implemented an action plan addressing deficiencies related to reasonableness of costs and eligibility of beneficiary. The Member State should address the underlying causes of high error rate reported under IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES05 – Spain Canary Islands	4.54%	EUR 0.424 m	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 by DG AGRI's materiality threshold (see Annex 4), no reservation is required.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
ES08 – Spain Castilla y León	3.70%	EUR 3.301 m	The Member State has reported high error rates under non-IACS measures.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should continue to implement the actions addressing the underlying causes of the high errors reported. DG AGRI will closely monitor the situation.
ES10 – Spain Extremadura	6.08 %	EUR 3.770 m	DG AGRI audits detected deficiencies in 2017 under agro-environment-climate, organic farming, areas with natural constraints and forestry measures. Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
ES11 – Spain Galicia	2.83%	EUR 2.938 m	DG AGRI audit in 2017 has identified several deficiencies under forestry measures.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified under forestry measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
FI01 - Finland	2.40%	EUR 7.653 m	Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should address the findings identified by the Certification Body.
FR18 – France Corsica	5.94%	EUR 1.355 m	Based on the Certification Body's assessment, a further adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies under forestry measures and the findings of the Certification Body.
FR19 – France ASP	7.03%	EUR 121.757 m	The Member State has reported high error rates for non-IACS measures payments. DG AGRI audit in 2017 followed up deficiencies in the management and control systems reported in 2015 for area-related payments, which had been adequately addressed, although new deficiencies were identified. Moreover, serious deficiencies persist in investments, start-up aid and public procurement. Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported the implementation of an action plan which should be reinforced to address the deficiencies identified by DG AGRI in 2017 and should assess the underlying causes of the high error rates reported under non-IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
GB05 – United Kingdom Northern Ireland	2.37%	EUR 0.389 m	The minimum control rate is not respected for non-IACS measures.	No	As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should ensure the minimum control rate.
GB06 – United Kingdom Scotland	2.58%	EUR 2.312 m	DG AGRI audit in 2016 identified a minor deficiency under forestry investments. Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified by the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB07 – United Kingdom Wales	3.02%	EUR 1.888 m	The minimum control rate for organic measure is not achieved. DG AGRI audit in 2017 identified deficiencies under agro-environment-climate and organic farming measures. Based on the Certification Body's assessment, an adjustment was made to the error rate reported by the Member State.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified under IACS measures and the findings of the Certification Body. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
GB09 – United Kingdom England	3.65%	EUR 13.478 m	The minimum control rate for organic farming is not achieved. DG AGRI audit in 2017 identified deficiencies under public procurement. Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State should implement an action plan addressing the deficiencies identified under forestry investments, public procurement and active farmer status. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.
HU01 - Hungary	3.58%	EUR 7.033 m	The Member State has reported high error rates under IACS measures. DG AGRI audits in 2017 and previous years identified deficiencies in the management and control system under producer groups' support still affecting payments in 2017 financial year. Furthermore, deficiencies have been identified under animal welfare support and afforestation measure.	Yes	A reservation is entered in respect of 2017 expenditure. The Member State has reported the implementation of actions to avoid the repetition of the deficiencies detected under RDP 2007-2013 in the 2014-2020 RDP for producers groups. The Member State should address the deficiencies under animal welfare, Leader and the underlying causes of high error rates reported under IACS measures. The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
IT01 – Italy Agea	3.79%	EUR 16.899 m	<p>DG AGRI audits in 2017 and previous years have identified deficiencies in public procurement under certain transitional non-IACS measures, as well as deficiencies for IACS measures.</p> <p>Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.</p>	Yes	<p>A reservation is entered in respect of 2017 expenditure.</p> <p>The Action Plan reported by the Member State includes corrective actions to address deficiencies linked to the reservation entered in 2016 AAR.</p> <p>As regards the findings relating to public procurement, the Member State informed that the action plan has been implemented. DG AGRI will closely monitor the situation.</p> <p>Finally, the Member State should address deficiencies identified in the checks on active farmer status.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
IT05 – Italy Veneto	2.15%	EUR 1.788 m	<p>The Member State has reported high error rates under IACS measures. ECA audits identified a deficiency in administrative checks under agro-environment transitional measure.</p> <p>Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.</p>	No	<p>A reservation is not considered necessary.</p> <p>The Member State should nonetheless implement corrective actions to address deficiencies identified in the checks on active farmer status and the underlying causes of high error rates reported under IACS measures.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
IT26 – Italy Calabria	9.8%	EUR 6.935 m	<p>The Member State has reported high error rates under IACS measures.</p> <p>DG AGRI audits in 2017 identified deficiencies under agro-environment-climate, organic and areas with natural constraint measures. As regards non-IACS, several deficiencies have been identified by DG AGRI affecting investment, infrastructure, business start-up, afforestation and technical assistance support.</p> <p>Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.</p> <p>Based on the Certification Body's 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 2017 expenditure.</p> <p>The Member State should implement a new action plan addressing the deficiencies identified in 2017 under IACS and non-IACS measures.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
MT01 - Malta	8.63%	EUR 0.187 m	<p>The Member State has reported high error rates under IACS measures.</p>	No	<p>As the amount at risk is below the <i>de minimis</i> threshold established by DG AGRI's materiality threshold (see Annex 4), no reservation is required. The Member State should address the underlying causes of the high error rates reported under IACS measures.</p>
PT03 - Portugal	9.56%	EUR 50.116 m	<p>The Member State has reported high error rates and the minimum control rate for</p>	Yes	<p>A reservation is entered in respect of 2017 expenditure.</p> <p>The Member State should reinforce the</p>

Paying Agency	Adjusted error rate	Amount at risk	Reasons for top-up	Reservation	Mitigating factors/reservation follow up
			<p>non-IACS measures is not achieved.</p> <p>DG AGRI audit in 2017 has identified deficiencies under afforestation (double financing) and transitional expenditure under processing and marketing investments. Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.</p>		<p>action plan to address the underlying causes of the high error rate reported, including correct reporting under non-IACS measures, and the checks on active farmer status and the findings of the Certification Body.</p>
SE01 - Sweden	5.78%	EUR 6.023 m	<p>The Member State has not achieved the minimum control rate for non-IACS measures.</p> <p>DG AGRI audits in 2016 have identified several deficiencies in the management and control system for IACS measures. Moreover, audits in 2016 and 2017 identified deficiencies under investment and infrastructure measures.</p> <p>Furthermore, DG AGRI has identified deficiencies in the checks on active farmer status.</p>	Yes	<p>A reservation is entered in respect of 2017 expenditure.</p> <p>The Member State has reported the ongoing implementation of an action plan addressing the deficiencies identified under IACS measures and has improved the checks on public procurement. Further actions should be put in place to address deficiencies identified under investment measure and checks on active farmer status.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>
SK01 - Slovakia	10.44%	EUR 17.527 m	<p>The Member State has reported high error rates under IACS measures. DG AGRI audits in 2017 identified deficiencies under forestry measures, both in area payments and investments. Moreover, deficiencies were identified in 2016 under investments and start-up support for non-agricultural activities, and in 2017 for public procurement.</p>	Yes	<p>A reservation is entered in respect of 2017 expenditure.</p> <p>The Member State has reported the implementation of an action plan addressing the underlying causes of the high error rates under IACS measures. As regards deficiencies in investments, the Member State has informed having put in place corrective actions addressing the findings identified by DG AGRI in 2016. The action plan should be reinforced to address newly identified deficiencies by DG AGRI as regards public procurement and forestry measures.</p> <p>The ongoing conformity clearance procedure will ensure that the financial risk to the EU budget is covered.</p>

Table: Annex 10-3.3.5-1

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

2016 Reservations not carried forward in the 2017 AAR (8 Paying Agencies):

Paying Agency	Adjusted error rate	Justification
Germany Niedersachsen	0.88%	The Member State has taken the necessary actions to remedy the underlying causes for the high error reported in 2016 under agro-environment-climate and organic measures
Spain Andalucía	2.09%	The Member State has implemented an action plan addressing the deficiencies related to reasonableness of costs and eligibility of beneficiary. The financial risk to the EU budget for financial year 2017 is covered by ongoing conformity clearance procedures
Greece	0.77%	The Member State has implemented an action plan addressing most of the deficiencies linked to the Reservation in 2016. The financial risk to the EU budget for financial year 2017 is covered by ongoing conformity clearance procedures
Ireland	1.68%	The Member State has implemented an action plan addressing the deficiencies linked to the Reservation in 2016. The financial risk to the EU budget for financial year 2017 is covered by ongoing conformity clearance procedures
Lithuania	0.96%	The Member State has taken the necessary actions to remedy the underlying causes for the high error reported in 2016. The financial risk to the EU budget for financial year 2017 is covered by ongoing conformity clearance procedures.
The Netherlands	0.61%	The Member State has implemented an action plan addressing the previously identified deficiencies under public procurement and Leader.
Poland	1.53%	The Member State has implemented an action plan addressing the deficiencies that led to 2016 reservation in the action plan related to the management of agri-environment and organic farming payments, Producer Groups and Technical Assistance. The financial risk to the EU budget for financial year 2017 is covered by ongoing conformity clearance procedures
Romania	0.57%	The Member State has implemented an action plan addressing the deficiencies related to the Reservation in 2016 and payments were interrupted for animal welfare in 2017 financial year.

Table: Annex 10 – 3.3.5-2

3.3.6 Conclusions for ABB04

3.3.6.1 Expenditure under the Rural Development Programme

Total expenditure for the Rural Development Programmes in 2017 amounted to EUR 11 105 493 347 of which EUR 43 121 731 were financed by the budget for the 2007-2013 programming period (budget item 05040501), and EUR 11 051 784 091 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 3.37%.

29 out of the 72 Paying Agencies have an adjusted error rate above 2% (of which 11 were above 5%: Belgium (Wallonia), Bulgaria, Czech Republic, Denmark, France (Corsica and ASP), Italy (Calabria), Malta, Portugal, Slovakia and Sweden).

In line with its materiality criteria in Annex 4, **11 cases where the error rate is above 5%** (Belgium (Wallonia), Bulgaria, Czech Republic, Denmark, Spain (Extremadura) France (ODARC and ASP), Italy (ARCEA), Portugal, Slovakia and Sweden) were automatically **subject to a reservation**. In all of these cases, the high adjusted error rate was determined further adjustment of the error rate by DG AGRI, based on the assessment of the Certification Bodies and DG AGRI's own audits. In one case (Malta), the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 4 (materiality criteria) therefore no reservation was necessary.

For 17 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 (Spain (Andalucía) and Italy (Veneto)) it was considered that, given the mitigating factors present it would not be necessary to make reservations. For 4 Paying Agencies (Belgium (Flanders), Cyprus, United Kingdom (Scotland) and Spain (Islas Canarias) the amount at risk is below DG AGRI's *de minimis* threshold of EUR 1 million as established in Annex 4 (materiality criteria) therefore no reservation was necessary. For the remaining 11 Paying Agencies a reservation was deemed necessary.

The overall outcome of this exercise is that 22 reservations are necessary at Paying Agency level:

- Austria
- Belgium
- Bulgaria
- Czech Republic
- Denmark
- Finland
- France (2 Paying Agencies)
- Germany (2 Paying Agencies)
- Hungary
- Italy (2 Paying Agencies)
- United Kingdom (3 Paying Agencies)
- Slovakia
- Spain (3 Paying Agencies)
- Sweden
- Portugal

3.3.6.2 Risk assessment for other budget items within ABB04

While budget item 05040501 and 05046001 concern the Rural Development programmes for 2007-2013 and 2014-2020 and thus accounts 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 overall adjusted error rate of 3.37 % represents a decrease compared to 2016 and confirms the stable downward trend.

Payments reimbursed by DG AGRI to the Member States in 2017						
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	-519 525	0.00%	-
		05040201	Completion of the European Agricultural Guidance and Guarantee Fund, Guidance Section - Objective 1 regions (2000 to 2006)	-	-	-
		05040501	Rural development programmes 2007-2013	43 121 731	3.37%	1 454 878
			Interim payments 2007-2013	43 121 731	3.37%	1 454 878
		05046001	Promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector	11 051 784 091	3.37%	372 874 507
			Interim payments for promoting sustainable rural development, a more territorially and environmentally balanced, climate-friendly and innovative Union agricultural sector 2014-2020	11 051 784 091	3.37%	372 874 507
		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	11 094 386 297	3.37%	374 329 385	
Direct Management	0504	05040206	Completion of Leader (2000 to 2006)	-	-	-
		05040502	Operational technical assistance 2007-2013	-	-	-
		05046002	Operational technical assistance 2014-2020	11 107 050	1.00%	111 071
		Sub-Total Direct Management	11 107 050	1.00%	111 071	
Grant Total 0504				11 105 493 347	3.37%	374 440 455

Table: Annex 10 - 3.3.6.2-1

The adjusted error rate for ABB04 is 3.37% and the total amount at risk is EUR 374.44 million.

The assessment of the risk for the entire chapter 0504 covers all payments to Member States in 2017

The average amount of net financial corrections per year for the five year period 2013-2017 (excluding corrections made for cross compliance) is EUR 212.83 million for ABB04⁴³ while recoveries from Member States from beneficiaries amounted to EUR 112.74 million.

⁴³ See section 2.4.1.5.1 of the main body of the report on "corrective capacity".

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

Communication on the root causes of errors and actions taken

In February 2017 the Commission published a Communication to the Council and the European Parliament on the root causes of errors and actions taken (COM (2017) 124 final), following Article 35(2) of the Financial Regulation, including several spending policies.

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

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

Simplification and Omnibus

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

But the major simplification initiative was proposed through the Omnibus Regulation, including the 4 CAP Regulations, the Common Provisions Regulation together for the ESI Funds and the Financial Regulation. The agricultural part of the Omnibus Regulation was published in 2017 introducing some simplification and technical improvements to the four basic regulations of the CAP.

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

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

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

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

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

Conferences, workshops and networking

In 2017 DG AGRI participated in 3 Conferences with the Heads of the Paying Agencies in Gozo (Malta), Tartu (Estonia) and Brussels (Belgium) (the latter organised by DG AGRI). 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 seven seminars on error rate in rural development have been organised, of which the latest took place in June 2017. 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. 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" (the DG AGRI units responsible for the Member States' Rural Development programmes) ensure regular monitoring of the action plans and carry out follow-up activities in annual and ad-hoc meetings with Member States, monitoring committees and, if relevant, in the context of programme amendments.

The European Network for Rural Development also has an enhanced role in disseminating good practices and guidance related to the reduction of errors, and improving overall RDP implementation. In 2017, workshops and other events for Managing Authorities and Paying Agencies have been carried out in relation to the following topics: fostering farm resilience including generating and stabilising farm income, RDP measures to support generational renewal, effective use of support possibilities for Natura 2000, LEADER innovation, social inclusion in rural areas and more general events aiming to unlock the potential and improve overall implementation of RDPs.

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

- principles of the LPIS and the layer identifying the Ecological Focus Areas,
- on-the-spot checks and area measurement,
- aid applications by farmers,
- the "active farmer" provision and
- the definition and implementation of permanent grassland.

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

Finally, several expert group meetings on simplification have taken place in 2017, in the framework of the "Refit" initiative of the Commission leading to some of the legal amendments mentioned above.

Action plans

As from 2015, DG AGRI has further improved the system of action plans reporting by Member States concerned, including a reinforced focus on audit findings as well as improved indicators and milestones for monitoring purposes. 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. The action plans are normally triggered by serious deficiencies identified in the framework of conformity procedures.

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. Moreover, an assessment of the correct application of the LPIS QA method will continue to be 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 1306/2013⁴⁴, Commission Delegated Regulation (EU) No 907/2014⁴⁵ and Commission Implementing Regulation (EU) No 908/2014⁴⁶.

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

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

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

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

⁴⁴ 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)

⁴⁵ 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).

⁴⁶ 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).

4.1.2 Conformity clearance – checking the system

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

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

Financial corrections

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

Explanatory Box: Annex 10 - 4.1.2-1

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

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

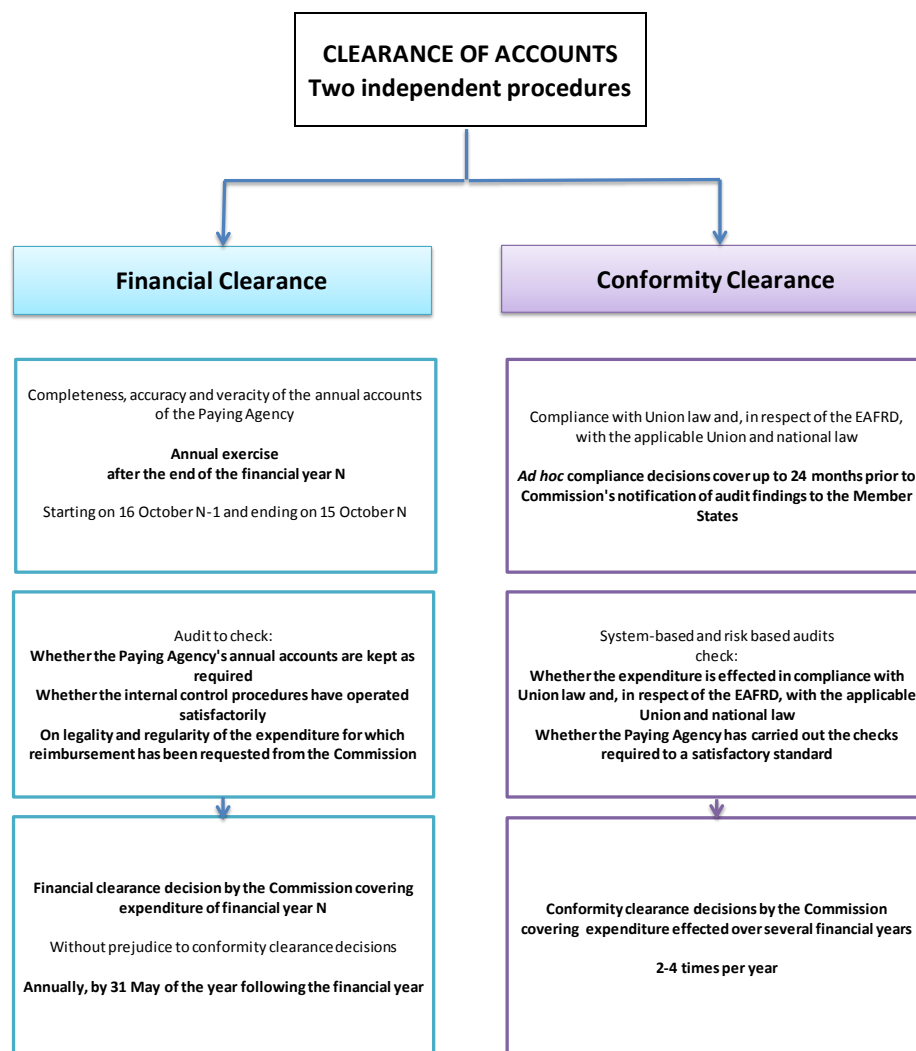


Diagram: Annex 10-4.1.2-1

4.1.3 How does the conformity procedure work in practice?

If an audit reveals deficiencies in the functioning of the national systems, the Commission initiates a conformity clearance procedure with a view to determining whether to impose a net financial correction on the Member State in question and, if so, what the amount of that correction that needs to be excluded from Union financing should be. Such a procedure comprises the following steps (see diagram Annex 10 – 4.4):

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

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

What is the role of the Conciliation Body?

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

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

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

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

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

Explanatory Box: Annex 10 - 4.1.3-1

Once this procedure has been completed, any resulting financial correction is included in a formal decision adopted by the Commission (referred to as *ad-hoc* decision) after having consulted the Member States through the Committee on the Agricultural Funds. Such a conformity decision can then be challenged by the Member States before the Court of Justice of the European Union. Throughout the procedure Member States have the right to a fair contradictory procedure. Also because Member States have the right (which they regularly exercise) to challenge 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. Indeed both Regulation (EC) No 1290/2005 (in application up to end of 2014) and the new CAP Horizontal Regulation, Regulation (EU) No 1306/2013, provide that "Member States shall be given the opportunity to demonstrate that the actual extent of the non-compliance is less than the Commission's assessment". The principle of a contradictory process between the auditor and the auditee is also an essential element of audit quality standards.

In addition to the contradictory procedure, the legislation (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 months⁴⁷.

The Commission has streamlined the procedure to the extent possible. Firstly, the Horizontal Regulation describes precisely the nature, scope and sequence of the successive steps, as well as the different types of financial corrections. Secondly, provisions in the delegated act (method and criteria for calculating the financial correction) and implementing act (details of the conformity procedure, with deadlines for each step of the procedure) are intended to further streamline the legal framework and limit the risk of unnecessary delays. Thirdly, on that stronger basis, DG AGRI intensified its monitoring of the progress of the conformity procedures to ensure a strict respect of the deadlines. Furthermore, for conformity procedures dating from earlier years, particular action was taken with regard to the procedures open from before 2013 to ensure a close follow-up with clear indicators with a view to clearing all such files by end of 2016. As a result, all 358 audits identified as 'backlog' (i.e. 285 audits from 2012 and before and another 73 audits from 2013) have been closed by end of 2016.

The following diagram describes the successive steps of a conformity clearance procedure leading to a net financial correction carried out under the new implementing act.

⁴⁷ It can take even longer if the whole case has to be re-examined.

Conformity Clearance Procedure

DG AGRI Conformity Clearance Procedure for Net Financial Corrections

Example of the timing of the procedure for an audit mission carried out on-the-spot at the end of September 2014 (standard procedure)

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

Diagram: Annex 10 – 4.1.4-1

4.2 Net financial corrections

4.2.1 How does the Commission calculate net financial corrections?

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

Where this is not possible, **flat-rates** (Article 12(6) of Commission Delegated Regulation (EU) No 907/2014) are used which take account of the severity of the deficiencies in the national management and control systems in order to reflect the financial risk for the EU budget. In order to ensure equal treatment of all cases of this kind, the Commission has adopted guidelines⁴⁸ 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 administrative and on-the-spot (OTS) process (the authorisation of claims) for a given population, the Certification Body's assessment should be based on the key and ancillary controls. The Certification Bodies are also using the key and ancillary controls when they assess the legality and regularity of the expenditure (under their compliance and substantive testing).

Explanatory Box: Annex 10 - 4.2.1-1

On this basis, the guidelines provide that:

- When a Member State has adequately performed the key controls, but completely failed to operate one or two ancillary controls then a correction of 2% is justified in view of the lower risk of financial damage to the Union's budget, and in view of the lesser gravity of the infringement;
- When one or two key controls are not applied, in the number, frequency, or depth required by the regulations, then a correction of 5% is justified, as it can reasonably be concluded they do not provide sufficient level of assurance of the regularity of claims, and that the risk to the Funds was significant;

⁴⁸ Guidelines on the calculation of the financial corrections in the framework of the conformity and financial clearance of accounts procedures C(2015) 3675 final

- When one or more key controls are not applied or applied so poorly or so infrequently that they are completely ineffective in determining the eligibility of the claim or preventing irregularities, then a correction of 10% is justified, as it can reasonably be concluded that there was a high risk of wide-spread financial damage to the Union's budget;
- When three or more deficiencies are detected with respect to the same control system, a financial correction of 3% is justified if the deficiencies concern only ancillary controls which have completely failed;
- When three or more deficiencies are detected with respect to the same control system, a financial correction of 7% is justified if these deficiencies include maximum two key controls not being carried out in the number, frequency, or depth required by the regulations;
- When a Member State's application of a control system is found to be absent or gravely deficient, and there is evidence of wide-spread irregularity and negligence in countering irregular or fraudulent practices", then a correction of 25% is justified as it can reasonably be assumed that the freedom to submit irregular claims with impunity will occasion exceptionally high financial damages to the Union's budget.

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

4.2.2 Net financial corrections in 2017

Table Annex 10 – 4.6 below sets out the net financial corrections (excluding cross-compliance corrections) reimbursed to the EU budget for ABB02, ABB03 and ABB04 over the past five years and its average:

All corrections except cross-compliance, late payments and overshooting				
				million EUR
	ABB02	ABB03	ABB04	Total
2013	100.425	297.861	227.639	625.925
2014	102.245	533.356	62.342	697.943
2015	205.255	756.932	243.985	1 206.172
2016	213.272	1 191.485	226.396	1 631.153
2017	363.533	517.097	303.807	1 184.437
Total	984.730	3 296.731	1 064.169	5 345.630
5-year average	196.946	659.346	212.834	1 069.126

Table: Annex 10 – 4.6

As mentioned in the body of the report (under section 2.1.1.3.1), for this year's 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, compared to last year, 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 executed in 2017 and 5-year average				
				million EUR
	ABB02	ABB03	ABB04	Total
2017	0.152	38.081	5.592	43.825
5-year average	0.165	100.653	6.767	107.585

Table: Annex 10 – 4.7

4.2.3 Instalments and Deferrals

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

The following table (Annex 10 - 4.2.3-1) sets out the financial impact of the instalment decisions, showing when they were adopted and when the various instalments are actually reimbursed by the Member States.

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
34-41	2010-2013	657.671	649.869	7.802					
43	2013	92.489	30.830	30.830	30.830				
44	2014	16.560	5.520	5.520	5.520				
46	2014	96.829		32.276	32.276	32.276			
47	2015	1279.173		426.391	426.391	426.391			
48	2015	177.366		59.122	59.122	59.122			
49	2015	7.099			2.366	2.366	2.366		
50	2016	103.476			34.492	34.492	34.492		
51	2016	340.069			113.356	113.356	113.356		
52	2016	219.177				73.059	73.059	73.059	
54	2017	275.195				91.732	91.732	91.732	
55	2017	11.303					3.768	3.768	3.768
Total		3276.407	686.219	561.941	704.354	832.795	318.773	168.558	3.768

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

Table: Annex 10 – 4.2.3-1

In 2015 a deferral decision under Reg. 908/2014 Art. 34(8a) 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 of June 2017 but on 8 June 2017 the Commission adopted decision C(2017)3780 extending the deferral period to 22 June 2018. So far the following amounts (in million EUR) were deferred:

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

Table: Annex 10 – 4.2.3-2

4.2.4 Amounts of financial corrections decided each year

Section 2.1.1.3 of this report provides further information on financial impact of financial corrections and how they protect the EU budget. Three conformity clearance decisions were adopted by the Commission in 2017:

Net financial corrections decided in 2017

million EUR

Commission Conformity Decisions		EAGF	EAFRD	Total
ad-hoc 53	2017/264/EU	95.285	35.062	130.348
ad-hoc 54	2017/1144/EU	322.228	54.562	376.791
ad-hoc 55	2017/2014/EU	282.645	115.330	397.976
Total		700.159	204.955	905.114

Table: Annex 10 – 4.2.4-1

Impact of net financial corrections on Member States

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

Explanatory Box: Annex 10 - 4.2.4-1

4.2.5 Legal Mechanisms for net financial corrections were strengthened from 2015

4.2.5.1 Focus on more risky expenditure

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

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 above⁴⁹.

This legislation frames the procedure even more tightly with the method and the criteria for fixing the amount of financial corrections now set out in the delegated act. In the case of flat-rate corrections, it is specified how the severity of deficiency shall be assessed, taking into account its nature (key or ancillary control) but also its recurrence (repetition from a previous year without improvement) and the accumulation with other deficiencies (the risk of errors is likely to be higher when there are several deficiencies). The Commission guidelines⁵⁰ on how it determines financial corrections fully reflect the changes. 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 new CAP Horizontal Regulation provide for a ranking of types of financial corrections where flat-rate corrections may only be used if calculated or extrapolated corrections cannot be established with proportionate efforts.

⁴⁹ Up until the end of 2014, the clearance of accounts procedures were governed by Council Regulation (EC) No 1290/2005 and Commission Regulation (EC) No 885/2006.

⁵⁰ 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

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

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

Even after the application of this mechanism, Member States are still obliged to pursue their recovery procedures and, if they fail to do so with the necessary diligence, the Commission may decide to charge the entire outstanding amounts to the Member States concerned. Moreover, pursuant to Article 28 of Regulation (EU) No 908/2014, Member States are required to off-set any outstanding debts against future payments to the debtor (compulsory compensation).

From financial year 2014, the 50/50 rule is applied to EAFRD in the financial year when it occurs and not at the closure of the programme. Consequently, the Member States are required to indicate amounts to be charged under the 50/50 rule also for EAFRD 2007-2013 as well as for EAFRD 2014-2020 programmes⁵¹.

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.

⁵¹ Article 54(2) of Regulation (EU) No 1306/2013.

5.2 Amounts recovered by the Member States in financial year 2017 for the EAGF

Table Annex 10 – 5.2-1 below sets out the amounts recovered in 2017 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAGF⁵².

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	4 837 539	472 939	5 310 478
BE	1 433 207	996 771	2 429 979
BG	255 087	1 193 434	1 448 521
CY	45 723	206 097	251 820
CZ	145 268	438 032	583 300
DE	5 472 924	6 166 715	11 639 639
DK	3 411 286	699 567	4 110 853
EE	118 205	1 671 051	1 789 257
ES	9 810 158	2 092 931	11 903 089
FI	390 358	306 711	697 069
FR	9 266 741	5 064 908	14 331 649
GB	2 455 591	373 539	2 829 130
GR	5 093 766	4 315 083	9 408 849
HR	549 324	498 156	1 047 480
HU	1 481 041	5 562 529	7 043 570
IE	473 327	1 272 599	1 745 926
IT	17 588 140	23 360 277	40 948 418
LT	1 089 731	410 530	1 500 261
LU	5 494	71 809	77 303
LV	87 877	258 597	346 474
MT	399 409	48 138	447 547
NL	2 822 420	2 587 309	5 409 729
PL	2 669 701	821 570	3 491 271
PT	2 652 945	1 518 925	4 171 871
RO	8 543 376	10 357 564	18 900 939
SE	313 317	44 823	358 140
SI	819 830	284 063	1 103 893
SK	248 489	1 113 083	1 361 572
Total	82 480 274	72 207 752	154 688 026

Table: Annex 10 – 5.2-1

⁵² Since the entry into force of Regulation 908/2014 (implementing Regulation for Regulation 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.

For the purpose of calculating corrective capacity (see Table Annex 10 – 5.2-2 below and 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 2017 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 2017 and assigned revenue from (disjoined) financial clearance decisions of previous financial years.

The total amount recovered and reimbursed to the EU budget is 130.7 million EUR. This corresponds to the amount declared by DG AGRI in the consolidated accounts for 2017. Amounts recovered in respect of cross-compliance infringements (i.e. 30.5 million EUR) are indicated separately and deducted to show the amount of recoveries for 2017 which DG AGRI considers to be relevant for its corrective capacity, i.e. 100.2 million EUR for 2017.

MS	EAGF recoveries	EAGF recoveries cross-compliance	EAGF recoveries Total
AT	5 378 910	406 643	5 785 553
BE	1 125 011	1 173 576	2 298 588
BG	1 269 392	174 888	1 444 279
CY	150 038	66 303	216 342
CZ	319 841	316 351	636 192
DE	7 715 903	8 384 412	16 100 315
DK	3 113 109	607 086	3 720 195
EE	161 963	227 748	389 710
ES	11 079 653	1 482 585	12 562 239
FI	473 099	258 237	731 336
FR	12 662 908	130 971	12 793 879
GB	2 773 540	2 334 984	5 108 524
GR	6 475 033	1 101 466	7 576 499
HR	857 783	186 853	1 044 637
HU	3 919 465	199 327	4 118 792
IE	717 605	3 074 401	3 792 006
IT	15 810 071	1 586 142	17 396 213
LT	795 230	566 767	1 361 997
LU	5 494	143 936	149 429
LV	241 733	68 894	310 627
MT	407 798	9 095	416 893
NL	4 731 416	877 637	5 609 053
PL	3 664 695	1 135 052	4 799 748
PT	3 634 829	744 516	4 379 345
RO	11 317 030	4 312 667	15 629 697
SE	335 809	24 426	360 235
SI	569 138	167 299	736 438
SK	495 698	765 709	1 261 406
Total	100 202 193	30 527 972	130 730 165

Table: Annex 10 – 5.2-2

5.3 Amounts recovered by the Member States in financial year 2017 for the EAFRD

Table Annex 10 – 5.3-1 below sets out the amounts recovered in 2017 from the beneficiaries by the Member States as reported in their debtors' ledger for the EAFRD.

MS	EAFRD recoveries	EAFRD recoveries cross-compliance	EAFRD recoveries Total
AT	4 507 818	102 739	4 610 557
BE	295 786	-30 033	265 753
BG	1 166 480	893 296	2 059 776
CY	14 030	12 837	26 866
CZ	1 121 841	272 481	1 394 322
DE	5 144 804	572 488	5 717 292
DK	947 825	5 236	953 062
EE	964 397	120 326	1 084 723
ES	4 968 224	294 782	5 263 007
FI	778 512	161 920	940 432
FR	2 894 469	192 648	3 087 116
GB	5 345 212	132 152	5 477 364
GR	3 938 120	4 625 920	8 564 040
HR	1 310 040	781 084	2 091 124
HU	2 378 210	942 344	3 320 554
IE	1 783 745	330 563	2 114 308
IT	4 322 679	14 434 464	18 757 143
LT	1 372 835	285 947	1 658 782
LU	5 645	101 400	107 045
LV	899 850	376 355	1 276 205
MT	1 607 856	34 275	1 642 131
NL	339 760	113 194	452 953
PL	9 045 062	427 864	9 472 926
PT	12 271 469	422 215	12 693 684
RO	13 328 418	3 985 952	17 314 370
SE	639 457	970	640 428
SI	582 991	142 941	725 932
SK	1 228 884	242 192	1 471 076
Total	83 204 417	29 978 552	113 182 969

Table: Annex 10 – 5.3-1

For the purpose of calculating the corrective capacity, (see 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 2017 which DG AGRI considers relevant for its corrective capacity is EUR 83.2 million.

5.4 Application of the 50/50 Rule

The financial consequences of non-recovery for cases dating from 2013 (4 year deadline for recovery) or 2009 (8 year deadline in case of legal proceedings) will be determined for 2017 in accordance with the 50/50 rule mentioned above by charging approximately EUR 14.1 million to the Member States concerned⁵³. On the other hand, around EUR 21.4 million represents cases reported as fully irrecoverable during financial year 2017⁵⁴. The final figures will be established in May 2018 when the financial clearance decision for financial year 2017 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 2017 was EUR 1 666.2 million for all the Funds. Of this amount, EUR 1 374.7 million is outstanding to the EU budget (the difference, EUR 291.5 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 2017, 61% of the new EAGF debts, registered as from 2007, had already been recovered, which is a significant improvement compared to the past. The detailed breakdown of this recovery rate has developed as follows:

		Rate of recovery from beneficiaries of irregularities detected since 2007 – EAGF										
		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 ⁵⁵	until end of 2016 ⁵⁸	until end of 2017
year of discovery of the irregularity	2007	33%	47%	50%	53%	60%	68%	69%	69%	69%	69%	72%
	2008	-	24%	40%	47%	49%	58%	59%	60%	68%	69%	98%
	2009	-	-	24%	33%	42%	44%	46%	48%	52%	63%	84%
	2010	-	-	-	29%	39%	44%	45%	47%	48%	53%	66%
	2011	-	-	-	-	23%	37%	39%	43%	49%	50%	57%
	2012	-	-	-	-	-	34%	60%	64%	67%	69%	70%
	2013	-	-	-	-	-	-	23%	30%	36%	39%	40%
	2014	-	-	-	-	-	-	-	14%	31%	36%	36%
	2015	-	-	-	-	-	-	-	-	45%	61%	67%
	2016	-	-	-	-	-	-	-	-	-	39%	38% ₅₆
	2017	-	-	-	-	-	-	-	-	-	-	52%
	2007-2017	-	-	-	-	-	-	-	-	-	-	61%

Table: Annex 10 – 5.4-1

⁵³ Please note that these amounts relate to EAGF, EAFRD and TRDI.

⁵⁴ For EAFRD, based on the new legal regime, from financial year 2014 the Member States have to report as well the irrecoverable cases established during the financial year in question.

⁵⁵ Due to some inaccuracies in the reporting from some Member States in FY2015 and FY2016, the recovery rates in italics related to FY2015 and FY2016 are reinstated in this year's report.

⁵⁶ The decrease by 1% is mainly due to a significant increase in the amount of debts outstanding.

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 2017 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 ongoing, 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 2007-2017 (EUR 176.9 million) and therefore, in the vast majority of cases, they will not be recovered from the beneficiaries.

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

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

MS	New cases since 2007	Adjustments ⁵⁷	Recoveries	Recovery rate
AT	54 364 780.09	-1 129 408.75	-52 997 713.14	99.6%
BE	81 690 507.72	- 29 554 941.96	- 29 818 429.33	57%
BG	2 563 109.91	428 031.87	- 333 333.67	11%
CY	3 053 990.59	- 82 253.22	- 2 260 049.49	76%
CZ	3 133 172.66	- 154 314.43	- 2 729 034.45	92%
DE	91 554 870.01	- 5 124 044.60	- 78 364 726.06	91%
DK	34 554 168.14	8 529 297.56	- 30 200 784.37	70%
EE	2 640 189.74	- 1 013 504.65	- 1 462 652.13	90%
ES	281 494 036.67	- 39 294 278.16	-167 733 781.13	69%
FI	11 352 337.74	220 785.70	- 11 042 478.94	95%
FR	422 538 945.17	-137 973 466.15	- 96 739 643.64	34%
GB	58 501 498.80	- 9 687 629.24	- 45 942 731.59	94%
GR	147 910 809.20	- 38 778 455.65	- 38 232 720.16	35%
HR	1 318 262.59	6 117.85	- 750 013.55	57%
HU	95 116 125.76	- 64 539 310.84	- 19 117 781.04	63%
IE	29 935 490.32	- 2 825 339.48	- 26 399 271.65	97%
IT	344 331 113.79	-170 446 832.47	-157 750 520.29	91%
LT	8 662 709.39	- 2 771 988.77	- 5 305 744.85	90%
LU	1 114 841.19	- 501 982.37	- 357 168.92	58%
LV	2 231 498.28	- 29 115.27	- 1 776 335.65	81%
MT	1 520 934.29	224 866.64	- 1 049 364.75	60%
NL	76 827 670.09	1 623 916.79	- 28 607 659.10	36%

⁵⁷ Adjustments include: any correction (+ or -) arising from the revision of the initial debt amount (as a result of recovery procedures in the Member States) reported in Annex 2 of the Annual Accounts.

PL	112 199 516.93	- 71 434 725.87	- 27 677 936.25	68%
PT	80 840 730.52	- 19 321 701.20	- 39 049 234.29	63%
RO	100 110 995.77	- 2 364 284.81	- 30 435 432.94	31%
SE	29 822 906.64	- 5 273 193.97	- 20 543 343.78	84%
SI	17 959 410.18	- 2 354 013.29	- 6 467 842.70	41%
SK	4 124 516.29	- 694 884.50	- 1 592 434.37	46%
Totals	2 101 469 138.48	- 94,316,653.23	-924 738 162.23	61%

Table: Annex 10 – 5.4-2

The recovery rates quoted in this table are based on the data communicated by the Paying Agencies in their annual accounts. Similarly to the previous table, this table presents a snapshot of the situation of recoveries as at 15 October 2017.

5.5 DG AGRI Enquiries

Based on the annual accounts of FY 2017, the global amount subject to debt management is approximately **EUR 1.7 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 2017, as regards the effectiveness of irregularities and debt management and control systems (IDMCS) can be described as follows:

- the IDMCS implemented in the following Paying Agencies is partially effective and some substantial improvements are necessary: BG01, DE17, ES05, ES16, FR19, FR20, HU02, IT01, PL01, RO01 and RO02.

Concerning the Italian Paying Agency AGEA (IT01), a DG AGRI audit carried out in 2014 confirmed the serious concerns regarding the management of irregularities and other debts for financial year 2010 and earlier, and more generally all irregularities and debts for which the payment of origin was made in financial year 2007 or before. A number of weaknesses concerning the accreditation criteria for debts were noted (improper internal environment; insufficient control activities and monitoring mechanisms). Based on its findings, DG AGRI considered that the non-recovery of the debts in financial year 2010 and earlier was attributable to the negligence of the Italian authorities in the recovery procedure and therefore proposed financial corrections for the debt cases relating to these financial years.

The Italian Competent Authority placed the Paying Agency under probation on 25 April 2014. Full accreditation was reinstated on 25 April 2015 after a remedial plan required by the Competent Authority had been implemented. However, the reinstatement of accreditation was accompanied by a recommendation that the Paying Agency successfully implemented a separate action plan, that was more detailed than the remedial plan of the Competent Authority and which covered various accreditation criteria (criteria: 'procedures for debts' included).

The deadline for full implementation of the action plan was 15 October 2015. After several delays in its implementation, the deadline was subsequently extended to 15 October 2016. A mission carried out by DG AGRI in November 2016 found that the Action Plan had not yet been fully implemented by the extended deadline. DG AGRI has been closely following the developments since then also with a view to assessing the financial risk for the EU funds and is considering proposing a financial correction (see also 2.1.4).

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. Thus penalties imposed for non-compliance with cross-compliance requirements are not taken into account for the calculation of the error rates for the CAP.

The control statistics referred to below do not therefore correspond to errors in underlying transactions. See also part 2.1.2.2 European Court of Auditors reports, under "2016 Annual Report".

The results of the checks on cross-compliance are shown in Table: Annex 10 – 6-1 for claim year 2016 (financial year 2017). That table shows that 2.54% of all claimants were checked as regards their compliance with cross-compliance requirements in claim year 2016, and thereby the minimum control rate of 1% was globally respected. The claim year 2016 rate of farmers checked on the spot and subsequently subject to a cross-compliance sanction was 24.4%.

According to the control statistics, total cross-compliance sanctions in respect of claim year 2016 amounted to EUR 49.4 million. Sanctions following regulatory on-the-spot checks amounted to EUR 46.7 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 23.4 million (2.52% of the aid covered by on-the-spot checks). An additional EUR 23.3 million of sanctions was applied following repetition and intentional non-compliance.

It should be noted that at the time of the drafting of the report neither France nor Sweden had submitted their claim year 2016 control statistics.

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	97,510	2,284	2.34%	488	21.37%
BE	36,223	3,502	9.67%	676	19.30%
DE	296,910	9,044	3.05%	3,646	40.31%
DK	40,005	411	1.03%	131	31.87%
EL	445,516	4,542	1.02%	738	16.25%
ES	555,860	8,848	1.59%	2,129	24.06%
FI	51,794	1,717	3.32%	301	17.53%
FR					
IE	127,862	1,372	1.07%	740	53.94%
IT	603,738	32,293	5.35%	1,929	5.97%
LU	1,812	243	13.41%	98	40.33%
NL	49,409	865	1.75%	198	22.89%
PT	119,257	2,373	1.99%	907	38.22%
SE					
UK	151,122	5,265	3.48%	1,228	23.32%
EU-15 2016	2,577,018	72,759	2.82%	13,209	18.15%
EU-15 2015	2,353,271	76,182	3.24%	13,581	17.83%
CY	32,451	490	1.51%	115	23.47%
CZ	30,697	2,304	7.51%	80	3.47%
EE	18,192	582	3.20%	50	8.59%
HU	138,297	6,685	4.83%	1,026	15.35%
LV	46,840	1,119	2.39%	185	16.53%
LT	136,825	2,852	2.08%	1,274	44.67%
MT	479	149	31.11%	119	79.87%
PL	647,788	16,052	2.48%	2,327	14.50%
SK	19,209	779	4.06%	235	30.17%
SI	57,077	965	1.69%	355	36.79%
EU-10 2016	1,127,855	31,977	2.84%	6,767	21.16%
EU-10 2015	1,072,913	33,454	3.12%	8,879	26.54%
BG	68,768	982	1.43%	247	25.15%
RO	901,502	13,527	1.50%	5,814	42.98%
EU-2 2016	970,270	14,509	1.50%	6,061	41.77%
EU-2 2015	1,019,948	15,663	1.54%	6,046	38.60%
HR	101,534	2,130	2.10%	1,445	67.84%
EU-1 2016	101,534	2,130	2%	1,445	67.84%
EU-1 2015	99,295	1,682	1.69%	1,300	77.29%
EU-28 2016	4,776,677	121,375	2.54%	27,482	22.64%
EU-28 2015	4,545,427	126,981	2.79%	29,806	23.47%

Table: Annex 10 – 6-1

ANNEX 11: Specific annexes related to "Assessment of the effectiveness of the internal control systems" (not applicable)

ANNEX 12: Performance tables⁵⁸

General objective: A New Boost for Jobs, Growth and Investment		
Impact indicator: Percentage of EU GDP invested in R&D (combined public and private investment)		
Source of the data: Eurostat ⁵⁹		
Baseline (2012)	Latest known value (2016)	Target (2020) Europe 2020 target
2.01%	2.03%	3%
Impact indicator: Employment rate population aged 20-64		
Source of the data: Eurostat		
Baseline (2014)	Latest known value (2016)	Target (2020) Europe 2020 target
69.2%	71.1%	At least 75%
General objective: A Connected Digital Single Market		
Impact indicator: Aggregate score in Digital Economy and Society Index (DESI) EU-28		
Explanation: DESI is a composite index that summarises relevant indicators on Europe's digital performance and tracks the evolution of EU Member States in digital competitiveness. The closer the value is to 1, the better. The DESI index is calculated as the weighted average of the five main DESI dimensions: 1 Connectivity (25%), 2 Human Capital (25%), 3 Use of Internet (15%), 4 Integration of Digital Technology (20%) and 5 Digital Public Services (15%). The DESI index is updated once a year.		
Source of the data: DESI		
Baseline (DESI 2015)	Latest known value (DESI-2017)	Target (2020)
0.46	0.52	Increase
General objective: A Resilient Energy Union with a Forward-Looking Climate Change Policy		
Impact indicator: Greenhouse gas emissions (index 1990=100)		
Source of the data: European Environment Agency		
Baseline (2013)	Latest known value (2016 prox estimates by EEA)	Target (2020) Europe 2020 target
80.2%	77.4%	At least 20% reduction (index ≤80)

⁵⁸ The performance indicators reported in this annex reflect the set of indicators of DG AGRI's Strategic Plan 2016-2020, and are reported upon with a view to ensure coherence with other reporting documents such as the Programme Statements which accompany the Draft Budget for a given year (http://ec.europa.eu/budget/biblio/documents/index_en.cfm)

⁵⁹ Please note that Eurostat periodically revises its published data to reflect new or improved information, also for previous years. The latest published data is available by clicking on "[Bookmark](#)". The "latest known value" column reflects the data that was available at the time of the preparation of the AARs 2017 and it is the reference point for the AARs of Commission services.

General objective: **A balanced and progressive trade policy to harness globalisation**⁶⁰

Impact indicator: Percentage of EU trade in goods and services as well as investment covered by applied EU preferential trade and investment agreements

Source of the data: Eurostat for the raw indicators and DG Trade for the list of countries covered by [trade and investments agreements](#)*

Baseline Goods average for 2014-2016, Services and FDI average for 2013-2015	Latest known value (2017) Goods, Services and FDI average for 2014-2016	Milestone** (2018)	Target** (2020)
Goods: Imports 27% Exports 32% Total 29% Services: Imports 10% Exports 9% Total 9% FDI stocks: Imports 4% Exports 7% Total 6%	Goods: Imports 27% Exports 32% Total 30% Services: Imports 10% Exports 10% Total 10% FDI stocks: Imports 4% Exports 7% Total 6%	Goods: Imports 32% Exports 37% Total 34% Services: Imports 15% Exports 15% Total 15% FDI stocks: Imports 9% Exports 13% Total 11%	Goods: Imports 51% Exports 61% Total 56% Services: Imports 54% Exports 52% Total 53% FDI stocks: Imports 55% Exports 59% Total 57%

* See agreements under "In place" and "Agreements partly in place".

** The milestone and target figures are based on expectations of provisional application/entry into force of agreements that are currently under negotiation (see also result indicator 1.1 : "Number of on-going EU trade and investment negotiations and number of applied EU trade and investment agreements" of DG TRADE's Strategic Plan 2016-2020).

⁶⁰ The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S") and introducing a new impact indicator replacing the old one.

Common CAP objective 1: Viable food production

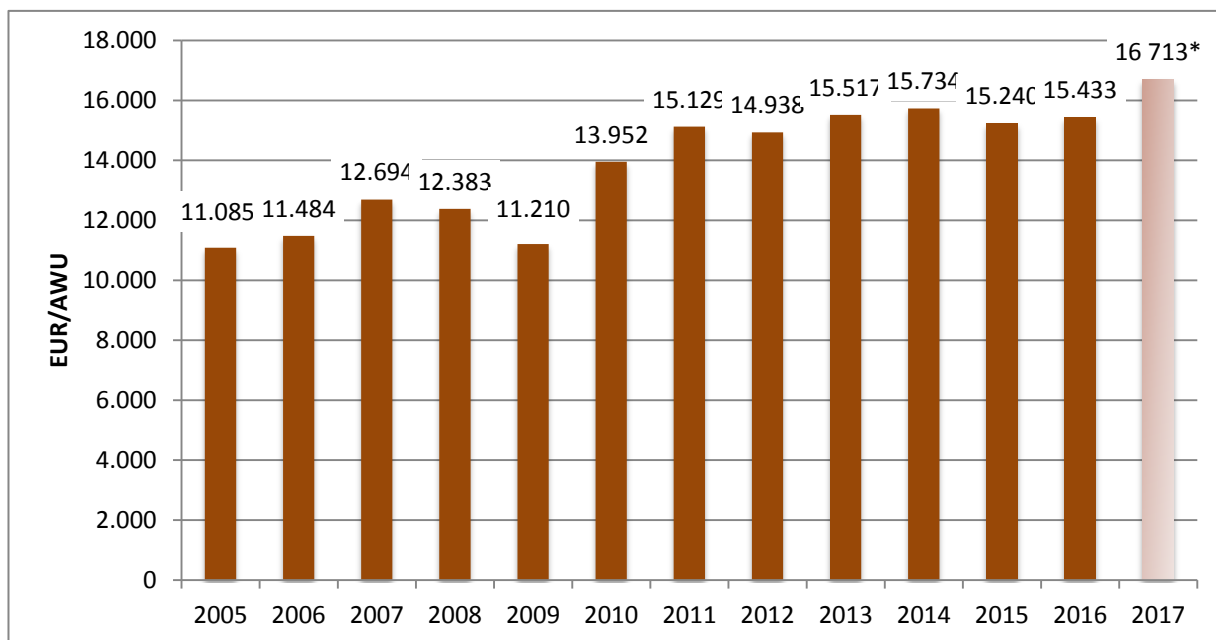
Common CAP objective 1: Viable food production

CAP Impact indicator: Agricultural factor income⁶¹

Definition: Agricultural factor income (net value added at factor costs) per annual work unit (AWU) (in real terms)⁶²

Source of the data: Eurostat – Economic Accounts for Agriculture (calculations by DG AGRI)

Baseline (2012 - EU-28)	Target	Latest known results (2016 - EU-28)
14 938 €/AWU (in real prices)	To increase <i>Article 39 (1)(b) TFEU</i>	15 433 €/AWU



⁶¹ In 2015, Eurostat changed the base year for the economic accounts for agriculture from 2005 to 2010, which has retroactive effects on values published previously. Eurostat has also updated values for previous years.

⁶² Agricultural factor income is defined as the net value added at factor costs, calculated according to the following equation:

Value of agricultural production
 - variable input costs (fertilisers, pesticides, feed, etc.)
 - depreciation
 - total taxes (on products and production)
 + total subsidies (on products and production)
 = factor income (net value added at factor costs)

An annual work unit is the work performed by one person who is occupied on an agricultural holding on a full-time basis.

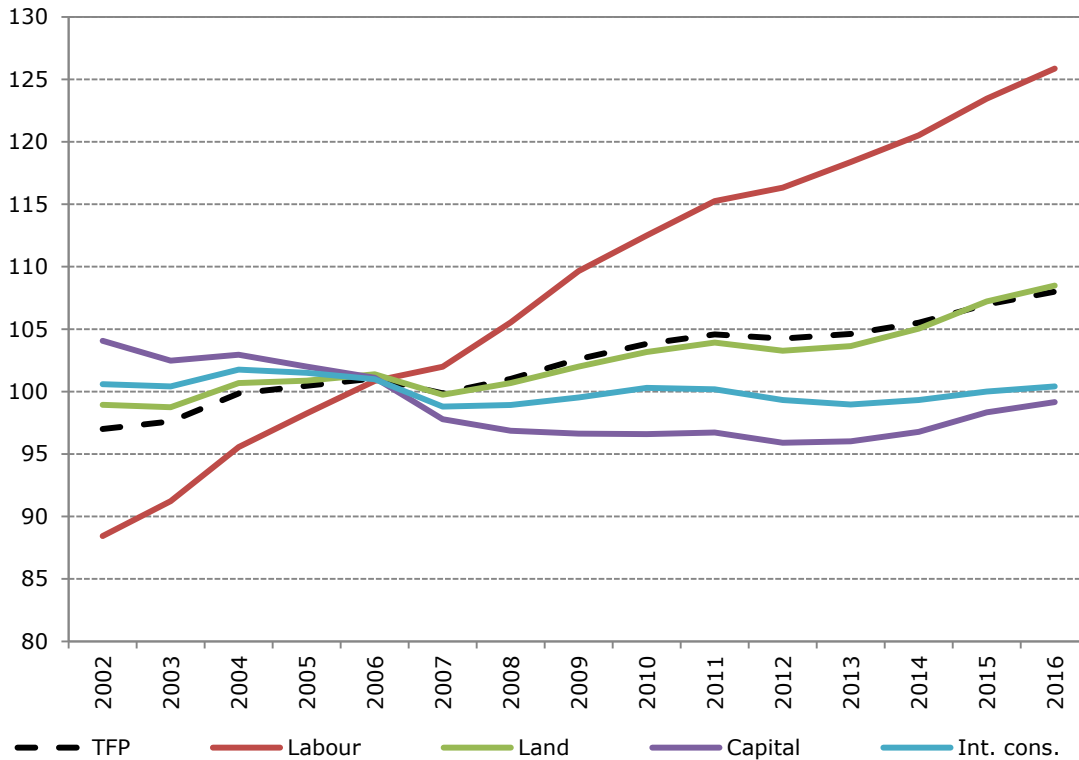
CAP Impact indicator: Total factor productivity in agriculture

Definition: Total factor productivity (TFP) compares total outputs relative to the total inputs used in production of the output (both output and inputs are expressed in term of volumes)

Source of the data: DG AGRI calculation based on Eurostat data

Baseline (2012-2014, average)	Target	Latest known results (2016)
106.2 (index 2005 = 100)	To increase <i>Article 39 (1)(a) TFEU</i>	108,0

Total Factor Productivity and partial productivity growth in the EU-28 (3-year moving average)



Source: DG AGRI, https://ec.europa.eu/agriculture/cap-indicators/context_en

Specific objective: To improve the competitiveness of the agricultural sector and enhance its value share in the food chain

Related to spending programme: EAGF

Result indicator: Share of EU agricultural exports in total value of production

Definition:

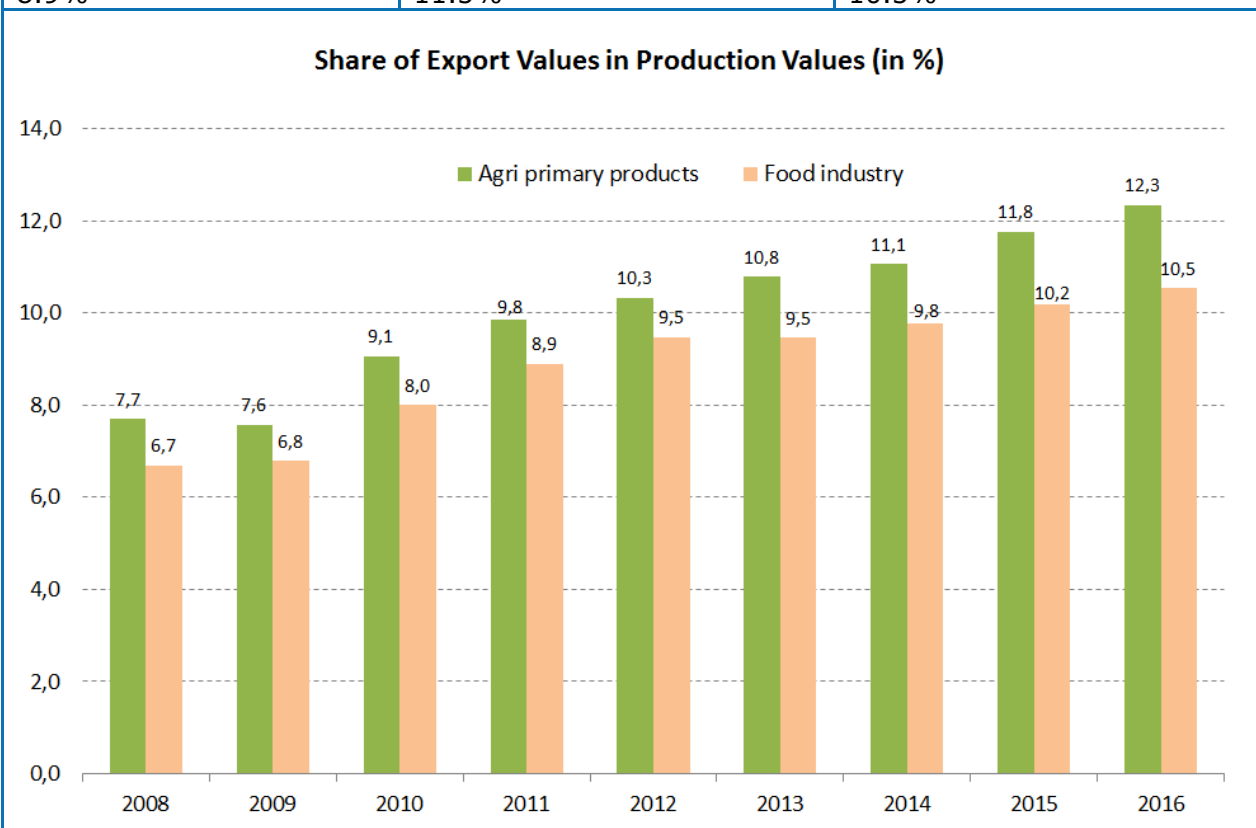
Agricultural primary products: value of annual exports in agricultural primary products (source Eurostat, Comext) as a percentage share of total value of production in agricultural products

Source of data: Eurostat, agricultural accounts

Processed food products: value of annual exports in processed food products as a percentage of total value of production by the food industry

Source of data: Eurostat⁶³, Prodcom⁶⁴

Baseline (2011)	Target (2020)	Latest known results (2016)
Agricultural primary products: 9.8% Processed food products: 8.9%	Agricultural Primary products: 14% Processed food products: 11.5%	Agricultural Primary products: 12.3% Processed food products: 10.5%



⁶³ Eurostat has updated values for previous years.

⁶⁴ Eurostat / Prodcom - Statistics by product (<http://ec.europa.eu/eurostat/web/prodcom>)

Result indicator: Share of value added for primary products in the food chain

Definition: The indicator looks at the value added of the primary production in comparison to other stages of the food chain (mainly food processing, food distribution and food service activities).

Source of data: Eurostat – National Accounts, Structural Business Statistics

(2011) ⁶⁵			Target	Latest known results (2015)		
EU-28	Value added (in billion EUR)	%	Higher share of value added for primary products in the food chain <i>Regulation n°1308/2013</i>	EU-28	Value added (in billion EUR)	%
Primary production	213	26		Primary production	214	24
Processing	214	26		Processing	237	26
Retail and wholesale	256	31		Retail and wholesale	288	32
Food services	142	17		Food services	167	18

Result indicator: Ratio between EU and World agricultural commodity prices

See below under the specific objective "To better reflect consumer expectations"

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Alignment of rules for market measures (leading to reduction of Commission regulations from more than 200 to no more than 40)	Adoption of delegated and implementing acts	June 2017	Delegated Regulation (EU) 2017/1183 and Implementing Regulation (EU) 2017/1185 of 20 April 2017 on MS notifications Delegated Regulation (EU) 2017/1965 and Implementing Regulation (EU) 2017/1964 of 17 August 2017 amending Implementing Regulation (EU) 2016/1239 as regards notifications related to licences in the rice sector
Commission implementing decision on the definitive allocation of Union aid to Member States under the school fruit, vegetables and milk scheme for the period 1 August 2017 to 31 July 2018	Adoption	Planned 1 st quarter 2017	COM(2017) 1792 final of 23.03.2017

⁶⁵ Change of baseline year to 2011 to account for more detailed information available on distribution and services.

Member States strategies, at national or regional level, to implement the school scheme in the period 2017-2023	No of strategies published in the Europa website	By 31/12/2017	As of 31/12/2017, 24 of the 44 notified strategies (=implementation of the scheme in 23 of the 28 MS) published in Europa , further to the Commission's assessment of the completeness and clarity of information
2017/AGRI/004 Delegated act amending Regulation (EU) No 543/2011 as regards marketing standards in the fruit and vegetables sector (alignment to UNECE standards)	Adoption	2018	ISC/2018/00198 deadline: 2/2/2018
Alignment of Regulation (EU) No 543/2011 on fruit and vegetables (excluding marketing standards)	Adoption	2017	Regulations adopted in May 2017 Delegated Regulation (EU) 2017/891 (OJ L 138, 25.5.2017) Implementing Regulation (EU) 2017/892 (OJ L 138, 25.5.2017)
2017/AGRI/045-046 Delegated and Implementing Regulations as regards the scheme of authorisations for vine plantings, vineyard register, accompanying documents, inward and outward register, compulsory declarations and checks in the wine sector.	Adoption	2017	Regulations adopted in December 2017: - Delegated Regulation – adoption ref. n° C(2017)8261 of 11.12.2017; - Implementing Regulation – adoption ref. n° C(2017) 8258 of 11.12.2017. - Estimated publication in OJ by end of February 2018.
2015/AGRI/098 Proposal of Council Decisions on the conclusion and on the EU implementing procedures of the International Olive Agreement 2015	COM adoption	Planned 2 nd quarter 2017	Adoption by the Commission on Council Decisions COM (2017) 263final and COM (2017) 264final on 1 June 2017
Proposal of Council Decisions on granting negotiation authority to the Commission to amend or renegotiate the International Sugar Agreement (cooperation with EEAS and DG DEVCO, ENV, GROW as DGs also being in charge for International Commodity Bodies)	Adoption	Planned 3 rd quarter 2017	Adoption of negotiation position by Council on 1 December 2017

<p>2015/AGRI/017 & 018 Delegated & Implementing Regulation on the EU scales for carcass classification and the reporting of prices to simplify and streamline procedures, reduce the overall administrative burden, improve clarity and adjust provisions to changed market situations and technical progress as well as harmonize different rules</p>	<p>Adoption</p>	<p>2017</p>	<p>Commission Delegated Regulation (EU) 2017/1182 of 20 April 2017</p> <p>Commission Implementing Regulation (EU) 2017/1184 of 20 April 2017</p>
<p>Implementing and Delegated Regulations as regards methods for the analysis and quality evaluation of milk and milk products for private storage aid and public intervention</p>	<p>Adoption</p>	<p>2017/2018</p>	<p>Publication planned by end of January 2018</p>
<p>The Commission shall present a report to the European Parliament and to the Council by 31 December 2017, on the application of the competition rules to the agricultural sector in all Member States, in particular on the operation of Articles 209 and 210, and of Articles 169, 170 and 171 in the sectors concerned (Regulation 1308/2013, art. 225 d)</p>	<p>Report on the application of the competition rules in the agricultural sector</p>	<p>2017/2018</p>	<p>Adoption of the report by the end of 1st quarter 2018</p>
<p>Food chain legislation on basis of CAP competence</p>	<p>Changes to legal rules concerning the governance of the food chain so as to improve the position of farmers – follow-up to Agricultural Markets Task Force's November 2016 report</p>	<p>2017/2018</p>	<p>Adoption by the co-legislators of the agricultural part of the Omnibus regulation</p>

Specific objective: To maintain market stability		Related to spending programme: EAGF
Result indicator: Public intervention		
Definition: Ratio of volume of the products bought in the intervention storage and the total EU production of those respective products		
Source of data: DG AGRI		
Baseline 2012	Target	Latest known results
0%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>	Estimation for 2017: 2.1% (30 647 t / 1 485 000* t)
Result indicator: Private storage		
Definition: Ratio of volume of the products placed into the publicly aided private storage and the total EU production of those respective products		
Source of data: Market monitoring data DG AGRI		
Baseline 2013	Target	Latest known results
Butter: 4% Olive oil: 0%	Used only in case of need (seen against market developments) <i>Regulation n° 1308/2013</i>	1.8% for Skimmed Milk Powder (26 011 / 1 485 000* t) 0% for butter 0% for cheese 0% for pigmeat 0% for olive oil

*: 2017 production figures estimated

Main outputs in 2017:			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Temporary exceptional support measures for producers of certain fruit and vegetables	Adoption	In place till June 2018	Commission Delegated Regulation (EU) 2017/1165 of 20 April 2017 laying down temporary exceptional support measures for producers of certain fruits
Exceptional support measures for producers of certain fruit and vegetables	Share of volume withdrawn in support of market (0.91%)	Maintain market stability	Volume withdrawn amounts 245 800 t for 2016/17 and 89 321 t for 2017/18 (up to 1 Feb), i.e. around 0.2% in average of EU fruit and vegetable production
Implementing regulations to address a smooth functioning of the sugar market in the final quota year	Relatively stable prices	a price range between 500 and 600 euro/tonne	No measure adopted. EU average sugar price was relatively stable, close and around the level of 500 euro/tonne until September 2017 (end of the production quotas). In October and November it went down to 422 and 410 euro/tonne

			respectively. As a normal consequence of the increase in production of new harvest.
Implementing Regulation on exceptional market support measures for the poultry meat sector in France following avian influenza outbreaks	Adoption	2017	Commission Implementing Regulation (EU) 2017/295 of 20 February 2017
Implementing Regulation on exceptional market support measures for the pig meat sector in Poland following African Swine Fever outbreaks	Adoption	2017	Commission Implementing Regulation (EU) 2017/647 of 5 April 2017
Implementing Regulation on an emergency measure in the form of aid due to new requirements in relation to African swine fever in Poland	Adoption	2017	Commission Implementing Regulation (EU) No 2017/1536 of 11 September 2017
Implementing Regulations fixing minimum selling prices for skimmed milk powder held in public stocks	Adoption	Throughout the year and next years until stocks are fully disposed of	Sixteen tenders were completed until end January 2018 ⁶⁶
Temporary exceptional measures for livestock farmers	Adoption if necessary to maintain market stability	Depend on market developments	None in 2017
To ensure sound and efficient financial management of the European Agricultural Guarantee Fund (EAGF)	Correct and timely monthly payments (12 payments + 1 complementary)	3rd working day of every month	All payments made in time
	Public Storage expenditure management (12 monthly declarations + 1 annual declaration from Member states holding stocks)	Declarations received by the 12th each month. Continuous follow up required	Public Storage expenditure declarations timely received and reimbursed.

⁶⁶ An example is Commission Implementing Regulation (EU) 2017/2186 of 23 November 2017 on the minimum selling price for skimmed milk powder for the fourteenth partial invitation to tender within the tendering procedure opened by Implementing Regulation (EU) 2016/208

Delegated regulation to adjust marketing standards for free range eggs where hens' access to open air runs is restricted			Commission Delegated Regulation (EU) 2017/2168 of 20 September 2017
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Specific objective: To sustain farmers' income stability by providing direct income support		Related to spending programme: EAGF
Result indicator: Share of direct support in agricultural entrepreneurial income (family farm income)		
Definition: The indicator gives the share of direct support (coupled and de-coupled payments) in entrepreneurial income.		
Source of data: EAGF Financial Report and –EUROSTAT Economic Accounts for Agriculture		
Baseline 2013	Target	Latest known results (2016)
41%	To maintain the ratio <i>Regulation n° 1307/2013</i>	44%

Main outputs in 2017:			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Follow-up of the changes in the Direct Payment regulation as part of the Omnibus regulation (assessment of proposals by MS / EP, drafting of background notes etc.) and preparation of MS for implementation of the changes	MS prepared to implement the changes contained in the Omnibus by end 2017	2017	(Omnibus-CAP adopted) New notification forms ready and online for new decisions to be taken by MS as from 2018 following the Omnibus Regulation changes for direct payments
Preparation of legal acts (financial ceilings for 2017, approval decisions for reviewed Voluntary Coupled support for BE, FI, PT), and possible further simplifications	Necessary delegated Acts and Implementing Acts prepared and adopted	All along the year	All needed Delegated / implementing acts were adopted: - Commission Delegated Regulation (EU) 2017/1155 of 15.2.2017 amending Delegated Regulation (EU) No 639/2014 on several provisions, for simplification purposes; - 3 implementing acts were adopted approving the decisions of Portugal, Finland and Belgium to use than 13% of their DP envelope for coupled support.

			<p>- 3 other implementing acts concerning hemp, transparency and the granting of Complementary National Direct Payments in Croatia.</p> <p>Draft delegated regulation to adjust provisions following the Omnibus were already submitted to and discussed with MS in Q4</p>
Continuing follow-up of the implementation of Direct Payments in the different MS (update of notifications / exchanges with MS, including by the organisation of workshops on policy issues / legal interpretations and guidance)	<ul style="list-style-type: none"> - Organisation of Expert groups and Committees - Replies to letters to MS - Bilateral meetings with MS - Assessment of notifications 	All along the year	<ul style="list-style-type: none"> - 2 committees and 5 expert groups organised in 2017; - about 150 letters to MS; - 11 bilateral meetings with MS
Reporting and communication activities, as regards the different schemes and their implementation	- Finalisation and dissemination of monitoring reports for 2015	Early 2017 for 2015 reports	- 6 detailed reports on 2015 implementation circulated internally and a synthetic report published on Europa.
	- Preparation of the monitoring reports for 2016	Second semester for 2016 reports	- notifications received from MS on 2016 implementation + preparation of combined reports using complementary data
Contribution to policy analysis / provision of an expertise on Direct Payments in various exercises (e.g. work on the modernisation of the CAP)	<ul style="list-style-type: none"> - Internal analytical notes - Participation in working groups and various meetings 	All along the year	<ul style="list-style-type: none"> - Analytical package of notes on Direct Payments in May 2017 + complementary notes in the Autumn; - contribution to the Communication on the Future of Food and Farming; - participation in Impact Assessment group and 'New Delivery Model' group.
<ul style="list-style-type: none"> • Preparation of legal acts and guidelines to review, amend and simplify the IACS legislative framework • Providing interpretation to 	Necessary delegated / implementing acts for IACS and guidelines to be prepared and adopted	All along the year	<p>Adopted acts:</p> <ul style="list-style-type: none"> - Commission Delegated Regulation (EU) 2017/723 of 25.04.2017 introducing more proportionate reductions for non-compliances with greening requirements

<p>Member States with regard to the implementation of direct payments, in particular from an IACS perspective</p> <ul style="list-style-type: none"> • Follow-up and support of the implementation of Direct Payments in particular as regards IACS, including the dissemination of good practices, exchange of experience and development with support of JRC and GROW. • Monitoring the implementation of direct payments and ensuring that action is taken when implementation is lacking / failing. • Initiation and follow up as appropriate of Member State Action Plans according to Art 41.2 of Reg 1306/2013. • Analysing and reporting in cooperation with JRC on MS Quality Assessment of their LPIS (LPIS). 			<ul style="list-style-type: none"> - Commission Implementing Regulation (EU) 2017/807 of 11.5.2017 allowing MS to postpone the deadline for submitting the single application - Commission Implementing Decision C(2017) 5905 of 31/08/2017 authorising 10 MS (BE, CZ, ES, IT, LT, LV, HU, PL, PT, FI) to increase advance payments due to adverse weather conditions - Commission Implementing Decision C(2017) 6801 on 11/10/2017 authorising 5 MS (IE, EL, HR, RO, UK) to increase advance payments due to adverse weather conditions <p>Acts presented to MS:</p> <ul style="list-style-type: none"> - Draft modification of Regulation (EU) No 809.2014 to introduce new technologies in IACS <p>Guidelines revised:</p> <ul style="list-style-type: none"> - LPIS guidance including the EFA-layer, following the adoption of amendments to the EFA provisions of Regulation (EU) 639/2014 - OTSC guidance in view of the greening review - Aid-application guidance in view of the greening review
	Replies to MS/stakeholders questions in a timely manner	All along the year	45 bilateral replies to MS + 22 replies to MEPs, citizens and other organisations
	Organisation of workshops/expert groups facilitating MS exchange of experience and of good practices [number undetermined yet]	All along the year	1 workshop on introducing new technologies in IACS (March 2017)
	Organisation of missions/visits to MS and bilateral meetings with MS in	All along the year	8 missions and 5 bilateral meetings

	Brussels, mostly upon MS request [number undetermined yet]		
	Contribution to DG AGRI Annual Activity Report and assessing whether reservations, and subsequently action plans are necessary Preparation of reduction/suspension decisions whenever necessary.	By 15.04.2017 for the AAR All along the year	Contribution to AAR 2016 165 VCS measures assessed in view of possible follow up actions in cases found to be non-compliant.
	Initiate action plans in good time and maintain their momentum according to agreed timetables	All along the year	2 action plans on-going (RO and PT) 3 MS requested to set up action plans (SE, PL and IT incl. Calabria) - For IT (Calabria) the scope of the action plan has been widened to a national plan. - PL and SE were requested to set-up an action plan to address the weaknesses in key controls identified during conformity clearance procedures' 1 action plan has been successfully implemented and closed (CY)
	Assessing the MS LPIS QA reports/scoreboards and reporting through the direct payments committee / LPIS workshops. Giving feedback to MS in writing as to potential weaknesses identified in the exercise. Follow up visits to MS according to priority criteria.	By 30 April 2017 for QA reports and scoreboards.	44 ETS reports analysed . Results presented in LPIS workshop at IACS Workshop 05/2017 and 23 rd Mars conference 11/2017, 11 e-mails and 5 follow-up letters to MS 3 follow-up visits

To ensure sound and efficient financial management of the European Agricultural Guarantee Fund (EAGF) ⁶⁷	Correct and timely monthly payments (12 payments + 1 complementary)	3 rd working day of every month	All payments made in time.
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Specific objective: To promote a more market oriented agriculture by ensuring a significant level of decoupled income support⁶⁸		Related to spending programme: EAGF
Result indicator: % of total direct payments which is decoupled		
Source of data: Budget		
Baseline (Calendar year 2013 / Budget year 2014)	Target	Latest known results
93.54%	To maintain <i>Regulation n° 1307/2013</i>	Calendar year 2015/budget year 2016: 88.9% ⁶⁹ Calendar year 2016/budget year 2017: 88.9% ⁷⁰ Calendar year 2017/budget year 2018: 88.6% ⁷¹ As of calendar year 2015 the figures take into account that in accordance with the methodology for implementation of the small farmers scheme, as chosen by the Member States, part of the expenditure under that scheme is "decoupled".

⁶⁷ This output is applicable to all DG AGRI objectives related to the EAGF spending programme.

⁶⁸ The wording of this objective was adapted to take into account the provisions of the Regulation (EU) No 1307/2013 of the European Parliament and of the Council of 17 December 2013 establishing rules for direct payments to farmers under support schemes within the framework of the common agricultural policy and repealing Council Regulation (EC) No 637/2008 and Council Regulation (EC) No 73/2009, as regards their application as of 2015.

⁶⁹ Execution of the Budget 2016

⁷⁰ Execution of the Budget 2017 – provisional figures

⁷¹ Based on the Budget 2018 estimated needs, excl. the crisis reserve.

Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2)		Related to spending programme: EAFRD
Result indicator: % of agricultural holdings with RDP support for investment in restructuring or modernisation (Focus area 2A: improving the economic performance of all farms and facilitating farm restructuring and modernisation notably with a view to increase market participation and orientation, as well as agricultural diversification) Source: Rural development programmes		
Baseline ⁷²	Target (2023)	Latest known results ⁷³
0	2.7% ⁷⁴	0.6 % (which represents 21.9% of achievement of the target set in the RDPs)
Result indicator: % of agricultural holdings with RDP supported business development plan/investments for young farmers (Focus area 2B: facilitating entry of adequately skilled farmers into the agricultural sector and in particular generational renewal) Source: Rural development programmes		
Baseline	Target (2023)	Latest known results ⁷⁵
0	1.5%	0.1% (corresponding to 6.5% of achievement of the target set in the RDPs)

Main outputs in 2017:			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Events of the European Network for Rural Development (Number of events)	Number of events	1 EU rural networks' Assembly meeting	1 EU rural networks' Assembly meeting
		2 EU rural networks' Steering Group meetings	2 EU rural networks' Steering Group meetings 1 LEADER/CLLD subgroup meeting
		2 Thematic work themes completed	2 Thematic work themes completed
		10 Workshops	11 Workshops
		1 Seminar	2 Seminars

⁷² Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

⁷³ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

⁷⁴ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

⁷⁵ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

Events of fi-compass (number of events and participants)	Number of events Number of participants	1 macro-regional workshop (100 participants)	1 macro-regional workshop (100 participants)
		1 annual EAFRD conference on FIs (220 participants)	1 annual EAFRD conference on FIs (220 participants)
		2 workshops on Targeted Coaching (85 participants)	2 workshops on Targeted Coaching (85 participants)
Publications and communication of the European Network for Rural Development (Number), in cooperation with other relevant DGs	Number	2 EU Rural Reviews	2 EU Rural Reviews
		2 Rural Connections magazines	2 Rural Connections magazines
		2 Project Brochures	2 Project Brochures
		12 ENRD newsletters	12 ENRD newsletters
		ENRD website (page views per month) 100 000	ENRD website (page views) 116 000
		Social media presence: • Twitter followers: 3000 • Facebook page likes: 5000	Social media presence: • Twitter followers: 2700 • Facebook page likes: 4500
		LinkedIn Group members: 650	LinkedIn Group members: 600
Activities under fi-compass, including communication actions	Number of activities	4 analytical studies (2 newly launched)	1 study closed, 3 studies ongoing
		1 case-studies of FIs	2 case-studies of FIs
		2 brochures	2 brochures
		16 launched coaching cases	12 closed coaching cases and 4 ongoing; around 150 people coached
		3 Videos 4 newsletters	3 Videos 3 newsletters
Joint ESIF activities	Number	1 annual report to Council and EP on FIs	1 annual report
Operational FIs	Number of running FIs	4	4

FIs in preparation	Number of Financial Instruments in preparation	23 (approximate estimate)	28
- of which with signed funding agreements	Number of signed funding agreements	13	13
EAFRD – EFSI Pilot cases on financial instruments	Number of EAFRD – EFSI pilot cases on financial instruments	5	3
Assessment of Annual Implementation Reports in close cooperation with ESIF and other relevant DGs	118 reports	2017	118 assessed
Assessment, in cooperation with other relevant DGs, of proposals for programmes amendments	120 modifications (estimate)	2017	172
DG AGRI – EIB / EIF coordination meetings	Number of meetings	6	6
Meetings with Member States (Monitoring Committees, Annual Review Meetings, etc.)	280 meetings (estimate)	2017	Around 300 (estimation)
To ensure sound and efficient financial management of the European Agricultural Fund for Rural Development (EAFRD) ⁷⁶	Correct and timely quarterly payments	45 days after the reception of the declaration of expenditure	All payments made within the legal deadline ⁷⁷ Average payment time in 2017 – 34 days

⁷⁶ This output is applicable to all DG AGRI objectives related to the EAFRD spending programme.

⁷⁷ Due to limited payment appropriations available under 2017 budget, the Commission has proceeded with partial and proportional reimbursements for Q32017 declarations within the legal deadline. The remaining balances were paid from appropriations becoming available from the end-of-year adjustments to the 2017 budget.

Specific objective: Promoting food chain organisation, including processing and marketing of agricultural products, animal welfare and risk management in agriculture (Priority 3)

Related to spending programme: EAFRD

Result indicator: % of agricultural holdings receiving support for participating in quality schemes, local markets and short supply circuits, and producer groups/organisations (Focus area 3A: improving competitiveness of primary producers by better integrating them into the food chain through quality schemes, promotion in local markets and short supply circuits, producer groups and inter-branch organisations)
Source: Rural development programmes

Baseline ⁷⁸	Target (2023)	Latest known results ⁷⁹
0	2.5% ⁸⁰	0.2% (which represents 6.4% of achievement of the target set in the RDPs)

Result indicator: % of agricultural holdings participating in risk management schemes (Focus area 3B: supporting farm risk management)
Source: Rural development programmes

Baseline	Target (2023)	Latest known results ⁸¹
0	5.3% ⁸²	0.5% (which represents 9.2% of achievement of the target set in the RDPs)

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Registration of names as PDO/PGI/TSG/GI following scrutiny of applications from EU Member States and from third countries.	Number of applications examined (dependent on submissions made to the Commission)	Within 6 months for agricultural products and foodstuffs; within 12 months for wine, spirit drinks, aromatised wine	Commission services scrutinised dossiers for 77 agricultural products and foodstuffs, 33 wines and 68 spirit drinks.
Management of the Community registers and lists of PDO/PGI/TSG/GI.	Registers kept updated	Ongoing	Registers updated on regular basis.

⁷⁸ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

⁷⁹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

⁸⁰ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

⁸¹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

⁸² Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

2016/AGRI/001 and 2016/AGRI/002 Delegated and implementing acts for wine labelling and presentation, traditional terms and geographical indications	Meetings of Expert group and Committee	By end 2017	Postponed to Q3/2018
2011/AGRI/039 Alignment proposal for spirit drinks	Following the adoption of the Commission proposal, discussions in the Council and the EP	By end 2018	Geographical indications discussed in six meetings of the Council Working Party and three meetings of the Special Committee on Agriculture. A vote in the EP committees AGRI and INTA took place while a vote in ENVI committee is planned for January 2018.
In co-operation notably with SANTE, monitor supervision of the control systems put in place by the Member States for registered PDO/PGI/TSG/GI and exchange best practice	Participation in Commission audits performed by SANTE	Ongoing	Participations in all audits ensured (three Member States).
	Completion of seminars in co-operation with EUIPO	By end 2017	Joint AGRI-EUIPO Control seminar organised on 26-27 October 2017.
	Contribution to trainings in the framework of BTSF (lead service SANTE)	Ongoing	Written material for the BTSF training validated.
Contribute to negotiations on international agreements as regards geographical indications	Third countries' specifications of geographical indications examined	Ongoing	All examinations done (249 in total).
	Specifications of EU geographical indications provided		Specifications provided (for Mercosur, Mexico, Cariforum and Indonesia negotiations).

See also the outputs of the previous Specific objective.

Common CAP objective 2: To promote a sustainable management of natural resources and climate action

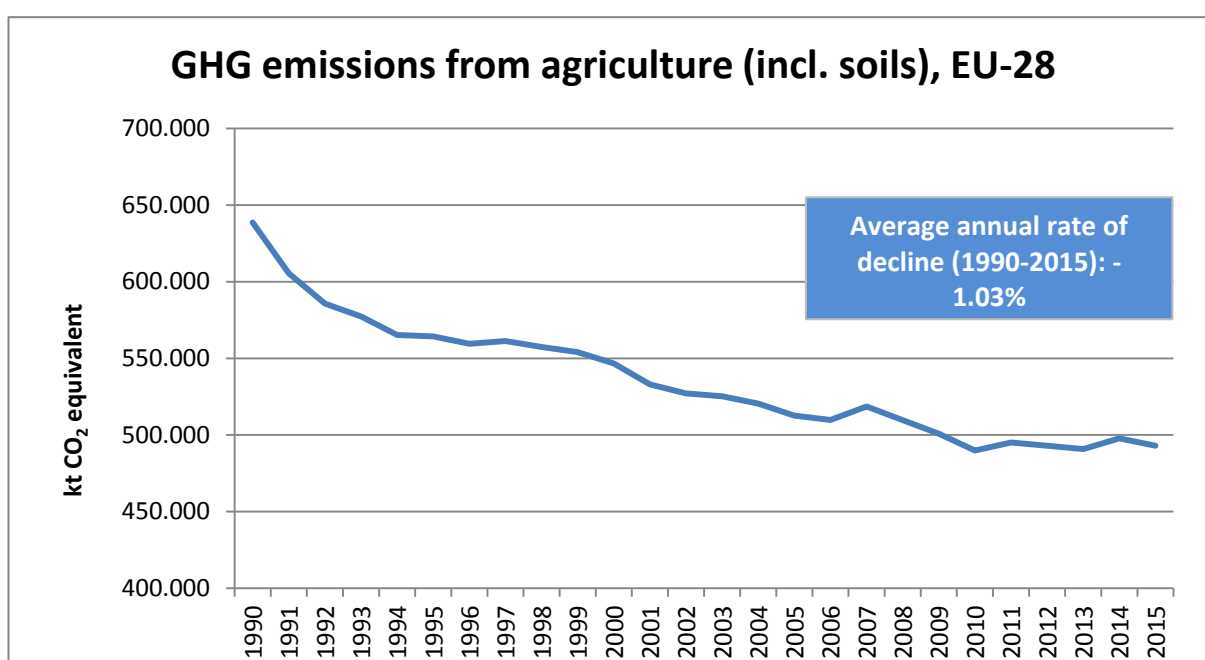
Common CAP objective 2: To promote a sustainable management of natural resources and climate action

CAP Impact indicator: Net greenhouse gas emissions from agriculture

Definition: The indicator measures net GHG emissions from agriculture including agricultural soils.

Source of the data: Annual European Union GHG inventory (sectors 3.a, 3.b, 3.c, 3.d, 4.c and 4.d). The inventory is based on national submissions to the UNFCCC and to the EU Monitoring Mechanism of CO₂ and other GHG emissions. It is compiled and held by the European Environment Agency (EEA) and the European Topic Centre on Air and Climate Change (ETC/ACC)

Baseline (2012)	Target	Latest known results (2015) ⁸³
492 952 ⁸⁴ (in 1000 t of CO ₂ equivalent)	To decrease <i>EU2020</i>	493 032 (in 1000 t of CO ₂ equivalent)



⁸³ The European Union (EU) as a party to the United Nations Framework Convention on Climate Change (UNFCCC) reports annually its greenhouse gas inventory for the year t-2 and within the area covered by its Member States. The EEA publishes the validated GHG inventory data in June. Eurostat re-publishes the data shortly after.

⁸⁴ Figures are different from previous years due to a different aggregation method.

CAP Impact indicator: Nitrate levels in freshwater

Definition: Nitrates in freshwater (Context indicator.40 – Water quality) consists of:

- 2.a) Groundwater quality: % of monitoring sites in 3 water quality classes (high, moderate and poor);
- 2.b) Surface water quality: % of monitoring sites in 3 water quality classes (high, moderate and poor).

The three water quality classes are defined as follows:

- **High quality: concentration close to natural values or within the threshold indicated in the legislation for low-polluted water.**
- **Moderate quality: concentration above natural standard but still below hazardous level.**
- **Poor quality: concentration above hazardous level.**

The actual concentration classes are the following:

Groundwater

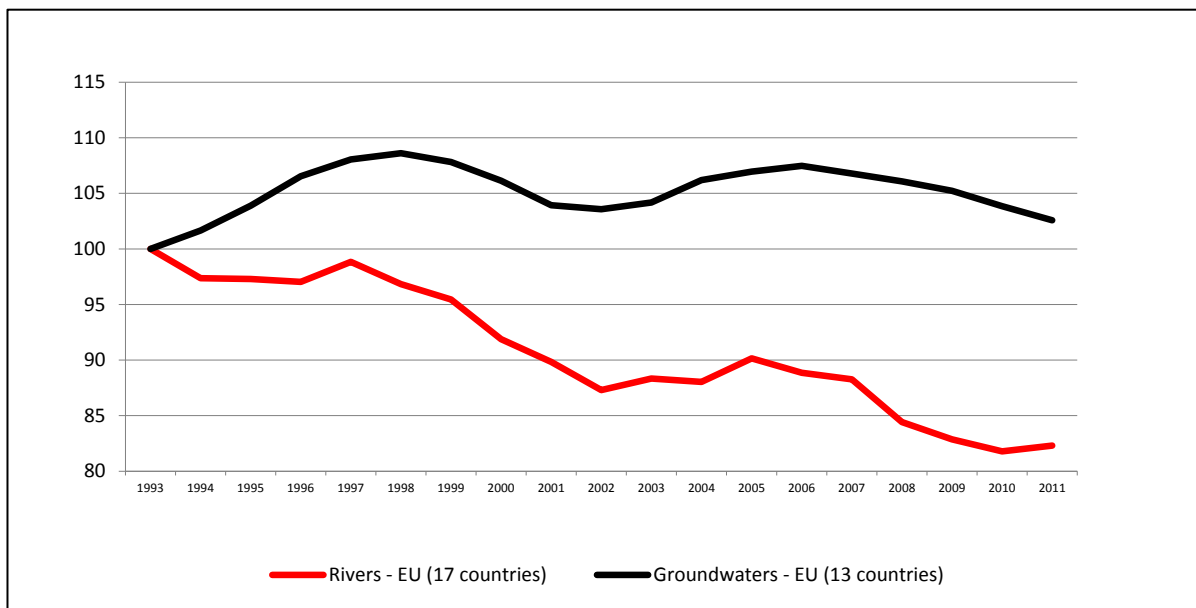
- **High ("<10 mg/l NO3 " + ">=10 mg/l NO3 and <25 mg/l NO3 ")**[1]
- **Moderate (">=25 mg/l NO3 and <50 mg/l NO3 ")**
- **Poor (">=50 mg/l NO3 ")**.

Surface water

- **High ("<0.8 mg/l N " + ">=0.8 mg/l N and <2.0 mg/l N ")**[2]
- **Moderate (">=2.0 mg/l N and <3.6 mg/l N " + ">=3.6 mg/l N and >5.6 mg/l N ")**
- **Poor (">=5.6 mg/l N and <11.3 mg/l N " + ">=11.3 mg/l N ")**

Source of the data: European Environment Agency (EEA) – Nutrients in freshwater: Data voluntary reported by MSs via the WISE/SOE data flow annually.

Baseline	Target	Latest known results
EU-28, 2012		
Freshwater: <ul style="list-style-type: none"> - High: 56.9 % - Moderate: 31.7% - Poor: 11.4% Groundwater: <ul style="list-style-type: none"> - High: 74.1% - Moderate: 14.2% - Poor: 11.7% 	To decrease <i>Regulations n° 1305, 1306 and 1307/2013</i>	No more recent data available ⁸⁵



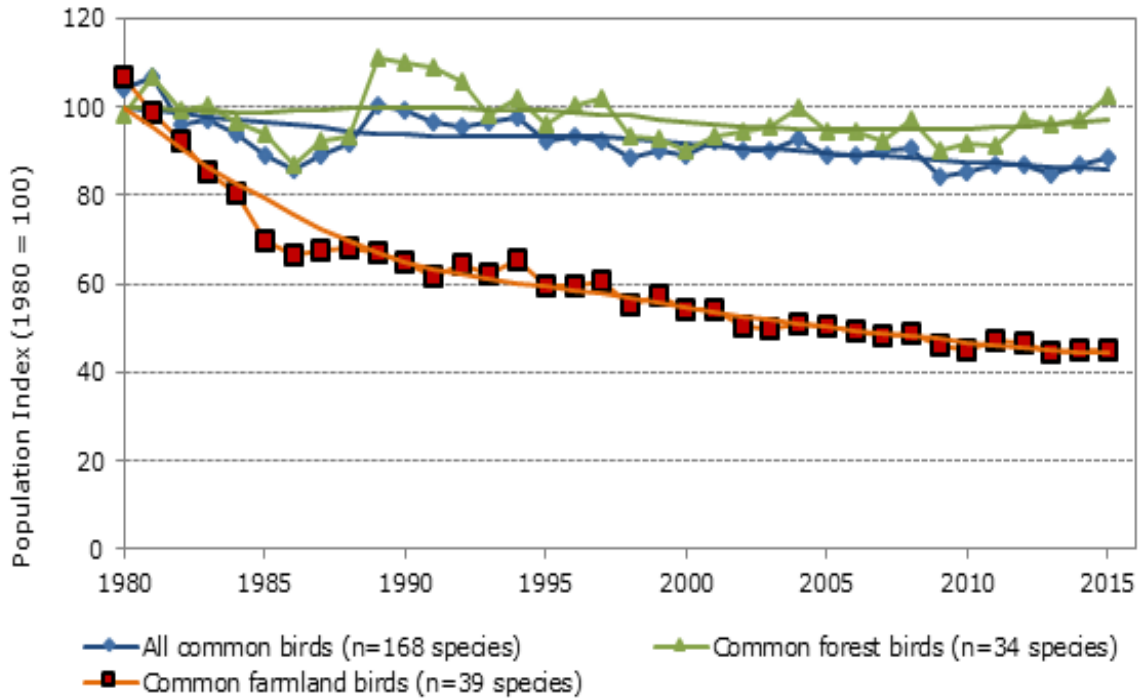
⁸⁵ The next report to the European Environment Agency is due 31.12.2018.

Impact indicator: Farmland bird index

Definition: The indicator is a composite index that measures the rate of change in the relative abundance of common bird species at selected sites: trends of index of population of farmland birds (base year 2000 = 100).

Source: EBCC/RSPB/BirdLife/Statistics Netherlands: the European Bird Census Council (EBCC) and its Pan-European Common Bird Monitoring Scheme (PECBMS); data are published on Eurostat database

Baseline (year & value)	Target	Latest known results ⁸⁶
2012: 45.75 (index 1980=100) ⁸⁷	To increase	2015: 44.3



⁸⁶ New data will become available in Q3/2018.

⁸⁷ The baseline has been updated in order to show a longer time series for this indicator (index 100 in 1980 instead of 2000 in the previous AAR). New data will become available in Q3/2018.

Specific objective: To better reflect consumer expectations

Related to spending programme: EAGF-EAFRD

Result indicator: Ratio between EU and World agricultural commodity prices

Definition: Weighted average, covering beef, pig meat, poultry, soft wheat, maize, barley, sugar, butter, cheddar, WMP and SMP. World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Brazil), Barley (Black Sea) and Sugar (London white sugar 05)⁸⁸.

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

Baseline	Target (annual)
In 2013, the EU prices were on average 20% above world prices (ratio 1.20) ⁸⁹	Prices brought closer to the world prices (ratio 1.00) <i>Regulation n° 1308/2013</i>

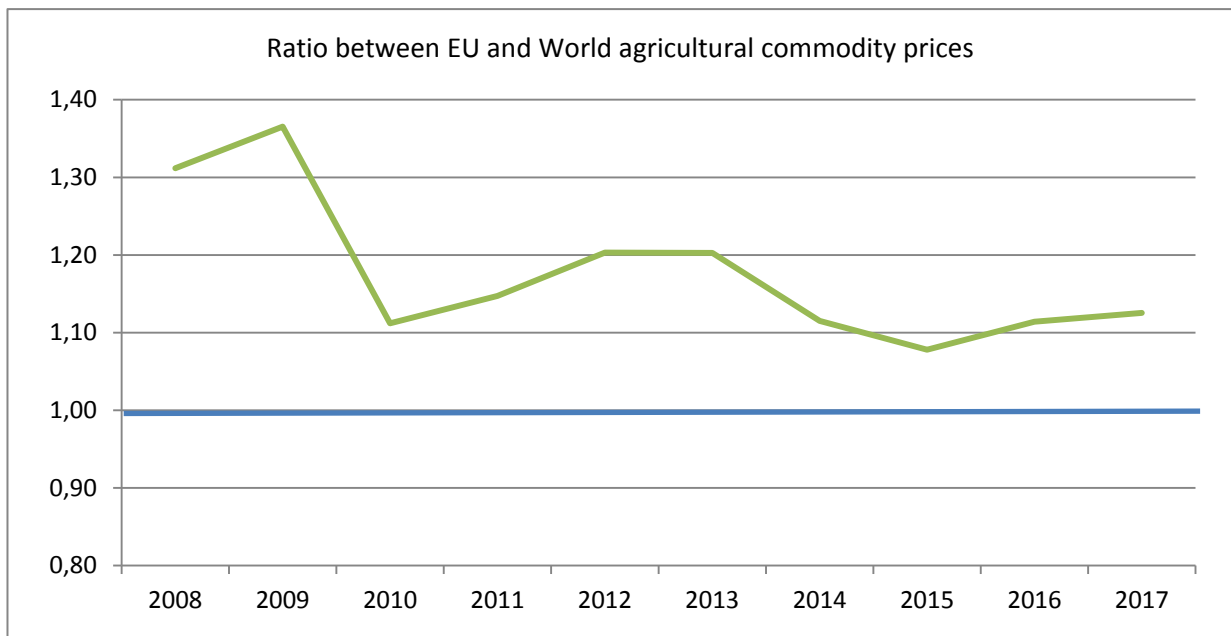
Latest known results:

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Beef (Australia)	1.50	1.69	1.26	1.21	1.19	1.24	0.98	0.95	1.03	1.01
Beef (Brazil)	1.59	1.79	1.36	1.33	1.61	1.72	1.46	1.50	1.49	1.56
Pigmeat (US)	1.59	1.59	1.16	1.12	1.19	1.21	0.94	1.02	1.15	1.18
Pigmeat (Brazil)	1.22	1.45	1.00	1.13	1.37	1.25	1.02	1.10	1.25	1.24
Poultry	1.64	1.56	1.29	1.63	1.38	1.23	1.14	1.08	1.11	1.04
Soft wheat	1.11	1.00	0.99	1.07	1.04	1.04	1.02	0.94	0.99	1.04
Maize	1.16	1.10	1.19	1.04	0.98	1.04	1.13	1.03	1.11	1.16
Barley	1.01	1.04	0.97	0.99	1.00	0.98	0.98	0.99	0.95	0.96
Sugar	2.48	1.58	1.04	1.10	1.55	1.90	1.62	1.24	0.99	1.26
Butter	1.08	1.47	1.09	1.17	1.19	1.27	1.23	1.06	1.09	1.07
Cheddar	1.08	1.17	0.95	1.03	1.14	1.10	1.12	1.03	1.02	1.00
WMP	1.04	1.18	1.02	1.07	1.09	0.98	1.11	1.10	1.06	1.07
SMP	0.98	1.10	0.93	0.90	0.95	0.90	0.97	0.96	0.99	0.98
Weighted average	1.31	1.37	1.11	1.15	1.20	1.20	1.12	1.08	1.11	1.13

Note: World price references are mainly based on US prices for meat and crops and Oceania for dairy products, except for beef (Australia, Brazil), Pigmeat (US and Brazil), Barley (Black Sea) and Sugar (London white sugar 05).

⁸⁸ Compared to Pacific prices (US and Australia), EU prices were very competitive in 2015 because of the exchange rate effect but also because US demand drove significant price increases. If the comparison would be made with Brazil for meat especially, the increase in EU competitiveness would be less pronounced.

⁸⁹ The data presented in this graph has changed from the data in 2016 AAR because of adjustments in the US poultry price (previously: broiler/frier, whole birds, 2-1/2 to 3 pounds USDA grade "A" ice packed Georgia Dock preliminary weighted average, wholesale; now: USDA quotations of fresh chicken grade A, Chicago), so that it is more comparable with the EU price.



The price relationship EU/world deteriorated in 2017, driven by rising EU sugar prices (following with delay the high world prices in 2016) while increased world production pressed world prices downwards.

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

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Management of running promotion programmes	Number of running, partially running or accepted programmes	Running or partially running: 198 (estimate - 138 under the old scheme, 60 for the new scheme)	Total of 266 programmes of which: - 111 under new regulation - 155 under previous regulation (132 running, 23 partially running)
Communication on the promotion scheme	Participation in 6-8 Info Days Lively Europa website (updated Q/A section...) Provide legal interpretation on the new regime	First Info Day on 31/01/2017.	-31/01/2017: Info Day in Brussels
		12 National Info Days in 2017	- 12 National Info Days (FR, HU, EE, FI, RO, IT, BG, SK, DK, PL, ES, DE)
		4 specific Info Days for civil society (on request) in March-April 2017	- 6 specific Info Days for civil society on request (Copa, Europatat, AHDB, CSO Italy, CEFS, Meat Market Observatory)

Call for proposals	Publication of 2 annual calls for proposals (1 for Simple + 1 for Multi promotion programmes)	January 2017	12/01/2017 OJ C009 Call for proposals for SIMPLE and for MULTI Programmes 2017
Annual Work Programme for 2018	Adoption of an implementing decision	4 th quarter 2017	15/11/2017, C(2017) 7475 final
To ensure an appropriate follow-up of simple programmes under shared management with the Member States.	Committee for the Common Organisation of the Agricultural Markets established by Article 229 of Regulation (EU) No 1308/2013	15.06.2017 31.10.2017	- 15/06/2017 - 03/10/2017 (<i>in margin of Quality Committee</i>) - 31/10/2017
	Commission Adoption of simple programmes	November 2017	19.10.2017, C(2017) 6934 final
Organisation of high level promotional events in third countries in 2017. Logistics organised by CHAFEA; political coordination by B1.	High level missions with business delegation.	2 high level missions: - May 2017: Canada - 2 nd semester 2017 Saudi Arabia, Iran	1 – 3 May 2017 – High Level Mission to Canada 7 – 13 November 2017 – Saudi Arabia, Iran
	Number of participating stakeholders	- Up to 60 participants in the HLM to Canada -around 50 participants in the HLM to Saudi Arabia and Iran	HLM Canada : 60 participants Saudi Arabia : 44 participants Iran : 42 participants
Statistics	Development of a Common tool to be able to follow simple/multi programmes managed under the promotion regime	Operational by the end of 2017	No agreement found with Chafea for the development of a common data base. Discussion ongoing.
	Delivery of statistics	On request	Statistics still extracted from DG AGRI DG (MPP)
Coordination with Agency	Preparation and decisions of the CHAFEA Steering Committee	Continuous task over the course of 2017	4 Steering Committee meetings (08/03, 29/06, 20/10, 13/12/2017)

Specific objective: Contribute to the enhancement of the environmental performance of the CAP through the greening component of the direct payments. Contribute to the development of sustainable agriculture and to making the CAP more compatible with the expectations of the society through the cross compliance system. Contribute to preventing soil erosion, maintaining soil organic matter and soil structure, ensuring a minimum level of maintenance and avoiding the deterioration of habitats, protecting and managing water through the standards of good agricultural and environmental condition of land

Related to spending programme: EAGF

Result indicator: Share of area under greening practices⁹⁰

Source of data: MS annual notifications (ISAMM - Information System for Agricultural Market Management and Monitoring)⁹¹

Baseline (Calendar year 2015)	Target	Latest known results
75% ⁹²	To maintain <i>Regulation n° 1307/2013</i>	79% (Calendar year 2017)

Result indicator: % of CAP payments covered by cross compliance

Source of data: DG AGRI

Baseline (2013)	Target	Latest known results
82.36%	Maintain the ratio <i>Regulation n° 1306/2013</i>	84.8% (

Result indicator: Opinion expressed by the public on cross compliance

Definition: Aggregate figures on the opinion by the public on cross compliance

Source of data: Eurobarometer

Baseline (2015)	Target	Latest known results ⁹³
87% support the reduction of direct payments to farmers not complying with environmental rules 87% support the reduction for non-compliance of animal welfare rules 87% support the reduction for non-compliance of food safety rules	Maintain the positive opinion <i>With the cross compliance the CAP is more sustainable and more compatible with the society's expectations. Therefore if cross compliance shows an important support by the public opinion, its impact will be significant.</i>	87% support the reduction of direct payments to farmers not complying with environmental rules 87% support the reduction for non-compliance of animal welfare rules 87% support the reduction for non-compliance of food safety rules

⁹⁰ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

⁹¹ The Strategic Plan 2016-2020 provides an incorrect source.

⁹² Year 2015: including notifications from all MS. Year 2017: Including notifications from 24 MS, so the indicated share is provisional. The share is calculated as total agricultural area for farms with at least one greening obligation on total agricultural area from Eurostat statistics revised by DG Agri.

⁹³ Results of the latest Special Eurobarometer "Europeans, Agriculture and the Common Agricultural Policy" published in 2015

Result indicator: Control rate for GAEC (Standards of Good Agricultural and Environmental Condition)

Definition: GAECs form part of the requirements under Cross Compliance and apply to anyone who receives payments under Single Payment Scheme and certain rural development schemes

Source of data: Control statistics notified annually by MS⁹⁴

Baseline (2013)	Target	Latest known results (2016)
100% implementation of the minimum regulatory control rate in all Member States	100% implementation of the minimum regulatory control rate Regulation n° 1306/2013	100% implementation of the minimum regulatory control rate in all Member States (except Bulgaria, France and Sweden still pending to notify their data)

Result indicator: The ratio of permanent pasture within a Member State in relation to the total agricultural area

Definition: The maintenance of the ratio of permanent pasture means that there should not be, at national or regional level, a decrease by more than 5 % of the current ratio of permanent pasture in relation to the total agricultural area by comparison with a reference ratio reflecting this ratio at a reference period.

Source of data: MS annual notification (ISAMM – Information System for Agricultural Market Management and Monitoring)

Baseline (2015)	Target	Latest known results
Ratio has not decreased beyond the limit of 5% in any Member State	Maintain the ratio within the limit of 5 % in relation to a reference ratio <i>Regulation n° 1307/2013</i>	In 2015: 2 MS, a French region and a UK region communicated a decline in the ratio of permanent grassland above the threshold of 5%. Of these MS, 1 communicated to have triggered a reconversion obligation. In 2016: 3 MS and a French region communicated a decline in the ratio of permanent grassland above the threshold of 5%. 3 of these MS communicated to have also triggered a reconversion obligation. In 2017: 2 MS and a French region communicated a decline in the ratio of permanent grassland above the threshold of 5%. None of these MS communicated to have triggered a reconversion obligation ⁹⁵

⁹⁴ The Strategic Plan 2016-2020 provides an incorrect source.

⁹⁵ Provisional information based on 2015 communications from all MS as the notifications are still under assessment. 2016 notifications sent by 27 MS and 2017 notifications sent by 22 MS at the time of preparation of the Annual Report.

Main outputs in 2017:**Policy-related outputs**

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
2016/AGRI/016 Commission Delegated Regulation amending delegated regulation 639/2014 on rules for direct payments to farmers including greening (follow-up greening review)	Adoption	3rd quarter 2017	Approved
2016/AGRI/066 Commission report to the European Parliament and the Council on the implementation of the Ecological Focus Area (EFA) obligation required further to Article 46(1) of Regulation (EU) No 1307/2013 by 31 March 2017	Commission report + accompanying analytical document	1 st quarter 2017	Finalised as Staff Working Document on 29/03/2017 COM(2017) 152 final
Follow-up of the implementation of Greening and Cross-compliance: update of notifications , exchanges with MS including expert groups, legal interpretations and guidance	Organisation of experts groups and Committees	All along the year	Organised as planned
	Assessment notes on the MS notifications	All along the year	Delivered in due time
Evaluation of greening	Finalisation of staff working document	End 2017 / beginning 2018	Staff working document scheduled for review by the Regulatory Scrutiny Board in March 2018

Specific objective: Restoring, preserving and enhancing ecosystems related to agriculture and forestry (Priority 4)

Related to spending programme: EAFRD

Result indicator⁹⁶:

a) % of agricultural land under management contracts supporting biodiversity and/or landscapes

b) % of forest area/other wooded land under management contracts supporting biodiversity

(Focus area 4A: Restoring and preserving and enhancing biodiversity, including in Natura 2000 area, areas facing natural constraints and high nature value farming and the state of European landscapes)

Source of data: Rural development programmes

Baseline⁹⁷	Target (2023)	Latest known results⁹⁸
0	a) 17.7% ⁹⁹ b) 2.2%	a) 13.0% (which represents 73.1% of achievement of the target set in the RDPs) b) 0.2% (which represents 8% of achievement of the target set in the RDPs)

Result indicator¹⁰⁰:

a) % of agricultural land under management contracts to improve water management

b) % of forestry land under management contracts to improve water management

(Focus area 4B: improving water management including fertiliser and pesticide management)

Source of data: Rural development programmes

Baseline	Target (2023)	Latest known results¹⁰¹
0	a) 15.1% ¹⁰² b) 0.8%	a) 8.8% (which represents 58% of achievement of the target set in the RDPs) b) 0.1% (which represents 13% of achievement of the target set in the RDPs)

⁹⁶ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

⁹⁷ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

⁹⁸ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

⁹⁹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹⁰⁰ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹⁰¹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁰² Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Result indicator¹⁰³:**a) % of agricultural land under management contracts to prevent soil erosion and to improve soil management****b) % of forestry land under management contracts to prevent soil erosion and to improve soil management**

(Focus area 4C: preventing soil erosion and improving soil management)

Source of data: Rural development programmes

Baseline	Target (2023)	Latest known results¹⁰⁴
0	a) 14.5% ¹⁰⁵ b) 1.3%	a) 9.0% (which represents 62.2% of achievement of the target set in the RDPs) b) 0.1% (which represents 5.2% of achievement of the target set in the RDPs)

¹⁰³ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹⁰⁴ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁰⁵ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

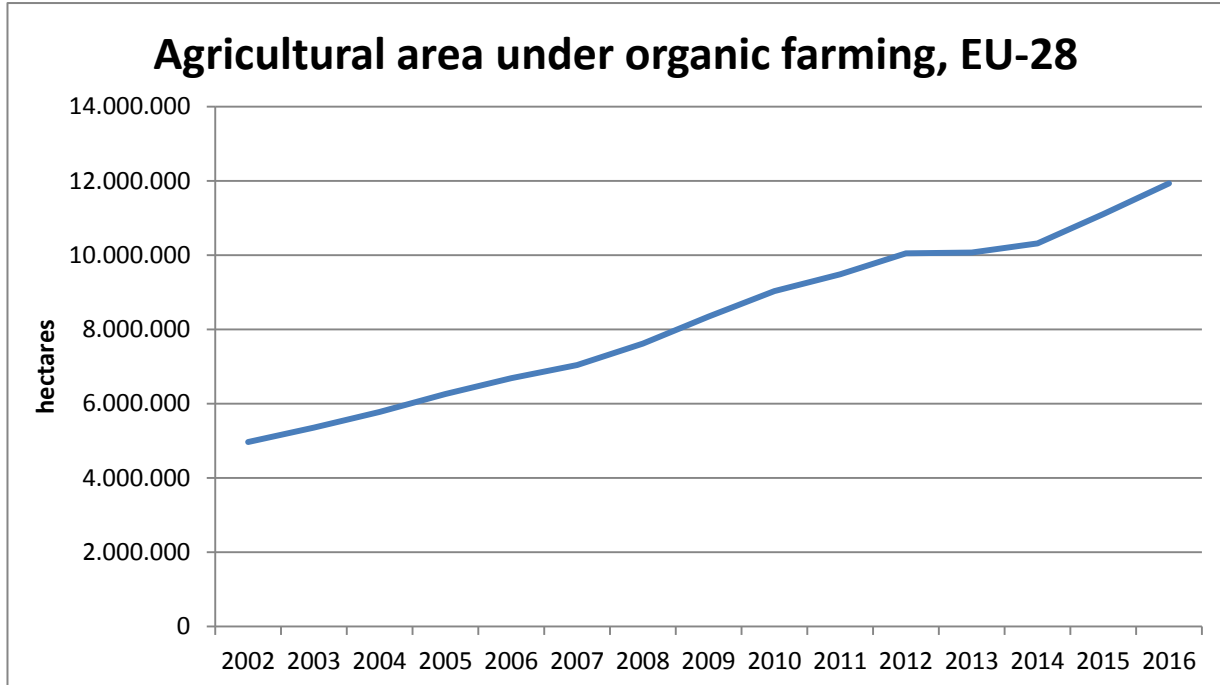
Result indicator: Share of area under organic farming¹⁰⁶

Definition: The number of hectares under organic farming and the share of area under organic farming in the total utilised agricultural area (UAA).
The area under organic farming is the sum of the fully converted area and the area in conversion.

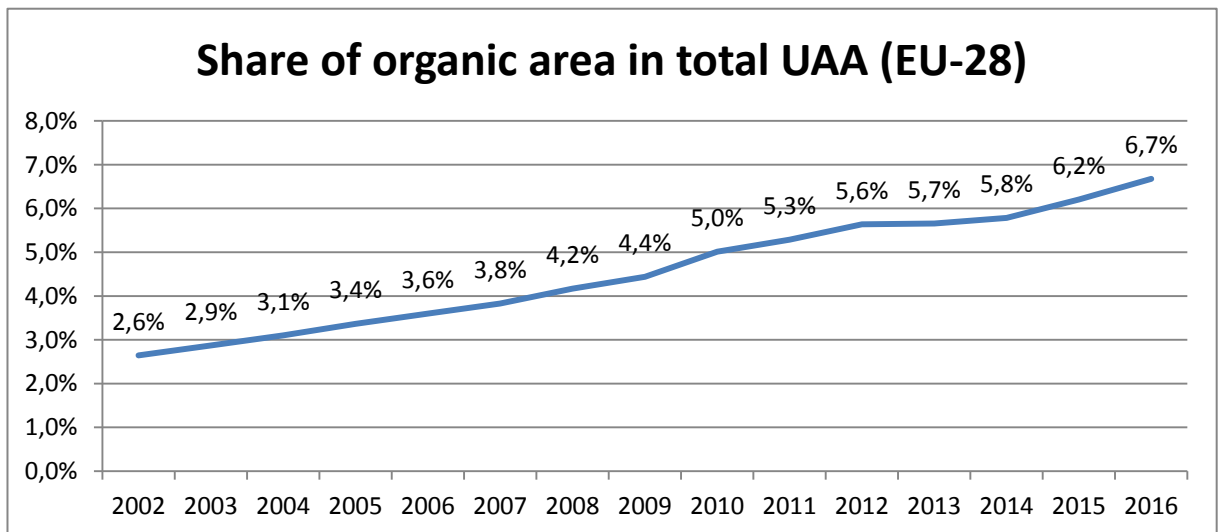
Source of data: Eurostat

Baseline (2012)	Target	Latest known results
10 104 699 ha 5.6% of total UAA	To increase	2016: 11 931 589 ha 6.7% of total UAA

Area under organic cultivation in the EU



Evolution of the share of the organic area in the UAA in the EU



¹⁰⁶ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
New legislative and political framework on organic production	Finalisation of the reform on organic production and adoption by the European Parliament and the Council	Basic act to be adopted by the end of 2017	Basic act endorsed in the SCA and voted in COMAGRI
	Production of secondary legislation	2017 onwards	No secondary legislation produced.
Implementation of Action Plan for the future of Organic Production in the European Union	Number of completed actions	To be finalised by the end of 2020	Currently 70% of the actions completed or ongoing
Effective supervision of the set up and functioning of the control system for organic production in Member States.	Contribution to FVO audits in Member States	Continuous	3 audits in 2017 in MS
	Assessment of annual reports	Continuous	100%
	Follow-up to irregularities	Continuous	Ongoing
Effective supervision of MS handling of irregularities and fraud allegations related to EU organic production	Timely notification of irregularities	Continuous	Continuous
	Timely reply to notified irregularities'	Continuous	Continuous
	Timely transmission of information on circulation of alleged fraudulent products and on remedial action	Continuous	Continuous
	Development of the electronic documentary evidence	Ongoing	Preparatory actions ongoing.
Fostering organics by promoting equivalence with third countries	Number of negotiation on mutual recognition	Ongoing	3 ongoing (Colombia Ecuador and Mexico)
	Number of on the spot mission to check the progress of the country	2	2 (Taiwan and Japan)
	Follow-up of equivalence arrangements with recognised third countries carried out, in particular USA, Canada and Switzerland	Ongoing (annual video conference with US and Canada) bilateral meeting with Switzerland	1 Annual video conference (DVC) with US; 1 Annual DVC with Canada 1 DVC with S. Korea 1 DVC with Japan 1 on the spot mission of S Korean authorities to PL Regular meetings with CH

	Signature and conclusion of the Trade agreement with Chile	2017	Entered into application
	Progress in negotiations for an equivalence agreement with Colombia, Ecuador and possibly Mexico	2017 onwards	Ongoing talks
	On the spot visit to progress in trade relations with Taiwan	June 2017	June 2017
	On the spot visit to extend to new products the equivalence arrangement with Japan	July 2017	July 2017
	Progress in the development of a plurilateral arrangement	Ongoing	Several DVC with participants and meeting in Chile to progress in Dec. 2017
	Enhancement of relations with accreditation bodies	Ongoing	Ongoing
Fostering organics by enhancing the supervision of the activities of control bodies for imported products from non-equivalent third countries.	Contribution to the DG SANTE audit in recognised third countries and recognised control bodies for import of organic products	6 audit per year in CB and equivalent third countries.	6 audit done
	Control bodies annual report analysed	100% analysed by the end of 2017	100% done
	Entry into force of the electronic certification of imported organic products from third countries	April 2017	Entered into force in April 2017, compulsory as from 19 October 2017

For this specific objective, please see also the policy-related outputs provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

Specific objective: Promoting resource efficiency and supporting the shift towards a low carbon and climate resilient economy in agriculture, food and forestry sectors (Priority 5)		Related to spending programme: EAFRD
Result indicator: % of irrigated land switching to more efficient irrigation systems (Focus area 5A: increasing efficiency in water use by agriculture)		
Source of data: Rural development programmes		
Baseline ¹⁰⁷	Target (2023)	Latest known results ¹⁰⁸
0	13.0% ¹⁰⁹	1.8% (which represents 14.1% of achievement of the target set in the RDPs)
Result indicator: Total investment for energy efficiency (Focus area 5B: increasing efficiency in energy use in agriculture and food processing)		
Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹¹⁰
0	2 861 246 986.74 EUR ¹¹¹	93 637 115.07 EUR (which represents 3.3% of achievement of the target set in the RDPs)
Result indicator: Total investment in renewable energy production (Focus area 5C: Facilitating the supply and use of renewable sources of energy, of by products, wastes, residues and other non food raw material for purposes of the bio-economy)		
Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹¹²
0	2 663 036 865.96 EUR ¹¹³	59 103 898.32 EUR (which represents 2.2% of achievement of the target set in the RDPs)

¹⁰⁷ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹⁰⁸ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁰⁹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹¹⁰ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹¹¹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹¹² The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹¹³ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Result indicator¹¹⁴: a) % of LU concerned by investments in livestock management in view of reducing greenhouse gas and/or ammonia emissions b) % of agricultural land under management contracts targeting reduction of greenhouse gas and/or ammonia emissions (Focus area 5D: Reducing greenhouse gas and ammonia emissions from agriculture) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹¹⁵
0	a) 0.8% ¹¹⁶ b) 3.0% ¹¹⁷	a) 0.1% (which represents 11.0% of achievement of the target set in the RDPs) b) 1.6% (which represents 52.7% of achievement of the target set in the RDPs)
Result indicator: % of agricultural and forest area under management contracts contributing to carbon sequestration and conservation (Focus area 5E: Fostering carbon sequestration in agriculture and forestry) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹¹⁸
0	1.1% ¹¹⁹	0.6% (which represents 54.4% of achievement of the target set in the RDPs)

For this specific objective, please see the policy-related outputs provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

¹¹⁴ Indicator contributing to the KPI Minimum share of agricultural land with specific environmental practices/commitment.

¹¹⁵ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹¹⁶ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

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¹¹⁹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Common CAP objective 3: To promote a balanced territorial development

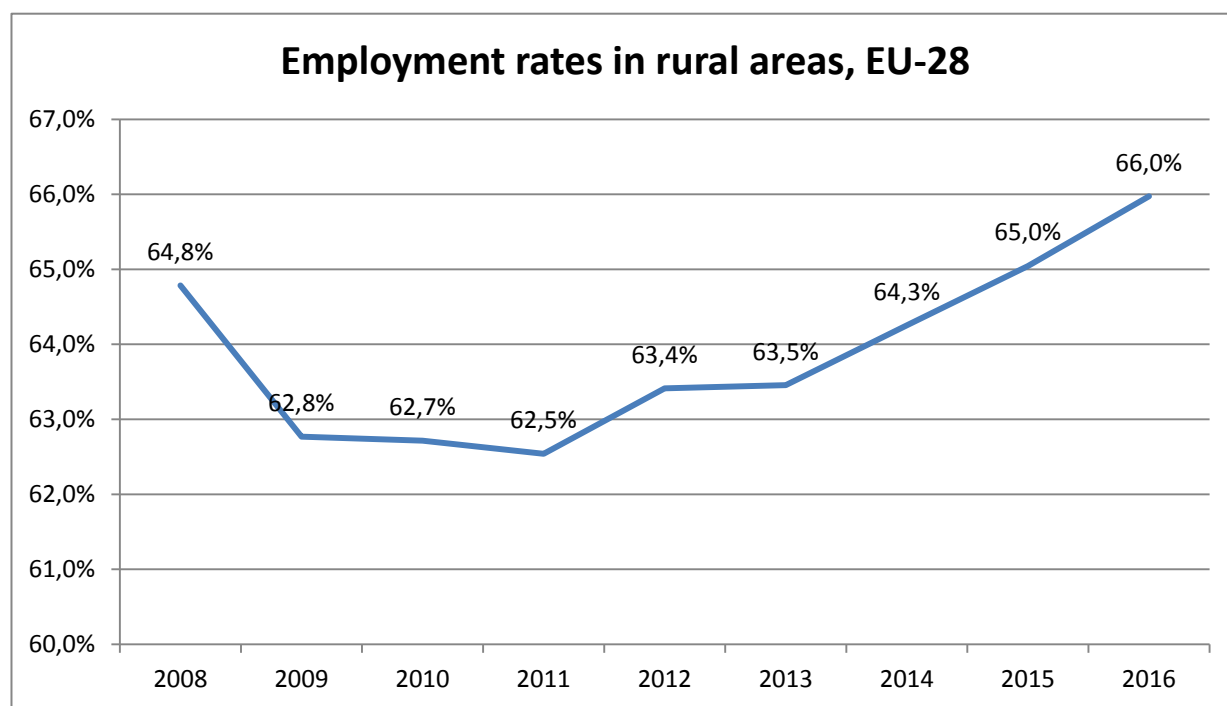
Common CAP objective 3: To promote a balanced territorial development

CAP Impact indicator: Rural employment rate

Definition: Employment rate for the population aged 15-64 in rural areas

Source of the data: Eurostat – Labour Force Survey

Baseline ¹²⁰ (2012 – EU-28)	Target	Latest known results
63.4%	To increase <i>Article 110 (2)(c) of Regulation n° 1306/2013</i>	66% (2016)



¹²⁰ Values have changed compared to figures published in the Strategic Plan 2016-2020 because Eurostat has updated figures.

Specific objective: Promoting social inclusion, poverty reduction and economic development in rural areas (Priority 6)		Related to spending programme: EAFRD
Result indicator: Number of jobs created through supported projects (not LEADER) (Focus area 6A: Facilitating diversification, creation of new small enterprises and job creation) Source of data: Rural development programmes		
Baseline ¹²¹	Target (2023)	Latest known results ¹²²
0	79 370 ¹²³	990 (which represents 1.3% of achievement of the target set in the RDPs)
Result indicator: a) % of rural population covered by local development strategies b) Number of jobs created through supported projects (LEADER) c) % of rural population benefiting from improved services / infrastructures (Focus area 6B: Fostering local development in rural areas) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹²⁴
0	a) 52.7% ¹²⁵ b) 44 034 c) 17.3%	a) 50.4 (which represents 95.6 % of achievement of the target set in the RDPs) b) 424.8 (which represents 0.96 % of achievement of the target set in the RDPs) c) 11.6% (which represents 67.0 % of achievement of the target set in the RDPs)
CAP Indicator: % of rural population benefiting from improved IT infrastructures/services (Focus area 6C: Enhancing accessibility to use and quality of information and communication technologies (ICT) in rural areas) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹²⁶
0	6.1% ¹²⁷	0.2% (which represents 2.4% of achievement of the target set in the RDPs)

¹²¹ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹²² The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹²³ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹²⁴ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹²⁵ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

¹²⁶ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹²⁷ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development. In addition, for all targets expressed in relative terms, DG AGRI has changed the method of aggregation at EU level, in view of providing a more comprehensive overview on expected/achieved results.

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Broadband Competence Office (BCO)	Brussels-based Broadband Competence Office is operational	2017	-BCO-SF fully operational - Official launch of the BCO Network - Toolkit for rural broadband launched by the Commission
BCO Network	Launching event of the BCO Network with the contributions of DGs CNECT, REGIO and COMP	First quarter 2017	In 2017 DG AGRI, CNECT, REGIO and COMP launched the Broadband Competence Offices (BCOs), with the aim to offer, as a single desk, support to public administrations, telecom operators, investors and all other public and private stakeholders interested in developing broadband infrastructure and related basic services. The network was launched on 20 November 2017 during a public event in Brussels.
Annual Work Programme (AWP) of the Support Facility for BCOs	Implementation of activities included in the AWP 2017 with the contributions of DGs CNECT, REGIO and COMP	2017	DG AGRI, CNECT, REGIO and COMP also worked together on a specific toolkit to bring more broadband in rural areas of the EU: development of solid mapping to identify precisely lagging behind areas, targeted common missions, a rural 'proof test' to ensure that rural areas are given sufficient attention, a guide to high-speed investment in broadband, and development of common methodology for planning, reporting and monitoring investments in broadband.
Life call for the European Solidarity Corps for nature protection in rural areas, in cooperation with DG ENV	Second call launched – proposals evaluated	2017	DG AGRI participates to the European Solidarity Corps initiative, working together with DG EAC and all other Commission services involved, in particular DG ENV. The Initiative will finance the engagement of 100 000 young people across Europe until 2020 in solidarity activities. EAFRD

			contributed to the pilot phase of the initiative with 1,8 million in 2016 and 2017 used to support several LIFE projects where 1 700 young across Europe will work on nature and environment protection.
Legislative proposal on the European Solidarity Corps as member of the working group led by EAC and including in particular SG and DGs EMPL, REGIO, ENV, DEVCO, SANTE	Adoption of the proposal	Second quarter 2017	DG AGRI also participated to the preparation of the Commission proposal for the 2nd phase of the initiative (adopted 24 May 2017). The proposal ensures that young can be engaged in solidarity activities in rural areas, including provision of food, rural development, environment and nature protection, climate change, disaster prevention and recovery (e.g. forests fires), integration of third country nationals (migrants and refugees). DG AGRI actively participates to the 2nd phase of the initiative with an additional 1,8 million euro that will be managed by DG EAC with the involvement of EU main agricultural and forestry organisations, national authorities, networks and LEADER groups. High involvement of young people in related activities in rural areas is expected in the coming years.

For this specific objective, please see also the policy-related outputs on ENRD provided under Specific objective: Enhancing farm viability and competitiveness of all types of agriculture in all regions and promoting innovative farm technologies and sustainable management of forest (Priority 2).

Specific objective: To promote local agricultural production and to ensure a fair level of prices for commodities for direct consumption and for processing by local industries in the Outermost Regions of the EU and in the Aegean Islands

Related to spending programme: EAGF

Result indicator: Support to the Local Production to maintain/develop the agricultural production

Definition: Utilised agricultural area (variation with respect to the previous year)

Source: MS Annual Reports

Baseline (Calendar year 2013 / Budget year 2014)¹²⁸	Target	Latest known results¹²⁹
<p>POSEIDOM¹³⁰: Mainland France: 26 888 215 ha Guadeloupe: 31 401 ha Martinique: 24 445 ha Guyane: 28 626 ha Réunion: 43 833 ha Mayotte: no data</p> <p>POSEICAN¹³¹: Mainland Spain: 23 523 000 Canaries: 84 950 ha</p> <p>POSEIMA¹³²: Mainland Portugal 3 641 592 Madeira: 5 262 ha Azores: 118 589 ha</p> <p>Smaller AEGEAN ISLANDS: 333 107 ha</p>	<p>To at least maintain local agricultural production</p> <p><i>Objective of the regulation 228/2013, Article 2 (1c)</i></p>	<p>POSEIDOM: Mainland France: 26 832 353 ha (-0.2%) Guadeloupe: 30 415 ha (-3.14%) Martinique: 22 827 ha (-6.61%) Guyane: 31 208 ha (+9.02%) Réunion: 41 945 ha (-4.3%) Mayotte: 8 739 ha</p> <p>POSEICAN: Mainland Spain: 23 432 700 ha (-0.38%) Canaries: 86 000 ha (+1.24%)</p> <p>POSEIMA: Mainland Portugal: 3 641 592 ha (-0.7% with respect to 2009) Madeira: 5 262 ha¹³³(-3.1% with respect to 2009) Azores: 118 589 ha (-1.5% with respect to 2009)</p> <p>Smaller AEGEAN ISLANDS: 309 882 ha (-6.97%)</p>

For this specific objective, please see the outputs provided under the following Specific objective: Specific Supply Arrangements (SSA) to ensure the supply of essential products: SSA coverage rate (relation between quantities of products benefiting from SSA support and total quantities of the same products introduced in the respective outermost region).

¹²⁸ Baseline updated from 2012 to 2013 as it provides consolidated data for all outermost regions for that year, given that Portugal data collection is done every five years, 2013 being the latest survey.

¹²⁹ The Annual Implementation Report (AIR) transmitted by Member States in year N provides data corresponding to year N-1. In this sense, the column "latest known result" shows 2016 data from the AIR transmitted in 2017. Yet, Spain's data are gathered late; the latest available data included in the 2016 AIR are from 2015. In addition, Portugal's farm structure data are collected every five years (data are available for 2009 and 2013), thus the latest known data refer to year 2013. Nevertheless, the variation is calculated with respect to the previous available data, i.e. 2009.

¹³⁰ Programme of options specific to the remote and insular nature of the overseas departments

¹³¹ Programme of options specific to the remote and insular nature of the Canary Islands

¹³² Programme of options specific to the remote and insular nature of Madeira and the Azores

¹³³ Data provided for Madeira is provisional, pending final validation by the Member State paying agency.

Specific objective: Specific Supply Arrangements (SSA) to ensure the supply of essential products: SSA coverage rate (relation between quantities of products benefiting from SSA support and total quantities of the same products introduced in the respective outermost region)		Related to spending programme: EAGF
Result indicator: Percentage of SSA products coverage of local needs		
Source: MS Annual Reports		
Baseline (2013 – variations with respect to 2012)¹³⁴	Target	Latest known results (2016)
POSEIDOM ¹³⁵ (all products): 39% (-4%) POSEICAN: (cereals only): 99.64% (+0.6%) POSEIMA: Madeira (cereals only): 98.6% (+3,6%) Azores (cereals only): 85.3% (EU) (-3.3%) Smaller Aegean Islands (animal feed): 100.8% (+1.2%)	100% <i>The objective included in Article 2 (1a) of regulation 228/2013 and 229/2013 is the "guaranteed supply to the outermost regions of products essential for human consumption (...)". This target contributes to achieving this objective.</i>	POSEIDOM (all products): 36% (-3%) ¹³⁶ POSEICAN: (cereals only): 99.51% (-0.13%) POSEIMA: Madeira (cereals only): 99.8% ¹³⁷ (+1.2%) Azores (cereals only): 82.4% (EU) (-0.7%) Smaller Aegean Islands (animal feed): 99.8% (-1%)

To be noted: as regards POSEI and SAI programmes, in their annual implementation reports for 2016, the Member States concerned communicated data related to the common performance indicators as requested by Annexes VIII and II of Commission Implementing Regulations (EU) No 180/2014 and 181/2014, respectively. However, the provided data may not be fully in line with the requirements of these annexes and thus not mutually comparable. Therefore, these indicators shall be evaluated with due caution. A meeting with MS was held in June 2017 in order to improve the collection of these data.

Main outputs in 2017:			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
2016/AGRI/005 General report to be presented to the European Parliament and to the Council showing the impact of the action taken under Regulation (EU) No 228/2013 (art.32 of this Regulation). This report will be partially based on the results of the external evaluation	Transmission from the Commission to EP and Council of the Report	1 st quarter 2017	Adopted on 15.12.2016

¹³⁴ Baseline is set to 2013 in coherence with baseline of previous indicator.

¹³⁵ The French authorities used in their annual reports a different methodology and data source to calculate this indicator (calculation based on value and not quantities, data taken from customs sources and not from SSA operators).

¹³⁶ This result refers to all French outermost regions, including Mayotte since 2014.

¹³⁷ Data provided for Madeira is provisional, pending final validation by the Member State paying agency.

launched in 2015 under the REFIT programme to be formally completed with the preparation of a Staff Working Document by the Commission services.			
2016/AGRI/006 General report to be presented to the European Parliament and to the Council showing the impact of the action taken under Regulation (EU) No 229/2013 (art.20 of this Regulation). This report will be partially based on the results of the external evaluation launched in 2015 under the REFIT programme to be formally completed with the preparation of a Staff Working Document by the Commission services.	Transmission from the Commission to EP and Council of the Report	1 st quarter 2017	Adopted on 15.12.2016
2016/AGRI/007 Modification of Commission Implementing Regulation (EU) No 180/2014.	Adoption by the College and published in EUOJ	2 nd semester 2017	Planned for 2018
2016/AGRI/008 Modification of Commission Implementing Regulation (EU) No 181/2014.	Adoption by the College and published in EUOJ	2 nd semester 2017	Planned for 2018
Commission decisions and DG letters for amendments approvals (according to kind of modifications)	Date of notification to the MS	2017	Foreseen in 2018

The following objectives contribute to all 3 common CAP objectives

Specific objective: Fostering knowledge transfer and innovation in agriculture, forestry and rural areas (Priority 1)		Related to spending programme: EAFRD
Result indicator: % of expenditure for the three measures Knowledge transfer & information action, advisory services and cooperation in relation to the total expenditure for the RDP (Focus area 1A: Fostering innovation and the knowledge base in rural areas) Source of data: Rural development programmes		
Baseline ¹³⁸	Target (2023)	Latest known results ¹³⁹
	3.9%	0.1% (which represents 1.9% of achievement of the target set in the RDPs)
Result indicator: Number of cooperation operations planned under the cooperation measure (groups, networks/clusters, pilot projects) (Focus area 1B: strengthening the links between agriculture and forestry and research and innovation) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹⁴⁰
	15 235 ¹⁴¹	804 (which represent 5.3% of achievement of the target set in the RDPs)
Result indicator: Total number of participants trained (across all focus areas) (Focus area 1C: fostering lifelong learning and vocational training in agriculture and forestry sectors) Source of data: Rural development programmes		
Baseline	Target (2023)	Latest known results ¹⁴²
	3 826 119 ¹⁴³	258 108 (which represent 6.7% of achievement of the target set in the RDPs)

¹³⁸ Baseline is 0 at the start of the programming period and all the targets are cumulated over the period.

¹³⁹ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁴⁰ The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁴¹ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

¹⁴² The data on the achievement of the targets come from the Annual Implementation report MS have to submit by end of June of each year. Last known results were submitted on 30/06/17 referring to the calendar year 2016.

¹⁴³ Certain targets have been updated from last AAR because of modifications in Rural Development programmes which were made in accordance with the legislation for rural development.

Main outputs in 2017:			
Policy-related outputs			
Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
EIP-AGRI events	5 New Focus Groups launched 10 Focus Group meetings 4 workshops 1 Seminar 3 meetings of the Innovation Subgroup	2017	11 FG meetings 4 workshops 2 Seminars 3 meetings of the Innovation Subgroup
EIP-AGRI publications	1 magazine (Agrinnovation) 10 factsheets 4 brochures 12 newsletters 24 press articles	2017	1 magazine 12 factsheets 4 brochures 12 Newsletters 11 press articles

Specific objective: Societal challenges - to secure sufficient supplies of safe and high quality food and other bio-based products, by developing productive and resource-efficient primary production systems, fostering related ecosystem services and the recovery of biological diversity, alongside competitive and low carbon supply, processing and marketing chains			Related to spending programme: Horizon 2020
Result indicator: Publications in peer-reviewed high impact journals in the area of food security			
Definition: This indicator measures the number of publications in peer-reviewed high impact journals in a specific societal challenge per 10M€ of EC-funding ¹⁴⁴ . High impact journals are defined to be the top 10% (in terms of Scimago Journal Ranking (SJR) index) of all journals within a given scientific category.			
Source of data: Horizon 2020 common IT system, i.e. CORDA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)			
Baseline ¹⁴⁵ (2013)	Milestone 2019	Target (2020)	Latest known results
22.7 publications per 10 million € funding (baseline FP7, January 2015)	On average, 20	On average, 20 publications per 10 million € funding	N/A at this stage

¹⁴⁴ From the launch of the programme and until a critical mass of finished projects (ca. 10 % of all funded projects) has been reached, information about the two indicators below will be provided in the form of absolute number by the funded projects. On the basis of FP7 data it is considered that this critical mass of finished projects should be reached by 2019.

¹⁴⁵ The reference for all the targets is the year when the last actions financed under Horizon 2020 will be finished, i.e. several years after the formal end of the programming period.

Result indicator: Patent applications in the area of food security¹⁴⁶

Definition: This indicator measures the number of patent applications in a specific societal challenge per EUR 10 M€ funding¹⁴⁷.

Source of data: Horizon 2020 common IT system, i.e. CODA (Common Research Datawarehouse) and RESPIR (SESAM Research Performance and Impact Reports)

Baseline (2013)	Milestone 2019	Target (2020)	Latest known results
<i>For FP7 Cooperation projects finished by January 2015: 1.2 patent applications per 10 million € funding</i>	<i>On average, 2</i>	<i>On average, 2 patent applications per 10 million € funding</i>	N/A at this stage

Main outputs in 2017:**Policy-related outputs**

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Grants	Budget allocated to grants in the WP		EUR 254.066.313,58
Proposal submission for 2017 calls	Proposals submitted (first deadline)	February 2017	44 (single stage procedure); 246 (two-stage procedure)
Selection of proposals for funding from 2017 calls – implementation by the executive agency REA	Proposals selected for funding	December 2017	17 (single stage procedure); 26 (two-stage procedure)
Preparation of the 2018-2020 Work Programme in close cooperation with DG RTD and other policy DGs (mainly SANTE, CLIMA, ENV, CNECT)	Calls published	November 2017	WP successfully published in October 2017

¹⁴⁶ The result indicator was aligned with the respective indicator provided for in the Management Plan 2014 of DG RTD, i.e. reporting on *patent applications* only but not on *patents awarded* (as stated in the Programme Statement DB2014) since no meaningful information (or none at all) can be expected before 2019-2020.

¹⁴⁷ See footnote in the previous indicator.

Specific objective: To contribute to the sustainable adaptation of the agricultural sector and rural areas in the three countries (Bulgaria, Romania and Croatia) eligible for Sapard support until 2009¹⁴⁸

Related to spending programme: SAPARD

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
SAPARD programmes of HR, RO and BG closed.	Final balance settled for the SAPARD programmes of HR, RO and BG.	2017	Final balances have been calculated and communicated to the respective countries.

IPARD

The following 3 objectives also contribute to IPA objective "support candidate countries and potential candidates ('beneficiary countries') in implementing the political, institutional, legal, administrative, social and economic reforms required by those beneficiaries in order to comply with the Union's values and to progressively align to Union rules, standards, policies and practices with a view to Union membership."

Specific objective: To contribute to the sustainable adaptation of the agricultural sector and rural areas and to the new Member State Croatia's and Candidate Countries' preparation for the implementation of the *acquis communautaire* concerning the CAP and related policies under IPARD 2007-2013 (IPARD I) by:

- 1. improving market efficiency and implementation of Union standards,**
- 2. preparatory actions for the implementation of the agri-environmental measures and local rural development strategies,**
- 3. development of the rural economy.**

Related to spending programme: IPARD 2007-2013 (IPARD I)

1. Improving market efficiency and implementation of Union standards (AXIS 1)

Result indicator: Number of applications received

Source: IPARD programmes 2007-2013, annual¹⁴⁹ and bi-monthly¹⁵⁰ reports

Baseline (2014)	Target	Latest known results (2017)
HR: 656 applications fYRoM: 1557 applications TR: 3394 applications	833 in HR 2890 in fYRoM 4818 in TR ¹⁵¹	630 2725 4763

¹⁴⁸ This objective concerning only the closure of the programme (until 2009) is not present in the DG AGRI Strategic Plan 2016-2020.

¹⁴⁹ Throughout this specific objective: baseline – end of 2014 – based on the respective annual reports.

¹⁵⁰ Throughout this specific objective: current – end of 2015 – based on the bi-monthly reports, data still provisional.

¹⁵¹ Updated target based on the latest programme modifications.

Result indicator: Number of applications approved		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2017)
HR: 234 applications fYRoM: 559 applications TR: 2023 applications	514 in HR 2330 in fYRoM 3084 in TR ¹⁵²	366 1331 2942
Result indicator: Number of farms/enterprises supported (paid by the IPARD Agency)		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2017)
177 projects in HR 248 projects in fYRoM 1479 projects in TR	414 in HR 2330 in fYRoM n/a in TR ¹⁵³	359 730 TR: 2664
Result indicator: Total volume of investment (paid)		
Source: IPARD programmes 2007 – 2013, annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2017)
€96.8m in HR €3.4m in fYRoM €72.6m in TR	€220m in HR €75.7m in fYRoM Target in TR ¹⁵⁴ - n/a	84.28 million EUR 33.57 million EUR TR: 2,13 billion EUR
Result indicator: Increase on gross value added (GVA) in supported holdings		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2017)
Information not available in HR fYRoM and TR	5% in HR 5-8% in fYRoM Target in TR by 15% ¹⁵⁵	TR: by 28%
Result indicator: Number of farms/enterprises introducing Union standards		
Source: IPARD programs 2007-2013 and annual reports		
Baseline (2014)	Target	Latest known results (2017)
Information not available in HR and fYRoM TR: 1479	290 in HR Target in fYRoM (100%) Target in TR: 2776 ¹⁵⁶	HR: 251 fYRoM: 730 TR: 2631
Result indicator: Economic growth in agriculture – net additional added value in PPS (Purchase Power Standards = purchasing power of the same goods with different currencies)		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2017)
Information not available for any of the countries	5% in HR	Information not available

¹⁵² Updated target based on the latest programme modifications.

¹⁵³ Updated target based on the latest programme modifications.

¹⁵⁴ No target agreed at the time when programme was set up.

¹⁵⁵ Updated target based on the latest programme modifications.

¹⁵⁶ Updated target based on the latest programme modifications.

Result indicator: Labour productivity in agriculture – change in gross value added (GVA)		
Source: IPARD programmes 2007 – 2013 and annual reports		
Baseline (2014)	Target	Latest known results (2017)
Information not available for any of the countries	To increase	Information not available
2. Preparatory actions for the implementation of the agri-environmental measures and local rural development strategies (AXIS 2)		
Result indicator: Local rural development strategies		
A) Number of applications received		
B) Number of applications approved		
C) Number of recognised LAGs		
D) Total population of LAGs		
Source: IPARD programmes 2007 – 2013 and annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2017)
In HR A) 71 applications received B) 42 LAGs contracted C) 41 LAGs D) 1 321 155 Leader measure has not been accredited in TR and fYRoM under IPARD I.	In HR A) 40 B) 25 C) 25 D) 1 055 000	A) 80 B) 40 C) 40 D) 1.495 .541
3. Development of the rural economy (AXIS 3)		
Result indicator: Improvement of rural infrastructure		
A) Number of applications received		
B) Number of applications approved		
C) Number of beneficiaries		
D) Total volume of investment		
Source: IPARD programmes 2007-2013 and annual and bi-monthly reports		
Baseline (2014)	Target	Latest known results (2017)
A) HR: 210 B) HR: 106 C) HR: 33 D) HR: €10m This measure has not been accredited in TR and fYRoM under IPARD I.	A) 205 in HR B) 174 in HR C) 148 in HR D) €59m in HR	A) HR: 210 B) HR: 104 C) HR: 104 D) HR: €36 million

Result indicator: Diversification of rural economy**E) Number of applications received****F) Number of applications approved****G) Number of beneficiaries supported and paid****H) Total volume of investment (data from Monitoring Tables)****Source:** IPARD programmes 2007-2013 and annual and bi-monthly reports

Baseline (2014)	Target	Latest known results (2017)
E) HR: 329 fYRoM: 276 TR: 8322	E) 380 in HR 229 in fYRoM 5697 in TR	E) 329 in HR 362 in FYROM 11 809 in TR
F) HR: 171 fYRoM: 17 TR: 5991	F) 350 in HR 95 in fYRoM 5127 in TR	F) 129 in HR 38 in FYROM 8 319 in TR
G) HR: 41 fYRoM: 1 TR: 5618	G) 329 in HR 95 in fYRoM n/a in TR ¹⁵⁷	G) 129 in HR 8 in FYROM 7 992 in TR
H) HR: €5.3 m fYRoM: €0.01 m	H) €39m in HR €7.2m in fYRoM €395m in TR ¹⁵⁸	H) 19 million EUR in HR 3.97 million EUR in fYRoM 372 million EUR in TR

Completed evaluations:*"Ex-post* evaluation of IPARD 2007-2013 in Republic of Croatia"*"Ex-post* evaluation of IPARD 2007-2013 in Turkey"**Main outputs in 2017:****Policy-related outputs**

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Management of the implementation of three IPARD programmes 2007-2013	Percentage of the relevant IPARD allocation ¹⁵⁹ contracted and paid	2017	HR: 83% fYRoM: 51% TR: 99%

¹⁵⁷ Updated target based on the latest programme modifications.¹⁵⁸ Updated target based on the latest programme modifications.¹⁵⁹ Based on adjusted commitment figures.

Specific objective: Supporting the development of management and control systems which are compliant with good governance standards of a modern public administration and where the relevant country structures apply standards equivalent to those in similar organisations in the Member States of the European Union.

Related to spending programme: IPARD 2014-2020 (IPARD II)

Result indicator: Number of measures for which entrustment of budget implementation tasks granted to the IPA II beneficiaries under rural development programmes

Source: Estimate, based on experience gained under Sapard and IPARD I

Baseline (2014)	Target 2020	Latest known results (2017)
0	32	11

Result indicator¹⁶⁰: Financing Agreements (FA) concluded

Source: DG AGRI

Baseline (2014)	Target	Latest known results (2017)
No FA signed.	Financing Agreements are to be concluded once and will be updated in order to reflect new budgetary allocations and entrustments of budget implementation tasks for new measures	3

Completed evaluations:

No evaluations so far, since implementation of programmes is only starting. However, at the request of DG AGRI, JRC.D.4 (Economics of Agriculture Unit) of DG Joint Research Centre has carried out a study on "Agricultural policy developments in the Western Balkan countries".

¹⁶⁰ New indicator; new types of Financing Agreements must be prepared and concluded reflecting the new IPA 2014-2020 legal base.

Main outputs in 2017:**Policy-related outputs**

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Management and control systems ready to start implementation of the programmes; the framework for the systems has been developed in close cooperation with DGs NEAR, BUDG and LS, based on provisions of the Financial Regulation and Framework Agreement.	Entrustment of budget implementation tasks granted on a number of measures under individual country IPARD programmes	Entrustment at least for some measures under the five programmes. Expected total by 2020 – 32 entrustments.	Entrustment granted for 5 measures for Turkey; for 4 measures for the former Yugoslav Republic of Macedonia and for 2 measures for Montenegro.
All legal and institutional arrangements in place to start implementation of IPARD 2014-2020; each entrustment decision, which is granted per measure, is communicated to DG NEAR and is aligned to their overall assessments of the 'horizontal bodies' of the management and control system for IPA.	Conclusion and annual amendments of the Financing Agreements with IPARD Beneficiary countries.	Financing Agreements concluded with all IPA II Beneficiary countries having received entrustment of budget implementation tasks under indirect management.	Financing Agreements signed with the former Yugoslav Republic of Macedonia, Montenegro and Turkey.
Smooth transition between IPARD I and IPARD II programmes in Turkey and former Yugoslav Republic of Macedonia, start of implementation in Albania, Montenegro and Serbia.	TK and the former Yugoslav Republic of Macedonia ready to start contracting under IPARD II; contracting also starts in Albania, Montenegro and Serbia.	2017	The former Yugoslav Republic of Macedonia, Montenegro and Turkey have received entrustment for budget implementation tasks during 2017. Albania and Serbia are expected to receive entrustment in early 2018.

Specific objective: To increase the food-safety of the IPA II beneficiary and the ability of their agri-food sector to cope with competitive pressure as well as to progressively align the sector with Union standards, in particular those concerning hygiene and environment, while pursuing balanced territorial development of rural areas.

Related to spending programme: IPARD 2014-2020 (IPARD II)

Result indicator: Number of economic entities performing modernisation projects in agri-food sector

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023 ¹⁶¹	Latest known results (2017)
0	6450	0

Result indicator: Number of economic entities developing additional or diversified sources of income in rural areas

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2017)
0	3300	0

Result indicator: Overall investment in physical capital in agri-food and rural development (EUR)

Definition: Overall investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2017)
0	2.29 billion €	0

Result indicator: Number of economic entities progressively upgrading towards EU standards

Definition: Number of farmers and food processing and marketing enterprises progressively upgrading to EU environmental, food safety and hygiene, occupational standards

Source: IPARD programmes 2014-2020 and annual and bi-monthly reports

Baseline (2014)	Target 2023	Latest known results (2017)
0	4440	0

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Start of contracting	Number of economic entities performing modernisation projects in agri-food sector	6450	583 contracted

¹⁶¹ All targets under this specific objective have been updated. The old targets were based on the extrapolations of the IPARD I programmes. Now, that all programmes have been adopted, more reliable estimates stemming from the programmes can be provided.

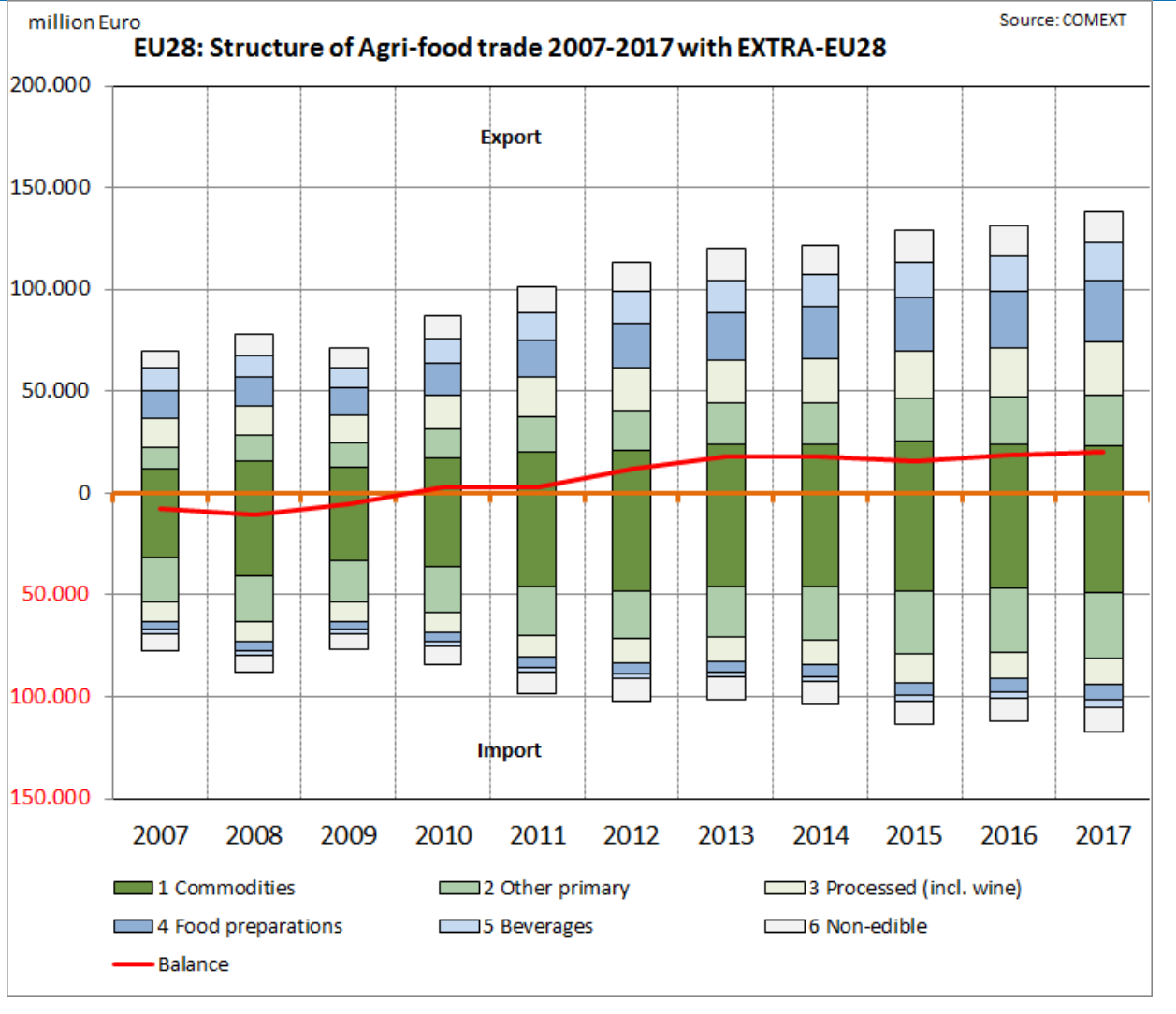
Start of contracting	Number of economic entities developing additional or diversified sources of income in rural areas	3300	1018 contracted
Start of contracting	Overall investment in physical capital in agri-food and rural development (EUR) (investment in machines, equipment, production facilities made by farmers, food processing and marketing enterprises as well as micro and small enterprises in rural areas)	EUR 2.29 billion	Process ongoing
Start of contracting	Number of economic entities progressively upgrading towards EU standards Definition: Number of farmers and food processing and marketing enterprises progressively upgrading to EU environmental, food safety and hygiene, occupational standards	4440	Process ongoing
Start of implementation of IPARD II programmes; the programmes had been adopted in consultation with DGs NEAR, ENV, REGIO, EMPL, SANTE, CLIMA, MARE, BUDG, SG, LS. Implementation is closely coordinated with DG NEAR and EEAS, mainly through EU Delegations.	First calls for applications carried out under the five programmes	2017	The Former Yugoslav Republic of Macedonia, Serbia and Turkey have carried out first calls under IPARD II. Serbia – launched the first call with a suspensive/reserve clause, as the Financing Agreement did not yet entered into force.

Commission general objective 6: A balanced and progressive trade policy to harness globalisation¹⁶²

CAP Impact indicator: Total EU agri-food trade value

Source of the data: Comext, Eurostat

Baseline (2011) ¹⁶³	Target (2020)	Latest known results (2017)
EUR 199 billion	Maintain at high level	EUR 255,3 billion



¹⁶² The title of Priority 6 has been updated and made geographically neutral in view of the slowing down of trade talks with the United States, the new geopolitical context, and the new dynamism in trade talks with other important regions of the world. The Commission has reflected this reality by changing the previous General Objective ("A Reasonable and Balanced Free Trade Agreement with the U.S.") and introducing a new impact indicator replacing the old one.

¹⁶³ Baseline modified to 2011 instead of 2016 to better take into account the longer-term trend.

Specific objective: To promote the EU agricultural sector by contributing to successful negotiation and cooperation within the World Trade Organisation (WTO) and other multilateral organisations such as the Organisation for Economic Co-operation and Development (OECD) and the Food and Agriculture Organisation (FAO).

Related to spending programme: NA

Result indicator: Timely contribution to negotiations and other ongoing processes in multilateral fora

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2017)
100% of contributions in time. Examples: Provision of negotiating lines to take in the context of WTO DDA negotiations following the 9 th Ministerial Conference (Bali, December 2013). Relevant input to agriculture-related FAO activities.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	100 % of contributions on time

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
WTO Agricultural negotiations	Contributions to the negotiations on the post-Nairobi agenda, notably in preparation for the 11 th WTO Ministerial Conference (Buenos Aires, 10-13 December 2017).	Throughout 2017, notably for each Special Session of the WTO Committee on Agriculture. Participation in three Special Sessions held in June, July and September 2017. Positions co-ordinated in constant and extremely close co-ordination with DG TRADE and EU Geneva delegation.	EU proposal on domestic support formally submitted to WTO on 17 July 2017 Participation in 6 substantive meetings of the Special Session (June, July, September, October and November) held in 2017. Participation in the 11 th Ministerial Conference. Positions coordinated in constant and extremely close coordination with DG TRADE and EU Geneva Delegation.

Finalisation and implementation of negotiations under GATT Article XXIV.6 on compensatory adjustments (Negotiations carried out in close co-operation with DG TRADE; implementation with SJ and DG TAXUD).	Contributions made to negotiations, and their conclusion and implementation	End 2017	All negotiations have been completed. 1 January 2017: entry into force of agreements with China and Uruguay 18 May 2017: initialling at negotiators' level of (final) agreement with New Zealand 30 June 2017: entry into force of agreement with Brazil. 17 July 2017: Council authorisation for signing agreement with New Zealand. Incorporation of outcome of negotiations into the EU28 schedule. Negotiations carried out in close cooperation with DG TRADE; implementation with LS and DG TAXUD.
OECD activities related to agriculture, food and rural development	Attend all relevant meetings (minimum, n=8) Review all OECD papers and provide comments according to EU policy objectives	Throughout 2017, notably each session of the OECD Committee for Agriculture and its working parties	Contributions provided as appropriate and on time.
Influence of agriculture policy in UN (notably FAO), GFFA, G-20 (agriculture) and G-7 (agriculture).	List of key committees in which AGRI participates and speaks in main FAO and IFAD bodies (especially FAO Conference)	31/12/17	40th FAO Conference 3-8 July FAO European 40th Commission on Agriculture Europe 27-28 September 44 th Committee on Food Security (CFS) 9-13 October
	Number of SDG-indicators for Agenda 2030 affecting agriculture policy that are adopted.	30/12/2017	A set of 6 main indicators to measure progress on SDG2 Zero Hunger was agreed with and adopted by ESTAT and is used for yearly reports
	Extent to which conclusions of GFFA, G-20, G-7 and other agricultural ministerials reflect or are compatible with EU policy.	As dates of each ministerial. Consideration being given to taking a case to the ECJ regarding exercise of Union	GFFA (January 2017 on water management): conclusions fully compatible with EU policy All conclusions of G7 and G20 ministerial meetings are coherent, consistent and compatible with the EU policy

		competences in FAO.	
Proposal to the Council on EU accession to the Lisbon Agreement on Appellations of Origin (2016/AGRI/076)	Adoption of proposal; EU accession.	End 2017 or early 2018.	25 October 2017: judgement of the Court of Justice in case C-385/15 confirming exclusive EU competence for Lisbon Agreement. 21 December 2017: roadmap on EU accession published.

Specific objective: To improve market access for agricultural products by contributing to negotiating, revising bilateral agreements, by resolving trade irritants, ensuring protection for EU geographical indications in third countries by negotiating relevant provisions within Free Trade or Associations Agreements or stand-alone agreements, carrying out dialogues in agriculture and cooperation activities and contributing to sustainable economic development in particular in developing countries.

Related to spending programme: N/A

Result indicator: Timely preparation of and contribution to bilateral negotiations leading to the objectives given.

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2017)
100% of timely contributions. Examples: Contributing to negotiations with WTO partners in the framework of Art XXIV.6 GATT; Contributing to negotiations with Mercosur, Mexico and Chile; Contributing to ratification and implementation of Economic Partnership Agreements including built-in agendas on GIs and wines and spirits; facilitating responsible private sector agri-business investments in ACP; Contributing to negotiations with Viet Nam and Japan on the agricultural aspects of the respective Free Trade Agreements; Negotiating a stand-alone agreement with China on cooperation on, and	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	All contributions prepared in time and to the quality required

<p>protection of, geographical indications</p> <p>Steering the process leading to the protection of EU geographical indications in Central America, in the framework of the agreement with these countries</p> <p>Carrying out dialogues on agricultural issues with some third countries (China, Brazil, India, EPAs) and cooperation activities in the agricultural field</p>		
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Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Monitoring of EU agri-food trade	Monthly analysis and publication of latest developments in EU agri-food trade	Monthly publication	12 monthly reports published on Europa
Implementation of full EPAs in: East African Community; SADC-EPA Group; West Africa; CARIFORUM	<ul style="list-style-type: none"> a. implementation (or preparation for implementation) of agricultural sub-committees/dialogues, b. value of development projects that support EPA implementation in agricultural and agri-business sector c. finalisation of CARIFORUM GI protection (2016/AGRI/032) 	30.12.2017 for all	<p>First full year of SADC EPA implementation: 2 meetings of Trade and Development Committee, 1 meeting of Special Committee on GIs and trade in wines & spirits, arrangements for the 1st agricultural dialogue meeting in early 2018</p> <p>CARIFORUM: negotiation directives for GI agreement adopted December 1, 2017</p>
Implementation of interim EPAs in Eastern and Southern Africa; Central Africa; Pacific	Monitoring of agreements and possible development of informal agricultural dialogues. Number of contributions to events pursuant to agreements	30.12.2017	Fiji: plans to ratify the interim EPA in second half of 2018

Contribute to the implementation of EPAs (TRADE)	Contribution to work coordinated by TRADE and DEVCO	Participation in all coordination meetings; provide examples for agri-food sector	SADC EPA: participation in preparation for the Trade-related meetings (TDC with SADC and TCC with SA)
Addressing Root causes of irregular migration from SSA	List of initiatives promoting agribusiness investment, including with the African Union	30.12.2017	Agribusiness Investment Forum, 1 July 2017, Rome (in the margins of the AU EU Agriculture Ministerial Meeting, with DEVCO support) EU Africa Business Forum 27 November 2017 (three specific workshops organised by AGRI: 1) Greater co-operation for agricultural investments in Africa, 2) Leveraging Digitisation for profitable and sustainable Agriculture and 3) How to promote African quality products
Building partnerships with International Organisations, AUC, ACP and selected countries	Number of agriculture policy (incl. GI) initiatives & events	Organisation of an African Union – EU Agricultural Ministerial Conference on 2/07/2017 in cooperation with DEVCO, TRADE etc.	2 nd AU-EU Agricultural Ministerial Meeting, 2 July 2017, Rome (351 participants, incl. 28 Ministers)
Tunisia: contribution to DCFTA, in close cooperation with DG TRADE	Continuation of bilateral negotiations	2019	Negotiations should resume in 2018 with a view to concluding in 2019
Morocco: conclusion of a GI agreement	Adoption by Council and Parliament and implementation of the Agreement	2018	Adoption of the agreement will depend on resolving issues related to the EU-Morocco agricultural agreement
Georgia, Moldova, Ukraine: Association Agreement including DCFTA, in close cooperation with EEAs and DG TRADE	Implementation, approximation monitoring (including update of GIs lists). Possible start of discussions on review clause with Moldova.	2018	Moldova 1) review clause: the first discussion took place 17 Oct 2017 within the EU-MD TRADE Committee 2) GIs update- ongoing GI update under the DCFTA. Ukraine: 1) ongoing GI update under the DCFTA; 2) entry into force of the EU

			autonomous trade measures on 1.10.17 and on 1.01.18 for cereals TRQs
Armenia: negotiation of the bilateral Comprehensive and Enhanced Partnership Agreement (including GIs), in close cooperation with DG TRADE	Negotiations started in 2016 Agreement concluded and signed	2017-2018	Negotiations have been concluded and the agreement was signed in November 2017. Agreement to enter into force later in 2018
Azerbaijan : negotiation of a new Agreement including GIs, in close cooperation with DG TRADE	Negotiations started in 2017.	2017-2018	Negotiations started in 2017.
Russia, Turkey: resolving trade irritants, in close cooperation with DG TRADE and DG SANTE	Contribute to the resolution of ongoing trade bans and/or safeguard measures	2017-2018	High-level mission by Commissioner Hogan in Turkey in July 2017
Belarus: dialogue, in close cooperation with EEAS and DG TRADE	Participate in discussions of the Trade dialogue led by DG TRADE	2017	Last dialogue held on 19/12/17
Iran: dialogue in close cooperation with EEAS, DG TRADE and DG SANTE	Establishment of agriculture cooperation + visit of High Level business mission by Commissioner Hogan in November 2017.	2017	Joint Press Statement issued between Commissioner Hogan and Iranian Minister of Agriculture Hojjati, setting terms of future cooperation
Lebanon: dialogue in close cooperation with EEAS and DG TRADE	Participate in discussions of the Trade and Investment working group lead by DG TRADE	2017	Three meetings of the JWG took place in 2017, focused in particular on SPS and RoO for agricultural products. Possible flexibilisation on RoO going ahead in 2018.
Saudi Arabia: promoting agro-food trade	High-Level business mission led by Commissioner Hogan	2017	Both sides agreed to step up their cooperation on agriculture and SPS-related issues. More MS received authorisation to export poultry, goat&sheep and beef meat to Saudi Arabia.
Israel, Palestine, Egypt, Jordan: dialogue, in close cooperation with EEAS and DG TRADE	Dialogue on agriculture and cooperation (including on GI's, organic farming, etc.) via ENPARD and TAIEX	2017	Agriculture sub-committee meetings with Egypt and Jordan took place in 2017.

Switzerland: reclassification of seasoned meat	Find a solution to the trade irritant of reclassification of seasoned meat from Chapter 16 to Chapter 02	2017	The two sides found at the end of 2017 a solution to the trade irritant: the CH will increase the global WTO TRQ No5 by 1200 tonnes. This is to be implemented in 2018
2015/AGRI/030 and 2015/AGRI/031: Proposal for a Council Decision on the conclusion and the signature of an EU- Iceland agreement on protection of geographical indications	Council adoption with EP consent	2017	The agreement will enter into force on 1 May 2018.
2015/AGRI/035 and 2015/AGRI/036: Proposal for a Council Decision on the conclusion and the signature of an EU- Iceland Article 19 agreement on further trade liberalisation	Council adoption with EP consent	2017	The agreement will enter into force on 1 May 2018.
2015/AGRI/037 and 2015/AGRI/038 Proposal for a Council Decision on the conclusion and the signature of an EU- Norway Article 19 agreement on further trade liberalisation	Council adoption with EP consent	Planned 2018	The Agreement was signed on 4.12.17.
2015/AGRI/080 and 2015/AGRI/081 Proposal for a Council Decision on the conclusion and the signature of an agreement between the European Union and Chile on trade in organic products	Council adoption with EP consent	2017	Negotiations were launched in later 2017
Canada: CETA	Provisional application and monitoring of the implementation In coordination with DG TRADE and the EU Delegation in Canada.	Provisional entry into force September 2017	Provisional entry into force on 21 September 2017 – Monitoring of the implementation
US: TTIP	Stand ready to continue negotiations <i>Pour mémoire.</i> No development expected	2017	Negotiations continue to be suspended

US: trade irritants	To manage trade irritants e.g. on SPS matters, hormone free beef, anti-subsidy measures on olives	2017 to early 2018	Consultations on hormone-free beef quota management of SPS irritants and anti-subsidy case on olives
Mexico: modernisation of existing agreement; Mercosur	Continuation of negotiations. In coordination with DG TRADE, DG GROW and DG SANTE.	Conclusion planned by end 2017	Continuation of the negotiations
Central America: Free Trade Agreement implementation	Continuation of monitoring of implementation	2017	Continuation of monitoring of implementation
Peru-Colombia-Ecuador: Free Trade Agreement implementation	Continuation of monitoring of implementation	2017	Continuation of monitoring of implementation
Mercosur	Continuation of negotiations. In coordination with DG TRADE, DG GROW and DG SANTE	Conclusion possible at end 2017	Continuation of the negotiations
Chile: modernisation of existing association agreement	Preparatory work in cooperation with DG TRADE, notably to obtain Council approval of negotiating directives to reflect EU priorities. Launch of negotiations	Possible launch before end 2017	Launch of negotiations in November 2017
China: agreement on protection of geographical indications (2011/AGRI/008 and 2025/AGRI/058) Monitoring of and addressing trade barriers, in close cooperation with DG TRADE and SANTE	Continuation and possible conclusion of negotiations	Conclusion possible at end 2017 or shortly thereafter	Conclusion probable in 2018
China: cooperation activities in the field of agriculture and rural development	Continuation of cooperation resulting in avoidance of new trade barriers.	2017	China –EU 10 th Agricultural Dialogue on 15-18 February in (Sanya) China
Japan: Free Trade Agreement negotiations under DG TRADE's coordination	conclusion of negotiations	First semester 2017	Agreement in Principle reached on 6 July 2017 – Formal conclusion of EPA negotiations on 8 December 2017
Philippines and Indonesia: Free Trade Agreement negotiations under DG TRADE's coordination	Continuation of negotiations	2017	Negotiations are continuing

Australia/New Zealand: Free Trade Agreement negotiations Cooperation activities in the field of agriculture and rural development	Preparatory work in cooperation with DG TRADE, notably to obtain Council approval of negotiating directives to reflect EU priorities. Launch of negotiations	Preparatory work by end 2017. Launch of negotiations expected in 2018	Conclusion of scoping exercises on a possible FTA with New Zealand (March 2017) and Australia (5 April 2017). Draft negotiating directives adopted by the Commission College on 13 September 2017. Draft mandate discussed but not yet adopted by the Council. Agricultural Trade and Marketing Experts Group(ATMEG) organised on 16 March 2017.
India, Thailand, Malaysia: Free Trade Agreements	Talks towards possible resumption of negotiations	2017 for at least Malaysia	Malaysia: likely to resume by mid-2018 Thailand: resumption possibly end 2018 India: resumption being considered
Korea: Free Trade Agreement implementation with the support of the EU Delegation to Korea	Continuation of monitoring of implementation	2017	GI working Group held on 19 July 2017

Specific objective: To promote the EU interests and positions on agriculture and rural development in the relations with enlargement countries and to assist the enlargement countries in their alignment to the CAP

Related to spending programme: EAGF and EAFRD

Result indicator: Timely contribution to the Commission's work in the area of enlargement

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2017)
100% of timely contributions Example: Preparation of screening report for Montenegro.	100% of contributions in time <i>This target was agreed within DG AGRI and is reflected by relevant procedures for conducting negotiations.</i>	100% of contributions in time

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
All enlargement countries	Alignment to the Common Agricultural Policy	Accession date (unknown)	Ongoing work
Turkey : revision of Customs Union agricultural aspects	Adoption of negotiation directives by Council	2018	Council has not yet adopted negotiation directives

Montenegro : negotiations on agriculture chapter in accession negotiations	Opening of negotiations on chapter agriculture and rural development	2017	Chapter opened in December 2016 with 2 closing benchmarks to be fulfilled.
Serbia : negotiations on agriculture chapter in accession negotiations	Action plan on <i>acquis</i> alignment to be prepared by Serbia as step towards opening negotiations in the chapter agriculture and rural development (opening benchmark)	2017	2 nd draft of Action plan received in December 2017
Bosnia and Herzegovina : Analysis of application	Review of replies to questionnaire sent by the Commission to the BiH authorities in preparation of the opinion of the country's membership application. Opinion to be submitted to the Council.	2018	Commission still awaiting reply by BiH to its questionnaire

Specific objective: To facilitate decision-making on strategic choices for the CAP and to support other activities of the DG by means of economic and policy analyses and studies

Related to spending programme: N/A

Result indicator: Timely contribution to the decision-making process for the CAP towards 2020

Source: DG AGRI

Baseline (2015)	Target	Latest known results (2017)
100 %	100 % timely deliveries: - supporting policy and economic analysis - publication of key documents on the CAP	100 %

Result indicator: Representativeness of information about the EU farm economic situation collected by the Farm Accountancy Data Network (FADN)

Source: EU FADN

Baseline (2015)	Target (2016)	Latest known results
Observed coverage of EU agricultural production in the accounting year 2013: - 96 % coverage of the Standard Output - 94 % coverage of the Utilised Agricultural Area - Farm returns collected: 86 840	Observed coverage of EU agricultural production in the accounting year 2014: - 90 % coverage of the EU agricultural production as expressed in Standard Output - 90 % coverage of the Utilised Agricultural Area - Farm returns to be delivered (Reg. 1291/2009 and successive amendments): 86 755 <i>NB: Target corrected according to the SP 2016-2020. Maybe the year could be removed.</i>	Observed coverage of EU agricultural production for accounting year 2015: - 96% coverage of the Standard Output; - 91% coverage of the Utilised Agricultural Area. - Farm returns collected for accounting year 2015: 82 909

Result indicator: Adequate knowledge of Farm structure

Source: Eurostat – Farm Structure Survey

Baseline (2015)	Target (2016)	Latest known results
Data from the 2013 Farm Structure Survey are extensively used in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020	Use of the 2013 Farm Structure Survey data in internal analyses, publications and indicators of the common monitoring and evaluation framework for the CAP 2014-2020 New survey in 2016.	Data of Farm Structure Survey 2013 are available in the Eurostat database. The Farm Structure Survey 2016 has been carried out by Member States; data are expected to be made available by Eurostat by the end of 2018. The legal framework for the 2020 agricultural census is under preparation.

Main outputs in 2017:

Policy-related outputs

Description	Indicator	Target date	Latest known results (situation on 31/12/2017)
Simplification and modernisation of the Common Agricultural Policy	Launching and implementing a public consultation on the future of the CAP	1 st half 2017	Public consultation took place from 02/02 to 02/05/2017. 322 916 replies were received and analysed. Results were communicated at a conference on 07/07/2017. A Communication on the Future of Food and Farming was adopted on 29/11/2017 (COM(2017)713). Preparatory work for the impact assessment supporting the legislative proposals in 2018 has started.

<p>AGRICULTURAL POLICY ANALYSIS AND DEVELOPMENT</p> <ul style="list-style-type: none"> • Contribute to the definition of the long-term strategy for the CAP • Follow-up of the implementation of the CAP 2014-2020; • Follow-up of policy developments in fields relevant for agriculture and rural development (environmental and climate policies, trade negotiations, employment policies, etc.), both at global and EU level 	Notes and documents on the CAP post-2020	On request	100 %
	Support to other policy initiatives (sustainable food, etc.)	On time contributions to other policy initiatives	100 %
<p>COUNTRY INTELLIGENCE</p> <ul style="list-style-type: none"> • Monitoring of agricultural policy developments in Member States and policy positions in the field of agriculture; • Analysis of documents on the evolution of agriculture and rural areas from Member States • Other data collection and analysis 	Monitoring of policy development in MS	Ongoing	100 %
	Data, analysis, fact sheets and briefings on MS	Ongoing	100 %
<p>OUTLOOK</p> <p>To provide short- and medium-term outlook for EU agricultural markets and income, to assess the likely developments in the current policy framework and under alternative scenarios. This activity is carried out in cooperation with DG JRC. Outlook validated also through workshop with external experts and other DGs (ECFIN, TRADE, ENVI, CLIMA, JRC, etc.)</p>	Report on medium-term prospects for agricultural commodity markets published paper/electronic versions	Publish new Report before end of the year 2017	EU Agricultural outlook for the agricultural markets and income 2017-2030 published on 18.12.2017.
	Organisation of the EU agricultural outlook conference	18-19 December 2017	The conference took place on 18 and 19 December 2017. More than 600 participants and more than 3500 in web-streaming.
	Timely publication of 3 reports on short-term outlook for agricultural commodity markets	Reports to be published in March, July, October 2017	The 3 reports were timely published.

<p>ANALYSIS Use quantitative and qualitative information and tools to analyse main developments in EU and world agriculture and assess the impact of market and policy changes</p>	<p>Timely preparation of analytical notes, markets briefs and contribution to other analytical work in AGRI and in other DGs</p>	<p>Analyses on request</p>	<p>Publication of 2 market briefs: Risk management schemes in EU agriculture (09/2017) Managing risk in the dairy sector: how futures markets could help (03/2017) Contribution to the European Semester exercise for FR. Contribution to many chapters of the Statistical Annex</p>
<p>MODELLING Development, maintenance and use of quantitative analysis tools like partial equilibrium models both at macro- and micro-economic level, biophysical models and other forward looking methods.</p>	<p>Operational platform of economic and biophysical models and related databases (in collaboration with JRC). Main use: trade, environment, biofuels, climate and CAP reform analysis.</p>	<p>Operational tools for timely results</p> <p>Analyses on request</p>	<p>Tools were used by DG AGRI and/or JRC to produce among others: the outlook, a contribution to the concept paper, contributions to the impact assessment, the publication of the SCENAR 2030 study¹⁶⁴</p>
<p>DATA INTEGRATION To co-ordinate the statistical needs related to the Monitoring and Evaluation Framework of the CAP. To analyse the food supply chain especially price formation. Analysis of trade statistics</p>	<p>Development, updating and maintenance of CMEF indicators</p>	<p>According to detailed workplan.</p>	<p>Numerous data requests fulfilled on time</p>
	<p>Monthly dashboard of EU and world commodity prices, including along the food supply chain</p>	<p>Monthly updates.</p>	<p>Numerous ad-hoc analyses delivered on time</p>
	<p>Regular updates, ad-hoc requests and annual trade statistics report</p>	<p>On demand Publication of trade statistics report in the summer.</p>	<p>Delayed due to implementation of IT infrastructure linked to the new Farm Return</p>

¹⁶⁴ <https://ec.europa.eu/jrc/en/publication/eur-scientific-and-technical-research-reports/scenar-2030-pathways-european-agriculture-and-food-sector-beyond-2020>

<p>MANAGEMENT AND DEVELOPMENT OF FADN LEGISLATION AND INFRASTRUCTURE</p> <ul style="list-style-type: none"> Adaptation of systems and reporting tools following implementation of the new Farm Return (Regulations 1217/2009, 1198/2014 and 2015/220) Amendment of Delegated Regulation EC 1217/2009 following Germany's request to amend FADN divisions by merging Schleswig-Holstein and Hamburg Amendment of Implementing Regulation (EU) 2015/2020 changing the number of Farm Returns for some Member States and introducing additional financial incentives for early sending and correcting data. Further monitoring and development of FADN IT systems. Starting introduction of a new analytical/visualisation tool. Adaptation of the FADN data to the CAP evolution and requirements/demands for the analyses Improve the efficiency and the performance of the FADN reporting 	<p>Maintenance and support of the RICA Information Systems</p>	<p>100 % availability of the system to users (outside maintenance periods)</p>	<p>Target reached.</p>
	<p>Enhancement of RICA2 functionality. Amended Delegated and Implementing Regulations.</p>	<p>All business requirements implemented as scheduled</p>	<p>RICA Information Systems adapted to the new Farm Return Regulations. Fine tuning and configuration of amendments ongoing. Contracting procedure for development of a new analytical/visualisation tool has been initiated. New modelling tool of the CAP under development.</p> <p>Basic and Implementing Regulations were successfully amended and published in the OJ.</p>
<p>ECONOMIC ANALYSES</p> <p>High quality economic analyses based in particular on FADN data in line with the needs of DG AGRI for the assessment of policy proposals (ex-ante) and CAP measures (ex-post).</p>	<p>Delivery of relevant and high quality data for specific analyses supporting policy development of CAP after 2020</p>	<p>Ongoing</p>	<p>Done</p>
	<p>Delivery of relevant ad-hoc analysis and special FADN reports</p>	<p>Ongoing</p>	<p>Done</p>

	Finalisation of FADN annual reports	Before 30 September 2017	Done
STATISTICAL COORDINATION AND ANALYSES Coordinate the information needs of DG AGRI within DG AGRI and with ESTAT and ensure their dissemination Contribute to Commission proposals on legislation for agricultural statistics (e.g. Framework Regulation on integrated Farm Statistics; Framework Regulation on Statistics for Agricultural Inputs and Outputs) Provide updates of statistical factsheets and CAP context indicators Analyse the evolution of farm structures and agricultural income based on statistics	Contribute to the development of Eurostat's framework regulations on integrated farm surveys and statistics on agricultural inputs and outputs	Ongoing	Framework regulation for integrated farm statistics is in co-decision process; framework regulation on agricultural inputs and outputs is in drafting stage.
	Contribution to the development and implementation of Eurostat's work programme in agricultural statistics, in line with DG AGRI's data needs	Ongoing	Eurostat work programme 2018 adopted in December 2017
	2017 update of statistical country factsheets	March 2017	Done
	2017 update of CAP context indicators	December 2017	Done
	2017 update of farm income developments	December 2017	Done (information available in the Farm Economy Focus)
	GIS support to statistics and economic/policy analysis	Number of DG AGRI units using the service.	Increase
	Number of maps and data analyses produced.	Maintain or increase	219

ANNEX 13: Interruptions, reductions and suspensions

EAGF

Total of financial corrections and Payment Suspensions executed during the financial year 2017

In EUR

MS	EXPENDITURE declared by MS T104 (a)	CORRECTIONS done by EAGF (See Annex I) (b)	EXPENDITURE taken into account for the monthly payments (c) = (a) + (b)	Payment Suspensions (See Annex II) (d)	Amount paid out (e) = (c) - (d)
BE	588 546 187,63		588 546 187,63		588 546 187,63
BG	798 103 829,92	-17 389,41	798 086 440,51		798 086 440,51
CZ	854 448 923,20		854 448 923,20		854 448 923,20
DK	858 670 732,41		858 670 732,41		858 670 732,41
DE	5 028 006 429,40	-6 977,89	5 027 999 451,51		5 027 999 451,51
EE	123 977 546,02		123 977 546,02		123 977 546,02
IE	1 228 408 251,60	-86 439,86	1 228 321 811,74		1 228 321 811,74
EL	2 074 885 739,79	-20 843,71	2 074 864 896,08		2 074 864 896,08
ES	5 438 822 882,82	-1 065 124,55	5 437 757 758,27		5 437 757 758,27
FR	7 489 393 422,31	-180 827 461,90	7 308 565 960,41	0,00	7 308 565 960,41
HR	208 270 151,87	-80 690,51	208 189 461,36		208 189 461,36
IT	4 309 004 846,67	-59 893 498,31	4 249 111 348,36		4 249 111 348,36
CY	55 764 985,28	-34 829,86	55 730 155,42		55 730 155,42
LV	217 993 354,27	-181,15	217 993 173,12		217 993 173,12
LT	443 325 522,51	-53 250,59	443 272 271,92		443 272 271,92
LU	34 401 229,19		34 401 229,19		34 401 229,19
HU	1 288 118 001,68	-3 889 146,24	1 284 228 855,44		1 284 228 855,44
MT	5 317 298,97		5 317 298,97		5 317 298,97
NL	815 905 877,64	-410 882,48	815 494 995,16		815 494 995,16
AT	706 529 712,22	-186 429,52	706 343 282,70		706 343 282,70
PL	3 409 568 480,65		3 409 568 480,65	3 007 191,14	3 406 561 289,51
PT	704 765 829,26	-596 640,64	704 169 188,62		704 169 188,62
RO	1 775 600 557,03	-3 092 059,42	1 772 508 497,61		1 772 508 497,61
SI	143 169 763,17	-17 123,79	143 152 639,38		143 152 639,38
SK	438 421 061,90	-4 578,15	438 416 483,75		438 416 483,75
FI	537 059 724,11	-2 999,21	537 056 724,90		537 056 724,90
SE	707 757 020,45	-4 048 595,35	703 708 425,10		703 708 425,10
UK	3 152 379 275,20	-25 359 636,86	3 127 019 638,34		3 127 019 638,34
Total MS	43 436 616 637,17	-279 694 779,40	43 156 921 857,77	3 007 191,14	43 153 914 666,63

Annex I: Financial corrections executed during the financial year 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		
				Amounts	Budget line	Explanation
BG	798 103 829,92	-17 389,41	798 086 440,51	-17 389,41	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
DE	5 028 006 429,40	-6 977,89	5 027 999 451,51	-2 397,36	67 01 00 00 0000 105	Eligibility - Payment Correction - General verification
				-4 580,53	05 03 09 00 0000 003	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2016
IE	1 228 408 251,60	-86 439,86	1 228 321 811,74	-86 439,86	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-41 208,09	05 03 01 11 0000 004	Ceiling - Reduction Short Proc. - Greening - CY 2016
				41 208,09	05 03 01 11 0000 004	Ceiling - Payback - Greening - CY 2016
EL	2 074 885 739,79	-20 843,71	2 074 864 896,08	-20 843,71	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
ES	5 438 822 882,82	-1 065 124,55	5 437 757 758,27	-1 055 016,47	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-10 108,08	05 03 02 99 0000 376	Ceiling - Reduction Short Proc. - Global ceiling CY 2011 (Annex IV of R.73/09)
FR	7 489 393 422,31	-180 827 461,90	7 308 565 960,41	-178 555 914,80	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-143 890,54	05 03 09 00 0000 002	Eligibility - Reduction Long Proc. - Reimbursement of F.D. carried over from FY 2015 and
				-2 127 658,76	05 03 09 00 0000 003	Eligibility - Reduction Long Proc. - Reimbursement of F.D. carried over from FY 2016
HR	208 270 151,87	-80 690,51	208 189 461,36	-43 520,14	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-2 782,90	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-12 997,26	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-14 707,72	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-1 970,98	05 03 01 07 0000 003	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-939,75	05 03 01 07 0000 003	Ceiling - Payback - Redistributive payment - CY 2015
				-1 331,45	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-2 779,44	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-1 356,16	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				-828,33	05 03 02 61 0000 004	Ceiling - Reduction Short Proc. - Redistributive payment - CY 2015
				2 523,62	05 03 02 61 0000 004	Ceiling - Payback - Redistributive payment - CY 2015
IT	4 309 004 846,67	-59 893 498,31	4 249 111 348,36	-59 893 498,31	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
CY	55 764 985,28	-34 829,86	55 730 155,42	-17 353,45	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-1 166,35	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-7 387,28	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-1 068,24	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-2 808,55	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-239,72	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-71,81	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
				-4 736,46	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(4) R.1307/13 - CY 2016
LV	217 993 354,27	-181,15	217 993 173,12	-181,15	05 02 12 99 0000 008	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)
LT	443 325 522,51	-53 250,59	443 272 271,92	-53 250,59	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
HU	1 288 118 001,68	-3 889 146,24	1 284 228 855,44	-3 604 992,32	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-11,94	05 02 08 12 0000 032	Ceiling - Reduction Short Proc. - School fruit 2015/16 - total allocation
				-20,32	05 02 12 99 0000 008	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)

Annex I: Financial corrections executed during the financial year 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						
				Amounts	Budget line	Explanation				
HU	1 288 118 001,68	-3 889 146,24	1 284 228 855,44	-20 472,82	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-32 809,23	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-22 036,34	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-11 852,88	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-19 336,37	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-8 341,03	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-65 777,79	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-9 562,48	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-88 628,09	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				-7 304,63	05 03 01 02 0000 015	Ceiling - Reduction Short Proc. - Single Area Payment Scheme - CY 2014				
				NL	815 905 877,64	-410 882,48	815 494 995,16	-410 882,48	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
								AT	706 529 712,22	-186 429,52
				PT	704 765 829,26	-596 640,64	704 169 188,62			
								-463 938,42	05 02 09 08 0000 019	Ceiling - Reduction Short Proc. - National support programme wine sector (FY 2017)
77 751,22	05 02 09 08 0000 019	Ceiling - Payback - National support programme wine sector (FY 2017)								
-11 546,49	05 03 01 99 0000 385	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014								
-103 442,08	05 03 01 99 0000 386	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014								
-2 448,23	05 03 02 14 2221 124	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
26,18	05 03 02 14 2221 124	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-5 610,33	05 03 02 14 2221 125	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
275,48	05 03 02 14 2221 125	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-270,41	05 03 02 14 2221 126	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
4,62	05 03 02 14 2221 126	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-1 998,40	05 03 02 14 2221 127	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
88,60	05 03 02 14 2221 127	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-1 114,91	05 03 02 14 2221 128	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
15,89	05 03 02 14 2221 128	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-373,27	05 03 02 14 2221 129	Ceiling - Reduction Short Proc. - Sheep & goat supplementary premium - CY 2014								
40,81	05 03 02 14 2221 129	Ceiling - Payback - Sheep & goat supplementary premium - CY 2014								
-10 138,13	05 03 02 99 0000 385	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014								
-26 697,63	05 03 02 99 0000 386	Ceiling - Reduction Short Proc. - Global ceiling (Art 40.3 Annex VIII-a R.73/09) CY 2014								
-38,16	05 03 09 00 0000 002	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2015 and								
-22,38	05 03 09 00 0000 003	Ceiling - Reduction Short Proc. - Reimbursement of appropriations from FY 2016								
RO	1 775 600 557,03	-3 092 059,42	1 772 508 497,61	-3 092 059,42	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01				
SI	143 169 763,17	-17 123,79	143 152 639,38	-12 946,46	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2016				
				-3 803,69	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2016				
				-207,84	05 03 01 13 0000 008	Ceiling - Reduction Short Proc. - Young Farmer Scheme - Art.51(1)(2) R.1307/13 - CY 2016				

Annex I: Financial corrections executed during the financial year 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		
				Amounts	Budget line	Explanation
SI	143 169 763,17	-17 123,79	143 152 639,38	-165,80	05 03 09 00 0000 003	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2016
SK	438 421 061,90	-4 578,15	438 416 483,75	-127,16	05 02 08 12 0000 032	Ceiling - Reduction Short Proc. - School fruit 2015/16 - total allocation
				-3 085,58	05 03 09 00 0000 002	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2015 and
				-1 365,41	05 03 09 00 0000 003	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2016
FI	537 059 724,11	-2 999,21	537 056 724,90	-1 961,13	05 02 12 99 0000 008	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)
				-292,88	05 02 12 99 0000 008	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)
				-502,91	05 02 15 99 0000 041	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)
				-242,29	05 03 09 00 0000 003	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2016
SE	707 757 020,45	-4 048 595,35	703 708 425,10	-1 796 231,89	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-2 252 363,46	05 03 09 00 0000 003	Eligibility - Reduction Short Proc. - Reimbursement of F.D. carried over from FY 2016
UK	3 152 379 275,20	-25 359 636,86	3 127 019 638,34	-25 358 242,40	67 01 00 00 0000 028	Payment deadline Agri.r.4.001(2017)5224309 - REV.01
				-1 394,46	05 02 12 99 0000 008	Eligibility - Reduction Short Proc. - Temporary exceptional aid - Livestock - R.1853/15 Art.1(1)

Annex II: Payment Suspensions executed during the financial year 2017

In EUR

MS	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	7 308 565 960,41	0,00	7 308 565 960,41	28 752,15	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-28 752,15	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				13 109,28	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-13 109,28	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 664,72	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-1 664,72	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				373,80	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-373,80	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				979,30	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-979,30	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				844,54	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				-742,85	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-52,02	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-49,67	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 07 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 07 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				199 367,16	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-199 367,16	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				35 491,41	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-35 491,41	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				5 178,64	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-5 178,64	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 922,10	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-1 922,10	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				3 052,25	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-3 052,25	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 852,36	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-1 852,36	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-162,83	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				466,80	05 03 01 07 0000 004	Payment suspension - Control system - C(2016)4287
				-466,80	05 03 01 07 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				153 828,96	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				-153 828,96	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				89 777,66	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				-89 777,66	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				6 775,08	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287

Annex II: Payment Suspensions executed during the financial year 2017

In EUR

MS	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	7 308 565 960,41	0,00	7 308 565 960,41	-8 775,08	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 246,11	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				-1 246,11	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				3 386,41	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				-3 386,41	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				2 279,83	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				-1 208,20	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-610,63	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-461,00	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 10 0010 001	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 10 0010 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 987 335,99	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-1 987 335,99	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				405 369,88	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-405 369,88	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				56 167,36	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-56 167,36	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				18 430,51	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-18 430,51	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				20 667,57	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-20 667,57	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				10 528,00	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-6 516,88	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-4 011,12	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				4 625,93	05 03 01 10 0010 002	Payment suspension - Control system - C(2016)4287
				-4 625,93	05 03 01 10 0010 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				111 886,17	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-111 886,17	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				31 237,24	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-31 237,24	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				4 239,96	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-4 239,96	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				823,04	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-823,04	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				2 232,04	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-2 232,04	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287

Annex II: Payment Suspensions executed during the financial year 2017

In EUR

MS	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	7 308 565 960,41	0,00	7 308 565 960,41	1 414,41	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-1 140,79	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-273,62	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				483,37	05 03 01 11 0000 001	Payment suspension - Control system - C(2016)4287
				-483,37	05 03 01 11 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 212 814,90	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-1 212 814,90	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				279 948,71	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-279 948,71	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				35 950,51	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-35 950,51	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				10 979,24	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-10 979,24	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				17 999,04	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-17 999,04	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				8 771,76	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-4 881,01	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-3 890,75	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				12 676,59	05 03 01 11 0000 002	Payment suspension - Control system - C(2016)4287
				-12 676,59	05 03 01 11 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				4 728,91	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-4 728,91	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 353,00	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-1 353,00	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				335,40	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-335,40	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				52,70	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-52,70	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				279,38	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-279,38	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				73,27	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287
				-71,53	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-1,74	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				35,80	05 03 01 13 0000 001	Payment suspension - Control system - C(2016)4287

Annex II: Payment Suspensions executed during the financial year 2017

In EUR

MS	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	7 308 565 960,41	0,00	7 308 565 960,41	-35,80	05 03 01 13 0000 001	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				39 346,27	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-39 346,27	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				8 482,49	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-8 482,49	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				2 000,65	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-2 000,65	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				784,62	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-784,62	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				1 275,55	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-1 275,55	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				123,18	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-120,13	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				-3,05	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				302,81	05 03 01 13 0000 002	Payment suspension - Control system - C(2016)4287
				-302,81	05 03 01 13 0000 002	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 003	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287

Annex II: Payment Suspensions executed during the financial year 2017

In EUR

MS	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	7 308 565 960,41	0,00	7 308 565 960,41	0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension - Control system - C(2016)4287
				0,00	05 03 01 13 0000 004	Payment suspension reimbursement - Control system - Negative suspension - C(2016)4287
PL	3 409 568 480,65	3 007 191,14	3 406 561 289,51	273 717,38	05 02 08 11	Payment suspension - Control system - C(2016)2050
				218 212,60	05 02 08 11	Payment suspension - Control system - C(2016)2050
				873 610,55	05 02 08 11	Payment suspension - Control system - C(2016)2050
				242 494,07	05 02 08 11	Payment suspension - Control system - C(2016)2050
				338 971,34	05 02 08 11	Payment suspension - Control system - C(2017)2104
				26 872,72	05 02 08 11	Payment suspension - Control system - C(2017)2104
				21 512,68	05 02 08 11	Payment suspension - Control system - C(2017)2104
				314 658,95	05 02 08 11	Payment suspension - Control system - C(2017)2104
				26 005,63	05 02 08 11	Payment suspension - Control system - C(2017)2104
				671 135,24	05 02 08 11	Payment suspension - Control system - C(2017)2104

ANNEX 14: Court of Auditors' special reports

1) Special Report 34/2016: Combating Food Waste: an opportunity for the EU to improve the resource-efficiency of the food supply chain (multi DG audit)

The Court criticises the lack of a common definition of "food waste", the lack of an agreed baseline from which to target food waste reductions as well as the lack of assessment of the impact of EU policies on the fight against food waste. Major policy areas such as agriculture, fisheries and food safety all have, according to the Court, a role to play and could be used to combat food waste better.

The Court recommended to the Commission to:

- include the topic of food waste in the forthcoming review of the policy (not accepted);
- promote the option of donating food that is safe for consumption and that would otherwise be wasted by completing the legislative requirement to allow the use of food from agricultural stocks from public intervention (accepted).

In its response to the Court's recommendations, the Commission made the following observations:

- Several actions are already ongoing. Involvement of international organisations (Food and Agriculture Organisation, United Nations Environment programme) in the EU Platform on Food Losses and Food Waste will help facilitate cooperation and coordination of efforts at national, EU and global levels.
- The Commission is already implementing initiatives to fight food waste as part of the 2015 Circular Economy Action Plan. The Commission is already elaborating a methodology which will illustrate what constitutes food waste at each stage of the food value chain on the basis of the existing legal framework. This methodology will support consistent measurement of food waste levels needed to assess the impact of measures taken.
- The Commission will take measures to clarify EU legislation in order to facilitate food donation, as specified in the Communication on Circular Economy. This includes a commitment to develop EU food donation guidelines for food donors and food banks on how to comply with relevant EU legislation in the current regulatory framework (e.g. food safety, food hygiene, traceability, liability, etc.).
- The Commission has proposed several amendments to the FEAD regulation as part of the proposal for revision of the financial regulation, adopted on 14/09/2016. One of these amendments, if approved, will offer the possibility for Member States to use simplified cost options when financing food donations. This is a measure aiming to facilitate the use of food donations under the FEAD.

2) Special Report 36/2016: An assessment of the arrangements for closure of the 2007-2013 cohesion and rural development programmes (multi DG audit)

The Court criticized the lack of link between the payment of the final balance with the actual achievement of outputs and results. Further on, the Court identified that checks by Member States and the Commission are not sufficient to ensure the legality and regularity at closure of expenditure concerning financial instruments, contractual advances and some state aid-relevant major projects. The Court also finds that the Commission should provide the European Parliament and the Council

with a consolidated closure report containing key information on the most relevant performance and compliance aspects of programme implementation.

The Court recommended to the Commission should:

- In its legislative proposals for the post-2020 period:
 - propose further alignment of the regulatory provisions for closure between cohesion and for the investment-related measures under rural development, aiming to achieve a harmonised annual assurance process in both areas (not accepted);
 - introduce a final acceptance concerning the legality and regularity of programme expenditure and the outputs and results achieved at programme closure (not accepted);
 - specify how it will inform the budgetary authority about the outcome of the closure procedure once the Commission has issued its final acceptance (not accepted);
 - ensure that eligibility periods no longer overlap with the subsequent programme period and that the closure procedure is finalised promptly after the end of the eligibility period (not accepted);
- Adopt major project decisions still pending for the 2007-2013 and 2014-2020 (accepted);
- Ensure that Member States implement specific procedures to verify the eligibility of expenditure (accepted).

In its response to the Court's recommendations, the Commission made the following observations:

- A significant effort was already made to harmonise rules for the ESI Funds for the 2014-2020 period, both for the annual accounting years and at closure. The Commission will seek to further harmonise regulatory provisions between the funds, including on terminology, assurance and closure processes, whenever it enables to improve the management of EU funds and it contributes to a simpler and more effective implementation in Member States and regions.
- The Commission considers that alignment of arrangements in rural development and cohesion must not undermine the consistency of implementation of the CAP. The importance of preserving the synergies achieved between the two pillars (EAGF and EAFRD) was recognised by the legislator (Recital 4 of Regulation 1303/2013). For both pillars of the CAP, the conformity clearance is separate from the annual financial clearance.
- The Commission will continue to inform the budgetary authority in full transparency about programme implementation, including about the outcome of closure. However, it is not in a position at this stage to make any specific commitment in relation to legislative proposals for the post-2020 period.
- The Commission strongly believes that discontinuing the overlap of eligibility periods will result in less policy implementation, will reduce the possibility for multiannual projects to be decided in the last year of implementation period by imposing additional administrative burden and will cause disruption in transition between periods. For EAFRD, this would negatively affect the smooth implementation of multiannual environmental commitments or business start-up projects based on multi-annual business plans.

- The Commission is currently processing the remaining major project decisions for the 2007-2013 with the intention of adopting them as far as possible by the end of 2016. Procedures are in place to adopt major project decisions within 3 months as required by the regulations. Less than 2 % of all major projects in the 2007-2013 period remain to be approved.
- In relation to eligibility of expenditure relating to financial instruments and contractual advances, specific clarifications have already been provided to programme authorities for their assurance at closure.

3) Special Report 1/2017: More efforts needed to implement the Natura 2000 network to its full potential (multi DG audit)

The Court concluded that the Natura 2000 network had not been implemented to its full potential. The Court criticized that EU funding schemes, including under the CAP, were insufficiently tailored to the objectives of the Natura 2000 sites. The Court also criticized that no specific performance indicator system to monitor the expected outputs, results and impacts for the Natura 2000 network was put in place.

The Court recommended to the Commission to:

- give guidance to the Member States on better target the support for Natura 2000 from EU funding programmes (accepted);
- establish cross-cutting Natura 2000 indicators for all EU funds (accepted).

In its response to the Court's recommendations, the Commission made the following observations:

- It recognises the existing linguistic barriers and it aims to make guidance documents available in all official languages. However, due to constraints in financial resources, this is only possible in a progressive manner: according to the subject covered, some languages are prioritized as compared to others, also taking into account the most spoken languages in the EU. Key guidance documents are translated into all official languages as from the date of their release. All of them are made available on the Commission website. It also relies on Member States to make sure they are disseminated to the target groups.
- The Commission will consider improvement to existing indicators in Natura 2000 and the possibility to establish new ones, where relevant.

4) Special Report 7/2017: The certification bodies' new role on CAP expenditure: a positive step towards a single audit model but with significant weaknesses to be addressed

The Court assessed whether the framework set up by the Commission, for the first year of implementation (2015 financial year), enabled the certification bodies (CB) to draw an opinion on the legality and regularity of CAP expenditure in accordance with the applicable EU regulations and internationally accepted audit standards, thus providing reliable results for Commission's assurance model.

The Court considered that the Commission could only take limited assurance from CBs' work on legality and regularity, *in the first year of implementation* (financial year 2015) and that this was partially due to significant weaknesses found in the framework designed by the Commission.

The Commission replied that the Court's conclusions should be limited to the first year of implementation of the new system and that significant progress in the quality of CB's

work has been achieved since. To take account of the experience from the first exercise for 2015 FY (i.e. reported by the CBs to the Commission in 2016), the guidelines to CBs were revised. Although a major change in the methodology is established as from the audit of FY2018, in order to separate the audit work done on the accounts and on legality & regularity, the guidelines in use, for the audit of financial years subsequent to 2015, had already been reinforced on several aspects raised by the Court. The CBs have also adjusted their annual certification audit on legality & regularity based on the first years' experience. Thus, the recommendations are considered as already implemented (and some had already been implemented at the time of the Court's audit). In two cases, as set out below, the Commission only partially accepted the Court's recommendation.

Recommendations raised by the Court; actions and position taken by the Commission:

- (1) **Assurance from the CBs' work on legality and regularity:** when the work is defined and performed in accordance with the applicable regulations and internationally accepted audit standards, the CBs' results should be used as a key element in the Commission's assurance model.

The Commission only partially accepted the recommendation, as it considered that, while the guidelines for FY2015 had to be improved, where they were correctly applied, they already, in their 2015 form, enabled the CBs to give an opinion on legality and regularity in compliance with applicable rules and standards. **The Commission agreed** with the Court that, where the audit work of the CBs is done in accordance with the applicable regulations and guidelines, their opinion is an important and valuable additional building block and should be the key element for the Commission's assurance.

- (2) **Risk assessment focused on key and ancillary controls:** the CBs' risk assessment should be focused on the key and ancillary controls used by the Commission and complemented by any other evidence judged appropriate by the CBs.

The CBs had already been advised to use the Commission definitions of key and ancillary controls when testing the procedures for authorisation of claims in the FY2015 Guideline and it was further reinforced in the FY2018 Guideline. Therefore, **the Commission accepted this recommendation and considered it already implemented.**

- (3) **Safeguards for IACS sampling based on paying agencies' (PAs) on-the-spot checks:** the Commission should reinforce its guidelines requiring that CBs' samples are representative; CBs shall plan and carry out visits shortly after the PAs' own checks; CBs shall not disclose their sample to the PAs before the PAs' own checks.

The **Commission accepted the recommendation and considered it as implemented in the new guidelines for FY2018.** The new guidelines have been reinforced as regards the following aspects:

- the CB should check that the PA sample is selected in accordance with relevant legislation, rules and guidelines including representativeness and then, the CB should check the representativeness of its own sample;
- crucial importance of the timing for the IACS re-verifications: a recommended timing of the audit activities is included in the guidelines;
- as part of the audit procedures, the CB should check the completeness and assurance of the control results reported in the control statistics.

- (4) **Non-IACS sampling based on payments:** sampling method for non-IACS expenditure should be revised, so that the sample is drawn from the payments made during the financial year being audited.

The Commission accepted the recommendation and considered that it has already been implemented in the new guidelines for FY2018. As regards the non-IACS populations, actual payments should be the basis for the CB's sample. In case of time constraints, e.g. for measures entailing many payments close to the end of the year, the CBs are recommended to use estimated payments.

- (5) **Substantive testing carried out on-the-spot:** the CBs shall be able to carry out on-the-spot testing for any transaction audited and all audit steps and procedures that they themselves consider appropriate, without being limited to re-performing the PAs' initial checks.

The Commission only partially accepted the recommendation. It did not accept the part which would entail that the CBs go on-the-spot for transactions which have not been controlled on-the-spot by the PA. This would not be in line with the Commission's CAP assurance model and single audit approach. **The Commission accepted the recommendation** as regards allowing the CBs to carry out all the audit steps and procedures that they themselves consider appropriate and **considered that it has already been implemented.**

- (6) **A single error rate in relation to legality and regularity:** calculation of two different error rates regarding legality and regularity should not be required; and error rate on legality and regularity should not be used to judge the completeness, accuracy and veracity of the PA's annual accounts.

The Commission accepted the recommendation and considered that it has already been implemented. The new guidelines for FY2018 clearly separate the conformity and financial clearance procedures. To that end, CBs are to calculate two separate rates of error: an error rate (ERR) including only errors from the annual accounts testing, and an incompliance rate (IRR) including all legality and regularity errors not detected by the PA. The IRR will be used both for the audit opinion on legality and regularity and to confirm (or not) the assertions in the Management declaration of the PA. The IRR will be used to top up the control results reported by the PAs.

- (7) **An error rate representative of the population covered by the audit opinion:** as regards IACS populations, the overall error calculated by the CBs should also include the level of error reported by the PAs in the control statistics, extrapolated to the remaining transactions not subject to PA on-the-spot checks; The CBs have to ensure that the control statistics compiled by the PAs are complete and accurate.

The Commission accepted the recommendation and considered that it has already been implemented. The new guidelines for FY2018 provide that the incompliance rate for the IACS populations be based on the PA's random on-the-spot check sample, however, the extrapolated result for the part of the population is then extrapolated to the whole population in order to conclude on the legality and regularity of all IACS expenditure. For the Non-IACS populations, the approach is slightly different to take into account the different design of the measures and the fact that the PA's random samples may not be representative in all cases. Thus, the incompliance rate to be calculated by the CBs should be based on a sample drawn from all expenditure which is then extrapolated.

- 5) Special Report 10/2017: EU support to young farmers should be better targeted to foster effective generational renewal**

The Court criticized that this aid is often poorly defined, with no expected result and impact specified. The Court recommended to better define the objectives and target the EU support in order to foster effective generational renewal.

The Court recommended to the Commission to:

- improve the intervention logic by reinforcing needs assessment and defining SMART objectives (partially accepted);
- improve the monitoring and evaluation system (partially accepted).

The Court recommended to the Member States to:

- improve the targeting of the measures;
- collect actual data on the structural and financial characteristics of the supported holdings allowing assessing the efficiency and effectiveness of the measures in achieving the desired policy objectives.

In its response to the Court's recommendations, the Commission made the following observations:

- The Commission will analyse and consider possible relevant policy instruments for the support to young farmers and their logic of intervention in the context of the preparation of future legislative proposals.
- The Commission will continue to carry out relevant studies and investigations at the level of the EU, about which needs could be addressed by EU policy instruments and will continue to promote best practices through networking activities. The Commission will also reflect about the definition of SMART objectives as regards any possible future Union support to young farmers and of an appropriate performance framework.
- While the Commission is strongly committed to improve the performance framework for the CAP post 2020, the concrete way to achieve this improvement will depend on the overall new policy setting. However, also such a monitoring and evaluation system needs to be proportionate and provide value for money. In this context, inevitably a balance will need to be found between scope and depth of the monitoring and evaluation system and related costs and burdens. As often several measures contribute to the same objectives, the effectiveness and efficiency of measures should be assessed in the course of an evaluation, not directly observed via result or impact indicators. For this reason, the indicators are linked to specific (result indicators) and general (impact indicators) objectives.

In its response to the Court's recommendations to the Member States, the Commission made the following observations:

- The Commission takes note of the need for clearer criteria in the case of joint control of legal holdings, but underlines that:
 - assessing the role of young farmers in legal persons is interlinked with important aspects at national level, in particular national company law that vary widely across the EU;
 - Young farmers often work and gradually take control over joint holdings with elder farmers;
 - and that farm diversification is an important aspect of the CAP.

- The Commission is of the opinion that the different elements of this recommendation (applying clear selection criteria – also in case of joint setting-up, applying minimum thresholds, and require business plans) are already under the scope of the current legal framework. The Commission in its advisory role will continue to encourage the Member States to improve the quality of the required business plan and more generally, the selection process.

6) Special Report 16/2017: Rural Development Programming: Less complexity and more focus on results needed

The Court considered that the design of the 2014 – 2020 programming framework was more ambitious, but the implementation was affected by significant shortcomings, such as a lack of evident link between the RD thematic objectives and the Europe 2020 Strategy, no ensured consistency between RDPs' and the partnership agreements, no real results from the application of the reinforced intervention logic. The Court finds that the new performance framework has limited potential to enhance the focus on performance and results and that the "performance reserve" is a misnomer because the indicators used for the performance review do not measure policy results but explicitly seek to measure expenditure and direct output. The Court issues several recommendations for the post 2020 design of the RD policy as regards the complexity, the consistency, the implementation reporting, the result-oriented indicators and the use of the performance reserve.

The Court recommended to the Commission to:

- ensure that its policy proposals further develop the requirements concerning consistency between individual programmes (partially accepted);
- review the design of programming documents with a view to simplifying their content and reducing the number of requirements (accepted);
- work with the Member States to ensure that the enhanced annual implementation reporting of 2019 provides clear and comprehensive information on programme achievements (accepted);
- define the various types of indicators more accurately, benefiting from good practices established by national authorities and international organisations (partially accepted);
- review and take stock of the experience from the implementation of the current system including: the impact of the performance reserve, the appropriateness of result indicators used to access the performance reserve and the use made of financial sanctions to address underperformance (accepted);
- prepare its legislative proposals for rural development policy post 2020 in good time (accepted).

In its response to the Court's recommendations, the Commission made the following observations:

- The Commission has the responsibility of the implementation of the Regulations, avoiding the introduction of elements of complexity and promoting further simplification to the maximum possible extent.
- The Commission commits to analyse possible ways to simplify the structure and level of requirements of programming documents to the most possible extent. Reflections in this respect have already been initiated in the context of the preparation of the Commission Communication on CAP Modernisation and Simplification.

- The reliability of data submitted to the Commission falls under the responsibility of the Member States. The quality of the data submitted by the Member States in the context of monitoring requirements is assessed by the Commission, which takes appropriate follow-up actions where relevant. The Commission also supports Member States through capacity building networking activities.
- As regards the definition of common indicators, there are intrinsic limitations which have to be considered. The same applies as regards the possibility to impose large data collection requirements at the level of beneficiaries.
- The performance framework provides a mechanism for monitoring whether the implementation of the priorities is on track. The performance reserve provides an incentive to achieve the milestones, which necessarily are the precondition for obtaining the intended results.
- The Commission commits to analyse possible ways to improve the performance measurement of the CAP as a whole. Reflections in this respect have already been initiated in the context of the preparation of the Commission Communication on CAP Modernisation and Simplification.

7) Special Report 21/2017: Greening – A more complex income support scheme, not yet environmentally effective

The Court considers that the intervention logic of greening is uncomplete and that, as currently implemented by Member States and farmers, greening is unlikely to provide the expected environmental and climate delivery. In addition the Court finds complexity entailed by overlaps with other instruments.

The Court recommended to the Commission to:

- develop a complete intervention logic for the CAP's contribution to the environmental and climate-related objectives of the EU, including specific targets and based on up-to-date scientific understanding of the phenomena concerned for the next CAP reform (accepted);
- review and take stock of the implementation of the current CAP guided by the following principles (partially accepted):
 - Farmers should only have access to CAP payments if they meet a set of basic environmental norms encompassing areas covered by the current GAECs and the generalised greening requirements.
 - Specific, local environmental and climate-related needs can be appropriately addressed through stronger programmed action regarding agriculture (based on the achievement of performance targets and funding reflecting an assessment of the average costs incurred and income foregone in relation to actions and practices going beyond the environmental baseline).
 - When Member States are given options to choose from their implementation of the CAP, they should be required to demonstrate, prior to implementation, that the options they select are effective and efficient in terms of achieving policy objectives.

In its response to the Court's recommendations, the Commission made the following observations:

- It is not in a position at this stage to make specific commitments in relation to legislative proposals for the post 2020 period and for the target implementation date. However work has already started to further develop the intervention logics of environmental and climate-related instruments of the CAP including greening.
- The Commission is already reviewing and taking stock of the implementation of the current CAP in view of the Commission's legislative proposals for the post-2020 CAP. In this respect, the Commission has already issued two reports on the implementation of greening in 2016 and 2017.
- The Commission actively supervises Member States' implementation of greening and follows up on the incorrect implementation of EU rules. However there are limits to the assessment capabilities of the Commission, which is not in the position to validate in details whether these choices are environmentally relevant in specific national or local situations.

ANNEX 15: Abbreviations

Abbreviation	Full text
A	
AAR	Annual Activity Report
ABB	Activity-Based Budgeting
ACP	African, Caribbean, and Pacific Group of States
DG AGRI	Directorate-General Agriculture and Rural Development
AMIS	Agricultural Market Information System
ANC	Areas facing natural and other specific constraints
ARES	Advanced Records System
AT	Austria
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
DG BUDG	DG Budget
C	
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
CLAR	Client in Audit Research
DG CLIMA	Directorate-General Climate Action
CMO	Common Market Organisation
COMAGRI	Committee on Agriculture and Rural Development in the European Parliament
DG CNECT	Directorate-General Communication Networks, Content and Technology
DG COMP	Directorate-General Competition
COP	Cereal, Oilseed and Protein crops
CSF	Common Strategic Framework
CWP	Commission Work Programme
CY	Cyprus
CZ	Czech Republic
D	
DCFTA	Deep and Comprehensive Free Trade Areas
DDA	Doha Development Agenda
DE	Germany
DG	Directorate-General
DG DEVCO	Directorate-General International Cooperation and Development
DG DIGIT	DG Informatics
DIH	Digital Innovation Hubs
DK	Denmark
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
ECA	European Court of Auditors

Abbreviation	Full text
EE	Estonia
EEA	European Environment Agency
EFA	Environmental Focus Area
EFSI	European Fund for Strategic Investments
EIP	European Innovation Partnership
EL (GR)	Greece
DG EMPL	Directorate-General Employment, Social Affairs and Inclusion
DG ENER	Directorate-General Energy
ENRD	European Network for Rural Development
DG ENV	Directorate-General Environment
EP	European Parliament
EPA	Economic Partnership Agreement
ERR	Error rate
ES	Spain
ESIF	European Structural and Investment Funds
ESPG	Environmentally sensitive permanent grassland
DG ESTAT	Eurostat
ETC/ACC	European Topic Centre on Air and Climate Change
EU	European Union
EU-15	AT, BE, DE, DK, EL, ES, FI, FR, IE, IT, LU, NL, PT, SE, UK
EU-28	All EU Member States
EU-N10	Members States that joined the EU in 2004: Czech Republic (CZ), Estonia (EE), Cyprus (CY), Latvia (LV), Lithuania (LT), Hungary (HU), Malta (MT), Poland (PL), Slovenia (SI) and Slovakia (SK)
EU-N13	EU-N10 plus Member States that joined the EU in 2007 (Bulgaria (BG), Romania (RO) and 2013 (Croatia (HR)) respectively
EUR (€)	Euro
F	
FADN	Farm Accountancy Data Network
FAO	Food and Agriculture Organization of the United Nations
FEAD	Fund for European Aid to the Most Deprived
FI	Financial instruments
FI	Finland
FP7	7th Framework Programme
FR	France
FTA	Free Trade Agreement
FVO	Food and Veterinary Office
FY	Financial Year
fYRoM	Former Yugoslav Republic of Macedonia
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
GHG	Greenhouse gases
GI	Geographical Indications
GR	Greece
DG GROW	Directorate-General Internal Market, Industry, Entrepreneurship and SMEs
GVA	Gross Value Added

Abbreviation	Full text
H	
HR	Croatia
HR	Human Resources
HU	Hungary
I	
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
IoF	Internet of Food and Farm
IoT	Internet of Things
IPA	Instrument for Pre-accession Assistance
IPARD	Instrument for Pre-Accession Assistance Rural Development
IRR	Incompliance rate
IT	Information Technology
IT	Italy
J	
JRC	Joint Research Centre
DG JUST	Directorate-General Justice and Consumers
L	
LAG	Local Action Group
LAU2	Local Administrative Units
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
ME	Montenegro
MEP	Member of the European Parliament
MFA	Multi Annual Financing Agreement (IPARD)
MFF	Multi-annual Financial Framework
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
NRN	National Rural Networks
O	
OECD	Organisation for Economic Co-operation and Development
OIB	Office for Infrastructures and Logistics in Brussels
OJ	Official Journal
OLAF	Office de Lutte Antifraude
OTSC	On-the-spot checks
P	
PA	Paying Agency
PDO	Protected Designations of Origin
PGI	Protected Geographical Indications
PL	Poland

Abbreviation	Full text
PMO	Office for Administration and Payment of Individual Entitlements
PO	Product organisation
POSEI	Programme d'Options Spécifiques à l'Éloignement et l'Insularité (Programme of Options Specifically Relating to Remoteness and Insularity)
POSEICAN	Programme of options specific to the remote and insular nature of the Canary Islands
POSEIDOM	Programme of options specific to the remote and insular nature of the overseas departments
POSEIMA	Programme of options specific to the remote and insular nature of Madeira and the Azores
PT	Portugal
R	
RAD	DG BUDG database ("Recommendations/Actions/Discharge")
RBN	Research Budget Network
RD	Rural Development
RDP	Rural Development Programme
REA	Research Executive Agency
DG REGIO	Directorate-General Regional and Urban Policy
RO	Romania
RoO	Rules of Origin
DG RTD	Directorate-General Research and Innovation
S	
SAPARD	Special Accession Programme for Agriculture and Rural Development
DG SANTE	Directorate-General Health and Food Safety
SAPS	Single Area Payment Scheme
SC	Societal Challenge (Horizon 2020)
SDGs	Sustainable Development Goals
SE	Sweden
SF	Support Facility
SG	Secretariat-General of the European Commission
SI	Slovenia
SJ	Legal Service of the European Commission
SK	Slovakia
SMP	Skimmed milk powder
SPS	Single Payment Scheme
SPS	Sanitary and Phytosanitary
SR	Special Report
T	
DG TAXUD	Directorate-General Taxation and Customs Union
TFEU	Treaty on the Functioning of the European Union
TFP	Total Factor Productivity
ToR	Terms of Reference
TR	Turkey
DG TRADE	Directorate-General for Trade
TRDI	Transitional Rural Development Instrument
TRIPs	Agreement on Trade-Related Aspects of Intellectual Property Rights
TRQ	Tariff-Rate Quota
TSG	Traditional Specialities Guaranteed
TTG	Time to grant
TTIP	Transatlantic Trade and Investment Partnership
TTP	Time to pay

Abbreviation	Full text
U	
UAA	Utilised agricultural area
UK (GB)	United Kingdom
UN	United Nations
UNFCCC	UN Framework Convention on Climate Change
US	United States of America
V	
VCS	Voluntary Coupled Support
W	
WTO	World Trade Organization